



Government of the Republic of Slovenia

## **NATIONAL REFORM PROGRAMME 2012–2013**

---

13 April 2012

## TABLE OF CONTENTS

<b>Introduction</b> .....	<b>3</b>
<b>1. Macroeconomic measures for fiscal stability</b> .....	<b>5</b>
<b>2. Agenda of reforms and measures</b> .....	<b>8</b>
<b>2.1 Smart growth</b> .....	<b>8</b>
<b>2.2 Inclusive growth</b> .....	<b>16</b>
<b>2.3 Sustainable growth</b> .....	<b>21</b>
<b>3. Simulation of effects of specific measures using the DSGE model</b> .....	<b>25</b>
<b>4. Public debate</b> .....	<b>28</b>

ANNEX:

**Table 1: Standard table for the assessment of CSRs and macro-structural reform in the NRPs**

**Table 2: Report on measures to meet EU 2020 targets and other commitments**

## Introduction

Weak economic growth and uncertainty in the financial markets were characteristics of the **global economic environment** in 2011. The economic growth recorded across the EU in 2011 was below the spring and autumn forecasts; GDP growth forecasts for some Member States have been substantially downgraded also for 2012.

In its interim economic forecast for 2012, the European Commission expects stagnating of the EU economy, while euro area is to undergo mild recession with 0.3% contraction expected. Compared to the autumn 2011 forecast, there has been a downward revision of 0.6 percentage points for the EU and 0.8 percentage points for the euro area. The European Commission's interim forecast relies on the assumption that adequate economic policy measures have been decided on and implemented at the EU and Member State level in order to overcome the sovereign-debt crisis.

The international slowdown is hitting Slovenia through trade – as was the case in 2009. The slower growth expected in key euro area trading partners will have a substantial impact on Slovenia. According to the European Commission's forecast, Germany is expected to record 0.6% growth (the autumn forecast stood at 0.8%), France is expected to record 0.4% growth (the autumn forecast was 0.6%), while Italy's economy is projected to contract by 1.3% (the autumn forecast was +0.1%).

According to the Statistical Office of the Republic of Slovenia (SORS), **Slovenia's economic activity** decreased by 0.2% in 2011 and further contraction is expected in 2012. The spring forecast of the Institute of Macroeconomic Analysis and Development (IMAD) estimates a 0.9 % decline in GDP for 2012; this forecast already considers the Government's platform for revising the 2012 state budget. This downward revision is to be attributed to the expected deterioration in the external environment, a further reduction in investments, restrained private consumption and the cost cutting measures taken by the state. These circumstances are also linked to the sluggish adjustment of the state and the economy to the changing market conditions. A prolonged, shallow recession has already begun.

**Table 1: Key indicators of economic growth, Slovenia 2009–2013**

<b>Real growth in %</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012f</b>	<b>2013f</b>
Gross domestic product	-8.0	<b>1.4</b>	-0.2	<b>-0.9</b>	<b>1.2</b>
Exports (goods and services)	-17.2	<b>9.5</b>	6.8	<b>1.4</b>	<b>5.4</b>
Imports (goods and services)	-19.6	<b>7.2</b>	4.7	<b>-1.6</b>	<b>4.9</b>
Private consumption	-0.1	<b>-0.7</b>	-0.2	<b>-1.2</b>	<b>0.2</b>
Gross fixed capital formation	-23.3	<b>-8.3</b>	-10.7	<b>-1.5</b>	<b>4.0</b>
Government consumption	2.9	<b>1.5</b>	-0.9	<b>-3.5</b>	<b>-0.7</b>

Source: Statistical Office of the Republic of Slovenia, February 2012, and Institute of Macroeconomic Analysis and Development, Spring Forecast of Economic Trends, March 2012.

**In 2011 exports** slowed down to 6.8 %, while a 4.7 % increase in imports was recorded. As a result, Slovenia's current account deficit fell to 1.0 % GDP. The expected slowdown in economic activity for key trading partners in 2012 is mirrored in a considerably slower export growth forecast; a further decrease in domestic consumption will trigger a decline in imports. As a consequence, Slovenia might see an external surplus in 2012.

**Domestic demand was weak in 2011.** Household consumption dropped by 0.2 %; state consumption and fixed capital formation fell by 0.9 % and 10.7 % respectively. Negative trends in household and domestic demand will continue in 2012 (-1.2 % and -3.5 % respectively); the negative trend in investment is expected to continue and reduce by a further 1.5 % over 2011.

**The labour market situation in Slovenia has been weakening;** in 2011, the rate of registered unemployment increased by 1.1 percentage point and reached 11.8 %, while the surveyed (ILO) unemployment rate increased by 0.8 percentage point, reaching 8.1 %. No improvement in the situation is expected for 2012; on the contrary, further deterioration is anticipated in the registered and surveyed unemployment rates, which are expected to be at 12.9 % and 8.8 % respectively. There was a 2 % nominal increase recorded in gross wages for 2011; in real terms, this increase amounted to 0.2 %. This is solely attributable to the wage increase in the private sector. Public sector wages remained at the same level as for the previous year. According to the Institute of Macroeconomic Analysis and Development, the average wage will fall by 0.2 % in real terms in 2012. In 2011, consumer price growth reached 2% and the same growth is expected in 2012.

**Table 2: Employment, wages, productivity, unit labour cost and inflation, 2009–2013**

<b>Annual growth in %</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012f</b>	<b>2013f</b>
Employment (according to the SNA)	-1.8	-2.5	-1.7	-2.2	-1.2
Unemployment rate (ILO in %)	5.9	7.3	8.1	8.8	9.3
Wage per employee (real, gross)	2.5	2.1	0.2	-0.2	0.1
Productivity (GDP per employee, in real terms)	-6.3	4.0	1.6	1.4	2.4
Unit labour cost (nominal)	8.7	0.3	0.4	0.4	-0.5
Inflation (end year)	1.8	1.9	2.0	2.0	1.9

Source: Statistical Office of the Republic of Slovenia, February 2012, and Institute of Macroeconomic Analysis and Development, Spring Forecast of Economic Trends, March 2012.

According to preliminary data (Bulletin of Government Finance, March 2012), Slovenia's **general government revenue** for 2011 exceeded the amount generated in 2010 by 1.3 %, primarily on account of corporate income tax; the increase in other tax revenues was small. In 2011 general government expenditure dropped by 0.9 % in nominal terms over 2010, primarily due to a substantial decrease in investment expenditure and subsidies, while interest expenditure and transfers to individuals and households increased significantly.

**Table 3: The Public Finances, 2009–2011\***

<b>% of GDP</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>General government balance</b>	-6.1	-5.8	-6.4
<b>General government debt</b>	35.3	38.8	47.6

Source: Statistical Office of the Republic of Slovenia, ESA Methodology. \*Assessments and forecasts for 2012–2013 will be provided in the Stability Programme.

The **general government deficit** reached 6.4 % of GDP in 2011. This was due to the impact of specific transactions which are, according to the EU manual on government deficit and debt, recorded as current capital transfers (losses of state-owned companies covered by recapitalisation, state owned companies' claims recognition and due government guarantees paid). In 2011, these transfers amounted to a total of EUR 459 million, or 1.3 % of GDP; in 2010, they were substantially lower and amounted to EUR 93 million, or 0.3 % of GDP. In 2011, the recapitalisations of the bank, NLB, d.d. (EUR 243 million), Adria Airways (EUR 49 million), Peko d.d. (EUR 6 million), and Nafta Lendava (EUR 10 million) were carried out by the Government; liabilities amounting to EUR 119 million (EUR 43 million in 2010) were assumed from Slovenian Railways, EUR 20 million of guarantees which had fallen due (in 2010 EUR 7 million) were paid, and debt amounting to EUR 10 million (EUR 33 million

for the previous year) was assumed from INFRA d.o.o., a concessionaire company for the construction of Sava hydropower plants. Without the above stated one-off transactions, the general government deficit would amount to 5.7% of GDP in 2010 and to 5.1% GDP in 2011.

Slovenia's **consolidated gross government debt** is relatively low compared to the rest of the euro area states, but has been rapidly increasing since 2008; for that reason, fiscal consolidation is the principal economic policy objective for 2012 and 2013.

Following a very tense situation in the financial markets in the autumn of 2011, when a **ten-year Slovenian government bond return** exceeded the psychological barrier of 7%, the beginning of 2012 saw a slight cool off despite an additional cut in Slovenia's credit rating and returns remaining above-average. At the beginning of April, the return on Slovenian government bonds stood at 5.27% and surpassed German bonds by 378 basis points.

## 1. Macroeconomic measures for fiscal stability

### **Priorities of the Annual Growth Survey:**

- Pursuing differentiated growth-friendly fiscal consolidation

Slovenia will implement a number of measures in line with the recommendations of the EU Annual Growth Survey, the Euro Plus Pact commitments and EU 2020 objectives with a view to strengthening growth, increasing competitiveness and stabilising the public finances. The Government will make every effort to renew social dialogue and harmonise and adopt a social agreement; its platform has been agreed upon, while particular measures are to be negotiated and agreed by the end of June.

### **A clear signal to the financial markets on fiscal stability**

In line with the requirements stated in the Stability and Growth Pact, fiscal consolidation is required in order **to reduce the general government deficit below 3% GDP**. This objective will be achieved through measures taken in the area of general government expenditure and concurrent measures to stimulate economic activity and increase the competitiveness of the economy. In this regard, Slovenia will follow the principles of strengthening responsibility to the public and ensuring quality public services within the limits of the resources available. The proportionality and balance of the measures covering all policy areas will be taken into consideration. With regard to proposing some of the measures in the social policy and labour market, the selective principle has been applied so that the measures will have a stronger impact on people with comparatively higher incomes. The objective of fiscal consolidation is to achieve a sustainable structural adjustment of the public finances.

The restoring of the public finances will focus on three key areas on the expenditure side: (i) internal cost reductions and cutbacks; (ii) adjustments to the operations of the public sector; and (iii)

adjustments to programmes and policies.<sup>1</sup> The measures referring to public sector labour cost, which are currently negotiated with the social partners, include measures regarding wages, as well as other remuneration and labour costs. In addition, there will be a few per cent decrease in the overall number of employees resulting from the reorganisation and streamlining of the institutions. A reduction in material costs and investment expenditure is also envisaged. In addition, the measures for particular policies or individual ministries are to be introduced through amendments to regulations and implementing documents with a view to enabling the key policy objectives to be achieved through reducing expenses.

### **Reducing tax burdens with the aim to boost the economy**

The measures taken regarding general government revenue are divided into two sets: simulative changes in taxation aimed at boosting the economic activity and employment, and the solidarity changes aimed at placing a larger portion of the fiscal consolidation burden on wealthier persons. The Government has also increased excise duties on cigarettes, cut tobacco, alcohol and alcoholic beverages, which generate additional revenue. The changes in the financial burdens affecting certain sectors of the economy and linked to CO<sub>2</sub> emissions will generate an increase in revenue from emission coupon auctions in 2012. The increase in tax revenue will be achieved in part through a more efficient tax collection system and other measures aimed at reducing the informal economy.

