BUSINESSEUROPE

ZDRUŽENJE DELODAJALCEV SLOVENIJE GIZ ZDS

SPRING 2014 REFORM BAROMETER - SLOVENIA

		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
CSR **1**	For the year 2013 and beyond, implement and reinforce the budgetary strategy, supported by sufficiently specified structural measures, to ensure the correction of the excessive deficit by 2015 in a sustainable manner and the improvement of the structural balance specified in the Council recommendation under the EDP. After the correction of the excessive deficit, pursue a structural adjustment effort that will enable Slovenia to reach the MTO which should be set in line with the Stability and Growth Pact by 2017. Durable correction of the fiscal imbalances requires the implementation of ambitious structural reforms, which would increase the adjustment capacity of the economy and boost potential growth and employment. Safeguard growth-friendly spending, adopt measures to improve tax compliance and implement measures on the expenditure side underpinned by systematic reviews of public expenditure at all government levels. To improve the credibility of consolidation, complete the adoption of a general government budget balance/surplus rule in structural terms, make the medium-term budgetary framework binding, encompassing and transparent, and strengthen the role of independent bodies monitoring fiscal policy by end 2013. Take measures to gradually reduce the contingent liabilities of the state.	Extremely important	Unsatisfactory	The majority of fiscal consolidation in 2013 was based on raising public finance revenues (e.g. VAT increase), which is not in accordance with National Reform Programme. There have been no structural reforms adopted by the new government and November 2013 deadline for general government budget balance/surplus adoption in structural terms has been missed. In order to improve tax compliance (combat shadow economy) the government has introduced an information system for cashiers and higher financial penalties.
CSR **2**	Strengthen the long-term sustainability of the pension system beyond 2020 by further adjusting all relevant parameters, including through linking the statutory retirement age to gains in life expectancy, while preserving the adequacy of pensions. Contain age-related expenditure on long-term care and improve access to services by refocusing care provision from institutional to home care, sharpening targeting of benefits, and reinforcing prevention to reduce disability/ dependency.	Helpful	Mixed	The last pension reform stabilises pension expenditure only until 2020 and pension expenditure is projected to increase well above the EU average after that. The government has established a working group to consider options for further reform. Longer term sustainability pressures also stem from the projected increase of demand for long-term care and related expenditure, in light of ageing population. In May 2013 the government issued plans for strengthening the community based long-term care and the adoption of a new Act on long-term care is foreseen in the first half of 2014..

