



Government of the Republic of Slovenia

NATIONAL REFORM PROGRAMME 2011-2012

April 2011

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INTRODUCTION

The “Europe 2020” strategy sets the course of development the European Union aspires to take by 2020. If we wish to transform Europe into a **smart, sustainable and inclusive economy** with high rates of employment, productivity and social cohesion, we have to conceive a national implementation strategy which will also enable post-crisis economic recovery. Therefore, every Member State has to prepare its national programme which should encompass national objectives and planned action for the achievement of targets relating to three priorities: smart, sustainable and inclusive growth.

In Slovenia, the development planning has been regulated by a new **Decree on Development Planning Documents and Procedures for the Preparation of Central and Local Government Budgets**, which governs the methodology of development planning, policy-making and setting of development priorities, as well as a closer link with the drafting of a programme budget. The Decree has also set up a new framework for the coordination of development policies: an umbrella task force for development planning, a fiscal policy group and working groups for individual policies. In order to ensure systematic development planning, a special legal act will be prepared in 2011. More about development planning in Annex 1.

The crisis specifically revealed several **structural weaknesses and imbalances in the Slovenian economy** related to productivity, competitiveness and governance. Persistent macroeconomic imbalances in public finances, labour market weaknesses and deficiencies in products and services markets call for targeted measures tackling public expenditure efficiency, labour relations and labour costs, market regulation and the business environment. A shift to a more intensive growth of exports with higher value added could be achieved through improvements towards increased competitiveness, where, according to the recent international comparisons, Slovenia is lagging behind.

The National Reform Programme comprises structural changes and a survey of selected and thematically sorted¹ programme measures and projects over a period of two years that are covered by the current budget. Measures have been chosen on the basis of their impact on eliminating “bottlenecks to growth” and direct implications for the EU 2020 targets. The objective of the National Reform Programme is sustainable economic growth in the long term, which will be achieved by implementing economic policy measures, structural measures and institutional adjustments. The guiding principle in the shaping of economic policy measures is the **consolidation of public finances**, which will be achieved by shrinking expenditure and not by increasing the tax burden. This is conditional upon defining the scope of public spending by means of the fiscal rule and the structure of public spending on the basis of **national development priorities**. Priorities focus on the creation of new jobs and development of knowledge for high added value, promotion of growth and starting up of new innovative businesses, improved employability, activity and qualifications of individuals, as well as development-oriented transport and energy infrastructure. A gradual transition to an environmentally efficient, low-carbon society is horizontally integrated into all priority measures. **Social cohesion** will require improved efficiency of the social security system and enforcement of rights to public funds. **Institutional adjustments** foresee changes aimed at improving the functioning of markets and public asset management. The main planned reform among **structural changes** concerns the pension system.

¹ In order to be more clearly presented, measures and projects are grouped according to the contents and direct outcomes – they are not an exact copy of the budget.

I. MACROECONOMIC SURVEILLANCE

I. 1. MACROECONOMIC ESTIMATES AND PROJECTIONS²

In the Slovenian economy, the economic and financial crisis has manifested itself in a significant drop in economic activity and productivity. The 8.1% decline in GDP in 2009 was followed by gradual recovery in 2010; according to the first estimates, the GDP expanded by 1.2%. The Spring Forecast of the Institute of Macroeconomic Analysis and Development (IMAD) under the scenario with additional economic policy measures indicates 1.8% economic growth in 2011 and 2.2% in 2012.

The presented macroeconomic projections are based on the scenario laid down in the Spring Forecast of Economic Trends 2011, which has already taken into account the outcomes of measures introduced by the Stability Programme. These measures were adopted by the Slovenian Government to address the urgency of fiscal consolidation and weakened growth potential in the medium term. They aim at curtailing the increase of expenditure related to compensation of employees, investment and subsidies, and at improving the efficiency of public administration.

Table 1: Key indicators of economic growth, Slovenia 2009-2015, scenario with additional economic policy measures

Real growth (%)	2009	2010	2011n	2012n	2013n	2014n	2015n
Gross domestic product	-8.1	1.2	1.8	2.2	2.3	2.8	2.8
Exports	-17.7	7.8	6.9	6.7	7.0	7.1	7.2
Imports	-19.7	6.6	4.7	6.0	5.9	6.1	6.2
Private consumption	-0.8	0.5	0.6	0.6	0.9	1.4	1.4
Gross fixed capital formation	-21.6	-6.7	1.9	4.5	5.0	4.5	4.5
Government consumption	3.0	0.8	-0.8	-1.3	-1.5	-0.2	-0.4

Source: SORS, February 2011, and IMAD, projections from the Spring Forecast 2011

A baseline scenario which only takes into account the adopted economic policy measures (without the additional measures) indicates that a relatively slower consolidation would enable stronger economic growth in the short run, yet the mid-term prospects would be considerably worse compared to the above scenario, as the potentials for economic activity growth would be weakened. This scenario foresees 2.2% economic growth for 2011 and 2.3% for 2012.

Table 1a: Key indicators of economic growth, Slovenia 2009-2015, scenario without additional economic policy measures (baseline scenario)

Real growth (%)	2009	2010	2011n	2012n	2013n	2014n	2015n
Gross domestic product	-8.1	1.2	2.2	2.6	2.2	2.3	2.2
Exports	-17.7	7.8	6.9	6.7	6.3	6.0	5.9
Imports	-19.7	6.6	5.1	6.0	5.2	4.8	4.7
Private consumption	-0.8	0.5	0.7	0.7	1.0	1.2	1.2
Gross fixed capital formation	-21.6	-6.7	2.9	4.5	3.0	2.0	2.0
Government consumption	3.0	0.8	0.8	0.6	0.6	0.5	0.5

Source: SORS, February 2011, and IMAD, projections from the Spring Forecast 2011

External demand remains the key factor for economic growth, while the **export** growth reached 7.8% in 2010 and is expected – according to the IMAD forecast – to decline to 6.9% in 2011 and further to 6.7% in 2012. Moreover, a relatively modest growth in imports is anticipated: in 2011, it could reach 4.7% and, in 2012, a 6% growth. Given the expected moderating of adverse trends in the segment of construction investment and continued growth of investment in machinery and equipment, a 1.9% growth in **gross fixed capital formation** for 2011 and further rise to 4.5% in 2012 are foreseen. The **household** consumption is still restrained due to uncertainty in the labour market, although the consumption did strengthen to a limited extent in the last quarter of 2010. In 2011 and 2012, a 0.6% annual real growth of private consumption is expected for each year. The risks that might endanger economic recovery arise from the conditions in the international environment that are mostly related to developments in commodity prices and looming escalation of problems in global financial markets.

² See also the Stability Programme, Ministry of Finance, April 2011.

Slovenia's current account deficit has been falling over the past years and reached a level equivalent to 1.1% of GDP in 2011. The reduction in deficit was due to a notable improvement of cash inflows from the EU budget and further reduction in capital income deficit. According to the assumptions made by IMAD, the terms of trade will be deteriorating over the current and the coming year, while the interest on the private sector debt will be rising. For these reasons, the current account deficit is expected to rise to 2.1% of GDP this year and to remain at approximately that level in 2012.

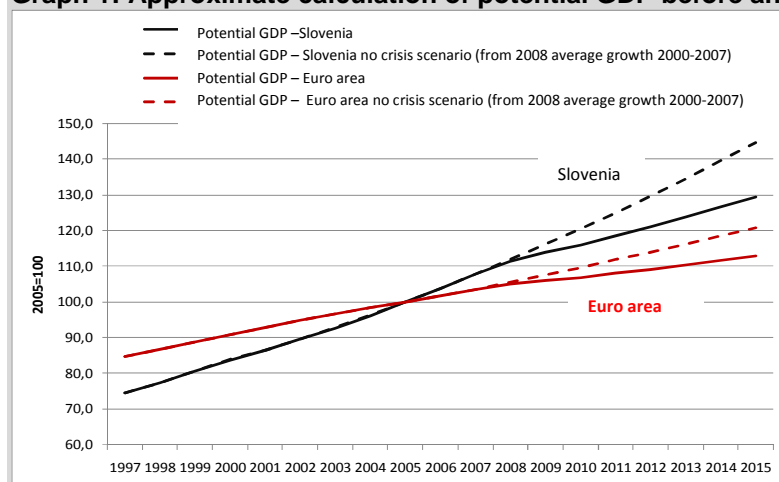
The calculations of **potential GDP** for pre- and post-crisis periods indicate that the crisis hit Slovenia to a relatively larger extent than the Euro-area average.³ Before the crisis, the potential growth was slightly rising to close to 4%; after a significant drop in 2008 and 2009, it might be at the level somewhat below 2% in the coming years.

Table 2: Assessment of potential GDP growth

Potential growth (annual % change)	Source	2000-2004	2005-2009	2010-2014
Trend growth (HP filter)	EC	3.8	2.9	2.5
	IMAD	3.6	3.4	2.1
	OECD	3.8	2.7	1.8
Potential growth (production function)	EC	3.9	3.0	1.3
	IMAD	3.6	3.4	2.1

Source: OECD Economic Surveys, Slovenia, February 2011

Graph 1: Approximate calculation of potential GDP before and after 2008



Source: IMAD

The number of persons in employment will continue to decrease in 2011 (- 1.6%), but to a lesser extent than in 2010. Over the coming years, the decrease will slow down, while employment growth is assumed to recover only after 2014. Without additional economic policy measures aiming at consolidation, the employment situation would deteriorate relatively less in the short term, however, in the medium term, the possibilities to create new jobs would become strongly limited. The average registered unemployment rate in 2010 was 10.7% and the ILO unemployment rate 7.2%. Structural problems in the labour market, such as the mismatch between demand and supply of professions, segmentation (especially of young people), low employment of older workers and long-term unemployment, are still a cause for concern. To achieve the target employment rate, the principle of "making work pay" should be applied in motivating inactive/unemployed persons to enter the labour market.

³ With regard to the EMU average, the calculations by the European Commission (autumn 2010) were taken into account, with regard to Slovenia, the calculations made by IMAD pursuant to the production function approach (Kalman filter) and the latest available statistical data and the Autumn Forecast by IMAD.

Table 3: Employment, wages, productivity, unit labour costs and inflation 2009-2015, scenario with additional economic policy measures

Annual growth in %	2009	2010	2011n	2012n	2013n	2014n	2015n
Employment according to the SNA	-1.9	-2.2	-1.6	-0.9	-0.4	0.2	0.2
Unemployment rate (ILO, in %)	5.9	7.2	8.0	8.6	8.8	8.6	8.2
Wage per employee (real, gross)	2.5	2.1	0.2	0.8	1.3	1.6	1.9
Productivity (GDP per employee, % growth)	-6.4	3.2					
Unit labour costs (nominal)*	8.5	0.6	0.6	1.2	/	/	/
Inflation (end of year)	1.8	1.9	3.0	2.7	2.2	2.2	2.2

Source: SORS, February 2011, and IMAD, projections from the Spring Forecast 2011, *Bank of Slovenia

Table 3a: Employment, wages, productivity, unit labour costs and inflation 2009-2015, scenario without additional economic policy measures (baseline scenario)

Annual growth in %	2009	2010	2011n	2012n	2013n	2014n	2015n
Employment according to the SNA	-1.9	-2.2	-1.2	-0.3	-0.3	0.0	0.0
Unemployment rate (ILO, in %)	5.9	7.2	7.9	8.0	8.0	8.0	7.8
Wage per employee (real, gross)	2.5	2.1	0.2	0.8	1.5	1.9	1.8
Productivity (GDP per employee, % growth)	-6.4	3.2	3.4	2.9	2.5	2.3	2.3
Unit labour costs (nominal)*	8.5	0.6	0.6	1.2	/	/	/
Inflation (end of year)	1.8	1.9	3.0	2.7	2.2	2.2	2.2

Source: SORS, February 2011, and IMAD, projections from the Spring Forecast 2011, *Bank of Slovenia

The real **wage** growth reached 2.1% in 2010, primarily as a consequence of the wage increase in the private sector resulting from a higher minimum wage and the reduction in the number of employees in the lower-wage brackets. Owing to fiscal limitations in 2010, wages in the public sector remained at the same level as the year before. Therefore, in the coming period, it is crucial to keep wage growth in line with economic conditions and productivity. Productivity has to grow predominantly on account of improved skills, knowledge and technology rather than decreasing employment. The public wage system should be redesigned to contribute to these goals.

Table 4: Wage ratios and wage compression

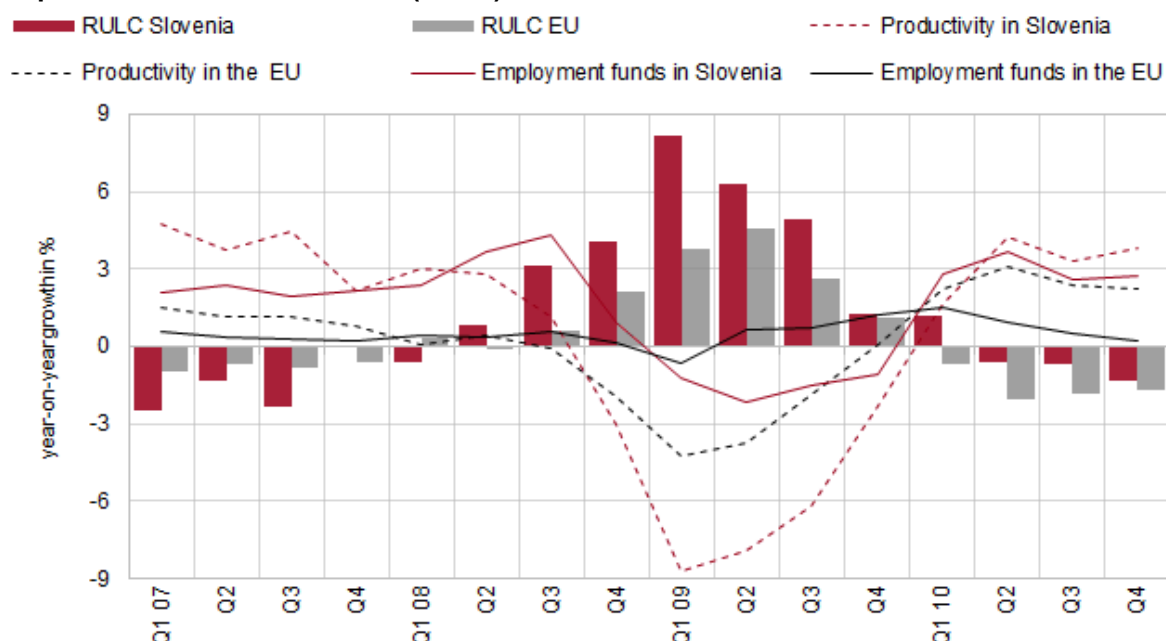
	Wage ratios between the 9 th and 1 st decile	Wage ratios between the 9 th decile and the median less the ratio between the median and the 1 st decile (wage compression)
Finland	2.45	0.34
The Netherlands	2.96	0.21
Austria	3.33	0.28
Denmark	2.3	0.19
Norway	2.28	0.23
Ireland	3.65	0.06
UK	3.87	0.13
Slovenia	3.27	0.33

Source: EUROSTAT; EIPF

The data shows that Slovenia has higher wage density in the lower part of the distribution, which means the wage compression results in a smaller difference between the lowest and the highest wage under the median than shown in other countries. The table above shows the form of wage distribution by application of the interdecile range, which measures the ratio between the first decile (10% wages lower than 90%), median (mean value) and the ninth decile (10% wages higher than 90%). An even wage distribution is shown in the case of the even ratio between the median and the first and the ninth decile. The ratio between the ninth and the first decile in Slovenia is 3.27% (11 EU countries show quotients between 3 and 4%; IMAD, Social Overview, 2009). When the values of the lower decile and the median are close together, the wage density in the lower part of distribution is greater. A greater difference in the value of the ratio between the quotients of the 9th decile and the median as well as the median and the 1st decile means the wage density over the median is more intense. In the current

situation, the ratio of **labour cost** to labour productivity represents a major limiting factor affecting competitiveness. During the crisis, labour productivity in Slovenia has decreased considerably more than the EU average, while unit labour costs have risen sharply compared to the EU.

Graph 2: Real Unit Labour Costs (RULC)



Source: Eurostat, recalculations by IMAD

Within the **public finances**, the decline in economic activity led to a significant drop in tax revenue in 2009 and 2010. The expenditure significantly increased, owing to the impact of automatic stabilisers and implementation of discretionary measures. As a consequence, in 2010, the general government deficit rose to 5.5% of GDP and the gross public debt amounted to 38% of GDP. Without efficient structural measures, debt could have reached 60% GDP by 2015. The **fiscal consolidation** pursues the goal to reduce the general government fiscal deficit below 3% of GDP by 2013 and to stabilise the gross public debt at a level below 45%. In pursuit of this goal, i.e. partial repayment of public debt, state assets may be shrunk.

The **Medium-term Fiscal Framework**⁴ for Slovenia envisages that the consolidation of public finances should be completed in the course of one economic cycle (6-8 years), as follows:

- By the end of 2013, the actual general government deficit is to decrease below 3% GDP;
- By the end of 2015, the cyclically-adjusted general government deficit is to be below 1% GDP;
- A balanced structural fiscal position is to be achieved during one economic cycle (6-8 years).

In 2010, Slovenia introduced a fiscal rule by means of which the Government can set the upper limit on public expenditure for the current and the next three years (the first two are fixed and the second two indicative).

Fiscal rule has been defined as: $G_{t+1} = G_t \times (1 + g^*)$

g^* being the nominal growth of general government expenditure:

$$g^* = \underbrace{g^{\text{trend}}}_{\text{preventive part}} - \underbrace{u \times (b_t - b^*) - v \times (f_t - f^*)}_{\text{corrective part}}$$

⁴ Medium-term Fiscal Framework, Government of the Republic of Slovenia, document No 410-25/2011/11, 14.4.2011.

Meaning of the other symbols:

Gt+1: general government expenditure for the next financial year (in EUR),

Gt: general government expenditure for the current financial year (in EUR),

gtrend: arithmetic average of the past three years, the current year and forecasts for the following three years relating to nominal growth rate of the potential GDP (in %),

bt: estimate of the general government consolidated gross debt for the current year (share of GDP),

b*: target value of the general government consolidated gross debt (share of GDP),

ft: estimate of the general government primary balance for the current year (share of GDP),

F*: target value of the general government primary balance (share of GDP),

u: speed of achieving the target value of the general government consolidated gross debt, ranged between 0 and 1,

v: speed of achieving the target value of the general government primary balance, ranged between 0 and 1.

Table 5: Fiscal framework 2011 – 2015 – Target scenario including additional economic policy measures, ESA methodology

In EUR million	General government revenues (in million EUR)	General government expenditure (in million EUR)	Cyclically-adjusted general government balance (% of GDP)	General government primary balance (% of GDP)	General government deficit (% of GDP)	General government consolidated debt (% of GDP)
2010	15,676	17,663	-1,550	-1,414	-1,987	13,703.9
% of GDP	43.5	48.98	-4.3	-3.9	-5.5	38.0
2011	16,244	18,260*	-1,396*	-1,357	-2,016*	15,913.6
% of GDP	44.2	49.7*	-3.8**	-3.7	-5.5*	43.4
2012	16,762	18,252	-1,155	-722	-1,490	17,403.3
% of GDP	43.5	47.7	-3.0	-1.9	-3.9	45.2
2013	17,324	18,501	-927	-429	-1,177	18,580.2
% of GDP	43.0	45.9	-2.3	-1.1	-2.9	46.1
2014	17,881	18,743	-719	-116	-862	19,442.2
% of GDP	42.3	44.3	-1.7	-0.3	-2.0	45.9
2015	18,529	19,006	-445	301	-476	19,918.3
% of GDP	41.7	42.7	-1.0	0.7	-1.1	44.8

Source: Stability Programme, supplemented in 2011; estimate for 2015 by the Ministry of Finance

* The upper limit on general government expenditure and the public deficit for 2011 also include the value of state recapitalisation of the NLB d.d. bank as this recapitalisation has been recognised as state aid aimed at tackling the bank's loss.⁵ In statistical terms, the recapitalisation was defined as a capital transfer and not as a financial transaction. This implies that it is directly added up to general government expenditure and deficit. Thus, the deficit in 2011 would increase by 0.7% GDP.⁶

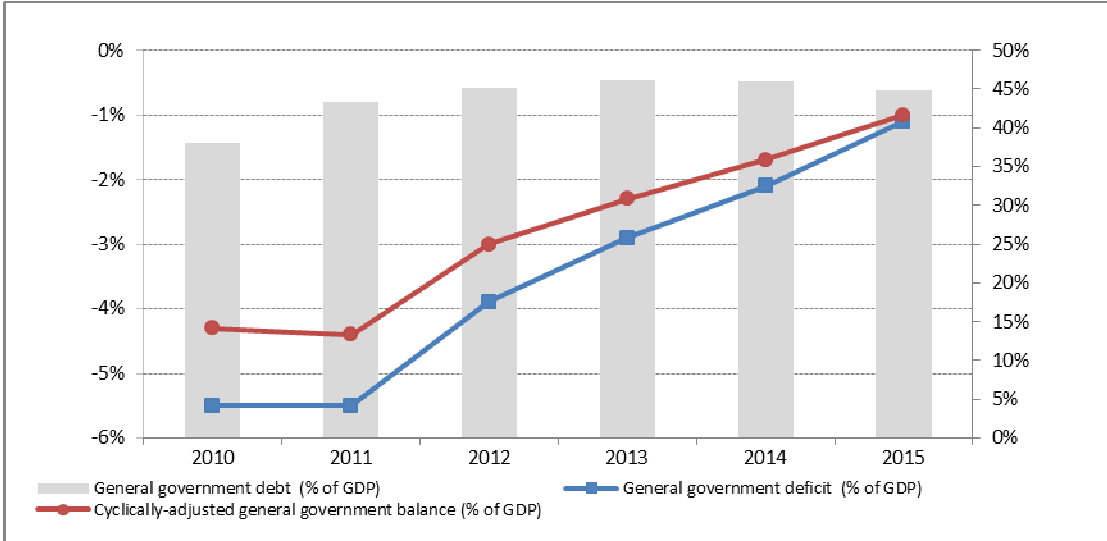
** The recapitalisation will not have any impact on the cyclically-adjusted general government balance provided that it is a one-off intervention and the bank suffers no further loss in 2011.⁷

⁵ State Aid SA 32261 – Slovenia; Rescue recapitalisation in favour of NLB, European Commission, 7. marec 2011.

⁶ Source: Manual on Government Deficit and Debt – implementation of ESA95, 2010 edition, Eurostat.

⁷ Specification on the Implementation of the Stability and Growth Pact and Guidelines on the Format and Content of Stability and Convergence Programmes.

Graph 3: General government balance and debt for 2010-2015



Source: Ministry of Finance

I. 2. PRIORITY MEASURES OF ECONOMIC POLICY

In order to ensure long-term growth and the sustainability of public finances, Slovenia deals with the economic policy measures in the below stated areas as a matter of priority.

- To improve the state of **public finances**, Slovenia introduced the fiscal rule which was used to set the upper limit on public expenditure. The expenditure rule, which is based on potential GDP growth, allows for determining the speed of adjustment to the fiscal objective. In view of the greater stabilization efficiency of public finances, the fiscal rule was formally defined in the Decree on the documents of development planning bases and procedures for the preparation of the central and local government budgets (Official Gazette of the Republic of Slovenia, No. 54/2010). In 2011, an amendment to the **Public Finance Act** is foreseen, which will strengthen the commitment to the fiscal rule and contribute to its consistency and transparency.
- With the aim of improving the long-term stability of public finances, the Slovenian Government and the National Assembly adopted changes in the **pension system** (subject to a referendum initiative). The overall estimated effect of the proposed changes is the sustainability of the public expenditure on pensions for the next 15 years⁸; after that, further adjustments will be needed.

