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COVER NOTE

From:	Mr Žiga LAVRIČ, Financial Counsellor, Permanent Reprsentation of the Republic of Slovenia to the European Union
date of receipt:	16 October 2018
To:	Mr Carsten PILLATH, Director General, Council of the European Union
Subject:	Slovenia: Draft Budgetary Plan of Slovenia as laid down in Article 6(1) of Regulation (EU) 473/2013 on Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the member states in the euro area

Delegations will find attached Slovenia's Draft Budgetary Plan for 2019 in English.

This document is aimed for discussion in the Eurogroup.

GOVERNMENT OF THE REPUBLIC OF SLOVENIA

DRAFT BUDGETARY PLAN 2018- 2019

no policy change scenario,
according to Regulation (EU) 473/2013

October 2018

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Draft Budgetary Plan 2019 for Slovenia provides fiscal projections at central, local and social security funds level and thus the big picture of public finance based on current trends (by monitoring the budget outturn) and updated projections. Basic source or starting point for drafting up the Draft are adopted central government budgets for 2018 and 2019 (published in Official Journal UL No 71 on 12 December 2017), financial plans for Health Fund (amended budget confirmed by the Assembly on 17 September 2018), Pension Fund (budget confirmed by the Assembly on 21 December 2017) and budgetary projections at the local government level (based on adopted municipal budgets, current outturn and estimations). Fiscal projections cover detailed projections on the no policy change basis for the four public finance budgets to which the majority of public funds, public agencies and other units, which finance more than 50 % of their expenditure from public finance sources (the majority of nurseries, schools, universities hospitals, health centres, public institutions in the field of culture, social protection, research, etc.), are added. In line with Classification of Institutional Sector the general government institutional sector includes also certain public corporations such as Slovene Sovereign Holding (SDH), Bank Asset Management Company (BAMC), Capital Fund (KAD) and others.

Government of the Republic of Slovenia took office on 13 August 2018. It was therefore not possible to adopt any policies and measures which would have an effect on 2019 budget. Due to this no amendments to 2019 budget were made by the 1 October 2018. For this reason the Government of the Republic of Slovenia is conveying to the European Commission the Draft Budgetary Plan based on no policy change in line with Regulation EU 473/2013. When drawing up the aforementioned document all the latest data on main Aggregates of the General Government for 2018 were taken into account (published by SURS on 25 September 2018), the Autumn Forecast of Economic Trends 2018 by IMAD (published on 27 September 2018), the new Operational Programme (INOP) for EU funds and data on budget outturn in the first eight months of 2018 at the level of government budget, Health fund, Pension fund and local level. The Government concluded that revison budget for 2019 will have to be adopted and with it also the new Draft budgetary plan which will be conveyed to the European Commission as well as to the Fiscal Council. Financial plans for Health fund, Pension fund and projections for munipicial budgets will also have to be amended.

Based on no policy change the Republic of Slovenia complies with the requirements of SGP (Stability and Growth Pact) as regards to the rules on debt. General government debt is still above 60% of GDP level (2018: 70.3% of GDP; 2019: 66.6% of GDP) but is constantly decreasing in line with the foreseen dynamics. Based on no policy change Slovenia will continue with activities in order to reach a long term sustainability of public finance in line with the rules.

Public finances projections

The no-policy-change scenario update envisages the general government balance to remain stable with surplus. The surplus 0.5% of GDP in 2018 will drop to 0.2% of GDP in 2019 if no measures are taken. General government balance surplus is due to the favourable economic market situation, interest rates cuts and some expenditures restrained in 2017. Average general government revenue growth in the period 2015-2018 is estimated at 4.2% and is exceeding the average expenditure rate for the same period (0.9%) by 3.3 percentage points. However, according to the projections under the case of no-policy-change scenario, Slovenia deviates in 2019 from the Medium-Term Objective (MTO) set out in the constitution, for around 1 % of GDP. The government's plan in the mandate 2018-2022 is gradual fiscal consolidation with respect to the priority areas aiming to achieve medium-term balance and growth (two main elements of the SGP). Fiscal effort so far has been favourable for two drivers of growth, consumption and export. Nevertheless, at the same time under the no-policy-change scenario some measures were released. General government expenditure and revenue projections at unchanged policies contain all legally adopted measures as well a tendency towards increased absorption of EU funds. Consequently, a special attention is given to investments in relation to GDP.

General government targets	**2017**	**2018**	**2019**
		% GDP	
Net lending/net borrowing	0.1	0.5	0.2
Structural balance	**0.1**	-0.2	-0.9
Gross debt	74.1	70.3	66.6

Source: Ministry of finance

Autumn forecast of economic trends

The autumn forecast of economic trends 2018 (IMAD, September 2018) predicts that high and broadly based economic growth will continue. GDP growth in 2018 will be 4.4%; the key factors will remain export and investments, although their growth will be slightly lower than last year, while growth of private consumption will increase. In 2019, economic growth will remain at relatively high level (3.7%). Slightly lower growth compared to current and previous year will be influenced mainly by: (i) gradual slowdown of the growth of foreign demand and (ii) demographic factors, which will be primarily reflected in a gradual decline of working population. Based on presented economic trends and changes in labour market, wage growth will intensify in the coming year. The forecast is based on (i) international institutions' latest forecasts of economic growth for trading partners that remain relatively favourable, and (ii) situation in the domestic environment, where positive trends on labour market continue, while consumer expectations and a certain segment of businesses are somewhat calming down, but still remain high.

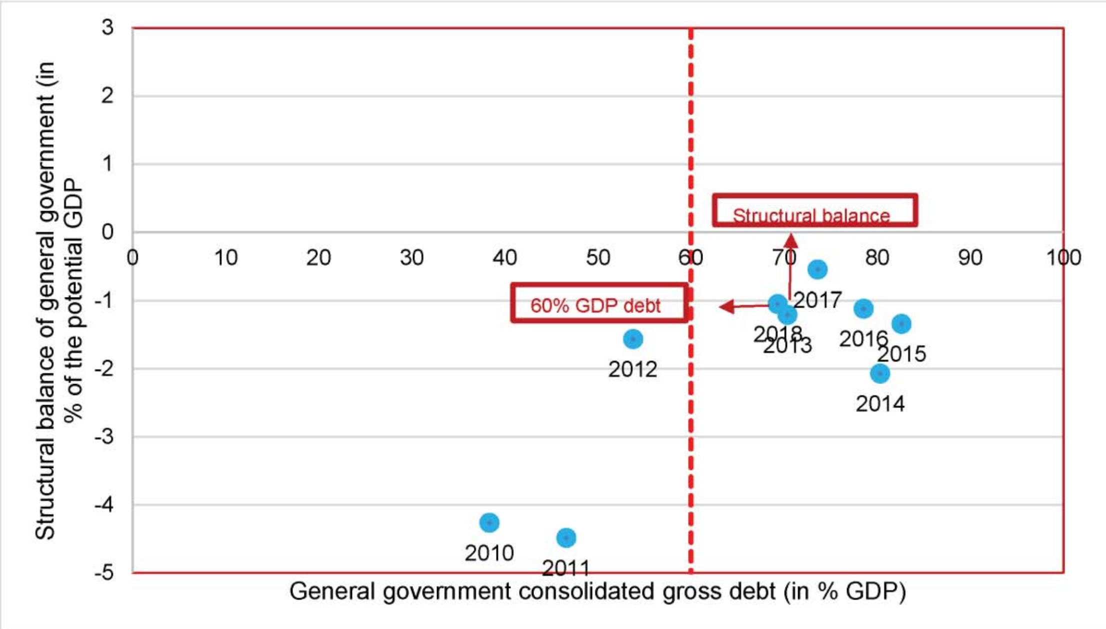
In the assessment of economy's stage in business cycle, some indicators point to a similar direction as the output gap which has been positive since this year, but however most of the indicators remain moderate and do not confirm this. Similarly rapid growth of the real estate market (in terms of the number of transactions and prices), and extremely, in some cases historically high indicators of labour shortages and exploitation of production capacities, are pointed in the same direction as the output gap. On the other side, financial and price indicators (especially inflation, credit activity of banks and current account surplus), where positive trends started to grow only recently and are expected to continue moderately, achieve modest growth rates or changes.

