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2025 Country Report - Slovenia

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Recommendation for a COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Slovenia

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European Commission

Slovenia

2025 Country Report



ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Growth is expected to continue despite headwinds

Since the pandemic, the Slovenian economy has remained resilient and growth has been sustained. Despite the energy price shock and the major floods of 2023, Slovenia's GDP is now over 10% higher than it was in 2019. In 2024, Slovenia's GDP increased by 1.6%, driven mainly by domestic demand. Slovenia's economy is characterised by a diverse service and industrial sector, with an emphasis on exports. Slovenia has been able to maintain and increase its export market share, indicating a good competitive position. The country's economic growth is driven by a diversified range of industries, including automotive, pharmaceuticals and electronics.

Slovenia's economy remains firmly on a convergence path with the rest of the EU. Labour productivity is catching up with the EU average, although it remains some 15% below the EU average. Looking ahead, GDP is expected to grow by 2% and 2,4% in 2025 and 2026, respectively, driven by continuous strong domestic demand. However, the economic outlook remains highly uncertain in view of possible US tariffs due to the high level of integration of Slovenia within the global value chain. While in 2024, 1.5% of Slovenia's goods exports went to the US based on the foreign trade statistics ([1]), there is also significant indirect exposure due to the impact of tariffs on exports to other countries.

([1]) Due to the trade of pharmaceuticals with Switzerland, the share of trade with the US could be currently underestimated and there are large differences between foreign trade and balance of payments statistics.

The job market is strong, but shortages of workers are increasing. Employment increased modestly in 2024, and unemployment remained broadly unchanged at the very low level of 3.7%. The proportion of people of working age who are working or looking for a job has reached a very high level for almost all age groups. At the same time, Slovenia's population is ageing, and limited availability of workers is likely to become a structural feature of the economy (see Section 4). The unemployment rate is expected to remain low in the coming years, while employment growth is mainly driven by foreign workers. Vacancy rates remain high, and companies consider the availability of workers to be one of their major challenges, particularly in construction and services.

The financial position of households and corporates is relatively strong. The corporate debt-to-GDP ratio is at around 35%; its lowest value in over two decades. Corporate credit growth turned negative in 2023 and was among the lowest across the EU. Profits i.e., gross operating surplus, of companies are strong, with some evidence of a peak in 2023, followed by a small decline in 2024. Household debt is low and continued to decline on the back of passive reduction of debt levels. The household debt-to-GDP ratio reached 24% in 2023. The banking sector remains well capitalised and its profitability close to the EU average. At 1.6% (Q3-2024), the non-performing loans ratio is close to the EU average.

Public finances have further improved

The general government deficit continued to decline, reaching 0.9% of GDP in 2024, supported by moderate tax increases.

Revenue-increasing measures were introduced over 2024-2028 to finance reconstruction following the floods of 2023. These measures included a higher corporate income tax rate and a new tax on banking assets. Dividends from state-owned enterprises markedly increased. A strong job market and high corporate profitability further supported personal and corporate income tax revenues. The general government deficit is forecast to increase in 2025 to 1.3% of GDP, mostly due to the first phase of the public sector wage reform over 2025 - 2028 and lower property income revenue. If no new measures are taken, the general government deficit is forecast to increase to 1.5% of GDP in 2026. The gross government debt stood at 67.0% of GDP at the end of 2024 and is forecast to fall to 65.5% of GDP in 2025, and to 63.8% of GDP in 2026.

Slovenia has committed to further consolidate public finances by keeping net expenditure growth below the growth rate recommended by the Council over 2025-2028. In 2024, net expenditure ([2]) in Slovenia grew by 4.5% (see Annex 1). This increase is mainly driven by higher social benefits, compensation of employees and intermediate consumption. The size of discretionary revenue measures was 1.0% of GDP. The revenue-increasing annual impact of these measures is deducted from net expenditure. Similarly, the impact of one-off flood-reconstruction measures is also deducted from net expenditure. In 2025, net expenditure is forecast by the Commission to grow by 4.6%, which is below the maximum growth rate recommended by the Council ([3]). The cumulative growth rate of net expenditure in 2024 and 2025 taken together is projected at 9.3%, which is below the maximum rate recommended by the Council.

