



**Brussels, 30 October 2014
(OR. en)**

**EG 9/14
ADD 1 REV 1**

**ECOFIN 942
UEM 342
EUROGROUP 14**

COVER NOTE

From: Alenka Jerkic, Financial Counsellor, Permanent Representation of the Republic of Slovenia to the European Union

date of receipt: 27 October 2014

To: Mr Carsten PILLATH, Director General, Council of the European Union

Subject: Slovenia:
Draft Budgetary Plan of Slovenia for 2015, as laid down in Article 6(1) of Reg. (EU) 473/2013 on Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the member states in the euro area

Delegations will find attached Slovenia's updated Draft Budgetary Plan for 2015 in English.

This document is aimed for discussion in the **Eurogroup**.



PERMANENT REPRESENTATION
OF THE REPUBLIC OF SLOVENIA TO THE EU

Rue du Commerce 44,
1000 Bruxelles, Belgium
Telephone: +32 2 213 63 00, Fax: +32 2 213 63 01
e-mail: spbr@gov.si

Number: 5421-285/2014-SPBR/4
Date: 24.10.2014

Mr. Carsten PILLATH,
Director-General
COUNCIL OF THE EUROPEAN UNION
DG G ECONOMIC AND SOCIAL AFFAIRS
Rue de la Loi 175
B - 1048 Brussels

SECRETARIAT GÉNÉRAL DU
CONSEIL DE L'UNION EUROPÉENNE
SGE14/11215

Reçu le 27 -10- 2014

DEST. PRINC. M. PILLATH
DEST. COPISTES

(+ ANNEXE ORIG)

SUBJECT: *Update to the Draft Budgetary Plan for 2015 of Slovenia*

Dear Dear Mr. Director-General,

Please find attached an update to the Draft Budgetary Plan for 2015 with the addendum: the list of detailed measures agreed at the Governmental session on 22 October and publically announced at the same day.

I would like to underline once more that the Government of the Republic of Slovenia is fully committed to implementing the measures foreseen to reduce the general government deficit below 3% of GDP in 2015 in accordance with the EDP procedure.

Yours sincerely,

Alenka Jerkič

Financial Counsellor

DRAFT BUDGETARY PLAN – SLOVENIA 2015

Legal Basis

According to the Regulation (EU) No 473/2013 of the European Parliament and of the Council on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area all euro area Member states are required to submit their draft budgetary plans to the Commission and the Eurogroup no later than 15 October. In the draft budgetary plans the member states present the main aspect for the budgetary situation of the general government and its subsectors for the coming year.

Key Guidelines

The Government of the Republic of Slovenia, which entered the mandate of the end of September 2014, addressed as a priority the preparation and adoption of measures to balance public finances. Firstly it was addressed in supplementary budget for 2014, and then by adopting measures for the year 2015 which will be reflected in the revised budget for the year 2015.

Measures are under preparation and negotiation between ministries. Main discrepancies from targets derive from:

- Lower planned target for interest expenditures,
- Lower planned transfer to Pensioner Fund,
- Lower planned target for EU funded expenditures.

Due to time constraints in year 2014 it is not possible to adopt structural measures, so prioritization is investment and material costs rationalization, taking into account pre-load and current realization. Final goal set by Government of Republic of Slovenia is targeting general government net borrowing at 4.4% of GDP (including bank recapitalization).

For year 2015 the Government of Republic of Slovenia is determined to follow general government net borrowing at 2.8% of GDP. This is achievable by restrictive wage bill policy, general government rationalization of transfers and improved targeting of investment. On revenue side only minor changes will take place.

Independence of macroeconomic forecasts

Macroeconomic forecasts are produced by the Institute of Macroeconomic Analysis and Development (IMAD), an independent government office.¹ According to the Resolution on the Organisation and Work of IMAD: »The Institute is professionally independent regarding the expert and methodological issues relating to the use of analytical and forecasting tools and the interpretation of results.

IMAD is managed by a Director who is responsible for the professional credibility of the tasks performed by the Institute. Candidate for the Director is appointed by the Government of the Republic of Slovenia upon the proposal of the Prime Minister for the 5 year mandate.

¹ Establishing acts and the field of work of IMAD are: (1) Resolution on the Organisation and Work of the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia; (2) Government of the Republic of Slovenia Act; (3) Decree on the Documents of Development Planning Bases and Procedures for the Preparation of the Central and Local Government Budgets.

1. Macroeconomic forecasts.

Table 0.i) Basic assumptions

	Year 2013	Year 2014	Year 2015
Short-term interest rate ¹ (annual average)	0.2	0.2	0.2
Long-term interest rate (annual average)	2.9	2.3	2.2
USD/€exchange rate (annual average)	1.328	1.353	1.332
Nominal effective exchange rate	1.0	0.4	-0.2
World excluding EU, GDP growth	-	-	-
EU GDP growth	0.1	1.3	1.7
Growth of relevant foreign markets	3.3	4.6	4.8
World import volumes, excluding EU	108.6	107.0	102.0
Oil prices (Brent, USD/barrel)	0.2	0.2	0.2

1/technical assumptions.

