



GOVERNMENT OF THE REPUBLIC OF SLOVENIA

Draft Budgetary Plan 2025

October 2024

TABLE OF CONTENTS

1	INTRODUCTION.....	3
2	INFORMATION ON RESPECT OF THE FISCAL COMMITMENT.....	4
3	MACROECONOMIC DEVELOPMENTS	6
4	BUDGETARY PROJECTIONS.....	14
5	RECOVERY AND RESILIENCE PLAN (RRP).....	23
6	STRUCTURAL CHANGES.....	24
	ANNEX.....	28

1 INTRODUCTION

The year 2024 is a transition year from the aspect of fiscal rules. At the end of April, the revised EU legislation in the field of economic and fiscal policy governance entered into force in the form of a package of three documents; two regulations and one directive¹. The revised EU rules envisage that countries draft a medium-term fiscal-structural plan (hereinafter referred to as: MTFSP) for a four-year period, which will determine fixed fiscal targets regarding growth of net expenditure for that period².

In the 2025-2028 period, the MTFSP sets an average growth of net expenditure of 4.5%, which will ensure an adequate fiscal effort, as required by Regulation 2024/1263 (more detailed explanation in the MTFSP). This will ensure that general government deficit is kept below the reference value of 3% of gross domestic product (hereinafter referred to as: GDP) and the sustainability of public debt, as the debt (without further/additional measures) will decrease, i.e. remain below the reference value of 60% of GDP even after the end of the adjustment period.

As part of the revised fiscal framework, the Draft Budgetary Plans serve as key documents in the annual monitoring of compliance with net expenditure growth. Planned expenditure in the Draft Budgetary Plans may not exceed the growth of net expenditure specified in the MTFSP but may be lower. As in the past, the Draft Budgetary Plans will contain a detailed description of the implementation of the fiscal policy strategy for the following year and will present specific expenditure and revenue measures that will ensure compliance with the fiscal targets in terms of net expenditure growth. While the MTFSPs are political and strategic documents, the Draft Budgetary Plans maintain a more executive, i.e. operational nature.

The government usually adopts budget documents by the end of September of the current year and forwards them to the National Assembly for the adoption procedure. Budgets (the state budget is the largest unit at the central level, serving as a tool for the implementation of economic and fiscal policy) are adopted in the National Assembly by the end of the year. This year, the Government adopted the budget documents for 2025 and 2026 at the end of September and at the same time took note of the draft MTFSP, which served as a basis for consultation with relevant stakeholders. The Government adopted the MTFSP, simultaneously with the Draft Budgetary Plan 2025, on 10 October 2024.

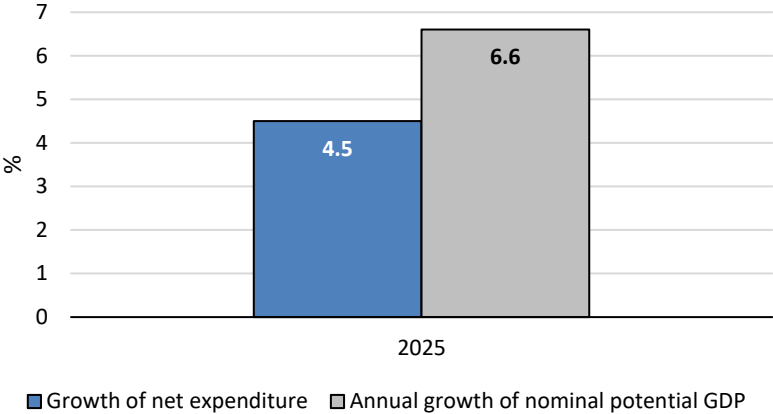
¹ [Regulation - 2024/1263 - SL - EUR-Lex \(europa.eu\)](#); [Regulation - EU - 2024/1264 - SL - EUR-Lex \(europa.eu\)](#); [Regulation - 2024/1265 - SL - EUR-Lex \(europa.eu\)](#).

² In the Republic of Slovenia, the term expenses is used for general government expenditure (Article 2 of the Fiscal Rule Act – ZFisP).

2 INFORMATION ON RESPECT OF THE FISCAL COMMITMENT

According to the MTFSP 2025-2028, medium-term sustainability of general government debt and the maintenance of the general government deficit below the reference value of 3% of GDP will be ensured by 6.2% net expenditure growth in 2024 and 4.5% net expenditure growth in 2025. In the next year, the growth of net expenditure will lag behind the growth of nominal potential GDP by 2.1 p.p. (Figure 1).

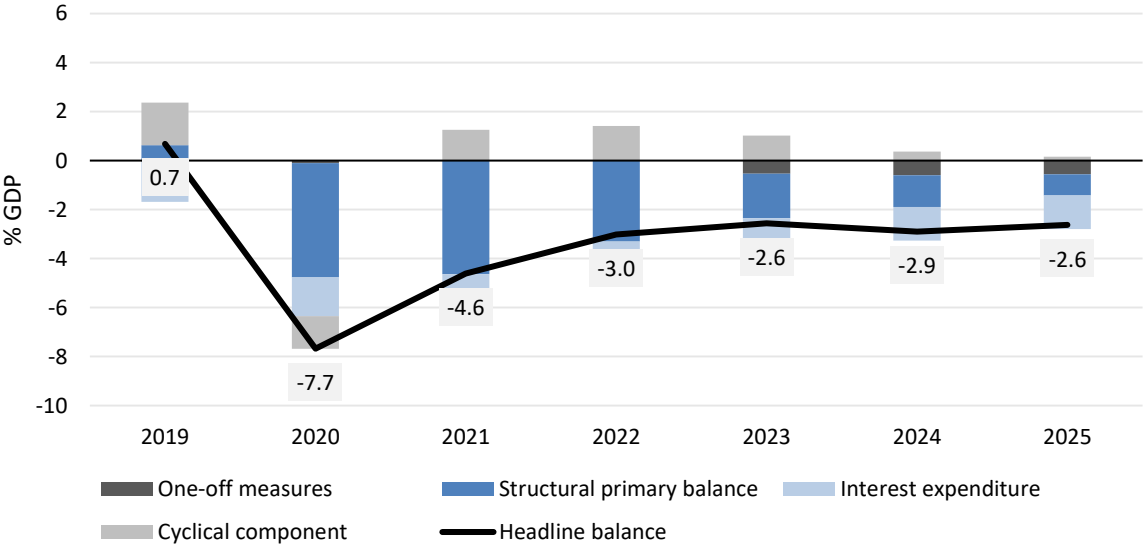
Figure 1: Growth of net expenditure and annual nominal potential GDP (in %)



Source: Ministry of Finance.

This will ensure a reduction of the general government deficit from 2.9% of GDP this year to 2.6% of GDP in 2025, to which the improvement of the structural balance by 0.5 percentage points (hereinafter referred to as: p.p.) of potential GDP will contribute the most, mainly as the result of discretionary revenue measures and the expiry of measures to mitigate the energy price increases. In 2025, public finances will be affected by certain structural changes anticipated in the MTFSP. The general government balance will also be significantly affected in 2025 by the planned value of one-off measures related to floods. On the other hand, the positive contribution of the cyclical component will decrease in the coming year (Figure 2).

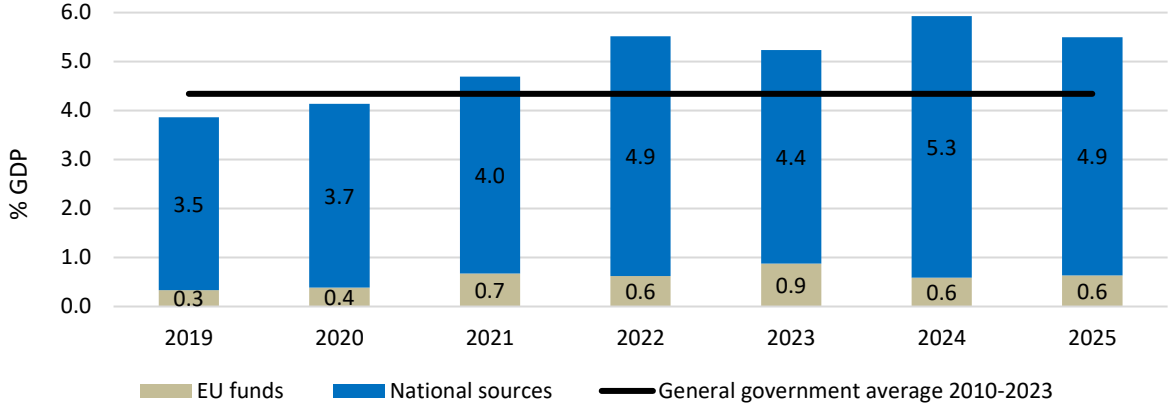
Figure 2: General government balance and its components (in % of GDP)



Source: Ministry of Finance.

The share of general government investments in GDP will be maintained at high levels and in this and the next year, exceed its 2010-2023 average by 1.6 and 1.2 p.p. of GDP, respectively (Figure 3). Investments financed from national sources will also be maintained at a high level, representing 5.3% of GDP in 2024 and 4.9% of GDP in 2025. The proportion of general government investments financed by the EU will amount to 0.6% of GDP in this and the next year (Figure 3).

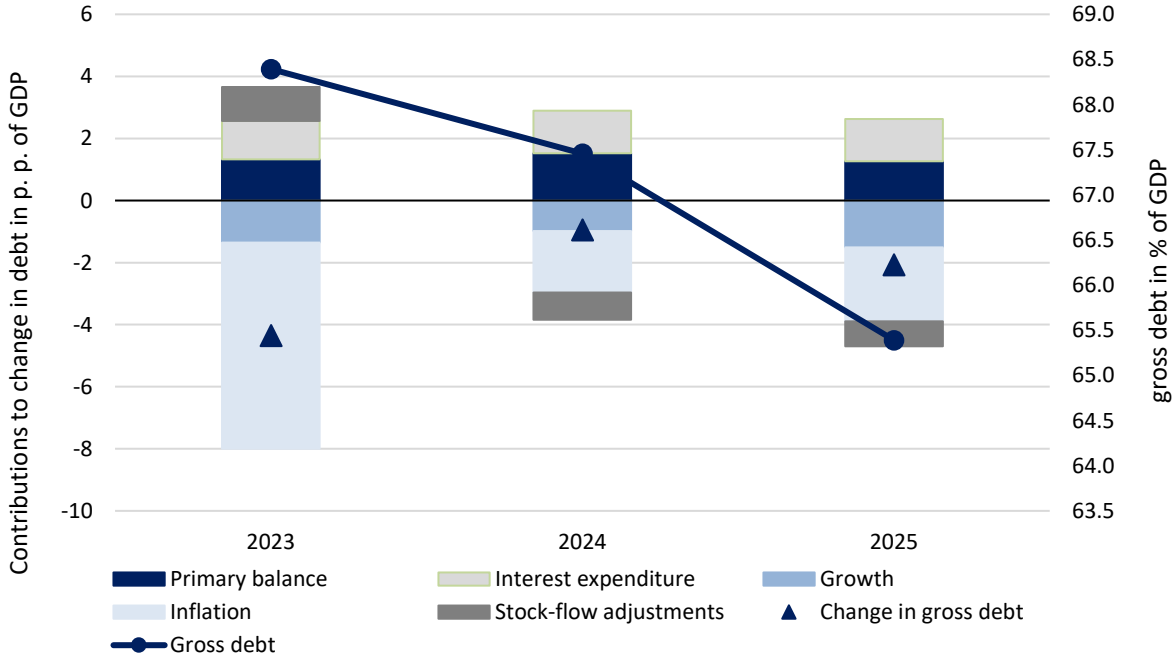
Figure 3: General government gross fixed capital formation (in % of GDP)



Source: Statistical Office (hereinafter referred to as: SORS); Ministry of Finance.

General government gross debt is expected to decrease by 0.9 p.p. of GDP to 67.5% of GDP in 2024, and by 2.1 p.p. of GDP to 65.4% of GDP in 2025. Inflation, solid economic growth and the planned stock-flow adjustments will contribute the most to the reduction of debt-to-GDP ratio in both years. In the coming year, the reduction of the primary deficit will also have a favourable effect on the debt dynamics while interest expenditure will be kept below the long-term average (Figure 4).

Figure 4: Contributions to the change in general government gross debt (in p.p. of GDP)

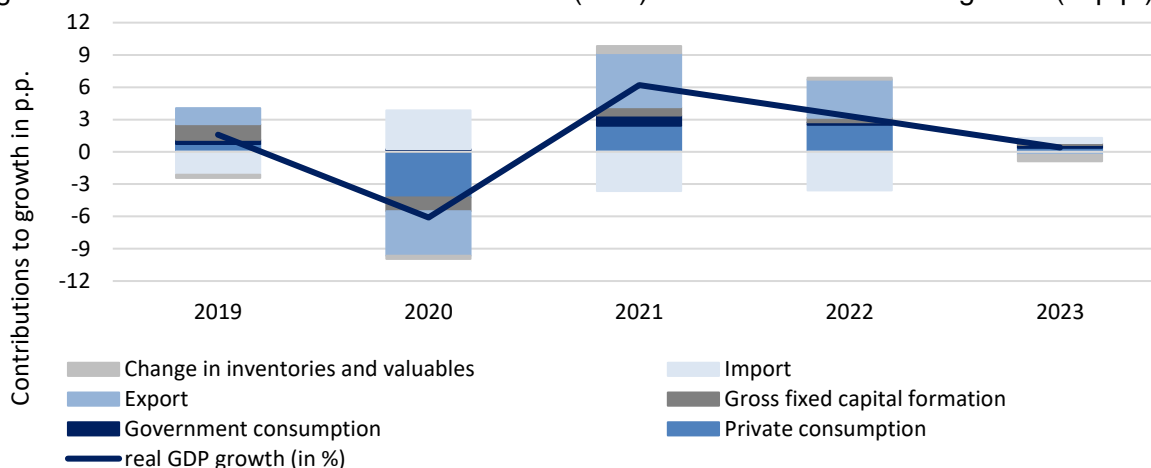


Source: SORS; Ministry of Finance.