According to the population projections EUROPOP2008, in the period 2008-2060 the proportion of Slovenia's working-age population (20-64 age group) is expected to shrink from little less than two thirds of the whole population to less than a half of the whole population. On the other hand, the share of the elderly (aged 65 or more) is expected to more than double – from 16.1% of the whole population in 2008 to 33.4 % in 2060. In future, this will exert very intense pressure on the pension fund. Due to increasing life expectancy the situation could be made even worse in the long-run. The proposed reform significantly reduces this problem, although it does not resolve it in the long-term. In 2009 the share of pensions was 11.2% of GDP (old-age, disability, family, farmers, military pensions, expenditure on pensions paid abroad and annual allowance for pensioners). Once this reform is implemented, this share should be increased by 12.5% GDP by 2030 and then by 17.8% by 2060.

In comparison to the previous act, the new pensions act tightens conditions for retirement within almost all parameters:

- Prolongation of the reference period for calculating the pension base from 18 years, every year for one year, to 30 most favourable successive years, excluding three least favourable years. The long-term effect would imply a decrease of a forecasted share of general government expenditure on pensions in the GDP for around two percentage points.
- Indexation of pensions in relation to wage growth is crucial for the long-term sustainability of the pension system. If we preserve the 100% indexation of pensions in relation to wage growth, the estimations show the share of expenditure on pensions in the GDP would be 20.2% in 2060. This would correspond to 17.9% GDP, should the Swiss formula (50% adjustment with wage growth and 50% adjustment with price growth) be applied. A simulation based on this model suggests that the percentage of the pension growth is calculated as a weighted average of nominal wage growth and growth in consumer prices (inflation) at a ratio of 70:30.
- Raising the average retirement age will have a positive impact on the sustainability of the pension system, yet it is difficult to forecast its volume as it depends on people's reactions to changes in the system. Raising the retirement age by 3 years will, in the long-term, decrease the share of pensions in the GDP by just over two percentage points, with other conditions remaining unchanged. Together with an adequate (higher) vesting percentage of pensions and the impact of early retirement pension (this being 20% of the pension which a person could claim should he/she retire as soon as he/she can), this impact was assessed to be approximately 1 percentage point only.

⁸ Source: Čok, Sambt, Majcen, Estimated effects of the proposed pension legislation, IER, September 2010.

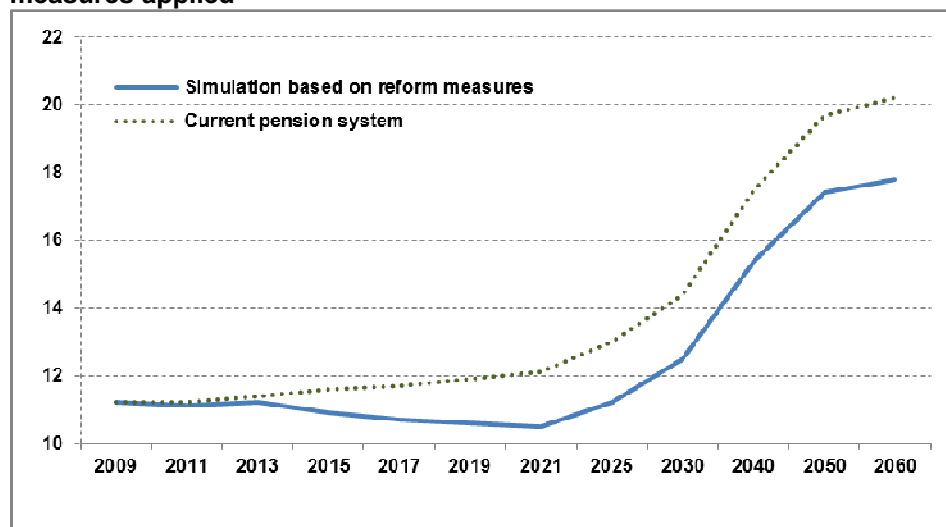
The assessed overall impact of changes in the pension system on the sustainability of public finances is positive. It will prevent an increase in general government expenditure on pensions over approximately the next 15 years; subsequently this share would once again begin to rapidly increase and further measures would be needed.

Table 6: Overall impact of pension reform measures on the general government expenditure on pensions

Share of pension expenditure in the GDP, in %	2009	2011	2013	2015	2017	2019	2021	2025	2030	2040	2050	2060
No measures applied	11.2	11.2	11.4	11.6	11.7	11.9	12.1	13.0	14.4	17.5	19.7	20.2
Measures applied*	11.2	11.1	11.2	10.9	10.7	10.6	10.5	11.2	12.5	15.4	17.4	17.8

Source: Čok, Sambt, Majcen, Estimated effects of the proposed pension legislation, IER, September 2011, updated estimations January 2011. * Military service, 30 most favourable years, indexation 70:30

Graph 4: Share of general government expenditure on pensions in the GDP, with and without measures applied



Source: Pension and Disability Insurance Institute, SORS and various other sources; IER calculations, updated estimations from January 2011

In accordance with the rules of the Stability and Growth Pact, every Member State has defined its medium-term budgetary objective in terms of the cyclically-adjusted budget balance. The methodology also takes into account the implicit commitments arising from the ageing population. The medium-term objective consists of three parts:

- i. General government balance, which in the long-term stabilizes the debt level at 60% of GDP;
- ii. Adjustments due to population ageing (long-term ageing costs are translated into the current value and the public finance objective should cover a part of long-term expenditure);
- iii. Additional requirements for countries whose debt already surpasses 60% of GDP (as the Slovenian debt does not surpass 40% of GDP, this issue is irrelevant for Slovenia).

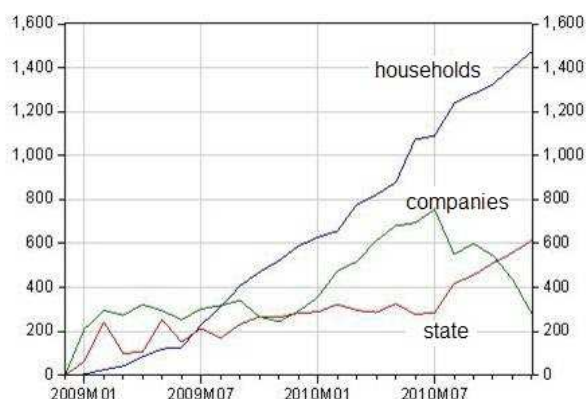
A methodology for calculating the medium-term objective should be based, in its second part (adjustments due to population ageing), on the inclusion of a part of ageing costs by 2060 into the current medium-term objective. The EU Commission's proposal is to include 33% of all ageing costs by 2060 into the current medium-term objective.

Table 7. Calculation of the MTO based on European Commission methodology

	General government deficit/surplus, stabilising general government debt on 60% of GDP	Long term age related cost (% of GDP)	MTO (3) = (1) + alpha+(2) % GDP			
			% of total ageing cost (α)			
			25%	33%	50%	66%
	1	2				
Calculation: January 2011 (considering proposal of pension legislation)	-2.0	6.9	-0.3	0.3	1.4	2.6
Calculation: September 2011 (considering proposal of pension legislation)	-2.0	5.8	-0.6	-0.1	0.9	1.8
Calculation: September 2010 (no change scenario)	-2.0	8.8	0.2	0.9	2.4	3.8
Calculation EC, updated proposal	-2.1	7.8	-0.1	0.5	1.9	3.1
Calculation EC, original proposal	-2.1	8.3	0.0	0.7	2.1	3.4

- The exposure of the Slovenian **financial system** to the global crisis was mainly determined by trade and financial linkages, and by the pre-crisis domestic credit boom that led to a high level of indebtedness in the Slovenian enterprise sector. Slovenian companies have a larger share of loans in liabilities compared with most other euro-area countries, but they also had a relatively smaller share of liabilities in long-term instruments (shares, bonds). Credit conditions remain very tight and banks are very cautious in lending activity, with weak lending growth, an increasing proportion of non-performing loans, and at the same time provisions and impairments are higher too. The latter reached EUR 800 million in 2010, which is nearly two thirds more than in the same period of the previous year. In 2010 non-performing claims increased by almost two thirds, to nearly EUR 1.8 billion, and their share climbed to 3.8% of classified bank's total assets. Limited sources of finance are another reason why lending activity remains low. While the government represented a significant source of bank assets in 2009, it mainly withdrew its deposits in 2010, so that banks had to seek other sources of finance to discharge matured liabilities.

Graph 5: Growth of loans

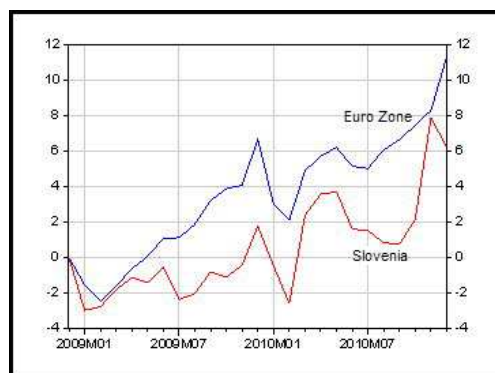


Source: Gospodarska gibanja (Economic Trends) EIPF, February 2011

Graph 6: The level of loans in companies after the crisis outbreak



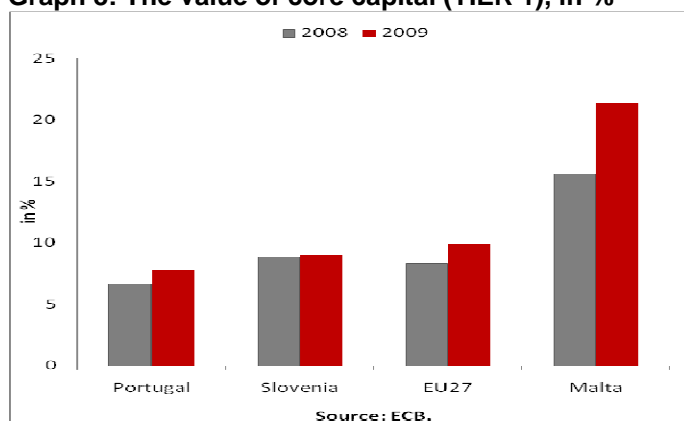
Graph 7: The level of deposits in companies after the crisis outbreak



Source: Gospodarska gibanja EIPF, February 2011

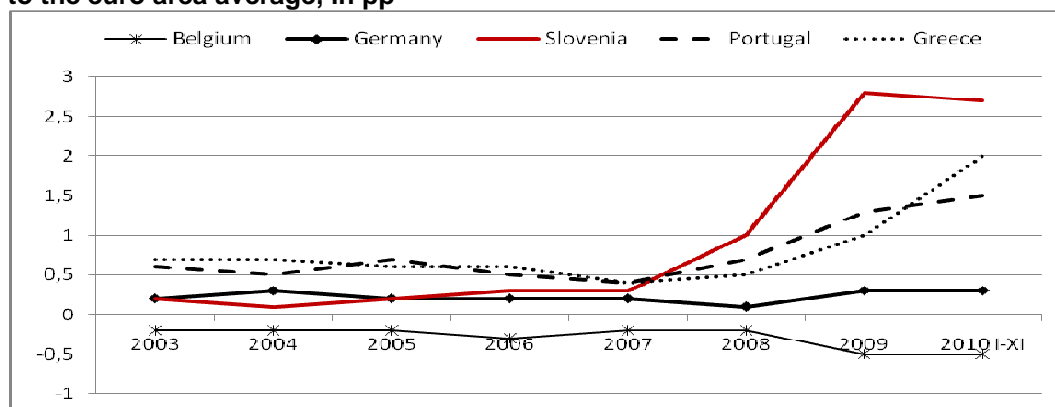
With the low increase of household deposits and the outflow of state deposits, banks will continue to depend on foreign resources. This situation can prove problematic given the relatively low tier 1 capital ratio, particularly as the capital adequacy of banks is expected to decline further with the rapid fall of the quality of banks' total assets. There is also a shortage of innovative projects that would be attractive for financing. Deleveraging is currently continuing, stabilising growth in loans to non-financial corporations at a relatively low level. To accelerate investment activity in non-financial corporations, the state-owned SID Bank implements various financial instruments (partly introduced by the government) based on the guarantee schemes.

Graph 8: The value of core capital (TIER 1), in %



Source: ECB. Countries chosen with respect to 2009: the highest and the lowest value, EU average, Slovenia

Graph 9: The differences among interest rates in loans granted to companies, which exceed €1 million and have either a variable interest rate or a fixed interest rate up to one year, compared to the euro area average, in pp



Source: ECB. Note: The differences represent the average of the year/period presented.

In order to improve the conditions for economic growth through an adequate provision of financing for enterprises (or non-financial corporations), the setting up of a system of obligatory payment of special bank and savings bank levies, including the right to qualify for a relief according to the stock of loans provided to non-financial corporation, will be examined. The completed capitalisation of Nova Ljubljanska banka d.d. (worth EUR 250 million) and the implementation of capitalisation of Nova kreditna banka Maribor, d.d. (in the amount of EUR 104.3 million) will contribute to additional available financing.

- The improved **governance of state-owned enterprises** will enable development and capitalization and therefore a higher annual income generated by such assets. In addition, the state could contribute to slowing the growth of public debt by selling some of the state property. A precondition for this is to open the companies' ownership, allow for their capitalization and improve the investment portfolio. In 2010 the Republic of Slovenia, directly and through Kapitalska družba, d.d., Slovenska odškodninska družba, d.d. and Posebna družba za podjetniško svetovanje, d.d., had 144 investments at its disposal, at the estimated value of solid EUR 6 billion. The return on these investments, measured by dividends according to the estimated value of investments, is 1.4%. The adoption of the Capital Investment Management Strategy shall provide a basis for improved management; it shall be adopted in accordance with the Law on Corporate Governance of State Capital Investments by the National Assembly on the proposal from the Government. By June 2011, the draft strategy shall be prepared by the Capital Assets Management Agency of the Republic of Slovenia on the basis of sectoral policies. The Strategy needs to define priority strategic capital investments with which Slovenia will also endeavour to achieve infrastructural objectives, which relate to the functioning of individual public services, as well as development objectives. Alongside this, the purpose of the strategy is to specify the companies that are not strategic and could be subject to sale. When the Republic of Slovenia is selling the direct and indirect capital shares of the individual investment, the programme of the sale and the purpose of using the obtained funds have to be made clear (e.g. an investment in other, more profitable investments). An approach to seeking foreign investors and the manner of entering into public-private partnerships also have to be coordinated.

Table 8: State-owned enterprises (mid-2010)

	Direct shareholding	Indirect shareholding	
	Number of firms	Number of firms	Value (million EUR) ³
Total	50	96	5 965
Of which: listed companies	0	17	305
Degree of state ownership			
Fully owned (100%)	19	20	2 193
Majority control (50<100%)	15	25	2 084
Minority control (10<50%)	16	51	1 666
Breakdown by investment type ⁴			
Strategic	5	9	2 548
Marketable	5	43	614
Non-marketable	31	35	2 609
Other	9	9	194
Breakdown by sector			
Mining and manufacturing	6	24	755
Energy	21	21	2 308
Financial services	4	8	1 457
Transport	6	9	396
Telecommunication	2	2	724
Tourism and trade	0	12	213
Other	11	20	112

1) Shareholdings of over 10%, excluding enterprises in liquidation or bankruptcy. 2) Republic of Slovenia, KAD (Kapitalska družba), SOD (Slovenska odškodninska družba) in PDP (Posebna družba za podjetniško svetovanje). 3) Estimations and values using the book value of assets. 4) Preliminary classification.

Source: OECD Economic Survey, Slovenia, February 2011

I. 3. MODERNISATION AND ADJUSTMENT OF ENVIRONMENT TO FOSTER GROWTH

Changes in social dialogue

The functioning of the labour market, with regard to its competitiveness, is influenced, *inter alia*, by the **level of social dialogue**, either tripartite or bipartite (collective bargaining). The relationship between wage growth, inflation and productivity represents one of the fundamental elements of competitiveness. After the expiry of the Social Agreement 2007-2009, no new national agreement concerning the key common goals and tasks has been concluded by social partners and the Government. Such an agreement should be reached in order to undertake a mutual commitment to contain wage growth, which should not exceed productivity growth and go beyond major structural reforms.

Wages are agreed upon at the level of collective bargaining, negotiations being held at the bipartite level of employers and trade unions. In order to maintain macroeconomic balances, the mechanisms or arrangements concerning the growth of wages and other remuneration should not allow for transfers from more productive to less productive sectors or monopolies. This should primarily apply to companies in non-marketable activities under institutional ownership, directly or indirectly owned by the state, local communities and the like.

Therefore, **social dialogue** should be established at the national level as a method of reaching consensus on key issues in employer-worker-government relations, by taking into account the national development objectives and social and economic limitations. It has to be examined whether the rules of operation of the Economic and Social Council are adequate and to review the criteria and conditions applying to representativeness of its members. The system of collective bargaining should include a commitment that the growth of wages and other remuneration in companies under direct or indirect ownership of the state or a local community would not exceed the growth of wages in the private sector.

Improvement of institutional conditions for operation of companies and establishment of a more efficient public administration

- **Act on Prevention of Late Payments.** In order to prevent late payments among business entities, an **Act** was adopted and enforced at the beginning of 2011; it introduced the longest consensual 60-day payment period (only exceptionally 120-day periods) for economic agents and a 30-day payment period for public institutions. In addition, a general 30-day period should apply if no payment period is specified in a contract. The Act has also introduced the institute of a mandatory multilateral set-off regarding mutual claims of those debtors who do not manage their liquidity in such a way that would guarantee timely fulfilment of their contractual obligations. The mandatory set-off, including the enforcement procedure (on the basis of an authentic document), will facilitate the payment of outstanding receivables because both procedures can be conducted simultaneously and independently of each other.
- **Act amending the Value Added Tax Act.** The Act stipulates that a taxable person will have to increase his/her tax liability by the value of the claimed VAT deduction should he/she not settle an invoice within the set period or notify the unpaid invoice liability to the system of mandatory multilateral set-off. Once the invoice has been paid to the supplier, the taxable person concerned will be able to claim the VAT deduction during the tax period when the invoice settlement took place.
- **The Public Procurement Act**, adopted in 2011, regulates the issue of non-payment of subcontractors under the awarded contracts.
- As tax evasions endanger public finance sources and imperil the competitiveness of companies that comply with the law in doing business, it is necessary to set up a systemic arrangement for operation of taxable persons dealing in cash by introducing an automated electronic system of recording invoices issued by cash registers at points of sale – **tax cash**

registers. The problem is especially burning in the case of activities where all transactions involve only cash and the revenue earned in this way is not stated in tax returns.

- **More efficient operation of courts in commercial matters.** Resolution of cases in commercial matters, particularly bankruptcy proceedings and compulsory compositions, ought to be more transparent – to this end, the number of specialised courts and their departments should be reduced. In this way, better use could be made of the limited administrative capacity, and, first and foremost, of professional expertise and jurisprudence. In order to become more efficient in settling commercial matters, some other measures will be required: to expand confiscation and deprivation of property with reversed burden of proof; to speed up criminal proceedings by introducing negotiations between prosecution and defence; to define criminal acts related to public finances; to establish a specialised Prosecutor's Office and specialised court departments to prosecute and decide in matters of commercial and organised crime. For this purpose, amendments to the **State Prosecutor Act, Penal Code, Criminal Procedure Act and the Courts Act** are to be adopted in 2011.
- **Act amending the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act** maintains and regulates the institute of compulsory settlement aimed at preserving the sound core of companies. This will enable insolvent companies, under certain conditions, to survive and, on the other hand, prevent or diminish the chances for speculative operation of companies with the intention to deceive creditors. According to the proposed amendment, a debtor in compulsory settlement proceedings will be obliged to offer to creditors at least 50% payment of their unsecured ordinary claims within a period not longer than 4 years. The said amendment also provides for creditors' better insight into the bankruptcy estate.
- **Restructuring of bank portfolios.** The majority of companies could resume their successful business activities by restructuring their liabilities and through injection of new capital, but the banks are unable to keep up with them due to their own burden of extensive bad loans. At the same time, they hold a large number of shares of these companies as a form of insurance for past investments. The banks could sell their investments to private **corporate turnaround funds** in order to improve their cash flows and enable the companies to restore normal operation under the new ownership of these funds. After three years, the banks will be obliged to deduct their shares exceeding 10% of company ownership from their regulatory capital. Because they acquired equity shares in companies in exchange for their loans, the banks should represent, together with multilateral institutions and other interested investors, the founders of the corporate turnaround fund. The purpose of the latter would be primarily to purchase troubled companies, to restructure and sell them. At the same time, the banks, mainly those under majority state ownership, would have to set up special departments for restructuring their bad investments, so as to separate this activity from their regular credit activity. The restructuring procedure should be implemented by experts qualified for insolvency legislation and liabilities restructuring. The actual gain, which would be lower than its book value, should be financed by the banks from the funds acquired from the restructuring of their activities and from the sale of "forfeited shares" of companies.

II. THEMATIC COORDINATION

II. 1. BOTTLENECKS TO GROWTH

Macroeconomic environment

- *Reducing the general government structural deficit and ensuring the long-term sustainability of public finances, especially in the light of population ageing, in particular through reform of the pension system.*

The old-age dependency ratio and pension expenditure are projected to increase significantly over the coming decades, posing a risk to the long-term sustainability of public finances, especially given the currently low employment rate of older workers. Besides the high general government deficit in 2010, the long-term sustainability of public finances is additionally aggravated by the budgetary impact of population ageing and intensified retirement due to the expected changes in the pension system.

Smart growth

- *Increasing competition in the service sector and addressing weaknesses in the business environment.*

A range of problems in the business environment gives rise to inefficiencies and increased business costs, particularly for SMEs. This implies high mark-ups and high concentration in certain service sectors. Factors include the employers' burdens in employing workers, impediments to obtaining credit and registering property, as well as gaps in investment, especially regarding infrastructure.

- *Promoting innovation capacity and increasing overall R&D investment.*

Compared with the most developed EU countries, Slovenia ranks relatively low in the proportion of researchers within the total active population. Despite the increase in the share of employees with PhDs (ISCED-6) in the R&D sector from 12% to 25% in the period 1990–2008, a relatively small percentage of employees with PhDs are employed in the business sector (10%), while the proportions in the government sector (29.4%) and the higher-education sector (61.9%) remain high.

In the recent years, the Slovenian R&D expenditure as a percentage of GDP has been nearing the EU average and is expected to reach the targeted 1% of GDP to be allocated to public investment in R&D in 2012. Innovation indicators such as the number of patents awarded and the persistent comparative disadvantage in high-tech goods exports suggest that special attention should be paid to facilitating and promoting the commercialisation of research findings, synergy between research and development activities in the business community and public research organisations, concrete actions aimed at improving competitiveness, and better integration within the research-education-innovation knowledge triangle (emphasis on cooperation with users and societal relevance of research).

- *Refocusing human capital investment, especially in tertiary education, on higher value-added activities.*

Slovenia has a high tertiary-education participation rate. Nevertheless, the study efficiency remains at a very low level due to the recorded high share of early school leavers (35%) and long average study duration (6.3 years). The number of graduates in the fields of natural sciences, technology and other sciences relevant for innovation is still too low.