Strong demand in the housing market is driving up prices. In real terms, house prices increased by 5.1% in 2024, following a slight decline of 0.2% in 2023. Since 2015, house prices have risen faster than household income, by approximately 15 percentage points (pps), but they are estimated to be only slightly overvalued ([4]). The rent-to-income ratio has remained relatively stable since 2015. However, new housing supply lags behind demand, putting additional pressure on prices. The number of transactions fell by 21% in 2024, with transactions of new dwellings falling by 50%. Overall, the European Systemic Risk Board has assessed that the housing market does not pose a high risk to financial stability ([5]).

Sustaining competitiveness remains a key challenge

Slovenia remains competitive and is able to increase its export market share. Cost competitiveness has come under pressure in recent years ([6]). However, non-cost competitiveness aspects (e.g. quality, service) continue to provide an advantage in some sectors. The Bank of Slovenia's analysis ([7]) indicates that a 1% rise in the unit cost of labour reduces exports by 0.2% for the average Slovenian manufacturing firm. The cost sensitivity of exports is also slightly below average in the manufacture of pharmaceutical products, which is the largest manufacturing

([2]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

([3]) Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Slovenia (OJ C, C/2025/640, 10.2.2025, (ELI: http://data.europa.eu/eli/C/2025/640/oj).

([4]) Alert Mechanism Report 2025.

([5]) European Systemic Risk Board (2024), Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries, February 2024.

([6]) In 2023, the real effective exchange rate appreciated by close to 3%, but it is forecast to have depreciated again in 2024. Unit labour costs increased by more than 8% in 2023, but also this indicator improved in 2024 with lower inflation.

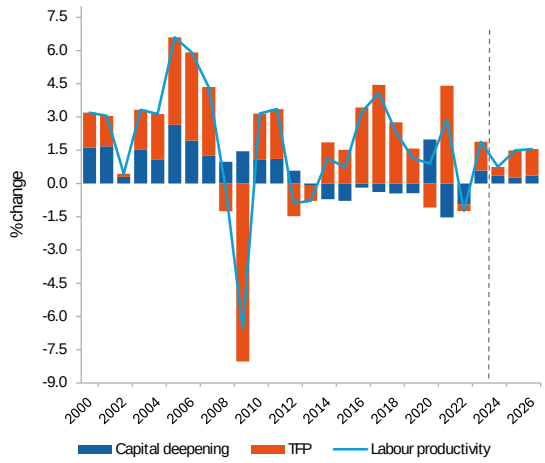
([7]) Review of macroeconomic developments and projections, December 2024.

industry. The share of exports of medium- and high-tech products is above the EU average and has steadily increased since 2017. The services balance remains positive, driven by strong performances in transport and tourism services.

Low private investment is a long-standing issue and key challenge for competitiveness

Slovenia's business investment is lower than the EU average. Investment, as a share of GDP, has on average been 1.8 pps lower than the EU average over 2013-2023. 1.3 pps is attributable to the lower business investment. Therefore, Slovenia's potential growth heavily depends on total factor productivity (TFP) growth, while capital deepening (i.e. more capital being invested per worker) has a limited, if not a negative role. The relatively low level of investment, combined with a shrinking labour force (due to ageing) will exert significant pressure on Slovenia's economic potential in the long term.

Graph 1.1: **Contribution to labour productivity growth**



(1) Growth based on real GDP per hour worked.
(2) The dashed line indicates the start of forecast values.
Source: European Commission (Autumn 2024 Economic Forecast)

Companies are investing in machinery and equipment but much less in intangible assets. Investment in R&D is above the EU average but falls short of the national target (further analysed in Section 2).

Shortages of skilled workers, energy costs and uncertainty about the future seem to be the main long-term obstacles for investment in Slovenia ([8]). In particular, ICT and green skills are in high demand (see Annex 10). In Q4-2024, the overall vacancy rate was 2% in Slovenia, but it reached 4% in construction, and accommodation and food services. Slovenia has some of the highest job market imbalances in the EU, with simultaneous severe shortages and surplus occupations. The movement of workers from less productive to more productive industries appears low.

Regulatory hurdles in certain sectors remain higher than in the rest of the EU. Regulatory restrictiveness is higher than the EU average for professions such as lawyers, real estate agents, civil engineers and architects. In particular, the profession of lawyer is more strictly regulated than in other economies and the fragmented system regulating civil engineers could hinder the free movement of professionals and their services.