3 MACROECONOMIC DEVELOPMENTS

Economic growth in the euro area dropped to 0.4% last year, from 3.3% in 2022. Private consumption expanded by 0.7% in real terms and contributed most to last year's GDP growth in the euro area (0.4 p.p.). Government consumption, which increased in real terms by 1.2%, contributed 0.3 p.p. to the growth, while gross fixed capital formation increased by 0.9% and contributed 0.2 percentage points. Since imports decreased in real terms (0.9%) more than exports (0.5%), the contribution of international trade was slightly positive. Changes in inventories and valuables, on the other hand, reduced the growth of GDP by 0.6 p.p. (Figure 5). Institute of Macroeconomic Analysis and Development (hereinafter referred to as: IMAD), based on forecast of foreign institutions assumes 0.8% economic growth in 2024, which is expected to increase to 1.3% in 2025.

Figure 5: Growth of real GDP in the euro area (in %) and contributions to its growth (in p.p.)



Source: Eurostat.

Last year, Slovenia recorded significantly higher economic growth than the euro area average. Slovenia's real GDP increased by 2.1% (2.7% in 2022). Last year, economic growth in Slovenia was mainly fuelled by gross fixed capital formation, which increased by 3.9% in real terms and contributed 0.9 p.p. to growth. Government consumption increased by 2.4% in real terms and contributed 0.5 p.p. to real GDP growth, while private consumption stagnated and contributed 0.1 p.p. to growth. Since last year, imports decreased in real terms (2.0%) more than exports (4.5%), the contribution of international trade was positive (2.3 p.p.) – Figure 6.

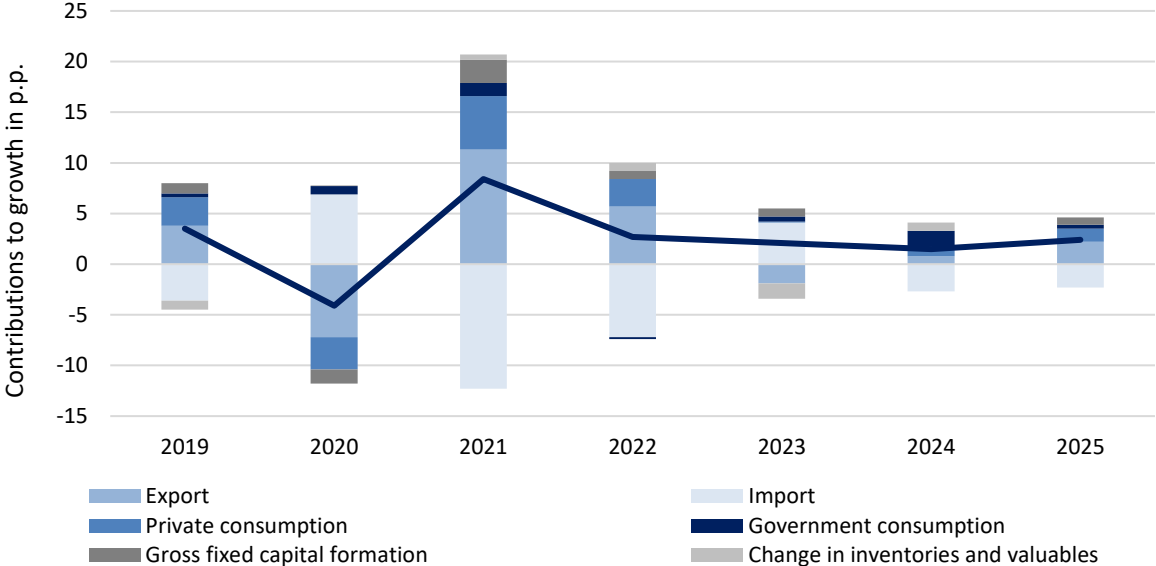
In the Autumn forecast of economic trends 2024, IMAD forecasts economic growth of 1.5% for 2024. The slowdown in growth this year stems from the anticipated stagnation of investments resulting from weaker investment activity in the construction sector and the weak recovery of foreign demand. Private consumption growth, which is expected to improve to 1.6%, will be supported by high employment, further wage growth, lower inflation and greater consumer optimism. This year's increase in the growth of government consumption to 8.5% is primarily the result of the transformation of voluntary supplementary health insurance into a compulsory health insurance contribution, which is henceforth a public source of financing healthcare services³. In addition, government expenditure on goods and services will also be affected by the reconstruction related to last year's floods and the growth of employment in the general government sector, which will be slightly higher than last year. With the high growth of domestic consumption, including inventories, the growth of imports (3.5%) is expected to significantly

³ What has until now been private expenditure thus becomes public, mostly as part of the categories of government consumption.

outpace the growth of exports (0.9%), which is why the contribution of international trade to real GDP growth is expected to be negative this year (-1.9 p.p.).

In 2025, IMAD expects economic growth of 2.4%, to which growth in private consumption is expected to contribute the most (1.3 p.p.). With stronger real income growth, private consumption is expected to increase by 2.5%. With the assumed increase in economic activity in the international environment in 2025, further growth in investment in manufacturing activities is expected. Government investment activity in connection with flood control and reconstruction, and in connection with investment as part of the use of funds from the Recovery and Resilience Plan, is also expected to be high. Gross fixed capital formation is thus expected to increase by 3.5% and contribute 0.7 p.p. to the real GDP growth. With slightly higher growth in foreign demand, exports are expected to increase in 2025 by 2.7%, but imports even more (3.0%), so that the contribution of the trade balance to economic growth is expected to be slightly negative (-0.1 p.p.). The expected moderate growth of government consumption (1.7%) will be affected by further growth in employment, growth in healthcare expenditure and the gradual establishment of the long-term care system.

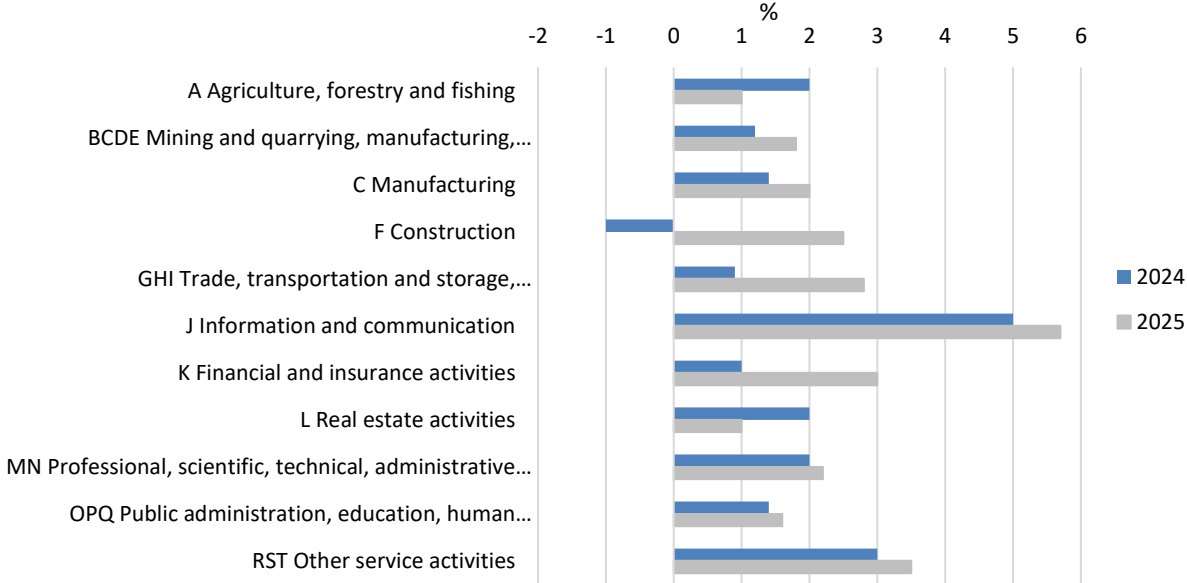
Figure 6: Growth of Slovenia’s real GDP (in %) and contributions to growth (in p.p.)



Source: IMAD Autumn forecast of economic trends 2024.

IMAD forecasts that in 2024 the real value-added growth rate will be higher in half of the activities than it was in 2023; specifically in NACE activities Agriculture, Forestry and Fishing, in Manufacturing and in most service activities (Financial and Insurance Activities; Real Estate Activities; Public Administration, Education, Human Health and Social Work; and in Other Service Activities). Highest growth in value added is expected in Information and Communication (by 5%). On the other hand, the added value is expected to shrink in real terms this year in Construction (by 1%). For the coming year, IMAD forecasts a further acceleration real value-added growth in most activities, with the highest growth again expected in the Information and Communication (5.7%) – Figure 7.

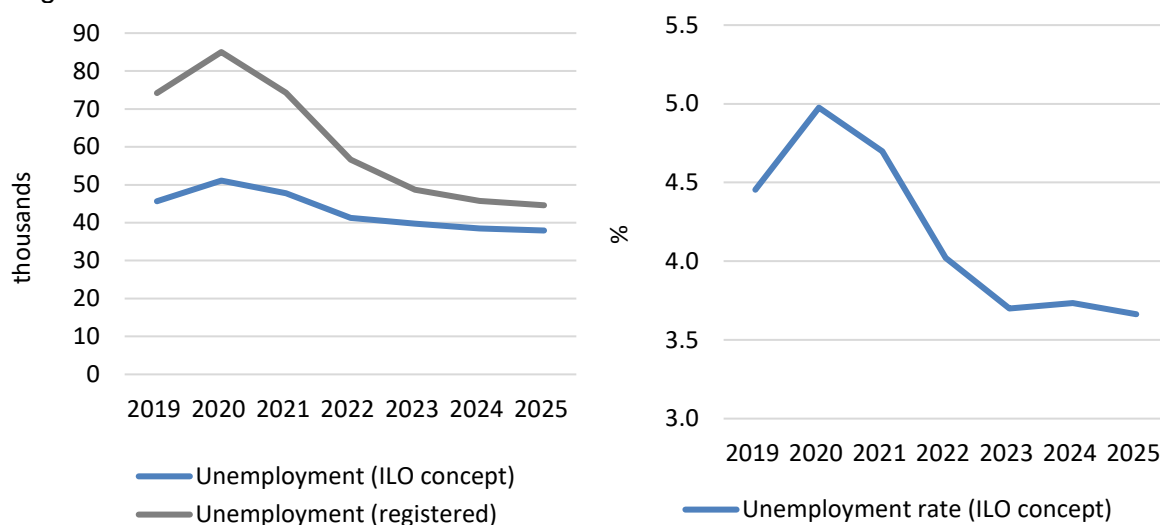
Figure 7: Forecast of growth in real value-added, by activity (in %)



Source: IMAD Autumn forecast of economic trends 2024.

For 2024, IMAD expects a modest growth in employment and a decrease in unemployment. Employment growth is expected to decrease to 0.5% (from 1.6% in 2023), and the number of registered unemployed people is expected to drop from approximately 49,000 in 2023 to approximately 46,000 on annual average (Figure 8 left). The labour force survey unemployment rate is expected to remain at 3.7% (Figure 8 right). In the next two years, IMAD does not expect a significant increase in employment, despite the anticipated higher economic growth, mainly due to restrictions on the labour supply side and because a high level of employment has already been achieved. The labour force shortage will be mitigated somewhat by certain measures to facilitate employment and recruitment of foreign labour, as a result of which IMAD forecasts that growth will continue to be based primarily on the employment of foreign citizens. Employment growth in 2025 is expected to amount to 0.6%, and the unemployment rate 3.7%.

Figure 8: Number of unemployed persons (in thousands) – left and unemployment rate (in %) – right



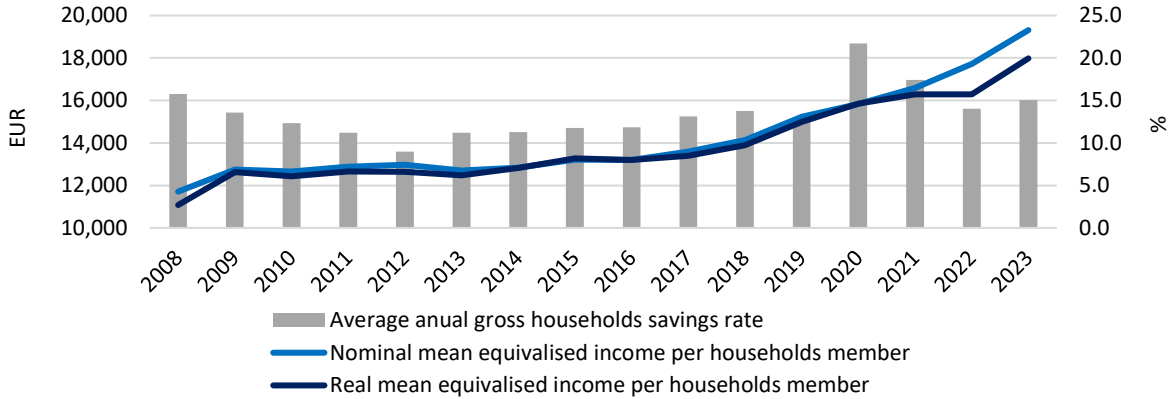
Source: IMAD Autumn forecast of economic trends 2024.

Nominal wage growth slowed down in the first half of 2024 and is expected to average 6.2% this year (9.7% in 2023). Wages in the private sector will continue to be affected by labour force shortages, and the tendencies of employees to maintain real income as well as by an increase in minimum wage. However, with the slowdown in economic activity and lower inflation, the rate of nominal growth of the average gross wage in the private sector will decrease to 7.1% this year (from 9.4% last year). Wage growth in the public sector will this year be mainly affected by the agreement on this year's partial harmonisation of the values of the wage brackets with the growth of consumer prices, so that the growth of the average gross wage in the public sector will be more than halved compared to last year (to 4.4%). Due to the expected entry into force of the public sector wage system reform, wage growth in the public sector is expected to increase to 7.1% in the coming year, but in 2026, in accordance with the expected pace of the implementation of the reform, it will be lower (5.2%). In the private sector, wage growth will amount to approximately 6% until 2026. This will maintain the pressure on the cost-competitive position of Slovenian firms, which already significantly worsened last year.

