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**SLOVENIA – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR
THE CORRECTION OF MACROECONOMIC IMBALANCES**

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Executive summary

This is the seventh specific monitoring report under the Macroeconomic Imbalance Procedure (MIP) for Slovenia. Slovenia was identified experiencing imbalances in the 2016 European Semester. The imbalances concern fiscal risks, deleveraging, investment and growth prospects as well as weaknesses in the banking sector. It reviews the latest developments and policy initiatives undertaken by the Slovenian authorities relevant for the correction of the imbalances identified in the 2016 Country Report and targeted by the 2016 country-specific recommendations for Slovenia. The cut-off date for this report is 12 October 2016.

The economy continues to grow at a solid rate of 2.5%. Imbalances have been further unwinding, thanks to favourable macroeconomic developments and policy actions. Growth has been driven by net exports and is becoming broader based with an increasing contribution from domestic demand. Strong export performance in 2015 and the fall in energy and commodity prices contributed to a further increase of the current account surplus. As a result, net international investment position (NIIP) continued to improve but remains slightly above the indicative scoreboard threshold. The recovery of the labour market has gained momentum and job creation has been recorded across several sectors. The unemployment rate decreased to 7.8% in Q2-2016 and it is expected to decline further. Although the vulnerabilities in the Slovenian banking sector have been reduced and the sector's profitability has further improved, credit growth remains negative and the banks' business models have to adapt fully to the low interest rate environment. Non-performing loans are decreasing but remain high compared to pre-crisis levels and among the highest in the EU. Deleveraging pressures in the corporate sector are easing but still weigh on investment and recovery prospects. Household debt has started to increase but remains amongst the lowest in the EU.

Measures to enhance the sustainability of the pension, health care and long-term care systems are a key priority. On 16 June 2016 the Council decided to abrogate the Excessive Deficit Procedure (EDP) for Slovenia. The implementation of the 2016 budget is on track to achieve the Government's deficit target of 2.2% of GDP in the Stability Programme. Public debt increased to 83.1% of GDP in 2015 but is projected to decline in 2016 and over the forecast horizon. However, the ageing population is set to put considerable pressure on public finances in the long term. Measures to ensure the sustainability and adequacy of the pension system are currently in public consultation. While the preparatory work on the health and long term care reform is advancing the adoption of the main legal acts has been delayed. The difficulties with setting up the Fiscal Council continue. The Slovenian Sovereign Holding (SSH) focuses its activities on the professional management of state assets while still ensuring that ongoing privatization procedures have been kept on track. The involvement of the state in the economy remains high compared to EU average.

The institutional framework to restructure the corporate and banking sector is in place and the implementation has gained momentum. The situation of the Slovenian banking sector has further improved. Non-performing loans continue to decrease, however they remain high in the corporate sector and among SMEs compared to pre-crisis levels and most EU countries. The Bank Asset Management Company (BAMC) is in a position to fulfil its mandate, act independently and considerably contribute to the restructuring of the corporate sector. Remaining legal obstacles have been removed.

Slovenia's competitiveness could be further enhanced by removing inefficiencies in the public administration and by reducing lengthy administrative procedures. Measures on spatial planning, building permits and construction services have been delayed. A functional in-depth analysis of all administrative entities has been conducted. The implementation of identified measures will be supervised by a special coordination office set up in the Ministry of Public Administration.

In conclusion, while the Slovenian authorities have continued to proceed with the reform agenda, several important reforms have yet to be agreed. Solid economic growth, the recovery of asset prices and favourable labour market conditions offer the opportunity to step up the reform momentum. To reduce fiscal risks and enhance the long-term sustainability of public finances the adoption of measures to reform the pension and healthcare system and the establishment of the Fiscal Council are key priorities. Safeguarding the credibility of and maintaining strong corporate governance in the SSH and BAMC will further enhance the efficiency of the management of state-owned enterprises and boost investment and growth. Slovenia's competitiveness would benefit from the implementation of measures to improve the business environment and to make public administration more efficient.

