

Government of the Republic of Slovenia

National Reform Programme

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INTRODUCTION

The National Reform Programme is a government document that sets out the planned priority tasks of the government and includes measures to achieve the country specific recommendations and main objectives of the Europe 2020 Strategy. The document also presents the Slovenian government's key policy orientations within the context of the European Semester process.

The commencement of the European Semester 2019 is based on the Annual Growth Survey adopted by the European Commission in November 2018. In this survey, the Commission calls on EU Member States to expand their efforts in three priority areas of economic policy – (1) promoting investment, (2) carrying out structural reforms, and (3) implementing responsible fiscal policies.

In February 2019 the European Commission adopted the Country Report for Slovenia without an in-depth review, as Slovenia is no longer experiencing macroeconomic imbalances. The main highlights are that economic growth in Slovenia remains on a relatively high and broadly-based level. In 2018 Slovenia recorded a growth in investments as a share of GDP, which has a positive effect on potential growth. Robust economic growth in the last few years has also stimulated the labour market. Indicators in the area of the Pillar of Social Rights indicate that Slovenia is achieving enviable results in nearly all areas, and in three we are achieving the best results among all EU countries. Despite this, the Commission's final messages remain that Slovenia has not done enough in the area of the long-term stability of the pension system, its system of long-term care and in the area of healthcare. Furthermore, Slovenia must also implement additional measures in the area of activation of older and less-educated unemployed persons and in the area of alternative sources of funding for small and fast-growing enterprises.

The forecast for economic trends otherwise indicates growth higher than the EU average, but at the same time its gradual slowing due to impacts from the international environment, while the solid growth of domestic consumption, associated with increased growth of household consumption and continued rapid increases in investment in the construction sector, is expected to continue. Slovenia is currently undergoing a phase of mature economic growth, which is gradually slowing mainly due to influences from the international environment. The rapid growth of prices on the real estate market and the high level of indicators of utilisation of production capacity, structural workforce deficiencies and non-financial indicators indicate that the cycle has peaked and that a gradual slowdown has begun.

The promotion of competitiveness and productivity remains the principal objective of Slovenia's future economic policy. Productivity and higher added value are the most important factors of economic growth, taking account of the challenges associated with demographic and environmental changes. Higher productivity also has a positive effect on the quality and long-term sustainability of public finances and on the long-term growth of the potential GDP. To this end, stimulus must be given to those structural factors that are key to productivity growth in the short and longer term. These are associated primarily with human resources, a competitive,

research-and-development oriented and innovative environment, and general institutional efficiency. The aim of the proposed tax reforms, which are based on the redistribution of tax burdens between income from labour and capital gains, is to encourage greater competitiveness by reducing the tax burden on employees, which will have a positive impact on job creation.

The proposed structural changes in the labour market address issues relating to an increase in labour participation, demographics, and the sustainability of the pension system and the adequacy of pensions. This will have a positive effect on the labour participation of elderly, improve the social protections for certain vulnerable groups and result in the faster activation of the population. The proposed changes to the pension system include an increase in the accrual rate and thereby the adequacy of new old-age pensions, an increase in the pension age and a gradual increase on the age limits for retirement, an overhaul of the system for simultaneous receiving of pensions while working and of the elements of the pension system, such as e.g. the method for indexation of pensions. In the area of the regulation of the labour market, the most important measures involve increasing the minimum level of unemployment compensation and shortening the maximum period for receiving unemployment compensation. At the same time, we will continue to implement measures for a more effective active employment policy and social activation.

The main objective of fiscal policy remains reducing debt and ensuring that the medium-term objective in the period 2020-2022 is achieved; paying due regard to the fiscal rule. The debt rule is the basic guideline for the formation of economic policy, whereby Slovenia will endeavour to maintain a positive nominal general government balance (thereby providing for the long-term sustainability of public finances in the medium term). Otherwise we will be able to ensure neither an adequate set of economic policies nor an adequate level of economic growth, since everything is subject to the (excessively) fast required fiscal consolidation. Slovenia must maintain economic growth and an increase in productivity while maintaining an appropriate level of general government debt.

1. MACROECONOMIC FRAMEWORK

1.1. Forecast of macroeconomic trends

The spring forecast of economic trends 2019 (IMAD, March 2019) envisages the continued gradual slowing of economic growth this year and in the next two years. With the slowing of rapid growth in the international environment, real growth of gross domestic product (GDP) will be 3.4% this year, and 3.1% and 2.8% in the next two years. The change in the structure of economic growth that began last year will continue in the direction of an increased share from domestic consumption and a lower share from exports. Export growth will continue to decline, primarily due to the slowing of economic growth among our trade partners. Growth in private consumption will slightly increase this year with continued favourable conditions on the labour market, and will then gradually slow in parallel with slowed growth in employment. The still high level of growth in investments will also decline slightly, primarily in the machinery and equipment segment, as a consequence of declining growth in foreign demand. The high level of growth in construction investments will continue, in part due to increased draw-down of European funds. Since the slowdown in the growth of imports will be slightly less marked (due to robust domestic consumption), the share of foreign exchange in GDP growth will be slightly negative. The slowing of economic growth will occur slightly faster than forecasted last year, primarily owing to less favourable trends in the international environment.

Employment will continue to increase during the forecast period, but increasingly slowly due to falling numbers of the working age population, increasingly low unemployment and slower growth of economic activity. The impact of demographic trends resulting in the reduction of the workforce will be slightly alleviated by the forecast gradual increase in net migration inflows and the increasing rate of participation in the labour market. Growth in wages will also increase, primarily this year but also in the next two years, but will be affected by limited job availability as well as agreements with public sector trade unions and legislative changes.

Inflation will remain moderate along with increased growth in the prices of services and non-energy industrial goods. The gradual increase in price pressures will lead to inflation, however, with the forecast lower oil prices it will remain similar to last year, and will increase slightly over the next two years (around 2%). This year we are primarily expecting the increase in the growth of prices in the services segment to continue, and an increase will also be more noticeable in the coming years in the prices of non-energy industrial goods.

The risks to achieving the forecasts, due to which economic growth could be lower than in the main scenario, include above all negative risks in the international environment. In conditions of significant uncertainty, the risks of lower economic growth than that forecast in the main scenario are associated with risks in the global and European economic areas, which have slightly increased since last year's forecasts. The factors in the domestic environment are mainly positive and could result in slightly higher economic growth than forecast in the main scenario, particularly higher private consumption in the event of the adoption of economic policy measures (e.g. regarding pensions, wages or tax policy) that would result in increased growth in household disposable income.

2. ECONOMIC POLICY MEASURES AND ACHIEVING COUNTRY SPECIFIC RECOMMENDATIONS

2.1. A fair and sustainable pension system

CSR 1: Ensure the long-term sustainability and adequacy of the pension system, including raising the legal retirement age and limiting early retirement.

Together with economic growth, **the effects of the most recent pension reform** resulted in the numbers of old-age pensioners decreasing from 29,914 in 2012 to 14,909 in 2018. The rate of growth of the average number of old-age pensioners was slightly higher in 2018 in relation to 2017, but is nevertheless the third-lowest in the last 22 years. The annual rate of growth in old-age pensioners not including partial pensioners amounted to 1.1% in 2018 (before 2014 it stood at around 4%), while the growth rate of all pensioners stood at 0.3% (before 2014 around 3%).

Years of contributory period of newly qualified pensioners in 2018 stood at 39 years and 1 month for women (2017 it was 37 years and 3 months) and 37 years and 8 months for men (2017 it was 36 years and 7 months). The average age of women upon retirement in 2018 was 60 years and 4 months, which is 1 year and 10 months higher than in 2013. For men, the average age for 2013 increased by 1 year and 3 months, rising to 62 years and 2 months in 2018. The most recent reform eliminated the possibility of retirement at 61 for women and 63 for men with 20 years of pension qualifying period, and an appropriate incentive system for extended years of service was introduced (a system of bonuses for postponing retirement, 20% of one's pension upon fulfilment of conditions and remaining in the workforce). The number of people taking advantage of the system is increasing year on year. The decrease in early retirements (penalties in the event of early withdrawal from the labour market) also results in increasing age levels. Along with appropriate measures on the labour market that will be developed through social dialogue (improving skills, provision of an adequate work environment, etc.), a trend of a rising actual retirement age is also expected in the future.

The ratio between the number of insured persons to pensioners under compulsory insurance is improving. In the first half of 2018 it rose to 1.51, up from 1.38 in 2013. Other positive factors affecting this ratio include increased employment and the inclusion of younger categories of contributors in the pension and disability insurance system on the basis of student labour.

In order to extend working life for older persons, in addition to measures on the labour market, changes to legislation regulating pension insurance are also being drafted, through which we aim to enhance the existing possibilities for combined pensioner status and simultaneous employment. Through the proposed changes, together with measures in other

areas, we will pursue the objective of extending working lives and providing better opportunities for exploiting the human resources of older workers who already meet the conditions for retirement. These changes will be designed within the framework of a social dialogue so that they will not have any negative effects in the area of employment or create further inequalities on the labour market.

More appropriate levels of pensions will be provided through a proposal for raising the accrual rate for both men and women and to make its level equal for both sexes. The basis for this is a commitment to gradually set the accrual rate for 40 years of pension qualifying period at no less than 63%, while a higher accrual rate will be awarded for child care. The increase in the accrual rate will ensure a higher accrual of all old-age, widow's, disability and family pensions and higher compensation from disability insurance. Special attention will be paid to increasing the minimum old-age, widow's, disability and family pensions and compensation from disability insurance. Within the framework of the social dialogue and together with the social partners we will study the possibilities for changes to pension legislation that will lead to longer working lives and raising the retirement age. All changes in the area of the pension system will be adopted according to the established procedure in cooperation with the social partners.

In a dialogue with the social partners we will also study the feasibility of implementing other measures on the basis of a tripartite coordination of the starting points for an overhaul of the pension system that will support the medium to long-term sustainability of the system, appropriate levels of pensions and increased transparency of the system. The government has appointed a working group whose task is to compile an overview of the current regulations on contributory insurance bases and rates and to study the possibilities for standardising the contributory insurance bases and rates for all types of social security. This standardisation will result in increased transparency and more effective supervision of the collection of social security contributions. At the same time we could propose certain measures for the full implementation of the "all work counts" principle, which would have a positive impact on bases for the payment of social security contributions. Within the framework of the social dialogue we will inform the social partners about the work of the interministerial working group, and also include them in the development of the final measures.

The government's work plan also includes the **establishment of a demographic fund**, with the goal of a long-term sustainably balanced pension budget and public finances. A draft demographic reserve fund act was presented for public discussion in 2017. The goal is the adoption of a demographic reserve fund act that will provide for the formation of an internationally comparable demographic fund based on the principles of independence, autonomy, security, dispersion, profitability and liquidity of the management of portfolio investments, which is crucial to performing its mission, which is to provide an additional stable source of funding the public side of the pension system.

2.2. An inclusive labour market and high-quality jobs

CSR 1: Increase the employment rate of low-skilled and older workers through lifelong learning and activation measures.

