

## Report of the Republic of Slovenia on the basis of the SGEI Decision and SGEI Framework

### 1. Expenditure overview

Pursuant to the reported information by competent authorities, the value of expenditure on the basis of the SGEI Decision and SGEI Framework for 2014 and 2015 is:

Total public expenditure for SGEI (in EUR million)	
Compensation for SGEI (in EUR million)	2014-2015
1. Compensation granted on the basis of the SGEI Decision	35.69 (2014) in 32.11 (2015)
2. Compensation granted on the basis of the SGEI Framework	0.

### 2. Description of the application of the SGEI in 2012

#### 1) Hospitals (Art. 2(1)(b))

**Description of services:** Pursuant to the Health Services Act (*Uradni list Republike Slovenije* (Official Journal of the RS); UL RS No 23/05 – official consolidated text, 15/08 – ZPacP, 23/08, 58/08 – ZZdrS-E, 77/08 – ZDZdr, 40/12 – ZUJF and 14/13); hereinafter: ZZDej), healthcare, as a public service, is carried out within the public healthcare service network by public healthcare institutes and by other legal and physical persons on the basis of concessions. Healthcare at the primary level includes basic healthcare and the activity of pharmacists, (the public service network of operations for which municipalities are responsible), in cooperation with the State. At the secondary level, healthcare includes specialist outpatient activity, hospital care activity and, at the tertiary level, the provision of activities by clinics, clinical institutes or clinical departments and by other authorised healthcare institutes, whose network of operating the public service is ensured by the state.

Insured persons are provided with access to services – a right under the mandatory healthcare insurance – **in solidarity** with contributions paid under the mandatory healthcare insurance and by surcharges paid under the voluntary supplementary healthcare insurance. For beneficiaries identified by the law, the ministry responsible for health, either in full or in part, pays the healthcare services and the contributions under the mandatory healthcare insurance.

Pursuant to the Health Services Act (UL RS No 72/06 – official consolidated text, 114/06 – ZUTPG, 91/07, 76/08, 62/10 – ZUPJS, 87/11, 40/12 – ZUJF, 21/13 – ZUTD-A, 91/13, 99/13 – ZUPJS-C, 99/13 – ZSVarPre-C, 111/13 – ZMEPIZ-1, 95/14 – ZUJF-C and 47/15 – ZZSDT; hereinafter: ZZVZZ), hospitals and healthcare services under the public service framework are paid to provide programmes according to the prices and norms laid down by the Health Insurance Institute of Slovenia (hereinafter: ZZZS). The programmes for health and hospital services, which are provided within the public services framework, are defined by healthcare partners. Pursuant to the General Agreement, the ZZZS concludes agreements with individual service providers on the scope of health and hospital services. Over a year, providers of hospital services may propose coordinated action on actions achieved or non-achieved. There is no financial effect under this title.

**Scope of entrustment:** For the provision of healthcare and hospital services, public healthcare institutes are granted authorisations by an memorandum of association, while private sectors providers are granted authorisations by a decision on the award of a concession and by signing a concession contract.

**Duration of entrustment:** The memorandum of association of the public healthcare institute indicates that the authorisation granted is permanent. The duration of a concession is restricted to between 10 and 20 years, depending on investments by concession holders (private undertakings). Notwithstanding the duration of these authorisations, the ZZZS concludes a special agreement with every provider as to the scope of activities that will be financed from public resources: annually with public institutes and for four years with concession holders.

**Awarding exclusive or special rights:** we do not have such information.

**Compensation mechanism:** the law does not provide **for any subsidy for healthcare and hospital services from public resources**. Pursuant to the Physical Assets of the State and Local Government Act (UL RS No 86/10, 75/12, 47/13 – ZDU-1G, 50/14, 90/14 – ZDU-1I, 14/15 – ZUUJFO and 76/15), public healthcare institutes are, for the provision of public services, entitled to the free use of appertaining infrastructure (premises and equipment). Concession holders include these costs in the price of services charged to the ZZZS.

Insurance companies who provide supplementary insurance are included in the countervailing scheme of supplementary insurance under which differences in costs of healthcare services are countervailed as they arise from difference structures of insured persons by individual insurance companies.

Losses or excesses in expenditure from the provision of healthcare and hospital services must be covered by public institutes and by private concession holders from own resources, the income generated by providing healthcare and hospital services under commercial conditions and prices.