Table 1: Key findings on implementation of policy reforms¹

On track	Wait-and-see	Action wanted
<ul style="list-style-type: none"> • Tax reform • Introduction of compulsory cash registers • White Paper on the future pension reform • Banking sector consolidation and restructuring • Access to finance for SMEs • Corporate governance framework of SSH and BAMC • Increased efficiency of civil justice and reduced length of proceedings 	<ul style="list-style-type: none"> • Adoption of the Public Finances Act • Implementation of measures to improve business environment (Single Document) • Deregulation of professions • Implementation of the Strategy for development of public administration 2015-2020 	<ul style="list-style-type: none"> • Establishment of Fiscal Council • Adoption of measures to ensure sustainability and adequacy of pension system • Adoption of healthcare and long-term care reform • Simplification of spatial planning and building permits • Regulation of performance of civil servants and their salaries

¹ The table classifies reforms under review on the basis of their respective adoption and implementation process and their credibility and level of detail. "On track" are measures for which the legislative or implementation process has been completed or is progressing well according to the foreseen timeline, and which are expected to be sufficiently effective. "Wait and see" are measures for which the legislative process is on-going, but is still in a relatively early phase, or measures for which there is still uncertainty on the complete implementation and effectiveness. "Action wanted" are measures for which limited or no action has been taken, or measures that have been announced but which are not sufficiently detailed yet to be assessed.

1. Introduction

On 26 November 2015, the European Commission presented, in the context of the Macroeconomic Imbalance Procedure (MIP), its fifth Alert Mechanism Report² to underpin the selection of Member States requiring an in-depth investigation into the existence and extent of macroeconomic imbalances. The subsequent In-Depth Review in the Country Report on Slovenia – published on 26 February 2016³ – examined the nature, origin and severity of macroeconomic imbalances and risks in Slovenia. In its Communication published on 8 March 2016⁴, the Commission concluded that "Slovenia is experiencing macroeconomic imbalances". In particular, the Commission emphasised that fiscal risks, deleveraging, investment and growth prospects as well as weaknesses in the banking sector constitute vulnerabilities. In April 2016, Slovenia submitted its Stability Programme⁵ and National Reform Programme (NRP)⁶, respectively outlining fiscal targets and policy measures to improve its economic performance and unwind imbalances. On the basis of an assessment of these plans, the Commission proposed a set of four country-specific recommendations (CSRs)⁷, which were subsequently adopted by the Council on 12 July 2016⁸. The CSRs addressed to Slovenia concern: sustainable public finance and national fiscal frameworks, the pension and health care system, labour market issues, banking sector restructuring, governance of state-owned enterprises, better business environment and more efficient public administration. CSRs 1, 3 and 4 were considered to be MIP relevant.

Moreover, the first recommendation which was addressed to euro-area Member States⁹ called for a regular assessment of progress of the delivery of reforms in those Member States which require specific monitoring within the framework of the MIP. For this purpose, a specific monitoring mission to Slovenia was conducted on 14-16 September 2016. The present report assesses the latest key policy initiatives¹⁰ undertaken by the Slovenian authorities also in the light of the findings of the monitoring mission¹¹.

This report does not reflect the content of the update of Slovenia's 2017 Draft Budgetary Plan. In order to avoid an overlap of surveillance processes, it does not provide an assessment of the revised fiscal targets. The latter assessment was published on 16 November 2016 in the Commission's opinion on Slovenia's 2017 Draft Budgetary Plan, taking into account the outcome of the Commission's 2016 Autumn Forecast.

² http://ec.europa.eu/europe2020/pdf/2016/ags2016_alert_mechanism_report.pdf

³ http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_slovenia_en.pdf

⁴ http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_comm_en.pdf

⁵ http://ec.europa.eu/europe2020/pdf/csr2016/sp2016_slovenia_en.pdf

⁶ http://ec.europa.eu/europe2020/pdf/csr2016/nrp2016_slovenia_en.pdf

⁷ http://ec.europa.eu/europe2020/pdf/csr2016/csr2016_slovenia_en.pdf

⁸ [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016H0818\(22\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016H0818(22)&from=EN)

⁹ http://ec.europa.eu/europe2020/pdf/2016/ags2016_euro_area_sw_d_en.pdf

¹⁰ Details on the policy measures taken can be found in the overview table in the Annex

¹¹ Previous MIP specific monitoring reports were published in November 2014, February and December 2015. See respectively

http://ec.europa.eu/economy_finance/economic_governance/documents/20141224_si_imbalances_epc_report_en.pdf,
http://ec.europa.eu/economy_finance/economic_governance/documents/201503_si_imbalances_epc_report_en.pdf and
http://ec.europa.eu/economy_finance/economic_governance/documents/201512_si_imbalances_epc_report_en.pdf

