

Report of the Republic of Slovenia on the implementation of the Commission Decision of 28 November 2005 on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest for the period 2009-11

Through the laws in force on services of general economic interest entitled to State aid and municipal subsidies, the Republic of Slovenia ensures the implementation of the Commission Decision on the application of Article 86(2) of the EC Treaty to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest. Compensation in any form may be granted provided there is a statutory or other legal basis setting out the right to such compensation and providing the manner for calculating the compensation is also determined.

The second report of the Republic of Slovenia on the implementation of the Commission Decision, for the period 2009-11, follows the structure of the first report for the period 2006-08. It emphasises the services of general economic interest to which the Commission Decision applies. The introduction, prepared by the Ministry of Finance, sets out the scope of the Commission Decision and presents the different methods of organising and financing or subsidising services of general economic interest. In addition to an explanation of how the application of the Commission Decision is ensured by law, for two representative areas of services of general economic interest – environmental protection and social protection – a presentation is given of established practice at the local community level. In the second part, the application of the Commission Decision is reported per sector. Line ministries have contributed to this part of the report.

For a better understanding of the application of State aid rules under Article 106(2) of the Treaty on the Functioning of the European Union (TFEU), the Ministry of Finance, which is responsible for monitoring State aid in Slovenia, presented the content of the Commission Decision and the Community Framework at its regular training sessions for public officials in 2009, which were attended by 137 public officials. In December 2011, it organised consultations with competent line ministries and government offices, where proposed amendments to State aid rules for the pursuit of services of general economic interest were presented.

1. Introduction

In the last three years, laws and other regulations entered into force which ensured the complete implementation of the Commission Decision. For example, a provision came into effect in the Slovenian Accounting Standards concerning the calculation of the costs of fixed assets owned by the Republic of Slovenia and local communities which are used to perform services of general economic interest and to which the compensation mostly relates. A government regulation was adopted, harmonised with the Commission Decision, setting out the right to compensation and defining parameters for calculating the amount of compensation for public services operating in the environmental field. Better implementation of the Commission Decision is also pursued by amending the instruments of incorporation of public utility undertakings and public institutes which are authorised directly or by law to perform services of general economic interest. In the Republic of Slovenia, the Commission Decision mostly concerns providers operating in the public sector.

Despite widespread services of general economic interest, when compared to other EU Member States, the application of the Commission Decision is in the Republic of Slovenia restricted to specific sectors for which the right to subsidised costs is set out in the regulations on the methodology of setting prices as well as the manner for calculating the subsidy and the procedures for their award. On the other hand, individual instances of concessionary performance of services of general economic interest, with the right of compensation under the application of the Commission Decision, are excluded by the implementation of the Altmark conditions.

For other sectors where the majority of services of general economic interest are performed in the Republic of Slovenia there is no right to subsidy set out by law. Prices include all authorised costs in accordance with assessed market values or calculated according to accepted and general valid standards and applicable pricelists for the same or similar market activities, excluding rights to any benefits or discounts. It is expected from the service provider that losses or costs incurred due to lower demand or performance of incumbent obligations in general interests are covered from excess revenue or own sources.

On the other hand, laws on claiming rights from public resources and social security benefits, which were completely recast in 2010, set out certain rights of subsidy recipients, including for the provision of public goods and services. These subventions, which in their nature are social relief, are determined in relation to the prices for public goods and services but are calculated in accordance with beneficiary's material standing criteria. In the planned sectoral reforms there is emphasis on subsidising users of services of general economic interest over the emphasis on subsidising their service providers, a trend which is expected to continue in the future.

Services of general economic interest

In the Republic of Slovenia, the concept of 'services of general economic interest' applies to certain economic activities which are defined by sectoral laws as economic public services operating in the field of energy, transport and communication, the municipal and water sector, the management of public infrastructure and facilities, public services operating in the field of culture, education and training, healthcare and social security or individual services and public utility services the provision of which are financed from market sales revenue. Public services also include activities which are set out for the general benefit by laws, government decrees or local community ordinances. This category includes economic activities corresponding to the performance of economic, social and ecological functions of the State, management and maintenance of material infrastructure, and so forth.

Legislative regulation as to the field of application of the Commission Decision in the Republic of Slovenia is set out in the Public Utilities Act (ZGJS, Official Gazette of the RS No 32/1993), which defines the structural specificities of organising, performing and financing economic public services, and also sets out a possibility for these to be subsidised from the resources of the Republic of Slovenia and local communities. In accordance with the ZGJS, economic public service may be at a State or municipal level and be mandatory or elective. State and mandatory municipal economic public services are set out in detail in sectoral laws. In its decrees, the Government of the Republic of Slovenia sets out methods of organising (by direct mandate or concession) and financing, as well as the conditions, rights and obligations for the performance of State economic public services. Local community ordinances set out a list of mandatory and elective municipal public services, they define

spatial and functional model for their performance (individually or jointly organising individual public services on a territory or on one or more local communities) and define the manner for their performance (by direct mandate or concession).

Examples of mandatory municipal public services to which the Commission Decision applies are the provision of drinking water, the discharge of waste water and cleaning of municipal water, the provision of fire water in settlements, the treatment and disposal of municipal waste, public cleaning and the cleaning of public areas, planning of public rights of way and areas, civil defence fire services and fire protection services. Examples of selected municipal public services are the provision of heat and gas, the operation of public markets, public lighting, the maintenance and renovation of public infrastructure, networks, buildings and devices for water and sewage systems, the planning and maintenance of cemeteries, the planning of city streets, markets and roads, the positioning of advertisements and posters, traffic light systems, public sanitation, the management of television cable systems, sports areas and so forth.

In accordance with the ZGJS, public services are financed from revenues received from the sale of public goods and services at prices which include all eligible costs for their provision and offer. When the use of goods and services is individually identifiable and measurable, their provision is paid for by users. The provision of so called collective public goods and services are paid from the budget resources of the Republic of Slovenia or local communities. Notwithstanding who is the payee, the prices for public goods and services are determined and calculated in accordance with the methodology and procedures set out by laws and implementing regulations of the Government of the Republic of Slovenia and local municipalities.

In the Republic of Slovenia, the field of organising, financing and performing public services for non-economic sectors (so called social services of general importance) are not set out by law. Sectoral laws generally define the provision of public services and goods in the social sector as an economic activity. The exceptions are public healthcare and public education, which are generally non-economic activities. However, certain healthcare services, especially auxiliary activities, fall under the network of public services paid for from public resources on the basis of issued invoices, while some are available on the market against a payment by its user. Such public institutes, operating in the field of healthcare and educational services, frequently perform non-economic and economic activities, as well as commercial activities. Private concessionaires of public services, which they perform under the public network, are also generally offered on a market.