Favourable conditions **on the labour market** continued in 2018, which also resulted in increased employment, but challenges involving a lack of workforce are already appearing due to the worsening demographic structure of the working age population. This demographic challenge has to be addressed through the promotion of faster inclusion of young people in the labour market and extending the working lives of older workers. The promotion and provision of opportunities for participation in lifelong learning and skill building for all workers and the creation of circumstances and conditions in which it will be possible to perform work safely and healthily will be crucial to this effort. The adaptation of jobs to older workers and their work capacities could also contribute to their keeping their jobs for longer periods of time. Skill building increases the added value of jobs and increases productivity, which therefore reduces the risk of jobs existing in periods of unfavourable economic and demographic circumstances and changing technologies.

The measures introduced through the amendments to the act regulating the labour market in 2017, designed to improve the operation of the labour market, particularly in the area of more effective activation of older persons, low skilled persons and the long-term unemployed, will continue in 2019. They include:

- additional incentives for employment of unemployed persons with low or medium levels of education who receive cash assistance. In the event of their entering employment during their period of entitlement to cash assistance, unemployed persons are entitled to supplemental pay amounting to 20% of their most recently paid net cash assistance,
- the introduction of mandatory registration in the register of persons seeking employment during the period of notice (previous to this, registration was voluntary), in order to stimulate searching for new employment and prevent the transition into (long-term) unemployment,
- measures for the unemployed were also adopted in the area of punishing infringements during the time of their registration with the Employment Service of Slovenia in order to promote activation and reintegration into the labour market.

Additional amendments to the legislation regulating the labour market are planned for 2019. Starting points have been drafted for an amendment to the Labour Market Regulation Act, with the goal of raising the level of employment, including among older workers, and providing a higher level of social security for unemployed persons who receive cash assistance. The proposed changes also relate to more intensive integration of foreigners into the Slovenian labour market. Amendments to the Social Assistance Benefits Act have also been prepared in the context of raising the level of employment and preventing dangers of inactivity. The proposed changes will be the subject of a continuing social dialogue and extensive public debate.

For the long-term unemployed, we will continue with the development of a special employment integration plan, through which a plan will be developed for the reintegration of

long-term unemployed persons into the labour market. After 12 months of unemployment, the Employment Service compiles an assessment of the situation and priorities, and together with the unemployed person determines the areas and measures for improving their possibilities for employment. The Employment Service and the social work centres are planning to increase cooperation further in 2019 in order to activate individuals who are long-term unemployed and receive cash social assistance. For purposes of social activation, the Employment Service intensively follows a pilot group of long-term unemployed persons up to 40 years of age, and frequently, at least once a month, invites them to participate in activities appropriate for the unemployed (Inclusion in active labour market policy programmes, lifelong career orientation workshops and other ongoing events in cooperation with employers. Employment counsellors also assist these people with contacts with potential employers through presenting the advantages and skills of unemployed persons). The implementation of other established active labour market measures intended for the long-term unemployed will also continue in 2019.

Special measures for stimulating the employment of older workers, which are partially co-financed by the European Social Fund, will also continue in the future, and are as follows:

- “Active until retirement”, under which employers can obtain financial incentives for employing older unemployed people, an interventional measure for reducing labour costs for employers for employing unemployed older people; a certification system for socially responsible companies is being prepared in 2019.
- Comprehensive support for companies engaged in active ageing of the workforce, under which participating companies develop their own strategies for efficient management of older employees, and which in the first year of operation have already included two thirds of all persons who were planned to be included in training or motivational programmes.
- Comprehensive psychosocial support for companies engaged in active ageing of the workforce in order to manage various risks.
- Establishment of an appropriate environment and enabling the extending of the working lives of individuals as part of the Action Plan for the implementation of the Resolution on the National Health and Safety at Work Programme 2018-2027.
- Various models of simulating the effects of pension systems, other social transfers and the labour market in Slovenia are being upgraded and developed.

For increased transparency and effectiveness of the active labour market policy, since the beginning of 2019 we have been conducting an analysis of the needs for a revision of the existing programmes from the perspective of their appropriateness with respect to the changed situation and needs on the labour market. In cooperation with our social partners, we will make changes to various programmes as needed in order to improve the transparency and effectiveness of the active labour market policy and to make the programmes more attractive to employers and unemployed persons, whereby special attention will be focused on the rationalisation of procedures and reducing the administrative burden on employers. We will study the possibilities for funding master craftsman and management exams.

From the perspective of extending working lives, the faster inclusion of young people into the labour market and the activation of long-term unemployed persons will require the study of the complementarity of policies in the area of taxes, social transfers and the labour market, with the objective of increasing their combined effect and providing an adequate level of motivation

for work among individuals. In accordance with possibilities for public funding and the project of comprehensive tax reform, we will have to push for a reduction of the tax burden on labour and consequently higher net incomes for working age individuals.

Together with the European Social Fund we are also co-financing other important projects for the functioning of the labour market:

- “Support for participants in the labour market”, which is focused on connecting key stakeholders on the labour market with the objective of reducing the amount of illegal use of atypical forms of labour and raising awareness of the concept of decent work.
- A multidisciplinary analysis of precarious work, which is intended to provide a comprehensive multidisciplinary overview of the status of precarious work in Slovenia by the end of 2019. Activities are being carried out in parallel by the established interministerial working group to plan and implement measures to combat precariousness. Within the framework of the social dialogue we will inform our social partners, who play a key role in preventing precarious forms of work and will also be included in the development of the final measures, about the work of the interministerial working group.
- The projects are designed for exchanging good practices in the areas of social dialogue, education and training, the development of new solutions regarding the more effective functioning of the labour market and legal protection for employees.
- In connection with current development trends, we have initiated a discussion with our social partners on possible solutions to coming challenges on the labour market and social security in the era of robotization, digitalisation and the use of artificial intelligence, and have outlined further activities in this area.

Several projects designed to **strengthen our social partners** were carried out in 2018, that were supported by the European Social Fund. The projects are designed for exchanging good practices in the areas of social dialogue, education and training, the development of new solutions regarding the more effective functioning of the labour market and legal protection for employees, and the strengthening of our social partners so that they can facilitate bilateral and trilateral social dialogue and collective bargaining.

2.3. An efficient healthcare system

CSR 1: Adopt and implement the Healthcare and Health Insurance Act and the planned reform of long-term care.

More efficient management, stabilisation and recovery of public hospitals with the goal of reducing wait times has been underway since 2017, when the state earmarked EUR 135.7 million to cover losses at 15 (out of 26) public hospitals. The hospitals’ recovery boards have drafted rehabilitation programmes, whose impact has been estimated at EUR 80.6 million. Measures that will result in increasing incomes by EUR 30.1 million are primarily aimed at the implementation of additional programmes within the framework of the compulsory health insurance scheme, the introduction of new programmes, increasing the proportion of market-oriented activities, and consistent monitoring of the correct coding and billing of services, with

the goal of drawing full pay. Measures that will result in reducing costs, i.e. that will generate savings of EUR 50.5 million, relate to the optimal utilisation of resources (medical equipment, facilities, employees, inventories, information system, etc.), standardisation of the use of medicinal products, medical devices, healthcare materials and equipment, streamlining of business processes at hospitals, etc. According to the hospitals' estimates, the realisation of the effects of the rehabilitation measures in 2018 amounted to EUR 25 million, which is 3.6% higher than planned. By implementing the rehabilitation measures, the hospitals will achieve solid benchmarks for increasing the efficiency of their operations.

The strategy of conducting joint public procurement procedures in healthcare sets out the concept and activities required to ensure the optimisation of the public procurement procedures carried out by hospitals when purchasing medical materials (medicinal products and medical devices), including the continued use of joint public procurement for items for which it has been established that this is the most appropriate form of procurement, primarily from the perspective of providing equivalent quality and/or from the perspective of cost effectiveness.

In public procurement, the hospitals' obligation to work collectively and determine the items subject to joint public procurement and the specific hospital that will carry out the individual joint public procurement procedure arises from the fact that the individual hospitals, which are otherwise independent legal entities, are part of the public health network and must work together to provide equal conditions for patient management, including from the perspective of providing medical materials and devices of equivalent quality and consequently the efficient use of public funds.

The hospitals, i.e. the hospital administrations, are therefore competent for conducting public procurement procedures at hospitals, as well as joint public procurement procedures. The Ministry of Health will work with the hospitals whereby it will provide for the functioning and development of the Intravizor database, which has been in operation since 2017 and provides information support for comparing prices of medical materials achieved through the purchasing operations of healthcare providers. The ministry will also cooperate with the hospitals in the conducting of analyses and establishing and defining the key medical materials that are suitable for the conducting of joint public procurement, from the perspective of ensuring equivalent quality and/or cost effectiveness, as well as preventing potential corruption risk. Therefore the ministry reserves the right to determine the item or items that are subject to joint public procurement as well as the hospital that will carry out the joint public procurement procedure.

The institutions' councils also play a significant role in the implementation of joint public procurement. On the basis of the data obtained from the hospital administration or from the Intravizor database, the hospital council will cooperate in the drafting of proposals for joint public procurement and monitor their implementation.

The competency and obligation of the hospitals or hospital administrators will include their periodical assessment of the medical materials for which there are grounds (professional and/or economic) for their procurement to be carried out via joint public procurement. Joint public procurement will be organised and carried out by those hospitals that are the most competent for the individual items, both from the perspective of the profession in the area of

the item subject to joint public procurement (specific medicinal products or medical devices) and from the perspective of the professional competences of the purchasing departments.

The adoption of decisions as to which medical materials are included in joint public procurement will pursue the following objectives:

- hospitals that require a specific medical device must be supplied with medical materials of equivalent quality regardless of their geographical location, particularly those materials that in any way come into contact with patients
- the prevention or reduction of the risk of corrupt behaviour and the prevention of corrupt behaviour by persons included in joint public procurement
- the transparency of public procurement
- the drafting of standardised technical specifications for similar products (standardisation of technical descriptions)
- achieving the lowest possible price (for a certain item)
- the rationalisation of public procurement (concentration of purchasing departments)

2.4. Knowledge and skills for high quality of life and work

CSR 1: Increase the employment rate of low-skilled and older workers through lifelong learning and activation measures.

Projects and measures in acquiring new competences, knowledge and skills in order to increase employability and competitiveness on the labour market, intended for both unemployed and employed persons, will also be carried out in 2019 in the following forms:

- Various training courses at employers, which increase transitions to employment. According to data from the Employment Service for 2017, 66% of all unemployed persons who received training from employers gained employment within 6 months of the completion of the training course (for young people up to age 30 this share is over 70%), and even better results with regard to transition to employment are shown for trial work periods at employers, as the proportion of transitions to employment within 6 months of completing the programme amounts to 82.2%.
- We will continue to provide education and training adapted to the needs of employers (tailor-made programmes) based on concrete definitions of the knowledge, skills and competences that employers or groups of employers expect of candidates for vacant positions. We are also developing a training programme to increase the basic digital skills among the unemployed. Together with our social partners we will pay particular attention to the joint promotion of longer working lives for older workers and easier and faster entry onto the labour market for young people. Here the institution of job sharing could play an important role (in combination with partial retirement), as could a mentorship scheme.
- Continued support for Human Resources Competence Centres, which improve the competences of employees and promote the exchange of good practices among firms in the area of human resources development. In 2018, competence centres operated within more than 240 firms in areas such as sustainable construction, factories of the future, sustainable

tourism, toolmaking, the electrical industry and the circular economy. With additional funding, six new centres were added to the original 11 centres. In 2018, new forms of informal employee education and training were carried out in order to raise their general and generic skills and mobility on the labour market. The work of the social partners to improve the training and skills acquisition system is also important in light of the coming changes on the labour market. One of the major challenges that we will have to face is motivating employees and employers to recognise the advantages of acquiring skills and competences and actively participating in the programmes.