2. Outlook and recent developments on imbalances

Recent economic developments and outlook

The Slovenian real GDP increased by 2.5% in the first half of 2016 compared to the same period in 2015. Net exports and private consumption mainly contributed to this result. Slovenia's exporters continued their strong performance in 2016 keeping the current account surplus at historically high levels. Private consumption is set to grow faster in the second part of 2016 driven by higher employment and increased wages (especially in the public sector), a recovering housing market and increased lending to households. It is projected to become the main contributor to growth in 2017. Investment contracted driven by a considerable fall in public investment in construction following the end of the 2007-13 financing period under the European Structural and Investment (ESI) Funds. However, the growth rate of investment in machinery and equipment has been positive and is forecast to progressively accelerate as capacity utilisation levels remain above their historical average and financing conditions are easing.

The labour market performance continued to improve. The unemployment rate¹² fell to 7.8% in Q2-2016 from 9.2% in Q2-2015 and 8.9% in Q1-2016. The favourable labour market trends are likely to continue in line with solid economic growth. Inflation (12 months average) was negative but the latest data in August 2016 shows almost flat price development compared to August 2015 and a slow reversal of the deflationary trend.

Developments as regards imbalances

In March 2016 Slovenia was found to be experiencing macroeconomic imbalances. The imbalances relate to fiscal risks, deleveraging, investment and growth prospects as well as weaknesses in the banking sector. Below is an update of the developments as regards the imbalances.

Fiscal risks

A prolonged recession coupled with significant bank recapitalisations resulted in a sharp rise in public debt levels. Public debt is expected to have peaked at 83.1% of GDP in 2015. It is projected to decline to 80.2% of GDP in 2016 and decrease gradually thereafter. In 2015, Slovenia achieved a headline deficit of 2.9% of GDP and the Council decided to abrogate the Excessive Deficit Procedure (EDP) in June 2016. In 2016 and 2017, the deficit is projected to further decline to 2.2% and 1.6% of GDP respectively in the Stability Programme. The effects of the 2012 pension reform have been better than expected by the authorities. Specifically, the growth rate of new old-age pensioners was 0.9% in the first half of 2016 while the ratio between employees and pensioners stabilised. Still, according to The 2015 Ageing Report Slovenia is projected to see one of the largest increases in public pension expenditure in the EU until 2060. The level of state involvement in the economy remains high relative to other Member States. The Asset Management Strategy adopted in July 2015 sets the overall profitability target of the state portfolio as measured by return on equity at 8% by 2020, with intermediate targets at 6.3% in 2016 and 7.1% in 2017.

¹² LFS harmonised

Deleveraging, investment and growth prospects

Private investment decreased dramatically in 2009/2010 and since then it has only marginally recovered. The current level of private investment at around 16% of GDP remains very low compared to the historical average of 20% of GDP and the pre-crisis peak of 25% of GDP. In 2015, private investment grew by 0.8%. Weak private investment has contributed to a significant downward shift in Slovenia's potential growth (from 3-4% prior to the crisis to less than 1% after the crisis)¹³. Private sector's investment and growth capacity remains affected by the ongoing deleveraging. Since the peak in the indebtedness ratio in 2010 (115% of GDP), private sector debt decreased to 86.3% of GDP in 2015 and is expected to decrease further but at a slower pace than in the previous years. High leverage is mostly present in a handful of large companies and among SMEs. Household debt is amongst the lowest in the EU. Surveys point to weak domestic demand and high level of administrative burden as reasons for low investment. In addition to the weak domestic investment, Slovenia lacks foreign investment inflows. Even though Slovenia's stock of inbound foreign direct investment (FDI) increased by 12.4% in 2015, it only reached 35% of GDP, which remains markedly below the EU average of about 50% of GDP.

Financial sector and private debt

The situation of the Slovenian banking sector has further improved. All financial institutions are well capitalised. Solvency ratios have increased from 17.6% in Q1-2015 to 18.8% in Q1-2016 and are above EU average. Banks have access to sufficient liquidity and all banks are profitable. The sector's return on assets increased from 0.2% in Q1-2015 to 0.4% in Q1-2016 and remains above the EU average. In Q2-2016 profitability improved further despite the low interest rate environment and low credit demand from the real economy, mainly due to the release of loan loss reserves built-up in recent years. The share of non-performing exposures (NPEs) has declined substantially from the peak level of 21% in Q2-2013 to 12.9% in Q1-2016 and is projected to decline further. Nevertheless non-performing loans remain high in the corporate sector and among SMEs compared to pre-crisis levels and to most EU countries. Since the trough in February 2016, household loans have grown by 1.6%. At the same time, loans to corporates and SMEs continued to contract although at a slower pace.