The Government has submitted a revised budget to the National Assembly of the Republic of Slovenia in 2012 and proposed **measures to gradually decrease the tax burden on companies and individuals**, but only to the extent justified by the primary objective of the Government's fiscal policy for 2012, i.e. fiscal consolidation. The Government has proposed increased tax reliefs, i.e. 100 % on research and development investments and tax relief on other investments amounting to 40 % of the amount invested. The Government further proposes a gradual decrease in the nominal corporate tax rate to 15 %; in 2012, the rate is to be set at 18 % and then will be reduced by 1 percentage point each year. As regards the personal income taxation, the Government proposes a change to the tax scale; a new amount of income levied for the highest personal income tax rate is to be determined, i.e. 41 % or 1.5 times the average wage in Slovenia. The impact assessment of the measures on budget revenue will be provided in the Stability Programme.

The Government has been drafting a set of solidarity changes in taxation on the social partners' proposal. These include the introduction of some new taxes or increases to the existing tax rates. The changes proposed include the introduction of a financial transaction tax (the legal basis for which is provided by a draft European directive), additional tax on high-value real estate (a crisis tax on high value real estate, tax on extra profit from land sales after its intended use has been changed, tax on vacant construction land), an additional tax on high-value movable property (high price and high capacity vehicles and vessels), an increased tax on capital income (capital gains, dividends and interest) from 20 % to 25 %, and the possible introduction of an additional tax bracket (between 45 % and 50 % for in personal income tax for annual income of EUR 70,000 to 100,000).

In order to further improve the competitiveness of the Slovenian economy, additional changes which focus primarily on the rapid and simple fulfilment of tax obligations are planned over the coming years; particular attention will be devoted to small and micro-sized companies (the elimination of

---

<sup>1</sup> Provided in more detail in the Stability Programme or after negotiations with social partners have concluded.

administrative barriers, improved e-communication with tax and customs authorities, the introduction of flat-rate taxation).

The Government also expects that a set of measures to reduce tax burdens, to simplify the fulfilment of tax obligations, and to ensure effective control, which will be supported by measures to increase awareness of the voluntary payment of taxes, would trigger a **decrease in the size of the informal economy** with regard to lawful activities.

With a view to stabilising the public finances and strengthening budgetary discipline over the medium-term, the Government has proposed the National Assembly of the Republic of Slovenia to **include the fiscal rule in the Constitution** and adopt a relevant implementation law. Economic stability and the long-term sustainability of the public finances is to be ensured by the fiscal rule for a balanced budget, which will set the expenditure ceiling at the level of the envisaged scope of revenue multiplied by a quotient of the trend and the projected scope of gross domestic product. The draft implementation act will strengthen the role of the Fiscal Council as an independent and autonomous consultative body for the independent assessment of fiscal policy. Under the draft Act, the Fiscal Council will provide its observations on the scope of revenue and expenditure envisaged before the budget drafting process starts; the government will take this into account when drafting the budget.

### **Decent and fair pensions**

Given the fact that pension reform has already been rejected at a referendum, the changes to be made to the **pension system** will be negotiated with the social partners to the greatest extent possible. However, pension incomes that are not based on paid contributions are to be reduced this year. The pension budget expenditure will be reduced on account of last year's transfer of the "minimum pension support" to means tested social transfers, and the proposed temporary reduction of an annual supplement to pensioners. Within the framework of the social dialogue on pension legislation reform, the Government will propose criteria on acquiring pension insurance rights and the accompanying measures, which will facilitate a rise in the effective retirement age. The new system is to be based on a multi-pillar system and will provide, on the one hand, for better links between paid contributions and the pensions themselves, including the length of service extension necessary to acquire a full pension and, on the other, will ensure "adequate" pensions for all those, who, for justifiable reasons, were not in a position to save enough for themselves. The system will be more transparent and will provide full information on contributions paid and the expected pension amount.

### **Financial system as a service to the economy**

A lack of public funds will force the banking sector to seek private capital for further recapitalisation. The additional capital provided to banks will also address the credit crunch, which has held back the renewal of economic activity in the private sector. Capital adequacy requirements prevent banks from simultaneously acknowledging bad loans and expanding their loan activities. The recapitalisation of Nova Ljubljanska banka d.d., to be finalised by 30 June 2012, as requested by the European Banking Authority (EBA) and the Bank of Slovenia, should be carried out primarily without any direct involvement from the budgetary funds of the Republic of Slovenia.

## **The effectiveness of the corporate governance of capital investments**

The strategic documents concerning the management of state-owned assets, which should provide the basis for the functioning of the Capital Assets Management Agency of the Republic of Slovenia, have not yet been adopted. With a view to regulating this area, the Government of the Republic of Slovenia adopted amendments to the Management of Assets Owned by the Republic of Slovenia Act, and thereby provided for a systematic solution, at least in cases where urgent action to ensure economic, financial or fiscal stability is required. Further to this the Government is preparing a comprehensive corporate government concept with the purpose of concentrating governance of state-owned companies.

## **2. Agenda of reforms and measures**

### **2.1 Smart growth**

#### **Priorities of the Annual Growth Survey:**

- Restoring normal lending to the economy.

#### **Elimination of the credit crunch**

For the rollover and granting of new loans, banks must consider companies' relatively high debt-to-equity ratio, increased uncertainty regarding access to foreign sources of finance and business risks, particularly in commercial activities that have been badly affected by the crisis. Along with the restructuring of sources of finance provided by banks and the high cost of impairments and provisions, these factors are reflected in higher loan interest rates if compared to the euro area average. The Spring Forecast of Economic Trends (IMAD) assumes that bank lending activities in Slovenia will remain relatively low in 2012, and no improvements are expected before 2013.

The financing of Slovenian companies and non-financial institutions by banks dropped significantly in 2011. While in 2009 companies and non-financial institutions were still net borrowers in terms of domestic and foreign loans, the net repayment of loans in 2011 amounted to almost EUR 40 million. Last year the banks also made a net repayment in foreign deposits and loans of EUR 1.5 billion, which is half the amount of 2009.

Apart from commercial banks, there are two institutions in the market that provide financing to companies:

- The Slovene Export and Development Bank (SID Bank): in addition to the provision of classical forms of financing and insurance to export businesses, it provides financing for internationalisation and the promotion of the small- and medium-sized enterprises. The bank will also develop new products and provide loans for development projects (by combining funds from ministries with, for example, EIB funds).
- The Slovene Enterprise Fund (SPS): this organisation develops equity and debt financing products for small- and medium-sized enterprises (guarantees by interest rate subsidisation, venture capital). The SPS and the Slovenian Regional Development Fund will merge into a

single fund and combine their knowledge and synergies (taking specific smart regional specialisation development tasks which are a priority into consideration).

Support to small and medium-sized companies financing can also be provided by simplifying domestic administrative procedures and increasing the scope of national co-funding. It is planned that the potentials of the SID Bank, the ECB and the EIB be fully exploited.

**Priorities of the Annual Growth Survey:**

- Promoting growth and competitiveness for today and tomorrow

**Enhancing the competitiveness of the most creative**

In order to enhance economic growth, changes in taxation are planned as a countermeasure to reduce public spending. The existing personal income tax scale limits the competitiveness of experts, because the lower limit of the highest tax bracket is approximately 1.3 times the average wage level. Taxation will change as follows: the most creative will be taxed less and, as a result, become more competitive, i.e. the lower limit of the highest tax bracket will be gradually raised. The first step has been proposed this year, i.e. increase to 1.5 times average wage ceiling.

The promotion of design and brands in companies as well as other forms of innovation contributing to higher added value will be systematically assisted. Owing to the adverse financial conditions, instruments relating to subventions for preserving jobs in companies facing difficulties will be reconsidered (the reduction of subventions or preservation of effective subventions only); the costs associated with closing mines and similar programmes will also be streamlined.

Administrative procedures and the tax burden pose an obstacle to small and newly established enterprises and also entail costs. As these enterprises represent one of the most prosperous and important parts of the economy, lump-sum taxation will be introduced for sole proprietors.

**Domestic and foreign investment**

Support will be provided to domestic and foreign investment as an incentive for economic growth through the following measures:

- the adoption of the "one-stop-shop" concept, which will enable domestic and foreign investors to perform all necessary administrative procedures at a single point of contact and within a reasonable period of time (e.g. 90 days);
- the introduction of activities and support to enterprises in finding foreign strategic partners for direct foreign investments and portfolio investments through the "one-stop-shop" and through active economic diplomacy;
- the preparation of a list and contents of important investment projects in the field of infrastructure, energy and the environment etc., which are important for public-private partnerships, and the search for investment opportunities through international tenders and direct presentations for potential foreign investment funds, in companies and the like.

## **Internationalisation of the economy**

The internationalisation of the economy in existing neighbouring markets will be improved; activities promoting the penetration on niche and emerging markets will be carried out, and the internationalisation of small and medium-sized enterprises will be especially promoted. To this end, the following measures are planned:

- to intensify economic diplomacy with a view to increasing efficiency – by strengthening economic co-operation between companies by increasing international trade and attracting foreign investors;
- to improve the coordination of institutions that support the operation of enterprises (the Public Agency for Technological Development of the Republic of Slovenia (TIA), the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments (JAPTI) and the Slovenian Tourist Board (STO)) – these agencies and institutions will merge in order to provide information on the possibilities for technological cooperation, export opportunities, entrepreneurial opportunities, etc. on the domestic and foreign markets – at a single point, which will be of benefit to all businesses, particularly small and medium-sized enterprises. Those entities that would benefit from these institutions could contribute to their financing by providing fees (reducing the budgetary source).

### **Priorities of the Annual Growth Survey:**

- Modernising public administration

## **The siting of facilities must no longer constitute an obstacle to investments**

One of the major problems in Slovenia's global competitiveness ranking is the siting of facilities. In this area, the Government will eliminate bottlenecks by ensuring greater flexibility in the spatial planning system, establishing decision-making mechanisms which take modern technologies into consideration, clearly defining and exercising the competences and responsibilities of stakeholders in these processes so as to provide timely coordination and expedite planning procedures. With a view to eliminating administrative barriers, the Government will introduce changes and improvements in those parts of the construction where much can be achieved through minor changes. This includes, for example, compliance with the "silence is approval" principle – when this is not in contravention of EU regulations – for licences required before applying for a construction permit; all approvals to be free of charge, the issuance of all licences within a period of one month and not more than two months for environmental protection projects.

A spatial information infrastructure and system will be established, information on real estate and the land on which building is permitted will be improved, and the land register, the cadastre and the register of buildings will be merged. This will increase Slovenia's attractiveness to investors and reduce operating costs for businesses, but still keep spatial development at a high level.