Except for exceptional cases, Slovenian laws permit the simultaneous provision of various public services and activities. By considering the economic feasibility and effectiveness of public services on one hand and their general accessibility on the other hand, the provision of various activities is in practice possible and in certain cases stimulated or required. By similar considerations, providers operating in the public sector may be required by their acts of incorporation and agreements to perform various commercial activities, such as marketing available capacity, which reduces the costs of public services, and generates own resources for covering losses and costs for public services, as well as allows for required investments for the provision of public services.

Entrustment

In accordance with the law, the provision of (economic) public services is ensured by the Republic of Slovenia and one or more local communities by establishing a public utility undertaking, public utility unit or public institute, by granting a concession to an undertaking of private or public law, by investing public capital into activities of private law undertaking in accordance with the Public-Private Partnership Act (Official Gazette of the RS No 127/2006; ZJZP) and by investing private capital into public infrastructure and publicly owned facilities and buildings used for the provision of public services.

Sectoral laws generally permit public services to be performed either on the basis of a direct mandate in a public sector or a concessionary basis in the private sector. Discrepancies of this approach are set out by laws and municipal ordinances. In certain sectors, public services are mostly provided on the basis of a direct mandate, while in other sectors provision by way of a concession is predominant. However, both methods are generally in use. In the last three years, a number of individual changes from one to another sector have been noted.

In accordance with the laws on public procurement, a direct mandate may be granted to undertakings which are established for the provision of public services by the Republic of Slovenia, one or more local communities or by other undertakings established for the same objective in accordance with the law or a municipal ordinance. In deciding to grant a direct mandate, economic considerations are taken into account, as well as relevant characteristics of the public service, the (non)profit nature and the expected demand and offer. For example, a public utility unit is established when it is not economical to establish a public undertaking or award a concession. Public institutes are intended for the provision of one or more non-profit public services, while public undertakings are intended for the provision of one or more public services at a larger scope or when a monopoly or a profitable activity is involved

In the case of public sector service providers, an instrument of incorporation is the instrument mandating the provision of one or more public services. It sets out activities and duties of the public service and other activities that may or must be performed when related to the public service or when own financing resources for the public service is expected. Direct authorisations are determined according to areas and not for a particular duration. However, irrespective of the nature of the mandate, competent State or municipality bodies have an obligation to enter into an agreement with the providers, restricted as to its duration, giving rights to compensation within the meaning of the Commission Decision. These agreements on subsidising public services are mostly annually renewable.

For providers operating in public sectors, Slovenian laws set out the concessionary provision of public services. The concessionary provision of public services is not statutorily regulated in the Republic of Slovenia nor is there a single policy on granting concessions. Procedures on granting concessions are set out in the ZJZP. Competent State and municipal bodies decide on granting concessions in accordance with sectoral laws on a case by case basis. The main objective of granting a concession is to obtain the lowest price for the public goods and services concerned, often without a thorough consideration from the perspective of stimulating the development of the public service as a whole or the synergies of their provision within the public network. In certain sectors, for example healthcare and social-security services, participants operating in both sectors participate in public procurement procedures for an award of a concession.

In accordance with sectoral laws, a concession may be granted subject to a public procurement procedure in accordance with criteria and conditions set out in a Government or

municipal act. For an instrument of establishment, a concession agreement is territorially and time restricted, taking into account the statutorily prescribed maximum duration in a particular sector. The maximum period sought for is the one in which the provision of public services is economically viable or a reasonable return on investment would be made. Concessionaires are generally selected according to the criteria of lowest costs or economically most favourable price for the undertaking, in accordance with published parameters and methodology. Concessions (for direct mandate) for public services for which prices and subventions are calculated on the basis of a uniform prescribed methodology at a national level are an exception to the rule.

These methodologies on establishing prices and subsidies prescribe cost standards and rules in the provision of public services in certain sectors and fields. These methodologies arise mainly from established practice and are based on data from past operating results. They generally do not permit discrepancies for scope and frequency of expected demand, which stimulates the more effective and cost efficient provision of public goods and services. For these reasons, the cost of public goods and services differ from one local community to another and; consequently, the prescribed public subsidy.

Compensation and parameters for calculating amounts

Valid laws of the Republic of Slovenia ensure the implementation of the provisions of the Commission Decision that refer to the award of compensation and to parameters for calculating the amount of compensation. The right to compensation in the form of subsidised costs of public services is set out in general terms in the ZGJS and in detail in sectoral laws, and in Government and municipal rules that define the methodology for establishing prices and subsidies, as well as the basis for calculating the subsidies by maximising intensity, conditions and procedures for their award.

Slovenian laws do not set out special tax benefits for the pursuit of economic public services. Aside from resources from the State and municipal budgets and purposely collected resources, the most important form of compensation is the free or subsidised use of primary resources owned by the Republic of Slovenia and local communities, which serve for the provision of public services. State or municipal acts set out the form of subsidised prices according to individual public services, which also sets out the amount and source of financing the subsidy, and on which basis service providers conclude subsidy agreements.

According to Slovenian laws, subsidies which constitute compensation within the meaning of the Commission Decision are directly linked to the prices for public services and eligible costs which are or are not included in the price and are permitted only for the provision of services to households and legal undertaking pursuing a non-profit activity¹. The starting point is that sales prices express their full costs of public service providers. Such established prices may be subsidised up to the maximum permitted difference between the sales price and their cost. There are important differences when subsidising economic public services and public services.

For the performance of economic public services, subsidies are determined with reference to the prices for using the primary State or municipal resources for the provision of the public services. Aside from such subsidies, Slovenian law does not contain any other State or

municipal laws for covering costs for economic public service activities. Any loss due to lower demand are covered by own resources of the service provider.

An example is the Rules of tariff system for public services in the environmental field, adopted at the end of 2009. These rules apply notwithstanding the form in which the public services are provided and when setting the prices and subsidies for the provision of drinking water and municipal services. In practice, the same methodology is analogically applied to determining subsidies for other mandatory and elective municipal economic public services.

The Rules determine eligible costs for public services and are valued in accordance with accounting standards recognised by competent municipal and State bodies. The price includes infrastructure amortisation costs, calculated in accordance with the linear depreciation method and in accordance with prescribed book value levels that must not be overvalued. Additionally, the price includes a return on business resources of public service providers up to the amount that does not exceed a return for certain State bonds. Revenue obtained from the use of the same infrastructure for the performance of other activities is deducted from the price². Such subsidy may not exceed 50 % of total fixed assets in State or municipal ownership. This level is reduced by 5 percentage points each year until the right to subsidy terminates.

