



**REPUBLIC OF SLOVENIA**

# National Reform Programme 2020

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COVID-19 Scenario

**April 2020**

## TABLE OF CONTENTS

INTRODUCTION .....	3
1. MACROECONOMIC FRAMEWORK.....	4
2. KEY ECONOMIC POLICY RESPONSES TO THE COVID-19 EPIDEMIC .....	4
3. MEASURES TO IMPLEMENT THE COUNTRY SPECIFIC RECOMMENDATIONS OF THE COUNCIL OF EUROPE.....	11
3.1. Recommendation No. 1: .....	11
3.2. Recommendation No. 2: .....	16
3.3. Recommendation No. 3: .....	23
4. INVESTMENT PLANS .....	27
5. PREPARATION PROCESS .....	29
ANNEX 1: PROGRESS IN ACHIEVING THE EUROPE 2020 OBJECTIVES .....	31
1. Employment .....	31
2. Investments in research and development .....	33
3. Reducing greenhouse gas emissions .....	33
4. Increasing the use of renewable energy .....	34
5. Efficient use of energy .....	35
6. Tertiary education objective.....	36
7. Early school leaving.....	37
8. Reducing poverty .....	38
ANNEX 2: EU FUNDS .....	41

## INTRODUCTION

At the beginning of 2020, Europe and the world were swept by the COVID-19 pandemic. The rapidly changing nature of the pandemic and many unknowns brought by the new virus resulted in unexpected challenges for health care systems and dramatic social-economic consequences in Europe and worldwide. Unparalleled exceptional economic and social measures were adopted.

In these uncertain times, a temporary derogation from the rules of the Stability and Growth Pact was enabled at the EU level. It was also agreed that communication and coordination of actions at the economic and fiscal level must be maintained. Therefore, each country drafted its National Reform Programme and the Stability Programme with an adapted structure, focusing on 2020 and particularly on reporting on measures adopted to tackle the epidemic and its consequences by the end of April 2020.

The economic conditions in numerous European countries, including Slovenia, have changed considerably since the first week of March 2020 due to the rapid expansion of COVID-19 and severe containment measures. In the short term, economies are facing a collapse of economic activity; most European and other countries have introduced extensive measures to protect health and people. At the same time, the functioning of public administration and a large portion of economic activities were redirected to operation via digital facilities.

On 12 March 2020, the Government of the Republic of Slovenia declared an epidemic of contagious disease SARS-Cov-2 (COVID-19) in Slovenia, and subsequently numerous measures were implemented to contain the spread of COVID-19 and mitigate the consequences of the epidemic. Restrictive measures to prevent the spread of the virus have proven relatively successful. However, these have also significantly reduced economic activity. Therefore, extensive measures to help companies and individuals were adopted to ensure that the economy and society would weather the crisis while remaining in a relatively healthy condition.

The first package of assistance was aimed predominantly at preserving jobs and business operations; improving the social security of individuals, particularly those most at risk from the COVID-19 disease; providing extraordinary support for self-employed persons; and improving corporate liquidity. The measures followed the principle of assisting the groups most at risk from the COVID-19 epidemic. The second package or the second intervention act, which determines the financial instrument of guarantees of the Republic of Slovenia for taking out bank loans, provides the Slovenian economy with the necessary liquidity to mitigate the consequences of the COVID-19 epidemic, preventing potentially serious economic damage. Providing the Slovenian economy with the necessary liquidity also ensures sufficient medium-term liquidity of the banking system and the optimisation of the use of the already largely taken up fiscal space of the budget of the Republic of Slovenia.

The main part of the 2020 National Reform Programme is a chapter on measures adopted since the epidemic was declared. The document includes an outline of the macroeconomic framework, which, due to uncertainties about the duration of the epidemic and the scope of its consequences, only comprises one of many possible scenarios subject to various risks. The document includes a chapter on measures that address last year's specific recommendations issued to Slovenia within the European Semester, which is focused on reporting on the adoption and implementation of retroactive measures, and a chapter on plans regarding the investments. Plans and measures for the future will be amended pending the outcome of the pandemic. The last chapter describes the document drafting process, which was adjusted to the current situation.

## 1. MACROECONOMIC FRAMEWORK

The COVID-19 pandemic in combination with strict health care and safeguard measures is a major negative shock for economic activity in European countries and globally. Prevailing estimates suggest that the global economy has already sunk into a recession which will be at least as severe as that of 2009, and the recovery will be contingent on the outcome of the further spread and duration of the pandemic and the use of economic intervention policies.

The COVID-19 scenario (IMAD, April 2020) anticipates that Slovenia's GDP will decline by around eight per cent, whereby it: i) assumes that the safeguard and health care measures that halted non-essential service activities and made industrial activity problematic that were introduced in March will remain in force until the end of May; ii) assumes a gradual stabilisation of the situation and an economic recovery which would commence in June; iii) takes into account the measures of economic policies to mitigate the consequences of the epidemic.

A decline in added value in numerous activities will contribute to a decline in the GDP in 2020 due to substantially reduced activity while safeguard measures are in place. In 2020, added value is expected to decline the most in transport, hotel accommodation services, and hospitality and personal services, and the decline in processing activities is also expected to be massive. All components of the GDP will decline except for government consumption, which will transitionally increase due to the crisis. Imports and exports will be severely affected, particularly due to a fall in global trade and international restrictions. The fall in trade will be most significant in the services sector, and the goods sector will also suffer a large fall. Investment will react strongly to the fall in production in the first half of 2020 and will be held back by considerable uncertainty. Investment in machinery and equipment will be the most significantly reduced. In the assumed scenario, private consumption will be lower than last year, particularly due to self-isolation, government measures to limit social contact and greater uncertainty. Private consumption will also decline due to a lower amount of disposable income, the decline in which will be significantly eased by government measures to mitigate the consequences of COVID-19. Average inflation in 2020 will be lower than last year, and this will be largely reflected in lower energy product prices. More moderate price growth is expected this year in other areas.

Despite prevention measures, the adverse conditions will affect the labour market this year (lower employment and higher unemployment rate), which could (only) partially recover if the situation stabilises next year.

If strict measures to reduce the spread of COVID-19, which seriously hinder economic activity, are prolonged or tightened, the negative consequences will be more significant and far-reaching. In such a scenario, the decline in the GDP may be 15 % in 2020.

## 2. KEY ECONOMIC POLICY RESPONSES TO THE COVID-19 EPIDEMIC

On 12 March 2020, the Government adopted the Decree on the declaration of contagious disease SARS-Cov-2 (COVID-19) in the Republic of Slovenia. In the following days, the Government adopted numerous crucial measures to contain the spread of the virus and maintain public health.

- Ordinance on the restriction of public transport of passengers in the Republic of Slovenia.

- Ordinance on the provisional prohibition on the offering and sale of goods and services to consumers in the Republic of Slovenia.
- Ordinance on the restriction of air services provision in the Republic of Slovenia and Ordinance on the temporary suspension of technical inspection of vehicles and other procedures relating to car licence and tachograph workshop activities.
- The control of prices for protective and other medical equipment.
- Ordinance on the prohibition of the recruitment of people in educational establishments and universities and independent higher education institutions.
- Ordinance on the temporary prohibition of the gathering of people at public meetings in the public places, whether interior or exterior, and other areas of the Republic of Slovenia.
- Ordinance on the temporary suspension of payment of the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources for small business electricity customers and household electricity customers.

All the mentioned measures limit public life and public gatherings in the Republic of Slovenia to the greatest extent possible, which affects the economy, agriculture, the fulfilment of tax liabilities, and weaker social groups. In the second half of April, the Government began to gradually eliminate restrictions, but to a limited extent.

## **2.1 Individual measures**

To prevent or moderate the negative consequences of the COVID-19 epidemic for citizens and the economy, intervention measures were adopted which were initially intended primarily for companies to mitigate the negative consequences of the declaration of limited movement and activities.

The Intervention Measure Act on Deferred Payments of Borrowers' Obligations foresees an option to defer payments of obligations arising from credit contracts of borrowers whose businesses will be heavily hampered due to the COVID-19 epidemic. On the basis of this Act, banks and saving banks may defer the payment of loans for a wide range of beneficiaries on the basis of an application: companies, sole traders, farmers, societies, cooperatives, and self-employed if they are Slovenian nationals. Banks must approve deferred payment for subjects whose operations were suspended by the ordinance. The manner of deferral is subject to agreement between the bank and the borrower.

The Intervention Measures in the Fiscal Area Act administratively relieves entrepreneurs and companies, as deadlines to fulfil the obligations of taxable persons are postponed. For taxable persons to fulfil their obligations more easily, the deadlines to submit the assessment of personal income tax and self-employment income tax prepayment and the corporate income tax return, and annual reports to the Agency of the Republic of Slovenia for Public Legal Records and Related Services (all for 2019) are postponed to 31 May 2020. The Act facilitates a derogation from the provisions on deferral or instalment payment of tax liabilities and is also permitted for tax prepayment and withholding tax, and particularly to claim deferral or instalment payment of tax liabilities more easily.

This Act also regulates the state budget. To provide additional funds for emergency epidemic-related measures more easily, the Government withheld the implementation of individual budget expenditures that are not statutory tasks until this year's revised state budget is adopted. The deadline for the Government to submit the supplementary state budget to the National Assembly is also determined anew. The Government must do so within 90 days of the end of the emergency situation brought on by the epidemic, but no later than 1 September 2020. For a steady implementation of measures, the Government has been provided with greater powers for reallocations within the adopted state budget for the duration of the epidemic.

The Act on provisional measures for judicial, administrative and other public matters to cope with the spread of the infectious disease SARS-CoV-2 (COVID-19) stipulates that the deadlines for the exercise of the rights of parties to judicial proceedings and other deadlines in judicial matters (including statutes of limitations in criminal cases) are suspended. This does not apply to judicial matters that are treated as urgent. The crucial aspect of the Act is the protection of the position of citizens or parties to judicial proceedings in relation to the provision of effective exercise and protection of their rights, since the Act expressly stipulates that the deadlines in judicial matters that are not treated as urgent are suspended. This applies to material and process deadlines in these judicial matters, as well as to statutory deadlines for the exercise of rights.

The Act prolongs the deadlines for the exercise of rights in administrative matters and stipulates that deadlines in administrative and minor offence matters are suspended unless matters are urgent. The Act prompts temporary changes in relation to the summons of convicted persons to imprisonment, the relocation of convicts, the termination of imprisonment and early release. The Act stipulates measures for notary offices and their (limited) operations. These measures provide options to limit working hours for receiving clients and to completely close notary offices. On 21 April, the Government adopted proposed amendments to the Act which will facilitate the gradual easing of judicial and administrative matters while protecting the health and safety of all parties to proceedings.

In accordance with the adopted measures, it was made possible for 40 per cent of employees in the state administration to work remotely, a special website on the GOV.SI portal was set up to provide the public with crucial information and instruction regarding COVID-19, and simplified electronic applications were introduced on the eGovernment portal.

The Act on Intervention Measures on Market on Agricultural Products, Food and Timber Assortments regulates the option to limit the trade in agricultural products, food and animals for human consumption to ensure a sufficient food supply in the Republic of Slovenia. The Act also introduced an option to regulate the prices of individual agricultural products, food or animals for human consumption.

The Act on the Interim Measure of Partial Reimbursement of Wage Compensation was also adopted. The Act introduced an option of partial reimbursement of wage compensation in the event of temporary layoff (this part of the Act was subsequently amended), the reimbursement of full wage compensation in the event of individually ordered quarantine, and the deferral of the payment of contributions for self-employed persons for three months, which must be paid by beneficiaries in a single sum or in instalments by 31 March 2022 (subsequently, this option was extended to farmers).

## **2.2. First package of measures**

The package of measures to prevent or mitigate the negative consequences of the COVID-19 epidemic for citizens and the economy was adopted with an extensive “mega act” covering the areas of labour and the payment of social security, health care and health insurance contributions, social protection, taxes, public finance, culture, science and research, money laundering and terrorist financing prevention, insurance and financial instruments market, public procurement, contractual penalties, enforcement and personal bankruptcy, and the provision of public services. The Act was adopted by the National Assembly on 2 April 2020 and remains valid until 31 May 2020 with the possibility of extension. On 21 April 2020, the Government adopted the proposed Act Amending the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy, which additionally defines certain solutions to bring clarity to the basic act.

The specific objectives of the measures are to preserve jobs and business operations; improve the social security of individuals, particularly those most at risk from the COVID-19 epidemic; provide

extraordinary support for the self-employed; improve corporate liquidity; support scientific and research activities pertaining to the emergency situation to combat the COVID-19 epidemic; reduce meeting fees and salaries of public officials at the national level; make an exemption from the payment of the radio and television broadcasting services; and support agriculture.

**In the field of social protection, rights to public funds, and the exercise of rights to parental protection, the following is introduced:**

- **Pensioners** have the right to a one-off solidarity allowance to ensure better social security for the most vulnerable pensioners, including those whose pensions are below EUR 700. The allowance will be paid in three different amounts: **EUR 300** for pensions up to EUR 500, **EUR 230** for pensions between EUR 501 and 600, and **EUR 130** for pensions between EUR 601 and 700. Recipients of occupational pensions lower than EUR 700 will also be eligible for a one-off solidarity allowance. The allowance will not be included in the income to establish eligibility for rights to public funds under the act governing social assistance payments, as the basic purpose of the allowance is to improve the social security of beneficiaries. The received solidarity allowance will not be subject to the payment of personal income tax and health insurance contributions, or tax enforcement.
- Also eligible for a one-off allowance in the amount of **EUR 150** are recipients of social assistance in cash, pension support, older members of low-income farms, and certain other vulnerable groups of persons under specific conditions, e.g. home care assistants, beneficiaries of parental benefits, child care allowance, maternity or parental benefits, partial payment for lost income under the act governing parental protection and family benefits, beneficiaries of compensation under the act governing social inclusion of disabled persons, and certain beneficiaries under acts governing war veterans and war disability.
- Assistance will also be provided to all full or part-time students residing in the Republic of Slovenia in the form of a one-off solidarity allowance in the amount of **EUR 150**.
- The proposed act allocates an allowance in the amount of **EUR 100** to **large families** with three children, and **EUR 200** to families with four or more children, in addition to the allowance they already receive.
- A parent or another person is eligible for a one-off solidarity allowance in the amount of **EUR 30** for each child for whom they are eligible to receive child benefit in the fifth and sixth income brackets.
- The allocated social rights are extended by one year without verification.