3. Progress with policy implementation

3.1 Reduction of fiscal risks and public indebtedness

This section describes measures to meet the medium-term budgetary objective, to strengthen the fiscal framework, to ensure long term fiscal sustainability of the healthcare and pension system and to reduce risks related to state-owned enterprises.

The implementation of the 2016 budget is on track to meet the deficit target of 2.2% of GDP, but some risks remain. The deficit is projected to further decline to 1.6% of GDP in 2017 in the Stability Programme. In 2016, tax revenues are performing better than expected as a result of the better macroeconomic and labour market conditions. The wage bill in the public sector is expected to increase in 2016 by 5%. Higher social transfers are envisaged driven by the increase in the indexation of pensions by 0.4%. Conversely, public investment

¹³ European Economic Forecast, Spring 2016, Statistical Annex, Table 13.

is projected to fall by 34% following the end of the 2007-13 EU funding period. In addition, the reduction of interest expenditure is expected to reduce expenditure pressures. The main risks to the deficit projections relate to the impact of the operations of the Bank Asset Management Company (BAMC) in the work out of its loan book.

Debt peaked at 83.1% of GDP in 2015 and is projected to decline to 80.2% of GDP in 2016 in the Stability Programme. The projected lower deficit and the scaling down of the cash buffer (16% of GDP at end-2015) will help bringing public debt on a sustainable downward path in the coming years. The debt management strategy consists of taking advantage of the low interest environment by refinancing medium term debt at lower interest rates and extending the maturity profile of Slovenia's debt.

The revisions to the Public Finance Act are expected to be presented to the Parliament by the end of 2016. The appointment of the Fiscal Council has been further delayed. The necessary revisions to the Public Finance Act aim to strengthen the rules for direct and indirect budgetary users and to ensure that the medium-term fiscal objective is respected. After three unsuccessful public calls for applicants, the Government will have to restart an open call for applications to find members of the Fiscal Council.

The authorities intend to boost the creation of high value added jobs by shifting taxes away from labour to capital. In September 2016 the Parliament adopted amendments to three tax laws with effect as of 2017. The purpose of the changes is to boost the creation of high value added jobs, which would in turn support economic growth and increase fiscal revenue. The amendments comprise a decrease of the personal income tax for middle income earners and on bonuses, and an increase of the corporate tax from 17% to 19%. The cuts are estimated to result in a EUR 106 million loss of tax revenue in 2017, which is expected to be partly offset by the increase in corporate income tax (EUR 60 million).

While the preparatory work on the health care reform is advancing the adoption of the main legal act has been delayed. The comprehensive review of the health care system was finalised in 2015 in cooperation with the World Health Organisation and the European Observatory on Health Systems and Policies. The strategic document "The Resolution on the National Healthcare Plan 2016-2025", which serves as a basis for the forthcoming reform, was adopted by the Parliament in March 2016. The key law to be adopted is the Healthcare and Health Insurance Act with the focus on sustainable financing. The adoption was initially planned in 2016, but is likely to be delayed. The reform of long term care has also been delayed, as its financing is not determined and agreed yet. Public consultation on the draft long-term care law is envisaged for the end of 2016.

Measures to ensure the long-term sustainability and adequacy of the pension system are currently in public consultation. While the 2012 pension reform keeps the level of expenditure for pensions roughly constant until 2023, the new reform is needed to reverse a strong projected increase in pension expenditure in the long run. The White Paper on pension reform was published in April 2016 to initiate a public debate on a new reform, notably as regards the pension age, calculation and indexation of pensions and the coverage of second pillar occupational pensions. The White Paper presents long term projections of pension sustainability and adequacy under different scenarios but does not include an automatic link of the retirement age to life expectancy. Pension adequacy is perceived to be a challenge for workers with a short contribution period.