For such subsidising of prices for the use of municipal fixed assets used for the provision of individual economic public services, a local community issues a decision each year in which it states fixed assets owned by the municipality and determines their price in accordance with their nature as well as the expected maximum subsidy amount. Requests for such subsidies are submitted, considered and awarded annually.

From decisions of bodies of randomly selected local communities it is shown that in the past two years, since the described methodology has been applied as stated in the explanations of the decisions, local communities have been generally granting subsidies in the maximum amount of 50 or 45 % for operating lease of fixed assets, mainly because there is a freeze on public services and a shortfall in budget resources for their performance³. Generally, the amounts of such subsidies vary in range from 100 000 to less than 1 million euros per economic public service.

For public services from non-economic sectors, the parameters for calculating the prices for public goods and services and therewith associated subsidies are determined by an agreement or prescribed uniform methodology. On this basis, providers pursuing public service within the public network calculate and submit a request for a subsidy on the basis of an annual agreement concluded with competent State or municipal bodies. These subsidies are calculated in terms of specific eligible costs that are not included in the sales price. Contrary to economic public services, aside from full reduction of amortisation costs for fixed assets owned by a municipality, certain eligible costs not included in the price may be recovered in full from State or municipal budgets. Contrary to economic public services, there is a prescribed minimum of a 50 % percent subsidy level for subsidising the total costs of the public service providers.

An example of public service from the non-economic sector is the methodology for determining the prices for social-security services, more specifically the institutional protection of the elderly and family home help which, in the Republic of Slovenia and in local communities, are provided by public institutes as private concessionaires. The Rules set out

the methods for calculating the prices for standard services for which State and municipal subsidies apply. However, the same parameters are used for calculating the above standard and supplementary services, which must be taken into consideration and explained when determining the prices for standard services, as well as when determining prices for services outside the public service network, which are not eligible for subsidies.

For example, for institutional protection, fixed assets owned by a municipality are valued at market prices determined by an authorised valuer. Pursuant to a decision of a competent ministry, the costs of fixed assets for this activity may be restricted as to a particular maximum value. Financing costs are awarded to concessionaires and to public institutes in certain instances. Prices for individual services are determined as hourly, daily or monthly items and in from the perspective that, at an average, occupied capacity is at 98 %. The competent State or municipality body which is subsidising the costs of such services must give their consent to the prices for such services as they are recommended by the service providers.

An example of this practice is the public service of family home help, which is provided on the basis of direct agreements and concessions in the public network. Local communities have an obligation to subsidise this service in the amount of at least 50 % of eligible costs of the service. Additionally, subsidies are available which are awarded in a public procurement procedure by the Employment Service from the resources available for the Active Employment policy programme⁴. In 2009, EUR 8.4 million divided across 250 providers ,were granted in public procurement procedures for a period of two years. According to the latest data, the total costs for public services in the Republic of Slovenia amount to an average of EUR 17 per hour, of which a user pays EUR 4.42 per hour on average. Differences in the prices for users, which range from EUR 3 to 12 show the difference in the amount of subsidy for these services by local communities. In more than half of instances, local communities used only the statutory minimum amount for the subsidy because of the shortfall in earmarked budget resources while the providers utilised the possibility of obtaining earmarked State subsidies.

Management of separate accounting

Accounting the provision of an economic public services is set out in the Slovenian Accounting standards (SRS, 35). This standard sets out special provisions in evaluating and showing resources and obligations to financing liabilities, as well as valuating and showing revenue and income, and the operating result typical for public service providers. The application of this standard is mandatory for large and medium-sized undertakings, notwithstanding the form of authorisations. It is also recommended for small undertakings unless sectoral laws set out otherwise.

In accordance with the SRS 25, providers of public services must keep accounting records for their varied public services and for other commercial activities. General and common costs are divided among different activities in terms of indirect costs or according to rules that must be disclosed and explained in an enclosure to a financial report. Profit and loss statement must present and explain in detail different activities, including resources for covering losses and the distribution of profit across different activities. An annual report includes a table and an explanation on awarded State aid per each objective regarded as revenue from the provision of public services. In calculating fixed assets depreciation, for the purchase of which resources were obtained from the budget, their purchase value is reduced by the amount of

received budget resources. During an audit, the intent, efficiency and rationality of the use of awarded State aid is also determined in accordance with the SRS 35.

Acceptance of compensation and reporting

Bodies of the Republic of Slovenia and local communities granting subsidies are responsible for monitoring the financial operations of public service providers as well as compensations and excess compensations. In addition to mutual financial conditions, obligations for accounting disclosure and reporting on operating results are set out in subsidy agreements, especially regarding the use of granted State and municipal subsidy, and repayment of overpaid amounts.

Slovenian legislative laws ensure the provisions of the Commission Decision are implemented with respect to monitoring the compensation and the supervising excessive compensation. With reference to annual plans for public services and maintenance works which the providers must submit for confirmation by competent bodies, the average monthly subsidy amount is calculated on the basis of established prices or by considering prices for similar services. The providers issue monthly requests for payments to competent authorities for the payment of planned subventions and followed by a re-calculation of actual costs or losses incurred from the provision of public services or performance of obligations for a general interest. Any recognised differences between the payments made and eligible amounts of subsidy are settled in the next monthly subsidy payment. Providers are also obligated to submit a report to authorities on services performed under a contract at least twice per year.

Considering revenue and expenditure for public services is calculated monthly in accordance with Slovenian laws, there are no restrictions for excess revenue or subsidy that may be transferred into the next accounting period and any subsidy excess at the end of year are within permitted framework of the Commission Decision. With a consent of a competent body of the Republic of Slovenia or a local community, any revenue excess from public services at the end of the year may be retained or earmarked for the provision and development of public services in the future.

Finally, rationality, economy and transparency on the use of public resources granted to a public service provider in a form of subsidy is supervised by the Court of Auditors of the Republic of Slovenia. Eligible use of subsidy granted is additionally within monitoring authorities of a competent inspectorate.

2. Field of general economic interest services

In this section, the application of the Commission Decision is presented according to the main fields of general economic interest services. Examples of providers and services that comply with Altmark conditions are presented. This presentation includes sectors to which the Republic of Slovenia applies the Commission Decision while excluding other public services that meet the definition of general economic interest services within the meaning of the European law. The report does not include sectors included in the previous report of the Republic of Slovenia concerning the application of the Commission Decision for which it was explained in the introduction why the Commission Decision does not apply.

Field of transport and transport infrastructure

In the field of **maritime transport**, mandatory economic public services are provided in accordance with the Maritime Code (Official Gazette of the RS No 26/01, with amendments and supplements) which, despite meeting the Altmark criteria, do not fall under the application of the Commission Decision.