- In 2019 we will begin implementing a new project designed for people threatened with the loss of their jobs. The project will offer additional active support to the measure of mandatory registration in the register of people seeking employment during the period of notice. It will also be intended for temporary employees and people whose employment is threatened due to technological changes. The goal is to provide continuing development of career paths and acquiring the appropriate skills for re-entering the labour market as quickly as possible.
- In 2018, apprenticeships were again carried out within eight education and training programmes. The education and training measures will be adapted to the needs and specifics of the local labour market. Two new programmes were introduced in 2018, Practical Programmes for Promoting Employment and Educational Workshops.

The participation of adults in lifelong learning is falling (EC, Country Report 2018). In addition, a large proportion of adults do not achieve the functional literacy threshold (PIAAC survey, OECD, 2016). Slovenia in cooperation with the OECD defined the key challenge in this area as part of the Skills Strategy Diagnostic Report: Slovenia 2017, and in 2018 set out recommendations for management of the adult education system. In 2019 we will initiate the process of drafting the new National Adult Education Programme after 2021, which in line with the OECD recommendations will include all of the key actors who cooperated in the preparations for the implementation of the skills strategy in 2018 (the recommendations relating to implementation are based on the OECD's Skills Strategy Diagnostic Report: Slovenia 2017).

To increase the participation of adults in lifelong learning and to improve the skills that adults require due to demand on the labour market, job requirements and technological development, increased employability and mobility and personal development and functioning in modern society, the following measures will be carried out:

- Adult education programmes to acquire basic and vocational skills, *with an emphasis on information and communication technologies*. The *implementation of the programmes* will also include counselling during the educational process. Up to 2018, 26,365 participants have taken part in the programmes, of whom approximately 46% in programmes for acquiring ICT skills and more than 80% of workers older than 45 with skills gaps.
- Funding the provision of information and counselling, and the identification and valuation of knowledge acquired informally before, during and after the completion of the educational or training programmes, including procedures for identification and valuation of informally acquired knowledge. Counselling will be provided for employees in need of additional qualifications, training or retraining to meet the demand on the labour market and the requirements of the workplace. Up to 2018, counselling had been

provided for 10,846 employees. At the same time, developmental and professional support is being provided to the providers of these activities.

- Co-financing of the costs of education for persons who obtain secondary-level educational qualifications, where priority is given to people who have not completed three years of secondary education and are 45 or older. Up to the end of 2018, 898 adults had received tuition reimbursement.
- Support for promotion, animation and educational assistance projects. These include increased awareness of the positive effects of education, animation for inclusion in continuing education and training, improving cooperation among stakeholders and educational assistance using teaching techniques.
- Training for additional professional education and training. This project promotes a new form of continuing professional education and training between firms and employees, through which we will affect faster skill building for employees and thus the increased competitiveness of the individual firms. The ultimate objective of the project is to raise the practical qualifications of individuals on the labour market and harmonise the educational curriculum with the needs of the labour market.

Support for these measures is provided under the Adult Education Act (ZIO-1) of 2018. This law provides for a public service in the area of adult education and establishes a network of public adult education organisations, which will provide a stable and predictable financial environment for providers of public adult education services, which will result in the increased participation of adults in lifelong learning and education, including adults with lower education levels who have skills gaps for working during their working life (increasing literacy levels, acquiring basic skills and general education).

2.5. A fairer tax system

Restructuring of tax burdens through the reduction of the tax burden on labour costs and increasing disposable income is one of the government's main priorities for 2019. With regard to tax policy we pursue and support fundamental principles based on providing a predictable, straightforward and stable business environment for the successful development of the Slovenian economy. The main objective of the tax reform is for employees to have higher net incomes and for the Slovenian labour market to be more competitive internationally.

In developing measures to **reduce the tax burden on labour** we focused on the main target, which is the general easing of the tax burden on all payers of income tax. Therefore the proposals have been drafted in the direction of increasing general and additional general tax allowances and changes to the income tax brackets in terms of both the levels and the limits of the tax brackets. In addition, the disburdening of these allowances from income taxes and social security contributions has been proposed up to the level of 100% of the average wage, as has increasing the limit for reduction of the tax burden (from 100% to 150% of the average wage) on income obtained through performance bonuses.

These measures for reducing the tax burden on wages and thus improving the competitive position of the economy will not be possible to implement unilaterally, but will require

approaching this challenge through the restructuring of tax levies, i.e. through the drafting of measures to mitigate the shortfall in the most neutral way possible. The government has proposed measures to mitigate the shortfall including increasing the burden on capital, i.e. measures that will constitute the smallest threat to the competitiveness of the Slovenian economic area.

On one hand we took account of an international comparison of burdens through taxes and contributions, and on the other we pursued a goal of maintaining the external competitiveness of both companies and the economy. The measures to mitigate the shortfall focused on increasing the burden on capital. We have proposed increasing the tax rate on capital income (dividends, interest and capital gains) and on income obtained through the leasing of assets. Furthermore, two measures have been planned in the area of the taxation of legal entities, (1) the introduction of minimum taxation at a rate of 5%, which follows the objective of every taxpayer not showing a loss in a current tax period being required to pay at least some taxes, and at the same time prevents tax avoidance, and (2) increasing the tax rate on the income of legal entities. These measures constitute neither a decline in Slovenia's competitive position nor a decrease in its development potential; all of the key tax reliefs remain in place – both reliefs for investment projects and reliefs for investing in research and development – which play an important role in a firm's development potential, while the level of the statutory tax rate does not affect the competitiveness of the business environment.

The **new immovable property tax** will be based on solutions aimed at an equal distribution of the tax burden. One of the important parts of the preparations for the overhaul of the property tax system is already underway: the introduction of a new cycle of mass valuation of real estate and providing data of the required quality. Property taxes, which are based on the generalised market value of real estate, are an important source of funding of the operations of local government administrations, and their support function for other policies at the state and local level (housing, social, spatial planning, etc.) is also important. In comparison with the present system of burdening real estate, particularly fees for the use of building land, a property tax would bring transparency and comprehensive taxation and a more equal distribution of the tax burden, which will positively impact the stability of the financing of municipalities, the efficient use of real estate, and the providing of legal protection to owners of real estate, and will increase trust in investments in real estate.

Measures aimed at simplifying administrative procedures and improving the efficiency of the collection of public duties will also continue in the future. We are also planning measures aimed at increasing the level of digitalisation and activities aimed at preventing abuse and tax avoidance.

By conducting field monitoring, the Financial Administration of the Republic of Slovenia will eliminate undeclared work, including in joint actions with other inspection services, and will eliminate the negative effects of tax avoidance and social fraud. Within this context, business operations in foreign countries will also be subject to increased scrutiny.

In order to develop a **modern business environment**, including in the area of taxes, we will require measures aimed at the informatisation of procedures and the simplicity of meeting the obligation of payment of public duties, which will be appropriately provided for through the

introduction of mobile apps for various groups of taxpayers and through the upgrading of the tax and customs IT systems. By preventing abuse in the area of payment of public duties through the securing of tax liabilities, we will reduce the current tax shortfall in the long term and directly prevent the appearance of new tax shortfalls. Under these measures, in the coming period, in addition to organisational measures, Slovenia is also making all necessary preparations for the transposition of the provisions of the Anti-Tax Avoidance Directive.

2.6. Infrastructure and investment

Investment is one of the conditions for Slovenia's balanced development and enables the appropriate support of the business sector and the mobility of the population. We have focused on investments with a large multiplier effect on economic growth, with investments planned in the rail and road networks and the promotion of sustainable mobility and efficient consumption of (renewable) energy sources.

The **priority rail projects** include investments in the TEN-T network, including the construction of a second track on the Divača – Koper line, the upgrading of the Zidani most – Celje and Maribor – Šentilj lines, the upgrading of the Pragersko hub, renovation of the Karawanks rail tunnel, etc. In 2018 construction was completed on the modernisation of the Kočevje line, where rail freight service to Kočevje will be reintroduced in April 2019 after a 10-year hiatus, and the establishing of passenger service on this line after a hiatus of nearly 50 years is planned for the middle of 2019. In addition to high-capacity public rail infrastructure, another important measure is the purchase of 25 new multiple units, in order to provide the compulsory commercial public service of the carriage of passengers at a higher level of quality. In 2018 a public contract award procedure was successfully concluded that will allow the first deliveries in the middle of 2019, and the next delivery is planned at the beginning of 2020. This is the basis for the improved utilisation of the modernised rail infrastructure and the foundation for the effective integration of public transport.

A stable and more balanced scope of investment projects will be provided in the area of **road infrastructure**. The Plan of Investments in Transport and Transport Infrastructure 2018-2023 keeps future investments at the 2018 level. The largest investments will be in investment maintenance, signals and markings, road resurfacing and repair, overhaul of road junctions, reconstruction and modernisation of roads, geotechnical projects, new road and bypass construction, layout of cycling lanes and rehabilitation of embankments, walls and landslides.

The last part of the motorway between Draženci and the international border crossing in Gruškovje was completed at the end of 2018. Electronic toll collection for freight vehicles was introduced in 2018. The construction of the second shaft of the Karawanks motorway tunnel is planned, and will be technically monitored and managed by both Slovenia and Austria. The modern motorway network, which connects all of Slovenia's regions, will be further enhanced through development axis projects. The third development axis is a traffic connection that will run from the north to the south-eastern part of Slovenia (from the Austrian border to the Croatian border). This route also includes the sections from the A2 motorway near Novo Mesto

to the Maline junction and from the Šentrupert junction on the A1 motorway to the Slovenj Gradec jug (south) junction.

Systemic solutions for sustainable mobility will be implemented on the basis of comprehensive traffic strategies. The cities will provide connections between the comprehensive traffic strategies and the sustainable urban strategies. Depending on the specific needs of certain areas, projects and measures have been prepared in the area of pedestrian and bicycle traffic and reducing the number of vehicles in city centres through the construction of P+R systems and connecting them to city centres via the public transport systems.

Other important investments include investments in other measures and the development of smart information systems and traffic management systems, and promoting the management of mobility. This will allow Slovenia to contribute to reaching the goal of 10% consumption of renewable energy sources in transportation and to exploiting the development potential that this area offers. In line with the Strategy for the Development of Infrastructure for Alternative Sources of Energy, the measures are aimed at providing incentives and subsidies for charging infrastructure and for increasing the number of electric vehicles. A demonstration project will be prepared for charging stations and hydrogen-powered cars.