According to the Bank of Slovenia⁴, non-financial corporations further improved their indebtedness indicators in 2023 and continue to rank among the least indebted in the euro area. The ratio of their debt liabilities to GDP was by 8.4 p.p. lower than the year before, or the lowest in the last twenty years, while financial leverage decreased to 82.3%. The financial situation of households also remained stable in 2023. Nominal mean equivalised income per household member continued to grow at a robust rate, and with decrease in inflation, the growth of real disposable income also accelerated. With the slowdown in the growth of household final consumption, the annual household saving rate increased slightly again last year (to 15%) – Figure 9.

⁴ Bank of Slovenia (2024). Financial Stability Review, May 2024. Available at: <https://www.bsi.si/publikacije/porocilo-o-financni-stabilnosti>.

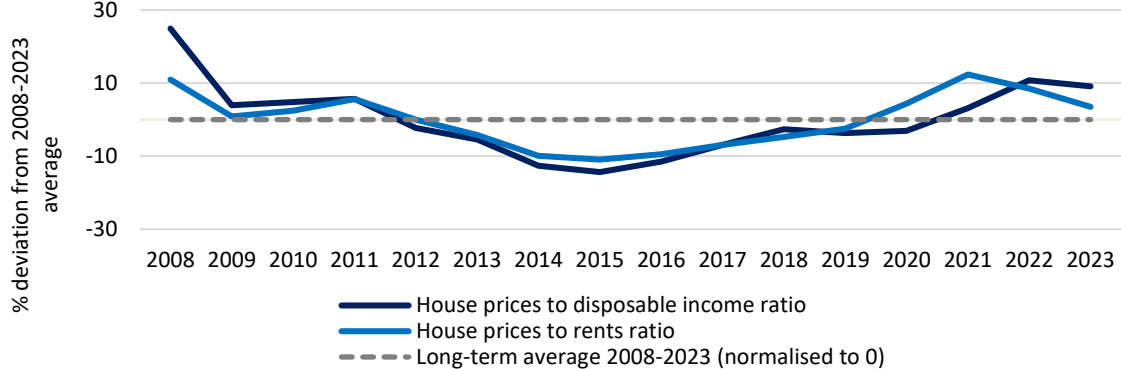
Figure 9: Nominal and real mean equivalised income per household member⁵ (left-axis) and average annual gross household savings rate⁶ (right-axis)



Source: SORS, calculations of the Ministry of Finance.

The relative overvaluation of residential real estate decreased last year. The deviation of the ratio between disposable income and house prices from its long-term average (2008-2023) decreased to 9.1% in 2023 (from 10.8% in 2022), and the ratio of house prices to rents decreased to 3.5% (from 8.5% in 2022) – Figure 10.

Figure 10: House prices to disposable income ratio and house prices to rents ratio (in % deviation from 2008-2023 average)



Note: A positive deviation of the indicator from the long-term average (0) indicates overvaluation, while a negative one indicates undervaluation of residential real estate prices.

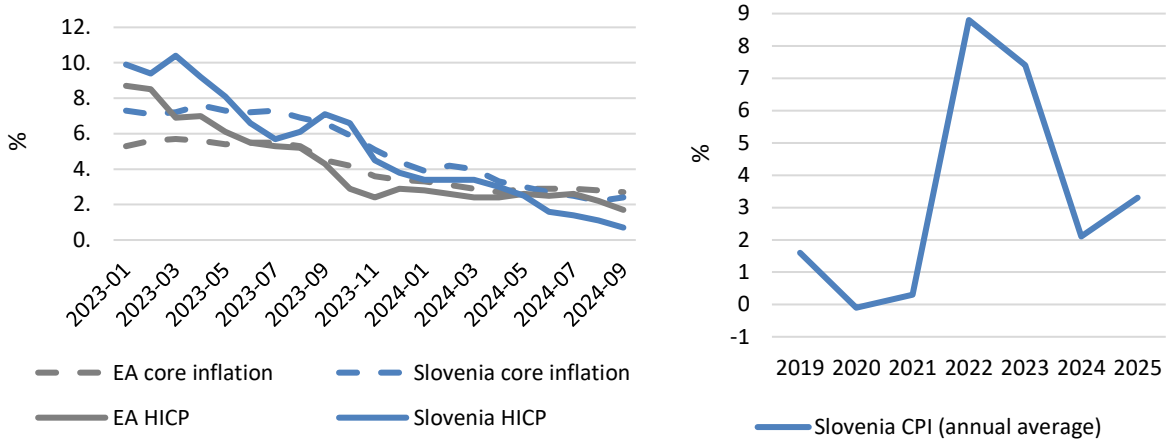
Source: SORS; calculations of the Ministry of Finance.

IMAD expects that average inflation (CPI) will decrease this year to 2.1% from 7.4% last year. Year-on-year growth in consumer prices decreased from 3.3% in January 2024 to 0.9% in August 2024 (1.1% measured with HICP), and to 0.6% in September (0.7% HICP), when it was also lower than the euro area average by more than a percentage point. Stabilisation of prices on the raw material markets and the moderation in economic activity in the face of tighter borrowing conditions significantly contributed to the decrease in year-on-year inflation. Compared to the beginning of 2024, the contribution of most groups to inflation has decreased. On the other hand, the prices of services continue to rise this year (4.1% in August), contributing the most to inflation. As a result, core inflation (measured with HICP excluding food, alcohol and tobacco and energy prices) remains above headline inflation, despite a

⁵ Equivalised income per household member in real terms is deflated by the average annual CPI rate.
⁶ The average annual gross household saving rate is the average of the quarterly rate calculated as the ratio of gross household saving and NPISHs (non-profit institutions serving households) to gross disposable income adjusted for the change in pension entitlements and gross household saving and NPISHs.

decline (from 3.9% in January 2024 to 2% in August 2024). In 2025, IMAD expects inflation to rise again to 3.3%.

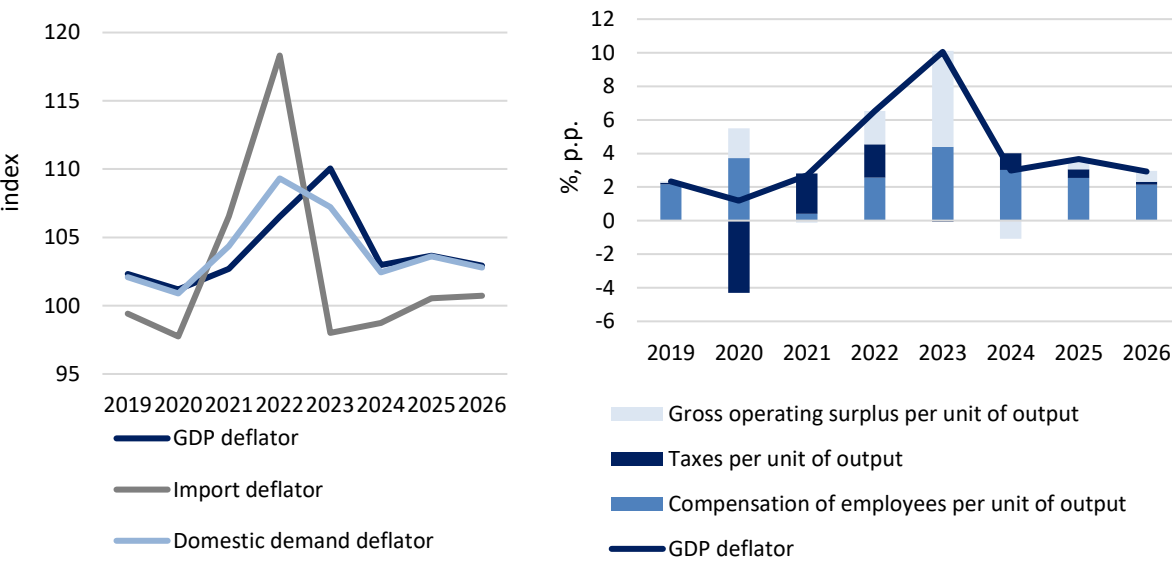
Figure 11: HICP (monthly data, annual rate of change) in the euro area and Slovenia – right CPI (annual average rate of change) in Slovenia – right



Source: Eurostat; IMAD Autumn forecast of economic trends 2024.

After last year's decrease in inflation in Slovenia stemmed primarily from a decrease in foreign price pressures (the import deflator decreased from 118.3 in 2022 to 98.0 in 2023), domestic price pressures will also decrease this year – Figure 12 left. What will contribute the most to this year's reduction of the GDP deflator is the (negative) impact of the gross operating surplus per unit of product – Figure 12 right. The (otherwise positive) contribution of labour cost growth will also shrink compared to the previous year. On the other hand, the contribution of taxes per unit of product will increase this year. A slight increase in the GDP deflator (by 0.7 p.p.) is expected in 2025, to which the positive impact of the gross operating surplus will again contribute. The contribution of growth in labour costs and taxes will decrease in the next two years.

Figure 12: Growth of GDP deflator, deflator of imports and domestic consumption (index) – left, and growth of the GDP deflator (%) and its contributions (in real GDP, in p.p.) – right



Source: IMAD Autumn forecast of economic trends 2024; calculations of the Ministry of Finance.

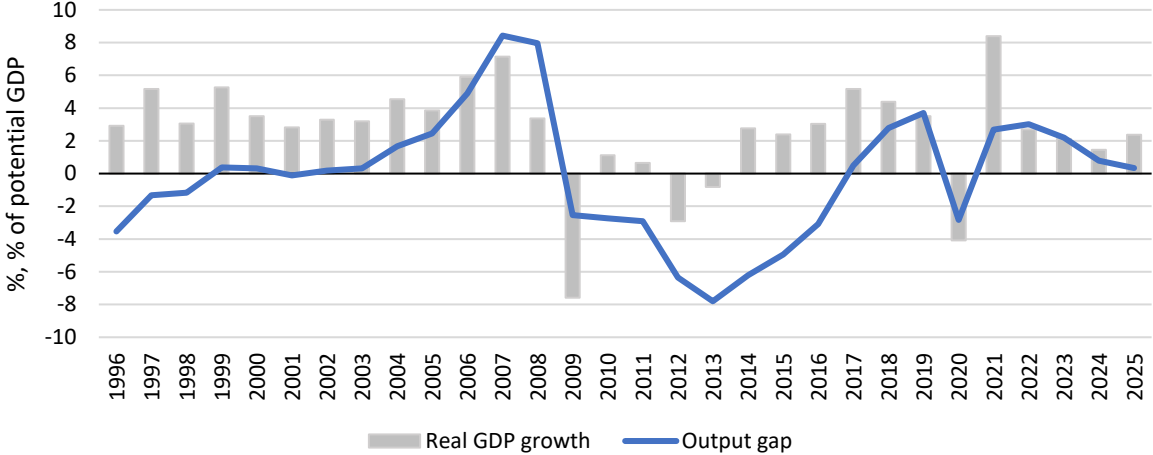
The risks to the realisation of IMAD Autumn forecast of the economic trends for 2024 are related to lower economic growth and a slower slowdown of inflation in Slovenia's main trading partners, as a result of the deteriorating cost competitiveness of the euro area, increase in

trade conflicts and aggravation of the geopolitical situation. In the domestic environment, the uncertainty related to the economic growth forecast stems from the impact of deteriorated competitiveness on the export sector of the Slovenian economy, the capacity to implement planned government investments, the pace of the post-flood reconstruction and absorption of EU funds.

POSITION IN THE CYCLE AND POTENTIAL GROWTH

According to the estimates of the Ministry of Finance on the basis of the IMAD Autumn forecast of economic trends 2024, the Slovenian economy reached its cyclical peak in 2022, when the output gap amounted to 3% of potential GDP (Figure 13). After decreasing to 2.2% in 2023, the output gap is expected to more than halve (to 0.8%) due to this year's slowdown in real economic growth, and to continue to close in 2025 (to 0.3%). Thus, this year and next year, the Slovenian economy will be within a normal period of the business cycle, which the European Commission defines as a period in which the estimated output gap is between -1.5 and 1.5% of potential GDP (European Commission, 2019)⁷.

Figure 13: Real GDP growth (in %) and output gap (in % of potential GDP)



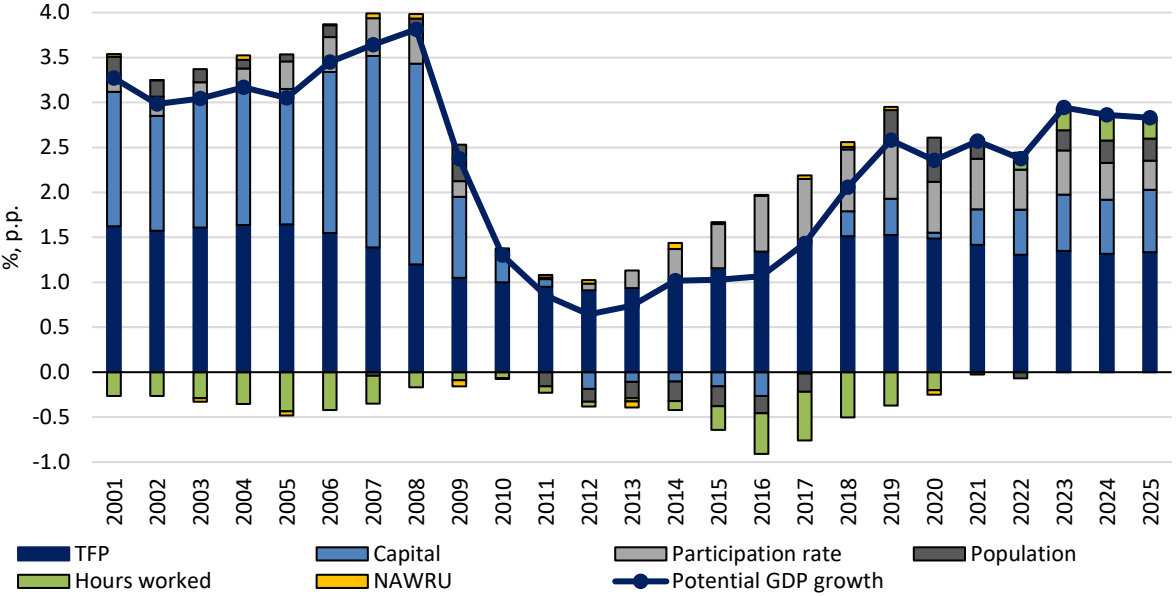
Source: Calculations of the Ministry of Finance based on IMAD Autumn forecast of economic trends 2024.