A concession for the provision of public services for the regular maintenance of port infrastructure intended for public transport was granted for 35 years. The concessionary is providing the public service in accordance with a plan confirmed by the Minister of Transport while the realisation of the plan is inspected by the Slovenian Maritime Administration. The concessionary has a right to collect port tax indented exclusively for the provision of public services. The Minister of Transport gives his consent to the price list for port taxes prepared by the concessionary. The concessionary has an obligation to cover losses from its own resources and any excess revenue must be reimbursed to the budget of the Republic of Slovenia.

A concession for the public service for regular maintenance of buildings for the purposes of navigational and navigational routes safety was granted for a period of 10 years. Costs for the provision of the public service are paid from the national budget resources in accordance with an approved annual programme and work actually performed which is presented in the reports of the concessionary. The tax for the use of buildings for navigational safety is collected by the Slovenian Maritime Administration and an integrated revenue for the budget of the Republic of Slovenia. The level of the tax is determined in accordance with the Decree on the tax for the use of buildings for navigational safety on see navigational routes (Official Gazette of the RS No 73/98, with amendments and supplements).

In the field of **public roads**, in accordance with the Roads Act (ZCes-1), (Official Gazette of the RS No 109/10), public road maintenance is provided by a mandatory economic public service, the organisation of which is within authorisation of the State for state roads and of an individual municipality for municipal roads.

Management and maintenance of the highway network is provided by way of a concession, which was granted for a period not exceeding 50 years in accordance with the Slovenian Motorways Company Act (Official Gazette of the RS No 97/10). The concessionary performs management and maintenance works in its name and for its account. The supervision over the performance of the obligations of a concessionary is conducted by the Ministry of Transport and the Ministry of Finance.

Maintenance of other national road networks is ensured by the Directorate of the Republic of Slovenia for Roads by awarding works under public procurement procedures, the resources for which are provided from the national budget. Maintenance costs are settled in accordance with works actually performed.

The method of performing the public service of maintaining municipal roads is determined by an individual municipality in its ordinance while the Ministry of Transport carries out controls over the legality of general and individual municipal acts in this field within the framework of its legislative authorisations.

In the field of **civil aviation**, airport services must be organised and provided at airports in accordance with the Aviation Act (Official Gazette of the RS No 81/10). The provision of these services is in general interest. The field is regulated in detail in the Regulation on the

provision of public service obligation for operation of the public airport of state importance (Official Gazette of the RS No 12/11. The Regulation, among others, sets out that the provision of economic public service includes the operation of the airport infrastructure, including investments and regular maintenance of airport infrastructure which is in full or in part used for arrivals, departures, movements of air crafts across the facilities and therewith related equipment and installation, except buildings and ground handling which are explicitly listed in the Regulation as well as the provision of related airport services but excluding the provision of ground handling services. The Regulation also sets out that an economic public service, provided at a particular airport, is provided by a concessionary economic public service. With this regard two regulations were adopted: Regulation on concession of a public airport Edvard Rusjan Maribor (Official Gazette of the RS No 26/11) and Regulation on concession of a public airport Portorož (Official Gazette of the RS No 28/11). In accordance with these regulations, agreements were concluded with undertakings for the provision of services of general economic interest at the airport Portorož and the airport Edvard Rusjan Maribor, for the provision of which the Republic of Slovenia pays monthly compensation. The expected amount was earmarked in the budget of the Republic of Slovenia.

Field of environment protection

Pursuant to the Environment Protection Act (Official Gazette of the RS No 41/04, 39/06, 20/06, 70/08, 108/09; ZVO-1) the Water Act (Official Gazette of the RS No 67/02, 110/02, 57/08; ZV) there are a number of mandatory State as well as mandatory and elective municipal economic public services. When these are performed by public undertakings, the application of the Commission Decision is mandatory.

In accordance with Article 148 of the Environmental Protection Act (hereinafter: ZVO-1), **mandatory State economic public services for the environment protection are:** treatment of radioactive waste and their disposal, burning of municipal waste, collecting, processing and removing certain types of other waste. The Government sets out in detail activities and the method of providing the mandatory economic public service in accordance with laws. The Government also sets out in detail the performance standards, technical, maintenance, organisational and other measures, as well as standards for the performance of these public services. The State ensures the performance of public services is in accordance with regulations applicable to economic public services.

According to the Decree on the performance of mandatory national public utility service in the field of urban waste incineration (Official Gazette of the RS No 123/04 and 106/05) and the Decree on the manner, subject of and conditions for performing mandatory state public utility service for urban waste incineration in Savinjska region (Official Gazette of the RS No 109/05), the mandatory State economic public service of municipal waste incineration in the Savinjska region is provided on the basis of a concession and a concession agreement concluded on 9 August 2008 between the Government of the Republic of Slovenia, Celje City Municipality and the public undertaking Energetika Celje j.p., d.o.o., for a period of 15 years. The sources of financing are payments by users according to prices decided by the Government of the RS upon a proposal of the concessionary.

Pursuant to the Decree on the method and subject of and conditions for performing the public utility service of radioactive waste management (Official Gazette of the RS No 32/99) and the Decree on restructuring the public undertaking the Agency for Radioactive Waste p.o. Hajdrihova 2, Ljubljana into a public utility institute (Official Gazette of the RS No 45/96, 32/99, 32/99, 38/01 and 113/09), the Agency for Radioactive Waste (ARAO) performs the

economic public service of radioactive waste management in accordance with the price list adopted by the Government of the Republic of Slovenia.

In accordance with Article 149 of the ZVO-1, **mandatory municipal economic public services** are the supply of drinking water, discharge and cleaning of municipal and meteoric water, collection of municipal waste, transport of municipal waste, treatment of mixed municipal waste, disposal of production waste, removal of municipal waste, and planning and cleaning of public areas. The Government sets out in detail the tasks to be performed within the framework of public services, the methodology for determining prices, the provision of standards and technical, maintenance, organisational and other measures and standards necessary for the performance of public services. A municipality ensures the performance of these public services is in accordance with regulations applicable to economic public services.

Economic public service for the disposal and purification of municipal and meteoric water

The legal basis is set out in the Decree on the discharge and purification treatment of urban wastewater and meteoric water (Official Gazette of the RS No 88/11) and in the Rules on tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). The economic public service for the discharge and purification of municipal and meteoric water is provided by 110 public service providers. In accordance with the Public Utilities Act, the service may be provided by a public undertaking, a public utility unit, a concession or a public economic institute. In practice, public service is not provided by a public institute. Monitoring of organisational structures is not yet mandatory but it is expected that it could become so with the introduction of the register of public service providers on the basis of Article 104 of the ZVO-1 (to be applicable to all municipal public services). In accordance with the regulations determining the methodology for establishing prices, the prices for public services are, determined by the public service provider and adopted (confirmed) by a municipality.