Unemployment among graduates is on the rise; it takes 12 months or even more before they succeed to get their first job. As a consequence, it is necessary to enhance cooperation of higher education institutions with the business community in planning the diversification of study programmes, so as to prepare the highly educated human resources for the changing requirements of the labour market. Moreover, top experts from the business sector should be adequately engaged in the planning and implementation of study programmes. The

performance of higher education activities is also affected by the relatively unfavourable student-teacher ratio. Another issue is the insufficient transparency regarding the proportion of time professors spend on research work in the framework of their full employment. Highly qualified experts from the business sector should be involved in the process of human resources education.

Inclusive growth

- *Enhancing flexibility to improve the functioning of the labour market and ensure better alignment of wages and productivity.*
To make the functioning of the labour market more efficient, the existing labour legislation has to be adapted so as to align the rights and obligations of permanent workers with those of workers with fixed-term contracts. In future, transitions between jobs and the “making work pay” principle should be enforced in line with renewed labour market legislation. The characteristics of Slovenia are the low employment rate of older workers and insufficient inclusion of young people in the labour market. Therefore, in addition to ensuring more flexibility, special attention should be given to measures targeting the elderly and the young, with a view to enhance long-term employability, productivity and competitiveness.
- *Matching skills with labour market needs.*
Structural labour market problems are partly caused by a mismatch between labour market needs and educational outcomes, especially in relation to tertiary education. A high proportion of workers do not have the qualifications to match contemporary labour market requirements; intensive investment in their training would be needed in order to improve key skills and consequently long-term employability.
- *Decreasing the existing segmentation in the labour market and increasing the participation of the elderly and the young in the labour market.*
A high proportion of young people find themselves segmented within the labour market because of current differences in contractual rights from employment. The labour force survey shows that, over the past years, there have been around 13,000 young people (aged 15 to 24) in temporary employment as they could not find regular and permanent employment, and around 13,000 unemployed people in the same age group. For this reason, both segments represent one of the target groups for taking action.

On the other hand, vulnerable groups (especially older workers) have difficulties in (re)entering the labour market. The planned amendments to legislation pursue the objectives to increase social security for young people, encourage longer activity periods of older workers and reduce the segmentation of the current work forms and target groups.

II. 2. SMART GROWTH

Headline targets relating to smart growth

National targets for EU 2020: 3% of GDP to be invested in R&D. The share of early school leavers to stay at 5% and 40% of younger generation (aged 30 to 34) to have a tertiary education degree.

Current situation: In 2009, 1.86% of GDP was allocated to R&D, out of that 0.73% of GDP from public funds; the share of early school leavers amounted to 5.3%, while 31.6% of younger generation completed tertiary education.

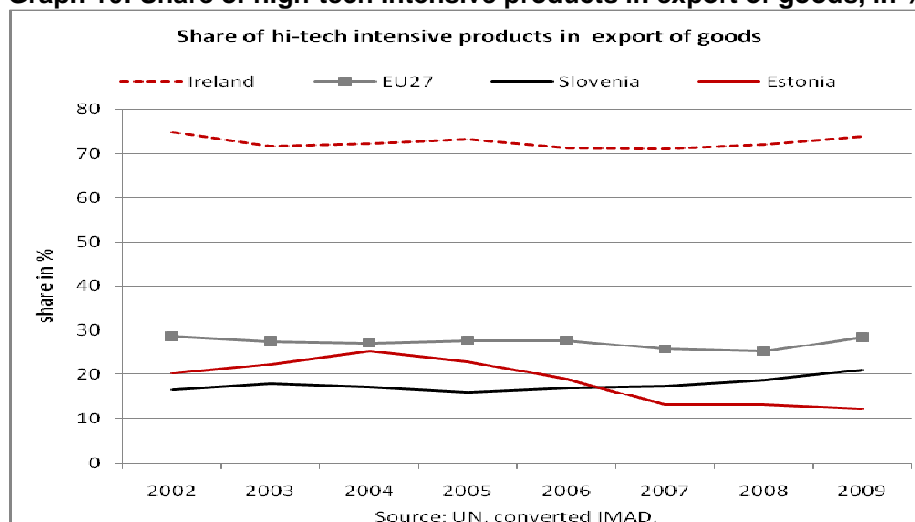
In **fostering entrepreneurship and acquiring and applying knowledge** for growth and development, it is important to focus priority measures on creating an environment that stimulates private investment in R&D (especially for the growth and development of companies) and efficient, target-oriented services supporting entrepreneurship (development of the research, development and business infrastructure, internationalisation of enterprises, encouraging innovation, creativity and entrepreneurship in curricula on all levels). At the same time, growth and development necessitate reform of higher education and more efficient investment in research and innovation activities. Top priority should be given to collaborative technology-development projects between enterprises, the information society, human resources and research-infrastructure development, and R&D projects, especially those that address societal challenges. Growth and development also depend to a great extent on efficient governance, therefore, it is vital to modernise the public administration and the public sector, especially by implementing ICT projects that increase competitiveness (e-government, e-justice, e-health, e-social care, e-education), and to implement innovative (green) public procurement.

II. 2.1. Policy of encouraging entrepreneurship and competitiveness (analysis, reform, key measures)

A. Fostering growth and development of enterprises

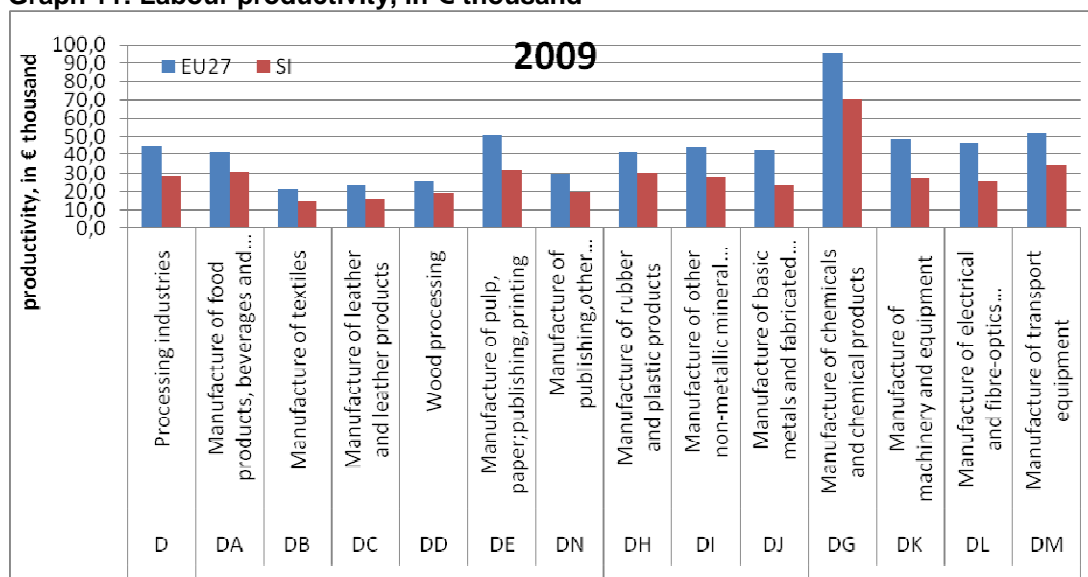
*According to the Global Competitiveness Index of the World Economic Forum for 2010, Slovenia is ranked 45th among 139 countries. The most problematic factors for doing business concern the **availability of financial services, labour market efficiency (wages and productivity), stability of banks, efficiency of legal framework for settlement of disputes, as well as the efficiency of supervisory boards (the ranking fell by approximately 30 places)**. Slovenia's lower productivity, as shown in Graph 12, is primarily attributable to the structure of the Slovenian economy (low proportion of high-technology and knowledge-based services) and lower productivity levels reached in individual sectors where there is much room for improvement by increasing the added value per employee through the intensification of the R&D and innovation activities and development of human capital. One of the major drawbacks in fostering competitiveness factors is the poor efficiency in enhancing the elements of knowledge-based society, which is mostly demonstrated in weak R&D activities that are only loosely tied to the business sector. Despite the fact that some effort has been made in reducing administrative barriers to the development of entrepreneurship, highly complex bureaucratic procedures still impede the start-up and operation of businesses, as well as commercialisation of research findings. Thus, individual measures aimed at improving the efficiency of business environment are related to budget-supported "regular endeavours and actions" towards higher productivity and institutional solutions that facilitate the operation of Slovenian businesses and consequently boost competitiveness.*

Graph 10: Share of high-tech intensive products in export of goods, in %



Source: UN, converted by IMAD

Graph 11: Labour productivity, in € thousand



Source: IMAD

In 2010, the banking system's total assets contracted by EUR 1.323 billion, the net stock of loans to non-banking sector declined (as a result of impairments and loan repayments), while the proportion of loans to non-financial corporations accounted for by long-term loans rose (Monthly Bulletin of the Bank of Slovenia, January 2011).

Reforming the system for fostering growth and development of enterprises:

Difficult access to finance and the high ratio of debt financing in private sector⁹ call for **restructuring of financing sources in companies** (to reduce the over-indebtedness of the private sector) and banks. In addition to commercial banks, a number of financial institutions offer products (both refundable and non-refundable funds) for financing operations, investments, exports and development activities of enterprises: the Slovenian Export and Development Bank Inc. (SID Bank), the Slovenian Enterprise Fund (SEF), the Eco Fund – Slovenian Environmental Public Fund, the Housing Fund of the Republic of Slovenia and the Slovenian Regional Development Fund. Especially worth mentioning is the Slovenian Enterprise Fund, which offers their products in the framework of three finance lines:

⁹ According to the data provided by the Bank of Slovenia (2008), almost 88% of all enterprise financing came from debt sources (loans and commercial credits), while the proportion of equity capital was decreasing (by 6.2% in 2008).

guarantee-credit line for small and medium enterprises (SMEs), grant line for SMEs and equity finance line for SMEs.

While the existing measures for financing the start-up and initial running of businesses with grants have proved effective, the attention now has to be directed to strengthening the instruments that will stimulate financial institutions and private organisations to **invest in seed capital**, where the results of the GAP analysis (EIF, 2008) for Slovenia revealed a considerable deficit. In supporting the start-up development and faster growth of innovative companies, it is particularly important to have access to equity financing, which provides not only capital, but also know-how, market connections and access to international value chains. According to the model of financial engineering instruments, the **Strategic Development Platform** will serve as the framework for creation of new financial products, by taking into account market gaps, needs of the economy, in particular for strategic development projects, and fiscal possibilities.

The necessary legal basis for the functioning of the Development Platform has been provided by the Act amending the Public Finance Act (Official Gazette of the Republic of Slovenia, No 107/2010), new chapter "10.b – Budgetary funds for the implementation of priority and development tasks". The Public Finance Amendment Act has introduced a possibility to include budget funds in a financial engineering instrument and in the Holding Fund. In such cases, budget funds will be deemed as repayable; for these purposes other public or private financing sources are to be attracted, in addition to the budget sources. Moreover, talks are under way between the SID Bank and the Ministry of Higher Education, Science and Technology regarding the setting up of a Loan Fund in 2011 to finance strategic R&D projects of enterprises that are development-oriented and target the marketing of new products, services or technological solutions.

Key measures for fostering growth and development of enterprises:

- **The purpose of a 185 million euro public call for proposals to set up Slovenian economic development centres** was to encourage the establishment and operation of Slovenian economic development centres serving a long-term development in several areas. Support to projects that involve development efforts as well as the necessary equipment and other infrastructure, which enables development of enterprises, their competences are based on long-term foundations for economic growth and development, thus paving the way for technological breakthrough in those areas in Slovenia where the critical mass of knowledge already exists. Based on the quality of individual applications and available funds, the Ministry of the Economy is to co-finance **17 projects in various regions** that cover the following fields: wood-processing sector, new materials, ICT, car industry, pharmacy and biotechnology, electric engineering, electronics industry as well as energy.
- Besides national development projects, regional projects can contribute to the improvement of competitiveness, provided that they directly boost growth and employment. Another factor contributing to growth and jobs are national and regional projects in the field of tourism. The current projects are listed in Annex 2, Policy 1.
- The Government of the Republic of Slovenia has also adopted the **Programme for Stimulating the Internationalisation of Companies for the Period 2010-2014**, setting out the key markets and sectors in the foreign markets. Through measures at all stages of development, companies are provided with assistance in penetrating these markets, which contributes to the implementation of the tenth priority activity. The Action Plan for support to Slovenian companies in foreign markets in 2011 has foreseen the following framework activities: information and support activities, analysis of market opportunities and counselling, promotion activities, training for international business, financing of internationalisation.

Key institutional changes for fostering growth and development of enterprises:

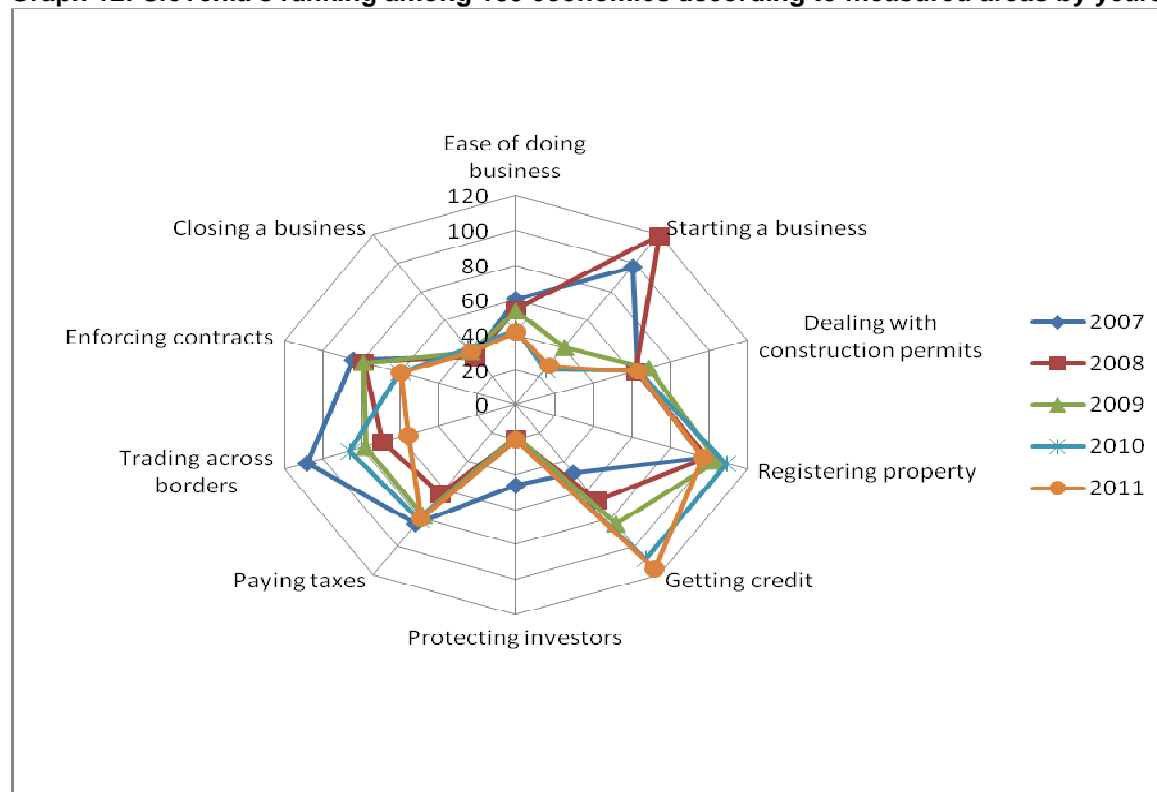
- The inward foreign direct investment increases only slowly, despite its relatively small proportion in the GDP (in 2009, a decline was actually recorded in the total value of FDI, while in the first 11 months of 2010 the value of FDI in Slovenia increased by EUR 556.7 million. Source: BS). The proposed amendment to the **Promotion of Foreign Direct Investment and Internationalisation of Enterprises Act (February 2011)** provides a legal basis for granting financial incentives for foreign direct investment according to a special procedure involving a conclusion of direct contracts (in line with the Act amending the Public Finance Act). The said procedure for granting financial incentives for foreign direct investment, which was hitherto defined by the Decree on Financial Incentives for Foreign Direct Investments, has been translated by this proposal into a law; at the same time, a reform of the FDI promotion system is being prepared in order to adapt it to the new economic situation.
- In pursuing the goal to **strengthen competition** and monitor possible restrictions of competition on the market, it has become evident that an independent Competition Protection Office (CPO) should be established. This will be made possible with an amendment to the existing law, i.e. the provisions of the Prevention of Restriction of Competition Act. The competences of other bodies responsible for competition in EU Member States are also being studied carefully, in the light of the need for extension of the current competences of the CPO.
- **To increase the effectiveness of the business and innovation infrastructure¹⁰**, the main implementing agencies – the Public Agency of the Republic of Slovenia for Entrepreneurship and Foreign Investments, Slovenian Tourist Board and the Slovenian Technology Agency – are to be reformed and integrated so as to form, together with the Slovenian Enterprise Fund and the Slovenian Research Agency, a supporting whole. New supporting services for enterprises will be developed, along with assistance in implementing new business models; special attention will be paid to interlinking of companies and their connection to research and educational institutions. A single, target-group-oriented portal for publication of all public calls for tender is to be established; stability and development of the business-innovation infrastructure will be ensured on the basis of multi-annual programmes to be selected according to the quality of services provided by implementing institutions and regular monitoring of their efficiency and results.

B. Improving the performance of public services and reducing administrative burdens

Every year the World Bank analyses the regulatory business environment, protection of property rights and their impact on business, especially with regard to domestic SMEs. The comparison of countries is based on the number of required procedures, time and cost related to every procedure. Among 183 economies assessed by the WB in 2010, Slovenia was ranked 42nd moving one place up. Out of 26 EU Member States covered by this study, Slovenia as 17th ranked in the second half of economies. The World Bank noted that, in the last year, 18 countries out of the highest-ranked 25 took various measures to simplify the doing of business for enterprises. Slovenia has the best ranking in the area of protecting investors (20th) and ease in starting business (28th), while it is least successful with regard to registering property (97th) and getting credit for business (116th).

¹⁰ The government implementing institutions, public and private, which provide support to entrepreneurs and enterprises in developing their business ideas, and a broader regulatory framework that stimulates creativity, innovation and entrepreneurship.

Graph 12: Slovenia's ranking among 183 economies according to measured areas by years



Source: Doing Business, The World Bank

The procedure of siting infrastructure and obtaining a construction permit in Slovenia frequently implies a lengthy and complex process of obtaining various approvals and licences, which often prevents investors from actual investment. The “Doing Business 2011” has shown that Slovenia is ranked even below the OECD average as far as the number of procedures in dealing with construction permits is concerned, however, the criterion of the time required to complete those procedures puts it in 105th place out of 183 countries.

Table 9: Slovenia's lowest rankings according to “Doing Business 2011”

Rank	Areas	Change
116	Getting credit	-7
97	Registering real estate	12
80	Paying taxes	1
63	Dealing with construction permits	0
60	Enforcing contracts	0

Note: Comparison of 183 economies

Modernising the operation of public sector and public service operators

The growing complexity of the public sector environment requires new ways of organising work, increased flexibility and streamlining of operations. With the introduction of New Public Management (NPM) in Slovenia, we aim to achieve long-term financial effects, savings in public expenditure, improved quality of public services, and more transparency in public management. The main NPM objectives are: introduction of business principles, computerisation of document management, records and procedures, transfer of powers and responsibilities to lower levels, increased flexibility, management that is oriented to achieving targets and expected results, refocusing on inputs and procedures, outcomes and impact, target- and result-oriented financial plans, and reporting by budget users on their achievements.

At the same time, a system will have to be put in place to promote and support the development of an adequate working environment within the public administration and broader public sector, which will enable protection and management of intellectual rights in the private sector and changes in processes run by enterprises. Faster growth of innovative companies is to be stimulated by developing the venture-capital market, support for integration and promotion of international value chains, focused support to leading companies in niche markets, innovative public procurement and adaptation of the regulatory framework. In accordance with the Action Plan for the implementation of the **Small Business Act**, the following activities have been performed among other things:

- A survey of education programmes in upper secondary vocational and technical education has been prepared; the implementation of a three-year programme for promotion of creativity, innovation and entrepreneurship among young people and other promotion activities have been started.
- The VEM one-stop-shop system provides services at the local level free of charge. The co-financing of measures in vocational and technical education is executed through Chambers.
- The favourable trend in reducing court case processing time (from 14.1 months in 1998 to 6.1 months in 2009) has continued, primarily because of the computerisation of registries in the newly established data warehouse and the application of judicial templates in simple legal proceedings.
- Activities were performed in order to improve the law-drafting in line with the »Think Small First« principle and an IT-support system was introduced to facilitate the legal drafting procedures.
- The Action Plan for the introduction of a single contact point (EKT1 – information portal and EKT2 – implementation portal) was adopted with a view to easing the procedures for obtaining a regulated activity permit. In this context, work has already started to conduct an analysis of procedures within individual groups of service activities.
- Assistance is provided to companies in enforcing the principle of mutual recognition (Slovenian Institute for Standardisation – SIST); national authorities for standardisation have been offered the necessary encouragement.
- A new Decree on Green Public Procurement is being prepared in the field of the ninth priority activity concerning efficient use of opportunities created by the new "green" technologies.

Programme of Measures for Eliminating Administrative Burdens. In line with the second phase of the Programme of Measures for Eliminating Administrative Barriers and Reducing Administrative Burdens targeting a 25% reduction, measurements of administrative burdens were carried out in cooperation with external experts; they are shown in Table 10.

Table 10: Estimated administrative burdens and potential savings amounting to 25%, according to individual areas

AREA	ESTIMATED ADMINISTRATIVE BURDENS (in EUR million)	POTENTIAL SAVINGS ON ACCOUNT OF REDUCED ADMINISTRATIVE BURDENS BY 25% UNTIL 2012, PURSUANT TO SLOVENIAN GOVERNMENT'S COMMITMENT (in EUR million)
LABOUR LEGISLATION	463.35	115.83
ECONOMIC AREA	344.00	86.25
FINANCES	205.14	51.29
ENVIRONMENT	164.75	41.19
AGRICULTURE	115.69	28.92
EDUCATION	59.49	14.87
PUBLIC HEALTH	52.07	13.02
COHESION	29.97	7.49
JUDICIARY	23.95	5.99
SOCIAL POLICY	11.60	2.90
HIGHER EDUCATION	8.10	2.00
TRANSPORT AND DEFENCE	5.80	1.50
STATISTICS	4.30	1.00
CULTURE	3.30	0.80
TOTAL	1,492.60	373.10

Number of examined laws and implementing acts	3,480
Number of administratively burdensome implementing acts	1,415
Number of obligations / Number of administrative activities	5,051 / 18,112
Estimated burdens (in million EUR)	1,492.66
Potential savings if administrative burdens are reduced by 25% (in million EUR)	373.16
Potential savings if proposed measures are implemented (in million EUR)	334.41
Estimated savings on the basis of proposed measures (in %)	22.40

Source: Report of the Ministry of Public Administration, February 2011

In priority areas concerning the procedures for reducing barriers to employment and dismissals, deregulation of professions, obtaining siting approvals, registering property in the Land Register, introduction of tax cash registers, simplified payment of taxes, more efficient operation of courts in commercial matters, and creation of a more adequate tax payments support environment, all measures have to be taken by the end of 2011 in order to achieve the set objectives.

Wherever possible, it is necessary to introduce automatic collection of data from the existing records, set up systems of legal arrangements and, by means of an IT-system, provide investors with a one-stop access, so as to reduce the number of procedures and the time required for obtaining construction permits to an average of less than 100 days.