**Avoiding and repaying any overcompensation:** The ZZZS pays the invoices of the providers of healthcare and hospital services for the realised scope or programmes of services and; consequently, no overcompensation can occur. Additionally, public healthcare institutes, especially hospitals, frequently disclose a loss or deficit in income from the provision of public services, since a majority of services performed exceed contractual obligations.

**Brief explanation on the transparency for aid above EUR 15 million** authorised to undertakings that also provide activities outside the scope of the SGEI:

**Total amount of aid granted:** We were not able to collect the total amounts of compensation granted to public healthcare institutes with the right to free use of premises and areas. These amounts are - in accordance with the accounting regulations demonstrated in the amount of depreciation and the costs for investment maintenance of these premises - disclosed in the accounting records of competent national and municipal authorities.

## **2) Social services (Art. 2(1)(c))**

Pursuant to valid Slovenian laws, the majority of public services under Art. 2(1)(c) of the SGEI Decision, such as social apartments, care of the elderly, socially disadvantaged, and help to mentally disabled and movement-impaired individuals, are organised as SGEI but for which the SGEI Decision does not apply since mandatory determined (economic) **prices for eligible users are subsidised exclusively through social assistance measures** (direct assistance to users), in accordance with the Exercise of Rights from Public Funds Act (UL RS No 62/10,

40/11, 40/12 – ZUJF, 57/12 – ZPCP-2D, 14/13, 56/13 – ZŠtip-1, 99/13, 14/15 – ZUUJFO, 57/15, 90/15 and 38/16 – Const. Court Decision; hereinafter: ZUPJS), on the basis of individual decisions of locally competent Social Work Centres, upon an application of beneficiaries (social assistance).

#### **a. Health and long term care**

**Healthcare** described under Point 1 Hospitals (Art. 2(1)(b))

- **Home assistance to family**

**Description of services:** Pursuant to the Social Security Act (UL RS No3/07 – official consolidated text, 23/07 – corr., 41/07 – corr., 61/10 – ZSVarPre, 62/10 – ZUPJS, 57/12 and 39/16; hereinafter: ZSV), municipalities provide a public services network for home assistance to family. For these purposes, municipalities select one or more providers in their areas for the provision of these services. Within the public service network, these services are subject to equal conditions, and uniform application of standards and norms provided by public social security institutes, other public institutes, other legal entities and physical persons who are granted a concession in a public procurement procedure.

These services within the public service network are payable according to the prices which are determined by the service providers and are authorised by competent municipal authorities in accordance with the Rules on social services price formation methodology (UL RS No 87/06, 127/06, 8/07, 51/08, 5/09 and 6/12; hereinafter: Rules). The methodology, set out at the State level, defines, regulates and in certain cases standardises eligible costs for determining the prices of these services.

For users, the prices, although significantly different from one municipality to other, are very favourable since they are subsidised in different ways by municipalities and, depending on available resources, from the budget of the Republic of Slovenia. Users are eligible for a subsidised price of up to 20 hours per week of home assistance to a family. Additional services are paid according to commercial prices.

**Form of entrustment:** For the provision of home assistance to a family, municipalities authorise public social security institutes, local competent Social Work Centres or locally situated homes for the elderly directly by a contract, providers of private services by a decision on the award of a concession and by concluding a concession contract.

**Duration of entrustment:** Contracts with public institutes are not time restricted, while with private concession holders they are concluded for 10 years. Notwithstanding the duration of these contracts, the prices and the subsidy are annually determined and changed. The prescribed methodology (parameters) for calculating the prices and subsidies are adjusted as needed - usually in periods shorter than 10 years.

**Awarding exclusive or special rights:** we do not have such information.

**Compensation mechanism:** Pursuant to the ZSV, municipalities must cover and make additional payments of at least 50 % of the price for home assistance to a family. Pursuant to

the above cited Rules, municipalities must provide additional price reduction according to a defined, partial coverage of certain costs, such as professional preparation, managing and coordinating, and this is an additional subsidy or a compensation of the municipality. The Rules define and regulate eligible costs on the basis of which the price is determined, as well as the maximum permitted share of collected costs, which are not included in the price for services but are covered by a municipality on the basis of issued invoices.

**Avoiding and repaying any overcompensation:** Providers of home assistance to a family are granted subsidies for the provision of the service as a surcharge to the full economic price. Prices for which municipalities give their consent are modified annually. During the year, prices may be modified if the calculated modification under individual elements (eligible costs) exceeds a 3 % increase when compared to the last modification.

**Short explanation on the transparency for aid above EUR 15 million,** authorised to undertakings who also provide activities outside the scope of the SGEI.