The risks to achieve the realization of the Autumn Forecast predominantly originate from possible different conditions in the international environment compared to those foreseen in the main scenario, which could lead to lower economic growth. These predominantly negative risks in the international environment have been more pronounced since spring. Domestic risks that could possibly affect different realization of economic growth as in the forecast are still predominantly balanced for the coming year. Prospects for (short-term) higher economic growth are related to: (i) relatively high consumer and business confidence in the economy; and (ii) higher wage growth than foreseen in the main scenario.

Fiscal position

According to the calculation, great volatility of the output gaps, yearly revisions of the main aggregates of general government (SORS, ESA 2010 methodology) and with the impact of the restrictive measures as well as economic growth we could conclude that Slovenia almost reached structural balanced public finance in 2017. The permanently achievement of the medium-term objective remains guidance for the fiscal policy.

Graph: Developments of the public debt and structural balance in the period 2010 – 2018



Source: European Commission, Ameco

In the new budgetary plan (policy scenario) and later on in the spring Stability programme 2019 the dynamics and the path to the achievement of the mid-term objective in the mandate 2018 – 2022 will be presented. Consequently this will affect also the Ordinance on the framework for the preparation of the general government budget for the 2019 (changes) and for the next three years until 2022.

Debt developments and guarantees

In the time of prevailing low (negative) interest rate environment in the Eurozone and on the back of ECB quantitative easing resulting in low sovereign yields on euro debt capital markets, Ministry of finance of the Republic of Slovenia since May 2016 until March 2018 executed seven cross-currency (EUR-USD) liability management transactions. In this respect USD 55 % debt exposure was exchanged/early prefinanced with cheaper and long dated euro bonds (10-, 16-, 19- and 24-year) and partially cheaper 2024 USD bonds. At the same time modified duration of the state budget debt portfolio was extended from 4.7 in 2014 to 8.2 in 2018 while average weighted time to maturity increased from 5,7 years in 2013 to 9,4 years in 2018. The implicit interest rate has been all way through reducing and is estimated to reach 3 % by the end of the year 2018. The share of the state budget debt denominated in USD decreased from 25 % to 8,2 % of the portfolio in 2018. All obligations in USD bonds are as a matter of policy fully hedged back into euros. There is no exposure to FX EUR-USD change in this respect.

The total amount of central government guarantees outstanding as at 30 June 2018 was 6,002 million EUR, comprising 669 million EUR of guarantees for the financial sector. The assessment of outstanding guarantees of the Republic of Slovenia at the end of the year 2018 and 2019 was prepared on the basis of certain assumptions relating to the repayment of existing guarantees and approvals of new ones. The planned quota for new guarantees for 2018 as per the Implementation of the Republic of Slovenia's Budget is 500 million EUR, and 350 million EUR for guarantees of SID Bank, d.d. The experience from previous years shows that the actual use of the quota is low: only 5.7% in 2015, 14.8% in 2016, while in 2017 quota was not used. Also the quota for SID Bank d.d. was not used.

Implementation of the country specific recommendations

Slovenian draft budgetary plan 2019 includes measures for country specific recommendations from the Council of the European Union from June 2018 (details in next chapter). Within this we will continue efforts for fulfilment of main structural measures to ensure long-term stability in coming years. Slovenian Government will report further on implementation of CSR in National reform programme.

Basis for the 2019 draft budgetary plan, no policy change assumption

The 2019 draft budgetary plan is based on following:

- Public Sector Salary System Act, Collective wage agreement for public sector, Agreement on labour cost measures and other measures in public sector.
- Central state administration's purchases of goods and service are including NATO requirements of Slovenian army modernisation based on Medium term defence programme of Republic Slovenia 2018-2023. Slovenia has intention to stay in the group of those states, which reallocating for defence expenditures 1 p.p. of GDP or more.

- Social transfers, according to no policy change scenario, are including trend for number of beneficiaries in 2019 and already adopted legal obligations.
- Draft budgetary plan includes also Implementation plan of Operational programme for EU funds, provided and proved by the minister responsible for European cohesion policy and development, previously coordinated and reconciled with intermediate bodies. Common agriculture policy includes and takes into account Rural development programme 2014-2020.
- Appropriations (earmarked funds) in DBP are important for public investments, taking into account un used funds from the past years and carrying them over.
- One off expenditures are equal as in Stability programme 2018.

Table 0.a. Basic assumptions	2017	2018	2019
Short-term interest rate (annual average)[1)]	-0,3	-0,3	-0,2
Long-term interest rate (annual average)[2)]	1,1	1,1	1,3
USD/€ exchange rate (annual average)[3)]	1,129	1,182	1,150
Nominal effective exchange rate	0,5	0,7	0,0
World excluding EU, GDP growth	-	-	-
EU GDP growth	2,4	2,1	1,9
Growth of relevant foreign markets[4)]	6,0	4,7	4,7
World import volumes, excluding EU	-	-	-
Oil prices (Brent, USD/barrel)	54,3	71,6	72,2

Source: IMAD 2018 Autumn Forecast. Notes: [1)] 3-month EURIBOR, data for 2018 is the average of Jan-Sep 2018; [2)] yield to maturity of 10-year government bond, data for 2018 is the average of Jan-Sep 2018 (source: Bloomberg.com); [3)] for the 2018–2019 period: the technical assumption on the basis of average values between 1 and 20 August 2018; [4)] real imports of goods and services from trade partners weighted by means of Slovenian export rates to these countries.

