



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

# **Assessment of the Fiscal Consequences of the Coalition Agreement on Participation in the Government of the Republic of Slovenia 2020–2022**

March 2020

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## Summary

In addition to its regular statutory tasks, the Fiscal Council also presents its views regarding the impact of important economic policy decisions on public finances. As the Coalition Agreement represents an essential document in the process of government formation containing a package of planned measures, the Fiscal Council has carried out an assessment of its impact on public finances. In doing so, however, it did not assess the appropriateness of the announced measures. The Fiscal Council will continue to assess essential economic policy documents and expects these documents to be comprehensive and transparent and to include clearly defined measures.

*The Coalition Agreement on Participation in the Government of the Republic of Slovenia 2020–2022* (hereinafter: the Coalition Agreement)<sup>1</sup> contains a package of measures, primarily defined in general terms, that to a large extent represent a continuation of previously planned measures by the budget documents in force and also exceed the Government's two-year term in office. The measures whose direction of impact on general government sector revenues or expenditures can be established are primarily directed at increasing expenditures, even though one of the main declared goals of the Coalition Agreement is to reduce public spending. Furthermore, the Coalition Agreement seems to lack a comprehensive approach to tackling long-term challenges facing Slovenian public finances. The Fiscal Council notes that, due to the measures' undefined scopes and timelines, the Coalition Agreement does not provide the basis for planning on the part of economic entities. Such ambiguity is understandable to a certain extent, given the relatively quick constitution of the new coalition. The Fiscal Council also estimates that the fundamental change of circumstances caused by the epidemic of the SARS-CoV-2 virus and the measures adopted to mitigate its consequences will significantly limit the implementation of measures from the Coalition Agreement.

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<sup>1</sup> <https://siol.net/galleries/gallery-231927/?image=1> (only in Slovene).



## 1. Introduction

In addition to its regular statutory tasks that primarily focus on assessing the compliance of budget documents with fiscal rules, the Fiscal Council also presents its views regarding the impact of important political decisions on public finances. A coalition agreement is a key government document and includes a package of planned measures. Assessing the fiscal and macroeconomic impacts of election manifestos and coalition agreements is common practice in some countries. In accordance with its status and statutory powers, the Fiscal Council does not assess the appropriateness of measures envisaged in a coalition agreement but only assesses their impact on the public finance balance. The assessed impact of envisaged measures does not mean that these will actually be reflected in public finance aggregates. These assessments can only call attention to the risks associated with the implementation of the planned measures. In this particular case, the Fiscal Council has assessed the fiscal impact of economic policy measures indicated in the Coalition Agreement. The Fiscal Council first presented the fiscal and macroeconomic impacts of the coalition agreement in September 2018 after the Government had been confirmed by the National Assembly, in the publication "Assessment of the Fiscal and Macroeconomic Consequences of the Coalition Agreement on Participation in the Government of the Republic of Slovenia in the 2018–2022 Term-of-Office".<sup>2</sup> The Fiscal Council will continue to assess main economic policy documents, including coalition agreements, and expects these documents to be comprehensive and to include clearly defined measures, thereby making it possible to provide an adequate assessment of their consequences, which will, among other things, make it easier for economic subjects to make decisions.

## 2. Macroeconomic circumstances

As the new Government takes office, the macroeconomic situation is highly uncertain due to the outbreak of the SARS-CoV-2 virus and the resulting economic growth forecast, which is significantly lower than the autumn forecast that provided the basis for the applicable budget documents. Under the baseline scenario of the spring 2020 forecast<sup>3</sup>, the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) expects a 1.5-percent GDP growth (3.0% in September); economic growth in the following two years is also expected to be lower than predicted in autumn. According to IMAD, there is a high risk of growth being even lower than indicated in the baseline scenario. The latter is based on the assumption that the spread of the virus will reach its peak in the first half of the year and that the situation will stabilise in the second half. The actual GDP movement depends greatly on business and economic policy measures that are quite uncertain at this time. Economic growth in Slovenia had slowed down more than predicted at the end of the previous year and on average throughout 2019 which would also in the absence of the virus-related shock likely lead to declining economic forecasts.

## 3. Public finance circumstances

In the first three quarters of 2019<sup>4</sup>, the general government balance showed a surplus of 0.7% of GDP and was thus within the forecast of the October Draft Budgetary Plan that projected an annual

<sup>2</sup> <http://www.fs-rs.si/assessment-of-fiscal-and-macroeconomic-consequences-of-the-coalition-agreement-on-cooperation-within-the-government-of-the-republic-of-slovenia-in-the-2018-2022-term-of-office/>

<sup>3</sup> [https://www.umar.gov.si/fileadmin/user\\_upload/napovedi/pomlad/pomladanska\\_2020/angleska/PN2020\\_summary.pdf](https://www.umar.gov.si/fileadmin/user_upload/napovedi/pomlad/pomladanska_2020/angleska/PN2020_summary.pdf)

<sup>4</sup> Data on the main aggregates of the general government sector for 2019 according to ESA 2010 methodology will be published by the Statistical Office of the Republic of Slovenia on 31 March 2020.

surplus of 0.8% of GDP for 2019. Achieving the nominal surplus was mainly the result of further improvement in the labour market, in particular the increase in wage growth, and of relatively high economic growth, as well as of a continued decline in interest expenditures, which is reflected in a lower primary surplus year-on-year. If these fiscal targets are achieved, the surplus in the structural primary balance will also decline in 2019 indicating a continuation of expansionary pro-cyclical fiscal policy. According to the most recent data published by the Statistical Office of the Republic of Slovenia (SORS), the nominal debt of the general government sector at the end of the third quarter of 2019 stood at a similar level as in the same quarter of the previous year (approximately EUR 32.4 billion), while in this period its share in GDP declined by 3.3 percentage points, i.e. to 68.1% of GDP. A slower decline in the debt ratio compared to the previous year is a result of lower economic growth and consequently of a less favourable relationship between implicit interest rate and economic growth.