**In the field of health insurance:**

- The Health Insurance Institute of Slovenia reimburses employers for the sick leave compensation paid to workers from the first day of absence if they are entitled to compensation on the entry into force of the Act or obtain the right after this date until 31 May.

**In the field of taxes:**

- exemption from the payment of instalments of preliminary prepayment of personal income tax or personal income tax and corporate income tax prepayment; and
- a reduction in the tax base of taxable persons obliged to pay personal income tax on income from agricultural and basic forestry activity, whose income is established on the basis of a lump-sum tax base (cadastral income and lump-sum estimate of income per beehive).

**In the field of employment:**

- The reimbursement of **wage compensation for temporarily laid off workers and exemption from the payment of contributions**. To preserve jobs, wage compensation will be reimbursed to employers that cannot provide work for workers as a result of the COVID-19 epidemic. Employers who estimate that their revenue will decline by over ten per cent on revenue in 2019

are eligible for support. If they did not conduct activities in 2019, employers whose average monthly revenue will decline on account of the epidemic in 2020 by over ten per cent on average monthly revenue in 2020 by 12 March 2020 are also eligible for support. Support is not earmarked for companies that pursue financial and insurance activities and have over ten employees or are financed from public sources. If the condition for support is not met when submitting annual reports for 2020, beneficiaries will subsequently be required to repay the support. Humanitarian and disabled persons' organisations are also eligible for the reimbursement of wage compensation for temporarily laid off workers, regardless of their realised revenue.

- Workers who must stay at home due to force majeure, in this case the closure of schools and kindergartens, are eligible for up to 80 per cent of wage compensation, whereby the amount of wage compensation cannot be lower than the minimum wage, and the state will reimburse employers for wage compensation up to the amount of the average salary in 2019.
- **Exemption from the payment of pension and disability insurance contributions for employees who work.** Employers are exempt from the payment of pension and disability insurance contributions for their employees for April and May 2020. Pension and disability insurance contributions will be fully paid by the Republic of Slovenia.
- Exemption from the payment of occupational insurance contributions. Employers are exempt from the payment of occupational insurance contributions for insured persons who have occupational insurance, regardless of whether they keep working during the implementation of the measures and receive salary for their work or they receive compensation due to excused absence from work.
- Employers pay a monthly crisis allowance in the amount of EUR 200 which is exempt from the payment of all taxes and contributions to each employee who works and whose last paid monthly salary did not exceed three times the minimum wage. Funds to finance the new allowance will be provided by employers from the funds arising from the exemption of the payment of pension and disability insurance contributions. All employees in disabled persons' companies and employment centres are also eligible for a monthly crisis allowance which will be financed by the state budget.

**In the field of public finance**, the deadlines for payments to private entities are amended (shortened).

**Self-employed persons**, farmers and religious workers who declare themselves affected by the crisis using a special electronic application will receive **EUR 350** for March if they prove that their income declined by at least 25 per cent compared to February 2020, and **EUR 700** for April and May 2020 if they prove that their income declined by at least 50 per cent compared to February 2020. At the same time, the state will cover all related social security contributions. Persons who do not pay compulsory charges and do not fulfil other financial non-tax liabilities are not eligible for the payment of monthly basic income if they have outstanding tax liabilities on the date the Act enters into force. Beneficiaries of the monthly basic income and the exemption from the payment of contributions include self-employed persons, farmers, company members and religious workers who have a full pension and disability insurance period. In this case, they are eligible for a proportional share of the monthly basic income in view of the share of certain insurance. Self-employed persons will be required to fully refund the support if it subsequently turns out that their revenue in 2020 did not drop by at least ten per cent on 2019.

**Persons who had employment contracts until 13 March and whose employment relationship was terminated** but who do not meet the conditions for the unemployment benefit will be eligible for temporary financial compensation. A new institute of wage compensation due to job loss during the epidemic has been introduced. Each person whose employment contract has been terminated since 13 March 2020 for business reasons or with the expiry of the period for which it was concluded will be eligible for compensation in the amount of EUR 513.64 gross monthly.



**In the field of public sector salaries:**

- For the period between the date of the entry into force of the Act to the end of May, the Act anticipates a 30 per cent decrease in the basic salary of high officials, i.e. the President of the Republic of Slovenia, Prime Minister, Secretary-General of the Government, ministers, state secretaries, advisers to the President of the Republic of Slovenia, Secretary-General of the Office of the President of the Republic of Slovenia, Head of the Office of the President of the Republic of Slovenia, as well as deputies and high officials in other state authorities. The Act does not reduce salaries to court, Constitutional Court and local community high officials.
- Hazard pay was also introduced during the COVID-19 epidemic. Employees who work during the epidemic, whose exposure to health risks is above average and whose workload is excessive due to the measures taken to contain the epidemic are eligible for hazard pay during the COVID-19 epidemic amounting to a maximum of 100 per cent of the hourly rate of the basic salary of employees. Private social protection and health care providers who pursue activities as part of the public services network are also eligible for hazard pay.

**In the field of agriculture, forestry and food, the following is introduced:**

- financial support for heads and members of holdings in the event that they catch COVID-19 and do not have a temporary operator of the holding, in which case they may hire help for the duration of the disease;
- compensation for mooring fees at fishing ports in the amount of 40 per cent of the full amount for holders of fishing permits;
- financial compensation due to the loss of income for heads of holdings and holders of subsidiary activities in agriculture, natural persons who are owners of forests, and holders of fishing permits who suffer a loss of income as a result of the epidemic which is particularly the consequence of their inability to sell supplies, reduced scope of production, processing or sale; these persons are eligible for financial compensation due to the loss of income if the sector has suffered at least a 20 per cent loss of income. The financial compensation to which this article refers is allocated as a lump-sum support; the sectors eligible for support, detailed procedures and the manner of claiming the support is prescribed by the Government. Only investors who do not claim a monthly basic income are eligible for support.

**In the field of water management:**

- reduced water tax and water right payment for holders of the water right for special water use in bathing areas if mineral, thermal or thermal mineral water is used, and the activity of swimming pools; and
- reduced water tax for aquaculture.

**In the field of culture**, a temporary preservation of the right of the self-employed in culture to the payment of social security contributions from the state budget, a right which expires on 30 June 2020, is introduced.

**In the field of science and research**, the following is introduced:

- the extension of ongoing research and development and infrastructural programmes for one year;
- the extension of international research projects;
- the extension of the European Cohesion Policy project for three months;
- the allocation of funds from the integral budget of the Republic of Slovenia, the European Social Fund (ESF) and the European Regional Development Fund (ERDF) as a priority to promote investment in research and development for the production of vaccines, medicines and protective equipment to better manage the consequences of COVID-19.

**In the insurance and financial instruments market**, the deadlines to submit annual reports and auditors' reports have been changed.

**In the field of public procurement**, the limit values for the application of the Act are higher. Clients will be able to submit public procurements and market them more quickly. The amendment brings more procurements for the local economy.

Also introduced are amendments to contractual penalties. In contracts concluded between private legal entities and the public sector during the epidemic, the provisions on contractual penalties due to delay do not apply.

**In the field of enforcement and personal bankruptcy**, income is exempt from enforcement and bankruptcy estate. The objective of these measures is to improve the social security of individuals, particularly those with low pensions who are most at risk from the epidemic due to their age group. All income paid on the basis of this Act is exempt from enforcement.

**In the field of insolvency proceedings**, amendments extend to the financial operation of companies, insolvency proceedings and compulsory winding-up, relieving the management of the debtor. Companies are provided with more time to adopt these measures and are expected to increase operations in the near future, thereby lifting their insolvency.

In the field of public services, it was adopted that public services (nurseries) are not billed during the epidemic. Wage compensation for employees in public services will be financed by the state budget.

**In the field of environmental protection**, an intervention and temporary measures of the state is determined due to the accumulation of packaging waste by providers of mandatory municipal public utility services or the processing of a certain type of municipal waste. The temporary measure applies until the systemic regulation which is expected to enter into force in 2021. During the epidemic, the accumulation of municipal packaging waste has been massive, which is why the reception of municipal packaging waste from the warehouses of public service providers is urgent.

**In the field of construction legislation**, solutions have been introduced to speed up important investment in the Republic of Slovenia in the shortest time possible after the end of the COVID-19 epidemic by speeding up the issue of building permits, simplifying and shortening the prescribed administrative procedures in the Construction Act and regulations on environmental protection and nature conservation. An important contribution to mitigate the effects of the epidemic on the Slovenian economy may be the speeding up of investment of the state, municipalities and private companies in the construction of infrastructure and buildings, and their supply with equipment. Prompt activation of investment significantly contributes to the preservation of jobs in construction, transport, supply chains and the wider service sector.

#### **Reduced electricity costs for households and small business customers**

Ordinance on temporary suspension of payment of the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources for small business electricity customers and household electricity customers. The measure is adopted for the period between 1 March and 31 May 2020 and reduces the electricity costs of an average household by approximately 20 per cent.

### 2.3. Second package of measures

A new act was adopted which regulates guarantees of the Republic of Slovenia provided to banks and saving banks for loans approved between 12 March and the end of 2020 to finance working capital, the payment of liabilities, and new or commenced investments in fixed assets. Loans will be limited to ten per cent of annual revenue and annual costs.

The level of individual guarantees will be 70 per cent of the principal of loans provided to large enterprises and 80 per cent of the principal of loans provided to micro, small and medium-sized enterprises. An application for the fulfilment of the guarantee liability of the Republic of Slovenia will be justified only if the bank and the Republic of Slovenia suffer proportionate losses from guarantees under the same conditions.

Bonds which, in addition to the payment of the guarantee liability in cash, are intended for loan takeover or the payment of guarantees of the Republic of Slovenia according to the proposed act will be issued subject to the conditions of the European Central Bank for the financing of financial institutions. For this purpose, the Government, on the basis of a preliminary opinion of the Bank of Slovenia, will issue a decree to prescribe the criteria and conditions under which bonds will be deemed an acceptable instrument for the bank to insure its liability to the European Central Bank.

The proposed guarantee scheme will address the liquidity problem in the economy which arose due to the economic crisis brought on by the COVID-19 outbreak, upon the assumption of current high liquidity and capital adequacy in the banking system. First and foremost, the guarantee scheme addresses the credit risk to which the banking system would be exposed due to liquidity loans to the economy, while it provides banks with an opportunity for additional liquidity available in the Eurosystem.

## 3. MEASURES TO IMPLEMENT THE COUNTRY SPECIFIC RECOMMENDATIONS OF THE COUNCIL OF EUROPE

### 3.1. Recommendation No. 1:

*Achieve the medium-term budgetary objective in 2020.*

Budgetary and fiscal plans for 2020 are described in more detail in the Stability Programme 2020.

*Adopt and implement reforms in health care and long-term care that ensure quality, accessibility and long-term fiscal sustainability.*

## Health care system

Development, technological innovation and population ageing will prompt higher medical expenses. To keep the increase sustainable, the Republic of Slovenia in cooperation with stakeholders will particularly implement measures with the following mechanisms:

- more funds collected by the state;
- better performance of the health care system.

Measures to prepare the health care system to meet the needs of rapid population ageing and improve its efficiency include activities to set up a strong primary health care system and intervention measures to provide the financial stability of public health care institutions. The COVID-19 epidemic has highlighted the advantages of the Slovenian health care system, but also revealed its weaknesses and disadvantages, which provides a good opportunity to focus particularly on measures to eliminate the identified weaknesses.

## Long-term care

Population ageing is one of Slovenia's main long-term challenges, part of which is the comprehensive regulation of long-term care. At the beginning of 2020, the new systemic regulation of this field was prepared in a proposed act, but it was not submitted for public discussion and further adoption procedures due to the resignation of the Government.

We expect the COVID-19 epidemic, with most infections and deaths taking place in nursing homes, to speed up the seeking of solutions to open issues when adopting new legislation. The crisis has further exposed the need for the integration of health care and social protection in long-term care, speedier development of home care services and the elimination of currently prevailing institutional care, and urgent proactive solutions to the staff shortage problem in all forms of care.

The implementation of pilot projects continued in 2019 and has been continuing in 2020. Within these projects, new mechanisms, tools for the assessment of eligibility for long-term care and new services which are currently not accessible for citizens in their local environments are being tested in three pilot environments (urban, rural, semi-rural) in the Eastern Slovenia cohesion region. Free access to these services also reduces pressure on institutional care. Pilot projects are generally intended for research into the potential problems and shortages in planned solutions and mechanisms, and to help calibrate tools, devise or regulate cooperation protocols among various stakeholders, seek options for optimum solutions, and collect data that are not collected at the national level and as such cannot produce unsatisfactory results. The implementation of pilot projects adapted to the current situation. People working on projects may carry out tasks related to COVID-19. Additional funds have been allocated to finance certain services and equipment to contain and manage the COVID-19 epidemic. The model project has been extended to 30 June 2023.

The analysis and evaluation to support the systemic transition to new solutions are carried out simultaneously with pilot projects.

*Ensure the long-term sustainability and adequacy of the pension system by methods such as adjusting the statutory retirement age and restricting early retirement.*

Positive effects of the last pension reform continue to show. The average growth rate in the number of old-age pensioners was slightly higher in 2019 than in the last four years, but still lower than the growth rates from 1997 (between 1.7 per cent and 4.8 per cent). The annual growth rate in the number of old-age pensioners excluding partial pensioners was 1.4 per cent in 2019.

The completed pensionable service for new pension beneficiaries in 2019 was 39 years and two months for women (2018: 38 years and nine months) and 37 years and six months for men (2018: 37 years and one month). Among people with 40 years or more of pensionable service completed, pensions were claimed by 87.2 per cent of women (2018: 84.1 per cent) and 72.6 per cent of men (2018: 70.4 per cent).

In 2019, the average retirement age of women was 60 years and six months and 62 years and four months for men. The actual retirement age affects the bonus-malus system. In 2019, 1,481 women and 2,396 men (2018: 1,523 women and 2,302 men) were eligible for higher old-age pension. In the same year, 160 women and 120 men (2018: 147 women and 112 men) claimed permanently lower early old-age pensions. With suitable measures in the labour market, which will be prepared with a social dialogue (better competences, the provision of a suitable working environment, etc.), the trend towards an increasingly higher actual retirement age is expected to continue.