Table 0.b. Main assumptions	2017 (Levels)	2018 (Levels)	2019 (Levels)
1. External environment			
a. Prices of commodities[1)]	8,0	5,8	2,0
b. Spreads of german Bond	0,87	0,58 (Jan-Sep)	
2. Fiscal policy			
a. General Government net lending/ net borrowing *(in million EUR)*	28,4	235,0	77,5
b. General gross debt *(in million EUR)*	31.859,1	32.146,9	32.333,1
3. Monetary policy / Financial sector / Interest rates assumptions			
a. interest rates			
i. Euribor	-0,3	-0,3 (Jan-Sep)	
ii. Deposit rates	0,13	0,15 (Jan-July)	
iii. Interest rates for loans	2,34	2,11	
iv. Yields to maturity of 10 year government bonds	1,14	1,08 (Jan-Sep)	
b. Evolution of deposits	4,6	6,5 (Aug yoy)	
c. Evolution of loans	3,8	4,4 (Aug yoy)	
d. NPL Trends	3,6	2,8 (July)	
Demographic trends			
a. Evolution of working age population[2)]	1.272,7	1.262,6	1.252,1
b. Dependency ratios[3)]	31,2	32,4	33,6
Structural dependencies			

Notes: [1)] Prices of commodities: non-energy commodities in USD, change in %; [2)] 20-64 years, 1. January of year; [3)] 65+/20-64*100, annual average.

Table 1.a. Macroeconomic Prospects	ESA Code	2017 (Levels million EUR)	2017 (rate of change)	2018 (rate of change)	2019 (rate of change)
1. Real GDP	B1*g		4,9	4,4	3,7
of which:					
Attributable to the estimated impact of aggregated budgetary measures on economic growth					
2. Potential GDP			2,3	2,7	3,0
Contributions					
Potential GDP contributions: Labour			0,6	0,8	1,0
Potential GDP contributions: capital			0,2	0,4	0,6

Potential GDP contributions: total factor productivity			1,5	1,5	1,5
3. Nominal GDP	B1*g	43.000	6,5	6,4	6,1
Components Of real GDP:					
4. Private consumption expenditure	P.3	22.305	1,9	2,7	2,6
5. Government consumption expenditure	P.3	7.837	0,5	2,7	2,0
6. Gross fixed capital formation	P.51	7.962	10,7	9,0	8,5
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	715	1,7	1,5	1,4
8. Exports of goods and services	P.6	35.637	10,7	8,2	6,6
9. Imports of goods and services	P.7	31.455	10,3	8,0	7,1
Contribution to real GDP growth:					
10. Final domestic demand		38.818	3,6	3,5	3,4
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	715	0,6	-0,1	0,0
12. External balance of goods and services	B.11	4.181	1,3	0,9	0,3

Source: SORS, IMAD 2018 Autumn Forecast.

Table 1.b. Price developments *Change, %*	ESA Code	2017 (Levels)	2017 (rate of change)	2018 (rate of change)	2019 (rate of change)
1. GDP deflator			1,6	1,9	2,3
2. Private consumption deflator			1,7	2,5	2,2
3. HICP[1)]			1,4	1,8	2,1
4. Public consumption deflator			2,7	2,2	3,6
5. Investment deflator			1,5	2,4	2,8
6. Export price deflator (goods and services)			2,5	2,1	1,7
7. Import price deflator (goods and services)			3,0	2,6	1,9

Source: SORS, IMAD 2018 Autumn Forecast. Note: [1)] National index.

Table 1.c. Labour market developments	ESA Code	2017 (Levels)	2017 (rate of change)	2018 (rate of change)	2019 (rate of change)
1. Employment, persons[1)]		986	2,8	2,8	1,5
2. Employment, hours worked		1.601.859	1,0	4,8	2,7
3. Unemployment rate (%) – *ILO unemployment rate*		67,5	-15,3	-15,8	-11,5
4. Labour productivity, persons		40.470	1,9	1,5	2,1
5. Labour productivity, hours worked		25,0	3,8	-0,4	0,9
6. Compensation of employees[3)]	D.1	21.203	6,5	7,9	6,8
7. Compensation per employee[3),4)] in 000 EUR		21,494	3,7	4,9	5,2

Source: SORS, IMAD 2018 Autumn Forecast. Notes: [1)] Employed population, national accounts definition (domestic concept), [2)] Real GDP is taken into account, [3)] Nominal growth, [4)] Full-time employed are taken into account.

Table 1.d. Sectoral balances	ESA Code	2017 (% of GDP)	2018 (% of GDP)	2019 (% of GDP)
1. Net lending/borrowing vis-a-vis the rest of the world	B.9	6,3		
of which:				
- Balance on goods and services		9,7	10,0	9,7
- Balance of primary incomes and transfers		-2,6	-3,2	-3,3
- Capital account		-0,8		

2. Net lending/borrowing of the private sector	B.9			
3. Net lending/borrowing of general government	EDP B.9	0,1	0,5	0,2
4. Statistical discrepancy				

Table 2.a. General government budgetary targets broken down by subsector	ESA Code	2018 (% of GDP)	2019 (% of GDP)
Net lending (EDP B.9) by sub-sector			
1. Net lending/net borrowing: General government	S.13	0,51	0,16
2. Net lending/net borrowing: Central government	S.1311		
3. Net lending/net borrowing: State government	S.1312		
4. Net lending/net borrowing: Local government	S.1313		
5.Social security funds	S.1314		
6. Interest expenditure	EDP D.41	1,98	1,66
7. Primary balance		2,5	1,8
8. One-off and other temporary measures		0,09	0,05
8.a Of which one-offs on the revenue side: general government			
8.b Of which one-offs on the expenditure side: general government		0,09	0,05
9. Real GDP Growth (%) (=1 in Table 1a)		4,4	3,7
10. Potential GDP Growth (%) (=2 in Table 1a)		2,7	3,1
Contributions			
-Labour		0,8	1,0
-Capital		0,4	0,6
-Total factor productivity		1,5	1,5
11. Output gap (% of potential GDP)		1,8	2,4
12. Cyclical budgetary Component (% of potential GDP)		0,8	1,1
13. Cyclically adjusted balance (1-12) (% of potential GDP)		-0,3	-0,9
14. Cyclically adjusted primary balance (13+6) (% of potential GDP)		1,6	0,7
15. Structural balance (13-8) (% of potential GDP)		-0,2	-0,9

Table 2.b. General government debt developments	ESA Code	2018 (% of GDP)	2019 (% of GDP)
1. Gross debt		70,3	66,6
2. Change in gross debt ratio		-3,8	-3,7
Contributions to changes in gross debt:			
3. Primary balance		2,5	1,8
4. Interest expenditure	EDP D.41	2,0	1,7
5. Stock-flow adjustment		1,1	0,5
of which:			
- Differences between cash and accruals			
- Net accumulation of financial assets			
of which:			
- privatisation proceeds			
- Valuation effects and other			
p.m.: Implicit interest rate on debt		2,8	2,5
Other relevant variables:			
6. Liquid financial assets		10,8	8,2
7. Net financial debt (7=1-6)		59,5	58,5
8. Debt amortization (existing bonds) since the end of the previous year		4,0	4,7
9. Percentage of debt denominated in foreign currency		0,1	0,1
10. Average maturity		9,2	9,0

Table 2.c. Contingent liabilities	2018 (% of GDP)	2019 (% of GDP)
Public guarantees	12,7	11,1
Public guarantees: *linked to the financial sector	1,5	1,4

Note: *In accordance with the Classification of Institutional Sectors (SKIS) data "linked to the financial sector" contains the data of outstanding guarantees for S.12, Financial corporations.