Table 0.ii). Main assumptions

	Year 2013	Year 2014	Year 2015
<i>1.External environment</i>			
a.Prices of commodities*	-1.2	-1.6	0.0
b.Spreads over the German bond	4.42	Jan-Okt: 2.15 (dne 10. okt: 1.56)	-
<i>2.Fiscal policy</i>			
a.General government net lending / net borrowing	-14.6	-4.4	-2.8
b.General government gross debt	70.0	82.2	83.2
<i>3.Monetary policy / Financial sector / interest rates assumptions</i>			
a.Interest rates:			
i.Euribor (3 month)	0.2	0.2	0.2
ii.Deposit rates (up to 1 year)	1.9	Jan-Avg: 1.0	-
iii.Interest rates for loans (enterprises, over 1 mio EUR)	4.5	Jan-Jul: 4.3	-
iv.Yields to maturity of 10 year government bonds	5.74	Jan-Okt: 3.2 (dne 10. okt: 10:2.46)	-
b.Evolution of deposits (YoY nominal change in %)	-6.1	7·10 ³	4·6 ³
c. Evolution of loans to enterprises and NFCs (YoY nominal change in %)	-24.2	-5 do -10 ³	-3 do 3 ³
d.NPL trends (% of total banking sector exposure)	13.4	Julij:14.7	-
<i>4.Demographic trends</i>			
a. Evolution of working-age population**	-0.5	-0.5	-0.5
b. Dependency ratios***	26.9	27.6	28.5
	49.6	50.7	52.0
<i>5.Structural policies</i>			

1/ Non-energy commodities in USD, change in %

2/ Ministry of finance

3/ Used as assumption (not forecast) for macroeconomic scenario

4/20-64, growth rate, 1.1.

5/ Old-age dependency ratio: (65+)/(20-64); age dependency ratio: (0-14)+(65+)/(20-64)

Table 1.a. Macroeconomic prospects

	ESA Code	Year 2013	Year 2013	Year 2014	Year 2015
		Level	rate of change	rate of change	rate of change
1. Real GDP	B1*g		-1.0	2.0	1.6
2. Potential GDP			-0.7	0.2	0.9
contributions:					
- labour			-1.6	0.7	0.6
- capital			0.0	0.1	0.2
- total factor productivity			0.9	0.6	0.1
3. Nominal GDP	B1*g	36,144.0	0.4	2.2	2.2
Components of real GDP					
4. Private final consumption expenditure	P.3	19,564.6	-3.9	0.5	1.3
5. Government final consumption expenditure	P.3	7,355.4	-1.1	-0.4	-1.0
6. Gross fixed capital formation	P.51g	7,126.7	1.9	4.5	2.5
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-74.8	-0.2	0.1	0.3
8. Exports of goods and services	P.6	26,996.3	2.6	3.7	4.3
9. Imports of goods and services	P.7	24,824.0	1.4	3.1	4.2
Contributions to real GDP growth					
10. Final domestic demand (excl. inventories)		34,046.6	-2.0	1.0	1.0
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-74.8	0.1	0.3	0.2
12. External balance of goods and services	B.11	2,172.2	1.0	0.6	0.4

1/ Please report here the estimated impact on real GDP growth of the aggregated budgetary measures contained in the DBP.

Table 1.b. Price developments

	ESA Code	Year 2013	Year 2013	Year 2014	Year 2015
		Level	rate of change	rate of change	rate of change
1. GDP deflator			1.4	0.2	0.6
2. Private consumption deflator			0.6	0.0	0.3
3. HICP			1.8	0.3	0.6
4. Public consumption deflator			1.0	-2.5	0.6
5. Investment deflator			1.0	0.5	1.3
6. Export price deflator (goods and services)			-0.3	-0.4	0.5
7. Import price deflator (goods and services)			-1.2	-1.2	0.5

Table 1.c. Labour market developments

	ESA Code	Year 2013	Year 2013	Year 2014	Year 2015
		Level	rate of change	rate of change	rate of change
1. Employment, persons ¹		924.3	-1.5	0.6	0.4
2. Unemployment rate (%) ²			10.1	10.0	9.9
3. Labour productivity, persons ³			0.5	1.4	1.2
4. Compensation of employees (mio EUR) ⁴	D.1	18,258.6	-1.2	0.7	1.7
5. Compensation per employee (EUR) ⁵		19,754.0	0.3	0.1	1.4

1/ Occupied population, domestic concept national accounts definition. Level in thousands.

2/ Harmonised definition, Eurostat; levels.

3/ Real GDP per person employed.

4,5/ Nominal rate of change.

Table 1.d. Sectoral balances

	ESA Code	Year 2013	Year 2014	Year 2015
1. Net lending/net borrowing vis-à-vis the rest of the world	B.9	% GDP	% GDP	% GDP
<i>of which:</i>				
- Balance on goods and services		6.0	7.0	7.3
- Balance of primary incomes and transfers		-1.2	-2.4	-2.0
- Capital account				
2. Net lending/net borrowing of the private sector	B.9			
3. Net lending/net borrowing of general government	B.9	-14.6	-4.4	-2.8
4. Statistical discrepancy				

2. Budgetary Targets.

Table 2.a. General government budgetary targets broken down by subsector

	ESA Code	Year	Year
		2014	2015
		% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	-4.39	-2.81
2. Central government	S.1311	-4.22	-2.76
3. State government	S.1312
4. Local government	S.1313	-0.25	-0.11
5. Social security funds	S.1314	0.07	0.07
6. Interest expenditure	D.41	3.34	3.15
7. Primary balance ²		-1.05	0.34
8. One-off and other temporary measures ³		0.87	0.0
9. Real GDP growth (%) (=1. in Table 1a)		2.0	1.6
10. Potential GDP growth (%) (=2 in Table 1.a)		0.2	0.9
contributions:			
- labour		0.7	0.6
- capital		0.1	0.2
- total factor productivity		0.6	0.1
11. Output gap (% of potential GDP)		-1.55	-0.83
12. Cyclical budgetary component (% of potential GDP)		-0.74	-0.40
13. Cyclically-adjusted balance (1 - 12) (% of potential GDP)		-3.65	-2.41
14. Cyclically-adjusted primary balance (13 + 6) (% of potential GDP)		-0.31	0.74
15. Structural balance (13 - 8) (% of potential GDP)		-2.78	-2.41

1/Not relevant for Slovenia.