**Total amount of aid granted:** Pursuant to legislatively prescribed frameworks, the practice of determining the level and the method of granting compensation for obligations under this public service are significantly different between municipalities. The amount varies from the statutory mandatory 50 % of the price to the optional 100 % of the price. In most municipalities, the prices are subsidised through a prescribed minimum, most often in the range of 70-75 % of the price and, in a few municipalities, user services are paid in-full from the municipal budget.

The information on the amount of awarded assistance to users - home assistance to family

(in EUR million)	2014-2015
Total amount of assistance granted - local authority	23.62
Additional quantitative information (average amount of assistance/municipality)	0.144

- **Institutional security**

Pursuant to the ZSV, the state budget finances the costs for institutional security except for services in institutions for adults when a beneficiary or another obligated person is partially or in-full exempt from the payment.

The Rules set out in detail eligible costs for user standard services, as well as above standard services. The price for standard services includes costs for labour, materials and services, depreciation, investment maintenance and financing.

The information on the amount of awarded assistance to users - institutional security

(in EUR million)	2014-2015
Total amount of assistance granted - local authority	70.90
Additional quantitative information (average amount of assistance/municipality)	0.43

**b. Child security**

**Description of service:** pursuant to the Pre-School Institutions Act (UL RS No100/05 – official consolidated text, 25/08, 98/09 – ZIUZGK, 36/10, 62/10 – ZUPJS, 94/10 – ZIU, 40/12 – ZUJF

and 14/15 – ZUUJFO; hereinafter: Zvrt) pre-school education is a payable service that is provided by public and private pre-school institutions which meet legislative conditions by registering in the records of the competent ministry. Pursuant to prescribed norms, standards and the curriculum, municipalities are, pursuant to the Organization and Financing of Education Act (UL RS No16/07 – official consolidated text, 36/08, 58/09, 64/09 – corr., 65/09 – corr., 20/11, 40/12 – ZUJF, 57/12 – ZPCP-2D and 47/15; hereinafter: ZOFVI), **obligated to organise a public service network for pre-school education.**

According to the laws cited, pre-school education within the public service network is payable by the parents under favourable subsidised prices. The prices and their calculations are determined pursuant to the Rules on the methodology for the formation of prices for pre-school institutions providing public service (UR RS No 97/03, 77/05, 120/05 and 93/15).

**Scope of entrustment:** For the provision of pre-school education programmes within the public service network, the municipalities establish one or more public pre-school institutions or organise special units within the framework of existing public institutions (primary schools) of which they are founders. If there is a further need for pre-school education and the existing capabilities of the public network are not sufficient, a municipality must by a decision grant a concession to a private kindergarten, who is selected in a public procurement procedure and conclude a concession contract.

**Duration of entrustment:** In its nature, an instrument establishing a public institution means a permanent authorisation, while a concession contract is for a limited period set out by law, coupled with proof there is a need for pre-school education in a particular municipality and with a procedure on terminating concession. Notwithstanding the duration of the authorisation, the prices for programmes within the public service network and their calculations, linked to the calculated amount of (social) assistance, are calculated annually.

**Awarding exclusive or special rights:** we do not have such information.

**Compensation mechanism:** Pursuant to existing regulations, municipalities and the Republic of Slovenia have obligations set out by law, as well as optional subsidy prices for pre-school education programmes.

Pursuant to the ZVrt, municipalities must cover the costs of kindergartens that are providing public services in their area which are not included in the price for the pre-school programme, such as investment costs and investment maintenance. These costs are provided to public institutions by the municipality as its founder and to concession holders as the concession provider, pursuant to an agreement or a contract. Aside from these, the prices do not include costs which are not associated with pre-school education programmes but arise from laws concerning employment relationships (for example: severance pay of redundant workers, syndicate trustees, employment through prescribed norms, ongoing maintenance of equipment, furniture and working items, various compensations for employees, costs for legal proceedings, settlements, compensations, etc.) and from costs for substitute carers. Aside from the prescribed reduction of prices by law, a municipality may additionally reduce prices by partially covering the costs which are, according to the methodology, regarded as elements in determining programme prices. Both methods of reducing prices, by excluding certain costs and by reducing the eligibility of costs when determining the prices, constitute a compensation for public service obligations, and the provision of generally accessible and smooth programme

implementation. Both costs are set out in detail and are regulated according to the prescribed methodology for determining the prices for pre-school institutions that provide public service. By this methodology, the prices are calculated as monthly average eligible costs under various pre-school programmes. Invoices for payments by parents are issued with prices so determined and for the additional payments by a municipality who is competent for additional payment according to the parent's permanent residence.