Table 3: General government expenditure and revenue projections at unchanged policies broken down by main components	ESA Code	2018 (% of GDP)	2019 (% of GDP)
General government (S13)			
1. Total revenue at unchanged policies	TR	42,9	42,4
Of which:			
1.1 Taxes on production and imports	D.2	14,1	13,6
1.2 Current taxes on income, wealth, etc	D.5	7,8	7,7
1.3 Capital taxes	D.91	0,03	0,03
1.4 social contributions	D.61	14,9	14,6
1.5 Property income	D.4	1,0	0,8
1.6 Other		5,1	5,6
p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)		36,8	36,0
Total expenditure at unchanged policies	TE	42,4	42,2
Of which:			
2.1 Compensation of employees	D.1	11,2	11,1
2.2 Intermediate consumption	P.2	6,2	6,0
2.3 Social payments	D.62,D.63	16,7	16,4
Of which unemployment benefits		0,4	0,3
2.4 Interest expenditure	EDP D.41	1,98	1,66
2.5 Subsidies	D.3	0,7	0,7
2.6 Gross fixed capital formation	P.51	3,3	4,0
2.7 Capital transfers	D.9	0,5	0,5
2.8 Other		1,8	1,9

Table 4.a. General government expenditure and revenue targets broken down by main components - *NO target scenario*	ESA Code	2018 (% of GDP)	2019 (% of GDP)
General government (S13)			
1. Total revenue target	TR		
Of which:			
1.1 Taxes on production and imports	D.2		
1.2 Current taxes on income, wealth, etc	D.5		
1.3 Capital taxes	D.91		
1.4 social contributions	D.61		
1.5 Property income	D.4		
1.6 Other			
p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)			
Total expenditure target	TE		
Of which:			
2.1 Compensation of employees	D.1		
2.2 Intermediate consumption	P.2		
2.3 Social payments	D.62,D.63		
Of which unemployment benefits			
2.4 Interest expenditure(=9 in table 2.a)	EDP D.41		
2.5 Subsidies	D.3		

2.6 Gross fixed capital formation	P.51	
2.7 Capital transfers	D.9	
2.8 Other		

Table 4.b. Amounts to be excluded from the expenditure benchmark	2017 (Levels million EUR)	2017 (% of GDP)	2018 (% of GDP)	2019 (% of GDP)
1. Expenditure on EU programmes fully matched by EU funds revenue	398,2	0,93	1,04	1,84
1a. Investment expenditure fully matched by EU funds revenue	74	0,16	0,21	0,70
2. Cyclical unemployment benefit expenditure	8	0,02	0,01	0,00
3. Effect of discretionary revenue measures				
4. Revenues increased mandated by law				

Table 4.c.i. General government expenditure on education, healthcare and employment[1)]	2018 (% of GDP)	20 18	2019 (% of GDP)	20 19
Education				
Health				
Employment				

Note: [1)] Not available for 2018 and 2019

Table 4.c.ii. General government expenditure by function[1)]	COFOG Code	2016 (% of GDP)	2017 (% of GDP)	2018 (% of GDP)	2019 (% of GDP)
1. General public services	1	6,6			
2. Defence	2	0,9			
3. Public order and safety	3	1,7			
4. Economic affairs	4	4,5			
5. Environmental protection	5	0,6			
6. Housing and community amenities	6	0,4			
7. Health	7	6,7			
8. Recreation, culture and religion	8	1,4			
9. Education	9	5,6			
10. Social protection	10	16,7			
11. Total expenditure (=2 in Table 2c)	TE	45,1			

Note: [1)] Not available for 2017, 2018 and 2019.

Table 5. Discretionary measures - *NO target scenario*	ESA Code	2017 (% of GDP)	2018 (% of GDP)	2019 (% of GDP)	2020 (% of GDP)	2021 (% of GDP)	2022 (% of GDP)	2023 (% of GDP)
Revenue								
Taxes on production and imports	D.2							
Current taxes on income, wealth, etc	D.5							
Capital taxes	D.91							
Social contributions	D.61							
Property income	D.4							
Other	P.11+P.12+P.131 +D.39+D.7+D.9 (other than D.91)							
Expenditure								
Compensation of employees	D.1							
Intermediate consumption	P.2							
Social payments, of which, where applicable, unemployment benefits including cash benefits and in...	D.62+D.63+D.62 1+D.624+D.631							
Interest expenditure	EDP D.41							
Subsidies	D.3							
Gross fixed capital formation	P.51							
Capital transfers	D.9							
Other (other than D.41)	D.29+D.4+D.5+D .7+P.52+P.53+K.2 +D.8							

Table 7. Divergence from latest SP	ESA Code	2017 (% of GDP)	2018 (% of GDP)	2019 (% of GDP)
Target general government net lending/borrowing – ***NO target scenario***				
Stability plan	EDP B.9			
Draft budgetary plan	EDP B.9			
Difference				
General government net Lending projection at unchanged policies				
Stability plan	EDP B.9	0,0	0,4	0,2
Draft budgetary Plan	EDP B.9	0,1	0,5	0,2
Difference		0,1	0,1	0,0

Table of Country specific recommendations for SI

CSR	2018 recommendations for SI	State of play
1	Ensure that the nominal growth rate of net primary government expenditure does not exceed 3.1 % in 2019, corresponding to an annual structural adjustment of 0.65 % of GDP.	Changes to 2019 State Budget have not yet been adopted due to changes in the Government. The adopted 2019 budget remains relevant.
	Adopt and implement the healthcare and health insurance act and the planned reform of long-term care.	The new Health Care and Health Insurance Act was drafted in 2016, and submitted for public discussion and the opinion of social partners at the beginning of 2017. Harmonisation of the proposed act with the representatives of the Economic and Social Council and other key stakeholders continued in the same year. At the beginning of 2018, the proposed act was submitted to the Economic and Social Council and the coalition partners. In 2018 and 2019, the work of the new Government will continue to work on the draft law, in accordance with the guidelines outlined in the Coalition Agreement on Cooperation in the Government of the Republic of Slovenia for the 2018-2022. The bill will regulate rights at the level of the law, which will be clearly defined. The Health Insurance Institute of Slovenia (ZZZS) will become an active buyer. An important part of the regulation in the draft law relates to the method and sources of financing, with the financial sustainability of the health system closely linked to solidarity, equity and accessibility. In the new legislation, more emphasis will also be placed on strengthening controls, both above payers and operators. At the same time, the financing of some of the expenditures currently paid by the Health Insurance Institute has been gradually transferred to the state budget by 2021 (amendments to the Medical Services Act). In 2019, the focus will be on measures to manage waiting times and stabilize the operations of hospitals. In cooperation with the European Commission's Structural Reform Support Service, certain projects are being implemented. One of the important ones is a two-year project, 'Planning and managing the public health-care service network'. The purpose of the project is to prepare tools and establish mechanisms for managing the public health-care service network from the viewpoint of fair access, the changing needs of the population, high-quality and safe health care and the rational use of resources. The new systemic arrangement of the long-term care was prepared in 2017 in the proposed Long-term care act and insurance for long-term care. The proposal pursues basic objectives, such as access to high-quality services, sustainable financing, comprehensive treatment of patients, promotion of care at home or in the community. Preparations for the implementation of pilot projects also started in 2017, which will have initiated in 2018 within the framework of which the proposed legislative solutions regarding long-term care will be tested in three pilot environments (urban, rural and semi-rural) in Slovenia's eastern cohesion region. The implementation of projects will be supported by the European Social Fund. In certain sections, the preparation of pilot projects is also supported by the Structural Reform Support Service of the