2/ The primary balance is calculated as (B.9) plus (D.41).

3/ A plus sign means deficit-reducing one-off measures.

4/ Cyclically-adjusted primary balance calculated as CAB minus interest expenditures

5/ The change in output gap (fast closing) due to one-off increase in investment (public, strong multiplier) in 2014. The cyclical effect is stronger due to better GDP. GDP growth is stronger than envisaged this is due to export growth and one-off type increase in investment. On the other hand domestic demand remains down and as such the elasticities of taxes are very low.

Table 2.b. General government debt developments

	ESA Code	Year 2014	Year 2015
		% GDP	% GDP
1. Gross debt ¹		82.2	83.2²
2. Change in gross debt ratio*		12.1	1.0
Contributions to changes in gross debt			
3. Primary balance (= item 10 in Table 2.a.i)		-1.1	0.3
4. Interest expenditure (= item 9 in Table 2.a.i)	D.41	3.3	3.2
5. Stock-flow adjustment*		9.2	0.0
<i>of which:</i>			
- Differences between cash and accruals ²			
- Net accumulation of financial assets ³			
<i>of which:</i>			
- privatisation proceeds			
- Valuation effects and other ⁴			
p.m.: Implicit interest rate on debt ⁵		4.8	3.9
Other relevant variables			
6. Liquid financial assets ⁶			
7. Net financial debt (7=1-6)			
8. Debt amortization (existing bonds) since the end of the previous year**	mio EUR	1.759.7	1.097.1
9. Percentage of debt denominated in foreign currency***		26.6	26.1
10. Average maturity**		5.9	5.7

1/ As defined in Regulation 479/200.

2/ Projections Ministry of Finance, Treasury.

3/ Source State Budget before swap.

Table 2.c Contingent liabilities

	31.12.2014 ¹	% of GDP	31.12.2015 ¹	% of GDP
Public guarantees	7,977.0	21.60	6,775.6	17.95
Of which: linked to the financial sector ²	1,325.9	3.59	1,121.9	2.97

1/Projection of outstanding government guarantees at the end of 2014 and 2015 was estimated on the basis of amortization schedules of the existing guarantees and potential new guarantees.

2/In accordance with the Classification of Institutional Sectors (SKIS) data "Of which: linked to the financial sector" contains the data of outstanding guarantees for SID banka d.d., Deželna banka d.d. in Factor banka d.d. (S.12, Financial corporations).

3. Expenditure and Revenue Projections under the no-policy change scenario².

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components

	ESA Code	Year 2014 ³	Year 2015
General government (S13)			
1. Total revenue at unchanged policies	TR	46.3	44.17
Of which			
1.1. Taxes on production and imports	D.2		14.92
1.2. Current taxes on income, wealth, etc	D.5		7.01
1.3. Capital taxes	D.91		0.02
1.4. Social contributions	D.61		14.74
1.5. Property income	D.4		0.81
1.6. Other			6.67
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)			36.69
2. Total expenditure at unchanged policies	TE	50.5	49.64
Of which			
2.1. Compensation of employees	D.1		11.92
2.2. Intermediate consumption	P.2	18.5	6.50
2.3. Social payments	D.62 ¹	19.5	18.61
of which Unemployment benefits ²			0.58
2.4. Interest expenditure	D.41		3.15
2.5. Subsidies	D.3	0.9	0.70
2.6. Gross fixed capital formation	P.51g		6.25
2.7. Capital transfers	D.9		0.28
2.8. Other			2.23

1/ Including benefits in cash (D.621 in D.624) and in kind (D.631, po ESA2010 D.632) related to unemployment.

2/ No policy change scenario, April 2014

4. Expenditure and Revenue targets.

Table 4.a General government expenditure and revenue targets, broken down by main components

	ESA Code	Year 2014	Year 2015
General government (S13)			
1. Total revenue target	TR	45.28	44.43
Of which			
1.1. Taxes on production and imports	D.2	15.27	15.15
1.2. Current taxes on income, wealth, etc.	D.5	7.09	7.05
1.3. Capital taxes	D.91	0.09	0.02
1.4. Social contributions	D.61	14.81	14.74
1.5. Property income	D.4	1.28	0.81
1.6. Other ¹		6.75	6.66
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		37.25	36.96
2. Total expenditure target	TE ³	49.67	47.24
Of which			
2.1. Compensation of employees	D.1	11.57	10.98
2.2. Intermediate consumption	P.2	6.44	6.36
2.3. Social payments	D.62 ⁶	18.71	18.02
of which Unemployment benefits ⁴		0.58	0.45
2.4.= Table 2.a.9. Interest expenditure	D.41	3.34	3.15
2.5. Subsidies	D.3	0.95	0.53
2.6. Gross fixed capital formation	P.51g	5.15	5.72
2.7. Capital transfers	D.9	1.16	0.26
2.8. Other ⁵		2.35	2.22

1/ .11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec)

2/ Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

3/ TR-TE = B.9.

4/ Includes cash benefits (D.621 and D.624) and in kind benefits (D.631, under ESA2010 D.632) related to unemployment benefits.

5/ D.29pay + D.4pay (other than D.41pay) +D.5pay +D.7pay +P.52+P.53+K.2+D.8.