The ratio between the number of insured persons and pension recipients under compulsory insurance is improving. It increased from 1.52 in 2018 to 1.55 in 2019. The higher ratio is positively affected by a higher employment rate and the inclusion of young insured persons in the pension and disability insurance system on the basis of student work.

In addition to measures in the field of the labour market to prolong the employment of elderly persons, amendments to legislation in the field of pension insurance were drafted which entered into force on 1 January 2020. The objective of the amendments and measures in other fields is to prolong employment through incentives to remain insured and providing pensioners with an option to receive a part of their pension and work at the same time. The amendments were drafted with a social dialogue so as not to produce any negative effects in the field of employment or create additional inequality in the labour market.

**A more suitable income for a safe old age** and the better social position of beneficiaries of pension and disability insurance will be ensured with a higher accrual rate for men and women, to stand at 63.5 per cent for both genders. An additional accrual rate of 1.366 per cent to care for a maximum of three children is recognised, and incentives to remain insured are introduced, i.e. each year of completed pensionable service without purchasing additional years under compulsory insurance after the fulfilment of retirement conditions, but no more than three consecutive insurance years, are valued at 1.5 per cent for six months of pensionable service without purchasing additional years (three per cent annually). The option to obtain an additional accrual rate is extended to individuals who have already retired but will take out insurance again.

A higher accrual rate provides a higher assessment of old-age, widow-er's, disability and survivor's pensions and compensations under disability insurance. Special attention is paid to better social security for one of the most vulnerable groups in the pension system, which includes recipients of the lowest old-age, widow-er's, disability and survivor's pensions and compensations under disability insurance.

During the negotiation process in 2019, social partners agreed that a wider package of legislative amendments must be prepared to introduce amendments to pension and disability legislation. All amendments to the pensions system will be adopted according to a standard procedure in cooperation

with social partners, which prompted the negotiating team at the level of the Economic and Social Council to remain active. A wider social consensus will be required for measures which will provide long-term fiscal sustainability of the pension system on the one hand and suitable income in old age on the other.

*Increase the employability of low-skilled and older workers by improving the relevance of education and training based on the needs of the labour market, and through lifelong learning and activation measures, including improving digital literacy.*

### Measures in the labour market

Economic growth began to level off in 2019, but the still favourable economic climate in the labour market was reflected in more employed persons and the lack of suitably qualified workers. At the end of December 2019, 75,292 persons were unemployed. In comparison with December 2018, the number of registered unemployed persons was lower by 4.1 per cent. In 2019, an average of 74,178 persons were unemployed monthly, down by 5.5 per cent from the 2018 total. Fewer newly registered unemployed persons changed the structure of unemployment.

### Data on increasing unemployment as a consequence of the COVID-19 epidemic:

The declaration of the epidemic in Slovenia interrupted the favourable movement of registered unemployment in recent years. In the second half of March, the number of unemployed persons began rising rapidly; in the first half of April, the Employment Service of Slovenia recorded intensive growth which later began to gradually ease. This was probably due in large part to the adoption of the intervention act and other measures. On 20 April 2020, 86,327 persons were included in the register of unemployed according to the unofficial (daily) data of the Employment Service of Slovenia, up 15 per cent from five weeks ago (15 March 2020: 75,026). In the 20 days of April, 39 per cent more persons registered anew with the Employment Service than in the whole of March 2020.

The first workers to lose their jobs as a consequence of the epidemic and register with the Employment Service included hospitality workers, workers from small production plants and agency workers. Employers that pursue other activities were also affected, resulting in workers with a wide range of profiles registering with the Employment Service as their companies laid them off due to lower demand for their products and services (tourism workers, shop assistants, hairdressers, commercial sales representatives, business secretaries and secretaries, etc.). Employers mainly cancel work performed by students, part-time workers and outsourcers. Workers' expired fixed-term employment contracts are not renewed. In March 2020, 7,848 unemployed persons registered anew, mainly due to the expiry of fixed-term employment contracts and on grounds of redundancy. The same trend continues in April.

	JANUARY 2020	FEBRUARY 2020	MARCH 2020	APRIL 2020 1 Apr. – 20 Apr. *
NEWLY REGISTERED	11,288	5,172	7,848	10,893
DE-REGISTERED	6,739	7,529	7,477	2,418
- of which employed	4,700	5,833	6,033	1,558
<b>REGISTERED UNEMPLOYED PERSONS</b>	<b>79,841</b>	<b>77,484</b>	<b>77,855</b>	<b>86,327</b>

Source: ZRSZ, \*daily, unofficial data of ZRSZ

At the end of 2019, the new Labour Market Regulation Act (ZUTD-E) was adopted to raise the number of elderly persons in employment and provide better social security of unemployed persons who receive unemployment benefit. The proposed amendments also refer to a more intensive integration of foreigners into the Slovenian labour market. To increase the employment rate and prevent inactivity traps, amendments to the Social Assistance Payments Act are also foreseen. Amendments to the Act were drafted with a social dialogue with the active cooperation of social partners.

In 2019, 8,000 unemployed persons aged 50 or over were included in the ALMP programmes, which is slightly over 29 per cent of all persons included in the ALMP programmes (2018: 26 per cent). The most elderly persons were included in the measure of employment incentives aimed particularly at enhancing job opportunities for vulnerable groups of unemployed persons, i.e. slightly over 4,100 persons. The “Active Until Retirement” programme is carried out exclusively for elderly persons, enabling 673 elderly unemployed persons to gain employment in 2017 and 2018.

To enhance the employment of elderly unemployed persons, the conditions of age and insurance period necessary for elderly persons to obtain unemployment benefit were changed so that now unemployment benefit is determined for 19 months for insured persons older than 53 (previously 50) while meeting the condition of an insurance period of over 25 years; unemployment benefit is determined for 25 months for insured persons older than 58 (previously 55) while meeting the condition of an insurance period of over 28 years (previously 25 years).

At the same time, a new reason to refuse unemployment benefit was introduced for persons who meet the conditions to obtain the right to old-age pension pursuant to the Pension and Disability Insurance Act (if they are 60 and have 40 years of pensionable service without purchasing additional years), as their social security is provided on this basis. If they decide to enter old-age retirement, they may register or remain registered in the register of unemployed persons and use services in the labour market.

The inclusion of persons with a low level of education is generally more problematic than of other groups of unemployed persons. Due to a lack of skills and knowledge, this group is also associated with long-term unemployment, which points to the need to also include this group in further education within the ALMP measures. 27 per cent of all persons included in the ALMP measures had a low level of education, which is four percentage points more than the previous year. In both years, almost half of the persons with a low level of education were included the ALMP education and training measures.

The Act stipulates a specific incentive for employing recipients of unemployment benefit with a low or medium level education (persons with shortage occupations are excluded). The Employment Service of Slovenia pays an incentive in the amount of 20 per cent of the last paid net unemployment benefit if full-time employment is preserved for the entire period of the incentive payment to beneficiaries who take a full-time job in the period when they were eligible for unemployment benefit until the right expires, but no longer than 12 months after finding the job (with an employer who is not the beneficiary's last employer prior to unemployment). The objective of the employment incentive is to promptly activate beneficiaries of unemployment benefit with a low and medium level of education, who have job opportunities but do not decide to take them because they are eligible for unemployment benefit. The incentive entered into force in January 2018 and was amended with a new act with the aim of implementing it more easily and efficiently.

### **Measures in the field of education**

To enhance the inclusion of adults in life-long learning and improve the competences adults needed in the labour market, requirements of the workplace and technological development, better employability

and mobility, and personal development and functioning in contemporary society, the following measures are carried out:

- Educational programmes for adults to obtain basic and vocational competences with a focus on information and communication technology.
- Financing for the provision of information and advice, and establishing and evaluating informally obtained knowledge prior to, during and after education or training. Advisory services are provided to employees who require additional training, qualifications or retraining due to the needs of the labour market and the workplace.
- The co-financing of education costs for persons who complete secondary education, whereby persons who have not completed four-year secondary education and are aged 45 or more take precedence.
- Support for promotion, entertainment and study assistance projects contributing to the awareness that education fosters better employability, mobility and personal development, a high-quality life in contemporary society, and to the upholding of adult education as a value. Activities contributing to greater recognisability of the significance of lifelong learning and better inclusion in education to raise educational levels.
- Upskilling for further vocational education and training. The project promotes a new form of further vocational education in companies and among employees to foster speedier upgrading of employees' competences and greater competitiveness of individual companies. The objective of the project is to improve the skills of those in the labour market and harmonise the educational offer with the needs of the labour market.

In 2020, the process of drafting the Master Plan for Adult Education by 2030 continues; the Master Plan will include key actors in accordance with the OECD recommendations from the Skills Strategy in 2018 (the OECD recommendations are based on the assessment of the situation regarding skills in Slovenia in 2017).

In 2020 and 2021, low-skilled prisoners in prisons will be able to obtain formal professional and vocational education, knowledge and skills for occupations, and be included in occupational therapy within the measure to reduce social exclusion financed from the European Cohesion Policy. These activities will enable prisoners to obtain knowledge and competences to support their entry in the labour market, enhancing the possibility of their personal existence without social assistance, and obtain extremely important labour competences that contribute to more effective resocialisation and active inclusion of prisoners in the labour market after their release.

### **3.2. Recommendation No. 2:**

*Supports the development of the capital market.*

In 2018, the introduction of a new regulation for providing investment services and transactions signposted developments in the Slovenian capital market most clearly, i.e. the new Market in Financial Instruments Act was adopted, which transposed Directive 2014/65 on markets in financial instruments (so-called MiFID II) into Slovenian legislation. The new Act established better standards in the capital market, which resulted in enhanced investor protection, better supervision over trading in financial instruments, and increased transparency. Extensive legislative requirements and the situation in the Slovenian capital market manifested in the consolidation of investment service providers and



transactions on the one hand, and the establishment of new trading venues within the Ljubljana Stock Exchange on the other.

An objective was also to facilitate the acquisition of financial (non-banking) resources (including by small and medium-sized enterprises). In Slovenia, the Ljubljana Stock Exchange set up a multilateral trading facility (MTF) *SI ENTER* whose advantage is that it is adapted to fast-growing companies or companies that are preparing for the next level of corporate development. Within *SI ENTER*, the Ljubljana Stock Exchange manages the *PROGRESS* platform intended for the issue of securities of small and medium-sized enterprises, whose main purpose is to obtain financial resources, and promote and open new financing possibilities to the Slovenian entrepreneurial environment.

The development of the capital market is also supported by the Ordinance on state-owned assets management strategy, which regulates the placement of companies to the regulated securities market, i.e. it stipulates that Slovenian Sovereign Holding (SDH) will stimulate companies (with potential capitalisation higher than EUR 300 million) to be admitted to the Ljubljana Stock Exchange to increase their market capitalisation. The strategy also determines that cooperation in the development of the capital market in Slovenia is an important guideline for the operation of SDH. In this regard, the sales procedure of NLB, d. d. should be pointed out as best practice. In accordance with the strategy, and as a legitimate controller and seller of the capital share of Slovenia in NLB, d. d., SDH listed ordinary shares of NLB, d. d. on the stock exchange in the Prime Market segment of the Ljubljana Stock Exchange in November 2018. At the same time, global certificates of ownership that represent ordinary shares of NLB were listed on the official listing of the Financial Conduct Authority of the United Kingdom and trading at the Main Market of the London Stock Exchange for listed securities.

However, the Slovenian capital market has still not recovered since the 2008 financial crisis despite all measures and effort, and the Slovenian economy is still largely geared towards bank financing. For the Slovenian capital market to attract more investors and issuers that would increase market liquidity, the “Improving and developing the capital market in Slovenia” project was applied to Slovenia’s projects for technical assistance regarding the implementation of the Structural Reform Support Programme 2020 of the European Commission. Increased liquidity of the capital market will boost economic activity and facilitate the availability of long-term financing sources of the economy with lower costs.

In 2019, the Ministry of Economic Development and Technology carried out measures to improve access to favourable financing sources for companies, particularly small and medium-sized enterprises, and to develop alternative financing sources that contributed to greater productivity, higher added value per employee in support companies and to the preservation of jobs and creating new jobs.

In 2019, measures to improve the access of companies to funding for their projects in the form of subsidies and refundable financing sources were carried out through institutions operating within the Ministry by: the Slovene Enterprise Fund, the Slovenian Regional Development Fund and SID Bank.

The **Slovene Enterprise Fund** facilitated access to favourable financing sources in the form of:

- subsidies for innovative start-ups and start-ups in problem areas;
- seed capital (convertible loan, equity contributions), both in combination with mentoring, training and networking;
- microcredits; and
- bank loan guarantees with interest rate subsidies.

In 2020, the Slovene Enterprise Fund will continue implementing bank loan guarantees with interest rate subsidies (a public tender published in March 2020) and financial instruments from the Fund of Funds (microcredits, equity financing), and subsidies for innovative start-ups.

The Slovenian Regional Development Fund facilitated access to favourable financing sources for investment in companies, favourable loans for bridge financing of projects that have obtained international funds, favourable loans for companies in problem and border problem areas, and favourable loans for non-refundable funds in the areas of both autochthonous national communities.

**SID Bank** granted favourable loans from loan funds to SMEs for their operations, microfinancing, employment and investment, and RDI. In addition, it continued with the implementation of so-called patient capital. In 2019, it gave loans for specific areas, including tourism, wood processing chain, internationalisation and investment. In addition, SID Bank acted as the manager of the Fund of Funds (financed from the ERDF funds, EUR 253 million), which includes financial instruments for:

- research, development and innovation (loans, portfolio guarantees), EUR 88 million;
- small and medium-sized enterprises (microloans, portfolio guarantees, equity and near-equity financing) (EUR 135 million);
- energy efficiency (loans) (EUR 25 million); and
- urban development ((loans) (EUR 5 million).

In 2019, SIB Bank selected financial intermediaries (Sberbank, Primorska hranilnica, Gorenjska banka, the Slovene Enterprise Fund) and provided all products apart from portfolio guarantees by itself or through financial intermediaries. At the end of 2019, the second tranche in the amount of EUR 63.25 million was paid into the Fund of Funds. SID Bank also continued providing loans from loan funds for tourism, wood processing chain, internationalisation and investment, and patient capital, and began implementing the last financial instrument, i.e. portfolio guarantees for RDI and SMEs.