Growth of supply potential (Figure 14) reached 2.9% in 2023 and 2024 and is expected to decrease slightly to 2.8% in 2025, but remain above its long-term average (approximately 2.4%). Technical factor productivity (TFP) will continue to contribute the most to the growth of Slovenia's potential GDP (1.3 percentage points in 2024 and 2025, which is also close to its long-term average). The labour contribution will decrease from 1 p.p. in 2024 to 0.8 p.p. in 2025 due to the lower contribution of the participation rate (by approximately 0.1 p.p.) and the lower contribution of hours worked (by approximately 0.1 p.p.). On the other hand, the contribution of capital to potential growth will slightly increase towards the end of the forecast period (from 0.6 p.p. in 2023 to 0.7 p.p. in 2025⁸).

⁷ European Commission (2019). Vade Mecum on Stability and Growth Pact: 2019 Edition. Institutional Paper 101. April. European Commission. Available at: https://ec.europa.eu/info/sites/default/files/economy-finance/ip101_en.pdf.

⁸ The latter is higher than the average contribution of capital in the 2009-2019 period, where it amounted to 0.1 p.p., while before the financial crisis in the 2000-2008 period it was 1.7 p.p.

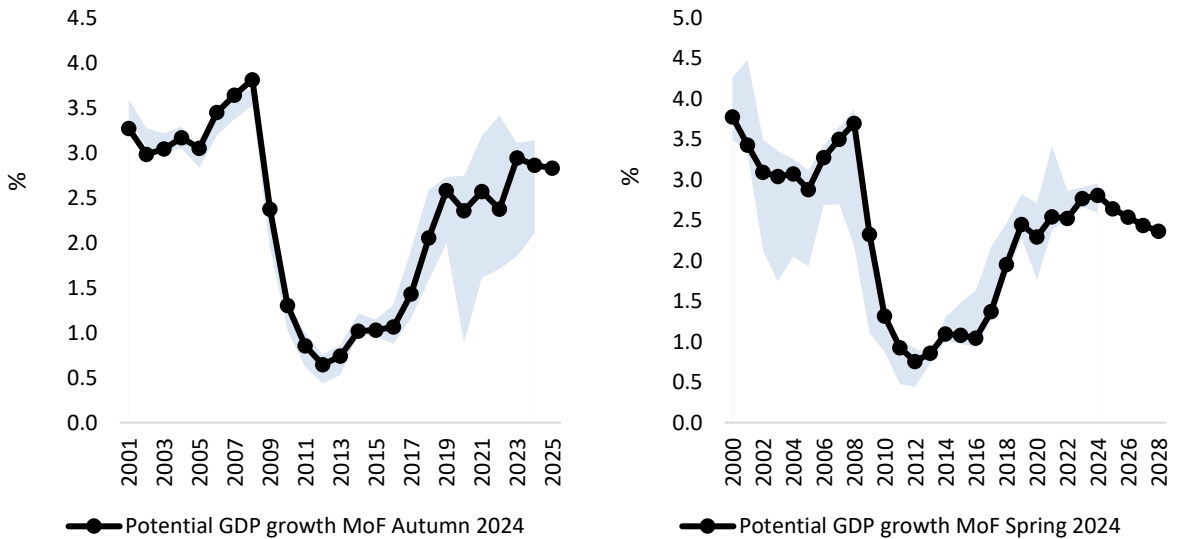
Figure 14: Growth of potential GDP (in %) and contributions to potential growth (in p.p.)



Source: Calculations of the Ministry of Finance based on IMAD Autumn forecast of economic trends 2024.

Estimates of potential growth are otherwise quite uncertain. They are highly sensitive to input (macroeconomic) data and assumed structural parameters. As can be seen in Figure 15 (left), estimates of potential growth by the Ministry of Finance have varied over time. Estimates of potential growth are also sensitive to the methodology used to calculate potential product, which is why estimates of international institutions also vary⁹ (Figure 15, right).

Figure 15: Range of potential growth estimates by the Ministry of Finance based on the IMAD Autumn forecast of economic trends 2024 and past IMAD forecasts (left) and the potential growth estimates by the Ministry of Finance based on the IMAD Spring Forecast 2024 and range of spring estimates by various macroeconomic institutions (right)



Source: Estimates by the Ministry of Finance based on the IMAD Autumn forecast of economic trends 2024 and on the basis of past IMAD forecasts; IMF World Economic Outlook April 2024; OECD Economic Outlook No. 115 (May 2024); 2024 Spring Forecast of the European Commission.

⁹ Estimates by the Ministry of Finance, IMAD and the European Commission are prepared on the basis of the same methodology (EUCAM), which differs from the IMF and OECD methodologies.

4 BUDGETARY PROJECTIONS

General government deficit amounted to 2.6% of GDP in 2023, which is 0.4 p.p. of GDP lower than it amounted to in 2022 (3% of GDP). The Ministry of Finance estimates that the deficit will amount to 2.9% of GDP this year (taking into account the impact of the post-flood reconstruction and the announced absorption of EU funds by ministries) and will decrease to 2.6% of GDP in 2025. Fiscal policy in 2025 will be compliant with the MTFSP and will be aimed at gradual consolidation, while simultaneously ensuring high levels of general government investments.

In the first year of the MTFSP, deficit reduction will be enabled by the expiration of measures to mitigate high energy costs and discretionary revenue measures. In 2025, the public finances will be affected only by certain structural changes anticipated in the MTFSP, including the reform of the wage system, reform of long-term care and tax changes. On the other hand, the public finance effects of the pension reform are expected to begin to show in 2026.

In order to improve the quality of public finance (Specific Recommendation of the Council for Slovenia 2024 - CSR 1), the Internal Public Finance Control Service was established at the Ministry of Finance, which began to address the shortcomings of the existing system of internal control of public finance and thus increased the efficiency of public expenditure (investment efficiency monitoring measures). Proposals for system solutions in the field of internal control of public finance, which will support the legitimacy, purpose, efficiency and economic use of public funds, will be prepared. The main objective of the service is to strengthen the existing and establish additional internal control mechanisms to support the appropriate planning and implementation of projects and the monitoring of the effects of projects financed with budget funds, with an emphasis on integrity, responsibility, use of digital technologies and transparency.

Priority measures will be taken in healthcare, green transition, knowledge, research, innovation, incentives for competitiveness and housing policy. Substantial funds will continue to be allocated to measures to rehabilitate the areas affected by the floods in 2023 and to defence and protection (security).

GENERAL GOVERNMENT SECTOR REVENUE

Favourable conditions on the labour market and the growth of private consumption will continue to be reflected in the growth of general government revenue in 2024 and 2025, while discretionary revenue measures will also contribute to growth (Table 1). General government revenue in 2024 will amount to EUR 30.2 billion, an increase of 7.6% or EUR 2.1 billion compared to 2023. The growth in revenue will level off in 2025, standing at 5.7%. This year and next, higher tax revenue will contribute the most to general government revenue growth. This is, among other things, the result of the Reconstruction, Development and Provision of Financial Assets Act – ZORZFS, as well as higher projected profits of companies, and favourable trends in social contributions.

In 2024, on the tax revenue side, the biggest contribution to growth will be made by higher revenue from current taxes on income and wealth, which will increase by 11.3% or approximately EUR 570 million. In 2024, personal income tax revenue will increase by EUR 343 million or 10.6%, while corporate income tax revenue will be higher by EUR 220 million or 14.6%, mainly due to the higher tax rate. The growth in revenue from taxes on production and imports will amount to 5.6% or EUR 464 million. Contributing the most to this growth will be higher revenue from value added tax (by EUR 244 million or 4.7%), including that due to legislative changes. In 2024, revenue from excise duties will nominally decrease by just under EUR 20 million or 1.1%, mainly due to lower revenue from excise duties on mineral oils and

gas, while revenue from excise duties on tobacco and alcohol will be higher. Revenue from other taxes on production will be higher by more than EUR 160 million or 21.1%, mostly due to revenue from the tax on total assets of banks, which will be paid into the state budget for the first time in 2025 but will accrue to the year 2024. Revenue from social contributions will be higher by more than EUR 1.3 billion or 13.2% in 2024, which is mainly the result of the introduction of the compulsory health insurance contribution on 1 January 2024, which is generally adjusted once a year; the first adjustment is planned in 2025, specifically on 1 March with the increase in the average gross wage of the previous year according to SORS data based on Article 48 of the Healthcare and Health Insurance Act (ZZVZZ-T). Among the other revenue categories, property income will grow noticeably in 2024, mainly due to distributed income of corporations, which will increase to the greatest extent due to the payments of the profits of the Slovenian Sovereign Holding to the budget. Revenue from capital transfers will be lower by more than EUR 240 million or 38.7%, mainly as a result of the high base in 2023 resulting from the conclusion of the 2014-2020 Financial Framework.

In 2025, personal income tax revenue will be higher by EUR 157 million or 4.4%, while corporate income tax revenue will be up by EUR 166 million or 9.6%. Revenue from taxes on production and imports will be higher by EUR 330 million or 3.8%, and revenue from value added tax will grow by 4.5% or EUR 241 million. Revenue from excise duties will increase by 4.1% or EUR 67 million, mainly due to excise duties on mineral oils and gas. Revenue from social contributions will increase by EUR 1,060 million or 9.2%, which will still be the result of high employment, and primarily the introduction of the new contribution for long-term care on 1 July 2025, which will increase revenue from social contributions by an additional EUR 257 million. Among the other revenue categories, revenue from capital transfers will increase noticeably in 2025, specifically by EUR 446 million or 116.7%. The growth will mainly be related to higher revenue from EU funds from the 2021-2027 Financial Framework and revenue from grants from the Recovery and Resilience Fund and REPowerEU funds. In 2025, revenue from property income will decrease by more than EUR 260 million or 26%, both due to lower revenue from interest, and slightly lower income of corporations (the level remains high, in accordance with the forecast of Slovenian Sovereign Holding).

Table 1: General government revenue¹⁰

	Revenue	ESA Code	2023 bn EUR	2023 % GDP	2024 % GDP	2025 % GDP
1	Taxes on production and imports	D.2	8.3	12.9	13.0	12.8
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.4	8.4
3	Social contributions	D.61	10.2	15.9	17.2	17.7
4	Other current revenue	(P.11+P.12 +P.131) + D.39 + D.4 + D.7	4.0	6.2	5.9	5.0
5	Capital taxes	D.91	0.0	0.0	0.0	0.0
6	Other capital revenue	D.92+D.99	0.6	1.0	0.6	1.2
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.2	45.1
8	Of which: Transfers from the EU (accrued revenue, not cash)	D.7EU+D.9EU	0.8	1.3	1.1	1.1
9	Total revenue other than transfers from the EU (= 7-8)		27.2	42.6	44.1	44.0
10	p.m. Revenue measures (increments, excluding EU funded measures)		0.1	0.3	1.0	0.3

¹⁰ The Manual for the drafting of general government sector revenue projections (2019) describes the procedures and methods used by the Ministry of Finance in budget planning. Available at: <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Prirocnik-za-napovedovanje-prihodkov-2019.pdf>.

11	p.m. One-off revenue included in the projections (levels, excluding EU funded measures)					
----	---	--	--	--	--	--

Source: SORS; Ministry of Finance.

DISCRETIONARY REVENUE MEASURES

Discretionary revenue measures for 2023, 2024 and 2025 relate to the provision of funds for the post-flood reconstruction, tax changes and legislative changes.

For the purposes of the post-flood reconstruction, the Government has adopted a series of measures in the Reconstruction, Development and Provision of Financial Assets Act (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 131/23):

- a temporary increase in corporate income tax by three percentage points from 19 to 22% (for 2024 up to and including 2028; the effect of the increase in the tax rate for 2024 will already be felt in advance tax payments during 2024, and in 2025, as usual, refunds will be made, if necessary);
- a temporary tax on the total assets of banks and savings banks (introduced for the calendar years from 2024 up to and including 2028 - this means that revenue from this tax will be transferred to the state budget for the first time in 2025 - for the calendar year 2024);
- a temporary use of the net and distributable profit of Slovenian Sovereign Holding.

For these purposes, a budgetary fund for the reconstruction of Slovenia (SOS Fund) was also established in 2024. By the end of the year, a total of just under EUR 290 million will be allocated to the SOS Fund, and EUR 342 million is expected to be allocated in 2025.

For the reconstruction effort after the August 2023 floods, Slovenia received EUR 100 million from the European Union Solidarity Fund at the end of 2023, and EUR 328 million is planned as budget revenue in 2024 and 2025.

For 2024, the measure of non-indexation of the income tax scale and reliefs was adopted, which had a positive effect on public finance, with re-indexation being planned for 2025 (Specific recommendation of the Council for Slovenia 2024 – reducing the labour tax wedge).

With the Act Amending the Excise Duty Act (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 38/24) being adopted, an additional inflow of EUR 20 million is estimated due to the increase in excise duties on tobacco in 2024. In the new package of tax changes adopted by the Government in August 2024, the rate of taxation on sweetened beverages (with added sugar) and energy drinks is being increased (from 9.5% to 22%) when it comes to value added tax. It is estimated that this measure will generate an additional EUR 20 million in annual revenue.