		European Commission.
	Ensure the long-term sustainability and adequacy of the pension system, including by increasing the statutory retirement age and by restricting early retirement.	Following the adoption of the White Paper on Pensions,[1] the Economic and Social Council adopted the 'Starting points for renewal of the pension and disability insurance system' in mid-2017, which was an important step towards the further development and stability of the public pension system. Trust among all generations in the public pension system is increasing and is important particularly in terms of social dialogue. Joint starting points set suitable amount of pension and financial sustainability of the public pension system as two equivalent objectives. Social partners agree that an additional increase in the actual retirement age is necessary, and simultaneous or earlier measures in the labour market which contribute to the early employment of young people and prolonged activity of the elderly. The objective of the document is to adopt new legislation in this field by the end of the transitional periods of the current pension legislation (by 2020), which would be implemented gradually with longer transitional periods subject to previous agreement. On the basis of the policies in the 'Starting points', statutory amendments in the field of pension and disability insurance in Slovenia effective after 2020 will be prepared on time and will be adopted according to a standard procedure in cooperation with social partners.
	Increase the employability of low-skilled and older workers through lifelong learning and activation measures.	In 2017, some legislative bases to further improve the functioning of the labour market were adopted, particularly in the field of effectively activating the elderly, the less educated, the young and long-term unemployed people. When the Labour Market Regulation Act in 2017 was amended, additional incentive for employing people with lower or upper secondary education who receive unemployment benefits was introduced. Measures for sanctioning violations while registered with the Employment Service of Slovenia were also adopted in regard to the unemployed in order to activate and reintegrate them into the labour market. Bothe changes came into force in 2018. In 2018, special activities will also be undertaken, aimed at integrating people who have lost their jobs into labor market. By providing comprehensive support to people in the form of information, motivation, career counseling, various training and education, it will facilitate the transition to new jobs or new employment and prevent their transition into unemployment. In addition to the existing measures for long-term unemployed persons, the preparation of a special integration employment plan was introduced in 2017. After 12 months of unemployment, the Employment Service of Slovenia prepares an assessment of the situation, advantages and fields for improving employment possibilities. While adjusting working with the long-term unemployed and the elderly, cooperation with social work centres was also enhanced. Several measures to promote employment of the elderly were implemented in 2017 and they will also continue in the future. These measures also include the project, 'Active until retirement', within the framework of which employers receive financial incentives. There is also an intervention measure reducing labour costs for employers and the 'Zaposli.me' project.

[1] http://www.mddsz.gov.si/fileadmin/mddsz.gov.si/pageuploads/dokumenti__pdf/dpd/2Bela_knjiga_o_pokojninah.pdf

		Several measures were implemented within the framework of the Youth Guarantee Scheme which facilitate the transition from education to the labour market in the short and long term. One of the long-term measures is the ongoing upgrade of the consulting process at the Employment Service of Slovenia to increase the quality of consulting offered to the unemployed and to empower young people to assume responsibility for efficiently managing their own careers. In 2018, in the framework of lifelong learning, Career centers for young people are also established, with the appropriate aim of empowering young people to plan their careers. In the first half of 2018, the measure of training workshops for employers in the field of social entrepreneurship began, which enables the unemployed person practical training for a specific job with the help of mentors, and after completion of the training, the subsidized employment for at least six months. Another project was also initiated in 2017 whose purpose was to obtain a comprehensive insight into precarious work and the effects of such work on the individual and society as a whole, and to obtain the basis for forming further measures to limit the adverse effects of precarious work from the viewpoint of legal, economic, social and health protection. Solutions regarding the increasing impact of digitalisation on work processes will be sought in the future.
2	Develop alternative sources of financing for fast-growing companies.	The key measure in the field of financing promotion in 2017 was the implementation of preparatory activities for the project, 'Financial instruments 2014–2020' (EU funds). The Ministry of the Economy as the intermediary body and the SID bank concluded the funding agreement in the amount of EUR 253 million, which also includes the Investment Strategy and the Business and Financial Plan of the Fund of Funds by 2023. The implementation of financial instruments will take place through financial intermediaries, which the SID bank will select as per the funding agreement. Activities to improve access to funding for medium-sized, small and micro enterprises through the SID bank, the Public Fund of the Republic of Slovenia for Entrepreneurship and the Slovenian Regional Development Fund will be further implemented. The Slovene Enterprise Fund enables access to favourable financial resources in the form of subsidies for start-ups and seed capital (convertible loan, equity injections) combined with grants in the form of mentoring, training and networking, micro loans, and guarantees for bank loans with interest rate subsidies. The Fund also participates in the CEFOF (Central Europe Fund of Funds), while the SID bank granted favourable loans for the operations of MSMEs, microfinancing, hiring, investing and RDI from the Loan Fund for MSMEs (4 loan lines). It was also successfully implementing the instrument of 'patient loans' and developed concepts of new measures to promote investment and exports, which will commence in 2018. The Slovenian Regional Development Fund enabled access to favourable loan sources and to a lesser extent also in combination with subsidies or subsidies alone (in regions where autochthonous national communities live). It also published a tender for regional providers of guarantee schemes to whom long-term financial contributions for the implementation of regional guarantee schemes were transferred. In addition to the foregoing measures of implementing institutions, funding for RDI promotion through the Ministry of the Economy (MGRT) and the SPIRIT Slovenia Public Agency is also