In the area of integrated public transport, changes are planned in 2019 to the Road Transport Act, based on which the position of IPPT (integrated public passenger transport) Manager will be created, who will manage passenger transport on rail and intercity bus routes, and integrate them with urban transport services. A single ticket will be introduced for all public transport.

Spatial planning laws are being drafted for **public international airports**, which will enable the development and expansion of airport activities at the Jože Pučnik Ljubljana, Edvard Rusjan Maribor and Portorož airports.

Priority tasks in the area of maritime transport include investments in the continued development of the Koper cargo port and the provision of a higher degree of maritime safety and protection of the coast from pollution. The port of Koper is achieving record results in maritime throughput, and therefore investments in Luka Koper d.d. are primarily aimed at increasing the capacity of the container terminal, the construction of a new Ro-Ro berth for cars, storage and operating conditions, the construction of new entrances to the port, easing the traffic burden at the connections to the public infrastructure and upgrading the existing infrastructure and equipment. If the investments are made according to the plan and the additional rail connection is established on the Koper – Divača line, throughput is expected to exceed 35 million tons by 2030. A project is underway for purchasing real estate in the area covered by the Decree on the national spatial plan for the comprehensive arrangement of the Port of Koper for international traffic, with the goal of the Republic of Slovenia becoming the sole owner of all land in the area of the Koper cargo port.

In order to establish a system of priority investment needs, a new investments unit was established at state level, in cooperation with the European Commission's Structural Reform Support Service. The main objective is to connect the key strategic documents (Slovenian Development Strategy) and reform programmes with the long-term investment plan. The unit's

task is to develop guidelines for drafting investment documentation and guidelines for the analysis and assessment of investment projects. Every investment included in the long-term investment plan will be evaluated from the perspective of the realisation of the government's long-term objectives. The activities will provide a framework for the centralised assessment of projects based on standardised rules and criteria. The unit is planned to assess all enclosed investment documentation from the perspective of its appropriateness and sustainability, draft project proposals (in the phase before the feasibility study), check whether the needs and the associated challenges are justified and presented in an appropriate manner, and check the project's impact on public sector debt. Another new service will be consultation and proposals regarding the optimal financing structure (e.g. private funds, financial and other instruments at EU and national level).

With this updated approach, Slovenia will be able to identify investment priorities, an investment strategy, and a selection of potential projects with correctly prepared and evaluated investment documentation. The priorities for the realisation of the projects will be determined by the government. Since funding from the EU structural funds will decrease in the future, the use of financial instruments will increase, and Slovenia will have to be prepared for the new challenges.

2.7. Capital markets and sources of corporate funding

CSR 2: Further development of alternative sources of funding for fast-growing firms.

Measures for improving the funding of SMEs, in particular for the development of alternative sources of funding, which have contributed to an increase in productivity, higher added value per employee at supported firms, and the preservation of existing jobs and the creation of new jobs, continued in 2018:

- The Slovene Enterprise Fund provided access to favourable sources of funding in the form of subsidies for startups, seed capital (convertible loans, capital contributions) in combination with grants in the form of mentoring, training and networking, microloans, and bank loan guarantees with subsidised interest rates.
- The Slovenian Regional Development Fund provided access to sources of favourable loans, including to a lesser extent in combination with grants or solely through grants (in the areas where the indigenous ethnic communities live).
- SID Banka used its loan funds for SMEs to provide favourable loans for the operations of SMEs, microfinancing, employment and investment and RDI. It also continued to provide soft loans. In 2018 in cooperation with SID Banka we developed new products (loans) for specific areas: tourism, wood processing chains, internationalisation and investments. In addition, SID Banka also operated as the manager of the Fund of Funds (financed with ERDF and CF funds in a total amount of EUR 253 million, Programme of Financial Instruments 2014-2020), which includes financial instruments for:
 - research, development and innovation (loans, portfolio guarantees) (EUR 88 million)

- Small and medium-sized enterprises (microloans, portfolio guarantees, equity financing) (EUR 135 million)
- Energy efficiency (loans) (EUR 25 million)
- Urban and territorial development (loans) (EUR 5 million)

Preliminary activities were carried out in 2018: upgrading of the information system, drafting of legal bases and guidelines, development of financial instruments and selection of financial intermediaries. For 2019 it is crucial to continue to implement the measures from 2018 and to implement the financial instruments for funding from the Fund of Funds, as the payment of the second tranche to the Fund of Funds is planned by the end of 2019 (EUR 63.25 million), which will be achieved through:

- The provision of microloans to SMEs via selected financial intermediaries (Slovene Enterprise Fund and Primorska hranilnica)
- The provision of loans for RDI via a selected financial intermediary (SBER Banka) and direct loans for RDI from SID Banka
- The development of portfolio guarantees for RDI and SMEs
- The conducting of (quasi) equity financing via a selected financial intermediary through the initiation of provision of loans for energy efficiency and urban development (direct loans from SID Banka)

In addition, the provision of funds for stimulating RDI via the Ministry of Economic Development and Technology and the Spirit promotion and development agency is planned in 2019. Ten highly topical potential domestic and foreign investments are currently being studied, and the government has approved the strategic document International Challenges 2019-2020, which sets out the objectives and measures for the internationalisation of the economy and attracting foreign investment.

Continued support for investments and projects related to culture and the arts. The intention is to support activities that promote balanced growth and competition, with responsibility for future generations and their natural and social environments. The primary objective is to promote investment in the preservation and revitalisation of the cultural heritage and the public cultural infrastructure, and thereby achieve prudent and sustainable development, the fundamental goals of modern society. The Ministry of Culture is also planning to adopt a new Act on the Provision of Funds for Certain Vital Cultural Programmes.

At the EU level a **Capital Markets Union (CMU) is being established, whose purpose is to provide new sources of funding** particularly in the corporate sector, reduce the costs of raising capital, improve the opportunities for investors throughout the EU and remove obstacles to cross-border investment. These activities are designed to provide for a more stable, resilient and competitive financial system in the EU. Another part of this effort is the creation of conditions for increasing the scope of foreign direct investment. Slovenia ranks low with respect to indicators of the level of development of its capital market (market capitalisation of firms as a percentage of GDP). After the initial rapid growth of the capital markets during the first stage of transition, many firms were delisted from the regulated capital market, primarily due to takeovers and strategic international alliances. Shares in corporates that are majority state-owned are listed on the regulated capital market only to a limited extent. Financing via the local capital market is very limited and difficult. The typical domestic institutional investors, such as

pension companies, insurance companies and funds, invest the majority of their financial investments abroad. One bright exception to this at the end of 2018 is the simultaneous listing of shares and comprehensive confirmation of the ownership of Nova Ljubljanska banka d.d. on both the Ljubljana and the London Stock Exchange.

It will be necessary to carry out **activities to revitalise the capital market**, which will include both measures on the demand side using investment instruments (financial investments) by investors, and on the supply side of those instruments, either in the form of debt securities or equities, and subordinated capital instruments. It will also be particularly necessary to develop the operations of investment funds and alternative investment funds, which offer investors interesting investment products. In this way it will be possible to gradually redirect a part of household savings, which are currently primarily invested in the form of savings accounts in the banking system, into other investment instruments and products.

Equity financing is essential in order to expand the scope of corporate operations and their competitiveness, particularly fast-growing high-tech firms. In the future we will have to put increased effort into **alternative forms of equity financing**, and also into the development of a startup market for small and medium-sized enterprises, for which a special proportionate regime for regulating tender documents will enter into force in the middle of 2019 in the form of the EU growth prospectus.

In Slovenia, a **pilot programme of support for small and medium-sized enterprises on the stock exchange** (based on the Structural Reform Support Programme 2017-2020) has begun in August 2018 through technical assistance obtained by the Securities Market Agency (SMA). Its objective is to raise companies' awareness of the opportunities for acquiring equity and debt capital on the Slovenian capital market. Our hope is to succeed, through the operation of this programme, in placing securities issued by organisations that have never made use of this source of funding onto the regulated securities market, and for the pilot programme to be eventually implemented as a good practice.

Slovenia in cooperation with the European Investment Fund (EIF) and SID Banka joined the **regional Central European Fund for financing fast-growing companies using subordinated capital instruments**. The initial experiences are encouraging, and the government will therefore work towards expanding the potential of this investment fund in the coming years, primarily from cohesion funds. Another form of equity financing is sources from financial institutions that specialise in equity forms of corporate funding. Here we should particularly mention investment funds, which are collective investment undertakings whose sole purpose is to aggregate the assets of natural and legal persons and invest them in accordance with a previously determined investment strategy in various types of investments, to the exclusive benefit of the holders of shares in that investment fund. An investment fund that publicly aggregates assets can be formed as an open-ended fund (mutual fund, alternative mutual fund, umbrella fund) or as a closed-end fund (investment company). The forms intended for professional investors are not specified separately, but in practice separate assets without legal subjectivity appear as the preferential form. In the near term it will be worth paying particular attention to supporting the development of the investment funds, which could attract investments from various financial investors, and are professionally managed and could

therefore be entrusted with the restructuring and consolidation of individual economic sectors such as tourism, highly innovative tech companies and clusters within supply chains.

It would be reasonable to **strengthen the segment of alternative investment funds**, particularly private equity funds and real estate funds. The Securities Market Agency is therefore carrying out a project called “Possibilities for strengthening the segment of alternative investment funds”, which it implements via the Structural Reform Support Programme. Potential withdrawals via initial public offerings could lead new issuers onto the secondary securities market. In developed countries, private real estate funds are an indispensable factor, particularly on the real estate construction and leasing market. By developing these alternative investment funds we would also significantly expand opportunities for countercyclical diversification of the investments of pension funds, as potential investors in this segment.

In addition to providing an adequate range of financial instruments and increasing the role of professional asset managers, it is also very important to ensure sufficient demand for them. One of the key sources in this respect are powerful domestic institutional investors, first of all the pension funds, where there is also an opportunity for a demographic reserve fund, and the insurers. **Incentives for supplementary pension insurance** are a crucial part of the development of the financial markets.

2.8. Management of state owned enterprises

CSR 2: Carry out privatisation in accordance with existing plans.

Since 2013, when the National Assembly adopted a list of 15 companies to be privatised, followed in 2015 by the Decree on the Strategy for Managing State Capital Investments, the Slovenian Sovereign Holding Company (SDH), as the centralised administrator of the state’s capital investments, has sold state capital investments in 24 firms, including Nova Ljubljanska Banka (NLB). In addition, the pension and disability insurer KAD sold its interest in the Gorenje company to a strategic buyer in 2018. Since 2013, the state budget has received a total of EUR 1,043 billion in proceeds from privatisation.

With the listing of NLB shares on the Ljubljana and London stock exchanges on 14 November 2018, SDH concluded the first step towards the privatisation of NLB. The Republic of Slovenia also met the first part of its commitments to the European Commission relating to the privatisation of NLB, which were made as a consequence of the provision of State aid to NLB in 2013 (and which were amended in 2018). The IPO resulted in the sale of 65% of NLB shares. In accordance with Slovenia’s commitments to the European Commission, the remaining shares up to 75% minus one share will be sold by the end of 2019. In accordance with the commitments made to the European Commission upon the capital increase of Abanka, SDH has already initiated the sales procedure for the Republic of Slovenia’s 100% stake in Abanka, which will be concluded no later than 30 June 2019.