Economic public service for the supply of drinking water

The legal basis is set out in the Rules on drinking water supply (Official Gazette of the RS No 35/06, 41/08 and 28/11). In 2011, it is planned a Decree on drinking water supply will be drafted and adopted. Another legal basis is found in the Rules on tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). The economic public service for the supply of drinking water is provided by 97 public service providers. In accordance with the ZGJS, the service may be provided by a public undertaking, a public utility unit, a concession or a public economic institute. In accordance with the regulations determining the methodology for establishing prices, the prices for public services are determined by the public service provider and adopted (confirmed) by a municipality.

Economic public service for municipal waste collection

The legal basis is set out in the Order on the management of separately collected fractions in the public service of urban waste management (Official Gazette of the RS No 21/2011), the Decree on the management of organic kitchen waste and garden waste (Official Gazette of the RS No 39/2010) and the Rules on tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). In the Government Work Programme for 2012, it is planned to adopt a Decree on municipal waste management which will set out municipal

waste management and the minimum waste management level that must be provided within the provision of this service by a municipal public economic service for environmental protection. The economic public service for municipal waste management is provided by 61 public service providers. In accordance with the ZGJS, the service may be provided by a public undertaking, a public utility unit, a concession or a public economic institute. In accordance with the regulations determining the methodology for establishing prices, the prices for public services are determined by the public service provider and adopted (confirmed) by a municipality.

Economic public service for municipal waste transport

This economic public service was introduced by the last amendment to the ZVO-1. A detailed legal basis for the provision of this public service will be set out in the new Decree on municipal waste management, to be adopted further to the Government Work Programme for 2012. The legal basis is also found in the Rules on tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). In accordance with the ZGJS, the service may be provided by a public undertaking, a public utility unit, a concession or a public economic institute. In accordance with the regulations determining the methodology for establishing prices, the prices for public services are determined by the public service provider and adopted (confirmed) by a municipality.

Economic public service for mixed municipal waste treatment

This economic public service was introduced by the last amendment of the ZVO-1 (Official Gazette of the RS No 108/09). The legal basis is set out in the Decree on the discharge and purification treatment of urban wastewater and meteoric water (Official Gazette of the RS No 61/2011) and the Rules of tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). In the Government Work Programme for 2012, it is planned to adopt a Decree on municipal waste management which will set out municipal waste management and the minimum waste management level that must be provided within the provision of this service by a municipal public economic service for environmental protection. In accordance with the ZGJS, the service may be provided by a public undertaking, a public utility unit, a concession or a public economic institute. In accordance with the regulations determining the methodology for establishing prices, the prices for public services are determined by the public service provider and adopted (confirmed) by a municipality.

Economic public service for production waste disposal and municipal waste disposal

The legal basis is set out in the Decree on the landfill of waste (Official Gazette of the RS No 61/2011) and the Rules of tariff system for public service in the environmental field (Official Gazette of the RS No 63/09). In the Government Work Programme for 2012, it is planned to adopt a Decree on municipal waste management which will set out municipal waste management and the minimum waste management level that must be provided within the provision of this service by a municipal public economic service for environmental protection. The economic public service of production waste disposal and municipal waste disposal is provided by 32 public service providers. In accordance with the regulations determining the methodology for establishing prices, the prices for public services are determined by the public service provider and adopted (confirmed) by a municipality.

Area of agriculture

The Agriculture Act (Official Gazette of the RS No 45/08; ZK) and the Livestock Breeding Act (Official Gazette of the RS No 18/02) set out that certain public services operating in the field of agriculture and livestock breeding may be provided by undertakings of private or public law or by recognised and authorised organisations subject to compliance with certain legislative conditions. These services are generally provided throughout the territory of the Republic of Slovenia. The method and conditions for their performance is determined by the Government of the Republic of Slovenia. The competent ministry selects service providers with whom it enters into a concession or other contract, usually without a special selection procedure by meeting legislative conditions. The ministry is also authorised to conduct supervisory control over the performance of the public service and control over the financial operation of service providers. The advance authorisation criteria make the application of the Decision mandatory and detailed regulations as to the manner and conditions for the provision and financing of these public services ensure that its fundamental provisions are fully observed.

The Decree on the method and conditions of implementing public services in animal husbandry (Official Gazette of the RS No 99/2008) lays down that the competent ministry enters into a concession agreement with recognised livestock breeding organisations. The concession agreement also includes providers of expert tasks in livestock breeding with whom the competent ministry concludes a financing agreement each year. The status as a recognised breeding organisation, an authorised organisation or other recognised organisation is granted by the competent minister in a decision for a period of five years and is a condition for awarding the advance authorisation. Such a decision sets out the expert duties and the areas in which they must be performed. The public service provider of a gene bank is selected by a selection procedure on the basis of the Decree on the method and conditions of implementing public services in animal husbandry. Service providers may not pursue activities that are contrary to the interests of the public service.

In accordance with the ZK and ZŽ, public services in the field of agriculture are to be financed from a partial or full payment of the price for the service performed from the State budget and from other sources. The Republic of Slovenia finances or cofinances certain public services for expert tasks for livestock breeding, in accordance with the programme for implementing joint fundamental breeding programmes and other public service programmes.

Compensation for the provision of the public services for livestock breeding is calculated on the basis of the cost of works and materials and the revenues of the providers. When planning work costs, the applicable laws are observed. Material costs include resources for expenditure and other services required for the performance of the expert tasks. A proportion of the fixed costs of expert task providers is also taken into consideration. Where the costs of a particular provider are shared between the provision of public services in livestock breeding and the provision of its other activities, they are divided in proportion to the performance of each activity. If public service providers of livestock breeding receive revenue from other sources as well (sale of semen, animals, sale of products, charging for expert breeders' tasks in accordance with a price list confirmed by a minister) the revenue is included when calculating the amount of compensation.

Users of a public service pay the price of the service in accordance with the pricelist, which is a component part of the annual normative financial programme for the realisation of a joint

fundamental breeding programme. When more activities are pursued, there is an obligation for separate accounting record keeping and for dividing fixed costs in proportion of the total revenue.

In accordance with the above Decree, providers who in a particular year perform less expert tasks than set out in the adopted annual normative financial programme for the performance of a joint fundamental breeding programme and on which basis the ministry pays the subsidies, public resources (compensation as a subsidy) are proportionately reduced or the competent ministry substitutes them for a co-financing of a larger volume of tasks performed. A greater volume of expert duties performed is not recognised to the disadvantage of the State budget. The total amount of compensation for all providers must not exceed the value of resources earmarked by the adopted annual normative financing plan for the performance of a joint fundamental breeding programme. Within this framework, the ministry may distribute resources among individual expert tasks by its decision during the year.