		anticipated in 2018.
	Lower the barriers for market entry through the revision of product market regulation and limiting administrative burden.	The adopted Investment Promotion Act includes a novelty concerning the equalising of domestic and foreign investors, since the same measures to encourage investment are introduced for domestic and foreign investors (investment incentives, conditions, criteria and procedure for allocating investment incentives, such as subsidies, incentives in the form of loans, guarantees and subsidised interest rates; a self-governing local community may sell real property to a company at a price lower than the market price on the basis of a direct contract on the purchase of real property). The Act also determines activities to promote investments and the internationalisation of companies. Strategic investment is determined in particular, including the determination of meeting the conditions. The Act also defines a new expropriation purpose for strategic investments, which are in the public interest and which contribute to the public benefit by accelerating economic growth and employment and balanced regional development.
	Enhance competition, professionalisation and independent oversight in public procurement.	In 2018, the use of electronic auctions continued, especially in the public administration. During this time, the execution of joint procurements increased in the number of procedures by more than 500 percent (from 78 to 448), and in the value of almost 300 percent (from 104 million € to 305 million €). The implementation of transparent processes has increased significantly; from 2015 to 2017, the number of negotiated procedures without prior publication has halved (from 20 to 10.6%). In 2018, the renewal of the information system for the implementation of electronic public procurement (EJN) continued, and as of 1.4.2018, a complete electronic submission of offers was launched, which greatly enhances the transparency of public procurement. In May 2018, the Action Plan for Improving System and Professionalisation in Public Procurement with 27 detailed measures and short and medium-term objectives was adopted with the aim of improving the quality and efficiency of the public procurement system. We will continue to pay special attention to the promotion and effective implementation of strategic public procurement, social criteria and solutions that will prevent social dumping and achieve a comprehensive computerization of procedures, including legal protection in public procurement procedures.
	Carry out the privatisations according to the existing plans.	The implementation of the individual objectives of the government's capital management strategy is defined in the annual management plan submitted by SDH to the Government for approval by the end of November. By the decision of the European Commission, the Republic of Slovenia must sell at least 50% plus one share of the NLB by the end of 2018, and its share in the ownership of the bank to the target of 25% plus one share should be definitely reduced by the end of 2019. SDH is carrying out all the necessary activities to achieve the stated goal, as well as for the sale of the 100% share of the Republic of Slovenia in Abanka until June 30 2019.

Table EU 2020 targets - Slovenia

	Europe 2020 – National objectives and latest developments	
	Employment rate: 75% 2017: 73,4%	The level activity (20-64 years) has been gradually increasing in recent years, reaching 73.4% in 2017 and 75.5% in the second quarter of 2018 (the target is 75% for 2020). Active labour market policy measures are aimed at increasing the employability of vulnerable groups (older, lower and secondary educated, young and long-term unemployed). Over the first eight months of 2018, more than 21,000 people were enrolled in the ALM, which is 28% more than in the same period of 2017 and almost 85% of all inclusions in 2017. Among all included most of them were the long-running unemployed (37.9%), young people up to 29 years old (28.89%), older than 50 years (27%) and lower educated (23.6%). At the annual level (2017), the share of unemployed older people aged 50 and over included in AML increased to 26%. The proportion of unemployed persons with low education is also increasing. In 2017, 4,565 people with lower education were included in various AML programs, representing 18.2% of all involved in this period. In order to increase the employment of the long-term unemployed, the preparation of a special integration employment plan was introduced in 2017. In 2017, 29.8% of all long-term unemployed were included in ALM. The target for 2018, of 35% will be exceeded, as almost 38% of the long-term unemployed participated 2018 among all those involved in ALM measures. In recent years, several concrete measures have been implemented to encourage the employment of elderly in the form of subsidies or lower labor costs. We also note a greater share of older people who remain in employment despite the fact that they fulfill the conditions for retirement. This is the result of the introduction of a new measure, adopted by amendments to the pension legislation in 2015 (ZPIZ-2B). It is a special legal incentive to postpone the right to retirement at a later time after fulfilling the conditions for it. In 2017, the average number of users of 20% of early or old-age pensions increased by 47.3% in comparison with 2016 (to 6460 users). More recent measures are, in particular, encouraging the adaptation of enterprises to older employees, and the project is a full-fledged support for Active Aging Workforce. In this context, a catalog of measures and good practices and measures for the effective management of the aging workforce was formulated and published in 2017. In 2018, thematic workshops for managers were conducted. From 2017 to 2020, there are also several tenders for the development of senior management strategies for older employees and for raising their competencies, while also envisaging the selection of pilot projects for innovative solutions to maintain the productivity of older employees in companies. In the challenges of the aging of the population, the strategy of a long-living society was adopted in 2017, which sets out the framework for action (employment or work activity, healthy and safe life of all generations, social inclusion and the creation of an environment for activity throughout life) and provides for the preparation of action plans. In order to ensure consistency and follow-up of the strategy, the Council for Intergenerational Cooperation has been established. The Resolution on the National Program of Occupational Safety and Health is also in the process of adoption. Measures to ensure a high level of safety and health at work, prevention and good health of workers are a necessary prerequisite for extending working lives. Extension of working life is strongly dependent on the appropriate adaptation of jobs and work organization, including working time, access to jobs and job interventions for older workers. The strategy also provides for the preparation of practical guidelines for risk assessment,

		with emphasis on the risks faced by certain groups of workers. Implementation documents of the national program are three-year action plans, which will define concrete measures, action providers, financial resources, deadlines and the manner of monitoring the implementation of measures. With the current economic growth, the improvement of conditions in the labour market and the demographic situation, the lack of certain workers, particularly low and semi-skilled workers, can be detected in Slovenia. To this end, Slovenia is concluding bilateral agreements regarding employment with target countries, and in compliance with the action plan of the current Economic Migration Strategy 2010–2020, it introduced a uniform procedure for work permits and adopted a list of occupations in shortage, where no prior control of the labour market exists.
	Investment in R&D: 3% of GDP 2016: 2%	The share of public and private investments in research and development in Slovenia is at the EU average. Since 2013, when it reached 2.6% of GDP, it has dropped to 2% of GDP in 2016 because GDP was growing faster than investments in research and development. Slovenia has thus already increased public funds by 12% in 2018 in comparison to 2017. Key challenge remains long term and sustainable financing, which is essential for institutional strategic planning. To improve the integration of education, science and business/non-business sectors in order to establish regular and ongoing dialogue between key stakeholders to identify measures to improve cooperation, the consulting body has been meeting. In the priority fields defined in S4 – the Slovenian Smart Specialisation Strategy – strategic development and innovation partnerships (SDIP) were established; these combine relevant stakeholders from the business sector, public research institutions, universities or faculties, individual schools and also non-governmental organisations in certain cases. In 2017, the SDIPs drew up action plans for programmes of common development, internationalisation and human resources development. They also act as discussion partners with the state regarding necessary systemic measures. In this way, S4 is becoming a central lever for establishing and enhancing dialogue between key stakeholders in science, the business sector and education, whereby it also significantly affects the complex development transformation of the Slovenian economy. In addition to current measures, the introduction of certain new ones has began in 2018 in the field of research activity, an increase in funds for operations of institutions and universities, the purchase of research equipment, support for researchers at the beginning of their research path and the possibility of additional complementary measures. Research fields are being enhanced, since additional cooperation will be enabled on projects which strengthen the European Research Area, e.g. PRIMA, ERA-NET and engagement within ESFRI projects. Unrealised measures from the Research and Innovation Strategy of Slovenia 2011–2020 are also being drafted, through which research institutions would become more competitive and have more opportunities to focus their research on certain topics. The institutions would be entitled to additional funds if their work is successful and they attain the set indicators. More flexibility is anticipated with regard to the awarding of researchers. Closer cooperation with the business sector and improved autonomy of institutions when marketing knowledge obtained through research work would be established with a national consortium of offices for technology transfer (enhancing cooperation between the business sector and research organisations, supporting commercialisation of developed solutions, promoting demand and enhancing the development competences of institutions). Within structural funds, the preparation and implementation of most measures are anticipated, with the emphasis on enhancing cooperation between the business sector and the academic sphere and stimulating researchers at the start of their career, including their mobility. Measures involving research infrastructure will be promoted. The implementation of the InnoRenew project is underway, which is a new, internationally comparable and competitive centre of excellence in