The focus of the Slovenian Sovereign Holding (SSH) is on professional management of state assets, but some obstacles to its mission remain. Improving the governance and the performance of state-owned enterprises hinges on decisive implementation of the corporate governance system that has been put in place over the last years. The SSH has been empowered to pursue its mission and priorities set in a number of asset management acts, by galvanizing its internal organization, incentivizing, and gearing its resources toward achieving clear goals, for instance through special training, variable productivity-based remuneration or benchmarking against performance criteria. Nevertheless, the SSH is facing strong opposition in individual cases. SSH's recent initiative to replace three members of the Luka Koper (Port of Koper) supervisory board were objected by the management board and employees of Luka Koper and forced the head of the SSH management board to resign. The fine-tuning of the asset management strategy of 2015 with the objective to lift inconsistent restrictions may be required to facilitate asset management.

Privatization procedures have been kept on track but state ownership remains high. Most of the assets earmarked for privatization on the basis of a decision taken by the Parliament in 2013 have already been sold, except for Telekom Slovenije (which has not been re-scheduled after a failed attempt in 2015) and other less prominent cases. The transactions regarding Adria Airways and NKBM have reached their closing in March and April 2016 respectively. The privatization of Paloma, a manufacturer of hygienic paper products, is expected to be completed by end-2016. The SSH has taken preparatory action regarding the divestment of NLB, Slovenia's biggest bank, through an IPO. This is to be launched in 2017 with the objective to complete the process by end of 2017. However, according to the authorities there are a number of legal issues pending in the privatisation process. The share of state-owned enterprises remains high not only in transport, energy and public utilities but also in sectors where state involvement is less pronounced in peer countries (insurance, manufacturing, tourism).

Overall, several key policy measures still need to be adopted to reduce fiscal risks and public indebtedness. The continued implementation of consolidation measures has brought the deficit on track, however the timely adoption and implementation of measures to reform the pension, healthcare and long-term care system as well as the establishment of the Fiscal Council is necessary to safeguard the sustainability of public finances.

3.2. Restructuring of the banking and corporate sector

This section describes measures to resolve non-performing loans, to restructure the banking and corporate sector and to facilitate the access to alternative financing sources.

The implementation of a comprehensive set of measures has stabilised the banking sector. The consolidation and restructuring of the sector is progressing. Nova KBM (NKBM), Raiffeisen banka and Poštna banka Slovenije (PBS) have been merged in H1-2016, the winding down of Factor banka and Probanka completed and the remainders transferred to the Bank Asset Management Company (BAMC) in February 2016. Gorenjska Banka is offered for sale by their current owners. Banks prepared NPL target plans which are monitored by the Bank of Slovenia (BoS). The reporting on the progress of the major restructuring agreements (MRAs) shows that 75% of the MRA are successfully implemented. BoS published a new regulation on internal governance of banks and the findings of the on-site inspections show improvements in bank's practices. A systematic approach to SME NPL

work out, including a toolkit and handbook is currently prepared in cooperation with the World Bank in the context of a technical assistance project.

The BAMC seems in a position to fulfil its mandate and act independently. Its legal framework has been amended in December 2015 and outstanding obstacles to the restructuring and disposal of assets removed. A new CEO was appointed in September 2016 and the Government is expected to adopt the strategy for the period 2017-22 in November 2016. The BAMC significantly contributes to the restructuring of the corporate sector. Recent major transactions include the sale of AHA EMMI, AHA Plastik and the successful restructuring and sale of Cimos.

Access to finance for SMEs has improved. In 2015, only 6% of SMEs had their loan applications rejected, down from 24% in 2014. Financial instruments offered by the Slovene Entrepreneurship Fund (SEF) and SID Bank were successful. In total SEF supported 5.100 SMEs with a total amount of more than EUR 790 million. The relaxed credit and eligibility conditions of SID Bank enabled more SMEs to get financing. Although equity financing is still low compared to EU average, venture and seed capital for innovative companies has increased. The Government has adopted a bill to set up a Central Credit Register as a centralised database of borrowing by individuals and businesses in order to enable more efficient risk management and reduce the risk of excessive indebtedness. The register will be managed by Bank of Slovenia. Access to finance for businesses is expected to improve further as the deleveraging pressure eases. The indebtedness of non-financial companies has decreased by 8pps to 55% of GDP in 2015.

Overall, the on-going implementation of measures to restructure the corporate and the banking sector show positive results. A fully operational BAMC is positively contributing to the restructuring and access to finance for SMEs has improved.