6/ Under ESA95: D6311_D63121_D63131pay; in ESA2010 D632pay.

² Please note that the no-policy change scenario involves the extrapolation of revenue and expenditure trends before adding the impact of the measures included in the forthcoming year's budget.

Table 4.b Amounts to be excluded from the expenditure benchmark

	ESA Code	Year 2013	Year 2013	Year 2014	Year 2015
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		832.7	2.36	2.58	3.40
2. Cyclical unemployment benefit expenditure		260.2	0.74	0.58	0.45
3. Effect of discretionary revenue measures		n.a	0.0	0.9	0.3
4. Revenue increases mandated by law ¹		n.a	n.a	n.a	n.a

1/not applicable.

Table 4.c General government expenditure by function**4.c.i) General government expenditure on education, healthcare and employment**

	Year 2014		Year 2015	
	% GDP	% general government expenditure	% GDP	% general government expenditure
Education	n.a	n.a	n.a	n.a
Health	n.a.	n.a.	n.a.	n.a.
Employment	n.a.	n.a.	n.a.	n.a.

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG Code	Year 2014 ¹	Year 2015 ¹	2012
		% GDP	% GDP	
1. General public services	1			5,8
2. Defense	2			1,1
3. Public order and safety	3			1,8
4. Economic affairs	4			4,2
4. Environmental protection	5			0,7
6. Housing and community amenities	6			0,8
7. Health	7			7,0
8. Recreation, culture and religion	8			1,8
9. Education	9			6,4
10. Social protection	10			18,9
11. Total Expenditure	TE			48,4

1/Statistical office data on COFOG are available only for year 2012 in ESA 1995.

5. Description of discretionary measures included in the draft budget.

Table 5.a Discretionary measures taken by General Government

List of measures	Detailed description ¹	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact				
					Year t	Year t+1	Year t+2	Year t+...	
					% GDP	% GDP	% GDP	% GDP	
Restrictive wage policy in public sector	Further measures in preparation	D.1	ESA 2010	For 2014 adopted, for 2015 in negotiation	-0.49	-0.94			
Measures in the area of social care and family	Further measures in preparation	D.62	ESA 2010	For 2014 adopted, for 2015 in preparation	-0.24	-0.59			
Change of financial schemes from subsidies to refundables	Transition from subsidies to refundables	D.3	ESA 2010	In preparation	-	-0.17			
Intermediate consumption	Expenditure on goods and services, centralised public procurement	P.2	ESA 2010	In preparation	-0.16	-0.14			
Gross fixed capital formation	Acquisition of capital assets	P.51g	ESA 2010	Pending		-0.53			
Capital transfers	Focus on priority investments	D.9	ESA 2010	In preparation		-0.02			
Personal Income Tax	Prolongation of 4 th tax bracket validity	D.51a	ESA 2010	In preparation		0.04			
Personal Income Tax	No old age allowance, no indexation on tax base and allowances	D.51 a	ESA 2010	Adopted	0.13				
Tax on financial services	Increase of tax rate	D.214h	ESA 2010	In preparation		0.03			
Sales tax on insurance services	Introduction of new tax	D.214g	ESA 2010	In preparation		0.05			
Change of schemes CO2 tax exemptions	"Polluter pays" principle	D.214l	ESA 2010	In preparation		0.08			
Tax on lottery tickets	10% tax rate	D. 214f	ESA 2010	Adopted	0.04				
VAT	Increased rates and efficiency of tax collection	D.211	ESA 2010	Adopted	0.56	0.06			
Excise duties	Increase of duties for alcohol, mineral fuels and gas	D.214a	ESA 2010	Adopted	0.08				
Increased tax base for health insurance	Tax base and rates for selected categories increased	D.6113	ESA 2010	Adopted	0.12				
TOTAL					1.83	2.66			

Table 5.b Discretionary measures taken by Central Government

List of measures	Detailed description ²	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact			
					2014	2015	Year 2016	Year t+...
					% GDP	% GDP	% GDP	% GDP

Table 5.c Discretionary measures taken by sub-sectors of the General Government¹.

List of measures	Detailed description ²	Target (Expenditure / Revenue component) ESA Code	Accounting principle	Adoption Status	Budgetary impact			
					Year t	Year t+1	Year t+2	Year t+...
					% GDP	% GDP	% GDP	% GDP
					TOTAL			