High energy costs and technological change are negatively affecting some industries. In 2023, output fell by 20% in chemicals manufacturing, 18.5% in the paper industry and 8.4% in metal production, followed by some recovery in production in 2024. Electricity prices have increased and are significantly influenced by volatile fossil fuel prices due to the interconnectedness of Slovenia's electricity market with the markets of neighbouring countries. The rate of installing renewable generation capacity has been slow, particularly for wind generators (see Section 3 and Annex 8). Moreover, Slovenia's automotive industry is facing challenges to remain competitive amid the ongoing shift to electric vehicles. Weak demand in export markets negatively impacts this sector (see Annex 7).

([8]) 2023 European Investment Bank Investment Survey (EIBIS).

There remains room for a higher quality of public finances

The economy is facing significant spending pressures, which could require improvements in the quality of public spending. Ageing-related costs, defence spending, and investment spending to address the competitiveness gap will put pressure on public finances. Slovenia is developing a new green budgeting framework, which is expected to improve the quality of public finances and contribute to the green transition ([9]). More efficient public procurement can yield savings and help redirect resources to areas in greater need. Implementation of spending reviews to improve the quality of public finances can create room for other spending needs, including for major reforms (e.g. health reform).

Despite the high level of public investment, there is scope for improving the management of public investment in Slovenia, particularly in the early phases of planning and selection. The long-term strategic planning of public investment is carried out mostly at the level of line ministries, with limited coordination across sectors and limited involvement of the Ministry of Finance ([10]). While a standardised methodology for project assessment is in place, it seldom applies before the budget allocation, which can lead to delays and significant cost increases during execution. Moreover, systematic external quality assurance to assess larger projects is lacking. This contributes to cost increases during execution. The national development programme presents expenditure by project over a four-year period. This increases transparency, and capital expenditure ceilings are set two years in advance. There is, however, no standard methodology for estimating maintenance costs. *Ex post* reviews of projects are carried out on an ad hoc basis, and asset registers are required to be kept updated across the general government ([11]).

Slovenia faces medium fiscal sustainability risks in both the medium and the long term. Debt is projected to decline slightly before increasing again over the medium term, reaching about 68% of GDP in 2035. The medium risks in the long-term stem from the projected increase in ageing-related costs and the unfavourable initial deficit and debt levels. Pension expenditure makes up around two thirds of rising ageing costs, and healthcare and long-term care expenditure around one third (see Annex 1 and Debt Sustainability Monitor 2024) ([12]) ([13]).

([9]) Ministry of Finance, 2023, https://www.gov.si/assets/ministrstva/MF/Proracundirektorat/Drzavni-proracun/NRP/Metodologija-zazeleno-proracunsko-nacrtovanje.pdf.

([10]) Belu Manescu, C. (2024), The planning of public investments in EU Member States: long-term strategy, selection and budgeting issues, DG ECFIN Discussion Paper no. 213.

([11]) Republic of Slovenia: Technical Assistance Report-Public Investment Management Assessment, October 2024, https://www.imf.org/en/Publications/technical-assistance-reports/Issues/2024/10/04/Republic-of-Slovenia-Technical-Assistance-Report-Public-Investment-Management-Assessment-555893.

([12]) Debt Sustainability Monitor 2024.

([13]) These projections do not take into account the recently negotiated pension reform, which is expected to start impacting ageing related expenditures already in the medium-term.

Box 1:

UN Sustainable Development Goals (SDGs)

Slovenia is making progress on all SDGs related to competitiveness and productivity (SDGs 8 and 9) although there is still room for improvement. In particular, Slovenia has made progress on R&D and innovation (SDG 9). Gross domestic expenditure on R&D has increased from 1.96% of GDP in 2018 to 2.13% in 2023 but remains below the EU average of 2.22%. An area that needs attention is the low share of buses and trains in passenger transport (13.9% in 2022, compared to the EU average of 16.6%).