## **A people-friendly and business-friendly country**

Slovenia ranks among the countries with a very high number of regulated professions and is among the leading countries in the EU, where the average number of regulated professions amounts to 100. In Slovenia, the register of regulated professions or professional activities contains 319 professions, for which persons are obliged to comply with formal (statutory) requirements for entering into or obtaining licence to perform a job. The regulation of conditions and criteria reduces labour market flexibility, develops an unfriendly business environment and does not necessarily ensure a good level of quality in a profession. Employers would still be able to prescribe in their internal documents the field and level of education required for working in a certain profession; however, they would be given sufficient room for manoeuvre. Within the scope of the project for establishing a single contact point, all the requirements for working in the professions and carrying out the activities which are contained in existing legislation will be examined and a proposal for amending legislation regarding duplicated and unnecessary requirements will be drawn up. In the first phase, the single contact point web portal will provide for simple, transparent and quick access to the information required for the performance of activities and professions, while in the second phase it will offer the possibility for distance licensing via the Internet, and cross-border licensing. Through the single contact point, users will be able to carry out all the procedures and formalities required to carry out an activity. This will result in a reduction of the administrative burdens on the economy and significantly contribute to the establishment of a business-friendly environment.

## **ICT-based digitisation of the economy and society**

Development measures will be adopted in the following six priority areas: information society to support sustainable development; strengthening research, innovation and business potentials; next generation networks for an integrated society; an all-inclusive creative society; and user-friendly services, as well as security, privacy and trust. Measures aimed at promoting the development of e-services, e-contents and mobile applications will continue to be implemented. The co-financing of companies' research and development projects, and the development projects of public and private non-profit organisations will be provided. A system application framework for the introduction and use of e-textbooks and the development and introduction of e-school bags will be established, with particular emphasis on the introduction of tablet PCs and the use of cloud computing in the learning process. The principles of improving ICT competences in the education system will also be transferred to the area of adult digital literacy and applied to enhance general e-integration. Systemic measures will be adopted to introduce a single digital market and to improve the situation in the area of personal data protection, information security and the protection of critical information technology infrastructure. Projects aimed at setting up open broadband networks will be completed and measures for improving the use of the existing optical and other infrastructure will be adopted. The starting points for the national development project for further white space coverage through modern broadband infrastructure will be defined and measures envisaged in order to expedite broadband communication development, such as restrictions on investments into duplicated infrastructure, the sharing of existing infrastructure, the promotion of joint investments and the search for synergies between development and investment at the cross-sectoral level. Strategic frameworks will be set for the use of digital dividend frequencies, the introduction of 4G mobile communications and the rearrangement of radio frequency spectrum use.

## **State accessible to the public on the web**

In the area of e-government the "one-stop-shop" concept will be further developed. On the Slovenian e-government portal, a website will be set up that hosts all the public administration and state administration institutions in a single point of contact. It will contain official data for each institution and be linked to services provided to citizens and companies. Users will have general access to public information, administrative procedures and the relevant forms, irrespective of the location of the information, the place where the procedures are carried out and the persons responsible for the information and the procedures. E-government solutions accessible to users via the e-government single access point increase the quality, effectiveness and transparency of public administration and, as a result, reduce the costs borne by citizens and companies in doing business with the state, not to mention public administration operating costs.

Every effort will be made to promptly establish a uniform system of reporting to a single body – the AJPES public portal. At present, companies are still obliged to send reports to different institutions at different locations (the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), the Tax Administration of the Republic of Slovenia (DURS), the Customs Administration of the Republic of Slovenia (CURS), the Bank of Slovenia, the Statistical Office of the Republic of Slovenia (SURSTAT), the Employment Service of Slovenia, and the Pension and Disability Insurance Institute of the Republic of Slovenia (ZPIZ). In addition to semi-automatic reporting through web technologies, more modern, automatic reporting and, as a result, more advanced business-to-government (B2G) integrations will be facilitated. This will reduce the operating costs for businesses and increase their competitiveness.

Measures related to digitisation, digital contents, e-services and public accessibility in the area of culture mean the direct application of digital cultural contents in the processes of heritage protection, education, training, lifelong learning and knowledge acquisition for a better quality of life. Through this measure, every stakeholder will be provided with easier access to information, data interoperability and related services. A waste management information system will also be set up to simplify waste management record keeping for companies.

## **The state shall establish conditions instead of obstacles for its operation**

Various models of sectoral associations exist in Slovenia. In some, chamber membership is obligatory (the Chamber of Craft, Chamber of Agriculture and Forestry, etc.), while in others it is voluntary (the Chamber of Commerce, etc.). The medical chamber and the chamber of pharmacies are to be abolished as self-regulators. Solutions will be adopted to make all chamber memberships voluntary, except where membership, at the level of integration into the chamber, is set to be obligatory by way of a referendum or the obligation to join the chamber will be limited to major subvention recipients (in the area of agriculture). This measure will have a positive impact on improving the competitiveness of the business environment.

The programme for the elimination of administrative barriers will continue and administrative burdens will be further reduced; the ministries are also obliged to finally implement all outstanding measures in 2012. Measures are also planned for a more streamlined institutional state structure. When the Government was constituted, the number of Ministries was reduced to 12; other measures have also been planned:

- the abolition of the Public Procurement Agency of the Republic of Slovenia and the Public Agency for Safety of Traffic of the Republic of Slovenia;

- changes to the operation of two public agencies, the Slovenian Book Agency and the Slovenian Film Centre;
- the merger of the customs and tax administrations;
- public service rationalisation in the areas of agriculture and forestry;
- the streamlining of the operations of public institutions – reorganisation and integration (landscape parks, public educational institutions).

**National targets for EU 2020:**

- 3 % of GDP to be invested in R&D (in 2009, 1.86 % of GDP was allocated to R&D, while in 2010, 2.11 % was allocated to R&D);
- the share of early school leavers not to exceed 5 % (in 2009 the share of early school leavers amounted to 5.3 %, while in 2010 it amounted to 5 %);
- 40 % of the younger generation (aged 30 to 34) to have a tertiary education degree (in 2009, 31.6 % of the younger generation completed tertiary education, while in 2010 this share amounted to 34.8 %).

**Promotion of investments in research and development**

In 2010, Slovenia spent EUR 745.9 million or 2.1 % of GDP on research and development activities; however, there are only a few companies in Slovenia that market goods and services with high added value to end users under their own brand name. In addition to the aforementioned increase in tax reliefs in this area, particular attention will be devoted to the following:

- research and development activities to be carried out in cooperation with the country's business sector (the industry and service sectors) that produce final products and have their own brand;
- the greatest possible utilisation of the existing innovative environment (technological parks, incubators, offices for the transfer of technologies), the enhancement of connections in this environment and cooperation between the research sphere and the economy;
- the consideration of possibilities to co-finance applications for international patent rights for micro and small-sized enterprises in order to support applications for patents in accordance with the international model and to establish a one-stop-shop for submitting and monitoring patent applications;
- the switch-over to comprehensive electronic commerce, the purpose of which is to reduce the costs borne by companies in doing business with the state, to reduce costs in the state administration and thereby increase the efficiency of the operations of all entities involved.

**Quality and cost-efficient education as a key development factor**

The compulsory part of the formal education system serves as the basis for the further education and development of creative, enterprising and innovative individuals. For this reason, advanced pedagogical and teaching organisational methods will be introduced to elementary schools, and increased individualisation and personalisation of teaching will be provided. In order to catch up with

the developments afoot in all areas, new teaching and technical standards for the introduction of e-textbooks, and their widespread use, will be developed.

Fiscal austerity measures in education and pre-school education are urgently required owing to the economic crisis. By setting up the ITC support for nurseries and schools, excessive administration is eliminated, the autonomy of schools is enhanced, and the professional competence of teachers is increased. Norms and standards in elementary schools will also be streamlined. A better distribution of pupils among schools and a better class occupancy rate will be achieved by setting up unified school districts in integrated populated areas. Fixing the bottom limit for the status transformation of a school (from a central school to a branch school if the number of pupils falls below the fixed minimum) wherever a school is not the only school in the municipality will seek to achieve the same goal (the average number of pupils per classroom is currently between 4.2 and 24.2 pupils, which is below the fixed statutory limit of 28 pupils). A large number of schools have contributed to the fact that 40% of all classrooms have less than 15 pupils. As a result, adjusting the size of classrooms and the capacities of teaching staff would improve efficiency. A new standard will be proposed that will determine the minimum number of pupils in a classroom (and not just the maximum number), which will help reduce costs and, at the same time, maintain the quality of elementary schools. All international research studies point to the fact that small group sizes are not a prerequisite for quality teaching and good results.

### **Enhanced attraction of secondary vocational education programmes**

In the area of professional and vocational education, the data show an excessive transitivity from secondary vocational programmes to vocational technical programmes, and this transitivity is not based on the appropriate quality of students. It will be necessary to consider setting up a condition to continue studies within vocational technical programmes after completing secondary vocational education. Labour market analyses reveal an exceptionally high demand for certain vocations trained in secondary vocational education programmes. As a result, an important part in ensuring the attractiveness of vocational education is clearly to increase the choices available and to provide the widest platform possible (training for work in the entire vocational area or branch instead of training that provides a single vocational qualification) and offering the development of transversal competences. By all means, quality cooperation with companies aimed at providing the best quality practical training remains one of the most important priority tasks.

### **Increasing the quality and efficiency of higher education**

The measures planned will promote the efficiency and effectiveness of higher education and streamlining; they will encourage and reward quality and top performance and greater cohesion and the interdisciplinary nature of post-graduate study programmes, in particular, while taking labour market demands and increasing internationalisation into consideration. The low-level efficiency of studies which is, above all, a consequence of an excessive (average) duration of study will be improved by the elimination of the so-called one year period of graduation preparation at level one studies. Level one will continue to be financed by public funds, whereas the public financing of level two will depend on the budgetary capacities and savings which will be yielded by the non-financing of one study year repetition, the elimination of the one year period of graduation preparation, and the reduction of fictitious enrolment. The financing of level two studies will take the accumulated excess of revenue over expenditure in public institutes into account. The higher education financing system will be changed, focusing both on enrolment and study results. The financial mechanisms supporting the development and introduction of lifelong learning – advanced study programmes,

adapted forms and methods of teaching, different target student groups, and e-education – will be set up.

Public funds will facilitate the balanced development of a network of higher education institutions; the setting up of higher education centres (i.e. higher education and research) in the locations of major economic centres would provide support to their economic development and the progress of the wider region. The higher education financing system will promote internationalisation by rewarding the international mobility of students, encouraging the international mobility of higher education lecturers, and the integration of top experts from the economic sector and from abroad. Statutory grounds facilitating the implementation of study programmes for foreign languages will also be laid down. The international publication of vacancies for higher education lecturers, assistants and researchers, whose jobs are predominantly co-funded by public funds, will be required, and the transition of higher education lecturers and researchers from higher education institutions and other research organisations to the economic sector will be encouraged.

Higher education institutions will need to begin to systematically monitor the employability of their graduates, since this is an important source of information for determining student enrolment numbers, and planning and ensuring the competence of graduate students; it is also important in the development and assessment of study programmes and higher education institutions. Knowledge and competence that improves the employability of graduates is a priority task; as a result, employers will gain importance as stakeholders in the design, implementation and assessment of study programmes and higher education institutions.

The autonomy of higher education institutions will also be reinforced in terms of enrolment numbers in various study programmes (with the exception of regulated and undersubscribed study programmes of national importance), where the government will determine only the enrolment number that will be financed by public funds. In addition, higher education institutions will have more say in determining the criteria for enrolment in study programmes.