At the time of the adoption of the 2020 and 2021 government budgets, the Fiscal Council pointed out significant risks in relation to fiscal projections. The identified macroeconomic risks associated primarily with lower growth in foreign demand have, for the most part, occurred. According to SORS's initial estimate, economic growth in 2019 (2.4%) was lower than IMAD's autumn forecast (2.8%). Risks of lower economic growth in 2020 increased further as a result of the outbreak and spread of the SARS-CoV-2 virus. Growth in general government sector revenues will therefore likely be lower than anticipated in the 2020 Draft Budgetary Plan of October 2019. The virus also poses a risk to projections of general government sector expenditures due to the costs of intervention measures to deal with its consequences. When assessing the appropriateness of budget documents last autumn, the Fiscal Council, in addition to macroeconomic risks, detected risks associated with inconsistencies between projections and proposed or adopted measures. These are particularly notable in the area of social transfers for which data from January 2020 shows that projections for their expenditures were underestimated.

#### 4. Method of assessment of the Coalition Agreement

Chapter 2 (Measures) of the Coalition Agreement is divided into nine segments. We divided their items into "principles" and "measures".<sup>5</sup> Items designated as "principles" only represent guidelines and therefore cannot be evaluated. On the other hand, "measures", which were qualitatively evaluated, are items indicating an actual intent of taking economic policy action. The direction of impact on general government sector revenues or expenditures was established for each "measure". In assessing the impact of particular "measures" on both aggregate items of the general government financial balance, their indirect effects were also taken into account to the greatest extent possible.<sup>6</sup>

The effects of particular "measures" were then broken down further based on their impact – short-term and long-term – on general government sector revenues and expenditures. The two-year term of the new coalition was designated as "short-term" and the period in which the impact of the envisaged "measures" outlives the coalition's term was designated as "long-term".

Figures indicating the financial impact on the general government sector could not be provided for almost any of the measures contained in the Coalition Agreement. In order to provide a consistent overview, the Fiscal Council thus decided to carry out only a qualitative evaluation of the direction of

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<sup>5</sup> The table showing all the items of the Coalition Agreement grouped into "principles" and "measures" is attached in Appendix 1.

<sup>6</sup> An increase in expenditures for social spending can, for example, in the short term encourage recipients to spend more, and hence increase the revenues of the general government sector. A reduction of administrative burdens, which although linked to higher expenditures in the short term, can, for example, spur economic activity and hence increase the revenues of the general government sector.

impact of particular measures. Due to the adopted qualitative approach to assessing the fiscal impact of the "measures" contained in the Coalition Agreement, the extent of fiscal "shocks" and the resulting direct and indirect macroeconomic consequences could not be determined. This was possible, with the help of econometric models running static and dynamic simulations, when assessing the fiscal and macroeconomic consequences of the Coalition Agreement on Participation in the Government of the Republic of Slovenia in the 2018–2022 Term-of-Office, where measures were more clearly defined.

## 5. Assessment of Coalition Agreement "measures"

Upon examining the "measures" of the Coalition Agreement, it can be noted that the majority of them would increase general government sector spending. At the same time, the Coalition Agreement contains very few measures envisaged to finance increased spending, even though – compared to the short term – there is some possibility of a minor asymmetry in the number of expenditure-increasing measures in the long term due to the assumed positive indirect impact on economic activity. Less than 5% of all measures are aimed at reducing general government sector spending. It should be noted that the measures' direction of impact in terms of revenues cannot be determined in approximately 90% of the cases, while the measures whose direction of impact can be determined in terms of expenditures represent 50% of all measures. This suggests a less transparent presentation of economic policies than detected by the Fiscal Council in the previous Coalition Agreement for the 2018–2022 Term-of-Office. We can also see that most of the "measures" whose direction of impact can be determined can only be implemented in a period longer than the two-year term of the current coalition.

**Table 1: Quantitative assessment of Coalition Agreement "measures"**

	revenue		expenditure	
	short-term	long-term	short-term	long-term
<i>number</i>				
increase	4	13	46	43
decrease	2	2	3	4
not possible to determine	88	79	45	47
<i>total</i>	<i>94</i>	<i>94</i>	<i>94</i>	<i>94</i>
<i>share in %</i>				
increase	4.3	13.8	48.9	45.7
decrease	2.1	2.1	3.2	4.3
not possible to determine	93.6	84.0	47.9	50.0

*Note: The table takes into account items of the Coalition Agreement (out of a total of 126), for which an assessment can be made about the direction of their impact (increase, decrease) on government revenues and expenditures and measures for which it is not possible to determine the impact.*

*Source: Coalition Agreement on Participation in the Government of the Republic of Slovenia 2020-2022. Assessment by the Fiscal Council.*

In order to provide a more detailed analysis of the Coalition Agreement measures and their comparison to the measures previously envisaged in official budget documents and the risks arising from this comparison, the measures from the table in Appendix 1 were divided into three segments. These sets of measures pertain to the following: infrastructure, social protection systems, and functioning of the state and other measures. Below is a set-by-set presentation of the main features of items contained in the Coalition Agreement, established based on the existing budget documents.