6. Indication on how the measures in DBP address CSR and the targets set by the Union's Strategy for growth and jobs.

Table 6.a Country specific recommendations

CSR		Measures	Description of direct relevance
CSR 1	Fiscal consolidation	<ul style="list-style-type: none"> •Adoption of short term measures for supplementary budget for 2014. The measures include strict budgetary controls in the execution of budget and rationalisation of investments and material costs. •Preparation of measures that will result in deficit under the 3% of GDP in 2015 and preparation of supplement the budget for 2015. •The further preparation of Law on Fiscal Rule will be based on the existing proposal. 	<ul style="list-style-type: none"> •Slovenia plans to reach 4.4 % of GDP general government deficit in 2014 with one -off measures (recapitalisation of banks) and 3.5% GDP without. For 2015 the target is set at 2.8% GDP.
CSR 2	Long term fiscal stability, including pension reform and long-term care reform	<ul style="list-style-type: none"> •Monitoring of the impact of the law on pension system implemented in 2013. •Preparation of the White book on future pension system. •The long term care act is under preparation. •Further improvement and development of models for estimating the impact of ageing on public finance and the effects of different social policy measures. •Implementation of the pilot project related to centralised public procurement for particular group of pharmaceutical products. The next steps will include other groups of pharmaceutical products (drugs) and gradual centralisation of the public procurement for medical equipment and technical accessories (design of common technical specification for specific areas). 	<ul style="list-style-type: none"> •Monitoring results show positive effects of the pension reform already in the first year (lower increase of the nominal expenses for old age and early pensions, less new pensioners). •The implementation of the pilot project related to centralised public procurement for particular group of pharmaceutical products, showed positive sings, since the prices decreased for 12%.
CSR 3	Labour market, education and training	<ul style="list-style-type: none"> •Start of the new round of negotiations between social partners and government (at the beginning of October 2014). Within that the minimum wage arrangements will be discussed. •Monitoring the effects of the labour market reforms. •Adoption of the changes of the Labour Market Regulation Act (introduction of possibilities of occasional and temporary work for the pensioners (use of civil act rules)). •Establishment of working group for evaluation and review of social contributions and taxes related to labour system, with the aim to propose more uniform distribution of tax burden across different forms of work and to decrease overall tax burden on labour. •The proposal of the Law on Student work will be send to government procedure at the beginning of 2015. •Implementation of active employment policy. •Youth guarantee scheme and implementation plan. •The extension of 2 years exemption of payment of social contributions for employment of young unemployed persons (minimum 3 moths registered in unemployment pool) •Intervention measures on Labour Market and Parental Protection Act. •Changes in the Scholarship Act. 	<ul style="list-style-type: none"> •Agreement reached on the process for the adoption of the new social agreement, and conclusions of the negotiations by the end of 2014. •The share of permanent jobs in the total number of new jobs increased to 28.18% in IV2013 – III2014 from 22.87% in IV2012-III2013). The share substantially increased by new permanent jobs for youth (slightly less than 50%). •The possibilities for occasional and temporary work in the extent of 60 hour per month (minimum 4.2 EUR per hour). •Simplified and uniform system of distribution of social securities and taxes on labour (participation in the system, definition of the insurance and the base for the social contribution). •In 2013 38,654 inclusions of unemployed persons (38.7% more than 2012) and 6.361 employed (55% more than 2012) in active employment programmes. 50% have been employed. •36 measures adopted for efficient transfer of youth form the education to the labour market. The measures will have direct impact on the decreasing of youth unemployment. •Setting the upper limit on the parental leave benefits until the economic growth is below 2.5%. •Introduction of the possibility to combine different scholarships.

CSR 4	Restructuring of banking sector	<ul style="list-style-type: none"> •Nova KBM: A financial and legal advisor was selected and the presentations to investors were carried out. •Foreseen merger of Abanka and Banka Celje as precondition of privatization of Abanka. •Update of the Degree for the assessment of credit risk. •Update of register of loans •The Bank of Slovenia will set up a central register of loans (2016). •Execution of the survey on procedures of »difficult« corporate loans in commercial banks. •Adoption of principles about financial restructuring of enterprises. •A working group to deal with debt restructuring was set up within the association of. •A special banks' working group for efficient restructuring process, especially for SMEs has been established •A draft business plan and strategy of BAMC has been prepared. •An action plan for the banking sector will be a part of the management strategy for state property - January 2015 	<ul style="list-style-type: none"> •The deadline for submitting a binding bid is October 2014 and the signing of a contract is foreseen in December 2014. •Banks are obliged to collect and archive data on default rates and losses as a basic factor in the development of models for monitoring risks. •More effective supervision and monitoring due to coordination. •Minimizing losses for all stakeholders with coordinated restructuring approach and starting bankruptcy procedures as a consequence of proper analysis.
CSR 5	State owned enterprises and privatisation	<ul style="list-style-type: none"> •Privatization process is running according to the timeline. •A draft Strategy has been prepared. •Minister of finance constituted an expert commission for supervisory board of SSH. •State Secretary was appointed with special responsibility for the management of state assets. •The Corporate Governance Code was adopted by the management board of the SSH. 	<ul style="list-style-type: none"> •Privatization process is transparent and includes internationally recognized consultants. •Privatization process has finished for 4 companies, for 7 companies the process is running according to the timeline, for 4 companies the process is at early stages. •An expert commission prepared the criteria for evaluating the expert knowledge, experience and skills required for the high-quality performance of functions of members of the supervisory board, and also prepared target expert profiles for individual members. •The Strategy and appointments will be approved by the National Assembly until the end of this year or latest by the end of January 2015.
CSR 6	Corporate restructuring, insolvency legislation and legal procedures	<ul style="list-style-type: none"> •Ministry of finance took leading role over coordination and synchronised work among different working groups. •Bank of Slovenia and Ministry of finance adopted Restructuring guidelines for corporates (also BAMC and banks approve it). •Bank of Slovenia is actively involved in restructuring process, has a list of urgent cases. •Amendments to insolvency legislation introduced: <ul style="list-style-type: none"> ○New preventive restructuring proceedings ○New competences of BAMC and banks in proceedings (changes in restructuring plans, proposals of new leadership in companies, crowding out of inactive owners, proposal of compulsory settlement. •Establishment of a special working group for assessment of effects of amended insolvency legislation. •First evaluation of effects of the amended legislation was made. 	<ul style="list-style-type: none"> •Adopted restructuring guidelines for corporates. •Systematic changes to legislation enable the implementation of a proactive, cooperative and comprehensive approach to corporate restructuring. •Changes in legislation in the area of advance payments and free legal help have positive effects. Duration of preliminary personal bankruptcy proceedings was significantly reduced (from an average of 45 days in 2013 to an average of 18 days in 2014). •Increase in number of preventive restructuring (simplified settlement proceedings for small and micro companies, more influence of creditors...) •Insolvency proceedings (from I to VIII 2014): <ul style="list-style-type: none"> ○Number of new cases (compulsory settlement proceeding, bankruptcy proceeding – legal entities, personal bankruptcy proceedings, simplified compulsory settlement proceedings, preventive restructuring proceedings): in 2013: 41 new cases, in 2014 (from I to VIII): 101. Solved cases in 2013: 1656, in 2014 (from I to VIII): 1550