The transparency and monitoring of higher education in Slovenia will be provided under the e-Higher Education information system, which will contain data on higher education institutions, certified study programmes, students, graduates and higher education lecturers, assistants and researchers. Information on certified study programmes at all three levels of public and private higher education institutions, calls for enrolment, and electronic enrolment registration, will be accessible to the public.

The Slovenian Quality Assurance Agency for Higher Education (NAKVIS) will be backed up by external experts who have in-depth experience in higher education, and employer representatives. NAKVIS will be free from accreditation procedural tasks and will be able to focus mainly on institutional assessment procedures; it will also develop advisory and educational activities for higher education institutions.

## 2.2 Inclusive growth

### **Europe's national targets for 2020:**

- Employment rate of the population aged 20–64: 75% by 2020; 71.9% aged 20–64 by 2009; 70.3% aged 20–64 by 2010
- The number of persons at risk of poverty and those experiencing social exclusion will be reduced by 40,000 by 2020 (in comparison with the reference year 2008, when the number was 360,000); the number in 2009 was 339,000 and in 2010 it was 366,000.

### **Priorities of the Annual Growth Survey:**

- Tackling unemployment and the social consequences of the crisis

### **Flexicurity**

Through amendments to labour legislation, an appropriate relationship between the relevant social security and a more effective adjustment to the market situation will be provided. Measures contributing to a reduction in labour market segmentation as a result of the differences in the statuses of workers employed on fixed-term contracts and those employed on permanent contracts will be promoted. As the first measure, the concession fee paid from student work will be raised from 14% to 25%, thereby considerably reducing the competitiveness of such work in terms of cost; funds collected in this manner will be earmarked for scholarships. In order to ease the transition of workers from flexible to more stable forms of employment, a system will be set up in order to increase the costs borne by employers gradually so as to give them fewer reasons to avoid offering long-term employment. The amended legislation provides for an easier transition between posts and/or duties at an employer and between different employers. In order to reduce administration, costs and time pressures on companies, simplified procedures for the conclusion and termination of employment contracts are planned, as well as simplified inspection and judicial protection procedures, all of which will enhance the effectiveness of labour legislation protection.

The measures planned also include reform of the severance payment system, including an option to set up a severance payment fund. This fund will provide appropriate security to persons who have lost their jobs and are looking for work, and will reduce and fairly distribute the severance payment burden that is currently borne by employers. Modified notice periods and an unemployment insurance scheme will be linked with the changes planned in the area of severance payments. At the same time, the fund will enable employed persons to transform their unused funds into a pension annuity.

### **Measures for young and older people**

In accordance with the adopted Guidelines for the Implementation of Active Employment Policy Measures for the period 2012–2015, special attention will be paid to young and older employment

seekers. Within the Active Employment Policy, special programmes adapted to young people that focus on enhanced vocation-related cooperation between young people and employers, and mentorship schemes and incentives to promote the first employment of young people will be developed. In order to attain greater cohesion between labour market demands and the education system, the participation of employers in the preparation of programmes will be enhanced. The institute of student work will be modified as well, because it currently provides unfair competition in the labour market, particularly for young people seeking regular employment. The programme promoting self-employment, which records a high 80% survival share of newly established sole traders and/or enterprises in the first two years, will continue.

Amendments to labour legislation will contribute to increasing the employment of young people by making it easier for employers to adapt to labour market demands, by facilitating the integration of young people into the labour market, by enabling them to gain work experience, and by providing them with greater security. These amendments will also help reduce labour market segmentation, which is the main obstacle in the employment of young people.

Incentives will also be targeted at adapting posts to the needs of older workers. New labour legislation will facilitate the employment of older workers by modifying notice periods and through the new regulation of severance payments. In this process, supporting and preventive measures involving the adaptation of posts and ensuring health at work, including the promotion of active ageing, will be important.

In 2012, a new "mentorship scheme" is planned within the framework of a new active employment policy measure to "replace a worker at a job and job sharing", which, on the one hand, will be devoted to the passing of work experience, knowledge and skills from older workers to younger unemployed persons, while on the other hand providing the companies and their employees with the systematic introduction of new employees into the working process.

It is important to note that there is currently an ongoing assessment of active policy key programmes in place that will provide feedback on the efficiency of the measures implemented thus far and the basis for their improvement in terms of the merits of their procedural and implementation schemes and in terms of their contribution to greater labour market flexibility and increased individual employability.

### **Investments in people**

Human resources are vital for the success of companies; therefore, the concept of life-long learning will be reinforced. The increased participation of persons in different forms of functional training and education and other innovative measures, such as the promotion of rotation, and replacing persons during training and other longer periods of absence will increase creativity and innovation in jobs and enhance employability. In this process, the provision of services for a life-long career orientation, which has become a public service (and is no longer a programme), through the entering into force of the new Labour Market Regulation Act – which will increase the dissemination of information to persons and their motivation for life-long learning, resulting in an improved balance between labour market supply and demand – will be of particular importance. Services for a life-long career orientation are already being provided to registered unemployed persons and to employment seekers whose employment is at risk; certain services are even available to other employment seekers (pupils, students and their parents). A special life-long career orientation programme for those employed in micro and small companies that have no human resource management on account of their modest size is also being implemented.

## **Improved efficiency of the Employment Service and active employment policy**

The efficiency of active employment policy measures will be enhanced by merging the programmes and streamlining the procedures for the inclusion of unemployed persons. The programmes in place providing unemployed persons in the labour market with a rapid adjustment of knowledge and skills will be reinforced and updated. With a view to promoting a speedier integration of unemployed persons into the labour market and, at the same time, maintaining fiscal stability, the amount of unemployment benefit received in the first months and the maximum period for receiving such benefits will be reduced.

In 2011 the Employment Service, through enhanced activation and organisational alterations, managed to increase the number of jobs provided to unemployed persons from the previous year's figures. For a more efficient, better quality and person and company friendly services, the Employment Service put in place an updated model of work with employers, the unemployed and employment seekers. Through its introduction, the Employment Service is strengthening its role as the central institution responsible for bringing together, coordinating and implementing the interests of its partners in the labour market. In order to increase efficiency, the Employment Service will reinforce the following:

- the proactive role in meeting the demand of employers for human resources (particularly in small- and medium-sized companies);
- encouraging the unemployed, particular those receiving unemployment benefits and cash social assistance, to enter employment as soon as possible (this will also contribute to the goal of tipping the balance between passive and active assistance in the event of unemployment in favour of the latter);
- the effectiveness of existing active employment policy programmes, so that they will be more targeted to the demands of local and regional labour markets and employers.

In 2012 the Employment Service will strive to provide – immediately upon registration or not later than within four months of registration – at least one activity that will help speed up the resolution of an unemployed person's situation.

By implementing services to promote the free movement of workers within the Eures network, the Employment Service will reinforce its recruitment consultancy role, where it will pay special attention to the cross-border employment of unemployed persons and job seekers with reduced employment opportunities in the domestic market.

In order to prevent illegal employment, the activities carried out by the labour inspection will be strengthened, not least through the elimination of certain administrative barriers that hinder the inspection's work. The amendments to labour legislation planned will also help reduce the shadow economy by decreasing labour market rigidity and cutting labour costs.

In order to achieve greater efficiency and cost-cutting, the existing funds in the labour market (Human Resources Development and Scholarship Fund, the Fund for the Promotion of Employment of Persons with Disabilities and the Public Guarantee and Maintenance Fund) will be merged together into a single Social Fund of the Republic of Slovenia.

## **New social and intergenerational dialogue**

The Government has committed itself to promptly drafting a new social contract and intergenerational contract. Negotiations with social partners for co-designing the solutions leading to the development and greater prosperity of the people of Slovenia are already underway. An intense and ongoing social dialogue, to which representatives of both older and younger generations have been invited, will be pursued until a contract with a validity period of five years and an envisaged applicability date of July 2012 is concluded.

## **Transparent and equitable system of social benefits and increased efficiency in activating beneficiaries**

At the turn of this year, a new system for the exercising of rights based on public funds entered into force. The purpose behind the adoption of this system was to simplify the procedure for exercising rights to social transfers, subsidies and cash payments, subject to the financial situation of the beneficiaries (income and assets), and to achieve greater transparency, efficiency and equity in granting the aforementioned rights. This year, the Government will intensively monitor the effects of the new legislation and make an assessment of the technical implementation of the transition to the new system of granting rights based on public funds, and of the impact of the relevant legislation on the social situation of individuals and families, by placing special emphasis on particularly vulnerable groups (with high at-risk-of-poverty rates). If necessary, this legislation will be amended as appropriate.

In order to achieve fiscal stability, the Government will restrict certain social rights arising from the system of public-fund based rights, one of these measures being the reduction of the amount of child allowance benefit granted to beneficiaries who are not among the socially disadvantaged. In addition, certain other rights will be subject to the financial situation of the recipients or beneficiaries, including the right to childbirth allowance gifts, large family allowance, child care subsidies for the nursery care of a second child, and subsidies for meals in primary and secondary schools. The payment of budgetary contributions for self-employed persons working in the field of culture will also depend on their financial situation.

Increased attention will be paid to activating people of working-age and the recipients of cash social assistance, who will, in addition to the activity supplement, be provided with several employment programmes (new or revised programmes intended for special groups in the long-term unemployed). In 2012 more recipients of cash social assistance will be included in public works and other active employment policy programmes. The 2012 objective is to increase the number of inclusions of recipients of cash social assistance in the active employment policy programmes by 50% in comparison with 2011 (13,198 inclusions).

In 2012 the social activation programmes will be launched (motivation programmes and programmes for building positive and active behavioural patterns) intended for the long-term recipients of cash social assistance who are frequently faced with highly complex problems.

The promotion of the employment of the recipients of long-term cash social assistance with various complex problems (e.g. people with mental disorders, former addicts with health problems, former prisoners, homeless persons and similar groups of people) will also be implemented by developing social entrepreneurship. Within this framework, particular support will be provided to the development of social enterprises employing members of vulnerable groups.

### **Development of modern social services by supporting the public work system**

The development of modern social services will be ensured by reorganising the social security network and by placing special emphasis on reducing bureaucracy and enhancing service efficiency. The Government will consider the possibility of transferring the social work centres' tasks – those which do not involve professional work with families and individuals – to administrative units in order to relieve these centres of their administrative and technical burdens and to enable them to increasingly focus on their basic mission, i.e. providing professional counselling to families and individuals.

At the national level, special emphasis has thus far been primarily placed on the development of institutional forms of social care, which is particularly obvious in long-term care. This year and in the years to follow, greater emphasis will be placed on enhancing community forms of social care – which enable people to remain in their domestic environment and receive appropriate assistance and help there. New legislation will be introduced in the area of long-term care, which will allow for the comprehensive care of people in the event of illness and old age. The development of social services will also be supported by the system of public works within the labour market active policy framework.