In the second half of 2025, the long-term care contribution will be introduced to provide funding for long-term care. In 2025, it has been estimated that the inflow will amount to EUR 250 million, and in the following years the inflows will increase as they will be in force throughout the year. Due to the introduction of the contribution, revenue from personal income tax is expected to drop by an estimated EUR 30 million in 2025.

In 2023, the amendments to the Personal Income Tax Act (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 158/22) helped to strengthen and improve the public finance situation and eliminate the financial consequences of the previous amendments to the Personal Income Tax Act on public revenue (gradual increase in the general relief). Thus, there is no effect of negative financial consequences in 2024.

In 2022, the Government also adopted a series of revenue measures to mitigate the effects of the price increase, which were gradually eliminated in 2023 and 2024 due to the general easing of inflationary pressures.

In September 2024, the amount of the environmental tax for air pollution with carbon dioxide emissions increased from EUR 17.3 to EUR 30.85, as a result of which an estimated additional inflow of approximately EUR 110 million is expected in 2025.

Table 2 shows the impact of discretionary revenue measures for 2023, 2024 and 2025. The total effect of the listed discretionary measures is estimated at 1% of GDP in 2024 and at 0.3% of GDP in 2025.

Table 2: Estimated impact of discretionary revenue measures¹¹

	Title/description of measure	One-off	Exp / Rev		2023	2024	2025
				ESA Code	% GDP	% GDP	% GDP
1	The amendment ZDoh-2AA, which eliminates the financial consequences due to the increase of the general income tax reliefs in the years 2023, 2024 and 2025.	No	Revenue	D.51	0.2	0.1	0.0
2	Gradual elimination of energy measures to mitigate price increases (reduction of excise duties on energy products for fuels, heating oil, natural gas, reduction of value added taxes for certain energy products from 22% to 9.5%, reduction of CO2 duties).	No	Revenue	D.21	0.1	0.2	0.0
3	Increase of corporate income tax by 3 pp. (Article 64 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.51	/	0.3	0.0
4	Tax on the balance sheet of banks and savings banks (Article 78 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.29	/	0.1	0.0
5	Non-harmonization of the income tax scale and reliefs in 2024 (Article 77 ZIPRS2425).	No	Revenue	D.51	/	0.2	-0.2
6	Increase in the price per unit with carbon dioxide emissions from the current 17.3 euros to 30.85 euros (2328. Decision	No	Revenue	D.29	/	/	0.2

¹¹ Estimates of the impact of changes in personal income tax legislation are prepared based on a microsimulation model, taking into account all persons liable for personal income tax in a particular year, which allows for all personal reliefs and other benefits to be considered. Models that are also based on individual data are used to assess the effects of the remaining changes in tax legislation, while the data received by the Financial Administration is adjusted accordingly, taking into account individual macroeconomic indicators.

	on the level of the environmental levy for air pollution with carbon dioxide emissions).						
7	Long-term care contribution.	No	Revenue	D.61	/	/	0.4
	TOTAL				0.3	1.0*	0.3

*Note: The effect on the total general government revenue due to the transformation of supplementary health insurance into compulsory health insurance is neutral.

Source: calculations by the Ministry of Finance in accordance with the classification of discretionary measures of the European Commission (2015). Report on public finances in EMU - 2015. Institutional Paper 014. and the European Commission (2016). Report on public finances in EMU - 2016. Institutional Paper 045.

GENERAL GOVERNMENT SECTOR EXPENDITURE

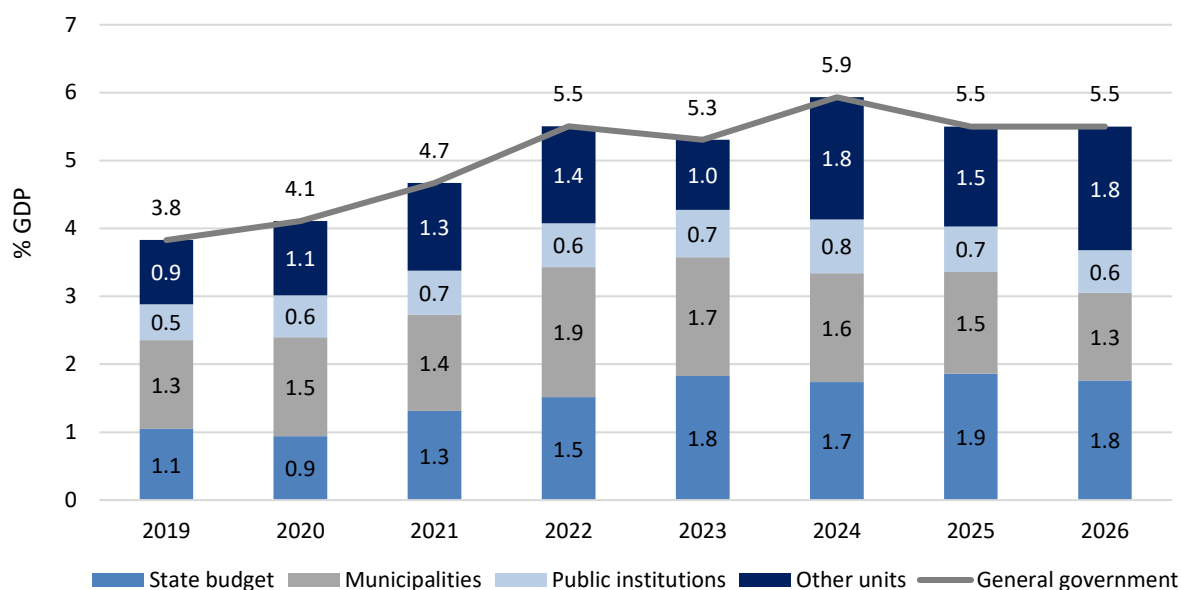
General government sector expenditure in 2024 will amount to EUR 32.2 billion, which is 8.2% more than in 2023. In 2025, expenditure growth will slow down and lag behind revenue growth.

Investments

In 2024, expenditure growth will be largely the result of the high level of investments by the general government sector, which will increase by EUR 620 million or 18.4%, mainly due to investments in transport infrastructure, healthcare and security. Gross fixed capital formation of the general government sector will represent an estimated 5.9% of GDP in 2024 (Figure 16).

In 2025, the growth of general government sector investments will be driven mainly by investments in the green transition, which will comprise approximately 1.1% of GDP, with investments in transport infrastructure (railways), in part of the electricity network and in sustainable mobility representing the largest proportion. Sustainable mobility includes the development of cycling infrastructure, multimodal hubs and the improvement of public transport infrastructure. Major investments will also continue in the field of healthcare, housing policy, education and sports, and security. A significant amount will also be allocated to investments for reconstruction and development after last year's floods, which are also carried out by municipalities. In addition to the state budget and municipalities, large-scale investments will also be carried out by other units (companies such as Slovenian Railways, 2 TDK, etc.). Total general government sector investments will amount to 5.5% of GDP in 2025, with state budget investments representing approximately 34% of total investments, or 1.9% of GDP, and municipal investments approximately 27%, or 1.5% of GDP. Just under 40% of general government investments, or 2.2% of GDP, will be represented by investments by other general government sector units (public institutions, public corporations, and other general government sector units) and other corrections in accordance with the ESA2010 methodology (Figure 16).

Figure 16: General government gross fixed capital formation, by subsectors (in % of GDP)



Source: Ministry of Finance.

Compensation of employees

Compensation of employees will increase by 5.7% in 2024, including as the result of the adjustment of civil servants' wages in June 2024 to 80% of the previous year's inflation (which represents an adjustment of more than 3%). Compensation of employees will grow by an estimated 6.9% in 2025, largely resulting from the expected implementation of the reform of the public sector wage system, which will enter into force in January 2025 and be fully implemented over a period of four years (more in Chapter 7). During this period, compensation of employees will increase by approximately 0.5% of GDP annually on average as the result of the reform. Despite the increase in expenditure in the initial years, the new system will contribute to a slower growth of wages in the public sector in the long term compared to the existing pace.

Subsidies

After exponential growth of expenditure on subsidies in 2020 due to the COVID-19 epidemic and high levels until 2023, to which government support to the business sector in the context of the energy crisis and high prices contributed, expenditure on subsidies will decrease by approximately 17% in 2024. In 2025, expenditure on subsidies will decrease by an additional 12%, which is the result of the abolition of most measures related to high prices and the energy crisis. In 2025, subsidies in the fields of the green transition, public railway infrastructure, culture, science and employment, as well as compensation to electricity suppliers, as one of the last state measures related to the energy crisis that are still in force, will represent the largest proportion of expenditure on subsidies.

Social benefits

The growth of expenditure for social benefits will amount to 8.3% or EUR 930 million in 2024. As part of this, the growth of social transfers in cash will amount to just over EUR 420 million or 4.4%, mostly due to the record high indexation of pensions, which amounted to 8.8% this year. Also affecting the growth of pensions is the Act Amending the Pension and Disability Insurance Act (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 133/2023, hereinafter referred to as: ZPIZ-2N), which entered into force on 1 January 2024. The

amendments to the ZPIZ-2N changes the calculation, i.e. increases the pension bases for the recipients of disability benefits and introduces the institution of a guaranteed widow's pension; the latter resulted in an estimated 16% growth of the aforementioned pensions in 2024. Expenditure on social transfers in kind will be higher by more than EUR 500 million or 34.2% in 2024, mainly due to higher expenditure for medicines and current payments to other public service providers. In 2025, expenditure on social benefits will increase by 6.9%. Social transfers in cash will grow in particular due to the indexation of pensions to inflation and wage growth (4.6%), and a 1.5% increase in the number of beneficiaries. The increase in expenditure will also be the result of further exercise of rights under the Long-Term Care Act. In 2025, the gradual introduction of additional long-term care services provided for by the Act is planned. The scope of the provision of long-term care services and thus the actual amount of expenditure will also be affected by challenges related to the shortage of staff. The growth of social transfers in kind in 2025 will remain at a similar level to that of this year.

Interest expenditure

Interest expenditure of the general government sector will increase by 15.8% to EUR 920 million in 2024, mainly as a result of the rising costs of new borrowing. In 2025, interest expenditure will increase by another 5.5%, amounting to just under EUR 970 million.

Table 3: General government expenditure

			2023	2023	2024	2025
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	7.2	11.2	11.3	11.4
13	Intermediate consumption	P.2	4.2	6.5	6.8	6.9
14	Interest expenditure	D.41	0.8	1.2	1.4	1.4
15	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.2	15.4
16	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	2.8
17	Subsidies	D.3	1.3	2.0	1.6	1.3
18	Other current expenditure	D.29+(D.4-D.41)+ D.5 + D.7 + D.8	1.3	2.1	2.2	2.0
19	Gross fixed capital formation	P.51	3.3	5.2	5.9	5.5
20	Of which: Nationally financed public investment		2.8	4.4	5.3	4.9
21	Capital transfers	D.9	0.4	0.6	0.8	0.8
22	Other capital expenditure	P.52+P.53 +NP	0.1	0.1	0.0	0.1
23	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	48.1	47.7
24	Of which: Expenditure funded by transfers from the EU (= 8)	D.7EU+D.9EU	0.8	1.3	1.1	1.1
25	Nationally financed expenditure (23-24)		28.9	45.2	47.0	46.6
26	p.m. National co-financing of programmes funded by the Union		0.2	0.2	0.2	0.2
27	p.m. Cyclical component of unemployment benefits		-0.1	-0.1	-0.1	-0.1
28	p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0.3	0.5	0.6	0.6
29	Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)		27.7	43.3	44.9	44.6

Source: SORS; Ministry of Finance.

ONE-OFF EXPENDITURE

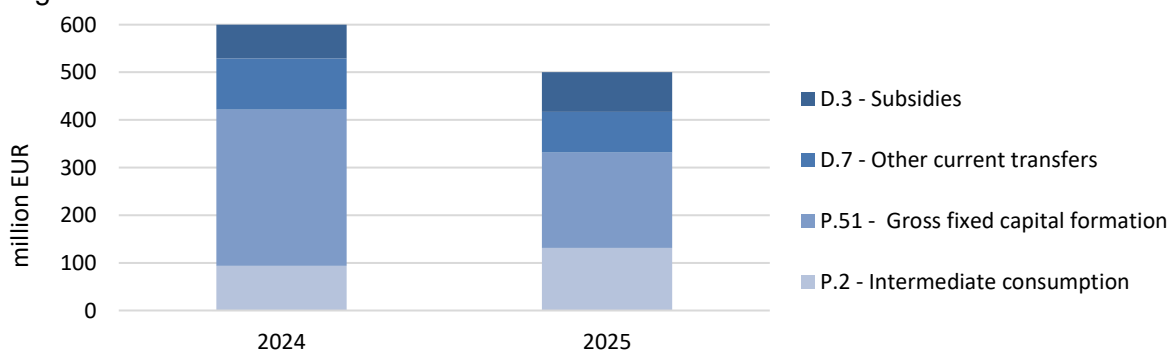
In accordance with the Reconstruction, Development and Provision of Financial Assets Act, a total of EUR 856.4 million was paid from the state budget for the post-flood reconstruction from September 2023 to the beginning of September 2024, of which EUR 588.1 million or 0.9% of GDP was paid in 2023 and EUR 268.3 million or 0.4% of GDP in 2024. The largest proportion of payments in 2023 was intended for investment expenditure and transfers to municipalities (including pre-payments):

In September 2024, additional measures to speed up the post-flood reconstruction were adopted in the Act Amending the Act on Reconstruction, Development and Provision of Financial Assets Act (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 40/23, which:

- extend the validity of the guarantee scheme for loans taken out for home renovation and home substitution up to and including 31 December;
- extend the maturity of loans to a maximum of 25 years, which will reduce the annual credit obligation of borrowers, and increase the upper limit of the loan principal to EUR 200,000;
- expand the range of potential borrowers to include close family members of the owner of the damaged building who, in addition to the owner of the real estate, have a registered permanent residence in the damaged real estate, or can prove that they lived there together with the borrower immediately before the floods and landslides;
- introduce the obligation of banks participating in the guarantee scheme to announce their intention to participate in their branch offices and websites and to notify the Government Service for Post-Flood and Landslide Reconstruction;
- regulate the procedure of the purchase of agricultural land that will be converted into building land;
- stipulate that the municipality is responsible for the development of utility infrastructure on building land;
- allow for the possibility of using the debris extracted from watercourses during the reconstruction as construction material.