## 5.1 Set of measures in the field of infrastructure

A significant part of the measures affecting public finances envisaged by the Coalition Agreement concerns investments in infrastructure. These had largely been envisaged in the applicable government budgets for 2020 and 2021 as well as in the Development Programmes Plan (hereinafter: the DPP).<sup>7</sup> Any significant increase in such spending and/or accelerated implementation considering those envisaged in applicable budget documents would put fiscal expenditures at risk. Last year, general government sector investments amounted to 4.0% of GDP, similar to long-term average. Under the Draft Budgetary Plan from last October, they were to remain at a similar level in 2020 and 2021.<sup>8</sup>

### Road infrastructure

The main activity concerning road infrastructure envisaged in the Coalition Agreement is *the continuation and acceleration of motorway network expansion* with two measures to be adopted: building a third development axis and improving traffic flow on motorways. DPP estimates the value of the construction of the third development axis at around EUR 1.8 billion; the 2020 and 2021 government budgets provide for less than a tenth of the project's total value. The project is to be accelerated somewhat in 2022 and 2023, and the majority of funding (approximately three quarters) is envisaged in subsequent years. Any acceleration of the construction of the third development axis envisaged in the Coalition Agreement considering the applicable DPP poses risks to fiscal expenditure projections for up to and including 2022. As regards improving the motorway traffic flow, it is difficult to assess, based on the available information contained in the Coalition Agreement, whether these measures would mean an additional increase in funds currently envisaged under the national motorway programme which, in the 2020–2023 period, average approximately EUR 170 million per year. Road infrastructure measures also include *the establishment of a friendlier and more affordable public transport system*, which also pertains to rail traffic. Applicable budget documents provide for EUR 60 million per year for subsidising passenger transport. If the measure indicated in the Coalition Agreement meant higher subsidies, there would be a risk of further increases in government expenditures. The Coalition Agreement also contains the measure of *introduction of e-vignettes*, which, in our opinion, poses a short-term risk of increased expenditures considering the applicable budget documents on the one hand and an opportunity to increase revenues in the long run on the other, depending on how the project is carried out.

### Railway infrastructure

As regards railway infrastructure, the Coalition Agreement provides for *the acceleration of modernisation and new constructions*. The key railway infrastructure project under the applicable DPP is the construction of the second track of the Divača–Koper railway line, which, in addition to the construction itself, encompasses a capital increase in the 2DTK company. The value of the two measures amounts to a total of EUR 1.7 billion; the majority of the funds (approximately two thirds) are to be spent in the 2020–2022 period and another quarter in subsequent years. Like with the third development axis, any acceleration of the project would pose a risk to fiscal expenditures in the available projections or budget documents for up to and including 2022. The DPP also provides for the completion of construction upgrade works on the Zidani Most–Celje railway line, the construction of the second track of the

<sup>7</sup> The DPP is part of the state budget and shows budget expenditures as projects and measures. The corresponding financing plans comprise a comprehensive overview of budgetary and other sources of financing of these activities over the next four years or until the end of the financing of these activities. The applicable DPP for the period 2020–2030 is available at:

[https://www.gov.si/assets/ministrstva/MF/Proracun-direktorat/Drzavni-proracun/Sprejeti-proracun/Sprejeti-2020/lzpsi/SP2020\\_NRP.pdf](https://www.gov.si/assets/ministrstva/MF/Proracun-direktorat/Drzavni-proracun/Sprejeti-proracun/Sprejeti-2020/lzpsi/SP2020_NRP.pdf) (only in Slovene).

<sup>8</sup> Investments of the general government sector are slightly below 3% GDP in the EU on average.



Maribor–Šentilj railway line, which is expected to be completed in 2023, the renovation of the Karavanke tunnel and the reconstruction of railway stations in Grosuplje and Pragersko. The total value of these projects for the 2020–2023 period in the adopted budget documents amounts to approximately EUR 450 million. In terms of modernisation, the DPP provides for phase one of remote traffic control, the procurement of new vehicles and regular renovation works. Funding in subsequent years is to increase slightly from an average of EUR 30 million per year in 2020 and 2021. The same applies to measures relating to the maintenance of the public railway infrastructure, where spending is to increase considering the DPP from approximately EUR 140 million per year in 2020 and 2021 to approximately EUR 300 million per year in 2022 and 2023. As the Coalition Agreement makes no direct reference to these areas, it is impossible to assess whether funds are envisaged to increase further for these DPP measures considering the existing budgetary projections.