	the field of the wood industry, establishment of super computer center will also be supported. Investments in research infrastructure will also be supported within the Research Infrastructure Roadmap. A project to establish the Centre for Creativity was instigated in November 2017, which will stimulate companies to connect with the cultural and creative sectors for the development of new and innovative products. This also includes promoting entrepreneurship in specific and new fields of establishing and using traditional crafts, skills, technologies and materials for upgrading brands in connection with culture and protected assets (e.g. cultural landscape, knowledge, techniques, folk customs etc.).
Greenhous gas emission target: +4% (comparison to 2005)	Second annual report on the implementation of the OP of the GHG emissions by 2020 shows that Slovenia is well on track to meet its national target in the field of emissions reduction within non ETS industries. In 2015 greenhouse gases emissions (GHG) from non ETS industries were lower from the national annual target by as much as 13.4%. However in 2015 the emissions within non ETS industries increased by 2.2% compared to the previous year. First estimates indicate that this trend will continue also in 2016 due to 7.4% increase of the emissions in transport which may result in the 3.7% growth of total emission within non ETS industries. The assessment of the achievement of the targets according to 406/209/ES remains positive despite the increase of the GHG emissions. The report observes in detail that financial assets available for the implementation of the programme are aligned with the plan. The effect of the public finance used on the reduction of GHG emissions and the economic growth and employment might be significantly higher in case that enough human capacity as well as increased training for implementation of measures and established processes of stakeholder cooperation in the early phase of designing and implementing measures will be available for the implementation of the OP GHG 2020. Potential for reduction of the GHG emissions in the field of agriculture, namely the plant production, is visible particularly in the use of more energy efficient technologies, more efficient use of nitrogen which includes the type, amount, time and the way the fertilisers are used, optimising fertilisation based on the soil analysis and the fertilisation plan, soil management, following an appropriate rotation with high enough share of legume and revegetation of soil.
Renewable energy target: 25%	In 2005, the share of renewable energy sources (RES) in the final total energy consumption was 16.2% and in 2016 it was 21.3%, which is 0.5% below the annual target set. The reason for this is the lag in the implementation of the program in the field of transport and electricity. In order to increase the share of RES in the use of gross final energy to 25% by 2020, the key role play the incentives for the production of heat and electricity from RES through the Operational Program for the Implementation of the European Cohesion Policy for the period 2014-2020, the ECO Fund and the Energy Agency, yearly allocate funds for the support scheme for electricity from RES.
Energy efficiency target 82,86 Twh	Within the framework of the AN URE 2020, Slovenia has set the goal of improving energy efficiency by 2020, so that the use of primary energy in 2020 will not exceed 7,125 million toe (82,86 TWh). For 2016, Slovenia remains within the indicative target of 78.2 TWh, but in comparison with the previous year it increased by 5%. The reason is, in particular, a 3.9% increase in end-use energy consumption, with an increase in all sectors in 2016. This has shown that short-term but high growth in the use of final energy, in which of the sectors, can also lead to the growth of primary energy consumption. A significant contribution to the use of primary energy is represented by the transport sector with as much as 39% of total energy consumption. The latter is highly variable in this sector, and the impact of energy efficiency measures (EEUs) on energy use in this sector is limited. In the industry where the use of final energy increased by 1%, the energy intensity will be further reduced to achieve the indicative target for 2020. In the household sector, where in 2016 the value was 10% above the indicative target for 2020, it will be necessary to ensure the continuation of EEU measures with an appropriate volume and intensity.

Early school leaving : 5% 2017: 4.3%	Regarding early school leaving, Slovenia has already realised the objective of the Europe 2020 Strategy (less than 10%). According to Eurostat, 4.3% of young people aged between 18 and 24 in Slovenia in 2017 left school before they obtained a secondary education, which is lower than the EU average (10.7%). Slovenia thus ranks among the three most successful countries, where the share is below 5%. To prevent early school leaving, Slovenia introduced preventive measures, which enable the identification of students at risk of leaving school, the provision of expert and learning assistance and inclusion in the consulting process at school. Furthermore, Slovenia dedicates a lot of attention to measures to provide safe and stimulating learning environments, which encompasses the enhancement of social skills, tolerance and respect for diversity, and also enables the development and attainment of the highest possible level of creativity. Several measures are aimed at establishing a stimulating school environment for students with migrant backgrounds, who leave school early more frequently than their peers in Slovenia and the EU. In 2016, as many as 15.6% of children born abroad left school early in Slovenia; however, this share was reduced in 3 years by almost 1%. Measures to successfully integrate migrant children from other linguistic and cultural environments in education include Slovenian language lessons as a second language, lessons in native languages, the training of teachers in multiculturalism as a new form of co-existence etc. A literacy programme in Slovenian for foreign speakers was adopted, with a special programme for adults aged between 15 and 18, which enables their integration into primary education. A website was also set up with information for managements of schools, teachers, parents and the interested public on various aspects of the integration of migrants. Amendments to the Gimnazije Act and the Vocational Education Act were passed in 2017, which particularly focus on facilitated and suitable integration of migrant secondary school students into education. Materials on teaching and learning Slovenian as a second language, which are available online, were produced with the help of the European Social Fund. The public procurement, 'Enhancing social and civic competences of expert workers (2016–2021)', was also published, which will focus on empowering expert workers to successfully integrate migrant children, primary school pupils, secondary school students and university students and majority-culture children through programmes of professional training. In addition to promoting intercultural dialogue and acceptance of diversity, one of the project's objectives is the preparation of a proposal for a programme of work with migrant children which will include a justified and recommended number of Slovenian language lessons for a migrant child, i.e. in pre-school education, primary education by educational periods and secondary education. The programme will be prepared by June 2018. The development projects which are underway are aimed at drafting a proposal for a programme of work with migrant children in regular education and enhancing teachers' competences when integrating migrant children. Special attention is dedicated to children with international protection and unaccompanied minors, since line ministries cooperate in their accommodation in residence halls, their care and their integration into the education system.
Tertiary education: 40% 2017: 46.4%	In 2017, 46.4% of citizens aged between 30 and 34 in Slovenia had completed higher education. Thus, the objective of the Europe 2020 Strategy (40%) has already been accomplished. Changes already applied in 2017, which were the result of the amended Higher Education Act, affect particularly the system of financing and managing higher education institutions. These were granted more flexibility and responsiveness regarding the needs of the labour market, and simultaneous optimisation of their operations. Annual budgetary resources for study activity are gradually being increased until 1% of GDP is reached, i.e. no later than in 15 years from the entry into force of the Act. In comparison to 2015, resources increased by as much as 5.9% in 2016, and in 2017, they were