### **Reconciliation of work and family life**

In order to improve the work and family life balance, social services must also be enhanced in the area of family policy. In order to compensate for a lack of institutional forms of childcare in recent years – which is also a consequence of the increase in the birth rate – and to facilitate the re-integration of young parents into the labour market, the child care option on domestic premises for children up to 3 years of age will have to be promoted. To this end, the Government will, by taking into account fertility rate projections, continue to amend the applicable rules and simplify procedures.

### **Accessible, efficient and autonomous healthcare system**

The healthcare system funded by the public healthcare budget is overburdened and lacks transparency. Payments from the healthcare budget will be made for services performed and not on the basis of available capacity. The Government will define a transparent set of rights arising from basic health insurance. Services will be classified in accordance with standards and norms, and the existing system for calculating costs in the healthcare sector updated. The financial control and public procurement system will also be updated; the system for calculating costs in the healthcare sector will also be modernised. Improvements in the efficiency of the healthcare system will be achieved by modifying the health insurance scheme and through the potential introduction of competitive compulsory insurance services. Health services financed from public funds will be kept separate from health services provided on the open market in order to prevent the manipulation of private revenue and public expenditure.

Managers of public health institutions will be provided with greater autonomy in their managerial tasks, while their responsibilities for investment activities will be clearly defined. In this way, their work will become more akin to that of managers in companies.

As part of eHealth, all health care levels will be connected in a uniform information system. By using information technologies, work processes will be standardised. This will facilitate a gradual reduction of waiting times.

The basic health insurance scheme will be harmonised with the EU Directive on the free movement of patients. Supplementary health insurance will be modified in order to be brought into line with EU directives, thereby providing cover for the set of rights arising from compulsory health insurance.

### **Improving the status of the Roma community**

Pursuant to the Roma Community Act, a series of measures have been implemented in order to improve the current situation, improve housing conditions and the educational structure, reduce unemployment, improve health care, preserve the Roma culture and language, and raise awareness of and combat discrimination.

In order to improve the housing conditions of the Roma people, the Government will update the current incentives addressed to municipalities to purchase land and provide basic public utility services in Roma settlements, and link them with the incentives to expedite the spatial planning of Roma settlements. This will also speed up the legalisation of Roma settlements, a prerequisite for improving their living conditions.

## **2.3 Sustainable growth**

### **National targets for 2020:**

The following national climate and energy targets within the EU 20-20-20 climate/energy package will be met by 2020:

- reducing emissions by 6%: in 2012 greenhouse gas emissions were reduced by 2% in comparison with 2005 (the 2020 objective is defined with regard to emissions in 2005, while 1986 represents the base year for objectives set under the Kyoto Protocol);
- increasing energy efficiency ( national objectives have not yet been agreed upon): in 2010 final energy consumption was reduced by 2.8% in comparison with 2005;
- increasing the share of renewable energy in final energy consumption to 25%: in 2010 it reached 19.8%.

### **Mitigating and adapting to climate change and improving air quality**

In order to achieve low-carbon and materially efficient growth, the Government will introduce an integrated environmental management system and, in the current adverse fiscal conditions, primarily focus on the implementation of measures which will ensure synergic effects in terms of reducing adverse environmental impacts, raising the competitiveness of enterprises and launching new economic activities.

The ministry responsible for the environment will prepare an action plan for the period 2013–2020 in order to comply with the greenhouse gas emission reduction commitment by 2020. In order to

reduce pollution from PM<sub>10</sub> particles and in addition to the two regulations adopted in 2011, plans to improve air quality in the area of Trbovlje, Zagorje ob Savi and Hrastnik municipalities (part of the SI2 area) and plans for the SIL (Ljubljana Municipality) and SIM (Maribor Municipality) agglomerations will be adopted in the first half of 2012, while plans for the SI21 area (Celje Municipality) will be adopted by the end of 2012. For the SI11, SI31 and SI32 areas, these plans will be adopted in the first half of 2013. The measures envisaged will allow for a synergy with those intended to mitigate climate change and reduce transport noise. The measures to improve the air quality will be implemented promptly.

### **Efficient management of water and other natural resources**

In terms of its organisation and management, water is dispersed among several institutions. Therefore, inter-institutional cooperation will be enhanced in order to ensure comprehensive and efficient river basin management, good water status, and the protection of public health, property and strategically important environmental resources against the harmful impact of water. The existing strategic and other expert and administrative guidelines will be implemented efficiently according to the EU directives on river basin management. In ensuring the comprehensive management of waters and watercourses, flood risk maps will be prepared for areas where the risk of flooding is very high. The system of drafting project and other documentation related to the drawdown of EU funds earmarked for investment in flood risk management will be enhanced. The efficiency of the national system for the funding and implementation of non-construction and construction flood-protection measures and the maintenance of watercourses will be increased. In addition, all relevant hydrological records will be established and made public, since they have not been collected systematically and publicly accessible thus far.

The construction of an adequate infrastructure for the treatment and discharge of wastewater is vital to improve the quality of watercourses. Therefore, the relevant activities will also be accelerated through EU funding support. Similar attention will be devoted to the prompt construction of drinking water supply infrastructure. By way of appropriate measures, the pollution of soil and drinking water sources, particularly in water protection areas, will be either prevented or reduced.

The preservation of a high level of biodiversity and vital ecosystems will be ensured through the effective management of existing protected areas and the accelerated implementation of measures intended to maintain the Natura 2000 network. Forests are the most important renewable resource in Slovenia. Therefore, the management of forests will be improved and the rate of utilisation of their production potential and the competitiveness of the relevant industry increased. Furthermore, measures within the 2007–2012 Rural Development Programme that facilitate the development of several supplementary activities in agricultural holdings will be promoted.

### **Towards a recycling society by closing material loops**

In waste management, the relevant measures will continue to focus on the establishment of an adequate regional infrastructure and the elimination of long-standing sources of pollution. The year 2012 will see the adoption of the operational municipal waste management programme, followed by the drafting of the operational waste management programme. In 2013 the operational waste-prevention programme will be prepared; it will also consider reducing the quantity of food waste. Measures and motivation programmes will be adopted in order to reduce the quantity of waste and to achieve the objectives related to their processing and reuse. Their purpose is to accept this

development opportunity and become a society with closed loops. Under the tasks defined in the roadmap to "A resource-efficient Europe", measures aimed at improving the material efficiency and closing material loops will be prepared in order to achieve a synergy between the environment and competitiveness. Public funds for research and development will also focus on key areas, thereby facilitating the achievement of material efficiency. Activities carried out in the implementation of green public procurement will continue, with an assessment of the environmental impact of the entire product/service life-cycle taken into account. More attention will be paid to measures facilitating the large-scale introduction of eco labels for products and/or services and the promotion of environmental management systems in public and private organisations. This also applies to education and public campaigns raising awareness of sustainable consumption and production.

### **Measures to support sustainable growth**

An overview of feasible fiscal measures, policies and instruments intended to encourage a change in consumer behaviour towards materially efficient products/services will be prepared. On the basis of an analysis of environmentally harmful subsidies and a report of the working group on green tax reform, an overview will be drafted on those subsidies whose abolition could simultaneously contribute to the achievement of environmental objectives and, in the short-term, help towards fiscal consolidation.

Particularly as a result of reduced economic activity and the associated lower emission rates, Slovenia succeeded in approaching the international energy-climate package commitments by focusing on increasing renewable energy self-supply and reducing GHG emissions. It is approaching a target of 9% of final energy savings to be achieved by 2016, although the energy intensity of the economy has increased in comparison to 2008. The consequence of a decrease in foreign trade flows, a slow recovery after 2009, and the high price of oil and petroleum products, is a lower liquid fuel consumption which fell by 13% between 2008 and 2011. A further reason for this situation is the preservation of the level of the fuel excise duty, which substituted the former system of compensating higher oil prices for lower excise duties. The final price of fuel oil is progressively approaching the diesel oil price.

### **Responsible energy self-sufficiency**

Support schemes for renewable energy resources generate good results. However, they will be revised to the extent that an optimum ratio in terms of the efficiency of grants is achieved, and that the interest in investing private capital is enhanced, particularly in respect of those resources which have thus far not been adequately explored and exploited (geothermal resources, and wood and wind energy). Alongside the implementation of schemes to improve energy efficiency, the preparation of the programmes for the energy-saving restoration of public sector buildings will be expedited. This year major distributors have begun to implement their programmes which aim at achieving obligatory savings through measures which they promote with funds collected from the supplement/contribution for efficient energy use. The revised National Energy Programme (NEP) has been prepared; in 2011 the relevant public debate was concluded and a new version is expected to be drafted. The NEP follows the targets and commitments of the climate-energy package and includes scenarios for achieving these targets on the assumption that complementary measures entailing green fiscal reform and the promotion of research and development need to be implemented. Special attention will be paid to technological development in areas where Slovenia

has certain advantages (water, wood and geothermal energy, and energy efficiency) and a good back-up provided by R&D teams working on long-term global competitiveness.

### **Mobility of goods and passengers**

In order to increase investments of national importance (completing the modernisation of the railway network, promoting an integrated public passenger transport and increasing the competitive advantages of the Port of Koper), the Government will enhance its activities in finding private investors on the basis of an analysis of competitive transport corridors and the status of strategic regional investors in the area of logistics (Port of Koper and corridors), and intensify its talks with potential strategic partners and foreign investors. During this Government's term of office, the project related to the introduction of an integrated public passenger transport will be completed (the final implementation of combined ticketing). In this context, additional legislative amendments will be adopted. Their aim is to integrate all subsidies and provide for the interoperability of urban and inter-urban transportation.

### **A sufficient and safe food supply through competitive and environmentally friendly agriculture**

In order to ensure the sound and efficient management of agricultural land, the environment and waters, to improve the competitiveness and the economic status of the agricultural sector and the food processing industry, and to increase the level of self-sufficiency in Slovenia, agricultural policy will focus on promoting the production, promotion and marketing of locally produced and processed food, organic food and food from other quality schemes. In addition, it will continue to promote the preservation and efficient use of agricultural land and forests.

An appropriate strategic framework for the implementation of an agricultural policy that is aimed at achieving the aforementioned objectives has already been designed. This includes the preparation of an efficient environmental and spatial legislation, the development of a market-based environment and an adequate market price policy, an appropriate support mechanism facilitating the better functioning of the entire farming and food production chain, integration and joint action on the market, and good cooperation between various sectors, industries and institutions. Moreover, these measures envisage the introduction of a supervision system and increased R&D investment in the agriculture and food processing industries, as well as the design of a mechanism to support the internationalisation of the food processing industry when entering foreign markets. Measures to promote the sustainable and environmentally friendly development of fisheries, fish farming and processing, and a sufficient supply of fishery and fish-farming products will also be implemented.

Objectives which contribute to the conservation of the environment and sustainable development will be achieved through measures that promote quality environmental technologies, and compensatory grants for areas with unfavourable production conditions.