Institutional changes in public services and public administration

The institutional changes regarding public services and public administration have been to some extent achieved in 2010 on the basis of the Exit Strategy; in 2011 and 2012 they will be achieved through the following measures:

- An amendment to the **Public Utilities Act** has been foreseen in order to facilitate more efficient performance of the tasks entrusted to local public utilities (reduction of the number of public corporations and improved quality of public services) and better institutionalised supervision of their operation. Thus, it will be possible to achieve better environmental impact and legal commitments in this area.
- A new **Act on Performance of Activities of General Interest in the Non-economic Sector** was adopted by the Government. An analysis of the current state-of-play has shown that the regulatory framework for public service operators, which was provided by the Institutes Act of 1991, no longer serves its purpose with regard to the currently envisaged reforms of services in the health, social, educational, cultural, research and other non-economic systems. The purpose and objective of these activities have to address the provision of adequate public goods of high quality to every citizen and under equal conditions. Systemic solutions will provide for regulated status categories, i.e. a public institute as a legal entity under public law and a private institute as a legal entity under private law. A public institute is a legal entity under public law performing an activity of general interest as its principal, non-profit activity. The new Act will regulate the establishment of public and private institutes, define the founders' rights, stipulating that founders may have differing competences according to the manner in which direct control is executed – by themselves or by supervisory boards. In addition, it will regulate the issue of granting concessions by stipulating that a concession may be granted when a public service network is unable to provide the performance of the public service concerned to the required extent or when a concession would make it possible that this public service is available to all users.
- **Adjustments in the management of public institutions and public administration.** The organisational structure of the administration is to be streamlined through the following measures: reduction of the number of organisational units on all levels, merging of lines of work and responsibilities, establishment of joint services for the performance of accompanying tasks, setting of standards and norms regarding the number of staff according to the type, subject and special characteristics of particular tasks and activities, monitoring and adaptation of the number of staff by applying diverse forms of employment in compliance with the regulations concerning employment relationships in public and private sectors. Two amendments are planned: to the Public Administration Act and to the Act on the Government of the Republic of Slovenia.

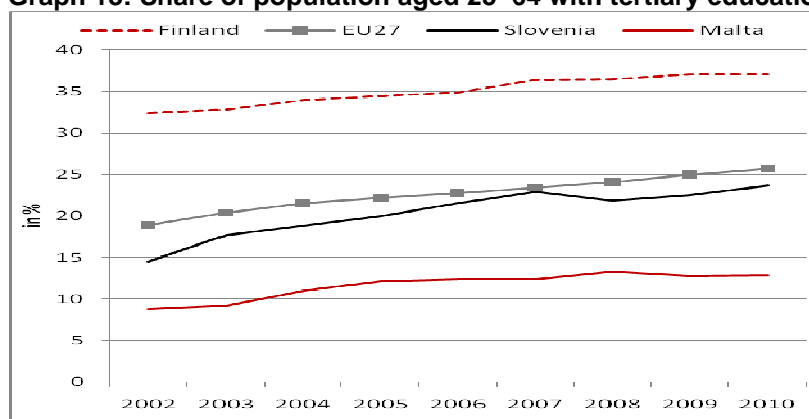
- **Modernisation of the wage system and the civil servants system.** The objective of this modernisation is to prepare amendments to regulations that will enable the differentiation of positions, rights and obligations within the core administration in relation to the whole public sector. The changes in the system of civil servants will focus on regulating the status of officials, increasing transparency of procedures relating to the protection of civil servants rights, employment and termination of employment contracts, and the civil servants career system. The changes in the wage system will address the setting out of mechanisms to contain increases in labour costs of the public sector, motivation mechanisms for economical and efficient use of public funds in every public sector unit and for the best performing employees. Adoption of two amendments is planned: to the Civil Servants Act and the Public Sector Salary System Act.
- **The Land Register Act** was adopted. It will ensure comprehensive computerisation of all procedures concerning the Land Register operation. Based on the proposed system and computerisation of the Land Register, electronic access to the main Land Register will be available free of charge (currently the access is payable), the document collection in electronic form will become easily accessible at every local court and notary and not only at the court where a certain immovable property is entered in the Land Register.

II. 2.2. Policy of higher education, science, technology and the information society (analysis, reform, key measures)

A. Higher education area

The proportion of people with completed tertiary education is increasing; however, Slovenia is still too slow in catching up with more developed countries due to the low efficiency of study. The increase in the said proportion was considerable in the period from 2002 to 2010, as a consequence of increased participation in tertiary education and higher number of graduates. Despite the high share of students in the age group 20 to 24 enrolled in tertiary education programmes, which is considerably above the EU-27 average (2007: Slovenia: 46.1; EU-27: 28.4), the share of population with tertiary education is not increasing much faster than in the EU due to the low efficiency of studies. The participation of young people in tertiary education programmes is also high on account of the study status benefits, which in turn results in the low efficiency of studies; high share of early school leavers (35%) and long average study duration (6.3 years) have been recorded. The number of graduates in the fields of natural sciences, technology and other sciences relevant for innovation is still too low.

Graph 13: Share of population aged 25–64 with tertiary education, in %



Source: Eurostat, LFS (Labour Force Survey). Note: Countries chosen with respect to 2010: the most and the least successful, EU average, Slovenia

The existing measures concerning higher education focus on financing undergraduate and second level studies, co-financing development tasks of higher education, construction of higher education

institutions and student residences, equipment required for teaching activity, accommodation in student residences and private houses. Most funds are allocated to financing full-time study in public and concessionary study programmes.

Modernisation of higher education

In the field of **higher education**, special attention is given to the existing programme measures (Annex 1), particularly to the new **National Higher Education Programme 2011–2020** that covers the entire tertiary education and includes not only higher education institutions but also vocational colleges. The National Programme also addresses the links with science, cultural policy, and business; as such it will contribute to quality and efficiency of higher education and excellence in research.

It anticipates that the new circumstances will increase the autonomy and ownership of higher education institutions in providing high-quality higher education. Its purpose is to shorten the study duration, establish a fairer system, increase internationalisation, diversity and specialisation of higher education institutions, enhance (public) investment in higher education, and improve the efficiency in using the funds.

Economic competitiveness is very much dependent on the quality of highly educated and skilled labour force. Therefore, one of the principal objectives of the National Programme is to create structural partnerships between higher education institutions and the business community and other innovation potentials. High employability of educated human resources, international mobility as well as fair access to higher education and unimpeded completion of studies are thus key objectives, directly contributing to the enhancement of competitive capacity of the Slovenian economy. To this end, cooperation of higher education institutions with potential users of their knowledge, particularly with the business community, has to be strengthened, so as to prepare and implement such study programmes which can provide highly educated human resources with the necessary skills for prompt and efficient response to the labour market needs.

With regard to the financing of study, the National Programme envisages that the first level study would be funded by the state, but not longer than one additional year after the regular duration of a study programme. Furthermore, the proposed National Programme has foreseen state financing of the second level study, to some extent also the third level, yet a student who does not complete his/her Master's or PhD degree in time, will be obliged to repay the spent funds. This measure is expected to shorten the time required for the completion of studies and increase the proportion of graduates.

The National Programme introduces changes in the financing of higher education institutions in the form of a development pillar and performance indicators.

Institutional changes in higher education

In 2011, the Ministry of Higher Education, Science and Technology will adopt a new regulatory framework for the development of Slovenian higher education (a new **Higher Education Act** is to be adopted), with a view to supporting the implementation of the National Programme. Moreover, a transparent database containing records on students, graduates, higher education operators and a register of higher education institutions) is to be set up.

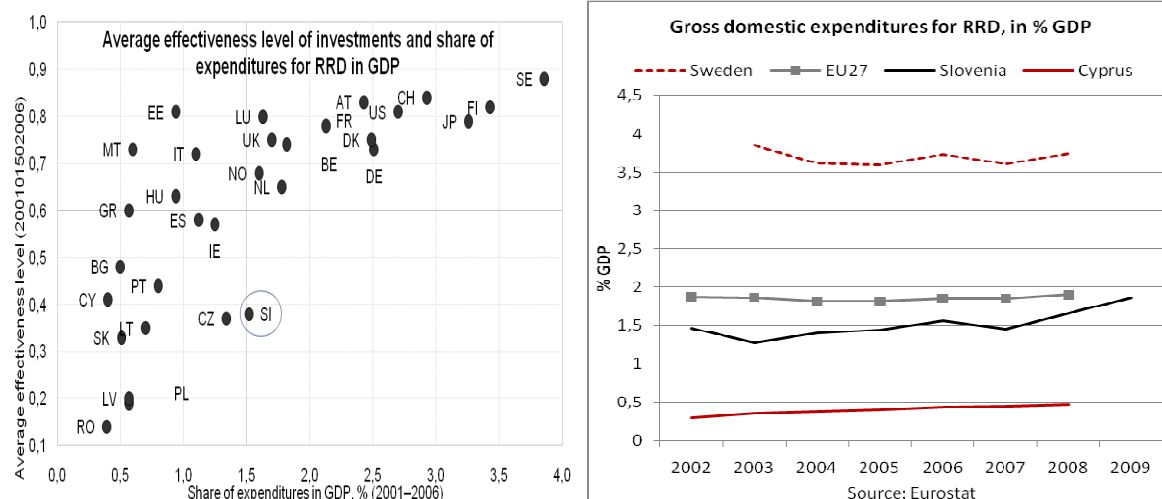
B. Research activities

After years of stagnation in the share of expenditure on research and development in GDP, which ranged between 1.3 % and 1.6 % GDP in the 2002-2007 period, the value of the indicator rose substantially during the last two years (2008 and 2009) and thus in 2009 reached 1,9 % GDP which is the level of the 2008¹¹ EU average. Partially, the increase in this share was a result of the GDP drop and partially the result of nominal expenditure growth. Following the situation in the years prior to 2008

¹¹ In 2009 the average for the EU-27 was 2.01%.

when the main growth factor of R&D expenditure was mostly the business sector¹², the budget funds allocated to R&D within the framework of anti-crisis measures increased more notably in 2009. Besides the amount of investments made into research and development, it is also important to point out their efficiency – this is where Slovenia's past results were under the average (Development Report 2010), especially due to insufficient transfer of knowledge from the research and development sphere to companies and insufficient harmonisation of measures aimed at boosting innovation capacities.

Graph 14: Investments in research and development and their efficiency



Source: Eurostat, Measuring the efficiency of public spending on R&D, (EC) 2009. Note: On the left side: Countries chosen with respect to 2008: the most and the least successful, EU average, Slovenia

Measures in the field of research

The year 2011 will witness the implementation of the programme for development of competence centres which link innovative companies and research institutions in technology priority areas. In 2010 seven selected competence centres began their operation; they will carry out common strategic projects for increasing economic competitiveness in selected areas. Together with a programme for the development of centres of excellence, which are focusing on the development of international, competitive top-level knowledge and also link R&D institutions with companies, these measures also support specialization and public spending on R&D which would be more focused on the areas where Slovenia has a critical mass of knowledge and capacities for a competitive performance on the global market.

There are plans for additional measures aimed at encouraging, through the system of public procurement, application and market promotion of the state for the art technologies and solutions which would be based on domestic knowledge. By enforcing the system of public procurement through competitive and innovative public tenders we will promote the introduction of new solutions, particularly in the areas which contribute to tackling the social challenges and to sustainable development. A share of funds from the EU cohesion policy will be allocated to support demonstration projects in the field of sustainable construction and efficient energy use.

The reform in the area of research

At the same time as the Higher Education Strategy, a new **Research and Innovation Strategy of the Republic of Slovenia for 2011-2020** was prepared (adopted in March 2011), while taking into account national strategic documents and the Europe 2020 Strategy. As R&D expenditure in Slovenia is still below the EU-27 average, the Strategy laid down an increase in public investments in R&D up to 1.2% of GDP by 2020. This objective will be achieved through increasing the share of R&D

¹² In 2008, the increase in the expenditure of the business sector was partially attributable to a higher number of reporting units from this sector.

resources in structural funds, while making a synergistic use of national, structural and other European funds.

In addition to increasing the public funds for R&D, the Strategy also addresses a change of expenditure aimed at increasing the funds in cooperation with the business community, so as to achieve a 60:40 ratio to the benefit of the latter.

- As the major innovation, the new strategy provides for increased autonomy of scientific research institutions. The financing will be based on results and effects in science and the economy. The possibility of exempting researchers from the public sector wage system will allow for a more adequate staff policy and attracting top domestic and foreign staff.
- Furthermore, the Strategy also foresees establishing contacts between universities and smaller public research institutions or their integration, for the purpose of higher specialization and focus in accordance with their function in the system.
- In order to improve the flow of knowledge, the Strategy foresees the regulation of intellectual property rights among the stakeholders involved in the commercialisation of research results; the strengthening of offices for the transfer of knowledge, as well as the assessment of their efficiency and effectiveness; support to patenting in public research organizations; and encouraging entrepreneurship among young doctors of science.
- The strategy also anticipates that the existing measures aimed at the development of research infrastructure shall be upgraded towards better utilization of capacities, significant modernization of the domestic research infrastructure, as well as international networking while accessing the major research infrastructures (e.g. FAIR, CERN projects etc).
- Besides the existing measures aimed at strengthening human resources in R&D activities in the state and higher-education sectors, and particularly in the business sector, the strategy provides a framework for their upgrading and adding measures for even more intensive promotion of inter-sectoral (e.g. encouraging the transfer of researchers and developers from public research organizations to companies) and trans-national mobility of researchers. In 2011, additional measures will be devoted to the strengthening of development groups within companies. Various instruments for the enhancement of development and research capacities in companies will be upgraded and integrated so as to support employment and additional training of R&D groups and consequently reduce the costs incurred by the employment of highly qualified staff.

C. Information Society

Slovenia ranks very high in the number of fibre-optic connections per capita, but only 30% of connections in use are active. In our further efforts to develop broadband networks, we will give priority to full exploitation of the existing infrastructure, while pursuing the goal of reducing the cost per connection in the construction of the new infrastructure. Only in this way we will be able to reform the national goals concerning broadband communication in accordance with the Digital Agenda for Europe, by using the available integral resources and the financing from the European Structural Funds.

The reform in the area of information society

In the field of information society, a new **strategic development document for 2011-2015** is under preparation; it shall lay down six priority areas: information society in support of sustainable development, strengthening of research, innovation and business potentials, next generation network for an integrated society, all-inclusive creative society, user-friendly services, as well as security, privacy and trust. Reform measures in the field of information society will focus on those areas that enable maximum social inclusion, economic growth and contribution to development. More efficient mechanisms for monitoring and inter-ministerial coordination of the information society development will also be enforced. In accordance with the Slovenian e-Government Action Plan we will achieve at least 25% utilization of central/horizontal services and functions in sectoral projects and will increase utilisation of e-Government services – by 20% for citizens and 10% for business entities.

Also in future we will continue with the current measures for co-financing of projects related to research, development and innovation in the field of e-content and e-services.

As a priority, financial support will be provided for R&D projects in the field of sustainable development, renewable energy sources, environment protection, green ICT, transport management, smart cities, smart grids, etc. Appropriate attention will also be paid to the training of population for life and work in the information society. Digital literacy of population is still unsatisfactory, adequate attention will also be paid to user's experience with e-services and training for their use, which will be achieved by measures aimed at increasing the inclusion in the information society.

The field of sustainable use and local supply of energy is a prime example and a priority area for bringing together the economy and R&D, in order to design new products, manufacturing processes, services and solutions in the field of energy, which are suitable to be transferred into the economy.

II. 2.3. Education policy (analysis, reform, key measures)

The Slovenian primary and secondary education systems perform well in international comparisons, giving Slovenia one of the highest shares of the population aged 20 to 64 that have completed at least upper secondary education and a very low proportion of early school leavers. However, with rapidly changing technologies and international competition pressures, the system must now provide new entrants to the labour force with most advanced and generic skills, along with technical and occupational skills attuned to labour market needs.

Measures in the field of education

The measures focus on education at all levels, i.e. pre-school, primary, secondary and vocational education, and education of adults. One part of the funds for education is earmarked for co-financing of investments in primary, secondary and post-secondary education, computer equipment and computerisation. From the same budget line, competitions of pupils in primary and secondary schools as well as investments in residence halls for pupils are financed. In the field of adult education, measures for promotion of adult schooling, computer literacy, foreign language courses and activities aimed at reducing educational deficit, as well as counselling are implemented. Important projects in this field are dedicated to training of teachers and other educators, as high levels of their competence is a prerequisite for a high-quality schooling system.

The change in the structure of post-secondary education reflects a diminishing interest in vocational upper secondary programmes, creating a skills deficit in the labour market. In particular, the significant drop in the number of students enrolled in short vocational programmes causes gaps in certain professions. The Ministry of Education and Sports thus plans to increase the number of study programmes and professional standards for which students can obtain skills and professional qualifications in post-secondary programmes (higher vocational programmes). The target is to maintain current enrolment in higher vocational programmes at 15% of all entrants to tertiary education.

In response to the necessity of matching skills to labour market needs, Slovenia has focused on the introduction of career guidance services in the whole cycle of education. An inter-ministerial working group has been set up to promote career guidance relating to lifelong learning; in order to provide information on future professional careers and required education programmes, systematic training of counsellors and teachers has been introduced.

Institutional changes

In March 2011, an amendment to the **Scholarship Act** (of 2006) was adopted with a view to launch such a **scholarship policy** that would guarantee equal opportunities for secondary school pupils and other students in all social categories and encourage talented students. In this way, by means of a system of company scholarships, different forms of interaction between scholarship holders and employers would evolve. These changes will also target closer reciprocity between the scholarship system and the labour market, intensified integration of other institutions into the system and increased inclusion of young people. This will forge stronger bonds between the private sector and the school system, resulting in a better match between supply and demand in the labour market.

II. 3. INCLUSIVE GROWTH

Headline targets relating to inclusive growth:

National targets for 2020

- Employment rate of the population aged 20–64 will be 75%
- 40,000 people out of poverty (in comparison with the reference year 2008, when 360,000 people experienced poverty).

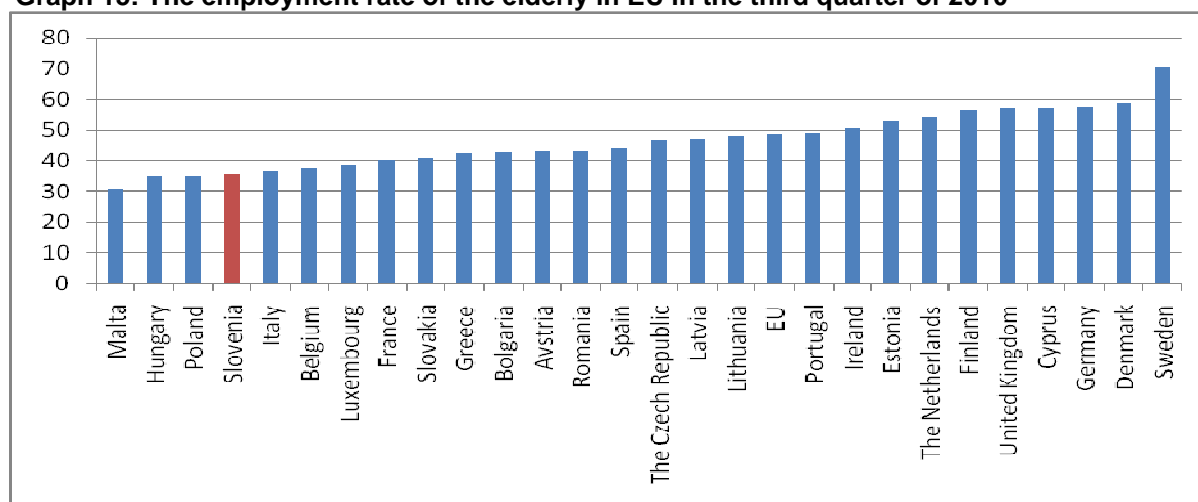
Current situation: In 2009, 71.9% of the population participated in the labour force and 339,000 people were in poverty.

To create conditions for improved **employability, activity and qualifications of individuals**, measures will be taken in the field of training and education of the target groups, in combination with promoting lifelong career orientation, and other forms of acquiring knowledge and competences, preservation and creation of new jobs (especially so-called "green jobs", "white jobs", social entrepreneurship and transformation of public works, while unlocking the economic and social potential of rural areas), implementation of innovative projects aimed at including vulnerable groups in the labour market, particularly in connection with activating measures. Directly linked with the above is social policy with the emphasis on social activation and inclusion. The focus of policy actions will be activation programmes and services aimed at increasing social inclusion and equal opportunities and their development. Programme measures will be accompanied by structural and institutional changes.

II. 3.1. Labour market policy (analysis, reform, key measures)

As in comparable countries, the economic crisis has influenced the increase of the unemployment rate and a reduction of the employment. During the economic crisis, the youth unemployment rate, in particular, increased significantly, and the rate of elderly unemployed persons rose sharply amongst the registered unemployed population. Among the problems that we were already facing before the crisis, the low labour force participation rate of the elderly and the strong labour market dualism, which has mostly been affecting the youth, need to be underlined.

Graph 15: The employment rate of the elderly in EU in the third quarter of 2010



Source: Eurostat

The unemployment rate in the 15-24 age group was 13% in the third quarter of 2010, which exceeded the value recorded in the same period of 2008 by 3.9 percentage points, while the unemployment rate in the 25-29 age group increased in this period by 7.2 pp. Over the last two years, the employment rate significantly decreased in the 25-29 age group (in the third quarter of 2010 it was lower than the value recorded in the same period of 2008 by 8.8 pp). In the second quarter of 2010, the share of temporary employed labour force participants aged 15-24 was 67.5% (which is 2 pp more than the

value recorded in the second quarter of 2008), which represents the largest share of this type of employment in the young population in the entire EU. The exposure of young people to temporary and part-time employment is very intense and reduces the possibility of economic and social independence of the young population. The widespread temporary employment in the young population is, to a certain extent, the consequence of part-time work carried out through student employment services which are, due to the current legislation in this area, attractive for employers in view of the possible rapid adaptation of both the number of working hours and staff, as well as a reduced tax burden on labour, in comparison to regular employment. The age segmentation of the labour market and the segmentation by employment type (permanent/temporary employment) are affected by the labour legislation, which can be compared across countries by applying the employment protection legislation index, developed by the OECD.

An analysis of temporary employment reveals a strong increase in the number of young people who were temporarily employed because they participated in training or education (according to our estimations through student work). From 2002 to 2009, the scope of such work in the young population more than doubled, which extensively increased the temporary employment rate in young people, which was 66.5% in 2009. If we were to exclude student work from temporary employment in this age group, the share of the young population engaged in temporary employment would be substantially lower, at around 42% in 2009 (EU average: 40.2%). The labour force survey shows that there have been, over the past years, around 13,000 young people (aged 15 to 24) in temporary employment as they could not find regular employment, and around 13,000 unemployed people in the same age group. For this reason, both segments represent one of the target groups for taking action.

Table 11: Labour force participation in the 15-24 age group, in thousands

	2002	2003	2004	2005	2006	2007	2008	2009
Labour force participants	88	83	94	91	91	96	98	87
Employed	80	77	83	79	81	86	88	76
Temporarily employed	44	42	54	50	52	58	61	50
Working through student employment	15	17	25	24	27	32	36	32
Unemployed	18	17	18	17	15	11	12	14

Source: SORS, Labour Force Survey. Note: Labour force participants are persons engaged in an employment relationship and other types of work; the self-employed and supporting family members.