**Avoiding and repaying any overcompensation:** municipalities ensure kindergartens a payment of costs and an additional payment of the price on the basis of requests for the payment of costs and invoices for additional payments of the price. Since kindergartens issue monthly requests for the repayment of costs incurred in the amounts in the past month, no overcompensation occurs. The prices for pre-school programmes are adjusted annually according to the annual increase of eligible costs, as well as during the year when there is a substantial increase.

**Short explanation on the transparency for aid above EUR 15 million,** authorised to undertakings who also provide activities outside the scope of the SGEI.

#### **Total amount of assistance granted**

The information on the amount of awarded assistance to users/parents - pre-school education

(in EUR million)	2014-2015
Total amount of assistance granted - local authority	338.27
Additional quantitative information (average amount of assistance/municipality)	2.06

Information on the amount of granted compensation - reducing prices by excluding certain costs and reducing eligibility of costs when determining the prices

(in EUR million)	2014	2015
Total amount of assistance granted - local authority	11.59	8.55
Additional quantitative information (average amount of assistance/municipality)	0.071	0.052

#### **c. Access and return to employment market**

The Labour Market Regulation Act (UL RS No80/10, 40/12 – ZUJF, 21/13, 63/13, 100/13, 32/14 – ZPDZC-1 and 47/15 – ZZSDT; hereinafter: ZUTD) regulates State measures on the employment market through which the public service is provided concerning the employment market, active labour market policy measures, the functioning of unemployment insurance scheme, it prescribed conditions and procedures for claiming individual rights and services, it regulates the methods for financing measures and supervision (authorisations of the ministry responsible for labour), etc. Types of measures on the employment market are:

- services for the employment market (lifelong career orientation and job placement);
- active employment policy (hereinafter: AEP);
- unemployment insurance scheme; and
- provision of rights under the mandatory and voluntary unemployment insurance scheme.

No payment may be requested from beneficiaries when implementing these measures. The employment market measures are, in accordance with the ZUTD, provided by:

- Ministry responsible for labour;
- Employment Service of Slovenia;
- national and foreign legal entities with a seat in the Republic of Slovenia, confederations and syndicate associations representatives within the state, associations of employers representative within the state who obtain a concession in accordance with the provision of this law; and
- Slovene Human Resources Development and Scholarship Fund.

The financing of the right under the unemployment insurance scheme is, in accordance with the principals of reciprocity and solidary, provided from the contributions of employees, employers, voluntary insured people and other liable people.

Other measures are financed from the budget of the Republic of Slovenia, the budget of local communities, the budget of the European structural funds and from other European sources.

Under the ZUTD, the Republic of Slovenia ensures the implementation of the employment policy pursuant to guidelines on the implementation of the active employment policy measures and other strategic documents of the Republic of Slovenia and of the EU in this area.

The Republic of Slovenia provides the conditions for the functioning and development of the mandatory and voluntary unemployment insurance scheme by determining the level of contributions and the obligation for the payment of contributions by determining conditions for the recognition, assessment and enjoyment of these rights by regulating the supervision over the provision of these rights, by monitoring the situation in this area and by adopting suitable measures. As the founder, the Republic of Slovenia accepts the obligation to provide sustainable financing for the work of the Slovenian Employment Service.

The Employment Service implements measures on the employment market and of the AEP as a public service, while the unemployment insurance scheme measures and the provision of rights under the mandatory voluntary unemployment insurance scheme are provided under public authorisation. The Republic of Slovenia, the Ministry responsible for labour ensure there is financing from the State budget for the providers for their performance of expert tasks that refer to the implementation of employment market measures.

#### **d. Social apartments**

The Housing Act (UL RS No69/03, 18/04 – ZVKSES, 47/06 – ZEN, 45/08 – ZVEtL, 57/08, 62/10 – ZUPJS, 56/11 – Const. Court Decision 87/11 and 40/12 – ZUJF) regulates the renting of non-profit making apartments. These can be rented by a municipality, the State, a public housing fund or a non-profit making housing organisation on the basis of a public call.

The Rules on the rental of non-profit apartments Act (UL RS No 14/04, 34/04, 62/06, 11/09, 81/11 in 47/14) set out in detail the conditions, criteria and eligibility for obtaining non-profit making apartments for rent. Beneficiaries are exempt from paying own contributions and a deposit when income per household does not exceed a certain % of the average net salary in the Republic of Slovenia.