SDH’s primary task is to provide the conditions for active management of investments pursuant to the strategy and the annual plans for managing capital assets. The key objective of the

management of state-held capital assets is the generation of returns on state-held capital assets amounting to 8% of the carrying amount of the share capital in 2020. In the financial year 2017 SDH significantly improved the operating results of state-owned firms. The total return on capital assets held by the Republic of Slovenia and SDH was 6.5% in 2017. The financial year 2017 was also successful with respect to dividends, as EUR 446.9 million in dividends was paid into the state budget in 2018. The superiority of the new system of corporate governance of state-owned companies established in 2015 can clearly be seen from the above data, as before 2014 the return on investments managed by SDH was 1.8%, and the Republic of Slovenia received EUR 130.7 million in dividends in this category.

Slovenia's objective is to further increase the professionalism, transparency, cost-effectiveness and efficiency of the system of corporate governance for state-owned companies, increase their yields and continue to implement ongoing privatisation procedures. This will be achieved through the implementation of a government programme for increasing integrity and transparency, revising the corporate governance code for state-owned companies, the implementation of international good practice guidelines and by addressing the identified needs for changes or amendments to the normative basis for the system of corporate governance for state-owned companies.

2.9. Effective management in the public sector

Due to the changing demographic structure moving in the direction of an increasingly larger proportion of older civil servants, and changes on the labour market brought by digitalisation, the **management of public sector employees** is becoming an increasingly topical issue. Therefore in 2019 and 2020 we will pay particular attention to the project of the internal labour market, the establishment of a competence model, the training of civil servants and improvements to the payment system, whereby we are pursuing the objectives of the Public Administration Development Strategy 2015-2020.

With the project "Internal market of labour, knowledge and opportunities within public administration bodies", jobs will be assigned to people whose knowledge and experience contribute to the efficient functioning of the organisation, which will serve as a basis for the vertical and horizontal mobility of civil servants and will provide increased motivation, employee effectiveness and the responsiveness of the public administration.

By introducing a competence model into public administration bodies, we will increase the effectiveness of employee management, which will lead to the increased professionalisation and the building of the competences of civil servants, which will result in higher work efficiency and higher-quality public services. The competence model will allow us to connect the vision, mission and values of the public administration with the work of the individual. The model will be used to define basic, management and work-specific competences, to introduce the training of managers to recognise and assess the competences of civil servants, to train HR experts to employ the competence model and to draft a catalogue of competences and a manual for HR officers/managers on how to use the competence model.

In order to increase the level of qualifications of civil servants so that we improve the efficiency, work quality and personal development of individual employees, we will prioritise training in the areas of increasing the digital literacy of civil servants, increasing the leadership skills of managers at all levels in the public sector and targeted staff training for the needs of Slovenia's presidency of the EU Council in 2021.

In the area of public sector salaries we will focus on establishing a closer connection between remuneration for work and performance, increased autonomy of management in determining salaries, and reducing discrepancies in the basic salaries of civil servants for doing equal work. In cooperation with our social partners we will also study the provisions of the Public Sector Salary System Act and the collective agreement for the public sector that relate to the regulation of ordinary performance bonuses, and in cooperation with them we will attempt to develop objective criteria that will on the one hand simplify the procedure for awarding performance bonuses, and on the other will realise to a greater extent the objective that civil servants who achieve above-average results are awarded performance bonuses. We will also place greater emphasis on training management personnel and department heads in effective management of HR policies. A review will be prepared of the system of promotions within pay grades and job titles in the public sector and of the career advancement system in general, on the basis of which any unjustified differences between activities and within activities, and differences in salaries in this area, will be identified. Since it is extremely important to ensure the transparency of the pay system and all types of payments, we will continue to use (and upgrade as needed) the information system supporting the publication of salaries. We will continue to coordinate with the public sector trade unions with regard to the establishing of commitments under the collective agreement and strike agreements, including negotiations on eliminating the remaining austerity measures. The fundamental issues in the area of civil service legislation and the pay system in the public sector will require the approval of the representative public sector trade unions and the government. In this connection the government has made a commitment to achieving the highest possible degree of coordination with the representative public sector trade unions and to send the draft legislation into the legislative process with an enclosed statement on the level of coordination.

The **establishment of a digital platform for citizens**, the public sector and the business sector, which links the objectives of the Public Administration Development Strategy 2018-2019 will also continue in 2019.

The built-in cloud ecosystem will be made up of two clouds:

- The national computing cloud (NCC) was established in 2015 and is part of the computer infrastructure for the state administration, and
- The development and innovation cloud (DIC), through which we will establish a development environment for startups, innovators, researchers, college students, secondary-school students, private individuals, non-governmental organisations and public institutions.

With the development and innovation cloud (DIC) we will have established a development environment for startups, research organisations, educational organisations, researchers, innovators, college students, secondary-school students, etc. All of the above, with the use of a shared development-oriented IT infrastructure and in connection with national data lakes, will

be able to realise their ideas particularly in connection with open data, smart cities, smart measurement and the internet of things. This will allow us to promote the development of new, innovative, integrated, fully functional, user-friendly e-services, information and telecommunications solutions and service platforms that will make use of and create connections within the future internet, cloud computing, open public and research data, mass data, mobile technologies and the internet of things.

The purpose of establishing the development and innovation cloud (DIC) is not to compete with providers of public cloud services in their initiatives in the area of free use of cloud services for startups, but to bridge the gap between the initial development status of startups and their target maturity in the areas of development of competences, introduction of agile methodologies, management of cyber/information security and the use of modern i.e. state-of-the-art technological development trends in information solutions.

In 2019 with the establishment of the DIC we will prepare investment documentation, conduct a market analysis, carry out the first public contract award procedures, and conclude agreements on carrying out the initial works.

The **plan for the centralisation of real estate management** was realised in full in 2017, and thereby the monitoring, optimisation and realistic planning of the state's real estate management costs. Approximately EUR 3 million in savings was achieved through centralised planning in 2017, and nearly EUR 3 million in revenues were generated through the management of real property. The funds generated through revenues from the management of real property, rent reduction and the reduction of operating and current expenses are allocated for the renovation of business premises that are either already being used by state authorities or that state authorities will be able to use again after their renovation, and thereby reduce costs and generate savings.

In the future we will continue to renovate buildings and move government entities into shared facilities, and form administrative centres at the territorial level, through which we will be able to continue to pursue the objective of rationalisation of operations, and through activities to launch a website for real estate sales and leasing we will create a central real estate market for the internal market, which will also be partially intended for interested external parties.

2.10. Centralisation of public procurement

CSR 2: Increase the competitiveness, professionalism and independent supervision of public procurement procedures.

In **public procurement procedures** in 2018, contracting authorities published 111 public contracts (or series of contracts) via online auctions. The estimated difference between the originally received tenders and the published contracts was 19 percent on average, and they were approximately 13 percent lower than their estimated values.

In 2018 an online public procurement system was introduced (eJN), which brought increased transparency (public opening of tenders available directly to all), and the eDosje (eFile) system was also upgraded to make it easier to obtain data from official records and to allow grounds for exclusion to be verified even during the contract period. The eJN system is used by 10,200 registered users. In 2019, the individual modules of the existing system were combined into an integrated system, within the framework of which additional connections and data exchange between the individual parts of the system (internal procedures, online submission of tenders, online auctions) and external systems (Public Procurement Portal, MFERAC, SPIS) will be established, in order to increase transparency, simplify procedures and reduce the costs of conducting public procurement procedures.

In the area of public procurement, an Action Plan for the Professionalisation of Public Procurement was drafted and adopted in May 2018, which contains detailed measures and short and medium-term targets, with the objective of increasing the quality and efficiency of the public procurement system. In 2019 the ministry will conduct an analysis of the public procurement system with various stakeholders, and in the first half of the year will prepare the starting points for and draft amendments to the Legal Protection in Public Procurement Procedures Act. We will pay special attention to the promotion and effective implementation of strategic public procurement, adherence to the regulations governing the regulation of employment relationships, social criteria and solutions that will eliminate social dumping.

2.11. Reduction of legislative burdens

CSR 2: Reduce the obstacles to entry onto the market through revising the regulation of production markets and reducing the administrative burden.

A **stable legislative and business environment** will be provided via continuous implementation of the Stop Bureaucracy project. The standardised set of measures is being supplemented with new proposals from the business sector or private citizens; 43 new measures were introduced in 2017, whereby the departments increased the realisation from the existing measures by an additional 6%, and the current level of realisation stands at 65%. We also introduced the systematic evaluation of the effects of the measures within the standardised set of measures, whereby we evaluated the effects of 9 measures aimed at reducing legislative burdens. These effects were manifested in a reduction of burdens amounting to EUR 11 million for economic operators, citizens and the public administration.

In the future we will pay particular attention to continuous training of civil servants and representatives of economic associations for the preparation of preliminary assessments of the economy, public participation in the development of regulations and the drafting of ex-post evaluations of regulations. We will continue to upgrade and expand the SME test application, on the basis of continuous verification of user experiences, both external and internal, in accordance with proposals for improvements received from users.

In 2018 we provided online support to 10 new procedures for economic operators, and published them on the SPOT (e-VEM) (Slovenian Business Point, e-all in one place) website. The

SPOT website is updated and improved regularly, and in the coming years it will undergo a thorough redesign and upgrade.

We are planning to **transition to a new system for management of online content** in 2019. We will conduct an inventory of procedures, develop specifications for public procurement, redesign the procedural section of the SPOT website and establish at least five new procedures, whereby we aim to digitalise the procedures that have the greatest impact on the operations of economic operators. This year we will establish a cooperative platform for SPOT agents and advisors, which will enable the easier sharing of information and experiences.

In 2019 we will launch the central website of the public administration, to which we will migrate informational content from ca. 200 existing web pages on the gov.si website. Users will have easy one-site access to comprehensive information on the public administration and its services, which will be published on self-service portals.

2.12. An efficient judicial system

In order to increase the efficiency of the judiciary we are preparing to reorganise the court system, which will be based on two main pillars, i.e. the introduction of a standard first-instance judge and the establishment of a standardised judicial circuit at first-instance level. The purpose of optimising the court system is to provide parties to court proceedings equal protection of rights in terms of both time and content, and at the same time to preserve easy access to the courts, increase the professionalism of the courts and simplify judicial procedures, increase the accountability of the judiciary, increase the effectiveness of the fight against organised and economic crime, terrorism and corruption, establish more effective management and organisation of the operations of the courts, and through a more proportionate distribution of court cases increase the efficiency, reduce the labour costs and rationalise the costs of operation of the courts, including costs relating to the courts' spatial requirements.

The planned judicial and administrative solutions will reduce administrative burdens and generate savings, particularly at the organisational and logistical level, and will consequently lead to increased productivity. Coordination with regard to the scope and method of the optimisation of the court system is still being finalised, and the selection of proposals is planned to be completed by the autumn of 2019.