In accordance with the above Decree, providers are fully exempt from the payment of concession duty. The amount of such compensation therefore cannot be objectively determined. Excess compensation is mainly the ineligible use of public resources, revenues received from the payments by the users of public services and State subsidies. Pursuant to the ZK, providers of public services must only use the budget resources that are earmarked for the financing of public service programmes for the performance of these public service programmes. Pursuant to agreements with public service providers, it is agreed that the illegible use of public resources must be reimbursed. When determining the compensation for the performance of public services for livestock breeding, the ministry considers the proportion between the expenditure for eligible costs and revenues, and the subsidies shown in submitted accounting reports of the providers.

The average amount of compensation for paid subsidies in the period 2009-11 was close to EUR 8.2 million, with an average of just under EUR 350 000 per provider. The largest amount was just under EUR 1.1 million.

The field of social protection

In accordance with the Social Security Act (Official Gazette of the RS No 3/08 - official consolidated text, 114/06 - ZUTPG, 23/07 - correction, 61/10 - ZSVarPre, 62/10 - ZUPJS, 40/11 - ZUPJS-A and 40/11 - ZSVarPre; hereinafter: ZSV), there are two social protection activities falling within the framework of the Commission Decision, namely family home help and institutional protection. Both services are in accordance with Article 41b of the ZSV and the Rules on standards and norms in social protection services (Official Gazette of the RS No 45/10 and 28/11; hereinafter: the Rules) performed by public social security institutes or concessionaires within the public service network framework (in this case, activities financed from the budget of the Republic of Slovenia are investments into public social security institutes, while from municipal budget, activities financed are subsidies for home help, and exemptions for the payment of this service and exemptions for the payment of institutional protection). The ZSV and the Rules set out certain special provisions for individual social protection services such as provisions on beneficiaries, the implementation procedure, duration, work method, providers, supervision, norms and control over providers.

Home help service

Pursuant to Article 43 of the ZSV, a municipality provides public service network for home help. Municipalities must finance at least 50 % of total costs for home help service for families (municipal subsidy), from which any State subsidy is deducted (intended for active employment policy which was still in force in 2010). The price for a user is the difference between the total costs and these two subsidies, calculated per hour. In 2010, the service was provided in 201 Slovenian municipalities. The service was provided by 75 different providers of which there were 43 centres for social work, 21 homes for the elderly, 3 public institutes established specifically for the provision of this service and 8 concessionaires. The number of users of home help service was 6 575. Total costs for services in 2010 was EUR 18 355 000, constituting State subsidies in the amount of EUR 2 319 000, municipal subsidies in the amount of EUR 11 939 000 and payments by users and relatives in the amount of EUR 4 096 000. Additionally, municipalities earmarked additional exemption payments in the amount of EUR 915 478.

State and municipal subsidies as well as additional payments of municipalities are shown as compensation within the meaning of Commission Decision.

Institutional protection of elderly

Pursuant to Article 43 of the ZSV, the State provides the public service network for institutional protection. In 2010, care was provided in 89 old age homes, 55 public institutes and 34 private service providers. The number of realised care days was 17 586, of which 13 659 were performed in public institutes and 3 927 at private service providers. Total costs for services in 2010 was EUR 246 113 000, the amount which includes the costs for the care in the amount of EUR 154 731 000 (additional payments of municipalities were in the amount of EUR 17 560 000 and payments by users were in the amount of EUR 137 170 000), as well as the costs of the Health Insurance Institute of Slovenia in the amount of EUR 91 381 000.

The Rules on social service price formation methodology (Official Gazette of the Rs No 87/06, 127/06, 8/07 and 51/08; hereinafter: The rules on prices) set out general elements in determining the prices for social protection services and special rules for individual services, pursuant to which the prices are determined by providers of social security services notwithstanding whether they are performed within the public service network or outside it, or for standard or above standard services. A municipality gives its consent to the prices for home help service and the Ministry responsible for social affairs gives its consent to the prices for institution protection services. Eligible costs are costs for work, materials, depreciation, and maintenance but are restricted to the maximum amount or to a particular mutual proportion. An element of the price recognised may also be financing costs such as capital investments. This element of the price was initially intended for concessionaires and after 2006 it is also for public social security institutes in the case of borrowing. When calculating the prices and for record keeping, the standards for work costs and the standards for material costs set out in a decision of the Minister responsible for social protection must be applied. Public social institutes and concessionaires must settle any losses from excess revenue obtained from market activities and additional activities. Upon an authorisation of the founder, the accounting statements may show losses or remaining losses as additional reduction of amortisation costs and fixed assets maintenance costs in terms of their amounts in approved financial plans or they may be written off, within permitted amounts, as an obligation of its founder, the Republic of Slovenia. Total amount of losses by the public institutes pursuing institutional care of elderly was EUR 122 698 in 2010 but the loss was not covered from the budget.

Provisions in the ZSV and the Rules on concessions in the field of social protection (Official Gazette of the RS No 72/04, 113/08 and 45/11) set out in detail the method for granting a concession, the conditions to be complied with by a concessionary for an award of a concession, including evidence as to their compliance, the possibility for later compliance with certain conditions and the manner for their compliance, the duration of the concession for different types of services, conditions and restrictions on extending a concession, the work method of the concession committee, the method for concluding a concession agreement and its detailed provisions, the method for paying a concessionary for the services performed pursuant to a concession, the method of financing and other reporting of the concessionary to a concession provider, the restriction as to the duration of a concession and therefore the conditions for exempting concessionary provision of these services under the Commission Decision are met since concessionaires do not receive any State aid or a compensation for the provision of the services.

Field of granting lease for non-profit housing

Pursuant to the Housing Act (Official Gazette of the RS No 69/03, 18/04 - ZVKSES and 57/08 - SZ), **granting a lease for a non profit housing** is defined in greater detail than general interest services. Local authorities are responsible for acquiring non-profit housing and leasing it. They perform these tasks themselves or through authorise public housing funds or non-profit housing organisations they establish for this purpose. Municipal bodies and public housing funds are responsible for acquiring non-profit housing for lease in their own territory, and cross-municipal housing funds and non-profit housing organisations perform these tasks in the territory of a number of municipalities.