### Energy and the environment

With respect to investments in the energy infrastructure, the Coalition Agreement envisages the *acceleration of the placement of hydro power plants on the middle Sava river and the start of construction of the Mokrice Hydro Power Plant*. The majority of funds for the construction of the Mokrice Hydro Power Plant is earmarked in the DPP for 2020 and 2021, and construction is planned to be completed in 2022. In the provisions on this project, the Coalition Agreement hence does not deviate from the budget documents, but the start of construction could be postponed to a later year. In connection with the hydro power plants on the middle Sava river, only the *acceleration of their placement* is mentioned in the Coalition Agreement.<sup>9</sup> Other measures in this field that are listed in the Coalition Agreement include the *acceleration of the energy saving renovation of buildings in private and state ownership*, but only EUR 20 million is earmarked in the applicable budget documents for this project in 2020. The acceleration of this project would thus pose a short-term risk given the currently projected public expenditures, while, in the long term, it could reduce the expenditures of the general government sector due to lower costs. Measures listed in the Coalition Agreement in this field include also: the *rehabilitation of urban brownfield sites* (for the period 2020–2030 a total of EUR 15 million is earmarked in the applicable budget documents); and the *continuation of the implementation of flood protection measures* (for the 2020–2022 period around EUR 25 million is earmarked annually, and is to be increased to EUR 55 million in 2023). In terms of these two measures, the Coalition Agreement is not specific enough to be able to assess whether the earmarked funds would be increased. In addition, the Coalition Agreement provides the following measures in this field: *harmonisation of the long-term energy concept, responsible management of energy sources, rehabilitation measures for cleaner energy sources, other measures aimed at carbon neutrality by 2050, including the use of nuclear energy, and regulation of the use of geothermal energy*. Several measures<sup>10</sup> in the DPP refer to the efficient use of energy sources and carbon neutrality, with a planned total expenditure of slightly less than EUR 700 million for the period 2020–2030, although it would be gradually reduced from EUR 300 million in 2020 to around EUR 80 million in 2023. Considering that expenditures in the field of the environment amounted to 0.5% of GDP in Slovenia (EU-28: 0.8%) in 2018 according to COFOG methodology, and the current National Energy and Climate Plan<sup>11</sup>, a consistent implementation of these measures could result in higher public expenditures than currently foreseen. The Coalition Agreement also contains the follow-

<sup>9</sup> According to available data at <https://www.hse.si/sl/skupina-hse/razvojni-projekti/> (only in Slovene), the project will comprise ten hydro power plants (together 300 MW) comparable in terms of power to ten power plants of a similar power as Mokrice and Brežice hydro power plants. Investments in the two plants could amount to around EUR 160 million each, which means that the construction of ten hydro power plants on the middle Sava river could amount to roughly EUR 1.5 billion.

<sup>10</sup> Promotion of low-carbon strategies and sustainable mobility, adaptation to climate change and the promotion of energy efficiency.

<sup>11</sup> [https://www.energetika-portal.si/fileadmin/dokumenti/publikacije/nepn/dokumenti/nepn\\_5.0\\_final\\_feb-2020.pdf](https://www.energetika-portal.si/fileadmin/dokumenti/publikacije/nepn/dokumenti/nepn_5.0_final_feb-2020.pdf) (only in Slovene).

ing measure: *revision of the housing policy, an increase in the number of rental housing targeting young people and young families, establishment of a systemic source of financing of housing construction, and an increase in the earmarked budget expenditures.* This measure could also pose a risk of increased public expenditures, as EUR 4 million in subsidies is annually earmarked in the applicable budget documents for market rental and young families.

## 5.2 Set of measures in the field of social protection systems

With respect to social protection systems, the Coalition Agreement envisages measures concerning pensions and long-term care, healthcare and social security. Most of the measures are not sufficiently defined and may pose a risk of increased public expenditures. The measures announced do not tackle the issue of sustainable financing of social protection systems in the long term, and consequently also public finances in general in the light of demographic change.

### Pensions and long-term care

With respect to pensions, the Coalition Agreement envisages an *extraordinary indexation of pensions in 2021 and 2022 on the condition that economic growth in the preceding year matches the defined amount.* According to our assessment, one extraordinary indexation would result in an increase in expenditures of around EUR 70 million, while two extraordinary indexations would increase the expenditures of the general government sector by around EUR 150 million. This risk is however very limited due to the forecasted lower economic growth. The Coalition Agreement also envisages a *gradual convergence of the minimal pension for a completed pension qualifying period to the poverty threshold; the dynamics of this convergence depend on economic growth and the available budget funds.* We assess that such a rise could result in an increase in public expenditures by around EUR 150 million.<sup>12</sup> Furthermore, the Coalition Agreement envisages a *faster increase of the accrual percentage than provided by the legislation in force, i.e. in four instead of six years.* In the short term this would increase the expenditures only slightly, but in the long term it would aggravate the adverse consequences of the applicable Act Amending the Pension and Disability Insurance Act.<sup>13</sup> Article 95 of this act stipulates two amounts of the payment with the threshold between the lower and higher amount set at 55.63% of the minimum pension base. Article 69 of the Implementation of the Republic of Slovenia's Budget for 2020 and 2021 Act<sup>14</sup> stipulates five amounts of the payment. A similar maximum amount as envisaged for 2020 would, in relative terms, pose a negligible risk to public expenditures. In the area of pensions, the establishment of a demographic fund and a demographic office is also planned.