The **introduction of online operations of the judiciary** and the overhaul of its business processes will improve the efficiency of the Slovenian courts and the judiciary as a whole, reduce court backlogs and thus provide legal protection and equality before the courts. The Act amending the Criminal Procedure Act (ZKP-N) was adopted in 2019. The draft act includes revisions of the provisions that will allow e-business and e-service in criminal matters. The draft act provides the possibility of submitting applications for the issuance of criminal record checks in electronic format into the e-justice information system and the possibility of sending criminal record checks to a secure electronic mailbox. The direct savings will be particularly felt in the costs of judicial proceedings and a reduction of the burden on the business environment, and indirect savings will be obtained through increased productivity.

The **Efficient Judiciary** project is focused on carrying out activities to promote and provide a quality judiciary, an overhaul of business processes and improved employee education and training in the judiciary, and contributing to the expansion and increasing the efficiency of the judiciary as a whole. The activities are aimed at improving the quality of judicial processes through optimisation of the management of proceedings and increasing the level of competences of employees within the judicial system. Within the framework of this objective, judicial business processes will be overhauled and a higher level of qualification of judicial employees will be achieved.

In 2019 Slovenia will carry out the following activities that will contribute to the overhaul of judicial business processes and increasing the level of qualification of judicial employees: upgrading, implementation and installation of audio-visual equipment to make the work of judges and judicial personnel easier and faster, improving the information system and operating procedures of the state attorney's office and state prosecutor's office, expansion of the URSIKS information system, upgrading of the information system for notaries, increasing the mobility of the state prosecutor's and state attorney's office, online training in prison (pilot project), identification and implementation of tools for the promotion of court-ordered mediation and education of judicial employees. These measures will also help shorten the average times of judicial proceedings.

2.13. Municipalities

In order to make a **change to the funding of municipalities**, in November 2018 representatives of the government and municipality associations signed the Agreement on the Level of Government Funding for 2019. This agreement will make it easier for the municipalities to execute their statutory duties and competences. The agreement between the government and the municipality associations also envisages that in six months the government and representatives of the municipality associations will study the relevant legislation in the area of the competences of the municipalities, with the aim of reducing the municipalities' costs. The review of the duties and competences of the municipalities will focus primarily on assessing whether they fall unambiguously within the purview of the municipalities, whether they are mandatory or discretionary duties and whether their performance could be rationalised through changing the regulations or their operating methods.

It will also be necessary to take into account the fact that the municipal budgets constitute a significant part of the state's total public finances, which means that when planning the funding of the municipalities one also has to take account of public finance restrictions such as those imposed through adherence to fiscal rules.

3. PROGRESS TOWARDS EU 2020 TARGETS

3.1. Employment

Employment of working-age people (20-64) has gradually risen over the last few years and reached 73.4% in 2017, and by the third quarter of 2018 it had already risen to 75.9% (the 2020 target is 75%).

Active labour market policy measures are aimed at increasing the employability of vulnerable groups on the labour market (older people, people with low and medium education levels, young people and the long-term unemployed). More than 31 thousand unemployed persons took part in AEP measures in 2018, which is a full 19.7% higher than in 2017. Among those participating, the largest share were the long-term unemployed (36.5%), young people up to age 29 (30.2%), people older than 50 (26.2%) and people with low education levels (23.0%). Among all the participants in AEP measures, the share of unemployed people over 50 and the share of unemployed persons with low education levels have been rising in the last few years. The percentage of older people taking part in AEP programmes in 2018 was 2.9 percentage points higher than in 2017. The share of unemployed persons with low education levels is also increasing, by 4.8 percentage points between 2017 and 2018.

In order to increase the employment of long-term unemployed persons, a special employment integration plan was drafted in 2017. Coverage of the long-term unemployed by the employment integration plan increased in 2018. In addition, the participation of the long-term unemployed has comprised the majority of participation in active labour market policy measures in recent years (36.5% in 2018)

The scope of the measures aimed at the employment of older people is expanding. In the last few years several specific measures have been carried out to promote the employment of older people in the form of subsidies or reduction of labour costs for employers. The most recent measures have focused on promoting companies' adapting to older employees. In response to the challenge of the ageing population, a strategy for a long-lived society was adopted in 2017, which provides a framework for taking action (employment or work activity, a healthy and safe life for all generations, inclusion in society and the creation of an environment for lifelong activity). Their coordination and the monitoring of the strategy will be the responsibility of the newly-formed Intergenerational Cooperation Council, which is intensively drafting action plans in the beginning of 2019. The content of the action plans and the planned measures will also be discussed with the social partners. The Resolution on the National Health and Safety at Work Programme 2018-2027 was also adopted last year. The implementing documents of the national programme are three-year action plans that will set out the specific measures, the providers of the measures, the sources of funding, deadlines and method of monitoring the implementation of the measures. An action plan for the period 2018-2020 was adopted in 2018. Measures for ensuring a high level of safety and health at work and for preventive and good employee health throughout their working life are an essential precondition for extending people's working lives. Extending the working life is heavily dependent on the quality of the working conditions for older workers, from appropriate adaptation of workplaces and work organisation, including work time and its limitations, to workplace accessibility and renovation

of workplaces. The strategy also envisages the development of practical guidelines for risk assessment, with an emphasis on risks encountered by certain groups of employees. The creation of high-quality and decent jobs, in the broadest sense, will be the main guiding principle for the development of solutions in this area.

At the current rate of economic growth and with improved conditions on the labour market and the existing demographic profile, Slovenia is also facing a shortage of certain workers, particularly those with low and medium qualifications. For this reason, Slovenia is concluding bilateral employment agreements with target countries, and in accordance with the action plan for the existing Labour Migration Strategy 2010-2020 is introducing a standardised procedure for work permits; the adoption of a list of professions with manpower shortfalls where there are no preliminary controls on the labour market will in the future also require the adoption of appropriate measures to establish the conditions for the greatest possible coverage of the demand for workers from Slovenia and other EU countries. Discussions were begun in 2018 for the drafting of the Economic Migration Strategy 2020-2030, where the participation of the social partners will be crucial to its design.

3.2. Investments in research & development

In the 2017-2018 period, Slovenia put considerable effort into meeting the targets for investment in research and development. Relative to 2016, the public funds allocated in 2018 increased in nominal terms by around EUR 70 million, which is the consequence of the increased national funds and the beginning of the full implementation of the European cohesion policy in this area, which adheres to the priorities of the smart specialisation strategy. In the area of connecting research with the business sector, we have begun to implement the instruments of the European cohesion policy, where we are adhering to the priorities of the smart specialisation strategy. In planning these instruments, the focus is on increasing the capacities of public research organisations for cooperation with the business sector, and increasing their international competitiveness, including the development of scientific staff. Of the approximately EUR 227.5 million in funds available from the structural funds in the current financial perspective, around 75% are already being used to carry out measures aimed at scientific and technological excellence, cooperation and connections between the research community and the business sector, connecting junior researchers with the business sector, and improving the research infrastructure.

An evaluation of the implementation of the Research and Innovation Strategy of Slovenia (RISS) and an international evaluation of the systems in the framework of the EU PSF instrument were carried out, that will among other things form the basis for systemic changes in the area of research and development. The proposed legislative solutions will have to be coordinated in cooperation with the representative trade unions. The main solutions contained in the draft act aimed at the realisation of the RISS are:

- the gradual attainment of public funds at a level of 1% of GDP and the introduction of two pillars, institutional and programme funding
- the possibility of awarding bonuses to researchers up to twice their basic salary if funds are provided from sources outside the state budget

- the establishment of a National Scientific Integrity Council in order to address ethical issues and conduct in scientific and research activities
- the provision of open access to research infrastructure at public research organisations
- the establishment of conditions for the strategic planning and guidance of scientific and research activities at the highest level

The draft act redefines the concept of a public service in scientific and research activities such that it includes all scientific and research activities, infrastructure activities and associated professional and support activities through which public research organisations realise their basic missions in the public interest, in the long term and at a high level of quality, and can therefore receive funding from both public and private sources.

Investments in research and development are also used to encourage firms to develop products more quickly. We support projects in which the companies develop their own products, services and processes, projects in which consortiums of several enterprises participate, and international projects (ca. 15%). Incentives for companies for development activities and linking with knowledge institutions are awarded through public contracts (SRIP, public contracts for RDI, public contracts for pilot demonstration projects, Eureka).

Slovenia is a member of the Vanguard Initiative, which will create opportunities for the participation of Slovenian firms in international pilot projects and thus also in international value chains, and the European Institute of Innovation & Technology's (EIT) Climate and Raw Materials KICs (Knowledge and Innovation Communities), with the aim of Slovenia's successful transition to a circular economy.

Particular attention is paid to the development of the Slovene language in the digital environment. Language technologies have gained exceptional potential in the last decade in practically all areas of human endeavour. They are crucial to the survival and development of the Slovene language. In order to provide language technology systems for an individual language, it is crucial to have adequate linguistic resources (corpora, dictionaries and lexical databases, speech databases, etc.), which must be as open and freely accessible as possible. The same applies to the relevant tools i.e. applications (e.g. translation programs, semantic technologies, speech technologies, spelling and grammar checkers).

3.3. Reducing greenhouse gas emissions

In 2018 the Slovenian government adopted the Third Annual Report on the Implementation of the Operational Programme to Reduce Greenhouse Gas Emissions by 2020 (OP GHG 2020). The report gives an assessment of the achieving of emissions targets and an overview of the implementation of measures.

The Third Annual Report on the Implementation of OP GHG 2020 indicates that Slovenia is reaching and for the time being significantly exceeding its GHG emissions reduction targets for non-ETS sectors pursuant to Decision No 406/2009/EC. GHG emissions in 2016 were 9% lower than the permitted level, despite the fact that a rising trend had been identified for the second year in a row. After 2.3-percent growth in 2015, they rose to 5% in 2016. The initial estimates

for 2017 indicate that they fell by approximately 2 percent, primarily on account of a 3.4-percent decrease from transport. The assessments for achieving the future annual targets set out under Decision No 406/2009/EC remain positive.

The data from the monitoring of the implementation of OP GHG 2020 indicate that the level of investments and grants paid from public funds for achieving the targets slightly decreased, while the effectiveness of the grants increased.

The results of the measures for reducing GHG emissions and the effectiveness of the use of public funds on the reduction of GHG emissions, economic growth and creation of jobs could be significantly improved in the future if staffing capacities are increased in addition to improving the level of cooperation among the participating stakeholders.

Possibilities for further reductions in GHG emissions and achieving the targets are indicated in all sectors. Improving the effectiveness of climate policy will also depend on the success of the further integration of the targets in the area of the transition to a low-carbon future in multi-sectoral and sectoral policies. There is additional potential in the opportunity to establish a comprehensive system for providing information, education, training and raising awareness of climate change issues.