The preparation of the project to review the situation and prepare the model for the implementation of social impact bonds (SIB) in Slovenia also launched with approved support from the European Commission.

*Improve the business environment by reducing regulatory restrictions and administrative burdens.*

A **stable legislative and business environment** is ensured through the permanent implementation of the “STOP the bureaucracy” project. A Single Collection of Measures is amended with new proposals from the business sector and citizens – it currently contains 388 measures, 276 of which have been realised (72 per cent), 100 measures are being realised, while the activities of 12 measures have not yet commenced but they have a longer realisation deadline due to their complexity (presumably in 2021 or 2022). The systematic implementation of impact assessments of measures from the Single Collection of Measures continues, i.e. 36 measures realised between 2016 and 2019 have been evaluated, within which legislative burdens were reduced in the total amount of EUR 88.7 million.

**In 2019, the “STOP the bureaucracy” portal was fully substantively and technologically renovated**, and provides the wider public with an opportunity to communicate detected administrative barriers and propose how to eliminate them.

The Government adopted the Action Plan to improve the procedure of planning, drafting, adopting and evaluating the impacts of legislation 2019–2022, which also includes systemic measures to modernise and optimise the drafting of regulations on the basis of the defined OECD recommendations following a review of the state of regulatory policies in Slovenia. They include the implementation of the **Project for the preparation of methodologies to assess the impacts of regulations and their inclusion in**

**the MOPED application.** The purpose of the project is to assess the impacts of regulations on other social fields (social services, the environment, IT solutions, the introduction of the ex-post regulation evaluation module).

**The procedure section of the SPOT portal is set to be renovated** and a new system to manage web contents and improve user experience is to be established. Companies will be able to use new electronic procedures carried out with local self-government and file an electronic report of an occupational accident. In 2021, the establishment of at least five procedures regarding transport licences is planned; also planned are further promotion of the use of safe e-commerce by introducing uniform trusted services, particularly online reporting and e-signatures, both in Slovenia and transboundary, and the establishment of the electronic serving system (to citizens and companies), and the system for e-authorisation and the issue of e-ID cards, which will provide greater flexibility when carrying out electronic procedures.

To make decision making simpler, more transparent and better, modern technologies for business intelligence will be introduced, and the analytic of the salary system in the public sector will be supported by the end of 2020, and subsequently also in the fields of public procurement and administrative procedures.

In 2020, activities to establish a digital platform for citizens, the public sector and the business sector, which connects the objectives of the Public Administration Development Strategy 2015–2020, continue, which are to:

- digitalise and optimise internal operations for a flexible, rational, efficient, transparent and open public administration;
- boost the competitiveness of the economy, including by the establishment of better conditions for e-commerce;
- Improve communication with citizens, the business sector and the whole public sector through innovative digital solutions.

The cloud ecosystem as created will be comprised of two clouds:

- The Slovenian State Cloud (DRO) was established in 2015 and represents computer infrastructure for the state administration; and
- and Innovative-Developmental Cloud Computing (IRO) which will support the establishment of a development environment for start-ups, innovators, researchers, students, secondary school students, individuals, towns and municipalities, non-governmental organisations and public institutions.

The Innovative-Developmental Cloud Computing will support the establishment of a development environment for start-ups, research organisations, educational organisations, researchers, innovators, students, secondary school students, individuals and other communities. All said entities will be able to realise their ideas, particularly in relation to open data, smart cities, smart metering and the Internet of things (hereinafter: IoT). The planned activities to establish a demonstration environment for the IoT section and prepare specifications to order hardware and system software continue.

As part of the revision of the new and amended legislation, the Ministry of Economic Development and Technology has been carrying out revisions of SME tests of ministries. Based on public authority, representative chambers have been included in the implementation of SME tests.

A regulation that will limit unfounded and unjustified regulation of professions is expected to be adopted. When preparing new or amending existing regulations that regulate professions, proposers will have to undergo a preliminary proportionality test which will be attached to the proposed regulation. The

regulation will transpose in the national legislation the European legislation, whose purpose is to prevent the adoption of disproportionate regulations and consequently, administrative burdens.

In regard to attorneys, the non-compliance of the Slovenian legislation with European Union law will be eliminated. In relation to the regulation of professional services, any discrimination based directly or indirectly on citizenship is prohibited. After assessing the suitability of conditions to be an attorney, the condition regarding citizenship of the Republic of Slovenia is equated with citizenship of the EU, EEA and Swiss Confederation.

**In the field of justice**, measures to ensure effective and available procedures before judicial authorities, optimise justice organisation, and to further digitalise and computerise the judicial system will be implemented in 2020 and 2021. The efforts are particularly aimed at optimising the pre-trial investigation and increasing the rate of substantive decision making of appellate courts to replace remitting cases to first instance. Also important is the strengthening of the regulatory framework in the field of confiscation of proceeds.

Further preparations related to the optimisation of the network of courts are being carried out to enhance the effectiveness of the judicial system. The area of training law school graduates so that they can perform functions and occupations in the judicial system is being renewed. In 2020, a document that will be the basis for the renewal of career development of the public employees in the judicial system is set to be drafted.

To enhance responsibility, effectiveness and the quality of work and operation of state prosecutor's offices, activities to amend organisation legislation continue with a special emphasis on streamlining the process of career appointments.

A report on the attainment of the objectives of the court expert, certified appraiser or court interpreter activity renewal, the suitability of the inclusion of experts, the regulation of professional matters in this field, and the need to establish a chamber will be prepared at the beginning of 2021.

**The implementation of e-public auctions** and the publication of assets in judicial proceedings will be used to achieve a higher share of the repayment of creditors in enforcement, insolvency and bankruptcy proceedings, improving the business environment for companies and the economy.

In 2019, the new Criminal Procedure Act was adopted, in which provisions that will support e-commerce and e-serving in criminal matters were renewed. In 2020, intensive harmonisation of the regulation governing e-commerce in criminal proceedings continues. The rules will contribute to a greater rationalisation of the procedure, as it will facilitate the filing of electronic applications with the court and electronic serving of judicial documents. Direct savings will occur particularly in relation to costs of judicial proceedings and alleviating burdens for the business environment, while direct savings will be associated with higher productivity.

Registered users of the e-government portal can see the number of their road transport penalty points since March 2019. Direct electronic serving of certificates of no criminal record has been available for citizens since October 2019. The basic purpose of both upgrades is to provide users, in addition to conventional means, with an additional, i.e. electronic, and speedier, way to obtain certificates from the criminal records and see their own data. Activities focused on the simplification of procedures to obtain certificates from the criminal records will continue in 2020 in the field of obtaining certificates from civil registers.

*Improve competition, professionalisation and independent oversight in public procurement.*

In the field of public procurement, the e-JN information system was established in 2018. This facilitates comprehensive computerisation of public procurement procedures. Its crucial modalities relevant to the wider public (customers) and business sectors (providers) are the obligation to submit bids electronically, electronic public opening of bids, the option to conduct electronic auctions, and electronic verification of providers. Electronically conducted procedures simplify the management of public procurements and reduce the possibility of errors, and contribute to greater transparency, simpler accessibility of procurements and less scope for abuse. The e-JN information system, upgraded in 2019, facilitates completely electronic implementation of public procurement procedures, from procurement proposals, the preparation of decisions, tender documentation, links to the document system, the MFERAC financial system, the Public Procurement Portal and the iMIS permanent storage system, and the procurement of individual items through a catalogue. The expansion of this system to as many users as possible and the upgrading of the system by implementing eESPD and establishing a tool for a dynamic purchasing system are foreseen for 2020. Public procurement procedures will be simplified through **the upgrade of the e-JN information system towards new functionalities and supplementing links to back-end, standardising the conduct of procedures, shortening periods, greater transparency and providing the once-only principle**. Electronically conducted procedures will also simplify the management of public procurements and reduce the possibility of errors. All the aforementioned will contribute to greater transparency, simpler accessibility of procurements and less scope for abuse. The use of information tools in the field will reduce company costs and simplify access to public procurement, increasing competitiveness in public procurement.

In 2019, a change of data in real time and a changed display of metadata was provided within the “Statist” application. Certain functionalities being developed as part of the “They buy for you” project were used to attain this objective. The objective of this project is wider, i.e. it will result in 2020 in the development of information tools with which patterns to detect potential anomalies in public procurement procedures could be sought by analysing historical data, and the results could be used to improve the existing legislation. By upgrading the STATIST contract register and information solution, which will foster connecting data from public procurement procedures and payment of invoice for the provided services, the transparency of the implementation of contracts concluded on the basis of public procurement procedures will be enhanced.

With the establishment of the eRevizija portal (in September 2019), the computerisation procedure of public procurement was also introduced at the level of legal protection enforcement. The portal is used for the electronic exchange of information and documents, and the provision of information on the course of legal protection procedures on the existing Public Procurement Portal. It is among the first legal protection portals and will support completely the electronic conduct and monitoring of procedures and significantly shorten the duration of procedures and reduce stakeholders’ administrative burdens and costs.

In relation to the professionalization of public procurement, Action Plan for System Improvement and Professionalization in Public Procurement was adopted in May 2018, and includes 27 detailed measures aimed at raising the level and quality of public procurement and the system as a whole. Numerous activities from the Action Plan are ongoing, and comprise the provision of high-quality training and promotion of institutional training, the implementation of free training and workshops, the provision of information through online news, advisory services in writing and by phone, the preparation of thematic guidelines, brochures and schemes, and the computerisation of public procurement

procedures from the planning of needs to the development of an electronically supported audit process in public procurement.

Joint public procurement will be upgraded, particularly by the implementation of strategic joint public procurements. Attention is also paid to the additional subjects of joint public procurements, a higher number of clients in individual subjects of procurement and standardisation. Based on the results of the innovative systemic change project, which was carried out together with the European Commission and the OECD and during which the public procurement system in Slovenia was reviewed from behavioural, cultural, legal and macroeconomic perspectives, the gaps in the system will be addressed, in large part to boost competitiveness in the public procurement system.

On this basis and stemming from the Action Plan for System Improvement and Professionalisation in Public Procurement, a set of the most suitable skills and knowledge (the competency model specifically for public procurement) and a programme of training to obtain these skills and knowledge (so-called Public Procurement Academy) will be prepared in 2020.

In November 2019, the Act Amending the Legal Protection in Public Procurement Procedures Act was adopted. The amended act brought three significant new features: 1) A change in the organisation and formation of the National Review Commission (DKOM) to ensure greater independence and better operation of this authority, which has a status of a tribunal or an independent authority responsible for legal protection in public procurement procedures. 2) Allowing administrative disputes against decisions of the National Review Commission to enhance legal certainty, unity in decision making and public trust in the decisions of legal protection authorities. 3) Adopting measures to speed up legal protection procedures and enhance the effectiveness of legal protection in major projects.

In 2020, the bases for, and draft of, amendments to the Public Procurement Act are set to be prepared to devise solutions to boost competitiveness and enhance the effectiveness and flexibility of public procurement, whereby the final text will be prepared following a decision by the Constitutional Court (on the constitutional review of two articles of the Act) presumably by the beginning of 2021.

*Carry out privatisation according to the existing plans.*

The pursuit of individual objectives of the Government's Capital Assets Management Strategy is defined in the Annual Asset Management Plan, which is submitted by SDH to the Government for approval by the end of November. Slovenian Sovereign Holding (SDH) has successfully completed the privatisation process of Nova Ljubljanska banka (NLB). In November 2018, the first stage of the sale, in which 59.1 per cent of shares were sold, was completed with the listing of NLB on the Ljubljana Stock Exchange and the London Stock Exchange according to the IPO method. Another 5.9 NLB shares were sold with an over-allotment option, which is used to stabilise the price within 30 days. In June 2019, the sale of the remaining 10 per cent ownership of the Republic of Slovenia of NLB minus one share was successfully completed in accordance with the accelerated bookbuild or ABB method. In the NLB sales procedure, the Republic of Slovenia received EUR 779 million. Following the conclusion of the sales procedure, the Republic of Slovenia owns 25 per cent minus one share of NLB.

In June 2019, SDH signed the Sale and Purchase Agreement for Abanka shares on behalf and for the account of the Republic of Slovenia, according to which NKBM gained 100 per cent of shares held by the Republic of Slovenia in Abanka. NKBM was fully privatised in 2016 and is owned by investment funds managed by Apollo Global Management (80 per cent) and the European Bank for Reconstruction

and Development (20 per cent). In the Abanka sales procedure, the Republic of Slovenia received EUR 444 million of purchase consideration.

With this, the Republic of Slovenia complied with the commitments given to the European Commission regarding the privatisation of NLB and Abanka due to state aid received by the banks in 2013 and 2014, respectively. 90 per cent of the purchase consideration is intended for reducing the government sector debt and 10 per cent is intended for the Demographic Reserve Fund.

In 2013, the National Assembly approved a list of 15 companies to be privatised. From the list, SDH completed sales procedures of nine companies (Helios, Fotona, Aerodrom Ljubljana, Žito, Elan, Adria Airways, Adria Airways Tehnika, Paloma and NKBM). Due to unacceptable bids, the sales procedures of Gospodarsko razstavišče and Cinkarna Celje were suspended, while the sale of Telekom Slovenije was suspended due to the withdrawal of the only buyer. The Annual Plan states that SDH will make a decision on whether to instigate anew the sale of Cinkarna and Telekom by taking into account all circumstances regarding the companies' operations, the situation in the market and the business environment, which also applies to Unior. Two companies are no longer subject to sale (Aero – bankruptcy, Terme Olimia bazeni – merger with Terme Olimia).

In addition to the 15 companies and the said banks, SDH sold two investments in Letrika and Salus in 2014. Based on the basis of the adopted Strategy, SDH sold minor capital investments, i.e. two capital investments in Goriške opekarne and ČZP Večer in 2015, investments in seven companies (Energetika Črnomelj, A-Cosmos, Telemach Tabor, Dom upokojujencev Idrija, Ekoen, Murka, Počitniška skupnost Krško) in 2016, investments in four companies (Intertrade ITA, Telemach Rotovž, Toplotna oskrba and KDD) in 2017, and the capital investment in Gorenjska banka in 2019.

Since 2014, SDH has carried out sales procedures of capital investments in 27 companies. In addition, KAD sold the capital investment in Gorenje in 2018.