As regards long-term care, the Coalition Agreement mentions only the *adoption of a law on long-term care, defining the rights, financing and an adequate human resources plan.* However, we cannot assess whether it would be funded by the existing public expenditures or a new financial source would be set

<sup>12</sup> The calculation was made on the basis of the last available data on the at-risk-of-poverty threshold for 2018, which amounted to EUR 662 per month for a single household. (<https://www.stat.si/StatWeb/News/Index/8175>) and the statistics of the Pension and Disability Insurance Institute for January 2020 (<https://www.zpiz.si/cms/content2019/-mesecnistatistcniipregled-koledar-objav>); (both available in Slovene only).

<sup>13</sup> Pension and Disability Insurance Act – ZPIZ-2G (<http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAK07974> – only available in Slovene). On several occasions, the Fiscal Council pointed to the adverse consequences of amendments to the pension legislation for long-term fiscal sustainability:

- <http://www.fs-rs.si/position-of-the-fiscal-council-amending-the-pension-legislation-needs-to-be-accompanied-by-presentation-of-its-long-term-fiscal-consequences/>;

- <http://www.fs-rs.si/position-of-the-fiscal-council-the-estimate-of-long-term-fiscal-effects-of-the-amendments-to-the-pension-legislation-indicates-an-additional-increase-in-the-cost-of-ageing-which-must-be-presented-by/>.

<sup>14</sup> <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAK07970> (only in Slovene).

up. According to our assessment, this proposed measure poses a risk of higher public expenditures than currently planned by the applicable budget documents.

### Healthcare

Measures envisaged by the Coalition Agreement in the area of healthcare are very general and to a significant extent address the organisational structure of the healthcare system. They include measures to curb corruption, change the operation and management of the Health Insurance Institute of Slovenia, revise the complementary health insurance, improve working conditions, establish an agency for the quality management of healthcare services, and revise the system of emergency helicopter services. The items in the Coalition Agreement that could result in an increase of public expenditures are connected with the measures aimed at shortening waiting times and increasing the vaccination rate, and above all at providing additional public funding for the healthcare system.

### Family policy and social security

With respect to the family policy, the Coalition Agreement envisages the *re-introduction of free-of-charge kindergartens for the second child and any subsequent children attending kindergarten simultaneously*. The introduction of this measure in 2008 increased the expenditures of local government budgets by 22.4% to cover the difference between the kindergarten programme prices and parents' payments; it should be noted that the number of children attending kindergartens increased by 5.6%. Over the past six years, the number of children attending kindergarten has on average increased by less than 1% annually, as the number of live births has been on decline. Under the assumption that the increase in the average amount per child would be similar to that in 2008 and that the number of children attending kindergarten would be slightly higher than in recent years, the adoption of this measure could increase expenditures by around EUR 40 million. The Coalition Agreement also envisages the *introduction of a universal child benefit* but the risk to expenditures cannot be assessed for lack of additional information on the implementation.

In the area of social security, the Coalition Agreement mentions a *reform of the policy of social transfers with an emphasis on abuse prevention*, which, in our opinion, can reduce the expenditures of the general government sector. The same applies to the proposed *inclusion of the recipients of social assistance who are able to work in the system of public works*. However, the proposed *exclusion of student work and company scholarships from the total earnings of a household for the purposes of exercising the rights arising from public funds* poses a risk of increased public expenditures.

## **5.3 Set of measures regarding the functioning of the state and other measures**

In addition to other areas, the Coalition Agreement primarily envisages measures in the area of tourism, agriculture, education, public administration and security.

One of the measures in the Coalition Agreement is the *implementation of the existing and drafting of a new Strategy for the Sustainable Growth of Slovenian Tourism*. According to the existing strategy<sup>15</sup>, the tourist tax will be increased as a revenue measure, and a tourism holding will be established as one of the strategy's key measures. To this end, the remaining shares in companies that are to form the holding will have to be acquired and funds for their restructuring and renovation will have to be provided. For this and the subsequent year, on average of around EUR 20 million is earmarked in the applicable

<sup>15</sup> Strategy for the Sustainable Growth of Slovenian Tourism 2017–2021, October 2017 (available at: [https://www.slovenia.info/uploads/dokumenti/kljuni\\_dokumenti/strategija\\_turizem\\_koncno\\_9.10.2017.pdf](https://www.slovenia.info/uploads/dokumenti/kljuni_dokumenti/strategija_turizem_koncno_9.10.2017.pdf) (only in Slovene)).

DPP for tourism development; the funds would be reduced to around EUR 12 million in 2022 and 2023 respectively. The envisaged measure can, in our opinion, result in an increase of expenditures exceeding the valid projected expenditures of the general government sector.

In the area of agriculture, the Coalition Agreement also comprises an *upgrade of the forest-wood chain with the development of the wood processing industry*. Given that in the applicable state budget only EUR 1 million is earmarked for the promotion of the wood industry, the implementation of this measure can increase expenditures in excess of the current projections. The same applies to education where there would be *increased funding for investments in the sports infrastructure* – the DPP envisages EUR 13 million for this year and in the course of the next three years on average EUR 3 million annually.

The Coalition Agreement includes the measure of *accelerated digitalisation of public administration and the state in general*. On average, around EUR 40 million is annually earmarked in the applicable budget documents for e-governance and information infrastructure for this and the subsequent year; the funds would be increased to around EUR 65 million in 2022 and 2023 respectively. Whether an additional increase of funds to those already earmarked in the applicable budget documents is envisaged cannot be assessed for this area.

