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2013/0396 (NLE)

Proposal for a

COUNCIL OPINION

on the Economic Partnership Programme of SLOVENIA

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013[1] on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area, and in particular Article 9(4) thereof,

Having regard to the proposal of the European Commission,

Whereas:

(1) The Stability and Growth Pact (SGP) aims at securing budgetary discipline across the Union and sets out the framework for preventing and correcting excessive government deficits. It is based on the objective of sound government finances as a means of strengthening the conditions for price stability and for strong sustainable growth underpinned by financial stability, thereby supporting the achievement of the Union's objectives for sustainable growth and jobs.

(2) Regulation (EU) No 473/2013 of the European Parliament and of the Council of 21 May 2013 on common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the Member States in the euro area sets out provisions for enhanced monitoring of budgetary policies in the euro area and for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the SGP and the European Semester. Since purely budgetary measures might be insufficient to ensure a lasting correction of the excessive deficit, additional policy measures and structural reforms may be required.

(3) Article 9 of Regulation (EU) No 473/2013 sets out the modalities for economic partnership programmes, to be submitted by euro area Member States under an Excessive Deficit Procedure. Setting out a roadmap of measures to contribute to an effective and durable correction of the excessive deficit, the economic partnership programme should detail in particular the main fiscal-structural reforms, notably those referring to taxation, pension and health systems and budgetary frameworks, which will be instrumental to correct the excessive deficit in a lasting manner.

(4) On 2 December 2009, the Council adopted a decision according to Article 126(6) of the Treaty, whereby Slovenia is placed in an excessive deficit procedure. The Council adopted on 21 June 2013 a revised recommendation under Article 126(7) of the Treaty

[1] OJ L 140, 27.5.2013 p. 11.

in the context of an excessive deficit which was opened before the entry into force of Regulation (EU) No 473/2013. In this context, Slovenia was requested to present an economic partnership programme by 1 October 2013, setting out fiscal-structural reforms that aim at ensuring an effective and lasting correction of the excessive deficit.

(5) The economic partnership programme submitted by Slovenia on 1 October includes measures aimed at reinforcing the budgetary strategy for a durable correction of the excessive deficit (Council Country Specific Recommendation (hereinafter CSR) 1), supporting the long-term sustainability of the pension system and containing ageing costs (CSR2), reforming the labour market (CSR3), assessing the quality of assets in the banking system (CSR4), improving banks regulatory framework and supervisory capabilities (CSR5), reforming regulated professions (CSR6), shortening the length of judicial procedures (CSR7), strengthening corporate governance of SOEs and privatisation (CSR8) and restructuring companies and improving the business environment (CSR9).

(6) The fiscal-structural measures and reforms that Slovenia plans to implement concern the following: (i) tax system and tax compliance; (ii) fiscal framework; (iii) pension system; and (iv) long-term care. The set of measures is partially adequate and could be expected to contribute to the effective and lasting correction of the excessive deficit situation. Nevertheless, further efforts and accelerated implementation in some areas are necessary.

(7) Recent structural revenue-increasing measures, in particular higher VAT rates and new real estate tax, are projected to contribute considerably (around 1.3% of GDP) to the consolidation of public finances. These actions are not complemented with structural expenditure side measures also essential to achieve the budget balance/surplus position. On current information it is premature to assess several administrative measures to strengthen tax compliance, however if efficient, they would further strengthen the sustainability of public finances.

(8) The authorities are preparing an overhaul of the legislation underpinning the fiscal framework in compliance with the Treaty on Stability, Coordination and Governance in EMU (TSCG) and the EU legal requirements. The approved constitutional budget balance/surplus rule and envisaged legal acts specifying its implementation, notably the new Fiscal Rule Act and amended Public Finance Act, should help anchor fiscal discipline in national legislation.

(9) As a result of the implementation of the December 2012 pension reform monthly numbers of new old-age pensioners indicate a moderation in their growth. However, the assessment of implementation of the second Council recommendation about strengthening the long-term sustainability of the pension system would be premature. A working group composed of members from academia and public administration is assessing the implications of the reform. Based on its findings, the government intends to set out proposals for further adaptations of the pension system to ensure its sustainability beyond 2020.

(10) To further tackle increasing ageing costs, the government approved a blueprint for an act on long-term care and personal assistance introducing a new insurance-based system. The adoption of the new act is foreseen in the first half of 2014. The funding of the compulsory insurance-based system has to be clarified, but it will likely be

based on compulsory contributions from the active and inactive population and should not increase the overall social security contributions rate.

(11) Over the last months, Slovenia has stepped up the pace of non-fiscal structural reforms relevant for the adjustment of macroeconomic imbalances. Crucial progress is being achieved in the area of the banking sector. Nevertheless, the key reforms supporting adjustment and growth are still in preparation and substantially delayed, notably out of court corporate restructuring and adoption of the classification of state owned assets.

(12) Implementation of measures to stabilise the banking sector is on-going, notably a thorough Asset Quality Review and Stress Tests covering almost 70% of the banking sector are being conducted and due to be completed before end-2013. Such an assessment is expected to be followed by a comprehensive strategy of restructuring, consolidation and recapitalisation of the banking sector, which would also include plans for disinvestment of direct and indirect public sector participations in domestic banks. The latter would significantly reduce risks for reappearance of contingent liabilities in coming years.

(13) The reform of the Slovenia Sovereign Holding Law currently discussed, if well designed and thoroughly implemented, including swift progress with the privatisation of certain SOEs, could, on the one hand, generate revenues and reduce contingent liabilities of the general government and, on the other hand, contribute to an improved and more efficient strategic management of state owned assets in particular regarding the possibilities to attract foreign investors,

HAS ADOPTED THIS OPINION:

The Economic Partnership Programme of Slovenia presented to the Commission and to the Council on 1 October 2013 includes a set of fiscal structural reforms that is partly adequate to support an effective and lasting correction of the excessive deficit and needs to be properly and comprehensively implemented to deliver the expected results. Specifically, the economic partnership programme illustrates some progress in meeting the commitments from Slovenia's Stability Programme and National Reform Programme concerning the tax reform, the strengthening of tax compliance and of fiscal governance as well as the repair of the banking sector. The restructuring of the banking and corporate sector and the consolidation strategy following the release of the Asset Quality Review and Stress Tests for the banks are key in delivering confidence and attracting foreign investors in Slovenia, including in sovereign bonds. Work on possible further adaptations of the pension system has only recently started and information on envisaged concrete measures and timelines in this field is not available. In general, nearly all reforms are work in progress which makes their swift adoption and full implementation of key importance. Slovenia is therefore invited to detail further and provide additional information on the envisaged reforms in the upcoming National Reform Programme and Stability Programme, the full assessment of which will be conducted by the Commission and the Council in the context of the European Semester.

Done at Brussels,

For the Council
The President