In 2019, Slovenia will draft its long-term climate strategy to 2050. The primary objective of the long-term climate strategy will be to set the target values for reduction of GHG emissions in the period to 2050 in accordance with the Paris Agreement. It will also draft a comprehensive national energy and climate plan of measures designed to achieve the emissions targets up to 2030.

3.4. Increasing the use of renewable energy sources and energy efficiency

Despite the investments to date in the **energy** renovation of buildings, renewable energy sources (RES) and energy efficiency (EE), there are substantial needs for continuing such investments. Significant investments into the renovation of the building stock are expected to lead to accelerated economic growth, the creation of new jobs and a reduction of Slovenia's dependence on energy imports.

The established system of energy renovation of buildings is being implemented within the narrow and wider public sector, and co-financed through cohesion funds in the period 2014-2020. The published public contracts and invitations to tender promote the use of energy performance contracting, which enables an increase in the scale of investments using less public funding for the complete energy renovation of public buildings. In 2018 a public invitation to tender was published for co-financing the energy renovation of buildings owned and used by the municipalities, and a call for applications was published for the vetting of proposals for operations for the energy rehabilitation of buildings for the narrow public sector and wider public sector, which were established by the state. In 2019 and 2020 we are planning to publish new invitations to tender and calls for applications, as was the case in 2018.

In order to meet the target of increasing the share of RES in gross energy consumption to 25% by 2020, initiatives for increasing the generation of heat and electricity from renewable energy sources will play a key role. In order to increase the generation of heat from RES, investment initiatives are aimed at the construction of new and the reconstruction of existing district heating systems and the connection of new users to existing capacities. In order to increase the generation of electricity from RES, invitations to tender are being published for projects involving RES and cogeneration (combined heat and power) plants in order to enter the support scheme. The achieving of the targets in the area of RES is expected to be promoted through a revised measure for self supply of electricity.

In 2019/2020 we plan to adopt the National Energy Concept (NEC), which is the basic development document in the area of energy, and the Integrated National Energy and Climate Plan (NECP) pursuant to Article 3 of Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action. The NEC will determine the targets for a reliable, sustainable and competitive energy supply for the period of the next 20 years and for the framework period of 40 years on the basis of the country's projections for economic, environmental and social development and on the basis of international commitments, and the NECP will set out the targets, measures and policies in the area of decarbonisation, energy efficiency, energy security, the internal energy market and research, innovations and competitiveness in this area.

In the area of rural development, investments are being promoted that directly support the transition to renewable energy sources through investments in the production of renewable energy sources for agricultural holdings and food processing plants for in-house use or sale, production of biogas from organic residues for in-house use or sale, support for the production of agricultural biomass in order to obtain renewable energy from entities that are not agricultural holdings, and the development of energy supply through supporting installations and infrastructure for the distribution of energy from renewable sources to or from agricultural holdings.

3.5. Tertiary education targets

In Slovenia in 2017, 46.8% of inhabitants aged 30-34 had completed higher education. In this respect, the Europe 2020 target (40%) has already been achieved. The share of graduates who obtained employment within 1-3 years of graduation amounted to 82.4% in 2017 and has been growing since 2012, when it stood at 78.6%. We are slowly approaching the pre-crisis level, but we are still below the EU average (84.9%).

In Slovenia, total expenditure for education as a percentage of GDP has fallen over recent years, but has again begun to increase since 2016. Slovenia thus remains among the EU countries that invest the most in education. Public funds for education remain above the EU average for 2016, both in terms of percentage of GDP (5.6% – EU average 4.7%) and total outlays (12.4%). Despite this, between 2010 and 2015 the amount of funds per student in tertiary education grew by (only) 1%, while the average growth in OECD countries was 11%.

In 2019 we began drafting the new Higher Education Act, which will define the public service and overhaul the system of concessions for the provision of the public service of higher education (granting, operating, withdrawal). The draft act will focus on 1% of GDP as the target level for budget funding that will provide for the sufficient quality and development of higher education; it currently accounts for just 0.58% of GDP.¹ Due to a transitional provision of the law, the annual budget funds for study programmes are to be gradually increased over a period of no more than fifteen years (i.e. by 2032) after the entry into force of the law. The draft act shortens this period to no later than 2025. In 2019 the government together with the trade unions addressed the regulation of sabbatical years, which follows from the Agreement upon the signing of the Amendments to the Collective Agreement on Education Activities in Slovenia from 2017.

The ministerial Rulebook on Students with Special Needs and Students with Special Status will also be adopted in 2019, and will provide these students with equal rights at public higher education institutions.

Slovenia is carrying out numerous measures in the area of higher education with the help of funds from the European Social Fund. Public contract award procedures were conducted in the area of higher education primarily with the aim of the internationalisation of higher education programmes (student visits abroad, hosting of projects at Slovenian higher education institutions, hosting of foreign experts and higher education teaching staff at Slovenian higher education institutions). This area will be current in this and the next year, as public procurement funds are once again being offered for the mobility of higher education teaching staff and professionals, and for continuing the promotion of the mobility of students from socially disadvantaged backgrounds, complementary operations to the Erasmus+ programme.

We promote the training of higher education teaching staff and other professional staff in order to introduce innovative and more transparent forms of teaching and instruction and the modernisation of higher education theory, with an emphasis on the use of ICT and a transition to digital education. This promotion also improves the quality of higher education and improves the transfer of skills and knowledge to students, including knowledge of the pedagogical uses of ICT.

A system for monitoring the employability or employment rates of higher education graduates will also be established. We will continue to support projects involving cooperation with the business and non-business sectors at the local and regional level. We will also support student projects for studying various creative and innovative solutions to the challenges of the non-business and non-profit sectors.

3.6. Early school leaving

¹ The percentages stated in the law relate solely to study programmes (pedagogical activities) in higher education that include 1st and 2nd level studies. The funds are primarily allocated for covering the costs of salaries and material costs. That is, they do not include funds for e.g. investments, scientific and research work, doctoral studies and the performance of other duties of national importance.

Slovenia has already achieved the Europe 2020 target in the area of early school leaving (less than 10%). According to Eurostat data, in 2017, 4.3% of young people in Slovenia aged 18-24 left school before completing their secondary education, which is significantly lower than the EU average (10.7% in 2016). Slovenia thus ranks among the top three most successful countries in this respect, where the proportion is lower than 5%.

However, certain fluctuations have occurred in the period from 2013, when the percentage for Slovenia was 3.9%, to 2015, when it rose to 5% before falling slightly again in 2017 (to 4.3%).

Slovenia has preventive measures in place to prevent early school leaving. These measures enable us to identify students who are at risk of leaving school, and offer professional and educational assistance and inclusion in the counselling process at school. In addition, Slovenia pays a great deal of attention to measures designed to provide a safe and supportive learning environment, which range from improving social skills, tolerance and respect for differences to enabling development and achieving the highest possible level of creativity.

Numerous measures are aimed at establishing a supportive school environment for pupils with migrant backgrounds, who in Slovenia as in the EU leave school early more often than their peers. In Slovenia in 2016, a full 15.6% of young people born abroad left school early, but this proportion decreased by nearly one percent over 3 years, which we attribute at least in part to the numerous appropriate measures. In order to establish a supportive learning environment, at the end of 2018 the ministry launched a special website (http://www.mizs.gov.si/si/varno_in_spodbudno_ucno_okolje/), through which it provides assistance to schools and professional staff at higher education institutions.

In addition to the measures intended for the general schoolgoing population, Slovenia has put particular effort into the inclusion of children of immigrants from other linguistic and cultural environments in education through special measures. These measures include lessons in Slovene as a foreign language, lessons in their mother tongues, training teachers in interculturality as a new form of co-existence, etc. The programme Developing Literacy in Slovene for Speakers of Foreign Languages was adopted, with a special addendum for older students aged 15 to 18, which allows their inclusion in primary education. The Ministry of Education launched a website with information for school administrators, teachers, parents and all interested members of the public on various aspects of the inclusion of immigrants.

At the end of 2017, Slovenia adopted two new laws, the Gimnazije Act and the Vocational Education and Training Act, which dedicate special attention to easier and more appropriate inclusion of immigrant secondary-school students in institutions of higher education, and in 2018 adopted implementing regulations for the implementation of measures for the inclusion of children of immigrants already in the 2018/19 school year. To this end the ministry also specifically ordered the training of teachers of Slovene for teaching Slovene as a foreign language and the appropriate assessment of the progress of secondary-school students who are members of foreign language groups.

With the support of the European Social Fund, materials have been developed for teaching and learning Slovene as a foreign language, which are available online. A public procurement procedure called "Strengthening the Social and Civic Skills of Professional Staff 2016-2021" has

also been carried out, which operates via professional training programmes with the goal of empowering professional staff for the more successful integration of children of immigrants and children from the majority culture. One of the goals of the project, in addition to promoting intercultural dialogue and acceptance of differences, is the preparation of a pilot programme for working with children of immigrants, which will include a justified recommended number of hours of Slovene classes for immigrant children, in the areas of preschool education, primary education pursuant to standard educational periods, and secondary education.

The development projects currently underway are aimed at the development of a draft programme for working with immigrant children in ordinary education, and developing teachers' skills for the inclusion of immigrant children. Special attention is paid to children with international protection and unaccompanied minors, as the ministerial departments cooperate in their placement in secondary-school dormitories, their welfare and inclusion in the education system.

3.7. Reducing poverty

Slovenia ranks among countries that were strongly affected by the economic crisis, which was also shown in the growth of indicators used to measure poverty and social exclusion. The negative trends finally came to a halt in 2014, and since then we have seen a decline in both the at-risk-of-poverty rate and the indicator of social exclusion each year. According to the most recent statistical data, the at-risk-of-poverty rate fell further in 2017 and stands at 13.3%.

The effectiveness of social transfers in reducing the at-risk-of-poverty rate (not including pensions), which declined during the crisis period (as a consequence of austerity measures), has been on the rise again since 2015. It increased most markedly in 2017, by 1.8 percentage points. Thus in 2017 social transfers (in all areas of social care, both those based on insurance and those based on solidarity funds) reduced the at-risk-of-poverty rate by 44.6%.

With regard to age groups, the at-risk-of-poverty rate for older persons (65 and older) fell to 16.4% in 2017 (from 17.6% in 2016). The at-risk-of-poverty rate for older people who live alone fell by 0.6 percentage points relative to the previous year and stands at 36.4% in 2017.

All lifestyle indicators indicate a general improvement of the social situation among the population in 2017, which is primarily the consequence of the relatively high rate of economic growth, favourable developments on the labour market, and the abolishment of austerity measures from the crisis period, which results in increases in both wages and social transfers.

The basic amount of minimum income was increased to EUR 392.85 in 2018. The increase in the basic amount of minimum income also had a direct effect on the level of cash assistance and the social security supplement, and consequently also expanded the pool of beneficiaries to both types of social transfers.