3.3. Competitiveness, business environment, public administration and labour market

This section describes measures to increase the employability of low-skilled and older workers, to reduce the administrative burden on business and to modernise public administration.

Tangible benefits of measures to improve the business environment have yet to materialize. The programme for the reduction of administrative burden was estimated to achieve savings of EUR 365 million between 2009 and 2015. The latest progress report on the implementation of measures to improve business environment (Single Document), shows that only 16% of the measures planned for 2016 and 66% of the measures planned for 2015 have been implemented so far. Some important measures regarding issues such as spatial planning, building permits and construction services have been delayed and are expected to be adopted by the Parliament only in March 2017. On 1 June 2016 the SME test was introduced to assess the potential negative impact of new regulation on the private sector. It is not foreseen that the test would be implemented on existing laws.

Public administration is slowly heading towards reform. In the framework of the strategy for the development of public administration¹⁴ a functional in-depth analysis of all

¹⁴ The Strategy for development of public administration 2015-2020 was adopted in April 2015 and the action plan for its implementation for the period 2015-16 was adopted in July 2015. The two-year action plan (for years 2016 and 2017) was updated in June 2016.

administrative entities has been conducted and several efficiency increasing measures have been identified. In 2017, the Ministry of Public Administration is expected to launch a pilot project for the centralisation of financial support service units with the final objective to reduce their number from the current 58 to 12. A special office has been established to supervise and manage the implementation of the strategy and provide for better coordination within the Government. The Act on Civil Servants and the Act on Public Sector Salary System have been delayed as the public sector trade unions have rejected to negotiate them.

Measures were taken to improve the labour market situation of older workers. To support the employment of older workers, a measure providing an exemption to employers from social security contributions up to 24 months if they employ older workers in 2016-2017 was adopted in 2015. In August 2016, the authorities published a paper on Older Workers and Labour Market in Slovenia which feeds into an action plan to be adopted in October 2016.

The court system is gradually tackling backlogs and lengthy court proceedings. The overall number of pending cases in August 2016 decreased further by 12.8% compared with December 2015. At the same time, productivity seems to be on a declining path with courts resolving 76,154 cases per month during January – August 2016 compared to 99,830 per month in 2012. The number of resolved cases was higher than the number of incoming cases (clearance rate at 106%)¹⁵ and the disposition time has marked a further decrease to 2.6 months from 2.7 months in 2015.¹⁶ As regards the quality of the justice system, a judicial map reform is being prepared taking into account experience from other Member States. The online publication of judgments of civil and commercial courts of 1st instance is being prepared. A provisional evaluation report on the insolvency framework confirms the conclusions of previous reports, i.e. the existence of increased opportunities for corporate restructuring and the ability of the court system to deal with an increased number of reorganisation and bankruptcy proceedings.

Overall, the major gaps to improve competitiveness and business environment are to streamline the spatial planning and building permits procedures. The adoption of the acts to regulate civil servants salaries and their performance could make public administration more efficient.

http://www.mju.gov.si/si/delovna_podrocja/kakovost_v_javni_upravi/strategija_razvoja_javne_uprave/

¹⁵ The clearance rate is the ratio of the number of resolved cases over the number of incoming cases. It measures whether a court is keeping up with its incoming caseload.

¹⁶ The disposition time indicator is the number of unresolved cases divided by the number of resolved cases at the end of a year multiplied by 365 days and is used to indicate the time needed to resolve a case in court.