As regards security, the Coalition Agreement provides for *increasing the credibility of Slovenia in NATO*. It does not, however, mention if an increase in defence spending to 2% of GDP is envisaged to meet the commitment made by Slovenia. If this would be the case, defence spending would have to double as it amounted to 1% of GDP in 2018 according to COFOG methodology. The Coalition Agreement also speaks of the *efficient surveillance of state borders* but it does not enable an assessment of whether additional funds to those earmarked in the applicable budget documents are envisaged: EUR 15 million in 2020 and EUR 7 million in 2021.

## Appendix 1: Table of items of the Coalition Agreement with a qualitative assessment of their impact

		revenue	expenditure
		short-term	long-term
		short-term	long-term
<b>I</b>	<b>Economic development, spatial planning, environment, infrastructure, technology and energy</b>		
1	Administrative relief (reduction of bureaucratic procedures in the acquisition of permits for the construction and placement of buildings, rationalisation of the requirements for economic subjects reporting, simplification of public procurement procedures, increased threshold for inclusion in the flat-rate taxation scheme, simplification of bureaucratic procedures for recruitment of persons from abroad).	...	+ ...
2	Greater emphasis on infrastructure investments and information infrastructure.	/ /	/ /
3	Competitive business environment, responsible management of state assets, clear objectives for management and supervision bodies of state-owned companies and accepting responsibility in the case of failure to achieve these goals; clear distinction of relations between the administration and the supervisory boards of companies.	/ /	/ /
4	Decentralisation, balanced regional development.	/ /	/ /
5	Systemic support for regional development projects that allow young people to start and develop projects in their home region.	/ /	/ /
6	Energy self-sufficiency with a view to ensuring long-term energy independence.	/ /	/ /
7	Harmonisation of the long-term energy concept of Slovenia; responsible management of energy sources; rehabilitation measures for cleaner energy resources, other measures aimed at carbon neutrality by 2050, including the use of nuclear energy and regulation of the use of geothermal energy.	... ...	... +
8	Acceleration of the project of energy saving renovation of buildings in private and state ownership.	... ...	+ -
9	Introduction of e-vignettes.	... +	+ ...
10	Establishment of a friendlier and more affordable public transport system.	... ...	+ +
11	Acceleration of modernisation and new constructions of railway infrastructure.	... +	+ +
12	Continuation and acceleration of motorway network extension (the third development axis, improving the fluidity of traffic on motorways)	... ...	+ +
13	Examination of the possibility of transferring the ZDTK company and the second track of the Divača-Koper railway line to Slovenske železnice (Slovenian Railways)	/ /	/ /
14	Acceleration of the placement of hydro power plants on the middle Sava river and the start of construction of Mokrice Hydro Power Plant on the lower Sava river	... ...	+ ...
15	Revision of construction and spatial legislation in order to remove unnecessary administrative barriers, eliminate the opaque and complex system for classification of types of construction.	/ /	/ /
16	Improvement of legal security of investors.	/ /	/ /
17	Verification of valid, but not yet implemented state spatial plans.	/ /	/ /
18	Revision of the housing policy; an increase in the number of rental housing targeting young people and young families; establishment of a systemic source of financing of housing construction, and an increase in the earmarked budget expenditures.	... +	+ +
19	Streamlining and acceleration of the placement of major infrastructure and energy facilities (state spatial plan, environmental impact assessment, interaction of institutions).	/ /	/ /
20	Increase of investments in improving public transport infrastructure, reducing congestion and greenhouse gas emissions.	/ /	/ /
21	Consistent protection of drinking water sources.	/ /	/ /
22	Rehabilitation of urban brownfield sites in the Republic of Slovenia, focusing on the most affected areas such as the Metlika Valley, Celje Basin and others.	... ...	+ +
23	Continuation of the establishment of an information system (the Environment and Spatial Planning Register).	/ /	/ /
24	Development of an effective waste management and sewage sludge system in the Republic of Slovenia.	... ...	+ +
25	Continuation of the implementation of anti-flood measures in the entire country.	... ...	+ +
26	Implementation of the existing and drafting of a new Strategy for the Sustainable Growth of Slovenian Tourism.	... +	+ +