The Decree on the methodology of determination of rents for non-profit housing and the criteria and procedure for the implementation of subsidised rents (Official Gazette of the RS N 131/03, 143/04 and 99/08) sets out in detail parameters for calculating the maximum amount for a non-profit rent. Aside from a detailed definition of costs for current and investment maintenance and depreciation, rent includes costs for management, construction financing and housing maintenance. Management commission is also included for the duties of a building manager set out by law and is expressed in a percentage housing value, with the maximum permitted rate. This means that an owner of non-profit housing may not charge the tenant management fees included in the rent that is at a higher amount. . When concluding an agreement for the provision of building management fees between the manager and housing owner, the parties may agree on a higher management fee. The effect of the location on the non-profit rent is determined by a decree of a municipal body. A non-profit rent is expressed in housing percentage value, the different between a profit and non-profit lease is generally regarded as a compensation within the meaning of the Commission Decision. The amount of such compensation is not shown in the accounting reports of housing funds and according to valid laws, the amounts need not be shown in special property balance sheets of the funds or local communities.

According to the Housing Act, any citizen meeting the conditions and criteria on income and assets, as set out in the Rules on renting non-profit apartments (Official Gazette of the RS No 14/04, 34/04, 62/06, 11/09 and 81/11) is in principle entitled to a non-profit housing. Granting leases for non-profit housing is decided by service providers in accordance with conditions and criteria set out in these Rules and to a certain extent by additional conditions stipulated by the service providers in each public procurement procedure. In accordance with the Housing Act and the Decree on the methodology of determination of rents for non-profit

housing and the criteria and procedure for the implementation of subsidised rents (Official Gazette of the RS No 131/03, 143/04 and 99/08), tenants of non-profit housing are also entitled to subsidised rent, depending on their income. The rights to subsidies are determined by municipal bodies.

A subsidy for non-profit rent is calculated for each beneficiary separately and ranges from 1% to a maximum of 80 % of non-profit rent. The amount of rent the beneficiary would need to pay is reduced in proportion to an awarded subsidy amount. The difference between non-profit rent and subsidised rent is paid by a municipality pays the owner or manager of State non-profit housing on current (monthly) basis.

The aggregated amount of compensation for subsidised non-profit rent was in 2009 EUR 5 788 658 for 5 554 apartments and in 2010 EUR 6 930 375 for 6 849 apartments. In 2011, the information for subsidised rent was still being collected but it is estimated that the amount of subsidy will be around EUR 7.1 million for 6 900 apartments. Most municipalities generally provide subsidised non-profit rent. From the information for 2009 and 2010, it appears that more than half of the municipalities where tenants requested subsidised rent authorised resources for subsidised rent, ranging from EUR 1 800 to 762 000 at an annual level.

Field of healthcare protection

The estimated expenditure for healthcare, for medical expenses is, according to the methodology of the OECD, 9.06 % GDP for 2010, which includes public and private healthcare expenditure. From this amount, public healthcare amounts to 6.41 % GDP. In public healthcare institutes, there were 33 194 employed people in 2010 (shown from working hours) of which 22 104 worked in hospitals, 1 073 in healthcare institutes and at the Institute for Healthcare protection, 8 077 in healthcare centres, 1 414 in pharmacies, and 526 in other healthcare institutes whose founder is the Republic of Slovenia.

Pursuant to the Health Services Act (Official Gazette of the RS No 23/05 - official consolidated text, 15/08 - ZPacP, 23/08, 58/08 - ZZdrS-E and 77/08 - ZDZdr; hereinafter: the ZZDej), public services in the field of healthcare activities is performed either under the public healthcare institute framework or by private service providers of healthcare activities, pursuant to concessions which, for primary healthcare activities, are granted by authorised self-governed local communities subject to a consent of the Ministry of Health. The concession for the provision of secondary healthcare activities is granted by the Ministry of Health. During the procedure for awarding a concession, such self-governed local communities, as well as the Ministry of Health, obtain an opinion of the Healthcare Insurance Institute of Slovenia and of a competent chamber or association, in accordance with Article 42(3) of the ZZDej. In 2010, the ZZZS, the payee of services, concluded agreements for the provision of healthcare services with 1 789 healthcare service providers, of which there were 223 public institutes and 1 566 private healthcare service providers.

Considering the financing method of these healthcare services (after realised volume in accordance with the contract concluded between a healthcare service provider and the ZZZS, in accordance with the prices determined in an annual General Agreement), the Commission Decision on the application of Article 86(2) of the EC Treaty on State Aid in the form of public service compensation granted to certain undertakings entrusted with the operation of service of general economic interest (hereinafter: the Commission Decision) applies to public

institutes pursuing public service in the field of healthcare activities pursuant to financing agreements with the ZZZS. Public institutes include 26 hospitals established by the Republic of Slovenia and 57 healthcare centres established by one or more self-governing local communities with a consent of the Ministry of Health. In accordance with the Healthcare and Health Insurance Act (Official Gazette of the RS No 72/06 - official consolidated text, 114/06 – ZUTPG, 91/07, 71/08 Decision of the Constitutional Court, 76/08, 118/08 Decision of the Constitutional Court, 47/10 Decision of the Constitutional Court, 62/10 - ZUPJS and 87/11; hereinafter: the ZZVZZ), healthcare services are paid from public resources according to the realised volume up to the value of planned volume. Evaluating programmes and the method of determining elements for setting prices for healthcare services are defined in the General Agreement that is subject to annual partnership negotiations. Prescribed prices, depending on the type of healthcare service provider (hospital, healthcare centres, private healthcare service providers, pharmacies, social protection homes) is not the price the ZZZS pays to the service providers for hospital or healthcare centre care given for the care of a particular patient; instead, they are prices for a particular billing unit used on the basis of contracts concluded between the ZZZS and healthcare service providers for a particular service performed. The annual General Agreement defines the standards which set the annual financing plan per team. The standard defines providers of healthcare activities and thereby recognises certain eligible costs for work, materials, amortisation and additional resources for informatisation. The control as to the performance of annual financing agreements is conducted by the ZZZS.

For different activities on the provision of healthcare protection there are different payment systems. For secondary healthcare activities, a system of paying per service is established for the activities of a specialist clinic. Hospital activity services are paid according to a group system of comparable cases (hereinafter: the SPP), where a case is the completed stationary hospital care of an insured person for one programme, generally in a duration of more than 24 hours. For primary healthcare activities, a combined financing system is established, which is based on per-head payments and healthcare services. Certain other healthcare services are paid on a lump-sum payments basis (services or programmes for healthcare training, maternity school, development clinics and drug addiction centres),

The pursuit of public services at a secondary healthcare level generally have record excess losses over revenues received from the provision of healthcare service which were in the amount of EUR 7.8 in 2010. Public hospitals strive to reduce operating shortfall by optimising work process and public service costs.