CSR **3**	Ensure that wage developments, including the minimum wage, support competitiveness and job creation. Monitor closely the effects of the recent labour market reform and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, including through the regulation for student work. Take further measures to increase employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy measures while improving their effectiveness. Address the skills mismatch by improving the attractiveness of the relevant vocational education and training programmes and by further developing cooperation with the relevant stakeholders in assessing labour market needs.	Important	Mixed	Regarding labour market reforms, a working group has been created and tasked with reporting on the implementation and impact of the March 2013 reform by March 2014. A new student work regulation is under preparation aiming to preserve flexibility while introducing social security contributions to reduce distortions, flanked by measures in the education sector to limit access to student status. A new student regulation is expected to be adopted by the end of March 2014. Rather limited actions have been implemented to address skills mismatches. Slovenia prepared and implemented some new tailor-made Active labour market policy measures, whose effectiveness will need to be closely monitored.
CSR **4**	Take the necessary steps, with input from European partners, to contract an independent external adviser in June 2013 to conduct a system-wide bank asset quality review. Complete this exercise in 2013, with faster progress in the cases of the two banks already subject to the state aid procedure, to accelerate their balance sheet repair. Stand ready to provide additional capital should the asset transfer or asset quality review reveal additional shortfalls. All measures, including objective assessments of capital needs, transfer of assets to Bank Asset Management Company, asset protection scheme, operational implementation of the restructuring measures should be implemented in full compliance with state aid rules in case state aid is involved. In parallel, develop by March 2014 and implement a comprehensive sector strategy to ensure arms-length management of reformed banks and to substantially improve governance, risk management and profitability in the sector, including through consolidation where appropriate. Swiftly proceed with preparations for the announced privatisation of NKBM and establish, by September 2013, an ambitious timetable for the divestment of direct and indirect state shareholdings of banks.	Extremely important	Satisfactory	A system-wide bank asset quality review has been conducted by an external adviser and has revealed an almost 5 billion EUR capital shortfall in 10 largest Slovenian banks. In mid-December 2013 government has recapitalised 5 state-owned banks and initiated a transfer of assets from two largest Slovenian banks to Bank Asset Management Company, all in accordance with state aid rules. Government has also announced that it plans to keep a controlling stake in the largest Slovenian bank.
CSR **5**	Review the bank regulatory framework by end 2013, and based on this review, strengthen supervisory capacity, transparency and statistical disclosure.	Helpful	Unsatisfactory	The national reform programme does not describe any additional steps to strengthen bank supervision. However, the Slovenian authorities have made first steps to review their framework for bank regulation by end-2013 and to strengthen supervisory capacity, transparency and statistical disclosure
CSR **6**	Accelerate the reform of regulated services, including a significant reduction of entry barriers. Improve the business environment, including through ensuring the independence of and providing sufficient and autonomous financing to the Competition Protection Agency.	Important	Unsatisfactory	The 2012 inter-ministerial process to streamline Slovenia's numerous regulated professions has not advanced since May 2013. The newly independent Competition Protection Agency has been strengthened with additional staff but the agency suffers from limited financial resources which are compounded by budget cuts planned for 2014.
CSR **7**	Build on previous efforts to further reduce the length of judicial proceedings at first instance in litigious civil and commercial cases and the number of pending cases, in particular enforcement cases.	Important	Unsatisfactory	Data reported by Supreme Court appear to confirm that certain positive trends in judicial efficiency have continued, however, according to Doing Business 2014 Slovenia remains one of the worst countries in the world in terms of the length of judicial proceedings for resolving a commercial lawsuit.

CSR **8**	As part of the planned strategy of the government, to be completed by September 2013, classify core and non-core state assets according to economic criteria, with a view to divesting non-core assets. Make the Slovenia Sovereign Holding (SSH) fully operational in a timely manner, and transfer both ownership and management of all stakes to the SSH, potentially excluding those that are on the list for immediate full privatisation. Ensure professional management of the SSH from the outset, potentially including international expertise, and a clearly defined arms' length relationship with the companies involved. For core stakes, develop sector-specific strategies to improve profitability and corporate governance. Introduce an obligatory and publicly available register of management and supervisory board appointments in state-owned enterprises with requirements for disclosure of interests. Ensure that the regulatory framework facilitates divestment of non-core state assets and that administrative hurdles are minimised.	Important	Unsatisfactory	The Ministry of Finance has prepared a new draft law in September establishing the Slovenia Sovereign Holding, which is envisaged as a vehicle for consolidating the state's indirect ownership stakes and facilitating privatisation of non-core assets. This draft does not propose a transfer of ownership but only a transfer of management of all stakes to SSH. Moreover, the September 2013 deadline for classifying state-owned assets has been missed.
CSR **9**	Identify and start to work on removing all existing legal and administrative impediments to sustainable restructuring of over-indebted/undercapitalised but viable companies through market-based solutions. In this context, take measures to ensure sufficient private burden sharing, to increase private investment, including foreign direct investment, and to achieve efficiency gains in troubled companies as part of the restructuring process. Adopt the necessary legal framework for out-of-court restructuring by September 2013, ensuring that it is coherent with the existing provisions on insolvency and provides incentives for both creditors and shareholders to reach out-of-court restructuring agreements. Improve the enforcement of corporate insolvency procedures and in-court settlements, including swiftly resolving pending court cases related to bankruptcy procedures, in order to maximise recovery value and to facilitate the timely and efficient resolution of non-performing loans.	Extremely important	Unsatisfactory	An expert working group was formed in mid-September to incorporate out of-court restructuring within the insolvency code and new amendments to the insolvency law were adopted by the government in late November 2013 but the September 2013 deadline as outlined in the CSRs has been missed. Moreover our assessment is that the new amendments do not resolve the existing problems and that the whole law is overly complicated.