The information on the amount of awarded assistance to users - social apartments

(in EUR million)	2014-2015
Total amount of assistance granted - local authority	16.36
Additional quantitative information (average amount of assistance/municipality)	0.1

#### **e. Care and social inclusion of vulnerable groups**

Vulnerable groups in the employment market in the ZUTD (description in Point c above). Maternity homes, safe houses, shelters fall within the network of public social security programmes (under the ZSV) which are supplementary to social security services. Their providers are mostly non-governmental and humanitarian organisations and provide individuals. Programmes for the disabled are mostly provided by disability organisations. The programmes are intended to resolve the distress of individuals and groups by considering as best as possible the needs of users and the actual needs of the local environment in which they are provided. Their financing is provided by the State, local communities, users and other interested entities.

#### **3) Air or maritime links to islands (Article 2(1)(d))**

This category is not relevant to the Republic of Slovenia

#### **4) Airports and ports (Article 2(1)(e))**

**Description of service:** pursuant to the Aviation Act (UL RS No81/10 - official consolidated text and 46/16; hereinafter: Zlet), if the operation of a public airport cannot be provided to the extent and in the manner set out by law, it is in the public interest that for an airport of State importance the financing is provided by the Government, and for an airport of a local importance the financing is provided by the municipality - in both cases by awarding a concession to a concessionaire selected in a public procurement.

**Scope of entrustment:** For operating public airports, concession contracts concluded pursuant to concession acts (government decrees) which, in addition to setting out in detail the legislative obligations for operating a public airport and mutual financial relationship, also set out in detail the right to compensation for covering specific eligible costs incurred in the provision of the public service. A concession contract also sets out the method of calculating and monitoring the amount of compensation.

These contracts were, in the transitional period, concluded directly with undertakings, historic co-owners of the airport infrastructure and the only providers of airport services at the airports mentioned.

**Duration of entrustment:** The contracts are under the ZLet time restricted, until the conclusion of a contract with a concessionaire selected in a public call.

**Awarding exclusive or special rights:** Through a concession contract, a provider is granted an exclusive right to operate a particular airport and a right to compensation for performing obligations imposed by law when providing this public service.



**Compensation mechanism:** Pursuant to a contract, the expected compensation for partial or full coverage of certain eligible costs are a direct subsidy (donation) in the amount of the difference between the income and expenditure for operating the public airport, by taking into account actually incurred costs, supported by submitted evidence of costs, for performing the public service obligations. Companies are eligible for compensation when incurred costs for performing the public service obligations in a particular year cannot be covered from the income for operating the public airport.

The financing for the compensation is reserved under a special item in the annual budget of the Republic of Slovenia. This dedicated budget item is determined on the basis of an economic analysis on operating public airports, whereby the demonstrated income and expenditure from past years is taken into consideration, as well as planned income and expenditure for future years by paying regard to recorded growth trends or diminishing turnover at the two airports.

**Avoiding and repaying any overcompensation:** Within the framework of the expected amount, by annual annex to a concession contract (items in the budget of the Republic of Slovenia), compensation is paid for each month as an advance for paying invoices for incurred eligible costs in the previous month. After the year, on the basis of recording accounting statements of the undertakings, a review is made on the eligibility of paid advances by paying regard to the demonstrated income and expenditure on operating the airport in the past year. If there is an excess of advances, the compensation for the following year is proportionally reduced or the excess of the compensation is recovered.

**Short explanation on the transparency for aid above EUR 15 million,** authorised to undertakings who also provide activities outside the scope of the SGEI.

**Total amount of aid granted:** for operating public services

(in EUR million)	2014	2015
Total amount of assistance granted - State authorities	0.79	0.69

## **5) Compensation for performing SGEI not exceeding EUR 15 million (Art. 2(1)(a)):**

### **a. Postal services**

According to regulations applicable in the Republic of Slovenia, concerning the provision of public services under Article 2(1)(a) of the SGEI Decision, the right to compensation is mostly not envisaged. In most cases (for example universal postal service, operating transmission and distribution networks), the costs for providing public service obligations in a suitable manner are taken into consideration when calculating sale prices: the providers are expected to cover exceptional costs or income deficit, occurring from or because of providing the public service obligations, from own their resources generated by excess income from the provision of public services and associated commercial activities.