	2.5% higher compared to the year before. A proposal of solutions for a completely new method of defining public service in the field of higher education, granting (and withdrawal) of concessions and changes in work and pedagogical obligations has been prepared. With the help of structural funds, Slovenia is implementing numerous measures also in higher education. Public procurements were completed in higher education, particularly with the aim of internationalising higher education (visits of students abroad, project hosting at Slovenian higher education institutions, hosting of foreign experts and higher education professors at Slovenian higher education institutions). This field will also be topical in the coming years, since resources for the mobility of higher education professors and experts will be again awarded through procurements. The training of higher education professors to introduce innovative flexible forms of learning and teaching, to improve the quality of higher education and to enhance the transfer of skills and knowledge to students and also the knowledge of didactic use of ICT will be promoted. The mobility of students from socially disadvantaged environments will be further encouraged. The purpose of this activity is to enhance the international mobility of Slovenian students from socially disadvantaged environments in exchanges abroad, with complementary financing of mobility through the Erasmus+ programme. A system for monitoring the employability or employment of higher education graduates will be established. Projects of cooperation with the business and non-business sectors in the local and regional environments will be supported, including students' projects for examining various creative and innovative solutions for the challenges of the non-business and non-profit sectors. Career centres have fully come to life at higher education institution.
Reducing the population at risk of poverty and social exclusion: - 40.000 persons 2017:-16.000	Slovenia is one of the countries that have been hit hard by the economic crisis, which is also shown by the growth of indicators that measure poverty and social exclusion. Negative trends stopped in 2014, and since then, we have recorded a decrease in both the at-risk-of-poverty rate and social exclusion indicators (which are below the EU average). According to the latest statistics published in June 2018, the poverty rate again dropped to 13.3%. Social transfers reduced the risk of poverty rate by 0.3 percentage points more than in 2016 and pensions by 0.6 percentage points more than in 2016, which is attributable to changes in social and pension legislation adopted in the past period. A positive trend is also recorded in terms of the living standard of households. Thus, as in 2017, the growth of disposable income was recorded at EUR 636 per single-member household, and an increase in the poverty threshold of EUR 232. Furthermore, we note a decline in the at-risk-of-poverty rate for households with dependent children. Data from 2018 (for 2017) show that indicators of poverty and social exclusion are the highest in households with low labor intensity and with elderly people. In this regard, several measures have been adopted, the effects of which will be reflected in future statistical surveys. In practice, all the austerity measures were abolished in 2017, and new measures were adopted that have a direct impact on reducing the rate of poverty and social exclusion, which is expected to be reflected in statistics for 2018 (published in June 2019). The amendments to the Exercise of Rights from Public Funds Act in 2017 reintroduced the seventh and eighth income classes for child benefit (from 64% to 99% of average net wage per family member). It is anticipated that about 50,000 children will be additionally entitled to child benefit. The amended Parental Protection and Family Benefits Act adopted in 2018 abolishes the austerity measure of linking the right to childbirth allowance to the threshold, and reinstitutes this right as universal, which means that it will no longer be means tested. With the amendment to the Social Welfare Benefits Act, on February 1, 2017, we canceled the notes on real estate and returned the received assistance for the beneficiaries of the supplementary allowance and financial social assistance in case the individual or family owns an apartment or a house of up to 120,000 euros. By August 2018, the number of

		beneficiaries of the assistance increased in all age groups (by 9000 beneficiaries) compared to December 2016, but the greatest increase in number was observed among beneficiaries in the higher age classes. Thus, the number of beneficiaries of the assistance, older than 65 years, increased by as much as 70% in 2017. The purpose of the measure was to improve the situation of the elderly, among which are very high at-risk-of-poverty rates, in particular older single-member households, therefore the measure is assessed as successful and it is assumed that in the coming years it will at least partly reflect the decline in the at-risk-of-poverty rate of the elderly. Last year's amendment to the Pension and Disability Insurance Act introduced a new instrument of a guaranteed amount of the lowest old-age or disability pension in the amount of EUR 500, i.e. if the old-age or disability pension for legally prescribed full pensionable service as per current regulations fails to reach the relevant amount. According to the Pension and Disability Insurance Institute of the Republic of Slovenia, 52,622 pensioners will be entitled to a higher pension in the above amount, whereby the average increase in pensions amounts to EUR 24.38, disability allowance to 37.62. As per the act governing the implementation of the budget, pension indexation in 2016 was 1.1%, and 1.15% in 2017. Pension indexation will be implemented twice in 2018, i.e. in addition to regular indexation as per the systemic act by 2.2% in January, and extraordinary indexation by 1.1% in April. Both actions will have a positive effect on reducing the risk of poverty of the elderly, particularly single elderly women, who are among the most exposed to the risk of poverty. Regarding the prevention of growing poverty among working people, and considering the relatively favourable economic situation and measures to stimulate competitiveness in previous years, minimum wage indexation by 4.7% was implemented in 2018, whereby the gross amount of EUR 842.79 was determined, which means that the net income of a single person with no children working on the basis of a full-time employment contract rises above the poverty threshold, which was EUR 616 in 2016. A survey of the minimum cost of living was conducted in 2017, which found that the minimum cost of living of a single working person who temporarily receives cash social assistance is EUR 441.67. The legislation prescribes that if the difference between the amount of the applicable basic minimum income and the amount of newly determined minimum costs of living exceeds 20%, a new amount of basic minimum income must be determined. In 2018, amendments to the Social Protection Benefits Act were adopted, which in 2018 raised minimum wage to EUR 385.05, which due to the adjustment amounts to EUR 392.75. To improve efficiency, quality and accessibility, the reorganisation of social work centres is also underway. The reorganisation includes a change in organisational structure, indicative calculation and a social activation project (see recommendation 2). Sixteen new regional social work centres will be established with the reorganisation, which will emerge by combining the existing 62 social work centres. The reorganisation will take place in October 2018 as per the amendments to the Social Assistance Act adopted in 2017. An important part of the reorganisation is a comprehensive approach to the social activation of those people (usually long-term beneficiaries of social transfers) who are faced with complex social issues and most distant from the labour market. The programme of social activation will continue in 2018, and is part of the reorganisation of social work centres. The objective of participation in the programme is to raise the social, functional and work competences with which the programme user approaches the labour market. Social activation programmes link the array of social inclusion programmes with programmes of the active employment policy. The work of social work centres is thus connected with labour offices, and cooperation with other relevant stakeholders is encouraged. The project is partly co-financed by the European Social Fund.