### **3.3. Recommendation No. 3:**

*This recommendation focuses its economic investment policy on research and innovation, low carbon and energy transition, sustainable transport (especially rail) and environmental infrastructure while taking into account regional differences.*

#### **Research and development**

Between 2017 and 2021, Slovenia made a substantial effort in attaining the objectives of financial investments in research and development. To this end, budgetary funds increased, enhancing research capacities for participating in the international environment and with the business sector, and the stability of the system. New instruments to increase scientific excellence, attract Slovenian researchers to return to Slovenia from abroad, and step up efforts to improve and modernise research equipment and infrastructure were designed. In the field of connections between research and the business sector, the implementation of the European Cohesion Policy instruments, which follow the priorities of the Smart Specialisation Strategy, continues. In instrument planning, the focus, in addition to scientific excellence, is on improving the capacities of public research organisations to cooperate with the

business sector, and boosting their international competitiveness and potential to commercialise developed knowledge, as well as on developing scientific personnel and the research infrastructure.

In the past year, great attention was paid to the drafting of new legislation which includes solutions for systemic connection between research and innovation, establishing a stable research environment (stable financing), setting up a stimulating remuneration system for researchers, defining the implementation of open science principles, defining scientific research activity as a horizontal task of the whole Government, and determining the manner in which to increase funds to the target share of one per cent of GDP for research and development.

Instruments carried out at higher levels of TRL are aimed at projects that put emphasis on the development of new products (product, service or process). Companies (depending on their research and development capacities) in projects act independently or as a consortium of several companies and/or research organisations, which part of the instruments are intended for co-financing international projects (approx. 15 per cent). Incentives for company development activities and connection with knowledge institutions are generally provided through public tenders (SRIP, public tenders for RDI, public tenders for pilot demonstration projects, Eureka). Development is also important from the aspect of the digital transformation of companies and society; therefore, the field of artificial intelligence and the development of a suitable support ecosystem must be supported systemically and comprehensively, and a wide range of stakeholders must be included. Smart Cities and Communities are a stepping-stone for the new development of local self-government, and facilitate connections between the business sector, research institutions and civil society to develop new and better solutions and services in digitalisation.

In 2019, several measures and public tenders were implemented in research, development and innovation (RDI):

- within the public tender for Strategic Research and Innovation Partnerships (SRIP) in priority areas of smart specialisation, 16 selected operations were carried out;
- within the Supplementing the SME instrument – Phase 1 public tender, three projects were approved in 2019, and five projects were approved within the Supplementing the SME instrument – Phase 2 tender;
- within the public tender for RDI in value chains and networks, 33 projects and programmes were co-financed;
- within public tenders for researchers at the beginning of their careers, 79 collaborative projects were supported in which researchers are a link between the business sector and knowledge institutions;
- within measures to strengthen research infrastructure, seven ESFRI projects, the construction of HPC, the centre of excellence Innorenew CoE and the modernisation of the infrastructure of the University of Maribor were supported;
- support for technology transfer activities; within the public tender for pilot demonstration projects, seven projects are implemented; within the public tender for boosting the competences and innovation potential of companies, 70 selected projects were carried out.

Slovenia successfully participates in several projects carried out at the EU level. The Vanguard Initiative enables companies to be included in international value pilot projects and value chains. Within the Pilot Action on Industrial Transition, Slovenia and eleven other European regions were selected to draft pilot strategies for industrial transition. The European Commission guides activity towards high-quality and informed discussion, the results of which will be useful for EU Member States and the EC when planning policies in the next financial perspective, particularly for regions that are, in regard to GDP, on the borderline for eligibility to cohesion funds. Intensive activities are in progress to prepare the “Deep Demonstration Project” initiative within which a demonstration project is being prepared for Slovenia’s transition to a circular economy by eight ministries, and the Climate KIC, KIC Raw Materials and JRC EC. The project is particularly important for:



- integrating various sectoral policies into a single circular economy policy framework;
- integrating existing funds into single and synchronised measures;
- Slovenia's active cooperation with EU institutions and positioning the circular economy at the core of Slovenia's development policy.

As part of the implementation of financial instruments through the SID Bank Fund of Funds, loans for RDI are available to end users directly through SID Bank and through financial intermediaries.

In relation to low-carbon and energy transition, measures to pursue long-term objectives in this field will be prepared. The focus will be on utilising the potential that the aforementioned transition may bring to the economy, particularly regarding changes of business models and the development of products which will be based on the circular economy principles with the emphasis on the use of low-carbon naturally renewable materials.

### **Sustainable transport**

As part of the systemic solutions in the field of **integrated public passenger transport**, an integrated public passenger transport operator will be established in 2021. This will operate public rail transport and regular interurban bus transport, harmonising these with road transport. 2019 saw the drafting of the Sustainable Mobility Act commence. The Act will define the basic concepts of sustainable mobility, provide systemic financing resources for sustainable mobility measures, and determine the competences of various levels and institutions and monitor the quality of the implementation of sustainable mobility measures. The main objective of the legislation is to support the integrated transport planning process in Slovenia. The Act will regulate the fields of management, the distribution of competences, the financing of sustainable mobility measures, the regional level of integrated transport planning, and monitoring and evaluation, and will be a legal basis for the relevant ministry as the spatial planning authority for the field of sustainable mobility.

When uniform tickets for all users of public passenger transport, i.e. unnamed, transferable single tickets, daily, weekly, monthly and annual passes, and affordable named monthly and annual passes, were introduced in 2019, the needs for the integral management of all modes of transport increased considerably. In 2020, the timetables of various providers of regular public passenger transport and operators of urban transport will be further harmonised. Tickets for pensioners, persons over 65, holders of the EU Disability Card and war veterans will be introduced if the said groups of users are not in a permanent employment relationship. This will significantly improve the mobility of these groups. A technological solution will be produced for public transport passengers so that they can use uniform tickets. In particular, comprehensive information about public passenger transport will be provided for access by smart devices, and a mobile service will be supported.

The national programme in the field of **railways** contains a series of measures, part of which must be prepared in connection with the measures on other subsystems (roads, sustainable mobility, etc.). Enhanced railway infrastructure capacity, including the modernisation of railway stations as intermodal terminals where different modes of transport will intersect and be supplemented, will foster more sustainable transport for the expected freight and passenger requirements. At the same time, interoperability, more effective management, better traffic safety, better access to the TEN-T network, and better cross-border mobility must be ensured.

In the 2020–2021 period, measures are planned that will modernise and upgrade the TEN-T railway network, with which Slovenia has been taking decisive steps towards the fulfilment of commitments arising from Regulation (EU) No 1315/2013, which obliges us to meet the TEN-T standards on the TEN-

T Core Network by 2030. At the same time, activities for the preparation of projects and measures on the railway network, the implementation of which is planned to take place after 2021, will be carried out.

An important measure to promote the use of rail transport is the purchase of 52 new train routes for better implementation of the mandatory public utility service of passenger transport. In 2018, a public tender that will enable the first supplies in 2020 was successfully completed. This is the basis for a better utilisation of a modernised railway infrastructure and the foundation for a more efficient integration of public passenger transport.

Establishing connectivity with other forms of public transport and the accessibility of individual urban centres or regions in the country are a challenge for the nation's railway infrastructure. For this reason, the upgrade of the railway network of urban hubs for sustainable mobility outside TEN-T and an increase in capacities, which includes modernising stations, information equipment and pertaining measures (car parks, bicycle storage units) at stations and stops, are foreseen for passenger-friendly services. It should be pointed out that the transport system is only efficient if the operation of its individual parts and levels is harmonious and integrated. Access to public passenger transport stops, most notably those of the railway network, is an even greater obstacle during its use than the quality of the service, which requires comprehensive mobility planning.

Measures to **promote sustainable mobility** have been implemented on the basis of integrated transport strategies. In view of the specific needs of individual areas, projects and measures to promote multimodal urban mobility and establish an urban and regional sustainable infrastructure, i.e. cycling infrastructure, bicycle hire system, walking infrastructure, and public passenger transport stops are ongoing and in preparation.

Regarding **alternative fuels in the transport sector**, a set of legal and regulatory measures, demonstration projects, awareness-raising and promotional activities, and direct financial incentives are being carried out to provide a suitable charging infrastructure, and the co-financing of differences in the price of diesel-powered vehicles and alternative fuel vehicles. Within the Structural Reform Support Programme 2020 of the European Commission, technical assistance funds were allocated to the drafting of an alternative transport fuel act.

In view of the commitments under the directive on land transport on the Trans-European Transport Network (TEN-T), Slovenia has a suitable charging infrastructure for electric and liquefied petroleum gas-powered vehicles. Measures to promote the building of charging stations for compressed natural gas in regional centres will foster the establishment of an integrated charging infrastructure network for all current alternative fuels. Support is set to focus on the provision of an adequate charging infrastructure using electricity and hydrogen, which are the purest alternative carbon-neutral fuels. This is particularly crucial in towns. Therefore, the provision charging infrastructure for alternative fuels at P + R hubs located in urban areas, charging infrastructure with electricity near multifamily residential buildings, and electricity and hydrogen for the provision of PPT will be promoted. In the strategy for the establishment of a suitable infrastructure as regards alternative fuels in the transport sector, Slovenia also decided to develop an infrastructure for biomethane, and bio, synthetic and paraffinic fuels.

The gradual transition of ships to alternative fuels by taking into account their considerable contribution to the global transport market will also have a significant positive environmental impact. The shipping sector constitutes over 80 per cent of global trade, causes three per cent of global greenhouse gas emissions, and contributes to air pollution near coastal areas and ports. A suitable infrastructure for alternative fuels in the port is set to be established by 2025.

## 4. INVESTMENT PLANS

The promotion of investments will be crucial to boosting economic growth and speeding up the recovery of the labour market. The Government plans to adopt an “exit strategy” which will follow European plans for joint action, particularly with investments in the environmental and transport infrastructure, energy projects, and new technologies, science and speedier digitalisation of the economy. Investments will also be supported with European funds; more information on this is provided below and in Annex 2.

### Transport infrastructure

In the field of **railways**, activities for the construction of the second track of the Divača–Koper line, the upgrading of the Zidani Most–Celje and Maribor–Šentilj lines, the upgrading of the Pragersko hub, the reconstruction of the Karavanke Tunnel, the upgrading of the Ljubljana–Kranj–Jesenice line and others are in progress. In 2018, the Kočevje line was modernised; freight transport to Kočevje was relaunched after ten years in April 2019, while the establishment of passenger transport is scheduled for mid-2020 after almost 50 years.

Investments will continue to focus on the modernisation and upgrading of the railway network to support further development of a sustainable, smart, safe and intermodal TEN-T network which provides sufficient capacity, interoperability, eliminates bottlenecks, increases safety levels, provides more efficient traffic management, enhances the electricity supply, reduces operating costs, and consequently provides more efficient passenger and freight transport. The modernisation and upgrading of the railway network will include the upgrading of the Ljubljana–Divača, Zidani Most–Dobova–state border lines, the construction of a direct rail connection between the Primorska and Gorenjska lines (Tivoli curve), the upgrading of the Ljubljana station, remote traffic control.

In the past two years, a crucial turn of events took place in the field of **state roads**. Based on the Resolution on the National Programme for the Development of Transport of the Republic of Slovenia until 2030 and six-year dynamic plan, the focus is on the provision of a stable and more even volume of investments. For investment maintenance, arrangements, the resurfacing and reconstructing of roads, the reconstruction of crossroads, the reconstruction and modernisation of roads, geotechnical projects, new roads and the construction of bypasses, the arrangement of cycling surfaces and the rehabilitation of embankments, walls and landslides, the volume of budget expenditure must be maintained at the 2018/2019 level.

For optimum financing of investments and the investment maintenance of transport infrastructure in accordance with the National Programme for the Development of Transport of the Republic of Slovenia, existing dedicated sources for investments and the investment maintenance of transport infrastructure, i.e. annual fees for the use of vehicles in road transport and concession fees from Luka Koper, d. d., which is owned by the Republic of Slovenia, and fees for deregistered vehicles must be exploited to the largest extent possible.

The modern **motorway network** will be upgraded with investments in development axes. In 2020, the construction of the second tube of the Karavanke motorway tunnel, which is maintained and operated by Slovenia and Austria, will begin. To improve mobility and the quality of life, and to establish better conditions for the development of sustainable transport, bottlenecks at critical motorway sections (expansion of the Koseze–Kozarje motorway section to a six-lane motorway, the restoration of the existing tube of the Karavanke Tunnel) must be eliminated, and suitable connection on the transport network to support harmonious regional development in the Eastern Slovenia cohesion region, including on the third development axis which will connect Koroška and South-Eastern Slovenia, must

be ensured. Sections from the Šentrupert slip road towards Velenje, Slovenj Gradec and the Austrian border in the north, and from the A2 motorway at Novo mesto to the Maline slip road and southwards to the Croatian border are parts of the connection.

For public airports for international air transport, spatial planning documents are in preparation which will foster the development and expansion of airport activities at Ljubljana Jože Pučnik Airport, Maribor Edvard Rusjan Airport, and Portorož Airport.

Priority tasks in the field of **maritime transport** include investments in the further development of the freight port of Koper, the provision of a higher level of navigation safety, and the protection of coastal waters against pollution.

investments in Luka Koper, d. d. will be primarily aimed at increasing the capacities of the container terminal at Pier 1, constructing a new Ro-Ro berth for cars, improving warehousing and operational conditions, arranging new entrances to the port to relieve traffic in relation to the public infrastructure, upgrading the existing infrastructure and equipment, and increasing the water depth of the port. Suitable depths and the maintenance of the entry canal to the Port of Koper are provided by the Republic of Slovenia, whereby Pool II is set to be deepened to a depth of 16 metres due to the increased volume of transshipment to support Slovenia's quality and efficient inclusion in the European transport network. If the additional Koper–Divača rail line is established in time, the transshipment could amount to 35 million tonnes by 2030. Properties are being purchased in the NSP area with the aim of all land in the area of the freight port of Koper being owned by the Republic of Slovenia. This will provide additional warehousing and handling areas for port activity to develop.