The value of one-off expenditure measures in 2023 is estimated at 0.7% of GDP. Measures in the amount of up to 1% of GDP are planned in 2024 (Figure 17) The measures are intended for the rehabilitation of watercourses and reconstruction of roads, direct damage, payments to businesses, housing renovation, etc. The renovation largely depends on the utilisation of capacities (construction, personnel, etc.). In 2025, the largest proportion of funds for the post-flood reconstruction will be allocated to investments in the reconstruction of damaged state, municipal or private infrastructure.

Figure 17: Planned volume of funds for the post-flood reconstruction in 2024 and 2025 by ESA categories



Source: Ministry of Finance.

MEASURES TO MITIGATE HIGH ENERGY PRICES

Measures to mitigate high energy prices are gradually being phased out in 2024 and will cease to apply in 2025. In 2024, regulated energy prices for households and measures to help businesses still apply, the total value of which amounts to 0.2% of GDP. Most of the funds are earmarked for compensation to energy distributors who claimed differences between higher prices of futures contracts and lower regulated prices of electricity and natural gas for deliveries to households in 2023. In 2024, the possibility of payments of compensation to electricity suppliers was extended to the first half of 2025, but the estimated value of the measure amounts to only 0.03% of GDP. On the expenditure side, it is estimated that the outflow in 2025 will decrease in the amount of 0.15% of GDP due to the abolition of the energy-related measures.

The fiscal scenario for 2025 with unchanged fiscal policy is prepared on the basis of the IMAD autumn forecast, from which certain evaluated measures are excluded. In 2025, the impact of higher emission coupon prices (0.2% of GDP) on the revenue side, and the wage system reform (0.5% of GDP) on the expenditure side, are excluded. As a result, under the assumption of unchanged policy, the general government deficit in 2025 would be lower by 0.3 p.p. of GDP (Table 4).

Table 4: Budgetary projections under unchanged policies

			2023	2023	2024	2025
	Revenue	ESA Code	bn EUR	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	8.3	12.9	13.0	12.6
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.4	8.4
3	Social contributions	D.61	10.2	15.9	17.2	17.7
4	Other current revenue	(P.11+P.12+P.131) + D.39 + D.4 + D.7	4.0	6.2	5.9	5.0
5	Capital taxes	D.91	0.0	0.0	0.0	0.0
6	Other capital revenue	D.92+D.99	0.6	1.0	0.6	1.2
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.2	44.9
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
8	Compensation of employees	D.1	7.2	11.2	11.3	10.9
9	Intermediate consumption	P.2	4.2	6.5	6.8	6.9
10	Interest expenditure	D.41	0.8	1.2	1.4	1.4
11	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.2	15.4
12	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	2.8
13	Subsidies	D.3	1.3	2.0	1.6	1.3
14	Other current expenditure	D.29+(D.4-D.41) + D.5 + D.7 + D.8	1.3	2.1	2.2	2.0
15	Gross fixed capital formation	P.51	3.3	5.2	5.9	5.5
16	Of which: Nationally financed public investment		2.8	4.4	5.3	4.9
17	Capital transfers	D.9	0.4	0.6	0.8	0.8
18	Other capital expenditure	P.52+P.53+NP	0.1	0.1	0.0	0.1
19	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	48.1	47.2
	Balances	ESA Code	bn EUR	% GDP	% GDP	% GDP
20	Net lending/borrowing (= 7-19)	B.9	-1.6	-2.6	-2.9	-2.3
21	Primary balance (= 20+10)	B.9+D.41p	-0.8	-1.3	-1.5	-0.9

Source: Ministry of Finance.

5 RECOVERY AND RESILIENCE PLAN (RRP)

After receiving the funds of the third payment request, which can be expected at the end of October or the beginning of November, Slovenia will record a 41% inflow of available funds, or EUR 1.1 billion, of which EUR 673 million are grants and EUR 426 million loans from the Recovery and Resilience Mechanism. The fourth claim for payment is expected to be submitted within the spring deadline in 2025.

In 2025, the Government of the Republic of Slovenia will be intensively implementing activities to achieve the milestones/targets of the fifth and sixth instalments for grants and the third and fourth instalments for loans.

Activities for the implementation of key reforms defined in the RRP remain at the forefront. The Government of the Republic of Slovenia will submit to the National Assembly of the Republic of Slovenia proposed amendments to the Pension and Disability Insurance Act. In response to demographic trends, amendments to the Labour Market Regulation Act are being prepared, the aim of which is to make changes in unemployment benefits in order to increase the employment rate for older people and prevent premature departure from the labour market. In order to strengthen the resilience of the labour market, a short working time scheme is being prepared.

Another key reform of the RRP is the overhaul of the public sector wage system. The proposed amendments to the Act are expected to enter into force in 2025. In the field of healthcare, activities are aimed at the drafting and entry into force of amendments to the Healthcare and Health Insurance Act and the entry into force of amendments to the Health Services Act. This will ensure the quality, accessibility and financial sustainability of healthcare. The amendments will ensure sufficient funding and diversification of funding sources, adjust burdens and responsibilities in paying contributions for compulsory health insurance and maintain a broad range of rights from compulsory health insurance.

In the field of energy efficiency in the economy, the key will be the adoption of an action plan by which the Government of the Republic of Slovenia will define a new management model for increasing the energy efficiency of the economy. Investments are being made for new production facilities for renewable energy sources. An action plan of measures for the renovation of public buildings will also be developed, which will contain, among other things, specific steps for buildings renovation, including the identification of possible funding sources. Measures are also being implemented to encourage sustainable mobility, with the aim of increasing the use of public passenger transport. Activities related to the upgrading of the Ljubljana railway station are also being carried out at an accelerated pace.

Measures are being taken to establish a framework for a sustainable and green transformation of the economy, including the digitisation of companies and their energy efficiency. The measures of the RRP also address the management of human resources in the public administration and the improvement of the competences of civil servants. The activities are currently mainly focused on establishing a competence centre and on training for professionals and managers in education to acquire digital competences.

Investments for the greening of the educational infrastructure, including the new building of the Faculty of Veterinary Medicine of the University of Ljubljana and the campus building of the Faculty of Medicine of the University of Ljubljana in Vraz Square, are ongoing.

Investments for the digitisation of education and science are also continuing. In the field of digital transformation of the economy and public sector and public administration, measures

target education, science, culture and the judiciary. The digital transition will be enhanced in the fields of agriculture, food and forestry, as well as in the provision of cyber security.

6 STRUCTURAL CHANGES

Changes in the pension system

One of the fundamental purposes of changes to the pension and disability insurance system is to adapt the system to demographic trends. The goals of the proposed pension reform are to ensure public finance sustainability and the sustainability of the pension system, an adequacy of pensions and the transparency of the pension system. As a result of the proposed measures as part of the pension reform, the long-term projections of pension expenditure in % of GDP are significantly more favourable. A simulation shows¹² that the combination of the proposed measures would keep the share of pensions expressed as a percentage of GDP at approximately the same level as it is today for the next 20 years after the adoption of the amendments to the revised legislation.

Measures in the field of healthcare

In the field of healthcare, a set of changes is being prepared with the aim of ensuring efficient, accessible and high-quality public healthcare and optimising processes. Some measures are also planned in the RRP. The measures include changes in the field of payment models, which are expected to result in a more rational use of resources. As part of the zVem online portal project, for example, the option of verifying whether the charged medical services have actually been provided has been added. Under the changes, the Health Insurance Institute of Slovenia would have a stronger role as an active buyer and, consequently, the supervisory function of the payer will also be strengthened. In this way, challenges related to incorrectly or excessively charged medical services will be addressed in a systemic and comprehensive manner, which will, in the long run, mitigate the expected growth of expenditure.

The strategy for the development of healthcare activities at the primary level assumes that with high-quality and more accessible treatment at the primary level, the rate of hospital admission, the use of specialised services and the influx of patients to the emergency wards will decrease, which will significantly help manage healthcare expenditure. Greater promotion of health and the introduction of cost-effective preventive programmes are also highlighted in the mentioned strategy. In order to ensure fairer financing, separate prices will be introduced for providers who provide continuous healthcare services and for those who do not. Redefinition of the public healthcare service network and specialisation of hospitals are envisaged with the aim of ensuring safer treatment and more efficient use of resources.

An improved system of quality management in healthcare and monitoring the progress of the implementation of the fundamental principles of the quality of medical treatment will have a positive effect on the introduction of new healthcare technologies, drugs and medical devices, and in the long run will enable certain savings (from the aspect of readmissions due to the same diagnosis, faster recovery and shorter hospital stay, shorter sick leave, etc.). The purpose of the bill on the digitisation of healthcare is to lay the foundations for optimising the establishment and maintenance of information solutions in healthcare in such a way that it will centralise similar systems and professionalise IT in healthcare.

A number of measures are being prepared (a single expert body, return to work plan, uniform work documentation, revision of preventive examinations of workers, etc.), with the aim of limiting the growth of sickness benefits, while at the same time enabling employees, in

¹² The Institute for Economic Research has prepared a projection of the total effect of a set of possible measures on pension expenditure.

cooperation with the employer, to return to work as quickly and easily as possible. Measures in the field of absenteeism and better indicators for healthy years of life will also reduce the need to use healthcare services and thereby alleviate the pressure of the growing healthcare expenditure.

In 2023, an adopted act for the first time comprehensively and systematically regulated the field of long-term care from the aspect of financing, provision of rights and the exercise of these rights. Long-term care will be financed from the state budget and by means of a new contribution for employers, employees and pensioners, which will be introduced on 1 July 2025. The first right to long-term care services, specifically home care assistants obtaining the status of carers of family members, entered into force this year. E-care and long-term care at home will be introduced in July 2025. Improving of long-term care in the institution and a financial benefit are planned for the end of 2025. Due to the current situation on the labour market, there is uncertainty regarding the possibility of ensuring greater availability of staff in long-term care, which will result in a slower growth of expenditure. In order to make this field more attractive, an act has been adopted that specifies temporary measures to attract staff and improve working conditions.

Tax changes

The main purpose of the adopted measures in the field of taxes is to create a stimulating environment for key employees, with the aim of increasing the productivity and international competitiveness of the Slovenian economy. The effects on public finance will be positive in the long term, as various incentives or benefits for key personnel will help boost economic growth.

The most important part of the package is the measures to more quickly reduce the lag behind innovation leaders, which are expected to represent the first steps in creating a comprehensive response in the field of taxes. The challenges of innovative start-up companies in terms of rewarding employees and ensuring adequate liquidity in the initial stages of business are also addressed.

The second part of the measures is related to improving the international competitiveness of the Slovenian economy and enhancing the fairness of the tax system. Important changes in this context are changes in the field of value added tax, corporate tax and personal income tax.

The third set of measures was adopted by the Government with the aim of obtaining additional sources for public finance and also with the aim of pursuing other policies and objectives (for example, in healthcare). The taxation of sweetened beverages (with added sugar) and energy drinks will be raised.

Public sector wage system

The Government has adopted a bill on the common foundations of the salary system in the public sector, which has been agreed with the representative public sector trade unions. The bill has been drafted with the aim of introducing a new wage system in the public sector and it brings many major improvements, and with this a strategic shift towards a more dynamic, flexible, and fiscally sustainable system, which will, in the long run, improve working conditions in the public sector and contribute to employees' greater efficiency and motivation. The bill regulates the common foundations that will apply to the entire public sector and regulates specifics within the five wage pillars.

The key part of the bill is a new pay scale, which ensures that when entering the new wage system and also in the future, no civil servant receives a salary lower than the minimum wage upon entering the new salary system and subsequently. The pay grade values will be adjusted annually. The method of translation into pay grades under the new pay scale also means higher base wages at the beginning of the career, which will be especially stimulating for young

people. The transition to the new pay scale will be gradually implemented over the next four years. Higher wages will first be received by the lowest-paid civil servants, and no civil servant will have a salary lower than the minimum wage upon entering the new salary system and subsequently. The bill changes the regulation of promotion to a higher pay grade for civil servants. Under the new regulation, the majority of civil servants will advance by one pay grade, which will mean a 3% higher base wage, while under the current regulation, the majority of civil servants advance by two pay grades, which means an approximately 8% higher base wage, which should, in the long term, help to slow down the growth of the public sector wage bill.

The bill anticipates a higher percentage of the amount of funds for performance-based pay. Due to the higher volume of funds intended for variable remuneration, superiors will be given more options for rewarding above-average performance of civil servants.

With the aim of recruiting staff for employment in the public sector, as well as retaining civil servants who are already employed, the bill also allows for a civil servant to be ranked up to 10 pay grades higher while employed in the public sector, which means an approximately 30% higher base wage.

Productivity

The government continues to strengthen the competitiveness and added value of the Slovenian economy. In 2024, EUR 512 million of refundable funds will be allocated to businesses in the form of favourable loans and various financial instruments for technological development, capital consolidation, liquidity and mitigation of crisis circumstances, and for tourism. Refundable funds will be provided by the Slovenian Export and Development Bank (SID Banka), the Slovenian Enterprise Fund (SEF) and the Ministry of Economy, Tourism and Sport. An important emphasis will also be placed on measures that will help to generate higher added value based on domestic resources (natural resources and sites, knowledge, raw materials/materials...) and the utilisation of their development potential.

Measures in the area of the labour market are also being taken in the direction of addressing productivity and competitiveness. In order to ensure a qualified workforce and address the shortage of workers, changes to the legislation in the field of employment of foreigners that will also include provisions on seasonal work in the hospitality and tourism industries are being drafted. It is planned to simplify the employment process of foreigners already residing in Slovenia. In order to attract expatriated domestic experts and foreign experts, measures are also planned as part of the tax legislation, including the introduction of more favourable tax treatment in the form of reduced personal income tax.