### **b. Energy**

The Energy Act (UL RS No17/14 and 81/15; hereinafter: EZ-1) provides that the following activities:

1. operators of the electricity market;
2. distribution operators (DSO electricity);
3. systemic operator (TSO electricity); and
4. transmission system operator (TSO natural gas);

are mandatory State economic public services for which concessions are awarded.

For the provision of economic public services as an operator on the electricity market, the Republic of Slovenia, as the concession provider, awards a concession to one operator on the market for the whole Republic of Slovenia. The activities of the electricity market operator are co-financed from:

- contributions for operating as the market operator;
- payments of members of the balance scheme, as recorded in closed books;
- part of compensation for providing support in the production of electricity or co-support through high yield and renewable energy sources; and
- payments by users of economic public services.

The level of financing for a market operator is determined by the Government by paying regard to the scope of individual types of duties of the market operator and eligible operating costs in accordance with the principles of rational and efficient operation. If financing sources in a particular period exceed costs, this is considering when changing the level of sources.

Systemic operator activity (TSO electricity) and the distribution operators (DSO electricity) are financed from charges and other income from operating the economic public service. Other income of the systemic operator includes income from auctions due to the congestion of cross-border flows.

The concession is awarded through a public procurement procedure or another competitive procedure as set out by regulations on public-private partnership, except when the concession is awarded to an economic undertaking which is fully owned by the Republic of Slovenia and does not perform commercial energy activities. In such a case, the concession can be awarded by concluding the concession contract directly.

System users must, when using the electricity system, pay charges, which is the main source for covering the eligible costs of the electricity system operators. Eligible costs of the electricity system operators, charges and other sources for covering these costs are set within the regulatory framework by the Energy Agency (hereinafter: Agency). When determining the methodology, the Agency bases itself on the regulated annual income method and on the regulated charges of the electricity system operator, which ensures the operator covers all annual eligible costs, including regulated return.

The Agency determines the regulatory framework by a decision in which the value of planned eligible costs of the electricity system operator is set out by individual years of the regulatory period, as well as planned charges, planned other income from operating the activities of an electricity system operator, and excess and deficiencies from charges in the past years. If the regulatory period is longer than one year, the regulatory framework may, with the purpose of preventing sudden changes in the tariff of charges in the individual years of the regulatory period, set out netting of tariff items.

The Agency determines the value of the regulatory framework by covering the charges and other income for performing the activities of the electricity system operators and by taking into

account the cumulative excess or deficit of charges of the electricity system operator in the past years, and covering these with planned eligible costs of the electricity system operators, as these are set by the Agency, by taking into account all foreseeable circumstances for cost efficient operations of the electricity system operator.

The principles concerning the electricity system operator also apply to the transmission system operator (TSO natural gas).

Considering the regulation of this area in the Republic of Slovenia, we are of the opinion that this area is subject of reporting under the SGEI Decision of the SGEI Framework.

### **c. Waste collection and daily water supply**

**Description of services:** The Environmental Protection Act (UL RS No49/06 – ZMetD, 66/06 - Const. Court Decision, 33/07 – ZPNačrt, 57/08 – ZFO-1A, 70/08, 108/09, 108/09 – ZPNačrt-A, 48/12, 57/12, 92/13, 56/15, 102/15 in 30/16); ZVO-1), sets out mandatory municipal economic public services for the protection of the environment: provision of drinking water, draining and cleaning of municipal and rain waste water, collection of certain types of municipal waste, processing of certain types of municipal waste, disposal of processing waste or removal of municipal waste, and cleaning of public areas. Municipalities must organise these in accordance with regulations applicable to economic public services; otherwise, these are organised in a suitable form by the State in their areas and for their account.

There are obligations set by law for providing the above listed public services such as undisturbed, sustainable and generally accessible supply to the population, and in the area of the environmental protection. Aside from that, the Government sets out in detail the supply standards and technical, maintenance and organisational regulations, and a uniform methodology for determining prices of individual services or for calculating subsidies – the compensation amount. Buildings and devices for performing the public service constitute public infrastructure of local importance which is owned by one or more municipalities where the public service is organised and performed.

When organising these public services, municipalities follow the goals of financial traceability and public efficiency, with an emphasis on achieving the lowest and most favourable price for users and municipal budgets. In municipalities, these public services are organised differently: in cities and larger municipalities, the same undertakings perform one or more listed public services while medium and small municipalities often organise these together. A typical undertaking performs one public service in a number of municipalities or more public services in one or more municipalities. An exception are certain city municipalities and certain small municipalities where the provision of these public services is organised as an overhead operation.