Annex 1: Overview table of MIP-relevant reforms

MIP objective: Reduce fiscal risks and public indebtedness			
Public finances and taxation			
Fiscal policy and fiscal governance			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected in October 2016: The Draft Budgetary Plan (DBP) will be submitted on 17 October. The Government committed to presenting a plan with an underlying structural improvement of 0.6% of GDP towards compliance within the preventive arm of the Stability and Growth Pact.</p> <p>Expected by end 2016: The Government will adopt the revised Public Finance Act.</p> <p>Expected by end-2016: The fourth open call for applicants for the Fiscal Council will be prepared.</p>	<p>July 2015: Fiscal Rule Act (adopted by the Parliament with 2/3 majority)</p> <p>September 2016: 2017 and 2018 budgets (adopted by the Government). Target deficit for 2017 is 1.6% and for 2018 1% of GDP.</p> <p>September 2016: Tax reform to shift tax burden from labour to capital (adopted by the Parliament). Entering into force as of 1st January 2017.</p>		<p>CSR (1) – 2016: "...achieve an annual fiscal adjustment of 0.6% of GDP towards the medium-term budgetary objective in 2016 and in 2017. Set a medium-term budgetary objective that respects the requirements of the Stability and Growth Pact. Strengthen the fiscal framework by appointing an independent Fiscal Council and amending the Public Finance Act."</p>
Long term sustainability of public finances, including pensions			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected by end-2016: An agreement between the Government and social partners will identify the key parameters of the pension reform (the retirement age, level of pensions, indexation and optimisation of the second pillar).</p>	<p>April 2016: White Paper on pensions to launch public consultation on the reform (adopted by the Government).</p>	<p>September 2016: Evaluation of the 2013 pension reform. The conclusion is that the pension system is sustainable until 2023.</p>	<p>CSR (1) – 2016: "By the end of 2017, adopt the necessary measures to ensure the long-term sustainability and adequacy of the pension system. "</p>

Long term sustainability of healthcare system			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected in October 2016: The Parliament will adopt the revised Pharmacies Act.</p> <p>Expected in November 2016: The Government will adopt the revised Health Services Act.</p> <p>Expected by end-2016: Public consultation on the Healthcare and Health Insurance Act will be initiated.</p>	<p>March 2016: The Resolution on the National Healthcare Plan 2016 – 2025 (adopted by the Parliament).</p>	<p>End - 2015: The act on investment in public hospitals. The purpose is to ensure a stable source of financing for hospital investment.</p> <p>July 2016: The proposal on shortening waiting lists. The purpose was to identify the causes of the waiting times and propose measures to prevent their occurrence.</p>	<p>CSR (1) – 2016 "Complete and implement the reform of the long-term care and healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care."</p>
Long term sustainability of long-term care			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected by end-2016: Public consultation on the Long-term Care Act will be initiated.</p>			<p>CSR (1) – 2016 " Complete and implement the reform of the long-term care and healthcare systems, making them more cost-efficient to ensure long-term sustainability of accessible and quality care."</p>
Reduction fiscal risks of state-owned enterprises - Management of state assets			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected by end-2016: The SSH will submit an Annual Asset Management Plan (for 2017) to the Government for the approval.</p> <p>Expected by end-2016 or spring</p>		<p>In 2015: Asset Management Strategy, an annual management plan for 2016 and a set of performance criteria for state-owned enterprises. The assembly appointed the supervisory board of the</p>	<p>CSR (4) – 2016: "... Improve the governance and the performance of state-owned enterprises.."</p>

2017: A CEO of the SSH management board will be appointed (currently run by an interim CEO).		SSH, which on its turn designated a management board.	
Reduction fiscal risks of state-owned enterprises – Privatisation of state assets			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
September 2016: Several privatizations are ongoing according to the dedicated timeline.		January 2016: Share capital increase in Paloma by foreign investor. March 2016: Closing of the sale of Adria Airways. April 2016: Closing of the sale of the NKBM.	CSR (4) – 2016: "... Improve the governance and the performance of state-owned enterprises.."
MIP objective: Restructuring of the banking and corporate sector			
Financial sector			
Restructuring of banking sector			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
By end-2017: The NLB will be privatized.		February 2016: Completion of the winding down of Factor banka and Probanka. Spring 2016: Merger of the NKBM, Reiffeisen bank and PBS.	CSR (3) – 2016: "... Ensure the proper implementation of the bank asset management company strategy."
Governance of the BAMC			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
Expected in November 2016: The Government will adopt the BAMC strategy 2017-22.			CSR (3) – 2016: "... Ensure the proper implementation of the bank asset management company strategy."