## **ICT and other infrastructure**

The **construction of a high-performance ICT infrastructure** is an element of Slovenia's future development. Without a wide expansion of high capacity networks, the development of parts of Slovenia, particularly less populated and rural areas, will lag behind. The divide between citizens who are part of the information society and citizens who are not will be even deeper. This is all the more obvious in the situation we are facing right now. Public services (health care, education, etc.) will be even poorer due to the limits of the broadband infrastructure, as the efficiency of such an infrastructure is crucial in a situation such as the one we are currently experiencing.

The objectives are to:

- promote the use of digital technologies and the Internet in all segments of society: boost the use of the Internet;
- promote demand for the use of digital/Internet/electronic services: enhance penetration and subscription to the Internet (advantages of digitalisation);
- promote the use of electronic communication services, and the services of e-government, e-health, e-banking, online shopping and other e-services;
- promote the digital transformation of society: boost the use of public sector e-services, etc.;
- raise the level of information and cyber security of the ICT infrastructure.

It is also crucial to boost demand for the broadband services of Internet access with **awareness-raising and information programmes for e-inclusion** (e.g. increase the use of digital competences of e-skills and e-competences). A deficit in the field of e-skills and e-competences is among the main reasons why people are reluctant to use electronic communication services (Internet access).

The objectives are to:

- promote and develop general computer literacy;
- establish a state-of-the-art, internationally comparable infrastructure;
- introduce programmes to obtain digital competences and knowledge with the aim of developing computer and digital literacy to facilitate communication in society and perform work tasks with an emphasis on obtaining knowledge in the use of computer and digital technology, such as the Internet, e-mail, e-government, e-health, mobile phones and other digital devices, and knowledge particularly for elderly persons.

## 5. PREPARATION PROCESS

This time, the National Reform Programme was drafted in an extraordinary situation. The COVID-19 epidemic caused an immense economic shock. Due to exceptional circumstances, the Government adopted numerous measures. Since the speed of adopting measures was crucial in the given circumstances, there was a deviation from the standard practice of consulting with the social partners when preparing the measures. At the same time, the current and future measures of the Government as presented in the document are almost exclusively related to mitigating the consequences of the epidemic. In accordance with this and considering the fact that public life is limited, this year's National Reform Programme has not been discussed by the National Assembly as was the case in previous years, and it was submitted to members of the Economic and Social Council merely to obtain written comments. Nevertheless, the Government strove to take into account the proposals and comments of the interested public when drafting measures to contain the epidemic and mitigate its consequences.

An advisory group comprised of renowned economists, other experts and representatives of the business sector (the head of the group is Matej Lahovnik; members of the working group are economists Mojmir Mrak, Igor Masten, Marko Jaklič, Dušan Mramor, Sašo Polanec and Janez Šušteršič; experts from other fields are Tomaž Štih, Žiga Turk and Ivan Simič, and entrepreneurs Ema Pogačar, Jure Knez and Dušan Olaj) participated in the preparation of proposals for key measures to mitigate the consequences of the COVID-19 epidemic for citizens and the economy. By taking into account the proposals of this group, the Government drafted the Guidelines with a set of measures to mitigate the consequences of the epidemic for citizens and the economy. On this basis, the Government adopted the proposed Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy at the end of March, which included the first set of most crucial measures. Since the Act had to be adopted swiftly, social partners under the auspices of the Economic and Social Council did not discuss the Act.

However, social partners provided their initial response regarding the proposed intervention measures at the working consultation of the Economic and Social Council on 11 March 2020; subsequently, there were two meetings with trade unions within the working group on preparing intervention measures headed by the Minister of Labour, Family, Social Affairs and Equal Opportunities on 6 and 21 April 2020. Meanwhile, intensive written communication was held between social partners and the Government.

During the discussion about the Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy with the National Assembly, social partners provided numerous written comments which are published on the website of the National Assembly together with opinions of the interested public. Most social partners assessed the Act to be a step in the right direction but had certain comments. The essence of the comments made by the trade unions referred to the reimbursement of wage compensation for temporarily laid off workers and workers absent due to force majeure, as eligible employers are not obliged to preserve jobs indefinitely.

At the same time, they pointed out that, despite earlier indications, the Act does not stipulate that all workers whose employment contract is terminated during the epidemic are eligible for wage compensation. They highlighted that the solutions exclude workers who work on the basis of civil law contracts and student work referrals, a situation which was also pointed out by student organisations. Trade unions and employers proposed that the provisions of the Act that refer to the reimbursement of wage compensation apply from the declaration of the epidemic on 13 March and not from 1 April as proposed by the Government. Employers further emphasised the unsuitable criteria regarding the income of employers or self-employed persons that would allow them to be eligible for the reimbursement of salaries for temporarily laid off workers or workers absent due to force majeure or for the one-off solidarity allowance. They drew attention to the lack of measures to support the liquidity of the economy and the problem with rent payment. Their comments were partially taken into account so that, with an amendment, the date of application of certain measures referred to in the Act was amended to 13 March, and the criteria for employers to be eligible for the reimbursement of salaries for their employees were also amended. Several comments were included in amendments to the first package adopted by the Government on 21 April.

As the second package of measures aimed primarily at ensuring the liquidity of the economy was prepared, the Government of the Republic of Slovenia appointed working groups that included representatives of various sectors. The working group for the economy is headed by the Minister of Economic Development and includes representatives of economic and agricultural organisations; the working group for finance is headed by the Minister of Finance and includes the Bank of Slovenia, the Government Office for Development and European Cohesion Policy, banks and the Fiscal Council; the working group that includes representatives of the opposition and non-governmental organisations is headed by the State Secretary of the Office of the Prime Minister; the working group that cooperates with representatives of education, trade unions and social security is headed by the Minister of Labour, Family and Social Affairs; the working group in which representatives of self-governing local communities and the Association of Municipalities participate is headed by the Minister of Public Administration. When preparing a new package of measures, the Government took into account proposals discussed by the working groups.

The last package of measures, which will also be a plan for economic recovery, is scheduled for May 2020. In its preparation, proposals provided and discussed by the working groups will be taken into account.

# ANNEX 1: PROGRESS IN ACHIEVING THE EUROPE 2020 OBJECTIVES

## 1. Employment

*The latest available data on employment, which changed significantly in April due to the pandemic, are stated in Chapter 3.1.*

The employment rate (20–64 years of age) was 73.4 per cent in 2017, 75.4 per cent in 2018 and 76.2 per cent in the third quarter of 2019. Slovenia attained the objective, i.e. 75 per cent employment rate, set for the period up to 2020 in 2018 (source: Eurostat).

Unemployment decreased alongside high employment growth. The registered unemployment rate calculated by the Employment Service of Slovenia was 7.4 per cent in November 2019, which was 0.7 percentage points down on November 2018, when it was 8.1 per cent. The registered unemployment rate of men was 6.7 per cent and of women 8.3 per cent. The seasonally adjusted surveyed unemployment rate calculated by Eurostat on the basis of data from the labour force survey was 5.2 per cent in 2019, which is 1.5 percentage points down on 2018. The measures of the active employment policy are aimed at increasing the employability of vulnerable groups in the labour market: the elderly, persons with low and secondary school education, young people and long-term unemployed persons.

In 2019, slightly more than 27,600 unemployed persons took part in various ALMP programmes, which is 11.4 per cent less than in 2018. The proportion of unemployed persons over 50 and the proportion of unemployed persons with low education included in ALMP have been growing in recent years. The share of older people included in the ALMP programmes increased by 2.8 percentage points and the share of persons with low education increased by four percentage points in 2019 as compared to 2018.

The number of long-term unemployed persons has been reducing in recent years. At the end of December 2019, the register of unemployed persons included 36,815 who had been unemployed for one year or more, which is 5.6 per cent down on December 2018. The proportion of long-term unemployed persons among all unemployed persons was 48.9 per cent in December 2019, which is 1.5 percentage points less than at the end of 2018. However, the share of persons who have been unemployed for two years or more remains high. From the aspect of reintegration into the labour market, their situation is increasingly demanding. Most frequently, these are persons with the most obstacles on the path to employment (age, disability, health, dependence, various social obstacles, etc.) The Employment Service of Slovenia has been intensively dealing with long-term unemployed persons within basic and in-depth career counselling (group and individual, intensive monitoring of the implementation of employment plans) and, as part of career counselling, prepare assessments of the status of the long-term unemployed after 12 months of inclusion in the register of unemployed persons. At the same time, the Employment Service of Slovenia include unemployed persons more intensively in the presentations and examinations of job vacancies to motivate them to enrol in training programmes (to acquire skills and competences), organise interviews with employers, hold team discussions to seek solutions in connection with social work centres, and intensively cooperate with social activation programme providers (progress, inclusion in the ALMP programmes).

Measures to boost the employment prospects of long-term unemployed persons were adopted in 2017 in accordance with the recommendations of the Council of the European Union for the integration of long-term unemployed persons into the labour market. In keeping with this, the cooperation between the Employment Service of Slovenia (ZRSZ) and social work centres was strengthened through social

activation programmes. Amendments to ZUTD in 2018 facilitated gradual deregistration of unemployed persons involved in violations (warning after the first violation, exclusion after the second), and in-depth assessments were introduced by the ZRSZ for the long-term unemployed to solve the unemployment problem more effectively. The inclusion of long-term unemployed persons in the integration employment plan in 2018 was 100 per cent. Offices for employers operate within the regional offices of the ZRSZ, which boosted cooperation with employers, contributing to the more effective integration of long-term unemployed persons into the labour market. The representation of long-term unemployed persons among all persons included in active employment policy programmes is relatively high (2018: 36.5 per cent, 2019: 32.8 per cent). The most long-term unemployed persons in 2019 were included in the education and training measure, with 4,473 long-term unemployed persons being included anew. In 2019, 4.1 per cent of the persons of working age in Slovenia were long-term unemployed according to Eurostat data (EU28: 3.9 per cent) – the share was down 1.8 percentage points on 2018 (EU28 by one percentage point).

To enhance the employability of long-term unemployed persons, technical assistance in the field of integrating long-term unemployed persons into the labour market was granted to the Ministry of Labour, Family, Social Affairs and Equal Opportunities as part of the Structural Reform Support Programme 2020 of the European Commission. Technical assistance is provided by the OECD (a review of the situation and the implementation of the pilot project).

In 2020, activities in the field of intensive consideration of unemployed persons who receive social assistance will continue, particularly in terms of the enhanced and successful cooperation of two institutions – the Employment Service of Slovenia and social work centres.

Favourable conditions in the labour market which fostered higher employment continued in 2019. Nevertheless, the challenges of a labour shortage due to a poorer demographic among the working population are looming. The demographic challenge must be addressed by swifter integration of young people into the labour market and a longer employment period for elderly persons. It is crucial to promote and facilitate opportunities for inclusion in lifelong learning and enhance the competences of all workers.

Support measures in the labour market to reduce inconsistencies between supply and demand in 2019 included the granting of scholarships for shortage occupations to ensure suitable personnel in the labour market in view of employers' demands, promote enrolment in the types and educational programmes which boost economic development and enhance employability, promote enrolment in educational programmes of secondary vocational and professional education, and to promote vocational and professional education. 1,000 new scholarships were granted in 2019 and the volume is expected to remain the same in 2020. Corporate scholarships continue to be granted through scholarship schemes in 2020. These measures are intended for employers and provide guided connections between human resources and the employment sector. Companies may use long-term corporate scholarships to ensure the development of suitable personnel, promoting their own development.

In 2019, a project commenced which is intended for persons at risk of losing their jobs. The project provides additional active support to the measures of mandatory registration in the register of jobseekers during the notice period. It is also intended for employees with fixed-term employment and employees at risk of losing their jobs due to technological changes. The objective of the project is further career development and the acquisition of suitable skills for prompt re-integration into the labour market. Within the scope of available funds, partners will pursue the goal to enable at least 800 persons out of 3,200 included persons (in both cohesion regions) to keep their jobs or make the transition to a new job easier by the use of free information, motivation, career counselling and training.



In 2019, two career centres for young people (people between six and 19; each cohesion region has one centre) commenced operation. These are intended for activities to empower young people to plan their careers, e.g. with information on occupations, by learning about their interests, characteristics, competences, recognising employer needs and the labour market. In addition, career centres provide support for counsellors and parents to help them with new approaches to career orientation and guidance for the benefit of young people in full-time education.

Education and training programmes for prisoners are carried out by the Prison Administration, which also gives them opportunities to work during imprisonment so that they can acquire work competences to facilitate their integration into the labour market.

The Probation Administration was established on 1 January 2018. The purpose of probation is to execute a sentence in a community instead of a prison, which means that a prisoner remains active in the social environment and keeps their social advantages and the sense of belonging and worth in society, which would be taken away or heavily limited with the deprivation of their liberty. Employed persons on probation obtain resources for work to which various material and social rights are attached, despite them serving a prison sentence. If a person on probation is unemployed, a probation officer helps them with professional treatment to find the reasons for, and consequences of, unemployment, and the options for dealing with those consequences. The Probation Administration records cases when entities executing sanctions have employed such persons to perform community services, thereby giving those persons the opportunity to achieve the goals of work processes and demonstrate responsibility and trustworthiness.

## **2. Investments in research and development**

Since 2017, Slovenia has made a significant effort in achieving the objectives of financial investments in research and development. In this period, the funds of the national budget increased. Of approximately EUR 227.5 million available in structural funds of the current financial perspective, more than 90 per cent have already been allocated for the implementation of measures aimed at scientific and technological excellence, collaboration and connection between the research field and businesses, connection of young researchers with the economy and improving the research infrastructure. The measures taken in this regard are described in section 3.3.

The fundamental standpoint in investment projects is to promote joint work by experts and businesspeople in developing new technological, organisational, design, marketing and other business solutions in order to transform innovative ideas into new products and services. This is the path to an innovative and technologically more advanced economy.

## **3. Reducing greenhouse gas emissions**

The greenhouse gas emissions records of the Republic of Slovenia for 2017 show that Slovenia achieves and currently even significantly exceeds the annual targets of greenhouse gas emissions limitation from non-ETS sectors as per Decision 406/2009/EC. GHG emissions in 2017 were about 10.8 per cent below the allocated emissions. In 2017, emissions dropped by 2.8 per cent. After two consecutive years of emissions increase, the trend is harmonised with the goals. The first evaluations for 2018 show that emissions are again increasing. The evaluations regarding the achievement of further annual goals as per Decision 406/2009/EC remain positive.