- **Slovenia performs well on indicators measuring employment (SDG 8)**. In particular, the percentage of young people not in employment, education or training is lower than the EU average (7.6% in 2024; EU average: 11.0%). However, while the quality of education (SDG 4) is above the EU average, there are signs that Slovenia is diverging from certain targets for quality education, particularly due to recent negative trends in basic skills, including digital skills.
- Slovenia performs well on poverty and basic needs (SDG 1), with a **low share of people at risk of poverty or social exclusion** (14.4% in 2024) compared to the EU average (21% in 2024). However, the share of people at risk has been rising since 2021 (see Annex 11).
- Slovenia performs well on SDG 13, reducing its net greenhouse gas emissions from 8.9 tonnes per person in 2018 to 7.3 tonnes in 2022. Nevertheless, **it has been moving away from the targets for responsible consumption and production (SDG 12)**, particularly the target for per capita waste generation, with an average material footprint significantly above the EU average (see Annex 7).
- **Slovenia's performance is below the EU average on 7 out of the 17 indicators.** These relate to: (i) environmental stability (SDGs 2, 9, 12, 13); (ii) good health and well-being, particularly in access to healthcare (SDG 3); (iii) gender equality (SDG 5), although improvements have been made; and (iv) macroeconomic stability in the area of peace, justice and strong institutions (SDG 16) (see Annex 15).

Box 2:

Barriers to private and public investment

Slovenia's private investment remains somewhat low while public investment is rather high. Several barriers could contribute to this disparity:

- **Shortages of workers and skills.** A large share of companies report low availability of workers as the main barrier to investments in the long term.
- **Uncertainty about the future.** As a small, open economy, Slovenia is highly dependent on trends in export markets.
- **Energy costs.** High energy costs hamper investment and reduce the competitiveness of exports.

Slovenia's efficient management of public investments faces several barriers:

- **Long-term strategic planning of public investment.** There is limited coordination across ministries and limited involvement of the Ministry of Finance ([14]).
- **Selection of investments.** The fact that the standard methodology for project assessment seldom applies before the budget allocation and a lack of systematic external quality assurance can lead to cost increases in the execution phase.

The implementation of Slovenia's RRP faces challenges. Investments are highly concentrated towards the end of the implementation period, which can create significant capacity challenges at various levels and therefore merit special attention. At present, Slovenia has fulfilled 32% of the milestones and targets in its RRP.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

While Slovenia has signalled interest in leveraging the Strategic Technologies for Europe Platform under cohesion policy, Slovenia can further support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

([14]) Belu Manescu, C. (2024), The planning of public investments in EU Member States: long-term strategy, selection and budgeting issues, DG ECFIN Discussion Paper no. 213.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

Slovenia's labour productivity continues to steadily converge with that of the rest of the EU, reaching 85% of the EU average in 2024. The catching-up process is expected to continue, with an average annual productivity growth rate of some 1.3% projected for 2024-2026, exceeding the EU average of 0.5%. This section analyses options to further increase the productivity of Slovenia's economy, focusing on labour allocation, business dynamism, regulation, R&D and the sources of capital.

Narrowing the productivity gap

Slovenian business investment remains comparatively low and is focused on tangible investments. Low investment overall is a long-standing problem in Slovenia. Slovenian companies invest 54% of their capital in machinery, above the EU average of 48% ([15]), highlighting a strong focus on physical capital. Additionally, land, business premises, and infrastructure represent a relatively high proportion of investments. By contrast, areas such as employee training, ICT, and R&D receive relatively less investment. With just 4.4% of its GDP invested in intangibles and ICT, Slovenia ranks 17th in the EU ([16]). However, Slovenia does invest more in computer hardware than many other EU countries, but the uptake of digital technologies varies considerably depending on the size of firms.

Worker mobility from less productive sectors to more productive ones has been limited. The manufacturing sector remains the largest contributor to Slovenia's productivity growth, with an annualised labour productivity growth rate of 4.3% over the last 20 years ([17]). This sector plays a pivotal role in Slovenia's economy due to its size and robust performance. Other sectors, such as financial and insurance activities and energy, also exhibited significant productivity growth, at 5% and 4% annually, respectively. However, this has not resulted in a significantly increased share in the economy's value added. A shift towards more productive sectors – such as manufacturing, financial services, information and communication – has contributed less than 0.1 percentage points annually to overall productivity growth, far below what is observed in other dynamic economies. Slovenia seems to have improved rules for corporate governance in its many state-owned enterprises. The largest state-owned enterprises by value are operating in infrastructure, energy and transport. Slovenia also continues to maintain a stake in companies in highly competitive sectors with little rationale for state ownership (e.g. tourism) (see Annex 4).