Resolution of NPLs			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
	September 2016: Bill to set up a Central Credit Register as a centralised database of borrowing by individuals and businesses (adopted by the Government).	By end-2015: Guidance on annual targets and strategies for NPL reduction (issued by Bank of Slovenia).	CSR (3) – 2016: "Improve the financing conditions for creditworthy business, including by facilitating durable resolution of non-performing loans..."
Access to finance			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
Expected in early-2017: An agreement between the European Investment Fund (EIF) and some Member States (SI, AT, HU, CZ, SK) on establishment of the Cross Border-Central EIF will be reached. Foreseen budget: EUR 120-150 million. Expected by end-2016: Analysis of the equity financing will review existing equity instruments, including tax incentives, and will propose improvements to existing policy measures.		October 2016: A range of financial instruments for SMEs such as grants for start-ups, seed capital, guarantees with subsidies and interest rate and direct and indirect loans. The instruments are offered by the SEF and SID Bank. October 2016: An ex-ante assessment of financial instruments 2014-2020. Financing gap was estimated in the range from EUR 14 to 92 million.	CSR (3) – 2016: "Improve the financing conditions for creditworthy business, including by facilitating durable resolution of non-performing loans and access to alternative financing sources. ..."
MIP objective: Labour market, competitiveness, public administration and business environment			
Labour market			
Active labour market policies			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>

<p>Expected in October 2016: Action plan on employment of older people will be adopted by the Government.</p> <p>Expected in October 2016: Policy paper "Connecting People with Jobs" will be prepared in cooperation with the OECD to address long-term unemployment.</p> <p>Expected in February 2017: Comprehensive Skills Strategy will be prepared on basis of the OECD skills review.</p> <p>Expected in mid-2017: Analysis of four ongoing ALMP measures (Public Works, Employ.me, Informal Training and on the Job Training) will be prepared.</p>	<p>August 2016: Policy paper Older Workers and Labour Market in Slovenia.</p>		<p>CSR (2) – 2016: "In consultation with social partners, increase the employability of low-skilled and older workers, including through targeted lifelong learning and activation measures."</p>
Labour market reform			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected by end-2016: Amendments to the Employment Relationship Act will be adopted to reduce segmentation on the labour market.</p> <p>Expected by end-2016: Labour inspectorate will be empowered to reduce misuse of contracts on the labour market.</p>	<p>March 2016: A policy paper Decent Work (prepared by the Ministry of Labour).</p>		<p>CSR (3) 2013 - Monitor closely the effects of the recent labour market reform and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation</p>
Public administration and business environment			
Business environment			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>

<p>Expected by end-2016: Second action plan 2017-18 for the implementation of Internationalization strategy will be prepared.</p> <p>Expected by end-2016: The acts on spatial planning, building permits and construction services will be adopted by the Government.</p> <p>Expected by end-2016: A call for the implementation of strategic partnerships within the Smart Specialisation will be published.</p>	<p>April 2015: Strategy for internationalization 2015-2020 (adopted by the Government).</p>	<p>June 2016: Launch of SME test. It is obligatory for all new laws prepared under the regular procedure.</p> <p>June 2016: The 7th progress report on the implementation of the Single Document. It shows that 16% of the measures planned for 2016 and 66% of measures planned for 2015 have been implemented so far.</p>	<p>CSR (4) – 2016: "... reduce the administrative burden on business...."</p>
Public administration			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected by end-2017: The Act on Civil Servants and Act on Public Sector Salary System will be adopted by the Government</p> <p>Expected in early-2017: A pilot project to centralize financial support services of nine administrative units into one will be launched.</p> <p>Expected in January 2018: E-procurement will be fully implemented.</p>	<p>April 2015: Strategy for the development of public administration 2015-2020 (adopted by the Government).</p> <p>June 2016: Action plan 2016-17 for the implementation of the Strategy (adopted by the Government).</p>	<p>April 2016: Law on public procurement.</p>	<p>CSR (4) – 2016: "Take measures to modernise public administration...."</p>
Civil justice			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p>Expected in 2017: A blueprint for reorganizing the judicial map by fostering specialization of judges, and</p>		<p>On a continuous basis: Monitoring the functioning of the Court system on the basis of detailed statistics and</p>	<p>CSR (4) – 2015: " Ensure that the reforms adopted to improve the efficiency of civil justice help reduce</p>

<p>introducing one single first instance court will be prepared. Civil and commercial judgements of all instances will be published online.</p> <p>In July 2016: Draft bill amending the civil procedure code to speed up the judicial proceedings and reduce cost of litigation presented by the Ministry of Justice.</p>		<p>several indicators.</p> <p>September 2016: The evaluation report of the insolvency framework reform.</p> <p>Mid-2016: New law extending the scope of preventive restructuring proceedings to small companies.</p>	<p>the length of proceedings."</p>
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