In accordance with the Pharmacies Act (Official Gazette of the RS No 36/04), a pharmacy activity is a part of healthcare activities the objective of which is to provide the population, healthcare institutes and other organisations, prescription and non-prescription medicinal products. Pharmacy activity is a public service pursued by public institutes or private providers pursuant to a concession (hereinafter: pharmacists). A public institute is established by one or more municipalities with a consent of the Ministry of Health and the ZZZS. A concession is granted pursuant to a public procurement procedure by a competent municipal administrative body with a consent of the Ministry of Health. The duration of the concession for the provision of healthcare activities is not set out by law; however, the criteria and conditions for their termination are provided in detail. Even though the same regulations apply for determining and calculating prices for medicinal products, the Commission Decision applies when it concerns a public service provided by a public institute. The State regulates medicinal products costs in regulations when they are financed from public

resources and participates in determining pharmacy activity prices within the framework of the General Agreement.

Pharmacy activity services are calculated in accordance with the General Agreement which is annually agreed upon by the partners (Ministry of Health, Medical Chamber of Slovenia, Association of Health Institutions of Slovenia, Slovene Chamber of Pharmacy, Association of Slovenian Natural Sanatoriums, Association of Social Institutes of Slovenia, Association of training organisations of Slovenia and the ZZZS). These partners, in the General Agreement, pursuant to an arbitration decision of 29 November 2010 and the Decision of the Government of the Republic of Slovenia of 111th regular session of 9 December 2010, which decided on the disputed question, set out the text of the General Agreement for the 2011 contractual year as follows: The Ministry of Health, the Slovene Chamber of Pharmacy and the Health Insurance Institute of Slovenia (hereinafter: the partners), pursuant to Article 63 of the Healthcare and Health Insurance Act (Official Gazette of the RS No 72/06 - official consolidate text, 114/06 - ZUTPG, 91/07, 75/08 and 62/10 - ZUPJS) enter into an Agreement, separately for each contractual year, in which they determine criteria and directions for creating programmes according to areas and service providers (public institutes and pharmacies), the calculation criteria and obligations of pharmacies and the ZZZS. Pharmacy services are billed according to the criteria and provisions set out in the enclosures LEK II/c and LEKII/c-1 of the Agreement concluded between the partners.

In accordance with the General Agreement, pharmacies receive also a compensation for standby and permanent availability in the form of a monthly lump-sum payment. The financing of pharmacy activities and the revenue of pharmacies does not depend on the costs for medicinal products because, according to the applicable service system, a pharmacy earns the same for each processed medicinal product irrespective of the price of the medicine. If a financing system based on margins for pharmacy services provided would be in force, the costs of medicine would have the decisive role in the earnings of pharmacies. The service system does not stimulate nor promote the sale of more expensive medicines, it is more stable and foreseeable than the margin system.

Because the financing of public service in the field of pharmacy activities, financed from public resources by way of a service sector, is relatively low, this means the revenue from the sale of non-prescription medicinal products, which is a public service financed from private resources, is the important financing source of pharmacy activities. Pharmacies must cover excess expenditure over the revenue in the provision of the public service that is financed from public resources from revenue excess over the expenditure in the provision of the public service that is financed from private resources.

A new Pharmacies Act is being drafted and is in the plan to be adopted in the middle of 2012.

At the end of 2010, the new Rules on determination of prices of medicinal products for human use (Official Gazette of the RS No 102/10) were adopted for medicinal products financed from public resources and it sets out criteria, measures and procedures for establishing and determining or amending the highest permitted prices for medicinal products and exceptional high prices for medicinal products at a wholesale medicinal product prices. Currently, an amendment and changes to these Rules is in the process of being adopted because the costs for medicinal products in 2011 exceeded the financial plan of the ZZZS for the financing of medicinal products, which means it is urgently necessary to maintain sustainability and ability to finance medicinal products from public resources by the new

system measure. The highest permitted price for medicinal products are established and determined by comparing prices for medicinal products in Germany, Austria and France and the added wholesale margin. These Rules also determine the comparable price level which may be obtained in Slovenia for a particular group of medicinal products (branded medicine, generic medicine, biologically similar medicine).

Risk equalisation scheme applies for the services falling under the supplementary healthcare insurance, which is mandatory under the ZZVZZ for all insurance companies that market the activity. The Commission Decision must be applied but the scheme is in full compliance with it. The initial equalisation amount is calculated for each insurance as a difference between the recorded and standardised amount for eligible costs for supplementary healthcare insured services. When the recorded amount is less than the standardised amount, an insurance company is the payee into the scheme, otherwise it is a recipient. The equalisation is carried out directly between three insurance companies that provide this service, on a quarterly basis and retrospectively. Since the scheme was introduced in 2006, a total of EUR 38.7 million was paid into it, with the average amount of the paying insurance at EUR 902 000 for a large insurance company and EUR 944 000 for a small insurance company. The average financial transfer for the equalisation was EUR 1.8 million per recipient.

Field of culture

The Radiotelevizija Slovenija Act (Official Gazette of the RS No 96/05, 109/05 - ZDavP-1B, 105/2006 - Constitutional Court Decision U-I-307/05-18; ZTRVS-1) is as to its scope and coverage and according to the standards and provision criteria, defined as public service in the field of **radio and television activities**. A public institute of special cultural and national importance, established by the Republic of Slovenia, is the sole service provider. Aside from the public service, RTV Slovenije may separately pursue market activities as set out in the ZTRVS-1 or in its act of incorporation. It must keep separate accounting for public service and market activities. Revenues from market activities may be used for the co-financing of the public service or for retaining and expanding market activities in the fields set out by the ZTRVS-1.

In accordance with the ZTRVS-1, the public service is financed from the payments for programmes (subscriptions), marketed activities and State budget resources, as well as from other resources in accordance with the law and the act of incorporation of the RTV Slovenija. Contributions, intended for the exclusive provision of programmes of public service and varies depending on the nature of users, is set out by the law. Under certain conditions, it may be amended by the law. Certain programmes (for example for Slovenian national minorities) which are legislatively subsidised from the State budget of the Republic of Slovenia, are subsidised in a proportion that is not financed from contributions for individual project of cultural, scientific and general educational importance and individual projects for digitalisation of technological equipment and archives, as recommended by the competent ministry and are also not financed from contributions.

For two years (2009 and 2010), RTV Slovenija received from the State budget around EUR 3.2 million or in the excess of EUR 2.9 million for programmes for the minorities and other categories of users which it services subject to a special legislative authorisation. In these two years, it recorded the final result of EUR 245 000 of excess revenue over expenditure or alternatively, EUR 59.4 million of expenditure over the revenue just from the provision of public service. It covered this loss from the excess of revenue over the expenditure from market activities. One of the reasons for the shortfall in revenue over

expenditure is also statutorily determined contribution amount which has not followed the consumer price index (inflation) since 2002.