A. Active labour market policy measures

Labour market policy has been oriented toward raising the employment rate and productivity, as well as incentives for higher social inclusion, i.e. broader social development, for all those who are at risk of exclusion from the competitive labour market, or those who have already been excluded. Target groups are those which are more likely, after registering at the Employment Service, to become long-term unemployed or even totally economically inactive – such as elderly, uneducated, low-skilled and young people, and other vulnerable groups.

The aim of such measures is to offer these groups sustainable access to the labour market. The programmes will enable connections between programmes and with measures to promote entrepreneurship and competitiveness, lifelong learning and active ageing.

Active labour market policy programmes will cover:

- Active job-search assistance, advice, motivational counselling, professional and lifelong career orientation and further modernisation of the Employment Service with a view to early detection of barriers to employment.
- Implementation of various training programmes for unemployed and employed persons, promotion of competence centres, work trials, employer scholarships and a strengthened role of the Slovene Human Resources Development and Scholarship Fund.
- Funds for access to education and training, particularly in the form of informal learning will be increased. The aim of this is greater inclusion of older workers and under-skilled individuals in lifelong learning and national qualifications.

- Employment incentive measures for various target group and implementation and upgrade of the self-employment programme (training, self-employment subsidy and providing advice on expansion).
- The number of development projects and schemes for social inclusion will be increased (social entrepreneurship, innovative projects, renewed public works programmes, provision of social care services).
- 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 Promotion of Employment for Disabled Persons*.

When implementing the active labour market policy, special attention will be given to the promotion and expansion of labour force participation of the elderly. The active labour market policy programmes will therefore supplement structural changes in the field of retirement and the functioning of the labour market. To this end, the scope of implementation of public works (renewed public works) and social entrepreneurship will be increased. In view of the situation in the labour market where the number of older unemployed people has been rising, it is necessary to:

- encourage development of the long-term care services (in 2010 only 179 persons participated in public works providing elderly assistance and care) and
- promote greater inclusion of the elderly in these types of public works.

The measure will include incentives for adaptations of workplaces (linking the technological development, ageing and productivity).

Table 12: Persons included in the active labour market policy programmes

	2008	2009	2010
Number of persons included in the active labour market policy	23,24	39,81	56,156
- above the age of 50	3,201	4,654	5,555
in %	14	12	10
Public works	3,626	3,871	5,446
- above the age of 50	1,078	1,185	1,412
Public works – elderly assistance and care			178
Subsidising employment in providing domestic help and personal care	363	413	134
- above the age of 50	121	119	17
Promoting development of social entrepreneurship	0	0	104
- above the age of 50			35
Number of unemployed people	63,21	86,35	100,50
- above the age of 50	21,94	26,20	31,400
in %	34.72	30.35	31.24

Source: Employment Service of Slovenia

The scope of implementation of education and training programmes for target groups will also be enlarged. It is also necessary to increase the inclusion of the unemployed in training programmes providing the participants with the National Vocational Qualifications (NVQ), as well as in other types of informal training. It is vital to simplify administrative procedures for the inclusion of people in training and adapt the absorption of the European Social Fund funds.

Table 13: Active labour market policy (the number of people participating in training)

	2008	2009	2010
Institutional training programmes	3,974	7,247	8,267
Preparations for National Vocational Qualifications certification			1,721
The National Vocational Qualifications certification	239	450	1,243
Work trial	2,164	3,314	6,298
On-the-job training	1		
On-the-job training 2007/2008	1,104		
On-the-job training for 2008	2,175	1,613	
On-the-job training for 2009/2010		2,494	13
On-the-job training 2009/2011		431	4,789
Formal education	2,003	3,096	4,093
Project learning for younger adults	110	256	167
The <i>Knowledge makes your dreams come true</i> tender			6,198
Total number of people included in training	15,013	25,376	48,633

Source: Employment Service of Slovenia

B. Deregulation of professions and occupations

Slovenia is one of the countries with a very large number of regulated professions and as such holds a place at the top of the EU, where the average number of regulated occupations is 100. In Slovenia, the Register of Regulated Professions or Regulated Professional Activities contains more than 350 occupations for which an individual wishing to perform them must meet requirements laid down by a law or some other regulation.

Table 14: Regulated professions in Slovenia, broken down by occupational groups

Profession	Number
Professions in health care	40
Professions in spatial planning and environment protection	15
Professions in education and sport	51
Professions in culture	15
Professions in agriculture, forestry and food	28
Professions in transport	47
Professions in finance	2
Professions in energy	26
Professions in tourism	6
Professions in labour and social affairs	3
Professions in justice	6
Professions in internal affairs and defence	19
Professions in handicraft and other similar activities and trade	67
Total	325

Source: Ministry of Labour, Family and Social Affairs:

(http://www.mddsz.gov.si/si/delovna_podrocja/trg_dela_in_zaposlovanje/vzajemno_priznavanje_kvalifikacij), own compilation

The new Recognition and Evaluation of Education Act brings more flexible recognition of education acquired abroad and transfers responsibility for employment in regulated professions to competent line ministries or associations, which stipulate conditions for regulation of professions and activities. The decision on employment is based on the individual's qualification which is required by field legislation regulating individual professions. Therefore, in 2011, the list and the register of regulated professions will have to be reorganized and a framework of professions in the public interest, which will remain regulated, will need to be defined. Subsequently, acts and implementing regulations governing the

deregulation of professions will be adopted, as well as a new Recognition and Evaluation of Education Act.

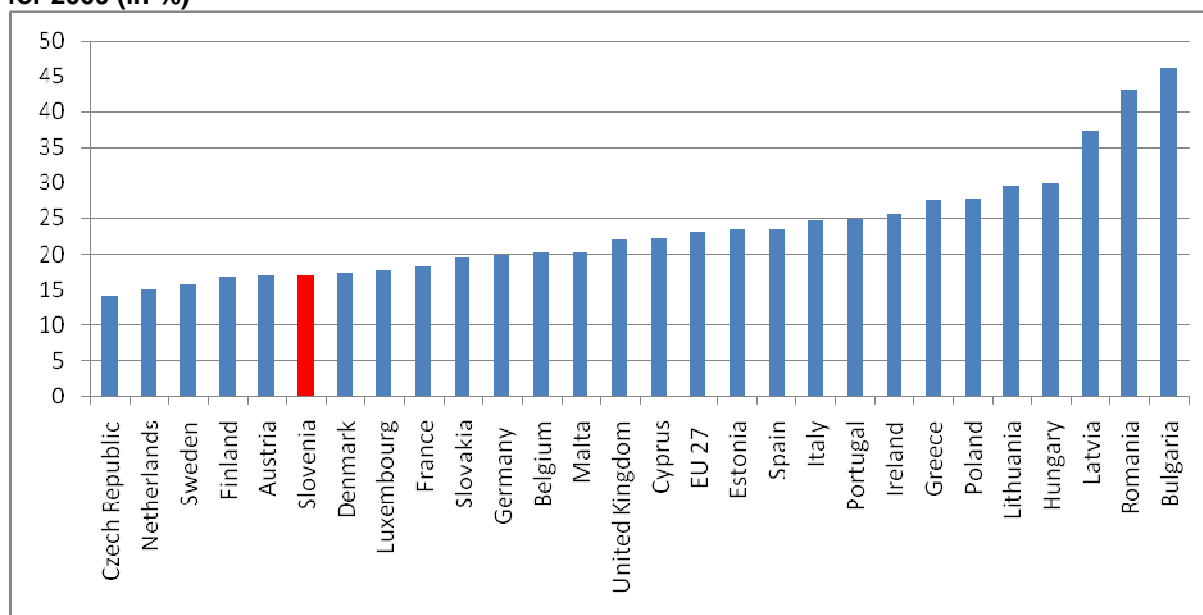
Structural and institutional changes in the labour market

- The implementation of the **Labour Market Regulation Act** (the new regulation of the unemployment-insurance scheme and the active labour market policy). The objectives of the new act are to ensure more funds to provide better coverage with unemployment benefits; to increase the effectiveness of the Employment Service of Slovenia and active labour market policy; to provide career guidance and to promote work with the most vulnerable social groups of the unemployed. Benefits will provide for better social security through a higher minimum level of unemployment benefit, timely extended eligibility for a shorter working period and therefore broader access to benefits for those employed on fixed-term contracts, in particular young people.
- With the aim of realising the flexicurity concept, amendments to the **Employment Relationship Act** will be prepared. This act would approximate/unify different types of contract relationships, particularly from the aspect of rights and obligations, in particular with regard to payment of contributions and the conditions existing upon termination of work (reducing the costs of hiring and firing in cases of indefinite employment contracts, severance pay, establishment of a severance payment fund). It is foreseen that unnecessary formal procedures, which the case-law has proved to be excessive obstacles to firing, will be withdrawn. As regards the assessment of information obligations and administrative burdens, employers should be provided with the possibility of using IT technology when informing workers and issuing certificates, consulting and informing trade unions or employees' representatives and the Labour Inspectorate.
- The adopted **Social Entrepreneurship Act** lays down the objectives, principles and activities of social entrepreneurship, as well as terms of employment. The act will provide for the inclusion of excluded groups or groups at risk of exclusion in the labour market, also by allowing for flexible forms of employment, and a rise in the labour force participation rate of those groups where other measures fail, as well as a reorientation from passive to active forms of assistance and a reduction of illegal work.
- In order to modernize the Slovenian pension system, in December 2010 the National Assembly adopted the **Pension and Disability Insurance Act II** (subject to a referendum initiative), the fundamental objective of which is to ensure, in addition to long-term financial sustainability, a greater labour participation of older workers and adequate pensions for the future pensioners. The major changes brought by the new Act are described in chapter I. 2. Other adopted key measures are: extension of working life by raising the full retirement age to 65 years, introduction of a more stimulating bonus policy and more restrictive malus policy, elimination of certain social transfers from the pension system, transformation of the mandatory additional pension insurance into an occupational insurance for all workers performing particularly hard work, and the reform of the voluntary supplementary pension insurance scheme.
- For the purpose of efficient functioning of the labour market and the implementation of structural changes, it is necessary to ensure further modernisation of labour market institutions. Within this context, it is most crucial to ensure further **modernisation of the Employment Service of Slovenia** which has to focus on early detection of obstacles to employment and better efficiency when matching the labour market supply and demand.

II. 3.2. Social security policy (analysis, reform, key measures)

Although Slovenia has been placed, according to the indicators on social cohesion (Laeken indicators), as one of the best achieving the EU Member States, we set an ambitious objective to improve, by 2020, the situation regarding social inclusion and reducing the poverty of Slovenian population. According to the latest data, as determined by the common indicator determining poverty and social exclusion for the purpose of the EU 2020 Strategy, 339,000 people were living below the at-risk-of-poverty threshold or in social exclusion in Slovenia in 2009. We assume that the data for the year 2010 will demonstrate deterioration, as the data for 2009 do not fully reflect the social impact of the crisis yet.

Graph 16: The share of population at risk of poverty or social exclusion, according to Eurostat* for 2009 (in %)



Source: Eurostat, *Population at risk of poverty or exclusion (EU2020)

A. Measures in the field of social security

Despite the economic crisis and consequently rising unemployment, we would like to improve, by 2020, the circumstances of population at risk of poverty or social exclusion. Our aim is to reduce the number of people living below the at-risk-of-poverty threshold, the number of materially disadvantaged people and the number of those living in households with no or very low labour participation. This will be achieved by a set of measures which are a combination of implementing the target programmes of social inclusion (activation) of certain groups of persons who have been depending on social transfers over a longer period of time and/or have specific difficulties which make them hard-to-place on the employment market, as well as structural reforms and some amendments to legislation in the field of social security policy, which are described below. Slovenian measures aimed at achieving the objective to reduce the number of poor and socially excluded persons can therefore be divided into two sets:

- In order to supplement passive measures (granting of social transfers) as well as active labour market policy programmes which are already being implemented, it is expected that more programmes of social activation will be developed. There is a need to strengthen active labour market policy programmes in which able-bodied recipients of financial social assistance can participate, so as to stay in touch with the labour market, which contributes significantly to their social inclusion. In line with the needs of individual target groups, we will develop new social activation programmes as well. To address vulnerable target groups, the Government will also pay attention to incentives for social entrepreneurship targeting at new jobs for “hard-to-employ” groups (creation of new and/or expansion of existing market activities).

- There will be also positive social impacts resulting from measures aimed at boosting employment and the impact of reform measures in the field of employment (amendments to employment legislation) and retirement, which are described more in detail in chapter Labour market.

Measures of sustainable agriculture, such as diversification into non-agricultural activities, the support for micro-enterprises and training, will make a positive contribution to an increase in employment and poverty reduction. Thus the agriculture sector and rural economies contribute to both greater prosperity and prevention of environmental degradation.

B. Institutional changes in the field of social security

- The **Exercise of Rights to Public Funds Act** introduces a “single entry point” and harmonises criteria for granting four types of transfers and nine types of subsidies that are means-tested. The two main goals of the changes are to simplify the procedure of applying for transfers and subsidies for the beneficiaries, while making the system more transparent and efficient and reducing the possibility of fraud (by cross checking income and wealth status). Centres for social work will become the “single entry point” in the system of social rights. Their work on applications will be supported by a centralised information system (a web application connecting different databases).
- The **Financial Social Assistance Act** introduces changes in the area of financial social assistance, and income support to supplement pensions, previously provided for by the Pension and Disability Insurance Act. The new act defines a new basis for ensuring social security for the most vulnerable population groups: it increases the lowest amount of financial social assistance and introduces two levels of financial social assistance (lower, temporary assistance for employable beneficiaries and higher, permanent assistance for unemployable beneficiaries). This should improve the material situation of some groups at the highest risk of poverty (e.g. older people living alone). Another important innovation in the act is the introduction of an activity supplement to be granted to beneficiaries of financial social assistance that are working or taking part in activities or programmes aimed at employment.

II. 4. SUSTAINABLE GROWTH

Headline targets relating to sustainable growth:

National targets for 2020:

The "20-20-20" climate/energy targets will be met.

The development of the infrastructure must enable efficient transport and energy policies. Future measures and projects will focus on the improvement of the passenger-transport infrastructure and efficient use of energy in transport, to secure smooth and safe traffic flow and the safety of road users. A priority orientation is to develop railway transport and corresponding infrastructure, elaborate a single transport model and implement the integrated public passenger-transport project.

Energy policy will provide for a secure and competitive energy supply in support of economic development, whilst ensuring reductions in greenhouse-gas emissions and the protection and preservation of the natural environment. Other priorities concern efficient use of energy, modernisation of the electricity transmission network, electricity production, co-generation (CHP) based on renewable energy sources and promotion of measures aimed at increasing the quantity of heat and cool produced from renewables in all sectors. A horizontal priority which ensures a **transition into an environmentally efficient low-carbon society** on the one hand and encourages competitiveness on the other is adequately represented in all priority measures. In this context, it is of essential importance that the introduction/implementation of low-carbon technologies is quick and systematic, which Slovenia will promote through:

- "green tax reform",
- policy on purchase prices or premiums for "green electricity" (feed – in tariffs),
- support for centres of excellence, competence centres in individual areas, targeted research projects and educational demonstration centres,
- priority consideration of environmentally and energy efficient low-carbon technologies in public investments and "green public procurement",
- synergy with measures from other policies, such as employment, spatial planning, housing policy, environmental protection policy and development of transport, environmental and information-technology infrastructures;
- streamlining of national and Cohesion funds into green technologies.

A contribution to environmental protection and preservation is also made by agriculture policy, the primary function of which is the sustainable production of safe and quality food. The agriculture measures will also contribute to the reduction of greenhouse gas emissions and will aim to increase the competitive capacity of the sector. By investing in innovation (new technologies&products) and development, the agriculture sector will be more efficient and capable of adapting to market and climate changes.

II. 4.1. Transport policy and transport infrastructure (analysis, reform, key measures)

The main objectives of the programs are targeting the integration, reliability and economic feasibility of transport systems with a clear focus on sustainable mobility, enhanced mobility of the population, increasing security in transport and raising the quality of related services. A priority task is to develop railway transport and corresponding infrastructure, elaborate a single transport model and implement the integrated public passenger-transport project.

A. Priority infrastructure investments in 2011 and 2012

- 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.
- Complementary to this are the envisaged upgrade and modernisation of the Port of Koper as well as investments in the airports of Ljubljana, Maribor and Portorož and navigation services of the air traffic and infrastructure.
- The transport policy will be targeting the improved efficiency of the entire logistics system, while taking into account international comparisons and using the Logistics Performance Index (LPI) which is calculated by the World Bank in cooperation with the world's major logistics operators. According to this index, Slovenia slipped from 37th to 57th place (from 3.14 to 2.87) in the period from 2007 to November 2010. In the same period, for instance, Croatia improved its index from 2.71 to 2.77 and therefore significantly reduced the difference between its own and the Slovenian index. Comparison with the neighbouring countries, with which we compete in the area in logistics, shows that Italy is placed high with LPI 3.64, followed by Hungary with LPI 2.99, then Slovenia with LPI 2.87 and closely followed by Croatia with LPI 2,77. The LPI proves that in logistics reliable and timely service is more important than the price of the service itself, as the costs for movement and storage of goods will rise exponentially with delays.
- Slovenia still lags behind the general trends of increasing public transport and the priority measure is targeting the establishment of an integrated public-transport service linking all relevant stakeholders in land public transport. Such service will be introduced by 2012 and will provide an integrated information portal for passengers, along with support for integrated tickets for public/land transport.

B. Institutional changes

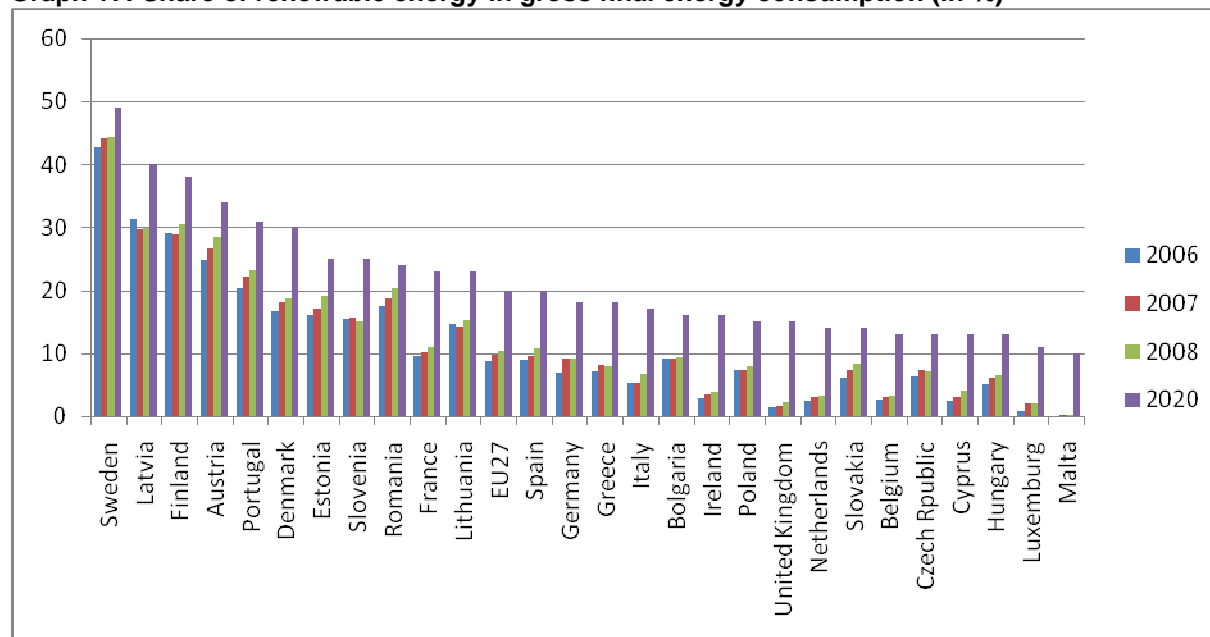
Further restructuring of the Motorway Company of the Republic of Slovenia (DARS) and the Slovenian Railways system, as well as related companies in the logistics network, are two key measures among the systemic changes. The status and organizational changes of DARS d.d. are expected to undergo several phases. In the first phase, DARS d.d. was transformed into a concessionaire which will be exclusively owned by the state and will be able to achieve, independently, the above objectives in a commercially sustainable manner. At the same time, the transformation of DARS d.d. will ensure quality management and/or maintenance and reconstruction, as well as development within available resources.

The Government will continue the process of the restructuring of the Slovenian Railways (Slovenske železnice, d. d.) and related logistics companies, while seeking a strategic investor and trying to secure foreign direct investments and/or a partner for a public-private partnership.

II. 4.2. Energy policy (analysis, reform, key measures)

The measures set in the current budget proposal for the period 2011-2012 are putting Slovenia firmly on track to meet 20/20/20 climate/energy targets.

Graph 17: Share of renewable energy in gross final energy consumption (in %)



Source: Eurostat

A. Modernisation of energy policy

This policy area covers the following programmes: energy efficiency and renewable energy sources (RES), energy and fuel supply and supporting measures in the field of energy. The main objectives of the programme are targeting secure, competitive and sustainable use and supply of energy, which in line with the Energy Act and international commitments gives priority to the improvement of energy efficiency, an increase in the share of RES and higher energy savings. In that way we will ensure greater diversification of primary energy sources, environmental acceptability, a reduction in greenhouse gas emissions and will promote competitiveness in the energy market. Priority measures therefore support preparatory activities for new investments in the exploitation of hydro and geothermal resources and wind energy. To assure better and faster inclusion of distributed, decentralised production of renewable energy, measures will be funded to modernise energy distribution and transportation services, including the measures relating to the building of SMART GRIDS which are fostered by electricity networks operators. Legal and functional unbundling of market and regulated activities in electricity distribution companies will be enforced. Unbundling will be carried out in a way that the current electricity distribution companies will spin off the sale and purchase of electricity to their subsidiaries in 2011. After that, by 2013, Slovenia as a major co-owner will recapitalize SODO, d.o.o., through its co-ownership shares in electricity distribution companies, and will transfer its management back to the Slovenian Government, while the responsibility for the management of subsidiaries engaged in the sale and purchase of electricity will remain with the Capital Assets Management Agency of the Republic of Slovenia.

Through calls for tenders of the Eko Sklad (Eco Fund) and the Ministry of the Economy a variety of measures will be funded to support investors in the public and private sectors, as well as households, **to increase energy efficiency** and to foster the use of decentralised renewable energy sources. Public calls for projects related to RES will target co-generation, facilities using sustainable biomass (heat and power) and construction of district heating facilities. The targeted incentives will be devoted to an extensive programme of energy efficiency rehabilitation of buildings, development of financial mechanisms for their implementation and to increasing the role of energy suppliers in the promotion and implementation of projects aimed at efficient energy use.

B. Institutional changes

- As important accompanying measures of the “green tax policy”, in 2011 the Slovenian Government will prepare two legal bases – one for support schemes for energy efficiency for vulnerable groups of population and the other for the system of voluntary obligations to improve energy efficiency and exploitation of renewable energy sources. The amendment to the **Energy Efficiency Action Plan** for the period until 2016 will be prepared in 2011.
- However, to ensure coherent long-term implementation of these targets, the Government in cooperation with stakeholders is currently revising Slovenia's long-term **National Energy Programme**, which will be submitted to the National Assembly in the second half of 2011.
- Conditions will be ensured for the smooth implementation of measures in the field of energy, which are contained in the following operational programmes: **National Energy Efficiency Action Plan 2008-2016** (NEEAP), **Operational Programme for Environmental and Transport Infrastructure Development 2007-2013** (OP ETID) and **National Renewable Energy Action Plan 2010-2020** (NREAP). A programme management system will be established, and systematic elimination of obstacles to implementation, especially administrative barriers, will be facilitated.