		short-term revenue	long-term revenue	short-term expenditure	long-term expenditure
<b>II Youth, family, pensions, social affairs</b>					
1	Housing scheme for young families, construction of rental housing.	/	/	/	/
2	Establishment of a Slovenian demographic and pension fund, based in Maribor.	...	...	...	...
3	Establishment of a government office for demography, based in Maribor.	...	...	+	+
4	Reform of the policy of social transfers with an emphasis on abuse prevention.	...	...	-	-
5	Extraordinary indexation of pensions by 1.5%/per year, for pensioners who retired by 2015, on the condition that the economic growth of Slovenia exceeds 2.5% in 2020 and 2.8 % in 2021.	+	...	+	...
6	Reintroduction of free-of-charge kindergartens for the second and any subsequent children attending kindergarten simultaneously, and incentives to increase the attendance of all children in kindergartens at least one year before starting school.	+	+	+	+
7	Increase of the assessment rate to 63.5% in four years.	...	...	+	...
8	The minimum pension for a completed pension qualifying period shall gradually converge to the poverty threshold. The dynamics of this convergence depends on economic growth and the available budget funds. In order to maintain the current benefit ratios between pensioners, pensions shall also increase for the rest of the pensioners. We shall also take into account the positive impacts of all other changes for determining the pension levels.	...	...	+	+
9	Reintroduction of tax credit for pensioners with a completed pension qualifying period, for those over 70, up to EUR 1,500.	...	...	+	+
10	The annual bonus shall be paid in accordance with the organic act and the amount shall be defined in the Budget Enforcement Act.	...	...	+	+
11	Regulation of widow's and farmer's pensions	/	/	/	/
12	The acquired rights of the beneficiaries of the pension shall not be prejudiced.	/	/	/	/
13	Completing Vrtojba and Osilnica homes for the elderly and establishing at least five new such homes. The resources shall be provided by reallocating budget resources, by increasing lump sums for municipalities and with other types of financing.	...	...	...	...
14	Inclusion of the recipients of social assistance who are able to work in the system of public works.	...	...	...	...
15	Exclusion of student work and company scholarships from the total earnings of a household for the purposes of exercising the rights arising from public funds.	...	...	+	+
16	Introduction of a universal child benefit.	...	...	+	+
17	Regulation of state scholarships (order of rights exercised, scholarship amount for students who have reached the age of majority and equal compensatory supplement standard rate for child benefit and state scholarship)	/	/	/	/
18	Consistent supervision of fictitious permanent residence declarations to prevent the abuse of social transfers.	/	/	/	/
19	Regulation of the possibility for climate-based and thermal spa treatments for victims of war and war veterans.	...	...	+	+

(Note FC: Included in II.4)

		short-term revenue	long-term revenue	short-term expenditure	long-term expenditure
<b>III Health</b>					
1	Our goal is to have a high-quality public health care, accessible to all, as the backbone of the Slovenian health care system.	/	/	/	/
2	Provision of additional funding from public and other resources for long-term financially sustainable and stable funding of the healthcare system and long-term care.	...	...	+	+
3	Effective measures to regulate the system of waiting lists and reduce waiting times by including all staff resources.	...	...	+	+
4	Adoption of a law on long-term care, defining the rights, financing and an adequate human resources plan.	...	...	+	+
5	Containment of corruption by setting up a system of pricing, comparable to European pricing, publicly accessible contracts with suppliers and increased control over public spending.	...	...	-	-
6	Revision of the Slovenian Health care and Health Insurance Act (ZVZ) by amending the functioning and management of the Health Insurance Institute Slovenia (ZZS), clearly defining rights under compulsory health insurance and revising the complementary health insurance.	...	...	...	...
7	Measures to improve working conditions, including the possibility of professional and personal promotion and a stimulating remuneration of health professionals and, as a result, reducing the departure of health professionals from the healthcare system and Slovenia.	...	...	+	+
8	Possibility of a 3-day sick leave without a visit to the general practitioner, of 9 days per year in total, and examination of the possibility of reducing the sick leave at the employer's expense.	...	...	+	+
9	Establishment of a modern method of implementation of the helicopter emergency medical service within the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief.	...	...	+	+
10	Measures to increase the vaccination rate of the population.	...	...	+	+
11	Establishment of an agency for the quality of healthcare services and the evaluation, introduction and abandonment of healthcare services and technologies.	...	...	+	+
<b>IV Agriculture and rural areas</b>					
1	Effective implementation of the agricultural policy, with an emphasis on the production of quality food and improving Slovenia's demography in rural areas.	/	/	/	/
2	Incentives for the preservation of family-owned farms.	...	...	+	+
3	Ensuring and maintaining sufficient arable land for the primary production of food for people.	...	...	...	...
4	Adoption of a package of land policy laws and a comprehensive revision of the functioning of the Farmland and Forest Fund of the Republic of Slovenia. Revision of the cooperatives system, drafting and adoption of an amendment of the Cooperatives Act.	...	...	...	...
5	Increasing self-sufficiency in deficit areas.	...	...	...	...
6	Regulation of the production and use of cannabis in medicine and industry.	+	+	...	...
7	Upgrade of the forest-wood chain with the development of the wood processing industry.	...	+	...	+
8	Abuse prevention in the processing, labelling and sale of food.	...	...	...	...

		short-term revenue	long-term revenue	short-term expenditure	long-term expenditure
<b>V Finances</b>					
1	Establishment of a team of experts to prepare proposals for a long-term upgrade of the tax system.	/	/	/	/
2	Formation of a competitive excise policy for petroleum products.	...	-	...	...
3	Accelerated and more efficient absorption and investment of EU funds.	...	...	...	...
4	Preparation and adoption of an operational programme for using EU funds of the next financial perspective.	...	...	...	...
5	Tax relief for performance bonuses.	-	...	...	...
6	Increase of lump sum for municipalities for the 2020 financial year: EUR 623.96; for the 2021 financial year: EUR 628.20.	...	...	...	...
7	Encouragement of remuneration of employees with share options with a right to purchase at a fixed rate at a later date.	...	...	...	...
8	Drafting and implementation of an action plan to promote Slovenia as a human resource destination for highly-skilled staff, to selectively attract staff from abroad.	+	+	+	+
<b>VI Education, culture, science and sport</b>					
1	Introduction of a dual system in secondary and higher education centres; strengthening the apprenticeship model.	...	...	...	+
2	Strengthening the role of an umbrella national education institute involving certain other national institutions in order to develop an efficient, high-quality and comprehensive education system.	...	...	...	...
3	Implementation of the Constitutional Court decision on equal funding for primary schools.	...	...	+	+
4	Ensuring proactive public publication of data on the employability of graduates by programmes and faculties, along the lines of certain EU members.	...	...	...	...
5	Introduction of content on the basics of business and business ethics, including the basics of financial literacy and practical knowledge about the work of entrepreneurs in the local community.	...	...	+	+
6	Resolution on the National Programme for Culture 2020-2027.	...	...	...	...
7	Preparation of grounds for the realisation of much-needed investments in the cultural infrastructure.	...	...	...	...
8	Development of the system of financing for scientific research activities.	...	+	+	+
9	Measures to improve the fluidity of knowledge between public research institutes and companies.	...	+	+	+
10	Adoption of a new national sports programme.	...	...	...	...
11	Promotion of excellency and international openness of the higher education system.	/	/	/	/
12	Encouragement of private sector investments in sport through tax relief.	-	-	...	...
13	Improving the system of placement of children with special needs.	...	...	...	...
14	Revision of the expanded programme with an emphasis on the promotion of exercise for children at primary and secondary schools.	...	...	...	...
15	Increased funding for investments in the sports infrastructure.	...	...	+	+