CSR 7	Improved business environment, regulated professions and CPA	<ul style="list-style-type: none"> •Implementation of measures for reduction of administrative burdens and simplification of legal environment: <ul style="list-style-type: none"> ○Single contact point ○E-legislation ○SME test •Measures for attracting FDI (promotion, marketing, counselling, financial initiatives, Slovenia competitiveness analyse) •Establishment of development platform – single channel for financial instruments •In 2012 adopted regulation for independency of competition protection agency (CPA). •Accelerated investments in R&D – adoption of Smart specialization strategy for synergy and provision of financial services 	<ul style="list-style-type: none"> •Project Single document for improvement of business environment and legislation (in order to improve competitiveness) is established. •Identified key priorities of investments •Single institutional framework for support, implementation and monitoring industrial and innovation policy. •R&D investments in 2012 up to 2, 8% of GDP. •CPA is indirect budget user has resources in line with public finance possibilities.
CSR 8	Corruption	<ul style="list-style-type: none"> •Adopted anti-corruption plan. •Implementation of a comprehensive government program to combat the shadow economy (introduction and update the virtual tax registry, tax service organization, simplifying the collection of taxes, restrictions on cash payments, campaign "wake up!" Facilitate the implementation of the regulated supplementary work, etc.) 	<ul style="list-style-type: none"> •In May 2014 first interim report plan to combat corruption was prepared. Measures: Act on the State Holding - anti-bribery, enhanced communication between the prosecution and the police, the amendment of the Banking Act - changes in the banking classified information, changes to the law on access to public information - access to information regarding funding for all companies owned by the state or municipality, organization of workshops for civil servants on raising awareness about the potential corruptive acts. •Estimated effect of the measures to combat the shadow economy: 80 mio EUR annually. In the period VIII 2013 – VIII – 2014 the collected VAT tax increased by 327 mio EUR, the increase in VAT rate resulted in 250 mio EUR increase, rest is the result of fight against shadow economy measures. •Increase in voluntary payment of taxes •Merger of tax and customs authorities in August 2014.

Table 6.b Goals and Targets set in Strategy for growth and jobs

National 2020 headline targets			Measures	Description of direct relevance to address the target
Employment goals				
EU 2020 goals	National goals 2020	Current situation	Implementation of active employment policy measures	Implementation of targeted active employment measures (elderly, young persons, long term unemployed and with lower skills). Efficient transition from the programmes on the labour market will have positive impact on the decreasing of unemployment and consequently on higher employment.
75% of the population aged 20-64 should be employed	75 %	68,3 % (2012) 67,2% (2013)		
			Implementation of youth guarantee scheme and the implementation plan	The scheme introduced variety of measures for youth and merge in one place measures of active employment policy with the measures for better transit of youth from education to labour market.
			Measures related to training, increased competences and responsiveness to the needs.	The aim of the measures is to increase skills (the quality of the vocational and professional education and training, practical and on the job training, increasing general competences, etc.) of the priority targeted groups (elderly, low skilled), so they will be more competitive and have better chances to stay on the labour market.
R&D target				
EU 2020 goals	National goals 2020	Current situation	Further promotion of incentives for connecting of research, innovation and private sector	Incentives: -Promotion of R&D projects for cooperation with private sector -Promotion of R&D projects for researchers and their mobility In 2014 the review of R&D equipment, which was financed from public funds will take place (later it will be updated). Investments will be focused on prioritised areas of Smart specialization strategy.
3% of the EU's GDP should be invested in R&D	3 %	2,8% (2012 EUROSTAT) or 2,63 % (2012 Slovene statistical office)		
			Promotion of international research projects	Promotion of cooperation in international projects for scientific infrastructure and cooperation for establishment of European research infrastructure, active cooperation in construction and operation of the Facility for Antiproton and Ion Research in Europe.

GHG emission goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Revision of all exemptions of environmental duties (landfill, waste-water disposal of packaging waste, use of lubricating oils and fluids, electrical and electronic equipment, the generation of waste tires, used motor vehicles and the use of volatile organic compounds).	In accordance with Council Directive regarding restructuring of the Community framework for the taxation of energy products and electricity, Member States may introduce acquittal of tax on energy products, when used by energy-intensive businesses and implement equivalent measures and are included in the ETS.
Greenhouse gas emissions should be reduced by 20% compared to 1990	Greenhouse gas emissions should be reduced by 4% compared to 2005	Emissions in sectors from 406/2009/ES 11,2 mio ton CO ₂ (2013, preliminary)		
			Implementation of action plan for energy efficiency and renewable energy resources.	Yearly plans from ETS auctioning of coupons are estimated at 20 million earmarked funds for the state budget and the ECO Fund. This year, in the months leading up to September 2014, the realization was 10.8 million.
			New Operational programme for reduction of GHG emissions.	
Renewable energy goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Adoption of the Energy Act	In March 2014 a new energy law entered into force transposing the EU directives related to the markets for electricity and gas, energy efficiency and renewables in the Slovenian legislation. The Act also sets national principles and measures to ensure the security of energy supply. The law has also appoints more power to Energy Agency which is otherwise responsible for monitoring and implementation of EU Directives.
Share of renewable energy in gross final energy consumption (20 %)	25 % share of renewable energy in gross final energy consumption	21,5 % (2013)		