### 3. Simulation of effects of specific measures using the DSGE model

This box presents a simulation of the effects of certain measures which increase economic competitiveness, while constituting a part of the set of measures outlined in the National Reform Programme. These effects have been quantified using a comprehensive dynamic stochastic general equilibrium model (DSGE model), which illustrates the specific features of the Slovenian economy relatively well<sup>2</sup>. DSGE models are based on the general equilibrium theory and attempt to explain and simulate aggregated economic phenomena (e.g. economic growth and business cycles). Their usefulness can particularly be seen in analysing the effects of various economic measures, as, through the determination of preferences (what do economic agents want), the technology (what products can economic agents produce) and institutions (the way in which economic agents interact), they provide a comprehensive picture of the impact of measures on significant macroeconomic variables. Their main advantage over classical macroeconomic models is their robustness and resilience to changes in the institutional framework, as they allow us to simulate the effects of changes in the said framework. The QUEST model with endogenous technological change is also used by the Directorate-General for Economic and Financial Affairs of the European Commission (DG ECFIN)<sup>3</sup>. Owing to the characteristics of this model, which predicts certain preferences, technologies and institutions, the results of the relevant assessments should be seen as purely stylised and illustrative and as a framework of the quantitative impact of measures.

By using the DSGE model, we have estimated the potential impact of the following measures on GDP in 2020:

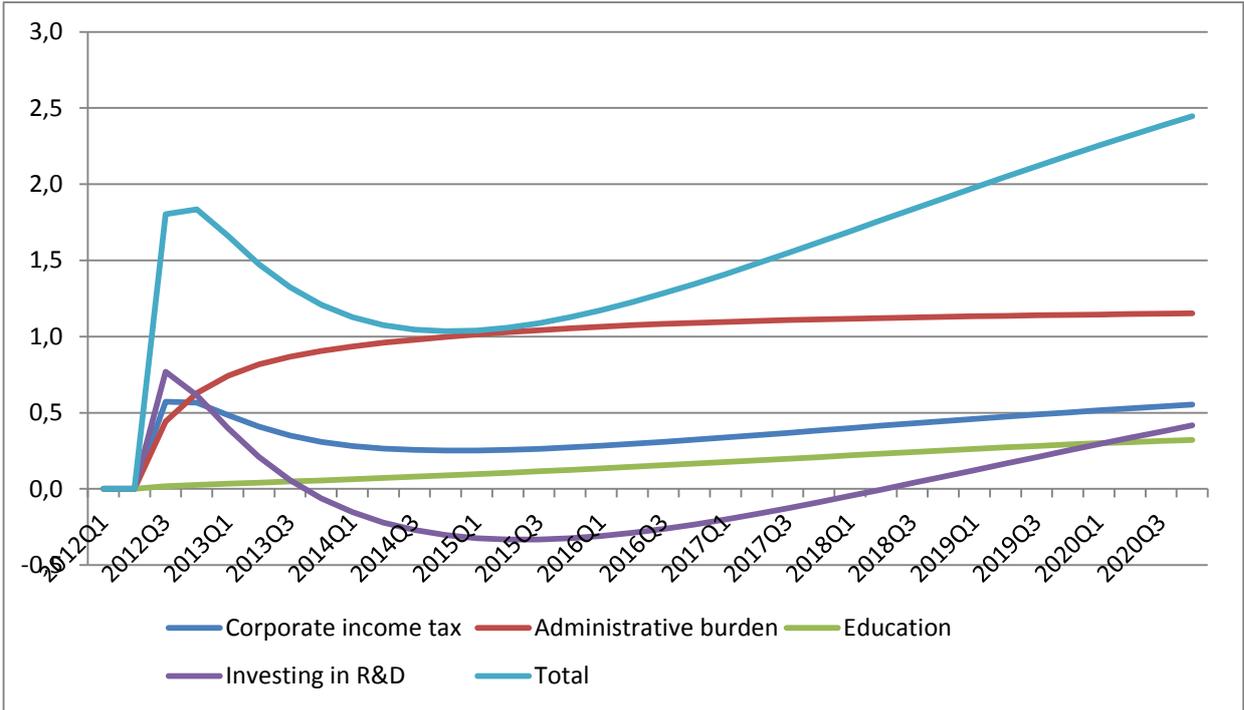
- tax incentives for R&D activities and subsidies for researchers' wages (a total of 0.6% of GDP);
- reducing administrative barriers (by 25 %);
- progressive improvements in the educational structure (increasing the number of highly skilled workers by 15% and an equivalent reduction in the number of medium-skilled workers); and
- reducing the rate of corporate income tax (to 18% in 2012, and then progressively to 15%).

---

<sup>2</sup> For further details on the model used, see M. Glažar: Slovenia 2020 – Assessment of the Europe 2020 Strategy Measures with DSGE model, IMAD Working Paper, 1/2012.

<sup>3</sup> For EU Member States calibrated by D'Auria et al. (2009), the basis being the model from Roeger et al. (2008)

**Figure 1: Percentage point change in GDP compared to the basic scenario without measures**



Source: IMAD

Tax incentives for R&D activities (relief on income from intangible capital) enable patent providers to reduce prices. This increases the demand for patents and stimulates production in the R&D sector. Owing to increased activity, this sector attracts some highly skilled workers from other sectors. The long-term impact on GDP is positive and lasting, while GDP growth is limited only in the short term due to the loss of production as a result of the reallocation of highly skilled workers to the R&D sector from other sectors. The supply of highly skilled workers in the labour market is also a limiting factor in this regard. Therefore, a portion of the R&D incentives is channelled into their wages. The impact of this measure in 2020 would be a 0.4% increase in GDP compared to the scenario without applying this measure.

The reduction of administrative barriers is modelled as the reduction of overhead costs for companies operating in the finished products sector; the model shows this item as fixed costs. A reduction in overhead costs increases corporate profit, investments and labour demand. This, however, is lower than the decrease in labour demand due to a reduction in the corporate overhead labour. Reducing overhead costs does not increase marginal labour productivity, the result being an overall fall in labour demand. A 25% reduction in administrative barriers would increase GDP by 1.2% in 2020.

A progressive reduction in the rate of corporate income tax is modelled as a gradual reduction of capital gains tax. The result is an increase in investment and lower private consumption by non-liquidity constrained households. At first, a higher demand for labour results particularly in increased employment, whereas in the medium and long term, it stabilises at a 0.5% higher level, while the real wage increases.

The improvement in the educational structure is modelled via a gradual transition of medium-skilled labour to highly skilled labour. Therefore, compared to 2012, there would be 15% more highly skilled

workers in 2020. In the medium term, the demand for highly skilled labour also increases in the R&D sector as a result of the decrease in real wages for highly skilled workers. This results in a fall in the prices of new patents and a mark-up in the entry of firms into the intermediate goods sector. By 2020, GDP would increase by 0.3% with regard to the scenario without applying the measure.

#### **4. Public debate**

National Reform Programme 2012-2013 was discussed on Economic and Social Council, at the National Assembly Committee for Finance and Monetary Policy, Committee of the National Assembly of the Economic Affairs, Committee of the National Assembly of Education, Science, Culture, Sports and Youth, Committee of the National Assembly of Labour, Family, Social Affairs and the Disabled, the National Assembly Committee of European Affairs, at a meeting of the Commission of the National Council for Economy, Crafts, Tourism And Finance and at the meeting of the National Council. Comments from members of working bodies were summarized and included in the National Reform Programme 2012-2013.

**ANNEX:**

**Table 1: Standard table for the assessment of CSRs and macro-structural reform in the NRPs**

			Qualitative information of the planned and already enacted measures						Macro impact of structural reform			
Main area of intervention	Country Specific Recommendations	Measures	Description of the measures						Impact on public finance	Quantitative information		Methodological elements
			Description of the measure	Legal/administrative instruments	Formal objectives	State of progress (including the implementation stage, the sequence and timing of the measure)	Risk of implementation (if relevant)	Overall and yearly change in government revenue and expenditure (in EUR million)	Yearly and cumulated effect on GDP and other main macro-economic variables	Description of the model used	Assumptions of the model, including variables and parameters	
<b>Public finances</b>	To reach the 2011 target deficit while supporting the 2012 target deficit with specific measures, and to carry out a necessary and consistent consolidation with the possibility of adopting additional measures to prevent potential divergence. During the programme period, this necessary adjustment procedure should be supported by	Measure 1	The adopted 2011 budget, which took account of the target values of the Stability programme and fiscal rule.	The budget and the budget implementation Act	To decrease the deficit and to restrict debt growth.	The revised 2012 budget is being drafted.	Revenue below the expected level because of lower economic growth	The difference between the adopted 2011 budget and the revised 2011 budget stood at EUR 365 million less in planned expenses. The actual expenditure was even lower and amounted to an additional EUR 289.3 million over the adopted 2011 budget.				

	<p>additional measures to ensure average annual fiscal effort in accordance with Council recommendations on the basis of the excessive deficit procedure and to achieve appropriate progress in mid-term objectives. To this end, structural measures to restrict expenditure and eliminate identified ineffectiveness are to be used and a more binding mid-term budget framework is to be adopted.</p>										
		Measure 2	The 2011 Intervention Act	An Act	To discontinue wage and transfer adjustments, to decrease the public sector wage bill.	Measures under the intervention Act have been extended to mid-year. An extension until the end of 2012 is envisaged.	Social partners may refuse interventions.	Annual savings are estimated at app. EUR 300 million (EUR 120 million on wages, 100 million on pensions, 75 million on social transfers).			

		Measure 3	Amendments to the Public Finance Act	An amendment to the Act	To legally define and set a mid-term fiscal framework and a debt ceiling mechanism.	The Act has been rejected by the National Assembly.					
		Measure 4	The National Development Planning Act	A new piece of legislation	To plan more efficiently and to take account of the public finance structure adjusted to the priority development measures.	The Act has been rejected by the National Assembly.		To change expenditure structure in favour of priority objectives or tasks. The target values under budget programme classification: entrepreneurs and competitiveness 1% of GDP; higher education, science, technology and the information society 2% of GDP; labour market 1% of GDP; transport and transport infrastructure 2% of GDP; social security and health care 6.8% of GDP.			

	To adopt necessary measures to ensure long-term sustainability of the pension system along with maintaining adequate pensions. The employment rate of elderly workers is to be increased by later retirement and further development of active labour market policies and lifelong learning measures.	Measure 1	Pension reform	A new piece of legislation	To extend the length of service, to increase the employment rate of elderly people; a positive impact on public finances.	The Act has been rejected at a referendum.	Social partners' (trade unions) disagreement	Failure to adopt the legislation will give rise to additional budget expenditure of app. EUR 300 million per year.			
		Measure 1	Active employment policy programmes	Programme measures	Relevant in this context are objectives and programmes which include elderly people.	Under implementation		All active employment policy programmes were allocated EUR 188,530,934; actually incurred expenditure amounted to EUR 147,510,925.			

<b>Labour market</b>	To adopt, in consultation with social partners and in line with national practices, measures to reduce imbalance between rights and obligations under permanent or temporary employment contract. To renew efforts to address the issue of the parallel labour market that stems from 'student work'.	Measure 1	Mini-jobs	A new piece of legislation	To promote short-term employment forms for various target groups, to limit student work and to improve social security of students.	The Act has been rejected at a referendum.					
		Measure 2	Employment Relationships Act	A new piece of legislation	Flexicurity	There were no changes.					
		Measure 3	The Labour Market Regulation Act	A new piece of legislation	The Act will ensure greater security to young people in the case they become unemployed – widen the scope of entitlement to unemployment allowance.	Under implementation		The introduction of the new Act and continued negative labour market trends triggered an increase in expenditure from EUR 239,785,238 in 2010 to EUR 332,570,544 in 2011.			