Despite the fact that the indicators of the poverty rate and the social exclusion of older persons are improving, due to the vulnerability of this population we have to place special emphasis on

measures designed to improve the social situation of older persons. In order to prevent a slide into poverty due to the growth in the consumer price index, the appropriate adjustment of pensions is also important. Pensions were increased twice in 2018: once in January pursuant to the regular adjustment in accordance with the systemic law, by 2.2%, and a further extraordinary adjustment of 1.1% in April. Similarly, in 2019 we are planning a regular adjustment of 2.8%, as well as an extraordinary adjustment in December, whose level will depend on GDP growth. The guaranteed amount of the lowest old-age or disability pensions after the adjustments in 2018 amounted to EUR 516.62, in the event that an old-age or disability pension for any statutorily determined period of service does not reach that amount. According to data from the Pension and Disability Insurance Institute of the Republic of Slovenia for December 2018, 54,151 pensioners were entitled to higher pensions (in the amount stated) under this plan. This results in a decrease in the at-risk-of-poverty rate for older people, particularly older single women, who are among the most at risk of poverty.

Another significant factor from the perspective of the prevention of the spread of poverty among working age individuals was the adoption of the draft Minimum Wage Act, on the basis of which the minimum remuneration for full-time work from 1 January 2019 onwards has been increased from EUR 638 net (EUR 843 gross) per month to EUR 667 net (EUR 887 gross), and from 1 January 2020 onwards it will be further increased to EUR 700 net (EUR 941 gross). In addition, as of 1 January 2020, all bonuses (years of service, work and business performance, and difficult working conditions) will be excluded from the minimum wage. From 1 January 2021 onwards the calculation of the minimum wage will be based on a formula whereby the minimum remuneration for full-time work will have to be 20 percent higher than the calculated minimum cost of living. The law therefore also sets an upper limit to the minimum wage, at 140 percent of the minimum cost of living. However, it will be necessary through social dialogue to find other mechanisms for reducing poverty among the working age population.

In order to establish a balance between the level of the minimum income and the minimum cost of living, we will study the possibility of changing the order of the exercising of rights to public funds such that the child benefit would no longer be considered income. Through this approach, in the event of an excessive gap the aforementioned balance could be approximated or achieved, which will also reduce the level of social exclusion.

A reorganisation of the social services centres was carried out in October 2018 in order to ensure increased efficiency, quality and accessibility. The reorganisation included a change to the organisational structure, an informative calculation and a social activation project. Within the reorganisation, 16 new regional social services centres were created through the consolidation of the 62 former social services centres.

The increased efficiency and targeting of social transfers will be made possible through the “automatic informative calculation”, the objective of which is to simplify and rationalise decision-making procedures with regard to social rights. It is planned to be put into use on 1 January 2022, and until then the decision-making procedures for those social transfers that do not require support in the form of social work will be gradually automated.

Another significant part of the reorganisation of the social services centres is the integrated approach to social activation, which is aimed at persons who are primarily long-term

beneficiaries of social assistance and who face complex social issues. The integrated approach to social activation continued in 2018 in the form of a test approach or pilot project funded via the European Social Fund. The primary objective of inclusion in the programme is to increase social, functional and work skills with which the participants can approach the labour market after completing the programme. Through our social activation programmes we connect a wide range of social inclusion programmes with programmes under the active labour market policy. The systemic placement of social activation programmes within the sphere of operations of the social services centres is planned right from the very beginning of the implementation of the pilot project. The pilot project for social activation is already being used to promote and enhance cooperation between the social services centres and the employment offices, and also promote cooperation with other relevant stakeholders.

The experiences gained through the pilot project for social activation will be applied to the overhaul of the provision of social protection services within the reorganised structure of the social services centres, with the aim of connecting social protection services to the allocation of social transfers (cash assistance) and the conducting of comprehensive individual assessments vis-à-vis the social and employability aspects.

In the area of education, as part of a measure for reducing poverty, the ministry's website includes a page titled A Safe and Supportive Learning Environment, via which one can obtain information relating to the ensuring of a safe and supportive learning environment, as set out in the Educational Support Mechanisms. Numerous measures are being carried out in order to reduce the burden on parents, both through the subsidising of school nutrition programmes and in other areas, such as free lending of textbooks, the development of online materials, the co-financing of outdoor learning weeks, the subsidising of the accommodation of secondary-school and college students in secondary-school and college dormitories, school transport for primary schools, and modified vehicles for moderately to severely disabled persons.

In the area of preschool, tuition for nursery schools is determined on the basis of the income bracket in which their family is ranked. Children whose families' average monthly income per person as determined in the decision on child benefits does not exceed 18% of the average net wage in Slovenia are entitled to a full waiver of nursery school tuition. Children from socially marginalised backgrounds have priority with regard to enrolment in nursery schools. At schools at which Roma children are enrolled, more favourable norms are in place, which stipulate a lower number of children per professional staff member. We also allocate additional funds for costs of materials and services and for the education and training of professional staff in this area. Another significant factor is the subsidising of nursery school tuition for parents who have two or more children in nursery school at the same time.

4. EU FUNDS

In order to meet the EU 2020 targets, cohesion policy funds for the 2014-2020 period have been earmarked primarily for the following priority areas: (I) investments in research, development and innovation (RDI), (II) competitiveness, employment and training (ERDF and ESF), (III)

infrastructure for achieving reduced environmental degradation, sustainable energy consumption, sustainable mobility and effective resource management (CF, ERDF). The focus on these areas is based on a need for short-term measures for increasing access to sources of funding for firms, research and initiatives, for increasing employment and employability through the simultaneous creation of a long-term stable environment that promotes the development of high-quality jobs with a changed composition of the business sector taking account of demographic developments. More than a billion euros will be invested in the promotion of entrepreneurship, new company startups, internationalisation and the development of new business models for small and medium-sized enterprises. Nearly 500 million euros will be allocated for investments in employment, the improvement and development of human resources, mobility, and investments in the educational system and the system for training for a faster transition onto the labour market. EUR 150 million will be earmarked for increasing social inclusion and reducing the risk of poverty. EUR 34 million will be earmarked for active ageing. EUR 914 million of Cohesion Fund funds will be allocated for the construction of environmental and transport infrastructure and in the area of sustainable energy. Furthermore, Slovenia has allocated more than 21% of the funds from the Rural Development Programme 2014-2020 for increasing competitiveness (of which approximately EUR 266 million of public funds for measures to support investments in physical assets and investments in forestry technology, and the processing, mobilisation and marketing of agricultural products, and approximately EUR 80.6 million for support of startup activities for young farmers and startup activities for the development of small farms).

The measures are carried out in a decentralised manner by intermediary bodies, i.e. the competent departments (and the Association of Urban Municipalities of Slovenia in the case of urban development), which simultaneously ensure compliance with measures that are being implemented via other sources of funding. By the end of December 2018, funds amounting to EUR 2.3 billion (EU share) had been distributed, which is 76 percent of the available funding, and operations were approved in the amount of EUR 1.8 billion (EU share), which is 60 percent of the available funding. The situation indicates that the majority of the measures are currently in the implementation phase, with a slightly slower dynamic than expected, where major delays have been identified primarily in:

- The implementation of flood safety measures
- The implementation of measures for covering white spots with broadband internet access
- The implementation of infrastructure projects, particularly rail and road infrastructure

In 2019 and consequently from 2020-2023 we therefore expect to continue with the measures on all priority axes, where the success of the implementation of measures with respect to the planned financial and material indicators will be checked in 2019. After the verification, the funds (6% performance reserve) from unsuccessful axes will be reallocated to successful axes, depending on the individual fund and the region in which it is being implemented (eastern and western cohesion regions), not just on the basis of the checking of the planned milestones for 2018 but also on the basis of an assessment of the meeting of the 2023 targets. The key measures and investments that have to be focused on in this area are:

- the continuation of RDI projects, particularly in value chains and networks

- the successful implementation of a public contract award procedure for broadband connections
- the continued promotion of development investments in small and medium-sized enterprises
- financing the economic and business infrastructure of the municipalities
- the continuation of the energy renovation of state-owned buildings and sustainable mobility measures
- acceleration of the implementation of flood safety measures in Gradaščica and Selška Sora
- the completion of the projects for wastewater removal and treatment and quality drinking water supply, and the implementation of urban development projects
- the implementation of 3 rail projects (2TDK, Maribor Šentilj and Pragersko hub)
- the active labour market policy, focusing on the unemployed, young and older people
- the continuation of social inclusion measures and development projects, led by the local government administrations
- the continuation of measures for lifelong learning, training and linking with the needs on the labour market
- the implementation of measures for increasing the administrative capacities of the state (judiciary, public administration, etc.), non-governmental organisations, and social partners

The slower dynamic of the investment cycle (or drawdown of European cohesion funds) was addressed by action plan adopted by the government in December 2018, which through the adoption of amended operational programmes based on performance analyses will by the end of 2018 establish the bases for an increase in the dynamics of the implementation of these measures, particularly in the years 2020-2023.

European funds are an important source for the funding of these investments. The share of EU funds in the total expenditures for investment in the state budget in the period from 2015 to 2018 was 18.7%. This proportion is even higher for investment transfers, as the share of EU funds in total investment transfers in the period from 2015 to 2018 was 50.9%. The share of EU funds in the budgets of the local government administrations for investments and investment transfers in 2015 was a full 39% due to the completion of the previous financial perspective, while in 2016-2018 the average was 8.3%.

Programming for the 2021-2027 period will be begun in parallel in order to take a partnership approach and commence implementation in 2021. Taking account of the new normative and substantive bases at the EU level (2021-2027 regulations, European Commission Country Reports, IMAD Development Report, etc.), we expect the continuation of certain measures and content which have proved to be successful and are based on appropriate strategic and programming foundations, whereby we will endeavour to connect the measures even more closely with measures in the area of necessary reforms. In Appendix D of the Country Report – Slovenia 2019, the EC presented the starting points for negotiations on investments to be funded with cohesion policy funds (European Regional Development Fund, Cohesion Fund and European Social Fund Plus). At a public presentation of the report, a viewpoint was also presented on the areas concerned in the light of the fact that Slovenia supports the conclusion of the negotiations on the multiannual financial framework as soon as possible. The need for

better connections between the individual objectives of the policies supported by the various funds was expressed. Given the extensiveness of the Natura 2000 network and protected areas in Slovenia, the limiting of measures for protecting biodiversity and green infrastructure solely to urban areas is inappropriate. Measures for energy rehabilitation must also include buildings in the public sector. It is also inappropriate to focus solely on links to various macro regional strategies, and to focus on the possibility of carrying out integrated territorial investments only in certain areas. The earthquake resistance of buildings was also mentioned.

5. THE DRAFTING PROCESS

The National Reform Programme 2019-2020 was drafted in cooperation with all relevant ministries. During the drafting of the National Reform Programme 2019-2020, the government included the social partners from the initial phase in order to promote dialogue. Before the beginning of drafting the document, the starting points for the drafting of the document were presented to the social partners by the government, and the entire package of documents of the European Semester was presented to them by representatives of the European Commission. After that, expert panels from the relevant ministries coordinated with representatives of the social partners with regard to the measures proposed for inclusion in the National Reform Programme. On the basis of the contributions from the relevant ministries and social partners, the first draft of the document was compiled, and was discussed by the Government of the Republic of Slovenia at its session of 4 April 2019 and sent to the National Assembly. The final version of the document was adopted by the government on 9 April 2019.