		short-term revenue	long-term revenue	short-term expenditure	long-term expenditure
<b>VII Public administration, justice</b>					
1	Establishment of a central human resource database of all workers in the public administration with a description of work and tasks.	...	...	...	...
2	Establishment of a central database of all tangible assets and property owned by the State.	...	...	...	...
3	Reorganisation and rationalisation of bodies, institutions, services to strengthen operational services on the ground — creation of a local ONE-STOP SHOP.	...	...	...	...
4	Mandatory reduction of the use of material resources (e.g. paperless business) and the costs of external staff (tasks shall be performed by internal staff) – savings of resources shall be allocated to bonuses for the employees with above-average productivity.	...	...	-	-
5	Revision of the salary system	/	/	/	/
6	Introduction of incentive structures by introducing the variable component of remuneration depending on achieved goals.	...	...	...	...
7	Strengthening the autonomy of municipalities.	/	/	/	/
8	Acceleration of digitalisation of public administration and the state in general.	...	+	+	+
9	Implementation of public decision-making in the chambers, with the possibility of writing separate opinions modelled on those of the Constitutional Court.	...	...	...	...
10	Establishment of an instance system under which the higher courts shall actually decide on the cases rather than returning them to a lower instance court.	...	...	...	...
11	Analysis of the impacts of the adopted Act on the Judicial Council and drafting of a proposal of appropriate amendments. The transfer of the evaluation of the work of the judges from the Judicial Council to the presidents of the courts.	...	...	...	...
12	Amendment of the Public Prosecutor's Office Act towards the verification and co-signature by the Head of the Public Prosecutor's Office (and in the case of serious crimes, of a team of prosecutors) in the event of the dismissal of criminal charges.	...	...	...	...
13	Establishment of specialised courts to prosecute the most difficult forms of economic crime and cases of great harm to public funds.	...	...	...	...
14	Digitalisation of courts: digitalisation of judicial proceedings, random award of cases. Examination of the possibility of establishing a probationary period for judges. <b>(Note F.C. Included in VII.8)</b>	/	/	/	/
15	Examination and, where appropriate, a new set of objective criteria for the prioritisation of cases where lengthy proceedings contribute to the insolvency of businesses and the loss of jobs, where the proceedings cause great damage to public funds and where public office holders are involved in the proceedings.	...	...	...	...
16	Revision of the insolvency legislation.	...	...	...	...
17	Upgrade of criminal procedural laws.	...	...	...	...
<b>VIII Security, defence</b>					
1	Effective protection of state borders.	...	...	+	+
2	Gradual introduction of the conscription system and a six-month military service.	...	...	+	+
3	Consolidation of the professional structure of the Slovenian army.	...	...	+	+
4	Consistent respect of the asylum procedure.	/	/	/	/
5	Examination of the possibility of re-establishing a police secondary school.	...	...	...	+
6	Regulation of conditions in the police.	/	/	/	/
7	Analysis and, if necessary, modification of procedures for foreigners to obtain temporary and permanent residence and compulsory integration.	...	...	...	...
8	Regulation of the status, integrity and functioning of the police.	...	...	+	+
9	Development of capacities for cyber defence.	...	...	+	+
10	Reinforcement of measures to protect critical infrastructure.	...	...	...	...

	short-term	long-term	short-term	long-term
	revenue	revenue	expenditure	expenditure
<b>IX European and external affairs, Slovenians abroad</b>				
1	/	/	/	/
2	/	/	/	/
3	...	...	...	...
4	/	/	/	/
5	/	/	/	/
6	...	...	...	...
7	...	...	+	...
8	...	...	+	+
9	...	...	...	...
10	...	...	...	...
11	...	+	+	+
12	...	...	...	...

*Note: Items under the Coalition Agreement on Participation in the Government of the Republic of Slovenia 2020-2022. The items in grey shall be described as 'principles', the rest being 'measures' in which the actual functioning of the economic policy is at stake. "+", "-", "..." and "..." represent a positive, a negative and an indeterminate impact of 'measures' on revenues and expenditures of the government sector respectively.*

*Source: Coalition Agreement on Participation in the Government of the Republic of Slovenia 2020-2022. Assessment by the Fiscal Council.*