**Scope of entrustment:** The authorisation for the provision of municipal public service for the protection of the environment is, in accordance with the Services of General Economic Interest Act (UL RS No 32/93, 30/98 – ZZLPPO, 127/06 – ZJZP, 38/10 – ZUKN and 57/11 – ORZGJS40), directly awarded to a public undertaking which is established by one or more municipalities or as a municipal overhead operation. A provider who is a private undertaking is selected in public procurement procedures of one or more municipalities. In the first case, the authorisation rests in the memorandum of association of the undertaking while in the latter it

rests in the concession contract. In both forms of authorisation, the public services are performed in accordance with the applicable system and sectorial regulations, and are subsidised from municipal budgets under the same methodology (parameters).

The right to compensation and the methodology for calculating the amount of compensation set is laid down in Decree on tariff system for public service on the environmental field (UL RS No 87/12 in 109/12; hereinafter: MEDO).

**Duration of entrustment:** The authorisation of a public undertaking for the provision of above listed public services are, in their form (memorandum of association of the undertaking) permanent until certain circumstances end, while under concession contracts they are restricted. Even if the duration of such concessions are not set out by law or is restricted, their duration generally does not exceed 10 years, while the actual length is determined in terms of the size of a concessionary's invested resources.

Notwithstanding the duration of these authorisations for the provision of public service, the right for compensation is awarded and defined by contracts which municipalities conclude with providers for leasing infrastructure and are renewed annually by annexes. Annexes set out the price of the lease of the infrastructure and discounts on the price (the amount of compensation). Additionally, the prescribed methodology (parameters) for calculating the amount of compensation is reviewed and when needed adjusted in a period which is generally less than 20 years. In the list of providers of these economic public services for the protection of the environment which is kept by the ministry responsible for the environment, the authorisations are mostly permanent, awarded to a public undertaking and overhead operations. Examples of time limited concessions are noted with respect to public services which are provided by using infrastructure that was built through a public-private partnership.

**Awarding exclusive or special rights:** Providers may be awarded rights or imposed obligations for providing related services. As well, municipalities may permit or order available free public infrastructure to be marketed under commercial prices or to use the services offered on the free market, whereby the prices are reduced for users and the municipal subsidy (amount of compensation).

**Compensation mechanism:** According to valid laws, in certain circumstances there are two permitted forms of subsidising prices for public services for the protection of the environment. Under the MEDO, municipalities may, upon their own assessment, reduce the rent for public infrastructure when calculating the price for eligible users (households and providers of non-profit activities). According to this methodology, a municipality must calculate the market rent of the provider for the whole infrastructure in an amount which is not lower than depreciation costs. When the confirmed price for eligible users does not cover the rent in full, the municipality awards compensation in the amount of the difference between the confirmed and the calculated economic service price. For awarding compensation the municipality issues a decision and determines the item in its annual budget. Additionally, a municipality, as a founder of the public undertaking, when planned by a concession contract, as a concession provider it covers exceptional deficit in income which arises due to increase or decree in operation or by performing exception obligations orders so by the municipality which are not included in the financial plans of the providers and consequently in the corresponding entry in the municipal's budget. Under both mechanisms, the compensation is treated as a monetary subsidy. Separate accounting records are kept for different activities.

Parameters for calculating the amount of compensation under both mechanisms are set out by the MEDO. Accordingly, providers must prepare studies (economic analysis) annually for determining the price where with regard to the expected scope of operations, all costs are considered aside from the income from certain public service, as well as income (savings) obtained from the use of the infrastructure for the provision of related commercial activities. The calculation of prices or compensation is a return of commercially required fixed assets of the provider which cannot exceed 50 % of their value. As a calculated price, they are different by more than 10 % of confirmed prices, which the municipality confirms again.

**Avoiding and repaying any overcompensation:** Under the MEDO, municipalities must on the basis of their accounting statements for the past year, check for the presence of any difference between the confirmed price and the calculated price. This difference is considered when calculating the pre-budget prices and the level of compensation for the next period. If 10 % of the confirmed price is exceeded, the competent municipal authority must, on the basis of a study, implement the procedure on confirming changed prices. The compensation for covering exceptional costs or deficit in income for exceptional instructed obligations or due to an increase or decrease of the scope of operation is granted according to actually incurred and demonstrated amounts and; consequently, no overcompensation can occur.

**Short explanation on the transparency for aid above EUR 15 million,** authorised to undertakings who also provide activities outside the scope of the SGEI.