National goal on energy efficiency				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Enforcement of measures and projects for achieving energy efficiency.	The measures relate to the promotion of energy renovation of public buildings, mass efficiency and energy efficiency.
Energy efficiency should improve by 20%	-	The goal of the National Action Plan for Energy Efficiency for 2008 – 2016 is 9 % of final energy savings or 4,261 GWh. The average annual savings of final energy consumption in the nine-year period is 473 GWh, an intermediate target savings of final energy consumption in the period 2008-2012 is 2,367 GWh. By 2012, the achieved savings amounted to 2,727 GWh, or 5.7%.		
Early school leaving goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Project learning for young	Measure is implemented with a goal to encourage young unemployed to return to educational system or employment.
The share of early school leavers should be under 10%	5 %	4,4 % (2012) 3,9 % (2013)		

Tertiary education goal				
EU 2020 goal	Slovenia 2020 goal	Current situation in Slovenia	Connecting schools with economy	Of particular importance is the monitoring of outcome of higher education in the form of graduate employability. The measures that link the implementation of programs in conjunction with the economy and the environment (practical training ...) increase employability and effectiveness of higher education. Consequently, this affects the first target of increasing the employability of 2020.
At least 40% of 30-34 years old should have completed a tertiary or equivalent education	40 %	39,2 % (2012) 40,1 % (2013)		
			Established e-VS (Electronic higher education), the information system	In order to avoid the fictional university enrollment, in July 2013 started to operate e-application for entry. In 2014 the first electronic applications for entry to undergraduate studies was implemented, allowing control of the rights to full-time study, funded by the State prior to enrollment. For 2015 it is planned to establish a module for university selection procedure for entry, which will be a web-based application available to all accredited higher education institutions.
			Amendments to the Law on Higher Technical Education	Create conditions for rapid adaptation to the needs of the economy in the area of higher professional education

Prevention of poverty and social inclusion goals				
EU 2020 goals	National goals 2020	Current situation	The changes of the scholarship Act (July 2013)	The changes in the law introduce the possibility to combine the scholarships. The recipient of the employer scholarship or scholarship for shortage occupations could be also holder of the state, Zoise and scholarships. This will consequently impact on better social position of the recipients.
Poverty should be reduced by lifting at least 20 million people out of the risk of poverty or social exclusion	Decreasing of the number for 40.000 persons relative to the base year 2010 - 366.000	392.000 (2012) 410.000 (2013)		
			The changes of the Social Security Act	The law change in December 2013 with the aim to adapt the social transfer system to the increased poverty rate and social conditions in Slovenia. The first changes were implemented in January 2014 and the second in September 2014.

7. Divergence from latest SP.

Table 7. Divergence from latest SP.

	ESA Code	Year 2013	Year 2014	Year 2015
		% GDP	% GDP	% GDP
Target general government net lending/ net borrowing	B.9			
Stability Programme		-14.7	-4.1	-2.4
Draft Budgetary Plan		-14.6	-4.4	-2.8
Difference		-0.1	0.3	0.4
General government net lending projection at unchanged policies	B.9			
Stability Programme		-14.7	-4.3	-4.2
Draft Budgetary Plan		-14.6	-4.6	-5.6
Difference ¹		0.1	0.3	1.4

Annex to the DBP: Methodology, economic models and assumptions underpinning the information contained in the DBP.

Table 8. Methodological aspects

Estimation Technique	Step of the budgetary process for which it was used¹	Relevant features of the model/ technique used	Assumptions
Production function methodology	Cyclical budgetary component, potential GDP	OGWG methodology	Traditional Keynesian Philips curve for NAWRU; IMAD forecasts
Dynamic factor models	Macroeconomic projections	Stock and Watson (1998)	No information on the structure of the economy
Time series analysis	Macroeconomic projections	Various simple models, Input/output model	Used in the process of macroeconomic projections to forecast various macro items. Iterative process to equate production and expenditure side of the economy

ADDENDUM TO THE DRAFT BUDGETARY PLAN OF THE REPUBLIC OF SLOVENIA

HORIZONTAL REVENUE MEASURES – central budget 2015

Measure	Responsibility	Decision maker and deadline for adoption	Expected financial impact	Current status
Amending Fiscal Balance Act – Prolongation of 4 th tax bracket validity	Ministry of finance	National Assembly – December	16 mio €	Draft amendment to law is harmonised, aligned and ready for further implementation (some other small changes are implemented)
Tax on financial services – increase of tax rates - urgent procedure	Ministry of finance	National Assembly – December	13 mio €	Draft law sent to public consultation and coalition familiarization on 17 th October
Sales tax on insurance services – increase of tax rates – urgent procedure	Ministry of finance	National Assembly – December	17 mio €	Draft law sent to public consultation and coalition familiarization on 17 th October
Regulation on environmental duties for CO ₂ - decreasing the volume of the tax exemption	Ministry of the Environment and Spatial Planning, Ministry of Finance, Ministry of Economic Development and Technology, Ministry of Infrastructure	Government of the RS – December	30 mio €	The consultation started and will continue on Thursday 23. 10. The basic principles are to keep funds earmarked and be in line with the state aid rules for other exemptions and reliefs.