The skills and knowledge of the population are being addressed through a comprehensive reform of higher education legislation. The amendments include the regulation of lifelong higher learning. The envisaged micro-credentials will be an important step towards the acquisition of specific knowledge, skills and competences that also meet the needs of the labour market. The regulation of the organisation and status forms of higher education institutions will also be addressed in a way that supports greater diversity and flexibility in the implementation of higher education activities.

The key guidelines for Slovenia in the field of research, development and innovation (hereinafter referred to as: RDI) and higher education are also improved performance and efficiency of public investment and promotion of cooperation between academia and businesses. Measures implemented as part of the RRP in the field of RDI operation and management include co-funding of research and innovation projects in support of the green transition and digitisation, co-funding of projects to improve the international mobility of

Slovenian researchers and research organisations, and co-funding of investments in RDI demonstration and pilot projects. Changes in funding are envisaged in the field of scientific research and innovation activities. Changes are also envisaged in the area of evaluations.

Green transition and the environment

The measures adopted as part of the Energy Act envisage a gradual transition from fossil fuels to more environmentally friendly energy sources. Procedures are defined to speed up the allocation of financial incentives for investments in renewable energy sources and energy efficiency, which will be digitalised and simplified, ensuring transparency and equal treatment of applicants.

The National Energy and Climate Plan (NECP), which consists of five components, i.e. Dimensions: decarbonisation; energy efficiency; energy security; internal energy market and research, innovation and competitiveness, is in the final stage of drafting. The goals of decarbonisation, production of energy from renewable sources and efficient use of energy are adjusted to the international commitments.

A climate law is being drafted in order to manage climate change more effectively, in particular to achieve climate neutrality in Slovenia by 2045 at the latest.

The funds for the implementation of measures in the field of environmental policy in the 2021-2027 period will primarily be used to address the consequences of natural disasters, strengthen resilience to climate change, reduce flood risks and improve water resource management. Special attention will also be paid to obtaining development funds for regional development in the affected areas, which will encourage sustainable environmental restoration. In the period 2021–2027, funds will be allocated under the individual operational programmes for the implementation of waste water discharge and treatment measures to improve the supply of drinking water to the population and to implement measures to ensure the favourable status of water-dependent species and habitat types in Natura 2000 sites.

Housing policy

The key task and goal of the Government in the field of real estate is to provide affordable public rental housing, which is the cornerstone of any high-quality and development-oriented housing policy. The goal is to establish a stable, predictable and coordinated system of the construction of public rental housing. The key feature of a stable source is that its size is appropriate and that it is predictable. A new task of the national Housing Fund will be defined - in addition to its own construction, the funds will increase its activity in the financing of housing construction, as it will allocate favourable refundable sources based on an open call. Legal bases will also be established for co-financing the provision of suitable land (acquisition, regulation of spatial acts, utility infrastructure) for the purposes of affordable housing construction at the municipal level.

Connection between reforms and measures and EU recommendations and priorities

The planned reforms and measures address the guidelines outlined in the Recovery and Resilience Plan, the Partnership Agreement and the main challenges identified within the European Semester (CSR). By implementing the above-mentioned measures, Slovenia will also respond to the common priorities of the Union, namely a fair green and digital transition, social and economic resilience, including the European Pillar of Social Rights, energy security and the strengthening of defence capabilities.

ANNEX

Table 1a: Fiscal commitment

		Council recommendation			Projection		
		2023	2024	2025	2023	2024	2025
		(growth rate)	(growth rate)	(growth rate)	(growth rate)	(growth rate)	(growth rate)
1	Net nationally financed primary expenditure		6.2*	5.6*		6.2	4.5

* Note: not yet adopted, recalculation of the Ministry of Finance based on the guidelines of the European Commission from June 2024.

Source: Ministry of Finance.

Table 1b: Main variables

		2023	2024	2025
		% GDP	% GDP	% GDP
2	Net lending/borrowing	-2.6	-2.9	-2.6
3	Structural balance*	-3.1	-2.7	-2.2
4	Structural primary balance*	-1.8	-1.3	-0.9
5	Gross debt	68.4	67.5	65.4
6	Change in gross debt	-4.3	-0.9	-2.1

*Note: in % of potential GDP.

Source: SORS (2. 10. 2024); IMAD Autumn forecast of economic trends 2024.; Ministry of Finance.

Table 2: Macroeconomic scenario

		ESA Code	2023	2023	2024	2025
			bn EUR	growth rate	growth rate	growth rate
1	Real GDP	B.1*g		2.1	1.5	2.4
2	GDP deflator			10.1	3.0	3.7
3	Nominal GDP	B.1*g	64.0	12.4	4.5	6.1
	Components of real GDP	ESA Code	bn EUR	growth rate	growth rate	growth rate
4	Private consumption expenditure	P.3		0.1	1.6	2.5
5	Government consumption expenditure	P.3		2.4	8.5	1.7
6	Gross fixed capital formation	P.51		3.9	0.0	3.5
7	Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53				
8	Exports of goods and services	P.6		-2.0	0.9	2.7
9	Imports of goods and services	P.7		-4.5	3.5	3.0
	Contribution to real GDP growth					
10	Final domestic demand			1.4	2.5	2.4
11	Changes in inventories and net acquisition of value	P.52 + P.53		-1.5	0.8	0.0
12	External balance of goods and services	B.11		2.3	-1.9	-0.1
	Deflators and HICP			growth rate	growth rate	growth rate
13	Private consumption deflator			7.5	2.1	3.3
14	p.m. HICP			7.2	2.1	3.3
15	Government consumption deflator			8.8	3.5	5.1
16	Investment deflator			5.2	2.3	3.0
17	Export price deflator (goods and services)			1.6	-0.4	0.8
18	Import price deflator (goods and services)			-2.0	-1.3	0.5
	Labour market	ESA Code	level	growth rate	growth rate	growth rate
19	Domestic employment (1000 persons, national accounts)		1,100	1.6	0.5	0.6
20	Average annual hours worked per person employed		1,588	-1.4	2.7	1.2
21	Real GDP per person employed			0.5	1.0	1.8
22	Real GDP per hour worked			1.9	-1.6	-1.3

23	Compensation of employees (bn NAC)	D.1	32.7	10.8	7.5	7.3
24	Compensation per employee (NAC) (= 23 / 19)		29.7	9.1	7.0	6.7
				%	%	%
25	Unemployment rate (%)			3.7	3.7	3.7
	Potential GDP and components			growth rate	growth rate	growth rate
26	Potential GDP			2.9	2.9	2.8
	Contribution to potential growth					
27	Labour			1.0	0.9	0.8
28	Capital			0.6	0.6	0.7
29	Total factor productivity			1.3	1.3	1.3
				% pot. GDP	% pot. GDP	% pot. GDP
30	Output gap			2.2	0.8	0.3

Source: SORS, IMAD Autumn forecast of economic trends 2024.

Table 3: External assumptions

			2023	2024	2025
1	Short-term interest rate	(%, annual average)	3.4	3.2	2.4
2	Long-term interest rate	(%, annual average)	3.4	3.0	3.1
3	USD/EUR exchange rate	(annual average)	1.082	1.086	1.091
4	NAC/EUR exchange rate (only for non-EA Member States)	(annual average)			
5	World real GDP (excluding EU)	(growth rate)			
6	EU real GDP	(growth rate)	0.4	1.0	1.5
7	World import volumes, excluding EU	(growth rate)			
8	Oil prices	(Brent, USD/barrel)	82.5	81.9	75.7

Source: IMAD Autumn forecast of economic trends 2024.

Table 4: Budgetary projections

			2023	2023	2024	2025
	Revenue	ESA Code	bn EUR	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	8.3	12.9	13.0	12.8
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.4	8.4
3	Social contributions	D.61	10.2	15.9	17.2	17.7
4	Other current revenue	(P.11+P.12 +P.131) + D.39 + D.4 + D.7	4.0	6.2	5.9	5.0
5	Capital taxes	D.91	0.0	0.0	0.0	0.0
6	Other capital revenue	D.92+D.99	0.6	1.0	0.6	1.2
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.2	45.1
8	Of which: Transfers from the EU (accrued revenue, not cash)	D.7EU+D.9EU	0.8	1.3	1.1	1.1
9	Total revenue other than transfers from the EU (= 7-8)		27.2	42.6	44.1	44.0
10	p.m. Revenue measures (increments, excluding EU funded measures)		0.1	0.3	1.0	0.3
11	p.m. One-off revenue included in the projections (levels, excluding EU funded measures)					
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	7.2	11.2	11.3	11.4
13	Intermediate consumption	P.2	4.2	6.5	6.8	6.9
14	Interest expenditure	D.41	0.8	1.2	1.4	1.4
15	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.2	15.4
16	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	2.8

17	Subsidies	D.3	1.3	2.0	1.6	1.3
18	Other current expenditure	D.29+(D.4-D.41)+ D.5 + D.7 + D.8	1.3	2.1	2.2	2.0
19	Gross fixed capital formation	P.51	3.3	5.2	5.9	5.5
20	Of which: Nationally financed public investment		2.8	4.4	5.3	4.9
21	Capital transfers	D.9	0.4	0.6	0.8	0.8
22	Other capital expenditure	P.52+P.53 +NP	0.1	0.1	0.0	0.1
23	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	48.1	47.7
24	Of which: Expenditure funded by transfers from the EU (= 8)	D.7EU+D.9EU	0.8	1.3	1.1	1.1
25	Nationally financed expenditure (23-24)		28.9	45.2	47.0	46.6
26	p.m. National co-financing of programmes funded by the Union		0.2	0.2	0.2	0.2
27	p.m. Cyclical component of unemployment benefits		-0.1	-0.1	-0.1	-0.1
28	p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0.3	0.5	0.6	0.6
29	Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)		27.7	43.3	44.9	44.6
	Net nationally financed primary expenditure				growth rate	growth rate
30	Net nationally financed primary expenditure growth	Table 1a, row 1			6.2	4.5
	Balances	ESA Code	bn EUR	% GDP	% GDP	% GDP
31	Net lending/borrowing (= 7-23)	B.9	-1.6	-2.6	-2.9	-2.6
	Net lending/borrowing by subsector					
31a	Central government	S.1311	-1.7	-2.7	-2.8	-2.7
31b	State government	S.1312				
31c	Local government	S.1313	0.1	0.1	-0.2	-0.2
31d	Social security funds	S.1314	0.0	0.0	0.0	0.3
32	Primary balance (= 31+14)	B.9+D.41p	-0.8	-1.3	-1.5	-1.3
	Cyclical adjustment			% GDP	% GDP	% GDP
33	Structural balance			-3.1	-2.7	-2.2
34	Structural primary balance			-1.8	-1.3	-0.9
	Debt		bn EUR	% GDP	% GDP	% GDP
35	Gross debt		43.7	68.4	67.5	65.4
36	Change in gross debt		2.3	-4.3	-0.9	-2.1
37	Contributions to changes in gross debt					
38	Primary balance (= minus 32)			1.3	1.5	1.3
39	Snowball effect			-6.8	-1.6	-2.5
40	Interest expenditure (= 14)			1.2	1.4	1.4
41	Growth			-1.4	-1.0	-1.5
42	Inflation			-6.6	-2.0	-2.4
43	Stock-flow adjustment (= 36-38-39)			1.1	-0.9	-0.8
				%	%	%
44	p.m. Implicit interest rate on debt (=14/DEBT(t-1))			1.9	2.1	2.2

Source: SORS; Ministry of Finance.

Table 5: Estimated impact of discretionary expenditure and revenue measures

	Title/description of measure	One-off	Exp / Rev		2023	2024	2025
				ESA Code	% GDP	% GDP	% GDP
1	The amendment ZDoh-2AA, which eliminates the financial consequences due to the increase of the general income tax reliefs in the years 2023, 2024 and 2025.	No	Revenue	D.51	0.2	0.1	0.0
2	Gradual elimination of energy measures to mitigate price increases (reduction of excise duties on energy products for fuels, heating oil, natural gas, reduction of value added taxes for certain energy products from 22% to 9.5%, reduction of CO2 duties).	No	Revenue	D.21	0.1	0.2	0.0
3	Increase of corporate income tax by 3 pp. (Article 64 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.51	/	0.3	0.0
4	Tax on the balance sheet of banks and savings banks (Article 78 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.29	/	0.1	0.0
5	Non-harmonization of the income tax scale and reliefs in 2024 (Article 77 ZIPRS2425).	No	Revenue	D.51	/	0.2	-0.2
6	Increase in the price per unit with carbon dioxide emissions from the current 17.3 euros to 30.85 euros (2328. Decision on the level of the environmental levy for air pollution with carbon dioxide emissions).	No	Revenue	D.29	/	/	0.2
7	Long-term care contribution.	No	Revenue	D.61	/	/	0.4
	TOTAL				0.3	1.0*	0.3

*Note: The effect on the total general government revenue due to the transformation of supplementary health insurance into compulsory health insurance is neutral.

Source: calculations by the Ministry of Finance in accordance with the classification of discretionary measures of the European Commission (2015). Report on public finances in EMU - 2015. Institutional Paper 014. and the European Commission (2016). Report on public finances in EMU - 2016. Institutional Paper 045.

Table 6: RRF grants

		2021	2022	2023	2024	2025	2026
	Revenue from RRF grants	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
1	RRF grants as included in the revenue projections	0.22	0.21	0.13	0.36	0.28	0.99
2	Cash disbursements of RRF grants from EU	0.44	0.00	0.47	0.21	0.28	0.99
	Expenditure financed by RRF grants						
3	Total current expenditure	0.00	0.00	0.07	0.22	0.36	0.25
4	Gross fixed capital formation	0.21	0.11	0.07	0.16	0.30	0.13
5	Capital transfers	0.00	0.01	0.09	0.15	0.14	0.10
6	Total capital expenditure (4+5)	0.21	0.12	0.16	0.31	0.43	0.23
	Other costs financed by RRF grants						
7	Reduction in tax revenue						
8	Other costs with impact on revenue						
9	Financial transactions						

Source: Ministry of Finance.