	To set up a system facilitating the acquisition of knowledge, skills and competencies needed to establish a responsive labour market. To assess the performance of public services provided by the Employment Service, particularly in relation to career guidance and counselling services, with a view to ensuring better harmonisation of knowledge and skills with labour market needs.	Measure 1	Active employment policy programmes	Programme measures	Relevant in this context are objectives and programmes which include various forms of education and training.	Under implementation		Already included under the active employment policy			
		Measure 1	To modernise the Employment Service of the Republic of Slovenia.	Programme measures	Co-funded by the European Social Fund; the measures aim at strengthening the Employment Service and adapting it to new labour market situation.	Under implementation		Already included under the active employment policy			

		Measure 2	Lifelong learning measures	Programme measures		Under implementation		Already included under the active employment policy			
<b>Products and services market</b>	To streamline regulated professions and to improve the administrative capacity of the competition protection office with a view to improving business environment and attracting investments.	Measure 1	To establish an independent competition protection agency.	A new piece of legislation	To enhance competition and control.	Under implementation					
<b>Financial markets</b>	To adopt further measures in the banking sector where appropriate for strengthening the balance sheets and the loan portfolios with a view to enhancing credit flow into the real economy.	Measure 1	To regulate and strengthen Slovenian banking system.	A new piece of legislation	The bank balance sheet tax of 2%	Under implementation					
		Measure 2	To improve state-owned enterprise management	Programme measures	Recapitalisation of two biggest banks, i.e. NLB and NKBM.	Already carried out. Additional recapitalisation is required (not from the budget).		EUR 354.3 million (of which EUR 250 million from the national budget).			

		Measure 3	To reform the system for fostering growth and development of enterprises (venture capital and strategic development platform).	Programme measures	Measures through the Slovenian Enterprise Fund (EUR 35 million in 2010) and the Slovenian Export Corporation (development platform EUR 50 million, etc.). Recapitalisation of the Pension Fund Management company and Slovenian Compensation Company (EUR 150 million). State guarantees due (EUR 21 million).	Under implementation		EUR 200 million.			
	<b>Measures which affect the macroeconomic scenario (3).</b>	Measure 1	The adopted 2011 budget, which takes account of the target values of the stability programme and fiscal rule.								
		Measure 2	The 2011 Intervention Act								

		Measure 3	Pension reform								
		Measure 4	The Exercise of Rights to Public Funds Act	A new piece of legislation	To target social transfers more consistently. To introduce a 'single entry point' and to unify criteria for granting 4 types of transfers and 19 kinds of subsidies subject to means test.	Date of application 1 January 2012.		Effects will be known at the end of 2012.			

**Table 2: Report on measures to meet EU 2020 targets and other commitments**

Progress in implementation of measures	List of measures	Current situation and impact assessment (where possible)
<b>National targets – Europe 2020</b>		
The employment rate of the population aged 20–64 will be 75%	Implementation of active employment policy schemes for activities, programmes and similar, as stated below.	In 2011 there were 48,947 persons involved in all active labour market policy measures implemented by the Employment Service.
	Active job-search assistance, advice, motivational counselling, professional and lifelong career orientation and the further modernisation of the Employment Service, with a view to the early detection of barriers to employment.	There were 11,408 persons involved in order to enhance the activation of the unemployed.
	Implementation of various training programmes for unemployed and employed persons, the promotion of competence centres, work trials, employer scholarships and the strengthened role of the Slovene Human Resources Development and Scholarship Fund.	There were 3,148 persons involved in the preparation and certification of national vocational qualifications (access to and certification of informal training).
	Funds for access to education and training, particularly in the form of informal learning, will be increased. The aim of this is the greater inclusion of older workers and under-skilled individuals in lifelong learning and national qualifications.	A total of 12,892 persons were involved in various training and education courses.
	Employment incentive measures for various target groups and implementation and the upgrade of the self-employment programme (training, self-employment subsidies, and providing advice on expansion).	A total of 8,453 persons were involved in employment and self-employment incentives, (11,198 of whom were involved in preparations for self-employment).
	The number of development projects and schemes for social inclusion will be increased (social entrepreneurship, innovative projects, renewed public works programmes, the provision of social care services).	Within the framework of the social inclusion projects, 3,026 persons were involved in public works and other forms of employment incentives for various target groups. A total of 124 persons were involved in social entrepreneurship projects in 2010 and 2011.

	Measures for the employment of people with disabilities, employment rehabilitation, incentives for companies employing people with disabilities, sheltered workshops and activities provided by the Fund for the Promotion of Employment for Disabled Persons.	In 2011 there were 28 employment centres employing 304 people with disabilities. A total of 5,339 people with disabilities were employed in sheltered workshops.
	The implementation of the Labour Market Regulation Act (the new regulation of the unemployment-insurance scheme and the active labour market policy).	Under implementation
	Amendments to the Employment Relationships Act	There were no amendments
A total of 3% of GDP will be invested in R&D.	The implementation of the competence centres' development programme began in 2011.	7 supported competence centres.
	Measures to encourage the introduction and marketing of up-to-date technologies and solutions based on own knowledge through the public procurement system.	Not implemented
	Revised Research and Innovation Strategy of Slovenia 2011–2020	RISS adopted by the National Assembly
	Strategic Development Platform (SID Bank)	The Ministry of Higher Education, Science and Technology allocated EUR 50 million for the implementation
	Promotion of corporate development departments	The call for tenders was completed in November 2011. A total of 64 corporate projects worth EUR 20 million were supported.
	Establishment of development centres for the Slovenian economy worth approximately EUR 185 million in 2010.	A total of 17 centres were established.
Increased use of renewable energy sources	New investments in the exploitation of hydro and geothermal resources, and wind energy.	Relevant study prepared
	National Energy Programme	Amended act prepared

	Energy Act	Adopted by the Slovenian Government; the Slovenian National Assembly adopted its amendments at the end of January 2012.
Reducing greenhouse gas emissions	Long-term climate strategy by 2050	Draft prepared
	Climate Change Act	Draft prepared; to be submitted for adoption following adoption of the strategy.
	Improved railway infrastructure (electrification, modernisation and new investments on the second Divača–Koper track) on Priority Project 6 of the TEN-T rail network, including investment in logistics terminals.	Acts adopted and confirmed; funding ensured under a legal framework; project implementation lagging behind.
	The management of increasing public transport trends, and the introduction of integrated public passenger transport (IPPT)	On 10 October 2011 the Decision on the allocation of funds for co-financing the IPPT project in conjunction with resources obtained from the Cohesion Fund (OP ROPI) was adopted. The project is to be completed by the end of 2014. Pilot projects for a review of the integration of railway, bus and urban passenger transport must be carried out in 2013.
Reducing final energy use	Through calls for tenders for the Eko Sklad (Eco Fund) and the Ministry of the Economic Development and Technology, a variety of measures will be funded to support investors in the public and private sectors, as well as households, in order to increase energy efficiency and to foster the use of decentralised renewable energy sources.	Implementation of calls for tenders planned; compared to previous years, the use of resources substantially improved; interim targets under the Energy Plan for Efficient Energy Use were exceeded, as 2.8% savings were achieved instead of the 2.5% originally expected.
The share of early school-leavers will not exceed 5%.	Increasing the number of study programmes and professional standards for which students can obtain skills and professional qualifications in post-secondary programmes (higher vocational programmes)	In registering for secondary and post-secondary professional education programmes, the distribution of programmes was abolished, which is a first step towards regulating the school system network and protecting the quality of the programme implementation in the public school system.

	Amendment to the Scholarship Act	Adopted by the National Assembly
Tertiary education rate of the population aged 30–34 will be 40%.	Revised National Higher Education Programme (NHEP) 2011–2020	The NHEP was adopted by the National Assembly on 24 May 2011.
	Adoption of new Higher Education Act	Not implemented
	Design of a transparent database including records on students, graduates and higher education establishments, and a register of higher education institutions.	The development of e-Higher education records is in the final stage. The entry of all data still needs to be completed and the system operation test carried out.
The number of people at risk of poverty and social exclusion will be reduced by 40,000 (in comparison with the reference year 2008, when 360,000 people experienced poverty).	Social activation programmes (inclusion of vulnerable target groups)	The Financial Social Assistance Act (Articles 35 and 40) entered into force in 2012. The Employment Service of Slovenia will launch a call for tenders for social activation programmes in 2012 (EU funds). There are 13,266 persons – recipients of financial social assistance – involved in active employment policy measures. The measure to stimulate employers to employ long-term financial social assistance recipients is under implementation (very few people are involved).
	Incentives for social entrepreneurship targeting new jobs for hard-to-employ groups (the creation of new and/or the expansion of existing market activities).	Social Entrepreneurship Act adopted.
	Increasing the minimum income for the most vulnerable people	The Financial Social Assistance Act which entered into force in 2012.
	Exercise of Rights to Public Funds Act	Adopted by the National Assembly; its effects will be seen in 2012.
	Financial Social Assistance Act	Adopted by the National Assembly; its effects will be seen in 2012.
<b>Euro-Plus Pact Commitments</b>		
INCREASING COMPETITIVENESS		

Maintaining competitiveness by restricting increases in labour costs	The rate at which unit labour costs increase in Slovenia must be slower than that in its main trading partners.	Unit labour costs are decreasing, but to a lesser extent than in the EU.
	An agreement with the social partners on key commitments regarding the minimum wage, average wage growth, increasing productivity, and key structural changes	Negotiations are underway with the social partners to reach an agreement; the Government presented its negotiating positions at the first Economic and Social Council meeting.
	Extension of the agreement for the public sector, under which public sector salary growth should continue to lag behind private sector salary growth in 2012.	2012 Intervention Measures Act adopted. The Act restricts increases in public expenditure for salaries, pensions and social transfers in the total annual amount of EUR 300 million.
Promoting R&D and more efficient higher education	Increasing public funds investments in R&D to 1% in 2012 and the further stimulation of private investments responding to social challenges.	Due to budgetary restrictions, this objective will not be fully met. In 2011 (before the budget revision), Slovenia earmarked EUR 239.2 million for R&D, which is 10% less than in 2010. In terms of a share of GDP, this means 0.66% or 0.04 percentage point more than in 2010.
	Reaching a 32% share of the population aged 30–34 to have completed tertiary education in 2012, with this share corresponding to the future needs of the labour market and enhancing the competitiveness of the economy.	In 2010 the share of the population aged 30–40 who had completed tertiary education reached 34.8%. In 2009 and 2008 this share was 31.6% and 30.9% respectively.