The possibilities for a further reduction of GHG emissions and the achievement of goals are shown in all sectors. Improvements in the efficiency of climate policies will also depend on the success of the further inclusion of low carbon transition goals in multi-sectoral and sectoral policies, whereby proper attention should be given to the competitiveness of the economy. The possibility of introducing a comprehensive information, education, training and awareness raising system concerned with the issues of climate change and a comprehensive approach to the decarbonisation of Slovenia through a transition to a circular economy presents additional potential.

In 2020, the implementation of the Operational Programme for Reducing Greenhouse Gas Emissions by 2020 (OP GHG 2020) ends in the Republic of Slovenia and the preparation of a long-term climate strategy to be concluded by 2050 will continue. The main objective of the long-term climate strategy will be to determine the target values of the GHG emissions reduction planned to conclude by 2050 in accordance with the Paris Agreement. The adopted Integrated National Energy and Climate Plan of the Republic of Slovenia (hereinafter: NECP) comprises the measures for achieving the emission goals by 2030. The implementation of both documents will commence in 2021.

The European Union introduced the Platform for coal regions in transition, which would simplify the development of projects and long-term strategies for terminating the use of coal. In 2020, Slovenia will prepare the national strategy for terminating the use of coal and the restructuring of coal regions in accordance with the just transition principles. The key activities, carried out by Slovenia, must strive to achieve the appropriate transformation of the Savinja-Šalek and Zasavje regions.

In 2021, the Energy Concept of Slovenia is envisaged for adoption (hereinafter: ECS), representing the basic long-term development document in the energy sector. On the basis of projections of the economic, environmental and social development of the state and on the basis of adopted international commitments, the ECS will determine the objectives of a reliable, sustainable and competitive energy supply for the next 20 years, and be indicative for 40 years.

#### **4. Increasing the use of renewable energy**

In SDS 2030, Slovenia stated that the “transition into a low-carbon circular economy is a priority development guideline for the entire economy”. One of the performance indicators determined is the share of renewable sources in final energy consumption. The strategic document and the Comprehensive National Energy and Climate Plan adopted on 27 February 2020 determine the target value being at least 27 per cent of the share of renewable sources in final energy consumption.

Dispersed production of electricity from renewable energy sources (hereinafter: RES) is an important pillar of future sustainable electricity production that will supplement the production in large plants of the transmission network. The collaboration of various energy sectors, especially electrical energy, gas and district heating and cooling as well as transport, and the appropriate adaptation of spatial and environmental legislation for an easier achievement of those goals will be of key importance for a successful attainment of energy and climate goals.

Two public tenders are in progress in RES for the construction of district systems fuelled by renewable sources of energy and for the construction of devices for the production of electrical energy from solar energy. Both are co-financed within the European Cohesion Policy in the period 2014–2020. Various incentives (financial and legislative) are envisaged in RES in the 2020–2021 period, i.e. in the field of subsidies for promoting the production of electricity from RES and the co-generation of heat and electricity (CGHE), investment subsidies for promoting electricity production from RES, incentives in self-supply with electricity from RES and stimulating the development of RES- and excess heat-fuelled district heating and cooling systems.

Promoting the use of renewable energy sources remains an important part of the European cohesion policy after 2021. Slovenia will focus mostly on the transition to solar and geothermal energy, the development of district heating and cooling systems from RES that also include the use of biomass and the development and production of cleaner energy sources and alternative fuels by introducing incentives for the production of advanced biofuels from biomass and synthetic biofuels.

Slovenia ranks 4<sup>th</sup> in the EU with regard to the share of energy consumption in transport in final energy consumption. Introducing RES in transport is very demanding. Slovenia intends to increase the share of biofuels in fossil fuels, whereas its priority will be to focus on the development, production and use of advanced sustainable biofuels. Developmental potentials will be exploited with regard to the available raw materials and the necessary technological development will be promoted with developmental incentives for carrying out pilot projects.

## **5. Efficient use of energy**

Energy and material efficiency in connection with sustainable use and local energy supply is the most important segment of modern society from the development aspect. Accelerated development of those areas, based on an increase in the quality of energy services with lower energy inputs is one of the fundamental elements of transition to a climate neutral society and will have a key impact on the competitiveness of Slovenian society in the future. It is important to strengthen the already well-developed competences of Slovenian companies. The NECP is based on the assumption that new energy technologies, especially in the fields of efficient energy consumption and local energy supply, will be of key importance for a successful fight against climate change and must enable the achievement of objectives within the cost parameters that the economy can still bear. Within the NECP, Slovenia has laid down the goal to improve energy efficiency by at least 35 per cent by 2030.

Important goals of reducing the consumption of energy in buildings have been determined in the Long-Term Strategy for Stimulating Investments in the Energy Renovation of Buildings (LSERB). The vision, determined in the current LSERB and followed by the NECP, is to achieve low carbon energy use in buildings by 2050. The emissions of other harmful substances into the air will also significantly reduce along with a large improvement of energy efficiency and an increase in using RES in buildings. Slovenia's goal is also to become recognisable in sustainable building.

Framework milestones for 2030, 2040 and 2050, nationally determined measurable progress indicators, evidence-based evaluations of expected savings in energy and greater benefits as well as their contributions to the goals of energy performance of the Union, included in time plans, determined in long-term strategies of the renovation of the national fund of public and private residential and non-residential buildings in accordance with Article 2a of Directive 2010/31/EU will be determined in the new "Long term renovation strategy to support building renovation" that is expected to be adopted in 2020.

The system of comprehensive energy renovations of public sector buildings is in progress in the field of efficient energy use, and they are co-financed from the European Cohesion Policy 2014–2020. Energy renovation of buildings owned and used by municipalities is also co-financed. The implementation of operations in accordance with the contractual energy saving assurance is also promoted with the published tenders and invitations to bid, thus enabling a greater scope of investments with less public funding for comprehensive energy renovations of public buildings.

Improving energy efficiency (energy renovation of buildings, including public and special buildings, by considering sustainable construction and advanced system management in and on buildings) is the

most important aspect of the starting points for a multi-annual financial framework in the future programme period in energy. Incentives for smart energy systems and networks development as well as locally based energy storage are also envisaged; i.e. the promotion of local energy communities and promoting investments and technologies for converting excess electricity from RES and connecting networks for the requirements of energy storage at conversion.

The measures for efficient energy use are included in the public tenders for grants in the timber industry. By modernising technological parks, companies become more competitive and more energy efficient, because the modern equipment, supported with appropriate programme equipment, is also more efficient from the energy and material perspective (more accurate production, less waste). Waste wood can be used as input material for other products; wood that is no longer usable can be used as biomass for heating, which means that the material and energy flows on the micro level (within the production unit) are closing.

## **6. Tertiary education objective**

In 2018, 42.7 per cent of citizens aged between 30 and 34 in Slovenia had completed higher education. Thus, Slovenia has achieved the goals of the Europe 2020 strategy (40 per cent). The indicator value is 3.7 percent lower than in 2017 (46.6 per cent), but this is explained by the finishing of the pre-Bologna higher education study programmes that had to be completed by September 2016. There are major gender differences in this regard: women represent a 53.3 per cent share, while men represent 31.6 per cent (Eurostat). The average age of higher education graduates was 27.3 years (the same as in 2017 and lower than in 2016, when the age was 31.7 years).

The share of graduates who found employment one to three years after graduating was 82.4 per cent in 2017; it has been growing since 2012, when the share was 78.6 per cent. Although Slovenia is slowly approaching the pre-crisis level, it is still below the EU average (84.9 per cent).

Since the amendment of the Higher Education Act in 2017, the annual budgetary resources for study activity on this level are gradually increasing, i.e. until they achieve the same GDP percentage that is in fifteen years from the adoption of the law at the latest. In 2017, the funds increased by 2.5 per cent in comparison with 2016, in 2018 they increased by five per cent in comparison with 2017 and in 2019 they increased by 7.5 per cent in comparison with 2018 (also due to the increase of salaries in the public sector).

Slovenia continues carrying out many measures in higher education priority areas with the funds from the European Social Fund and within the scope of negotiations for the funds under the development pillar for study activity financing (from the budget of the Republic of Slovenia), including improvement of study quality, internationalisation of the higher education sphere (in Slovenia and abroad) and cooperation with the environment. Cooperation projects with the business and non-business sectors in the local and regional environments will continue to be supported, including student projects for examining various creative and innovative solutions for the challenges of the non-business and non-profit sectors.

The training of higher education lecturers and expert workers for the introduction of innovative flexible learning and teaching methods as well as the modernisation of higher education didactics with a prudent use of ICT and the transfer to digital education are promoted. This also improves the quality of higher education and strengthens the transmission of skills and knowledge, including knowledge concerning the didactic use of ICT for students.

The European Social Fund also finances the introduction of the system for monitoring the employability or employment of higher education graduates, which is not generally accessible.

## **7. Early school leaving**

Regarding early school leaving, Slovenia has already realised the objective of the Europe 2020 Strategy (less than ten per cent). According to Eurostat, 4.2 per cent of young people aged between 18 and 24 in Slovenia in 2018 left school before they obtained a secondary education, which is lower than the EU average (10.5 per cent in 2018). Slovenia thus ranks second among the six most successful countries, where the share is below five per cent.

To prevent early school leaving, Slovenia introduced preventive measures which enable the identification of students at risk of leaving school, the provision of expert and learning assistance and inclusion in the consulting process at school. Several measures are aimed at establishing a stimulating school environment for students with migrant backgrounds, who leave school early more frequently than their peers in Slovenia and the EU.

Measures to successfully integrate migrant children from other linguistic and cultural environments in education include lessons in Slovenian as a second language, lessons in native languages, the training of teachers in multiculturalism as a new form of co-existence, etc. A literacy programme in Slovenian for foreign speakers was adopted, with a special programme for adults aged between 15 and 18 which enables their integration into primary education. A website was also set up with information for school managers, teachers, parents and the interested public on various aspects of the integration of migrants.

Amendments to the General Upper Secondary School Act and the Vocational Education Act were passed in 2017, which particularly focus on the facilitated and suitable integration of migrant secondary school students into education. In 2019, the Rules amending the Rules on norms and standards for the implementation of the primary school programme were also adopted. Amendments refer to determining the criteria for allocating Slovenian language course hours for students who have immigrated from other countries. Already in the 2019/2020 school year, the amendment has caused a significant increase in the number of Slovenian course hours for immigrant students and the possibility of systematisation of the share of working hours of an expert worker at primary school level, if 9 or more students are admitted in the programme at the beginning of the school year.

Materials on teaching and learning Slovenian as a second language, which are available online, were produced with the help of the European Social Fund. The public procurement, 'Enhancing social and civic competences of expert workers (2016–2021)', was also published, which will focus on empowering expert workers to successfully integrate migrant children, primary school pupils, secondary school students and university students and majority-culture children through programmes of professional training. One of the project goals is to promote intercultural dialogue and the acceptance of diversity as well as the preparation of a proposal for the programme of working with immigrant children. In 2018, the Ministry of Education, Science and Sport (after a decade of various projects tackling the integration of immigrants) acquired the document entitled "Proposal of programme for working with immigrant children in pre-school education, primary and secondary school education" within the "Intercultural co-living challenges" projects, which also proposes some changes and additions to legal bases in the initial learning of Slovenian, individual plans of activities as a document that contributes to recognising pupils' preliminary knowledge and experience, adjusting and evaluating knowledge during the school year, normative changes and staff options for carrying out a successful integration of immigrant children in education institutions. The document is also the basis for legislative changes in this area. Currently, the Concept of work for including immigrant children, primary and secondary school pupils is in progress. The syllabuses for initial Slovenian lessons in the first, second and third educational periods are also

being prepared. The syllabuses in the making are an attempt to establish the conditions for learning a new language, which would facilitate better linguistic and social integration in the education system for migrant pupils, and provide an opportunity to test, evaluate, and, in a search for more effective options, amend and upgrade these conditions in practice.

Special measures are also being carried out for children with special needs, for whom we provide appropriate and immediate assistance as well as adaptations to enable them to succeed. Children who are endangered in the family or have severe emotional or behavioural problems and disorders are provided with places in educational institutions where deinstitutionalisation principles are followed and care is taken for their appropriate education and inclusion in education programmes. New system solutions have also been prepared that will strengthen the help available to children, schools and kindergartens so that no severe emotional and behavioural problems will occur. New work methods in the form of daily assistance are also being introduced as part of an expansion of the programmes for secondary school pupils who leave school. By daily programme visits in the production school, their environment is structured, they are assisted with their problems and encouraged to return to the educational programme.

Special attention is dedicated to children with international protection and unaccompanied minors, with line ministries cooperating in their accommodation in residence halls, and their care and integration into the education system.

Since 2016, the “Together for Knowledge” project has also been financed by the European Social Fund. This involves the implementation of support mechanism activities for acquiring knowledge among the Roma community addressing the issue of motivation of the Roma community people to attend education and it also addresses their learning achievements, thus upgrading preliminary developmental projects with the aim of increasing the inclusion of the Roma in education. The representatives of the Roma community are one of the identified vulnerable groups in regard to early school leaving. The project employs around 60 people, of which 30 are drawn from the Roma community. 28 Roma assistants were included in the project until the end of 2019, and they are the main link between the school and the Roma community in 31 schools. The project dedicated special attention to working with pre-school children, i.e. via preparatory kindergarten, by including the Roma assistants in regular kindergartens and via special activities in multi-purpose centres that are especially intended for pre-school children.

## **8. Reducing poverty**

Slovenia was one of the countries affected heavily by the economic crisis after 2008; an impact also seen in the country's rise in indicators used to assess poverty and social exclusion. The negative trends stopped in 2014, and since then a reduction in the risk of poverty and indicators of social exclusion has been recorded every year. The poverty risk rate in 2018 remained the same as in 2017, i.e. 13.3 per cent. The annual poverty risk threshold increased by EUR 318 to EUR 7,946 or to EUR 662 per month.

Among all 268,000 people living with an income lower than the poverty risk threshold, 89,000 were pensioners (or 18.1 per cent of all pensioners), of which 60,000 were retired women and 29,000 retired men; 52,000 of them worked (or six per cent of all working people), of which 31,000 were employed and 21,000 were self-employed; 46,000 people were unemployed (or 45.7 per cent of all unemployed people); 45,000 of them were minors (or 11.7 per cent of all children), 36,000 belonged to other groups (or 20.4 per cent of all people who are unable to work, housewives, students, other inactive and non-categorised people).