Table 7: RRF loans

		2021	2022	2023	2024	2025	2026
	Revenue from RRF loans	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
1	RRF loans as included in the revenue projections			0.48	0.17	0.40	0.49
2	Cash disbursements of RRF loans from EU			0.00	0.00	0.00	0.00
	Expenditure financed by RRF loans						
3	Total current expenditure	0.00	0.00	0.00	0.00	0.03	0.10
4	Gross fixed capital formation	0.00	0.00	0.06	0.25	0.43	0.24
5	Capital transfers	0.00	0.00	0.00	0.02	0.05	0.07
6	Total capital expenditure (4+5)	0.00	0.00	0.06	0.27	0.48	0.31
	Other costs financed by RRF loans						
7	Reduction in tax revenue						
8	Other costs with impact on revenue						
9	Financial transactions						

Source: Ministry of Finance.

Table 8: Government expenditure by function (COFOG)

			2024	2025
		COFOG Code	% GDP	% GDP
1	General public services	01	5.4	5.2
2	Defence	02	1.3	1.4
3	Public order and safety	03	1.6	1.6
4	Economic affairs	04	5.7	5.5
5	Environmental protection	05	0.9	0.9
6	Housing and community amenities	07	0.5	0.5
7	Health	06	7.7	7.8
8	Recreation, culture and religion	08	1.5	1.4
9	Education	09	5.7	5.7
10	Social protection	10	17.8	17.7
11	Total expenditure	TE	48.1	47.7
12	<i>of which: Employment</i>		0.9	0.9

Source: Ministry of Finance.

Table 9: Budgetary projections under unchanged policies*

			2023	2023	2024	2025
	Revenue	ESA Code	bn EUR	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	8.3	12.9	13.0	12.6
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.4	8.4
3	Social contributions	D.61	10.2	15.9	17.2	17.7
4	Other current revenue	(P.11+P.12+P.131) + D.39 + D.4 + D.7	4.0	6.2	5.9	5.0
5	Capital taxes	D.91	0.0	0.0	0.0	0.0
6	Other capital revenue	D.92+D.99	0.6	1.0	0.6	1.2
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.2	44.9
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
8	Compensation of employees	D.1	7.2	11.2	11.3	10.9
9	Intermediate consumption	P.2	4.2	6.5	6.8	6.9
10	Interest expenditure	D.41	0.8	1.2	1.4	1.4
11	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.2	15.4
12	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	2.8
13	Subsidies	D.3	1.3	2.0	1.6	1.3
14	Other current expenditure	D.29+(D.4-D.41)+ D.5 + D.7 + D.8	1.3	2.1	2.2	2.0
15	Gross fixed capital formation	P.51	3.3	5.2	5.9	5.5
16	Of which: Nationally financed public investment		2.8	4.4	5.3	4.9
17	Capital transfers	D.9	0.4	0.6	0.8	0.8
18	Other capital expenditure	P.52+P.53+NP	0.1	0.1	0.0	0.1
19	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	48.1	47.2
	Balances	ESA Code	bn EUR	% GDP	% GDP	% GDP
20	Net lending/borrowing (= 7-19)	B.9	-1.6	-2.6	-2.9	-2.3
21	Primary balance (= 20+10)	B.9+D.41p	-0.8	-1.3	-1.5	-0.9

*Note: Under the budgetary scenario at unchanged policies, in 2025 the impact of higher prices of emission coupons (0.2% of GDP) as well as the reform of the wage system (0.5% of GDP) is excluded. Source: SORS, Ministry of Finance.

Table 10: Measures of the Draft Budgetary Plan 2025 addressing the proposed Council Recommendations for Slovenia for 2024-2025 and the Council's opinion on The Slovenian Stability Programme for 2023

Recommendation:	Measures:	Addressing:
CSR 1		
Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with putting the general government debt on a plausibly downward trajectory over the medium term and maintaining the	As agreed with the European Commission, the medium-term fiscal-structural plan will be submitted on 15 October 2024. The Government of the Republic of Slovenia discussed it at a session on 26 September 2024 and, after consultation with social partners and other stakeholders and debate in the National Assembly, finally adopted it on 10 October 2024.	yes

<p>general government deficit below the 3% of GDP Treaty reference value.</p>		
<p>Ensure the fiscal sustainability of social protection and rebalance tax revenues towards more growth-friendly and sustainable sources.</p>	<p>The Government of the Republic of Slovenia has adopted a pension reform proposal, which is being discussed with the social partners. The objectives of the proposed pension reform are to ensure sustainability of the pension system, adequacy of pensions and transparency of the system. The reform is being prepared together with other measures, such as measures in the field of employment of foreigners and the labour market.</p> <p>Measures in the field of healthcare aim to address calculation models, primarily by establishing mechanisms for a more economical use of resources. The strategy for the development of healthcare services at the primary level assumes that with high-quality and more accessible treatment at the primary level, the rate of hospital treatment, the use of specialist services and the influx of patients to the emergency wards will decrease, which will significantly help manage healthcare expenditure. An improved system of quality management in healthcare and monitoring of the progress of the implementation of the fundamental principles of the quality of medical treatment will have a positive effect on the introduction of new healthcare technologies, drugs, medical devices, and will enable certain savings in the long run.</p> <p>In 2023, an act was adopted that for the first time comprehensively and systematically regulated the field of</p>	<p>yes</p>

	<p>long-term care from the aspect of financing, provision of rights and the exercise of these rights. Some of the rights will be exercised gradually. Long-term care will be financed from the state budget and by means of a new contribution for employers, employees and pensioners, which will be introduced on 1 July 2025.</p> <p>Tax reform: The last set of measures are measures adopted by the Government with the aim of obtaining additional sources for public finance on one hand, and with the aim of pursuing other policies and goals (for example, in healthcare). Thus, the taxation of sweetened beverages (with added sugar) and energy drinks will be adjusted, and the amounts of excise duties on alcohol and alcoholic beverages will be raised. In the future, taxation of property and capital will also be addressed, and the tax wedge on labour will be additionally lowered.</p>	
Improve the efficiency of public spending by carrying out spending reviews and through better management of public investments.	<p>In order to monitor and ensure the efficiency of public spending, the Internal Public Finance Control Service was established at the Ministry of Finance, which will begin to address the shortcomings of the existing system of internal control of public finance next year. Proposals for system solutions in the field of internal control of public finance, which will support the legitimacy, purpose, efficiency and economic use of public funds, will be prepared.</p> <p>The service will also monitor the effectiveness of investments, which will improve the management of public investments.</p>	yes
CSR 2		
Strengthen administrative capacity to manage EU funds, accelerate investments and maintain momentum in the implementation of reforms. Address emerging delays to allow for continued, swift	The Government of the Republic of Slovenia regularly monitors the implementation of measures and investments under the Recovery and Resilience Plan. Analyses of possible risks to the implementation of measures and investments are regularly prepared. The Office of the	yes

<p>and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026.</p>	<p>Prime Minister is also involved in order to further accelerate investments and measures. The Government of the Republic of Slovenia also regularly reports on the implementation of the RRP to the Committee on Finance of the National Assembly.</p> <p>Additional employment of staff is planned in order to ensure the administrative capacity of the coordination body for the implementation of the RRP.</p>	
<p>Accelerate the implementation of the cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness</p>	<p>In the 2014-2020 programme period, Slovenia used all available funds and is drafting a final report, which will be sent to the EC at the beginning of next year.</p> <p>Based on the drafting of the interim report, Slovenia will proceed to amend the EKP 2021-2027 programme in order to include two specific objectives that were made possible by the newly adopted STEP Regulation.</p>	<p>yes</p>
<p>CSR 3</p>		
<p>Strengthen competitiveness by boosting skills levels further, ensuring that the ongoing curricula reform also helps to strengthen basic skills, by addressing labour shortages, and by promoting business dynamism and the creation of high-growth companies by improving the conditions for venture capital investment and institutional investors as well as investments in research, development and innovation.</p>	<p>Also being prepared, i.e. implemented, as part of the RRP is a reform of higher education for a green and resilient transition, the aim of which is to update professional higher education due to the green and digital transition and align programmes with the needs of the labour market and society. As part of the implementation of the RRP, comprehensive changes to the curricula in primary schools and secondary schools are being prepared. In addition to ensuring digital competences and competences for sustainable development, the aim is also to strengthen key competences (key (fundamental) objectives from five areas, specifically those related to language, citizenship, culture and art; sustainable development; health and well-being and entrepreneurship). Common, fundamental goals that will be included in the subject objectives and knowledge standards of all subjects by 2026 have thus been determined. For this purpose, training of teachers for the effective introduction of the updated curricula is planned. In addition to the above, also</p>	<p>yes</p>

	<p>planned as part of the European cohesion policy are development projects to strengthen key competences, such as language and intercultural competences, multilingualism, reading literacy, mathematics and natural science competences, digital, personal and social competences, entrepreneurial competences, civic competences, cultural awareness and expression, and creativity, media literacy, computational thinking, critical thinking, a healthy attitude towards oneself, prevention of violence, addiction and global learning and education for sustainable development. In the field of adult education, a special "acquiring basic and professional competences of adults" project is being implemented. The project is aimed at increasing the inclusion of adults in lifelong learning and improving their basic competences in responding to technological, demographic and climate changes in modern society.</p> <p>Experts have prepared a draft National Education Programme for the 2023-2033 Period.</p> <p>To address the needs of the labour market: The Strategy of the Government of the Republic of Slovenia Strategy in the Field of Immigration, adopted this year, defined several objectives which relate to the conclusion of bilateral employment agreements, improvement to the legislative framework and supervision of the implementation of regulations in practice, and also include the elimination of administrative obstacles, i.e. simplification of administrative procedures, including the expansion of the deficit profession list. Additional changes to the legislation in the field of employment of foreigners will also enable seasonal work in the hospitality and tourism industries. Facilitated employment of foreigners who already reside in Slovenia is planned. The naming of the education will also be harmonised with the Slovenian framework for</p>	
--	--	--

	<p>qualifications. To ensure the integration of foreigners, programmes from the Strategy for the Integration of Foreigners, which are based in particular on learning the Slovenian language and culture, are already being implemented and will continue to be implemented.</p> <p>Measures implemented as part of the RRP in the field of operation and management of RDI include co-financing of research and innovation projects in support of the green transition and digitisation, co-financing of projects to improve the international mobility of Slovenian researchers and research organisations, and co-financing of investments in RDI demonstration and pilot projects. The objective is to increase the success of investments in RDI, create an effective research and innovation environment and direct activities in the field of research, development and innovation towards the green and digital transition.</p> <p>As part of the Programme of measures of the Ministry of Economy, Tourism and Sport to promote entrepreneurship and competitiveness in the 2024-2030 period, incentives are also envisaged for fast-growing and start-up innovative companies. The measures will provide funds for the transition of new business ventures and start-ups to the phase of faster growth (start-up companies and companies in transition to the next phase of growth) and measures for scale-up companies for which, among other things, the plan is to encourage young companies and new business ventures (start-up companies) to initiate operation; strengthening the knowledge, skills and competences of innovative potential entrepreneurs, innovative start-up companies, scale-up companies and other innovative SMEs by providing various highly specialised and targeted support services (i.e. mentoring, expert advice, group education and training, study visits, networking and match-making services and promotional services) in various business areas (e.g. in</p>	
--	--	--

	<p>business model design, product development and marketing, entry and expansion in foreign markets, inclusion in value chains, operating under sustainability and circular principles, etc.).</p> <p>In order to define a new vision of Slovenia as a leading European development centre for advanced technologies, an action plan for increasing the productivity and competitiveness of the Slovenian economy is being drafted. The main objective is an accelerated increase in productivity.</p> <p>In the field of venture capital, the adoption of the Act on Forms of Alternative Investment Funds (ZOAIS) in 2022 laid the foundations for a modern regulatory framework harmonised with EU standards. This legislative framework has stimulated the growth of the alternative investment fund (AIF) sector, which results in the increase in the number of AIF managers and the volume of assets under management. The ZOAIS regulates forms of alternative investment funds (AIS) in Slovenia, including alternative mutual funds, special limited partnerships and investment companies. It determines the conditions for the establishment and operation of these funds, their management and supervision over them, defines special types of AIFs, such as special investment funds (SIFs) and real estate investment companies, and determines the rules for their operation and the protection of investors.</p> <p>The development of special investment funds (SIFs), which have become a driver of growth in the AIF sector, is particularly noticeable. SIFs focused on real estate and private equity saw a significant increase in assets under management in 2023, which indicates growing investor confidence and the maturity of this market segment. The trend of new commitments from investors and payments into these funds indicates the potential for further</p>	
--	---	--

	<p>growth and development of the venture capital market in Slovenia.</p> <p>In the field of investors, Slovenia is introducing several measures to encourage broader participation in the financial markets. The Act on Individual Investment Accounts (Zakon o individualnih naložbenih računih (ZINR), which will regulate the long-term savings of natural persons in financial instruments, is being prepared. This initiative follows trends in the EU to encourage long-term investments by the population and has the potential to significantly reshape the saving habits of Slovenians.</p> <p>The first issue of retail state bonds for natural persons in 2024 was also an important step. This measure, which follows the practice of other EU member states, was successfully implemented and shows that new investment opportunities are opening for the general public and that the base of investors in government debt is expanding. The success of this issue indicates the interest of domestic investors in this type of financial instrument.</p> <p>In order to improve the availability of information and transparency on the financial market, the Securities Market Agency (ATVP), the Ljubljana Stock Exchange and the Central Securities Clearing Corporation (KDD) have upgraded the Single Entry Point for access to information on the entry to the capital market. This initiative is coordinated with broader efforts in the EU to improve investor information and increase the transparency of financial markets.</p>	
--	--	--

Source: Ministry of Finance.