**Total amount of aid granted:**

Information on the level of compensation in the provision of drinking water

(in EUR million)	2014	2015
Total amount of assistance granted - local authority	6.00	5.73
Additional quantitative information (average amount of assistance/municipality)	0.04	0.03

Information on the level of compensation in the provision of drainage and cleaning of municipal and rain waste water

(in EUR million)	2014	2015
Total amount of assistance granted - local authority	8.62	7.11
Additional quantitative information (average amount of assistance/municipality)	0.05	0.04

The information on the level of compensation in the area of collecting and processing different types of municipal waste and on disposing processing waste or removing municipal waste

(in EUR million)	2014	2015
Total amount of assistance granted - local authority	4.24	4.90
Additional quantitative information (average amount of assistance/municipality)	0.03	0.03

Information on the level of compensation in the provision of cleaning public areas

(in EUR million)	2014	2015
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Total amount of assistance granted - local authority	2.88	3.56
Additional quantitative information (average amount of assistance/municipality)	0.02	0.02

#### **d. Culture**

The area of culture is, in the Republic of Slovenia, mostly provided as a non-economic activity and is financed from the budget of the RS in accordance with the following laws:

The Radiotelevizija Slovenia Act (UL RS No 96/05, 109/05 – ZDavP-1B, 105/06 – Const. Court Decision 26/09 – ZIPRS0809-B and 9/14; ZTRVS-1), with regard to its scope, coverage, standards and criteria, sets out the area of radio and television activity as a public service. It is provided by the public institute of special cultural and national importance as the sole provider and was founded by the Republic of Slovenia. Aside from the public service, RTV Slovenia may, through a separate organisation, also perform commercial activities, which are laid down by the ZTRVS-1 or by its memorandum of association. It must keep separate accounting records for public service and for commercial activities. Income from commercial activities is used for co-financing the public service or for retaining and expanding commercial activities in the areas laid down by the ZTRVS-1.

In accordance with the ZTRVS-1, the public service is financed from payments of contribution for programmes (subscriptions), commercial activities, State budget resources and from other sources in accordance with the Law and the Statute of RTV Slovenia. The contribution, which is exclusively intended for the provision of public service programmes and is different depending on the type of users, is determined by law. Under certain conditions, it may be amended but only by the Law. Financing from the State budget is for performing programmes (for example, national programmes for Slovenian national minorities) in the proportion that is not financed from subscriptions and individual programmes of cultural, scientific and general educational importance, as well as individual projects on digitalising technological equipment and archives as proposed by the authorised ministry and is also not financed from the project.

In the period 2014-2015, RTV Slovenia received EUR 1 575 237 from the State budget, which was exclusively for programmes for national minorities and for the Roma community. In 2014, it recorded an excess expenditure of EUR 23 656 000 over income from the provision of the public service. In 2014, it was EUR 21 378 050. This loss was covered in full through excess income over expenditure received from commercial activities, which was EUR 23 778 000 in 2014 and EUR 21 393 726 in 2015. The share of public income in the total income was 76.3 % in 2014, 78.2 % in 2015; and the share of commercial income was 23.7 % in 2014 and 21.8 % in 2015.

#### **e. Financial services**

In the Republic of Slovenia, for the period 2014-2015, there was no case of SGEI providers, with a right to state aid in a form of a compensation for public service obligations, which would require the application of the SGEI Decision for 2012.

#### **f. Other sectors**

In the Republic of Slovenia, for the period 2014-2015, there was no case of SGEI providers, with a right to state aid in the form of a compensation for public service obligations, which would require the application of the SGEI Decision for 2012.

### **3. Description of the application of the SGEI in 2012**

In the Republic of Slovenia, for the period 2014-2015, there was no case of SGEI providers, with a right to state aid in a form of a compensation for public service obligations, which would require the application of the SGEI Decision for 2012.

### **4. Complaints of third parties**

In the period 2014-2015, no appeal was lodged.

### **5. MISCELLANEOUS**

The Republic of Slovenia, already at the time of preparing the report for 2014, emphasised the need and usefulness of clear instructions of the Commission concerning the criteria for determining the economic nature of public services in the area of social security and education, and for determining public institutes as undertakings when, together with non-economic activities, they offer related services for payment. We therefore ask the Commission to give more detailed instructions concerning the difference between (sur)charge and compensation in SGEI cases. We also request for an official interpretation of the SGEI Decision on the duration of entrustment as a condition for permitted applications of the SGEI Decision.