Encouraging internationalisation and foreign direct investments	Increasing financial incentives for foreign direct investment (FDI) by 30 % in 2012 compared to 2011, with a view to increasing the share of FDI and the number of employees.	In 2011 EUR 8 million was allocated to the FDI public call for tenders; by the contractual deadline, 686 new jobs will be created under the relevant projects. Pursuant to a special procedure under the Promotion of Foreign Direct Investment and Internationalisation of Enterprises Act, approx. EUR 16.35 million of financial incentives, of which EUR 9,942,133 were paid in 2011, were granted to three enterprises. Under these projects, 1,171 new jobs will be created within three years after the completion of the investment. Compared to 2010, the amount of financial incentives allocated for FDIs (under public call for tenders and special procedure combined) increased by more than 70%.
	Increasing the funds earmarked in 2012 for the promotion of the internalisation of Slovenian companies by 15% compared to 2011, with a view to boosting exports.	In 2011 EUR 2.2 million was earmarked for internationalisation. For 2012 there is EUR 3.6 million available in the current budget. The objective will be met provided that the relevant funds are not reduced by a supplementary budget.
Improving the business environment	Reducing administrative burdens by 25% by 2012: a total of 3,529 regulations were examined and administrative costs worth EUR 1,449 million identified, i.e. burdens that the relevant legislation imposes on the business sector and citizens. An analysis prepared by external experts revealed that savings for the economy and citizens could be as high as EUR 373 million.	The relevant programme is being implemented. A total of 298 measures to reduce barriers were identified, of which 102 measures were already implemented. The aim of setting up the <a href="http://www.minus25.gov.si">www.minus25.gov.si</a> portal has been to provide topical information on the implementation of the programme, to facilitate the publication of examples of good practice and reports on administrative burdens contained in individual regulations and measured within the programme, and to acquire additional simplification-related proposals by users.
	Deregulation of activities and professions: a framework of professions which are in the public interest, which will remain regulated and will be re-defined.	The Target Research Programme (TRP) is being prepared which, by May 2012, will define activities and professions which could be deregulated.

PROMOTING EMPLOYMENT		
Promoting flexicurity and employment growth	Better security for people who have lost their jobs, the improved efficiency and effectiveness of the implementation of active employment policy measures, the reduction of administrative burdens for companies and individuals in the labour market, the better supervision of labour market institutions, life-long career orientation. Enforcement of the Labour Market Regulation Act.	The new Labour Market Regulation Act is being implemented (and provides for entitlement to unemployment benefits for younger people who were employed for a fixed term and have lost their jobs).
FURTHER CONTRIBUTION TO THE SUSTAINABILITY OF PUBLIC FINANCES		
Consistent implementation of the National Reform Programme and the Stability and Growth Pact	Legislative regulation and the setting of a mid-term fiscal framework: legislative restriction on public debt. Amendment to the Public Finance Act.	The Government submitted to the National Assembly a proposal for the Fiscal Rule Act and for amendments to the Constitution of the Republic of Slovenia.
	Consistent regulation of development planning documentation and methodology (hierarchy, setting priorities, the necessary modifications to development documents). Adoption of the Development Planning Act.	The Development Planning Act has not been adopted.
	Restructuring general government expenditure by ensuring the sustainability of the pension system, whilst achieving the budgetary objectives. Drafting new proposals for the pension system reform. Until the adoption of the new law, annual public expenditure savings should amount to 0.6% of GDP.	The restructuring of public finance to be introduced within the supplementary budget for 2012. The proposal is being discussed with the social partners.

More consistent distribution of social benefits	Introduction of a "single entry point" and the standardisation of criteria for granting 4 types of transfers and 19 kinds of subsidies, where checks on the financial situation of the beneficiary are obligatory. Enforcement of the Exercise of Rights to Public Funds Act.	Beginning of the implementation of the Exercise of Rights to Public Funds Act in January 2012.
<b>REINFORCEMENT OF FINANCIAL STABILITY</b>		
Improving the stability of major Slovenian banks	Recapitalisation of the Nova Ljubljanska banka (NLB) and Nova kreditna banka Maribor (NKBM)	The recapitalisation of NLB – worth EUR 250 million – and the recapitalisation of NKBM – worth EUR 104.3 million – were completed in 2011. NLB will need to be recapitalised again by June 2012. The question as to the sources for the recapitalisation remains open.
Restructuring of bank portfolios	Encouraging the banks to sell their investments in troubled companies to private corporate turnaround funds in order to improve their cash flows and enable normal operations to be restored for these companies, under the new ownership of these funds.	A private financial initiative exists and is still being implemented. The Government adopted amendments to the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act, and submitted them to the National Assembly. Amendments to the Takeovers Act. The Government adopted amendments to the Mortgage Bond and Municipal Bond Act and submitted them to the National Assembly.
More effective state (financial) asset management	Definition of a clear strategy for investments, which are a priority for the state, and the methods of their corporate management and financing with respect to fiscal limitations. Adoption of amendments to the Management of Assets Owned by the Republic of Slovenia Act.	The Management Strategy for Assets Owned by the Republic of Slovenia has not been adopted. Until the adoption of the Strategy, the amendments to the Management of Assets Owned by the Republic of Slovenia Act shall apply.
<b>Barriers to growth</b>		
Reducing the general government structural deficit and ensuring the long-term sustainability of public finances, especially in light of population ageing, particularly through reform of the pension system.	Legislative regulation and setting of a mid-term fiscal framework	The relevant law has not been adopted

	Changes to the pensions system	The relevant law was rejected at a referendum
Increasing competition in the service sector and addressing weaknesses in the business environment		
Promoting innovation capacity and increasing overall R&D investment	In 2010, a total of EUR 745.9 million (14% more funds in comparison to 2009) was spent on R&D activities carried out in all sectors in Slovenia. The use of funds for R&D activities has increased in the business sector (by 19%) and in the higher education sector (by 8%). In 2010 the increase in the total amount of funds spent for R&D activities and the increase in funds spent for R&D activities in the business sector was mainly the result of major investments in these activities as well as the increase in the number of reporting units selected. Funding in the amount of EUR 263.1 million or 35% of total R&D expenditure were obtained from state resources. In recent years, Slovenia also obtained important sources of financing R& D activities from abroad – in the year in question, this amounted to EUR 44.8 million, which is 13% higher than the previous year – this was also the result of certain measures, i.e. the opening of centres of excellence and competence centres. In 2011 a public tender was launched for economic development centres; the results of the R&D activities undertaken by the companies involved can be expected over the next three years.	
Refocusing human capital investment, especially in tertiary education, on higher value-added activities	Revision of the National Higher Education Programme 2011–2020	The National Higher Education Programme was adopted by the National Assembly on 24 May 2011.
	Adoption of the new Higher Education Act	Not implemented

Enhancing flexibility to improve the functioning of the labour market and ensure a better alignment between wages and productivity	Amendments to the Employment Relationships Act	No amendments
Matching skills with labour market needs	Active employment policy programmes for education and training.	There were 3,148 persons involved in the preparation and certification of national vocational qualifications (access to and certification of informal training).
	Modernising the Employment Service of the Republic of Slovenia.	Under implementation
	Lifelong learning measures	A total of 12,892 persons involved in various training and education courses.
Decreasing the existing segmentation in the labour market and increasing the participation of older people and younger people in the labour market	Amendments to the Employment Relationships Act	No amendments
	Mini Jobs Act	Rejected at a referendum
	Labour Market Regulation Act	Under implementation
<b>Other measures referred to in the NRP</b>		
Improvement of the institutional conditions for operation of companies and establishment of a more efficient public administration	Act on Prevention of Late Payments	Adopted and enforced
	Act amending the Value Added Tax Act	Adopted and enforced
	Public Procurement Act	Adopted and enforced
	Introducing certified cash registers	Adopted by the Government, submitted for approval to the National Assembly
	Amendments to the State Prosecutor Act, the Penal Code, the Criminal Procedure Act and the Courts Act	Adopted and enforced
	Amendments to the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act	Adopted and enforced

	Restructuring of bank portfolios by selling troubled companies to private corporate turnaround funds	Suspended
	Mortgage Bond and Municipal Bond Act	Adopted by the Government and submitted to the National Assembly
	Takeovers Act	Adopted by the Government and submitted to the National Assembly
	Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act	Adopted by the Government and submitted to the National Assembly
	Amendment to the Public Utilities Act	Interministerial working group established
	New Act on Performance of Activities of General Interest in the Non-economic Sector	Adopted by the Government only, not in force. A new basis for the regulatory framework of services of general interest in the non-economic sector to be prepared by the end of 2012 with an emphasis on the definition of statuses of institutes (public and private institutes), the substance and procedure for granting concessions and the market activities of the institutes
	Adjustments in the management of public institutions and public administration	Establishment of independent agencies; concentration of tasks at a single point
	Modernisation of the system for civil servants and salaries	No changes
	Land Register Act to ensure comprehensive computerisation of all procedures concerning the Land Register operation	E-access to the land register provided
Encouraging entrepreneurship and competitiveness	Reforming the system for fostering growth and development of enterprises: venture capital (Slovenian Enterprise Fund)	Six supported venture capital companies

	The Government also adopted the Programme for Stimulating Internationalisation 2010–2014 and the Act Amending the Attracting Foreign Direct Investment and Internationalisation of Companies Act (February 2011)	In 2011, a total of EUR 9,942,133 of financial incentives for foreign direct investments was paid out under a special procedure, which is 79.3% more than in 2010
	Measures for enhancing competition and monitoring possible restrictions to competition on the market	Establishment of an independent Competition Protection Agency (former Competition Protection Office) on 1 January 2012
	The main implementing agencies: the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments, the Slovenian Tourist Board and the Public Agency for Technological Development of the Republic of Slovenia are to be reformed and integrated so as to form, together with the Slovenian Enterprise Fund and the Slovenian Research Agency, a supporting whole.	Restructuring and merger plan prepared
	Modernisation of the Koper freight port with regard to the growing demand for quality and diversity of services and the development of public airports for international air services	The following projects are planned to be financed from EU funds: the entrance channel into Basin I of the freight port of Koper (works underway), construction of a passenger terminal at the Ljubljana Jože Pučnik Airport (to be approved by the European Commission), modernisation of the Maribor Edvard Rusjan Airport (project underway). Investments in and major maintenance of air and airport infrastructure at the Maribor Airport and promotion of air transport development – opening of new air services – are also planned.
	Improving efficiency of the entire logistics system	To date, Slovenia has not yet eliminated the backlog according to the Logistics Performance Index.

	<p>Further restructuring of the Motorway Company of the Republic of Slovenia (DARS) and the Slovenian Railways system, as well as related companies in the logistics network.</p>	<p>Under the legislation in force, the restructuring of DARS has been completed, however, additional possibilities for extending the substance of the concession relationship with DARS will be considered – as a concessionaire, DARS could perform additional tasks on its own account, which would reduce budget expenditure. Possibilities for changes in the management of DARS will also be considered. The restructuring of the Slovenian Railways system has been completed in compliance with the legislation in force.</p>
	<p>Enforcement of legal and functional separation of market and regulated activities in electricity distribution companies. Modernising energy distribution and transportation services, also by setting up smart networks.</p>	<p>Restructuring completed. The smart network project is being carried out by a distribution network system operator in cooperation with distribution companies.</p>