In comparison with the previous year, the poverty risk rates lowered for employed persons (by 0.2 per cent), self-employed persons (by 2.7 per cent) and minors (by 1.1 per cent), but they increased for

unemployed persons (by 3.9 per cent), pensioners (by 2.2 per cent) and for other inactive and non-categorised persons (by 1.3 per cent).

Social transfers and pensions are an important factor in reducing poverty risk. If social transfers (family and social income) were not considered as income, the poverty risk rate would be 23.5 per cent or 0.6 per cent less than in the previous year. If pensions were deducted from income, the poverty risk rate would increase to 40.5 per cent or 1 per cent less than in the previous year. These data show that all forms of social transfers in Slovenia, including pensions, reduce poverty, although their impact in 2018 was slightly smaller due to the beneficial situation in the labour market.

All indicators of the standard of living in general show that the social situation of the population in 2018 improved, which was mostly the result of relatively high economic growth, positive labour market trends and the termination of austerity measures from the crisis period, which impacted the increase of salaries and social transfers.

As of 1 January 2019, the basic amount of minimum income in the amount of EUR 392.85, which after revaluation amounts to EUR 402.18, has been preserved. The increase of the basic amount of minimum income directly impacted the amount of social assistance benefits in cash and income support, consequently expanding the number of beneficiaries of both social transfer types.

Appropriate harmonisation of pensions is also important for the prevention of poverty risk among the elderly from the perspective of the pension system. Pension indexation was implemented twice in 2019, i.e. in addition to regular indexation as per the systemic act by 2.7 per cent in January, and extraordinary indexation by 1.5 per cent in December. In 2020, regular indexation in the amount of 3.2 per cent will be carried out in February with a settlement for January. Regular pension indexation is carried out once per year in accordance with ZPIZ-2, i.e. on the basis of the growth of the average gross wage and the average growth of consumer prices in the Republic of Slovenia, established and officially published by the Statistical Office of the Republic of Slovenia.

The guaranteed sum of the minimum old-age or disability pension after indexation as of 1 December 2019 amounts to EUR 538.53, i.e. if the old-age or disability pension for the legally determined full pension period in accordance with current regulations does not reach the aforementioned sum. According to data from the Pension and Disability Insurance Institute of the Republic of Slovenia, in December 2019 the minimum pension was guaranteed for 55,122 recipients of old-age and disability pensions, of which 47,483 received old-age pension (27,942 women and 19,541 men) and 7,630 received disability pension (4,834 women and 2,805 men). In 2019, the payment of the minimum pension was not considered for women with a minimum of 40 years of pensionable service, because their pension was higher if it was assessed on the basis of the minimum pension base.

From the aspect of prevention of poverty among new pensioners, the Act Amending the Pension and Disability Insurance Act (ZPIZ-2G), which entered into force on 1 January 2020, will also play an important role. A higher accrual rate provides a higher assessment of old-age, widow-er's, disability and survivor's pensions and compensations under disability insurance. Special attention is paid to the better social security of the most vulnerable groups in the pension system, which includes recipients of the lowest old-age, widow-er's, disability and survivor's pensions and compensations under disability insurance.

The adoption of the Act Amending the Minimum Wage Act is also important for preventing the growth of poverty among working people. On the basis of this, the minimum income for full-time work increased from net EUR 638 (gross EUR 843) as of 1 January 2019 to EUR net 700 (gross EUR 941) on 1 January 2020. As of 1 January 2020, the minimum wage also excludes all allowances (for years of service, work and business performance and difficult work conditions). As of 1 January 2021, a formula will be used

to calculate the minimum wage. The minimum wage will not be lower than 120 per cent of the calculated minimum costs of living and not higher than 140 per cent of the calculated minimum costs of living. Other mechanisms for further reducing the risk of poverty among working people are to be established within the social dialogue.

Amendments were made to labour market regulation legislation in 2019, which as of 1 January 2020 increase the unemployment allowance and strengthen the measures for quicker activation of the unemployed. The key changes made by the Act Amending the Labour Market Regulation Act include an increase of the minimum unemployment benefit from gross EUR 350 to gross EUR 530 or the equalisation of this net amount with the amount of minimum income for a single person. This also improves the social security of the unemployed. At the same time this method is an attempt to motivate people who do not strive to find work.

The poverty rate reduction will also be impacted by the Act on Social Inclusion for People with Disability, which entered into force on 1 January 2019. The act expands the circle of individuals eligible for disabled status to include persons with autism, persons with moderate to severe brain damage and those who have visual and hearing impairments. The disabled with a status as per this act will have the right to disability benefit in the amount of the sum of social assistance benefit in cash and income support (2019: EUR 591.20).

The Act Amending the Parental Protection and Family Benefit Act was adopted on 18 December 2019. On the basis of this act, some increases will apply for children born after 1 January 2021. Parental allowance and the minimum payment of maternity, paternity and family compensation will be increased to the amount that equals the basic minimum income amount (from gross EUR 331.30 to gross EUR 532.90), childbirth allowance will increase to EUR 350 (currently it amounts to EUR 286.72).

In education, the education supporting mechanisms are determined in the context of the poverty reduction measure on the “Safe and stimulating learning environment” website, where information about providing a safe and stimulating learning environment can be acquired. There are numerous measures to ease the burden on parents, i.e. school meal subsidies and other areas such as free rental of textbooks, the development of e-materials, co-financing school field trips, subsidising the accommodation of pupils and students in student homes and school transport for primary schools and adapted transport for children with severe or profound motor disabilities.

For pre-school children, kindergarten payments are reduced with regard to the income class of the family. Children from families in which the average monthly income per person does not exceed EUR 191.40, are exempt from payment. Children from socially deprived environments have an advantage in regard to admission to kindergarten. More favourable norms apply in departments that include Roma children, so that the number of children per employed professional worker is smaller. Additional funds are also provided for the costs of materials and services as well as additional funds for educating professional workers in this area. Subsidising the kindergarten payment is also important for parents with two or more children attending kindergarten at the same time.

Within the scope of poverty and social inclusion, in 2019 we implemented the “Development of working competences of prisoners” project, financed from the European Social Fund, which contributes to the reduction of poverty for a vulnerable group of prisoners. By carrying out various training and social activation programmes, prisoners are trained for life in freedom, i.e. by acquiring work competences and at the same time by eliminating the risks that condition the repetition of criminal acts. By enabling education within the tasks of the Probation Administration, the options for employment for criminal offenders are enhanced so that they are included in the social network and can receive a permanent source of income, thus reducing the poverty rate and consequently reducing the pressure on the social budget of the state.



## ANNEX 2: EU FUNDS

To attain the objectives of the Europe 2020 Strategy, cohesion policy funds for the 2014–2020 period are allocated to the following focus areas: (I) investment in research, development and innovation (RDI), (II) competitiveness, employment and training (ERDF and ESF), (III) infrastructure to achieve a better environmental status, sustainable energy use, sustainable mobility and the efficient management of resources (CF and ERDF). Focusing on these areas is justified by the need for short-term actions to improve access to finance for enterprises, research and incentives, and to improve employment and employability by also establishing a long-term stable environment capable of stimulating the development of good-quality jobs with a changed economic structure, while observing demographic trends.

More than EUR 1 billion has been earmarked for stimulating entrepreneurship, start-ups, internationalisation and the development of new business models for small and medium-sized enterprises. Almost EUR 500 million has been earmarked for investments in employment, strengthening and the development of human resources, mobility and investments in the education system and a training system for a quicker transition to the labour market. EUR 150 million has been earmarked for increasing social inclusion and reducing poverty risk. EUR 34 million has been earmarked for active ageing. EUR 914 million from the Cohesion Fund will be invested in the construction of the environmental and transport infrastructure, as well as the sustainable use of energy.

Furthermore, Slovenia has earmarked 32 per cent of funds for strengthening competitiveness within the Rural Development Programme 2014–2020 (of which EUR 255 million of public funds was earmarked for investments in physical assets and for investments in forestry technologies, processing, marketing and development of agricultural products, whereas approximately EUR 103.6 million was earmarked to stimulate activities for young farmers and the activity for the development of small farms), and only slightly more than 5 per cent of funds arise from a local approach (LEADER measure) that stimulates local development and enhances the quality of life in the countryside.

The measures of cohesion policy are carried out in a decentralised form by intermediary authorities, i.e. competent line ministries (and the Association of Urban Municipalities of Slovenia in the area of urban development) that provide for complementarity with measures implemented from other financing sources. Until December 2019, EUR 2.6 billion (EU part) or 86 per cent of available funds had been earmarked; operations in the amount of EUR 2.1 billion (EU part) or 70 per cent of available funds were confirmed. The situation shows that most measures are currently in the implementation phase, whereas there are drawbacks mostly in:

- the implementation of flood safety measures,
- the implementation of covering white areas with broadband internet access,
- the implementation of infrastructural projects, especially in railway infrastructure.

The year 2020 will be heavily impacted by the COVID-19 pandemic. Funds from the European Cohesion Policy will be used to address the current needs to fight the pandemic and to eliminate the consequences thereof. The measures to be addressed are mostly in the areas of health care, the economy, employment preservation and education. Funds that have not yet been earmarked from the Operational programme for growth and jobs 2014–2020 are now reallocated differently and the current projects in progress are being adjusted.

Measures to be addressed in health care are:

1. New health and protective equipment, medical devices, other measures in health care:

- Introduction of a critical COVID-19 infrastructure.
- Provision of key medical and personal protective equipment due to the COVID-19 epidemic.

2. Investments in research, development and production of the vaccines, medications and protective equipment necessary to manage the consequences of the COVID-19 epidemic.

Measures to be addressed in the economy are:

1. Support to employers to preserve activities and jobs:

- Ensuring liquidity for small and medium-sized companies development projects, and measures to mitigate the negative consequences of COVID-19.
- Incentives in internationalisation to reduce the consequences of COVID-19.
- Incentives for liquidity assistance to small and medium-sized companies in border problem areas.
- Purchase of protective equipment (incentive to companies to purchase protective equipment and to ensure the appropriate safety of employees and to enable safe operations and work of operations during the COVID-19 epidemic).
- Financial instruments (micro loans, anti-cyclical countermeasures).
- Wage Compensations.
- Temporary financial wage compensation due to employment loss.
- Help to the most vulnerable groups of people (additional funds for staff and material costs to organisations and providers of social care programmes that work in the field with the most vulnerable groups of people with the intention of preventing further social exclusion).

The measures to be addressed in education are:

1. Ensuring additional support infrastructure to carry out the educational process.

- Ensuring additional support ICT infrastructure to carry out the educational process.

The reallocation of around EUR 190 million from the EFRD and ESF is envisaged for short-term measures and around EUR 90 million from EFRD and ESF for long-term measures to tackle the consequences of the COVID-19 pandemic.

The dynamics of the implementation of current projects and the approval of new ones will be adapted accordingly. Due to the delay in implementation, contracts with beneficiaries will be extended and adapted where this is deemed possible for the elimination of the consequences of the pandemic. It is important that the projects do not stop or terminate, because in the second half of 2020 and in the coming years they will be an important generator of economic activity in the state and in this way will directly address the elimination of the consequences of the COVID-19 pandemic.

Therefore, in 2020 and in 2021–2023 we expect that the measures on all priority axes will continue, whereas in 2019 we verified the performance of the implementation of measures with regard to the planned financial and physical indicators. The axes that have not entirely reached the planned milestones are in the fields of covering white areas with broadband internet access (both cohesion regions), the implementation of entrepreneurial measures (Eastern cohesion region), the implementation of anti-flood measures, the environment and biodiversity (Eastern cohesion region), labour market measures (Eastern cohesion region) and social inclusion (Western cohesion region). After the implemented verification the funds (6 per cent reserve for performance) from identified non-successful axes will be reallocated with the modification of the operational programme to successful axes with regard to an individual fund and region of implementation (Eastern and Western cohesion region), not only on the basis of verifying the planned milestones for 2018, but also with regard to the evaluation of the achievement of goals by 2023 (within this framework, for example, chiefly in regard to investment in research, development and innovation).

The key measures and investments in implementation that should be emphasised are:

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

- successful implementation of a renewed public tender for broadband connections,
- further incentives for development investments in small and medium-sized companies,
- the financing of the economic and business infrastructure in municipalities,
- the continuation of energy renovation of public buildings and sustainable mobility measures,
- the acceleration of implementation of anti-flood measures on the Gradaščica and Selška Sora rivers,
- the conclusion of waste-water drainage and purification projects and quality drinking water supply, implementation of urban development projects,
- the implementation of railway projects,
- active employment policy, focused on the long-term unemployed, young people and the elderly,
- the continuation of social inclusion measures and development projects, led by local communities,
- the continuation of lifelong learning, training measures and connecting with the needs in the labour market,
- the introduction of a smart country and a digital platform for citizens, the economy and the public sector,
- the implementation of measures for enhancing the administrative capacity of the state (justice system, public administration, etc.).

EU funds are an important source of investment financing. In the period from 2015 to 2018, the share of EU funds in total expenses for investment in the national budget represented 18.7 per cent. In investment transfers, this share is even higher because the EU share in total investment transfers in the period from 2015 to 2018 amounted to 50.9 per cent. In the local communities' budget, the share of EU funds for investment and investment transfers in 2015 due to the finalisation of the previous financial perspective represented 39 per cent, and the average share from 2016 to 2018 amounted to 8.3 per cent. In 2019, the programming for the 2021–2027 period officially started and is now implemented in accordance with the partnership principle and with the aim that it shall commence in 2021.

Considering the new normative and content bases at the EU level (regulations from 2021–2027, Country Report of the European Commission, Development Report by UMAR, etc.), we expect that certain measures and contents, which have proven successful until now and are founded on appropriate strategic and programme bases, will continue, whereas the measures will be even more closely connected with those in the field of necessary reform.

In this field, we also expect a transition at the EU level, i.e. at the normative level as well as in MFF negotiations towards the new reality, i.e. the elimination of the consequences of the pandemic. This will result in the adaptation of the EC's view presented in Annex D Country Reports – Slovenia 2019 as starting points for negotiations about investment that will be financed under the cohesion policy (European Regional Development Fund, Cohesion Fund and European Social Fund Plus) and in Slovenia 2020, where Investment Guidelines for the Just Transition Fund are presented.