II. 4.3. Environmental and spatial planning policy (analysis, reform, key measures)

In Slovenia, an average of more than 7 million tonnes of waste is generated yearly of which 900,000 tonnes is municipal waste (more than 400 kg/inhabitant). Waste recovery from production and services was in the past few years around 60% of waste, with municipal waste only 15%¹³. The diversion from landfill to waste recovery with priority in recycling will be possible after construction of all regional waste-management centres and improved energy recovery of municipal waste.

Measures envisaged thus focus primarily on building necessary infrastructure and on remediation of old burdens in this area. Additional strategic measures will be designed to set up policies towards implementing waste-prevention measures.

A. Transition to a low-carbon society

In parallel with the European Roadmap for moving to a low-carbon economy in 2050, this year we are preparing a long-term climate strategy until 2050 and the Climate Change Act. The Government Office for Climate Change in cooperation with ministries will follow the implementation of the Operational Programme for Reduction of Greenhouse Gas Emissions until 2012 and prepare measures for the period after 2012 that will fulfil the EU 20/20/20 objectives. The Ministry of Environment and Spatial Planning, together with other responsible operators, will implement the adopted measure of reducing the concentration of PM10 particles, in order to cut this type of pollution - this will have an impact on the reduction of greenhouse gas emissions as well.

According to the Operational Programme on Waste-water Treatment for 2005-2017, which was extended recently, in Slovenia only 45.23% of population equivalent has its waste water treated in treatment plants, and 56.35% of waste water is collected via sewerage systems. This problematic situation is also reported in the Urban waste-water treatment (CSI 024) - assessment, published by the European Environmental Agency in January 2009.¹⁴ We are therefore introducing measures also in this area, so as to further intensify construction of these facilities. In addition, infrastructure to improve supply of drinking water will be supported, along with measures to improve flood protection in the country.

¹³ State of the Environment Report 2009

http://nfp-si.eionet.europa.eu:8980/irc/Download/k4e_ANJHmcGMWI7AP0vHSy9foa3l1q6nVZJLa-uph-C1a2SyTf2xTNpTnUgV1_tZ5VjneFeLPYEW-

¹⁴ <http://www.eea.europa.eu/data-and-maps/indicators/urban-waste-water-treatment/urban-waste-water-treatment-assessment-1#toc-1>

For the purpose of conserving a high level of biodiversity, we will ensure efficient management of protected areas and provision of other services for the protection of the environment, including the purchase of land in these areas and support for the establishment of new protected areas that have been laid down in adopted development documents (regional and landscape parks. We will provide for the management of target species population and the implementation of other protective measures, including contractual protection, in accordance with the operational programme – Natura 2000 Site Management Programme. We will ensure the implementation of actions and interventions in nature.

B. Siting

In spatial planning, the problem is extremely lengthy procedures involved in the preparation of appropriate spatial planning documents and also procedures relating to individual phases – from investment intention to the issue of a building permit; measures will therefore focus on the improvement of decision-making processes for the siting of spatial planning projects of national significance and the issuing of permits for priority national infrastructure projects. In that respect, the e-space programme will be initiated with aim of providing a single entry point for spatial and real-estate data in accordance with the INSPIRE Directive.

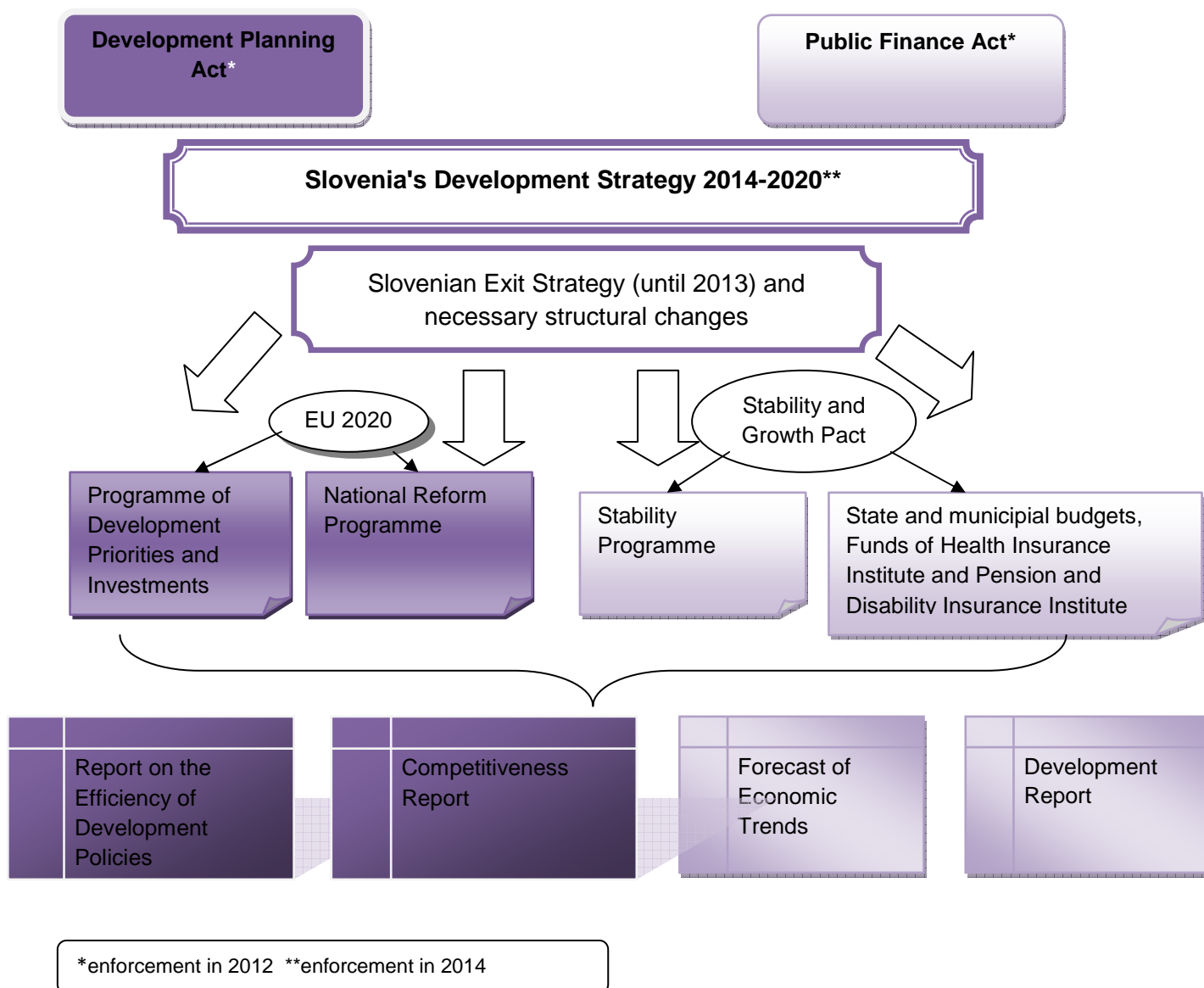
In the siting of energy projects, a proactive role of the state is foreseen, as well as a new mechanism whereby the state will invest in the preparation of expert bases for the preparation of national spatial plans and will manage the procedures for the siting of power plants using renewable energy sources, which are regarded as facilities of national importance for achieving the set objective of a 25% share of renewable energy sources in energy end-use.

ANNEX 1: Development planning in Slovenia

In 2010 the Government adopted a new **Decree on Development Planning Documents and Procedures for the Preparation of the National Budget**, which newly regulates the manner of development planning, policy-making, the designing of development priorities and a closer link with the preparation of the programme budget. The Decree has also set up a new framework for the coordination of development policies: an umbrella group for development planning, a fiscal policy group and working groups for individual policies. In order to make development planning systematic, a special act will be prepared in 2011.

At the same time, a system is being developed which would be used for the systematic provision of data needed for efficient decision-making on both short and long-term measures, and consequently on entire policy areas.

Slika 1: Development planning – Slovenia's strategic documents



Slovenia's Development Strategy serves as a **long-term umbrella document** for development planning. At present, **Slovenia's Development Strategy 2005-2013** is in force; after 2008, due to the financial and economic crisis, it was adapted to become the **Exit Strategy 2007-2013**. The new

Slovenia's Development Strategy (SDS) 2014-2020 will set out the vision and targets of development, strategic orientations, development policies and their priority areas, and the top priority orientations that have been defined on the basis of national developments and challenges as well as global trends. The preparation of Slovenia's Development Strategy for the new period will be launched by thematic public discussions in April 2011. **The Programme of Development Priorities and Investments (PDPI)** shall define the development priorities and estimate their financial aspects, both at the level of all development policies and at the level of each development policy separately. It shall **constitute an operational part of Slovenia's development Strategy**. The PDPI shall be prepared for individual development policies, for a period of four years, and it shall stipulate their priority areas. The logical framework approach matrices provide the basis for the preparation of the PDPI. The set of measures and projects is linked to sources, defined deadlines for implementation and a policy-maker. The PDPI is also a basis for the preparation of a mid-term fiscal scenario, the budget memorandum and the budget.

The economic and financial crisis has triggered - despite the gradual recovery - major macroeconomic imbalances, particularly within the euro area. On the basis of the budgetary limits contained in the Stability Pact and the National Reform Programme, Slovenia will prepare a plan for the consolidation of public finance and long-term structural measures. Furthermore, in times of economic recovery and in order to strengthen growth, it is vital to boost the competitiveness of companies in both foreign markets and the domestic business environment, as well as enhance the attractiveness to investors. For that reason, in February 2011 the Slovenian Government adopted short-term measures to bolster competitiveness: **the Slovenian economy's competitiveness - a situation review and measures for improvement**. In future, the Government will discuss the programme/report on competitiveness annually.

The implemented structural reforms and the reallocation of public expenditure should boost the productivity and the competitiveness of the economy. The broader reasons for uncoordinated performance are also the insufficiently defined national measures and the related public expenditure. In the times of economic and financial crisis, these problems are becoming even more relevant. It is necessary to respond to them by integrating policies at the national level and by establishing the financial and substantive frameworks. The substantive aspect is often subordinated to the financial one. This was the reason why new policy areas were established two years ago, subsequently they were also reflected as a **new programme classification within the budget**.

The **individual policies** include evaluated priorities which take the form of measures/projects, foreseen structural and institutional changes and defined indicators. Therefore they provide the basis for the preparation of the **programme budget**. The new process can be summed up as the introduction of a fiscal rule, a new classification and a renewed procedure for the budget preparation, including the establishment of group negotiations on priorities and funds. A mid-term financial framework, which is based on the fiscal rule, means that the highest possible upper limit of expenditure in a period of four years has been defined. The new programme classification is based on existing sectoral strategies and the programmes of each individual sector; it consists of policies, programmes, sub-programmes and activities down to the level of measures/projects. Every policy shall achieve the general targets, specific targets, results and direct outputs. The substance has been prepared by employing logical framework matrices at the level of a sub-programme. While preparing the budget, working groups were established at the level of policy. At the same time, the policy-maker and contributing institutions were also clearly defined. In such groups, the policy-makers, who prepare the logical framework matrices, and the ministries compared their activities and the forecasted results, in order to reach a common general target.

ANNEX 2:

Methodological explanation relating to the planned values of measures/projects¹⁵

The basis for monitoring the implementation of development policies and objectives along with documents is a hierarchical set of programme and contextual policy indicators. In the context of integrating development planning with the programme budget, the following levels are taken as a starting point:

- The consequences achieved by a measure/project are measured by means of indicators of direct outputs for two years.
- The measures are grouped according to activities into sub-programmes where the four-year results of direct outputs are measured.
- Sub-programmes are grouped into programmes which are measured by means of performance indicators defined as the medium- or long-term consequences of concrete government measures/projects; these consequences manifest themselves as wider socio-economic consequences on the level of a programme or a policy and are connected with specific objectives.
- At the level of the overall policy, the impact of policies is measured as a long-term consequence on the level of the overall policy, market, society, and is linked to general objectives.

The tables containing measures and projects show the planned values of measures/projects along with their direct outputs (each measure has several direct outputs, with only one of them being highlighted in the table) for a period of two years. They are classified under individual policies and the related general objectives and indicators set for a four-year period. The table does not include all budgetary measures and projects but only those having a direct impact on the EU2020 objectives and the overcoming of bottlenecks; it does not contain measures relating to the operation of institutions.

¹⁵ The Annex shows the selected development measures and projects under individual policies which are grouped according to their content:

- a project is an economically indivisible group of activities performing a precisely defined (technical-technological) function and having clearly specified objectives and duration. Projects can also be defined as a "group of projects" consisting of several projects of the same type or a "major project" whose assessed value exceeds EUR 25 million.
- A measure is a set of several different yet mutually coordinated acts pursuing objectives that are defined within the framework of a common purpose which can be evaluated and phased over time as well as linked to a target group.

Table 1: Values of measures under three priorities and policies

	Structure in %	2011	Structure in %	2012
Smart growth	45,6		42,2	
Entrepreneurship and competitiveness <i>- including the B balance sheet (financial assets and liabilities account)</i>		268.880.209 537.691.477		211.554.007 225.999.619
Higher education, science, technology and the information society		695.040.568		658.907.665
Education and sports		373.230.022		397.295.007
Culture		18.216.610		20.429.540
Governance of public administration systems		29.557.754		31.106.027
Institutions enforcing the rule of law, freedom and security		10.841.015		10.731.304
Inclusive growth	30,2		29,4	
Labour market		329.057.869		329.196.045
Social security		564.782.345		564.337.592
Health security		30.488.247		31.578.435
Sustainable growth	24,1		28,4	
Transport		344.790.462		400.772.845
Energy		52.125.000		59.832.100
Agriculture, forestry, fisheries and food		193.332.936		160.487.264
Environment and spatial planning		148.397.278		274.217.775
Total		3.058.740.315		3.150.445.606
Value of measures in % of the total national budget (A balance sheet)		26,28		28,54
TOTAL (including the B balance sheet)		3.327.551.583		3.164.891.218

Table 2: Development policies together with the objectives and indicators and the measures contributing to the objectives of the National Reform Programme

The tables show the funds provided by the adopted 2011 and 2012 budgets¹⁶ and also include sources other than budget funds.

Policy 01: ENTREPRENEURSHIP AND COMPETITIVENESS

Aggregate measures under the Entrepreneurship and Competitiveness policy in 2011: **EUR 537,691,477** (of which EUR 268,811,268 in the B balance sheet) and in 2012: **EUR 225,999,619** (of which EUR 14,445,612 in the B balance sheet).

General objective 1: Promoting company growth

¹⁶ Printout from the budget application (SAPPrA) dated 28 February 2011

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
GDP per capita, in purchasing-power index standards (PPS) (EU-27=100)		2008	90.90	2014	94.90
Share of medium-tech and high-tech products in total exports		2008	58.20	2014	61.20
Degree of cluster development	place, ranking	2009	42	2014	36.00

Measures and projects:

MEASURE/PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Subsidies for new technological equipment procurement; guarantees; development measures	31,949,876	17,435,449	Average increase in value added per employee in the companies receiving the funds	8	8	%
			Amount of loans / EUR million of guarantees	1.90	1.90	EUR, million
			Percentage of increase in SEF-earmarked capital	0.90	0.90	%
			Number of projects	640	675	Number
Securities and guarantees; company ownership transformation	268,811,268	14,445,612	The share of quota used for granting guarantees	30	50	%
			Index of maintaining or increasing state-owned financial assets	100	100	Index
			The share of completed ownership transformation procedures	80	100	%
			The share of completed procedures of the sale of lending and repayments	50	50	%
Rescue and restructuring of companies in difficulties	15,194,641	16,700,000	Percentage of survival of companies in difficulties – state aid recipients	65	65	%
Management of Government equity investments	371,319	566,465	Increase in the total value of government equity investments	105	105	Index

General objective 2: Ensuring a competitive business environment and the intensified growth and development of enterprises

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
A better developed business environment – t framework conditions for entrepreneurship		2009	2.85	2014	3.05
A better developed business environment – % entrepreneurship as a suitable career choice		2009	55.75	2014	60.75
A better developed business environment – % respect for the occupation of entrepreneur		2009	77.59	2014	82.59
Improved attitude to entrepreneurship	%	2009	47.40	2014	48
Value added per SME employee	index	2005	71	2014	76.60
Export volume index	index	2009	173.40	2014	206
Domestic Market Size Index	index	2009	73	2014	80
Foreign Market Size Index	index	2009	67	2014	74
Market capitalisation of shares according to GDP	%	2008	22.80	2014	35
GDP per capita by region, EU-27 = 100	%	2008	33.85	2014	33.85

Measures and projects:

MEASURE/PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Entrepreneurial and innovative environment and promotion	26,934,400	23,988,680	Number of projects supported	10	20	Number
			Number of transfers completed	2	3	Number
Development centres of the Slovenian economy	113,200,000	60,000,000	Number of projects supported	12	12	Number
			Number of newly created gross jobs	5	10	Number

General objective 3: Intensifying internationalisation of Slovenian enterprises and more foreign direct investment in Slovenia

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Foreign-trade-to-GDP ratio	%	2009	58	2014	65
Foreign-trade-to-GDP ratio – exports	%	2009	59	2014	70
Foreign-trade-to-GDP ratio – imports	%	2009	57	2014	50
Share of inward FDI in GDP	%	2009	30.90	2014	37
Share of outward FDI in GDP	%	2009	17.20	2014	20

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Active co-design and implementation of the common commercial policy, activities relating to fairs, economic delegations, business clubs, conferences	3,510,000	3,880,000	Number of exchanges of information with the commercial sector, line ministries and relevant organisations	15	20	Number
			Number of export authorisations granted	70.00	78.00	Number
			Number of consultancy operations/ trainings completed/ information provided	700.00	850.00	Number of recip.
			No. of events organised	130.00	150.00	Number
Financing of and official support to internationalisation grant of financial incentives for FDI	27,079,182	26,900,825	Amount of granted export loans for the interest equalisation programme (IEP) project	60,000,000	60,000,000	EUR
			Number of projects concerned with human resources	2	2	Number
			Share of imports in SMEs	37.80	40.30	%
			Provision of new FDI	10.00	12.00	Number
			Provision of new FDI	5.00	5.00	Number

General objective 4: Increasing competitiveness of Slovenian tourism and expanding the tourism sector

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Increased competitiveness of Slovenian tourism according to WEF ranking	place, ranking	2009	35	2014	31
Number of room nights generated on the basis of supported projects	Number	2009	0	2014	250,000

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Promotion of investments in tourist infrastructure and other infrastructure relevant to tourism	24,445,136	26,514,502	Number of supported projects of the private sector	20	9	Number
			Number of new room nights generated by supported projects	150,000	200,000	Number

General objective 5: Increasing economic, environmental and social capital, and enhancing their efficiency and positive influence on sustainable economic, regional and social development

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
GDP per capita, in purchasing-power standards (PPS) (EU-27=100)	Number	2008	91	2014	95

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Objective 3 2007-2013 and territorial co-operation	7,023,978	7,204,663	Number of projects currently implemented, contracts signed	700	1000	Number of contracts
Additional measures for problem areas; Posočje, Pomurje	18,471,878	27,539,248	Number of projects approved	280	420	Number of projects

Policy 02: HIGHER EDUCATION, SCIENCE, TECHNOLOGY AND THE INFORMATION SOCIETY
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Aggregate measures under the Higher Education, Science, Technology and the Information Society policy in 2011: **EUR 695,040,568** and in 2012: **EUR 658,907,665**.

General objective 1: Intensifying transfer of knowledge within the higher education, science and business triangle.

Indicators:

	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of population aged 30 – 40 with a completed tertiary education	%	2009	30.90	2015	35
Expenditure on higher education	%	2008	1.21	2015	1.30

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Activity of higher education	262,678,583	259,266,985	Number of undergraduate and second-cycle students – full-time study	58,900	57,000	Number
Construction, renovation and equipment of faculties and campuses	29,494,816	10,312,197	Number of co-financed public higher education institutions	4	4	Number
			Construction of new net floor areas	6,000.00	6,700.00	m2
			New student beds	150	150	Number
			Construction of new floor areas	32,183	46,595	m2
International mobility	800,022	746,395	Number of mobile students and university teachers and administrative staff	850	830	Number
			Number of foreign scientists with whom co-operation is under way	8	8	Number
Early stage researchers and promotion of human resources in the business sector	46,133,541	53,526,007	Number of new early stage researchers	250	200	Number
			Zois awards and distinctions, Ambassador of Science awards and Puh awards	15	15	Number
			Number of projects completed	35	5	Number
ESF 13.2.3.3 HE	735,462	820,109	Number of guest professors	150	150	Number
ESF – Quality of higher education	2,491,113	3,538,480	Number of publicly established study programmes based on external evaluation and/or accreditation	175	175	Number
Operation of career centres in higher education	1,000,000	550,000	Number of career centres	4	4	Number
ERDF 13.1.2.3. – Education and research infrastructure	588,231	62,361,436	Construction of new floor areas	54,700	42,000	m2
ESF 13.2.1.3. – Scholarship	5,333,334	16,100,675	Number of beneficiaries in	200	400	Number

schemes			the scheme			
Personnel mobility no. II	1,892,920	1,307,079	Number of previously supported transfers of researchers completed	8	39	Number
Interdisciplinary groups	4,767,826	0	Number of previously supported interdisciplinary groups completed	60.00	10.00	Number
Construction of the e-Higher Education	700,000	244,000	Number of higher education institutions in e-Higher Education	86	91	Number

General objective 2: Increasing global competitiveness of Slovenia by fostering innovation and corporate investment in research and technology development

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of medium-tech and high-tech exports (% of total exports)	%	2008	56.50	2014	57.50

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Development-investment projects RIP08, RIP09	59,632,327	0	Number of previously supported projects completed	50	10	Number
Strategic R&D projects in companies	4,261,016	4,670,694	Number of projects supported	10	6	Number
Enhancement of international cooperation	1,800,576	795,576	Number of co-financed projects	110	110	Number
			Participation in ERA-NET projects	5	5	Number
Support for the National Innovation System	331,331	302,840	Number of projects supported	15.00	10.00	Number
Support for development of open code solutions	85,000	85,000	Number of new open code solutions in the Slovenian language	3	3	Number
Support for technological development	2,217,091	930,010	Number of highly qualified R&D personnel in the business sector	3,535	3,555	Number

Support for technological development by means of refundable funds	50,000,000	50,000,000	Share of innovation-active enterprises	54.3	56.3	%
Transfer of knowledge and technologies	800,000	800,000	Number of technology transfer offices supported	5	5	Number
Key technology development programmes	1,336,820	504,000	Breakthrough achievements in compliance with anticipated maturity in NIP for the project's past 12-month period, measure: 1 project	100	100	%
Development projects and infrastructure	3,592,781	2,543,830	Number of companies supported	15	15	Number
Applied research projects and target research projects	13,133,212	13,000,127	Number of TRP projects	120	120	Number
			Number of implemented applied research projects in FTE (full-time researchers)	170	170	Number
Digitalisation of cinemas	250,000	228,634	Number of digital projectors	5	5	Number
Digitalisation in the field of culture	994,791	994,791	Share of creative industries in GDP	2.2	2.2	%
E-Archiving	250,000	250,000	Preparation of investment documentation	1	1	Analyses
Increased capacity of companies for using ICT	120,000	120,000	Number of projects designed to promote the use of ICT in enterprises	3	4	Number of projects
Information society, development of e-contents and e-services	5,864,559	8,057,371	Number of R&D projects aimed at developing e-services and e-contents for enterprises	10	10	Number of projects
			Number of projects aimed at developing and establishing e-services and e-contents for public and private non-profit organisations	10	10	Number of projects