Increased efficiency of collection of the public duties: ●Organisational measures ●Amending tax procedure Act – urgent procedure	Ministry of finance, Financial administration of RS	Financial administration of RS National Assembly – December	24 mio €	Overall survey of measures prepared by 25 th of October Amending act is under preparation; public consultation around 10 th of November
Excise duty on sugar and other additives in drinks	Ministry of Agriculture, Forestry and Food, Ministry of Health, Ministry of Finance	National Assembly – December	8 mio €	Amending Excise duty act and implementing regulation
TOTAL MEASURES			108 mio €	

HORIZONTAL EXPENDITURE MEASURES, central budget 2015

Measure	Responsibility	Decision maker and deadline for adoption	Expected financial impact	Current status
Centralisation of public procurement (module e-reverse auctions)	Ministry of public administration	National Assembly – December (change in Law on Public sector, ZJN-2)	80,5 mio €	
Centralisation of state IT and establishment of IT cloud	Ministry of public administration	National Assembly – December (change in Law on Public sector, ZJN-2)	9 mio €	
Centralisation of management of public property and renting	Ministry of public administration	National Assembly – December (change ZDU and other)	1,2 mio €	
E-service on notifications on administrative procedures and permanent decisions on social rights	Ministry of public administration	National Assembly – December (change ZUP and ZUJPS)	4 mio €	
Measures in public sector wage bill (no promotions, no regular performance payments, freeze of premia for supplementary collective pension insurance, lowering employment, lower supplement for working years, Sunday work, academic titles)	Ministry of public administration	National Assembly – December (negotiations with trade unions; change of legislation (Law on Salaries in the public sector and public sector collective agreement)	235 mio €	

Change in financing of pensioners bonus ³			40 mio €	
Reduction of a lump sum payment (average cost of funding) to municipalities.	Ministry of finance	National Assembly – December (conclusion of agreement between government and the representative associations of municipalities, which determines the average cost of funding of the tasks of municipalities on the basis of Article 11 of the Law on Financing of Municipalities, change of Article 23 of Law on Financing of Municipalities)	67,6 mio €	
Abolishment of prepayments of EU funds		National Assembly – December (Law on Budget execution)		
Requests for repayments in max 5 days after request for payments from EU funds		Aimed at more efficient funding form EU funds Government. December, Decree on the implementation of procedures for the use of EU funds		

³ 19 mio EUR for pensioners bonus is going to be provided by KAD

Lowering of compulsory supplementary pension insurance	Ministry of Public Administration, Ministry of Justice, Ministry of Finance, Ministry of Defence, Ministry of interior, Ministry of Labour	5 mio €	
TOTAL HORIZONTAL EXPENDITURE MEASURES		442,3 mio €	

OTHER SECTORAL EXPENDITURE MEASURES 2015

Measure	Responsibility	Decision-maker and deadline for adoption of the act	Expected financial impact	
Student work "full" taxation (taxes and SSC)	Ministry of labour, family, social affairs and equal opportunities and Ministry of finance	National Assembly – December	58,3 mio €	
Social contributions payments for non-disabled in companies employing disabled people limited to 2,5 of minimum wage	Ministry of labour, family, social affairs and equal opportunities and Ministry of finance	National Assembly – December	5 mio €	
No co-financing of investments in municipalities (2% of appropriate funds of Municipalities) redirection to EU funds only	Ministry of Economic Development and Technology, Ministry of Public Administration	National Assembly – December	23 mio €	
Change of financial schemes from subsidies to refundable	Ministry of Economic Development and Technology	Change in sectoral regulations	27 mio €	

<p>Partially (or fully) funding for music schools by parents, Change norms for counsellors, administrative and technical workers and librarians, Equalising severance pay for teachers with other civil servants, Reduce the funding in school competitions, Reduce the funding of youth periodical publication and professional literature, Rationalisation of procedures guiding children with special needs, Reduce the support services of educational organizations, Reduction in the activity of international activities in the field of education, Rationalisation the management and administration of educational organizations, Reduce the funding of association in the field of education and sport activities, Reduction the scope of activities due to lower generation in the field of secondary education (students and teachers), Reduce the number of rental facilities in activity of secondary education</p>	<p>Ministry of Education, Science and Sport</p>	<p>National Assembly – change of legal bases and of normative acts</p>	<p>10 mio €</p>	
<p>No financing of state celebrations, rationalisation of investments and cost</p>	<p>Ministry of Culture</p>	<p>National Assembly – December</p>	<p>1.67 mio €</p>	

Ending of the project "Action to protect people and property." Change in status of employees in the police. Reduction in the level of police protection or of protection financing. Streamlining the supply of military material.	Internal Affairs Ministry	National Assembly – change of legal bases	8.3 mio €	
	Ministry of Defense	Change of standards and of normative acts	3 mio €	
Measures in the area of insolvency legislation (specialization of judges, transfer of decision-making in bankruptcy cases). Measures to improve the functioning of the judiciary. Optimizing business processes of the judiciary.	Ministry of Justice	National Assembly – change of legal bases and of normative acts	11 mio €	
Sales of assets and streamlining of diplomatic and consular network.	Ministry of Foreign Affairs	Change of standards and of normative acts	10,3 mio €	
Change and status and organisation of the Public Agency for Medicinal Products and Medical Devices.	Ministry of Health	Change of the founding act.	1 mio €	
Streamlining on Public Utilities.	Ministry of Infrastructure	National Assembly – change of legal bases and of normative acts	6 mio €	
TOTAL SECTORAL MEASURES			164,6 mio €	

GRAND TOTAL 606,8 mio €