			Number of new integrated electronic public services	2	3	Number
ICT for universities, research and cultural institutions	75,000	75,000	Number of pilot projects aimed at developing and providing up-to-date ICT equipment and services	1	1	Number of projects
Research, development and innovation in the field of ICT	197,800	197,800	Number of research projects	4	8	Number of projects
Development of ICT infrastructure Arnes	900,000	900,000	Capacity of international links	5	10	Gb/s
Broadband network development	19,273,188	14,857,425	Number of households without access to broadband networks (white areas)	49,456	45,101	Number

General objective 3: Ensuring a sustained increase in economic growth through high-tech and knowledge-intensive products, procedures and services

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Gross domestic expenditure on R&D as a percentage of GDP	%	2008	1.66	2014	2.50
Government-financed GERD as a percentage of GDP	%	2008	0.62	2014	1.10
Business enterprise expenditure on R&D as a percentage of GDP (BERD)	%	2008	1.04	2014	1.40
ICT expenditure (in % of GDP)	%	2008	4.10	2014	6

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Activities aimed at preparing investments in R&D	24,500	24,500	Construction or acquisition of floor areas	19,100	11,800	m2
ERDF-OP-07-13 Competitive capacity and research excellence	0	1,135,246	Number of Centres of Excellence set up	8	8	Number
European Metrology Research Programme and	621,270	621,270	Number of co-financed EMRP projects	4	3	Number

management of the national metrology system			Number of fields subject to the co-financing of R&D work in compliance with the Rules on National Standards	12	12	Number
Infrastructural commitments and research equipment	25,883,415	25,143,865	Number of public research institutions whose fixed operating costs, management and governance costs and property renovation are being financed	15	15	Number
Support to institutes and to the SAZU Scientific Research Centre	4,821,821	4,256,198	Volume of construction of new floor areas	19,100	11,800	m2
Public call for Centres of Excellence in the period 2009-2013	26,646,804	13,167,093	Number of Centres of Excellence set up	8	8	Number
International activities in the field of science	60,608,159	58,313,016	Number of events designed to promote Slovenian science	20	20	Number
			Number of research programmes conducted by university members and concessionaires in FTE (full-time researchers)	477	477	Number
			Number of bilateral projects	2,100	2,100	Number
Equipment for COBISS and SICRIS central services	563,402	546,686	Number of conducted public calls, invitations and selection procedures relating to R&D	34	34	Number
National Business Excellence award	123,000	123,000	Number of applicants	15	17	Number
Programme of participation in European programmes	4,664,460	3,669,460	Share of high-tech exports	6.58	6.74	% of GDP

Research intended to support defence and protection	600,000	600,000	Co-financed research projects, measure: 3 projects	100	100	%
Research equipment	5,570,390	2,066,925	Number of purchases of research equipment	20	10	Number
Research programmes and projects	35,385,227	33,689,945	Share of major maintenance expenditure in the research hour price (price category C)	13.5	13.5	%
			Number of basic research projects in FTE	260	260	Number
Programme promotion, reviews and experts' reports, scientific publications, databases	7,178,592	6,964,000	Number of recipients of funds intended for the promotion of science and innovation	10	10	Number
			Number of scientific meetings held	150	170	Number
ZRC SAZU and Slovenska matica	618,188	500,000	Number of co-financed projects	23	20	Number

Policy 03: LABOUR MARKET

Aggregate measures under the Labour Market policy in 2011: **EUR 329,057,869** and in 2012: **EUR 329,196,045**.

General objective 1: The early activation of unemployed people

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of unemployed people included in an AEP measure within first four months of their unemployment	%	2009	43.50	2014	45
Quality of the services provided by the ESS as assessed by unemployed people	Number	2009	4	2014	5

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
U1 Consultancy and assistance in the search for employment	6,186,419	10,755,176	Number of those included	22,000	25,500	Number
Labour market institutions reform	1,631,458	1,125,850	Number of training courses	20	20	Number
Modernisation of the ESS	2,696,448	2,022,974				Number
National coordination point for lifelong career orientation	218,040	181,820	Number of development projects supported	8	9	Number
PROGRESS - labour market	62,000	62,000	Number of workshops a year	3	-	Number

General objective 2: Improving qualifications for greater employability
Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Share of unemployed people participating in training and education	%	2009	10	2014 20

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
U2 Training and education	4,337,525	4,504,400	Number of those included	5,000	5,000	Number
Vocational education and training in the field of culture	200,000	200,000	Number of projects supported	30	30	Number
Education and training for competitiveness and employability	10,130,010	12,115,903	Number of those participating in training	10,000	7,000	Number
The "Knowledge realises dreams" project	2,184,624	0	Number of those participating in training	10,000	7,000	Number
Training for those employed persons temporarily laid off	5,186,680	0	Number of occupational catalogues	30	30	Number
Updating and expanding the occupational standards and catalogues	101,286	0	Number of those participating in training	10,000	7,000	Number
Scholarship schemes	3,746,094	2,737,084	Number of recipients	1,000	800	Number

General objective 3: Ensuring the social and labour market inclusion of vulnerable groups of unemployed people with low employability

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Reducing the relative share of the long-term unemployed	%	2009	40	2014 42

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
U4 Programmes for the prevention of soc. exclusion	19,974,186	34,157,705	Number of those included in employment	2,600	5,000	Number
Equal opportunities along with social and labour market inclusion	11,017,081	10,911,519	Number of vulnerable groups included	2,000	2,000	Number

General objective 4: Promoting employment and self-employment

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Share of preserved jobs in subsidised employment 12 months after project conclusion	%	2009	50	2014 60
Share of preserved self-employment arrangements 12 months after project conclusion	%	2009	60	2014 70

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
U3 Promotion of employment and self-employment	3,392,026	3,390,000	Number of those included in employment	5,850	5,775	Number
The ZAPOSILI.ME project	7,200,000	0	Number of unemployed persons included	1,800	2,893	Number
Self-employment subsidy 2010	10,000,000	10,000,000	Number of self-employed persons previously unemployed	2,222	2,222	Number
Promotion of the development of new jobs	46,977	0	Number of self-employed persons	1,680	1,680	Number
Promotion of employment with shorter working hours	500,000	0				
Co-financing of the projects of social partners	1,453,023	673,508				
Slovenian Qualifications Framework (SQF)	210,200	210,000	Framework	1	1	Number
Promotion of employment	14,343,651	3,626,400	Number of those participating in training	20,000	20,000	Number
Promotion of employability in jobseekers and the non-active	7,649,357	19,082,400				

General objective 5: Promoting lifelong learning in the framework of implementing the National Education Strategy

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Share of persons participating in lifelong learning	%	2008	13.90	2014 15

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Lifelong learning	402,287	442,264	Number of analyses and evaluations completed	2	2	Number

General objective 6: Ensuring the efficient operation of the labour market

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Labour participation rate in the age group 20 to 64	%	2009	71.90	2014 72.70

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Computerisation of the Slovenian Human Resources Development and Scholarship Fund and the Information-Communication Portal (ICP)	317,854	129,789	Number of training courses	20	20	Number
PROGRESS - work	250,000	250,000	Number of instances of partner co-operation	1	2	Number

General objective 7: Providing equal opportunities in the labour market for people with disabilities

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Share of employed people with disabilities of total employed population	%	2009	4	2014 4

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Creation and preservation of jobs	1,998,476	2,177,777	Number of employment centres	35	38	Number
Performing vocational rehabilitation	5,299,408	5,417,468	Number of cases dealt with by rehabilitation commissions	950	950	Number
Development of the national qualification structure	870,830	958,134	Number of promotional activities completed	4	4	Number

General objective 8: Providing social security to the unemployed

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Share of unemployment-benefit recipients in the unemployed population	%	2009	31.70	2014 32
Share of unemployment-benefit recipients becoming employed	%	2009	24.80	2014 29

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Payments from the Public Guarantee and Maintenance Fund – the rights of the unemployed	4,488,454	4,458,360	Number of recipients	2,800	2,800	Number
Payment of unemployment benefits	203,177,762	199,859,778	Number of recipients	26,100	25,650	Number

Policy 04: EDUCATION AND SPORTS

Aggregate measures under the Education and Sports policy in 2011: **EUR 373,230,022** and in 2012: **EUR 397,295,007**.

General objective 1: Providing affordable education of high quality for everyone

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of education expenditure in GDP	%	2010	4.26	2014	4.46
Provision of accessible education for everyone	years	2010	13	2014	13

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Performing secondary school programmes	191,121,774	191,233,729	Number of reformed training programmes launched	6	10	Number
Performing the activity of post-secondary non-tertiary education	17,131,016	16,876,659	Increase in international student exchanges	5	5	%
Performing the activity of adult education	2,777,248	2,591,484	Increase in the share of adults involved in various forms of formal and general non-formal training	15.15	16.4	%
Measure aimed at managing and supporting adult education	1,590,459	1,590,459	Number of training programmes intended for expert workers	3	3	Number
Scholarships from the Slovenian Human Resources Development and Scholarship Fund	1,898,070	1,898,070	Number of scholarships/grants awarded	662	512	Number
Scholarships: national scholarship, Zois scholarship and Sustainable	117,969,085	139,665,407	Number of students receiving a scholarship	31,366	26,544	Number

Development Awards						
Investments in intra-company educational centres	13,210,231	12,976,088	Number of training programmes improved	3	23	Number
Programme introduction - services	1,105,325	973,007	Number of introduced training programmes created on the basis of the new starting points	3	23	Number
Biotechnical Fields, School for Life and Development	266,066	131,058	Number of introduced training programmes created on the basis of the new starting points	3	23	Number
An individual's qualifications in the knowledge society	9,877,408	13,727,317	Increase in the share of adults involved in various forms of formal and general non-formal training	15.15	16.40	%
Lifelong Learning Centres and partnerships – public call	2,688,771	1,221,645				
Training of adult education experts	165,182	39,400				
Literacy development and recognition of non-formal learning	165,671	13,931				
Introduction of new programmes	69,900	37,200	Lifelong learning centres	14	14	Number
POKI (OQEA) and introduction of quality advisors	145,827	97,413	Increased share of adult education experts participating in training programmes intended for performing special programmes and activities	362	367	Number
Teaching computer literacy skills and informatics – adult education centres	70,000	70,000	Percentage of adult education centres receiving ICT	75	75	%
Expert institutions and centres	131,000	131,000	Number of computers/100 students	8.00	8.00	Number

Quality and efficiency of training systems	7,363,092	6,818,622	Participants in training courses	22,900	18,200	Number
Accessibility and equal opportunities in the post-secondary non-tertiary education system	5	1,886,684	Number of schools participating in the counselling projects	300	400	Number
Quality assessment and assurance in education – public call	750,836	509,134	Number of participants in training programmes	7,000	4,070	Number
Natural-science qualifications	623,102	119,692				
Modernisation of grammar school programmes - general	980,746	836,227				
Modernisation of grammar school programmes in grammar schools with specialisation	340,692	283,585				
“E-competent teacher” project	1,230,000	1,856,511				
Development and provision of counselling, didactic	585,000	742,861				
Development of formal and non-formal “Youth Worker” models	130,000	157,294				
Learning to Learn	319,928	441,556				
Training for qual. assess. in adult lifelong education	307,088	368,974	Number of schools participating in the counselling projects	300	400	Number
Post-secondary non-tertiary training in the field of social and civil competencies	216,500	0,00	Participants in training courses	22,900	18,200	Number

Policy 05: CULTURE

Aggregate measures under the Culture policy in 2011: **EUR 18,216,610** and in 2012: **EUR 20,429,540**.

General objective 1: Ensuring an encouraging environment for the development of Slovenian culture and language, cultural-heritage protection and preserving the diversity of the art and media landscape

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Maintaining value added in culture as a percentage of GDP	%	2006	2.20	2014	2.20

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
E-Archiving	150,000	115,815	Compilation of technical specifications for E-storage and stipulation of a policy	1	1	Number
Cultural and creative industries	11,834,382	10,888,553	Share of creative industries in GDP	2.20	2.20	%
Programmes and projects in the field of the arts	187,753	171,707	Number of artist-in-residence scholarships	30	30	Number
Culture promoting social inclusion	528,755	2,163,441	Number of projects financed from the European Social Fund	20	20	Number
Promotion of cultural tourism	5,515,720	7,090,024	Number of new jobs	20	50 (24 direct, 26 indirect jobs)	Number
			Enhanced tourist potential of towns	5	10	%
			Increase in the number of visitors	8	15	%

Policy 06: TRANSPORT AND TRAFFIC INFRASTRUCTURE

Aggregate measures under the Transport and Traffic Infrastructure policy in 2011: **EUR 344,790,462** and in 2012: **EUR 400,772,845**.

General objective 1: Promoting economic development

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of transport in GDP	%	2008	2.90	2014	3.40

Measures and projects:

MEASURE NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Port infrastructure	3,600,000	0	Sea depth in the area of entrance channel into Basin I of the Port of Koper	13.00	14.00	m of draught

General objective 2: Ensuring the more efficient mobility and safety of transport, goods and people

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Modal split passenger - train	%	2008	2.90	2014	10
Modal split passenger - personal transport by car	%	2008	86.20	2014	73.30
Modal split passenger - other	%	2008	10.90	2014	16.70
Modal split cargo - railways	%	2008	17.80	2014	35.60
Modal split cargo - roads	%	2008	82.20	2014	64.40

Measures and projects:

NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Introduction of integrated public passenger transport, transport policy management and provision of road safety	6,133,084	9,764,455	Implemented training courses, information and public awareness campaigns	12	13	Number
			Active passenger portal	0	1	Number
			Compiled national timetable	100	0	%
			Compiled SEA and EIA guidelines for promoting new plans for developing infrastructure and environmental standards	100	0	%
			Compiled multimodal traffic models and scenarios	100	0	%
			Completed study about possible improvements in the intermodal transport through the Alps	0	1	Number
			Compiled project documentation relating to the system of informing and guiding drivers	1	0	Number
			Additional systems for traffic supervision and management	0	2	Number
			Road fatalities	159	153	Number
Investments in and maintenance	223,878,615	246,979,702	Percentage of accomplished tasks under the	95	95	%

of the existing public railway infrastructure			work programme						
			Maintained superstructure and substructure	1,558.40	1,558.40	km			
			Feasibility studies accomplished	2	2	Number			
			Built catenaries	2	0	km			
			Modernisation of railway tracks	17.5	12.5	km			
			Modernised railway tracks	8.75	17.45	km			
			Elimination of level crossings	3	3	Number			
			Increased railway track capacity	53	53	Number			
			No. of level crossings eliminated	9	6	Number			
			No. of grade-separated crossings built	0	2	Number			
			No. of level crossings protected by means of an automatic device or the changed manner of automatic protection control relating to them	3	5	Number			
			Compiled documentation for the introduction of the GSM-R system	1	0	%			
			The GSM-R system launched	35	40	%			
			Inbuilt ERTMS/ETCS system	5	40	%			
			Newly built active protection	2.03	2.58	km			
			Reduction in the number of persons overburdened by noise	1,179	1,455	Number of persons			
			Investments and plans for new rail links (Divača-Koper and Trst-Divača)	42,300,000	88,142,858	Newly built railway tracks	1.4	0	km
						Newly built tunnels	0	1	Number
Construction of state roads	30,263,537	44,401,633	Completed road layouts	12	14.5	km			

along priority development axes and corridors			Completed crossing reconstructions	6	7	Number
			Completed road reconstructions	9.5	14.5	km
			Preparations for road reconstruction	1	1	Number
			Completed improvements of bridging structures	30	22	Number
			Bypass construction	1	1	Number
			Built bypasses	2	1	Number
			Preparations for bypass construction	2	2	Number
			New road links built	1	0	Number
			Preparations for building new road links	14	15	Number
Motorway construction	22,545,246	0	Reimbursements of EU funds	22.54	0	EUR, million
Investments in and major maintenance of air and airport infrastructure and promotion of air transport development	16,069,980	11,484,197	Passenger terminal capacity	8,500	8,500	m2
			Renovated facilities	0	2	Number
			Airport facilities intended for airport and aircraft maintenance	28	34	Number
			Passenger terminal capacity	13,000	45,000	m2
			Completed campaigns aimed at promoting air transport development	1	1	Number

Policy 07: ENERGY

Aggregate measures under the Energy policy in 2011: **EUR 52,125,000** and in 2012: **EUR 59,832,100**.

General objective 1: Energy supply from renewable energy sources (RES)

Indicators:

NAME OF INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Share of RES in end-use structure	%	2005	16.2	2010	17.7
				2012	18.7
				2020	25
Increase in energy-generation facilities using RES and CHP	Number	2010	0.00	2011	15
				2012	40

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Innovative measures for local power supply	0.00	6,708,734	Number of projects involving improvements to public lighting	5	10	Number
Energy utilisation of wood biomass	4,200,000	4,491,266	Number of built district wood biomass heating systems	10	30	Number
Making of geological bores	0.00	1,350,000	No. of completed deep bores up to 4,000m	0	1	Number

General objective 2: Increasing energy efficiency**Indicators:**

NAME OF INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Saved end energy in the period 2008-2016 (9% according to the NEEAP)	TOE per capita	2007	0	2016	0.18

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Implementation of a call for RES and EE promotional programmes	1,260,000	1,560,000	Number of free energy advice services provided	12,000	14,000	Number
Energy efficient renovation and sustainable construction	39,000,000	34,588,569	No. of energy efficient renovations of public sector buildings	20	30	Number
Efficient use of electricity	7,000,000	10,353,531	Number of built district wood biomass heating systems	5	20	Number

General objective 3: A secure, sustainable and competitive energy supply**Indicators:**

NAME OF INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Reduction of energy dependence (i.e. share of imported energy)	%	2007	52.5	2012	50
				2014	49
GHG emissions excluding emissions trading	%	2005	100	2012	102
				2020	104
Share of electricity generated from domestic energy sources	%	2008	75	2012	75
				2014	75

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Work preparations and a study for the Spodnja Sava hydroelectric power plant	315,000	330,000	Compiled National Spatial Plan	315,000	330,000	EUR
Co-financing the activity of the National Geological Institute	350,000	450,000	No. of completed geological research projects of national significance	1	1	Number

08 AGRICULTURE, FORESTRY, FISHERIES AND FOOD

Aggregate measures under the Agriculture, Forestry, Fisheries and Food policy in 2011: **EUR 193,332,936** and in 2012: **EUR 160,487,264**.

General objective 1: Adequate income in the agriculture sector

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Economic size of agricultural holdings	Number	2008	4.60	2013	5.50
Factor income	EUR	2008	422	2015	422
Gross value added per food industry employee	EUR	2008	26,747	2013	28,500

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Support and development of the food processing industry	374,432	366,392	No. of thematic events relating to foreign trade training, introduction of standards and regulations and the related knowledge about market specifics	4	4	Number
			No. of agreements with priority countries aimed at reducing administrative and technical barriers in goods exports	3	3	Number
			No. of preliminary analyses of possible effects of technological improvements in food and agro businesses in	2	2	Number

			terms of energy cost-cutting and improvements			
Practical tuition support	193,115	193,115	Number of institutions performing practical tuition	14	15	Number
Measures under the 2007-2013 RDP, third axis	30,497,288	20,419,165	Number of micro businesses supported	150	150	Number
			Number of investments in renewable energy sources	20	20	Number
Measures under the 2007-2013 RDP, first axis	63,799,672	51,928,574	Number of market-oriented agricultural holdings included in supported projects for the purpose of improving product and foodstuff quality	250	250	Number
			Volume of agricultural and forestry land transferred from older to younger generations	300	250	ha
			Volume of agricultural and forestry land transferred from older to younger generations	300	250	ha

General objective 2: The stable development of sustainable agriculture

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Cultivated agricultural land	ha	2009	664,000	2015	664,000
Water quality	kg/ha	2008	40	2013	36
Quantity of nutrient input into the soil	kg/ha	2008	129	2013	115
Level of biodiversity	ha	2008	444,658	2013	447,358

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Adapting to climate change	16,018,535	13,211,450	No. of hectares of protected agricultural land	80,900	80,900	ha
RDP 07-13, second axis	81,928,390	74,368,568	No. of agricultural holdings included in agricultural environmental measures	18,700	18,800	Number
Change in the intended use of land	521,504	0	Number of investments in renewable energy sources	20	20	Number

Policy 09: ENVIRONMENT AND SOCIAL PLANNING
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Aggregate measures under the Environmental and Spatial Planning policy in 2011: **EUR 148,397,278** and in 2012: **EUR 274,217,775**.

General objective 1: Creating a good state of the environment and nature; reducing the impact of climate change; and improving the safety of the population

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Direct materials input	million tons	2008	56.90	2014	52
Domestic materials consumption	million tons	2008	43.90	2014	40
Biochemical oxygen demand in surface watercourses	mg O ₂ /L	2008	1.40	2014	
Measuring stations in Slovenia where the number of days in excess of the daily threshold of O ₃ concentration exceeds 25	%	2008	80	2014	50
Measuring stations in Slovenia where the number of days in excess of the daily threshold of PM ₁₀ concentration exceeds 35	%	2008	67	2014	
Change in the ratio between the number of endangered mammal species and the total number of known mammal species	%	2008	46.60	2014	46.60
Change in the ratio between the number of endangered bird species and the total number of known bird species	%	2008	15.50	2014	15.50
Change in the ratio between the number of endangered reptile species and the total number of known reptile species	%	2008	83.30	2014	83.30
Change in the ratio between the number of endangered amphibian species and the total number of known amphibian species	%	2008	90.40	2014	90.40
Change in the ratio between the number of endangered fish species and the total number of known fish species	%	2008	22.70	2014	22.70
Change in the ratio between the number of endangered higher plant species and the total number of known higher plant species	%	2008	19.40	2014	19.40

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Upgrading the SARA information system	45,000	25,000	Completed upgrading and maintenance	80	100	%
Dumping site restoration in line with inspectors' decisions	117,916	117,916	Implemented decisions	2	2	Number
Carrying out administrative and expert tasks	104,535	105,320	Percentage of applications solved in time in total solved applications	80	80	%
Construction of waste treatment infrastructure	22,935,295	73,267,466	No. of projects implemented	0.01	2	Number
			No. of projects commenced	5	3	Number
Waste water discharge and	25,140,472	57,440,628	Length of the sewer network	1.03	4.03	km

treatment						
Drinking water supply	15,736,291	42,621,427	Length of the water supply network	1.56	10.06	km
Provision of flood safety	2,731,156	3,787,921	Regulation of water infrastructure	14.10	13.90	%
Sustainable water use and management	56,463,114	59,409,492	No. of projects commenced	24	12	Number
SSSV – Water Environment Situation in Slovenia	4,056,204	9,576,697	Produced software and modelling tools	14	40	%
Water management	16,194,362	19,560,770	Percentage of cases solved within deadlines	75.00	80.00	%
Eco Fund, Slovenian Environmental Public Fund	5,200,000	5,200,000	CO2 emissions reduction	350	350	tons
Reduction in concentration of PM10 particles	120,000	120,000	Adopted national regulations	2	2	Number
Establishment of protected areas	102,000	100,000	% of expert initiatives for protection complied with	70	70	%
Ensuring the operation of narrower protected areas	97,062	244,938	Meeting the objectives of the narrower protected areas	1	2	Number
Control of adverse effects of GMOs on the environment	80,000	80,000	No. of cases violating the requirement for work with GMOs in closed spaces and cases of deliberate release of GMOs into the environment	50	25	%
Establishment of the biological safety system	56,523	56,494	No. of samples taken from GMOs intended for the market	25	30	Number
Informing the public about the significance of nature protection	40,000	10,000	No. of publications	1	1	Number
Actions, interventions and other protection measures	301,168	341,168	% of measures taken with respect to the expert proposals	55	60	%
Provision of protection measures materials	81,926	81,926	No. of square km on which habitat type mappings were conducted	50	50	km

Land purchases in protected areas	44,806	45,168	% of increase in the surface of land purchased relative to the year before	10	10	ha
Communication and education – climate change	192	10,000	No. of operating content portals	1	1	Number
Solar power plant for public structures	500	5,000	Number of demonstration solar power plants at primary and secondary schools	3	1	Number
Comprehensive environmental impact assessments	376,843	453,857	No. of decisions to conduct a CEIA	1,150	1,300	Number
Cross-border environmental impact assessments	334,841	411,857	No. of decisions	10		Number
Research conducted within the framework of Target Research Programmes	55,464	67,469	No. of TRPs	4	4	Number
LIFE nature and environment	288,764	351,261	No. of proposed new projects under the LIFE+ programme	15	15	Number
Environmentally efficient public administration	44,000	21,000	Number of projects compiled	1	5	Number
Low-carbon Alps	5,000	5,000	Number of good practices transferred	1	3	Number
Group of e-Space projects	375,000	700,000	System regarding the position paper	10	40	Number

Policy 10: SOCIAL SECURITY

Aggregate measures under the Social Security policy in 2011: **EUR 564,782,345** and in 2012: **EUR 564,337,592**.

General objective 1: Reducing poverty and different forms of deprivation in the population and increasing social inclusion

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
At-risk-of-poverty rate after social transfers	%	2008	12.30	2014 12.30
Material-deprivation rate	%	2008	17	2014 17
Funds earmarked for social-security policy in state budget as a share of GDP	% of GDP	2009	6.56	2014 6.56

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Payment of financial social assistance (FSA) and health insurance contribution (HIC) to FSA recipients	239,963,901	269,852,416	Number of FSA recipients	83,488	100,480	Number
Promotion of employment for FSA beneficiaries	979,796	1,004,291	Number of jobs	150	150	Number
Payment of invalidity benefits, aid and attendance allowances (AAA) and HIC	13,160,216	1,880,897	Number of recipients of invalidity benefits and aid and attendance allowance	6,178	0	Number
Provision of social welfare services and exercise of public authorisations	4,243,421	4,679,080	Number of persons involved in social welfare services	54,748	55,843	Number
Implementing and co-financing the SS programmes	794,106	868,274	Number of public, development and experimental programmes	315	318	Number
Parental benefit	7,987,490	8,095,654	Number of beneficiaries	3,216	3,232	Number
Child benefit	280,901,598	261,877,017	Number of beneficiaries	395,000	398,000	Number
Maintenance substitution	2,116,047	2,101,863	Number of recipients of maintenance	3,750	4,130	Number
Paying out pension security entitlements	13,603,385	12,945,812	Number of beneficiaries	5,578	5,554	Number
Promotion of the provision of domestic help services	1,032,385	1,032,288	Share of those using domestic help	2	2.50	%
PROGRESS – social security	300,000	300,000	Number of substantive project supports	10.00	10.00	Number
PROGRESS – disabled persons	150,000	150,000	Number of instances of partner co-operation	1.00	1.00	Number

Policy 11: HEALTH CARE¹⁷

Aggregate measures under the Health Care policy in 2011: **EUR 30,488,247** and in 2012: **EUR 31,578,435**.

General objective 1: Ensuring efficient, high-quality and accessible health treatment

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Life expectancy at birth	number of years	2007	78.50	2014 79
Healthy life years expectancy at birth	number of years	2007	60.50	2014 61
Health-care expenditure as a share of GDP	%	2009	8.92	2014 9

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
European Social Fund – e-Health	12,025,597	13,115,785	Number of secure links	130	350	Number
Carrying out tasks in the public health field	7,753,699	7,753,699	Carrying out tasks in the public health field	90	90	%
Health protection and promotion	1,545,505	1,545,505	Implementing mental health programmes	2	2	Number
Health care for the uninsured and those at social risk	9,163,446	9,163,446	Provision of health care to those at social risk	100	100	%

Policy 14: GOVERNANCE OF PUBLIC ADMINISTRATION SYSTEMS

Aggregate measures under the Governance of Public Administration Systems policy in 2011: **EUR 30,137,754** and in 2012: **EUR 31,616,027**.

General objective 1: An efficient, modern and more cost-effective public administration

¹⁷ The majority of measures under the Health Care policy are not financed by the national budget but by the Health Insurance Institute of Slovenia (HIIS) and therefore these measures are not included in this list. In 2011, the HIIS envisages expenditures of slightly over EUR 2.3 billion, of which the majority (70%) will be earmarked for health services, 16.4% for pharmacy activity, medicinal products, medical technical devices, blood and social medicine, 10.3% for transfers to individuals and households (of which the majority will be earmarked for sick pay), 1.3% for treatment abroad, and 2.1% for the operation of the HIIS. Source: Financial plan of the HIIS for 2011.

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Improving Slovenia's international competitiveness by 5 places in rankings a year	rank	2010	53	2014	33
Improving the Government's efficiency by 5 places in rankings a year	rank	2010	53	2014	33
Expenditure on general public services according to COFOG (GF0101+0103+0106) as a share of GDP	% of GDP	2008	3.50	2014	3.50

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Development of e-Administration projects, E-VEM-GD	4,032,529	4,917,265	No. of new e-services available on the Internet	3	3	Number
E-data exchange, interoperability	2,844,519	1,322,322	No. of registers and public records included in the e-Sociala project	6	4	Number
Measuring adm. costs in the regulations of the RS	350,716	620,000	Number of regulations measured	700	500	Number
EKT 1 (is being implemented)	350,000	221,000	Number of simplified/standardised procedures published on single points of contact or web portals	70	100	Number
EKT 2 (planned)	175,000	1,785,000	Number of computerised procedures for distance licensing, number of institutions or bodies participating in the system	0	70	Number
CAF EPI – quality system - enhancing qualifications of PA bodies (is being implemented)	37,000	47,000	Number of assessments	0	No data available	Number
SPOCS	153,400	65,750	Established infrastructure for the recognition of foreign e-IDs	0	1	Number

General objective 2: The efficient collection of general government revenues

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Realisation of the annual plan for GGR collection – Tax Administration of the RS	%	2009	100	2014	100
Realisation of the annual plan for GGR collection – Customs Administration of the RS	%	2009	100	2014	100

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
e-DIS project	7,650,761	7,798,190	Impact of the new e-DIS on GGR collection	0.14	0.96	%
Project under DIS DURS	10,468,500	11,431,500	Rate of availability of the e-Taxes system	98.80	99.10	%
Development of the national excise duty application EMCS	400,000	138,000	Increased capacity of the SICIS system with a reduced number of unanticipated disruptions	99	99	Number

General objective 3: Efficient customs control

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR	VALUE
Number of issued payment orders and offence decisions	Number	2009	9,284	2014	9,518

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
Storage of documentary materials in digital format	150,000	60,000	Realisation of the e-Customs projects under the MASP (Multi Annual Strategic Plan) coordinated by the EC for the EU member states	50	80	% of realisation
Participation in the Carina 2013 programme	190,000	190,000	Increasing the ratio between the improvements launched and the activities accomplished (working visits)	24	26	%
Development and upgrading of SICIS-10	2,175,329	2,000,000	Increased capacity of the SICIS system with a reduced number of unanticipated disruptions	99	99	Number
IT support to general and financial functions	580,000	510,000	Increased capacity of the SICIS system with a reduced number of unanticipated disruptions	99	99	Number

Policy 15: INSTITUTIONS ENFORCING THE RULE OF LAW, FREEDOM AND SECURITY

Aggregate measures under the Institutions Enforcing the Rule of Law, Freedom and Security policy in 2011: **EUR 10,841,015** and in 2012: **EUR 10,731,304**.

General objective 1: Enhancing legal security and respect for human rights

Indicators:

INDICATOR	U. M.	INIT. YEAR	INIT. VALUE	YEAR VALUE
Legal system efficiency	rank	2009	50	2014 40
Corruption	rank	2009	41	2014 31
Independence of the judiciary	rank	2009	50	2014 40
Settlement of disputes and provision of legality	rank	2009	50	2014 40

Measures and projects:

MEASURE/ PROJECT NAME	2011 (EUR)	2012 (EUR)	DIRECT OUTPUT	2011	2012	UNIT OF MEASUREMENT
e-Court Operation – e-Judiciary	4,267,008	4,265,246	Proper and responsive operation	100	100	%
e-Justice	6,294,007	6,166,058	No. of new computerised records	2	2	Number
Technological modernisation of firms - computerisation	280,000	300,000	Share of computerised work for Public Prosecutors/State Attorney	10	10	%

**ANNEX 3:
Adopted 2011 and 2012 budgets and the share of EU funds**

Policy	2011	EU funds	2012	EU funds	Share of EU funds in 2011	Share of EU funds in 2012
ENTREPRENEURSHIP AND COMPETITIVENESS	366,715,346	221,327,876	263,965,037	120,054,145	60.35%	45.48%
HIGHER EDUCATION, SCIENCE, TECHNOLOGY AND THE INFORMATION SOCIETY	706,910,828	145,553,957	659,112,042	132,587,166	20.59%	20.12%
LABOUR MARKET	380,701,319	66,443,546	373,341,291	53,026,267	17.45%	14.20%
EDUCATION AND SPORTS	1,423,388,375	57,167,895	1,441,488,039	55,799,600	4.02%	3.87%
CULTURE	214,658,797	21,974,116	201,398,119	22,216,354	10.24%	11.03%
TRANSPORT AND TRAFFIC INFRASTRUCTURE	664,224,229	108,291,759	708,520,360	155,668,264	16.30%	21.97%
ENERGY	60,420,828	42,670,000	70,795,363	51,119,070	70.62%	72.21%
AGRICULTURE, FORESTRY, FISHERIES AND FOOD	490,673,612	263,459,251	457,869,797	255,096,763	53.69%	55.71%
ENVIRONMENT AND SPATIAL PLANNING	219,778,164	61,350,603	338,395,154	151,125,404	27.91%	44.66%
SOCIAL SECURITY	2,510,450,685	360,000	2,451,905,070	360,000	0.01%	0.01%
HEALTH CARE	102,966,079	18,713,354	104,849,156	16,546,868	18.17%	15.78%
INSTITUTIONS OF THE POLITICAL SYSTEM AND CIVIL SOCIETY	84,326,139	2,892,833	88,732,501	1,814,520	3.43%	2.04%
NATIONAL SECURITY, DEFENCE AND FOREIGN AFFAIRS	933,788,413	6,684,260	927,040,619	5,351,415	0.72%	0.58%
GOVERNANCE OF PUBLIC ADMINISTRATION SYSTEMS	481,390,759	20,155,147	512,932,732	18,805,019	4.19%	3.67%
INSTITUTIONS ENFORCING THE RULE OF LAW, FREEDOM AND SECURITY	277,926,832	5,446,695	275,586,176	5,259,150	1.96%	1.91%

ANNEX 4:

Priorities of the Government of the Republic of Slovenia for 2011 and 2012

Priority/measure	Objective	Institution	Deadline
1st PRIORITY: Consolidating public finances <i>(measures and objectivess will be presented in detail in the stability programme)</i>	Gradually reducing the public deficit below 3% of GDP and stabilising public debt without any additional tax burdens, along with increased tax collection efficiency; financing development and the necessary infrastructure; increasing the funds drawn directly from the calls launched by the EC; enhancing the efficiency with which budget funds are used		
1.1. Strict compliance with the fiscal rule		All ministries	continuous
1.2. Increasing selectivity in choosing budget programmes		All ministries	Beginning of 2011
1.3. Introducing certified cash registers		MF, TARS	preparations in 2011, starting on 1.1.2012
1.4. Compiling national spatial plans for state roads of the 3 rd development axis and the Port of Koper		MTC, MESP	- Port of Koper: submitted for opinion in May 2011, adoption in July 2011 - state roads: announcement in February, March 2011; adoption in March, December 2011
1.5. Investments in R&D and higher education infrastructure, and in residential capacities for students		MHEST	2011 and 2012
1.6. Investments in energy efficiency of buildings		MESP, ME, MC, MES, MH, MHES, MLFSA, GOCH	2011 and 2012
1.7. Increasing the number of tenders by the ministries and government offices in response to direct calls by the European Commission and establishing the infrastructure required for project co-ordination and oversight		Ministries and government offices	February – March for establishing the infrastructure calls – continuous
2nd PRIORITY: Improving the conditions for corporate activities <i>(measures and objectives presented in detail in the document dealing with competitiveness)</i>	The aim is to facilitate the faster restructuring of companies; to increase, by introducing stimulative taxation of banks' total assets, the credit potential available to companies in good condition; to provide companies with as transparent and simple access to various financial instruments made available by the Government as possible		
2.1. Co-ordination of financial instruments made available by the development bank and various public funds		GODEA, MF, ME, MESP, GOCH	continuous
2.2. Taxation of the banks' total assets		MF	Adoption by the Government in January; implementation in April
2.3. Eliminating administrative burdens in the process of drafting legislation		MPA, GSG and all other ministries	continuous
2.4. Adoption of the Research and Innovation Strategy of Slovenia (RISS) and its implementation		MHEST, ME, GODEA, MF, MPA and others	Adoption by the Government and National Assembly in 2011, implementation continuous
2.5. Developing broadband communications and enhancing competitiveness of the ICT industry		MHEST	Preparation of the new broadband network development model –

		2011. Provision of additional integral funds and the ERDF funds for the projects commencing in 2012.
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ANNEX 5:

Interlinking the National Reform Programme with the Pact for the Euro (Slovenia's possible commitments for 2011–2012)

Within the existing mechanisms of economic governance, the Pact for the Euro foresees additional measures and concrete commitments of Member States to strengthening the competitiveness, which they would include in their National Reform and Stability Programmes.

Regarding the foreseen common objectives, Slovenia could commit to the following:

1. FOSTER COMPETITIVENESS

1) OBJECTIVE: Maintaining the competitiveness by restraining increases in labour costs (NRP: Macroeconomic surveillance: Priority measures of economic policy)

- Increase of **unit labour costs** in Slovenia will be slower than in the main trading partners.

2) OBJECTIVE: Promotion of internationalisation and foreign direct investment (NRP: Smart growth: Policy of encouraging entrepreneurship and competitiveness)

- Increase of financial incentives for foreign direct investment by 30% in 2012 compared to 2011, with a view to increasing the share of FDI and the number of employees.
- Increase of the funds earmarked for the promotion of internalisation of Slovenian companies by 15% compared to 2011, with a view to boosting exports.

3) OBJECTIVE: Agreement with social partners on key commitments to encourage growth (NRP: Macroeconomic surveillance: Modernisation and adjustment of environment to foster growth)

- **An agreement with social partners** on key commitments regarding the minimum wage, the average real wage growth, an increase in productivity and the key **structural changes**.
- **Changes** in the system of annual wage adjustment in the public sector – an annual agreement on the manner of the alignment with the Annex to the Collective Agreement for the Public Sector is to ensure that the rise of wages in the public sector will be slower than in the private sector.

4) OBJECTIVE: Improvement of business environment (NRP: Smart growth: Policy of encouraging entrepreneurship and competitiveness)

- **Reduction of administrative burdens by 25% by 2012:** Altogether 3480 legislative acts have been reviewed and the administrative burdens have been estimated in the amount of EUR 1493 million. Based on an analysis undertaken by external contractors, it has been estimated that EUR 373 million could be potentially saved for the economy and citizens.
- **Deregulation of professions and occupations:** A newly defined framework of professions in the public interest, which will remain regulated, will be provided.

5) OBJECTIVE: Promotion of research and development; more efficient higher education (NRP: Smart growth: Policy of higher education, science, technology and the information society)

- **Increase in public investments in research and development by 1% in 2012**, further encouragement of private investments that respond to social challenges (aging, green growth).

- **Attaining the 32% share of the population aged 30-34 with tertiary-level education in 2012**, which should respond to future needs in the labour market and enhance the competitiveness of the economy.

2. FOSTER EMPLOYMENT

1) **OBJECTIVE: Promoting flexicurity and increasing employment (NRP: *Inclusive growth: Labour market policy and Social security policy*)**

- **Better security for people who lost their jobs, improved efficiency and effectiveness of the implementation of active employment policy measures**, reduction of administrative burdens for companies and individuals in the labour market, better supervision of labour market institutions, life-long career orientation. Enforcement of the Labour Market Regulation Act.

2) **OBJECTIVE: Restriction of informal work (NRP: *Inclusive growth: Labour market policy and Social security policy*)**

- Improved **efficiency of supervisory bodies in the labour market**, more effectual suppression of illegal work and other informal forms of labour. Adoption of the Prevention of Illegal Work and Employment Act

3. FURTHER CONTRIBUTION TO THE SUSTAINABILITY OF PUBLIC FINANCES

1) **OBJECTIVE: Consistent implementation of the National Reform Programme and the Stability and Growth Pact (NRP: *Macroeconomic surveillance: Priority measures of economic policy*)**

- **Legislative regulation and setting of a mid-term fiscal framework** (45% public debt as a share of GDP), the target general government expenditure balance and debt, fixing the upper limit on public expenditure, and a legal basis for the setting up and operation of the Fiscal Council. Adoption of an amendment to the Public Finance Act.
- Consistent **regulation of development planning documents and methodology** (hierarchy, setting the priorities, necessary modifications of development documents). **Adoption of the Development Planning Act.**

2) **OBJECTIVE: Long-term sustainability of the pension system NRP: *Macroeconomic surveillance: Priority measures of economic policy*)**

- **Changes to the pensions system:** raising the full retirement age to 65 years, indexation of pensions in relation to wage growth in ratio 60:40, extension of the reference period for calculating the pension base.

3) **OBJECTIVE: Consistent targeting of social benefits (NRP: *Inclusive growth: Social security policy*)**

- Introduction of a **“single entry point” and unification of criteria** for granting 4 types of transfers and 19 kinds of subsidies, where the checking of the beneficiary’s financial situation is obligatory. The objective to be achieved through the implementation of the Exercise of Rights to Public Funds Act.

4. REINFORCEMENT OF FINANCIAL STABILITY

1) OBJECTIVE: Improving the conditions for growth by a more adequate enterprise financing (NRP: Macroeconomic surveillance: Priority measures of economic policy)

- Setting up of **special bank levies**, with the possibility of a tax relief, related to the stock of loans to non-financial corporations.

2) OBJECTIVE: Improving the stability of major Slovenian banks (NRP: Macroeconomic surveillance: Priority measures of economic policy)

- **Capitalisation of the Nova Ljubljanska banka.** The recapitalisation worth EUR 250 million has been completed.
- **Capitalisation of the NKBM** in progress.

3) OBJECTIVE: Restructuring of bank portfolios (NRP: Macroeconomic surveillance: Priority measures of economic policy)

- Encouraging the banks to sell their investments in troubled companies to private **corporate turnaround funds** in order to improve their cash flows and enable the companies to restore normal operation under the new ownership of these funds. As it turned out, the majority of companies could namely resume their successful business activities by restructuring their liabilities and through injection of new capital, but the banks are unable to keep up with them due to their own burden of extensive bad loans.

ANNEX 6:

Public debate

The Draft National Reform Programme was adopted by the Government of the Republic of Slovenia at its session on 17 November 2010. The adopted Draft Programme was then published on the web page of the Government Office for Development and European Affairs along with an invitation to submit proposals and comments. An invitation was also sent to social partners, NGOs and the Association of Municipalities and Towns of Slovenia and the Association of Municipalities of Slovenia calling on them to contribute suggestions for the improvement of the document.

In the course of this first public debate, two comments of a systemic nature were submitted by NGOs (the competent line ministries were informed thereof), while comments sent by the Municipality of Novo mesto were taken into account in preparing an upgraded document.

The amended Draft National Reform Programme was presented to three bodies/institutions.

1. Economic and Social Council

Thanks to preliminary working meetings with representatives of employers and trade unions, not many comments were raised at the meeting of the Economic and Social Council. The representatives of employers proposed to the Government that additional tax incentives be introduced in relation to investment in R&D. Further, they called for a reduction in the number of regulated professions, especially in the areas belonging to the tourism sector, and for modernisation of social dialogue. The representatives of trade unions recalled the acute problem of public finance stabilisation which could not be overcome by means of one reform only.

Written comments to the draft were submitted by the Slovenian Employers' Association who proposed new wording of the part on modernisation of social dialogue. The Chamber of Commerce also sent written comments, pointing out that there were too many regulated professions and too many regulations which represented additional administrative burden for enterprises. The Government Office for Development and European Affairs studied the suggestions and comments and informed the competent ministries about the proposals of a more systemic nature.

2. Sustainable Development Council

The members of the Sustainable Development Council proposed or underlined the following:

- Better integration should be ensured between the NRP premises and the overall development of Slovenia – according to their conviction, no strategy is compatible with citizens' set of values, which eventually leads to its inefficiency.
- The concept of sustainability should have the same meaning for everybody; awareness should be raised with regard to the limitations of growth and the hypocrisy of the goal to achieve social equality.
- The energy policy measures should be intensified as the 20-20-20 objectives were not a sufficient warrant of reducing CO₂. They also expressed their belief that the majority of Member States had doubts about the necessity of mandatory national objectives regarding energy efficiency – the latter would increase on account of achieving targets related to the GHG and RES.
- They drew attention to the issue of public passenger transport which should be solved more promptly.

3. National Assembly of the Republic of Slovenia

At the National Assembly's Committee on EU Affairs the members have taken note of the National Reform Programme and underlined the following:

- The document should give more stress to promotion of and keeping the rule of law and increasing the criminal liability of those breaching human rights in the country.
- One committee member believes that Slovenia lacks ambition when adopting the national target of poverty reduction, as the crisis has deepened this problem and increased the number of people living below the poverty threshold. The share of expenditure for social transfers will also have to be increased, as in the upcoming years there will be an increasing share of population in need of social benefits.
- Other concern was expressed with regard to introduction of tuition fees in tertiary education – if deliberations go in that direction, it is essential to fix the scholarship policy in parallel. There was also a call for the most rapid shrinking of the number of shortage occupations, as already foreseen in the National Reform Programme.
- The importance of implementing the laid down measures and institutional changes was stressed, as well as the need for the social consensus without which the implementation will not be possible.

4. National Council of the Republic of Slovenia

At the session of the Commission for International Relations and European Affairs of the National Council, its members took note of the National Reform Programme and pointed out the following:

- The National Reform Programme has not paid sufficient attention to the issue of vocational education. One of the members namely expressed his belief that one of the problems in Slovenia is related to the quality of vocational education and the deficit of labour force with completed vocational education. Another issue addressed at the session was the deficit of experts with tertiary degree in natural sciences.
- The members of the Commission are convinced that social dialogue has to be maintained if we want the reforms to be actually implemented. The case of referenda on mini jobs and pension reform clearly show that without consensus between social partners no reform can be successful.
- The members reminded the Government that reforms and institutional changes envisaged by the National Reform Programme should be performed consistently. The past experience taught us that reforms, although laid down, were not completed in practice.