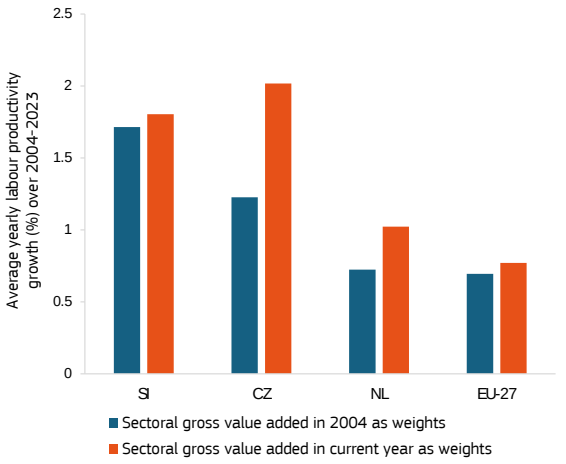
Slovenia's business dynamism has weakened but remains comparable to the EU average. The churn rate (i.e. the sum of the firm entry and exit rates) was higher than the EU average until 2020, reflecting a strong ability to reallocate resources. However, since 2021, the rate of business closures in Slovenia has slowed down compared to the EU average.

([15]) 2023 European Investment Bank Investment Survey (EIBIS).

([16]) Eurostat (nama_10_a10, nama_10_nfa_fl).

([17]) European Commission calculations, Eurostat.

Graph 2.1: **Structural change: labour productivity growth with current vs constant sectoral weights**



(1) Actual average labour productivity growth is compared to a counterfactual of constant sector weights (share in gross value added) at the 2004 level.
Source: Eurostat (nama_10_a64, nama_10_a64_e, nama_10_lp_a21))

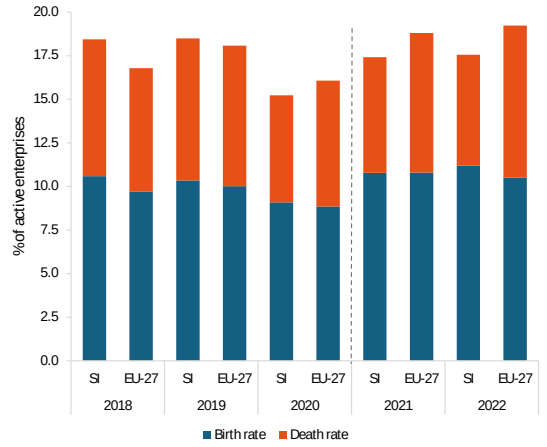
Slovenia is one of the most restrictive Member States for trade in services. Insurance is the most open sector in Slovenia, while engineering services are the most restricted when compared with other countries. These restrictions include limits on the duration of stay for service suppliers and limited recognition of foreign qualifications (see Annex 4). Regulatory restrictiveness is also higher than the EU average for professions such as lawyers, real estate agents, civil engineers and architects. Overall, 284 professions are regulated in Slovenia (the fourth-highest number in the EU), while the EU median is 28 professions. Reducing regulatory barriers in the professional services sector would make entry easier and improve quality and prices. In particular, the legal profession is more strictly regulated than in other countries. Additionally, the fragmented system regulating civil engineers and differences in regional regulations governing tourist guides may further hinder market access and affect both national and cross-border service providers (see Annex 4).

Despite increased efforts through several measures in the national recovery and resilience plan (RRP), competition in public procurement remains a challenge. In 2024, 46% of contracts were awarded to single bidders. The share was particularly high in sectors like IT and maintenance. Approximately 21% of all procurement procedures were unsuccessful in 2024, signalling a very tight procurement market with a small size, a high level of public investment and a low number of foreign bidders. However, progress is notable in several areas. The implementation of reforms under the RRP is ongoing. In addition, Slovenia introduced a public procurement action plan in 2024, which aims to increase competitiveness and efficiency. A 2024 OECD analysis ([18]) provided recommendations on how to improve the institutional and regulatory framework to foster competition and increase the public procurement capacity (see Annex 4).

Slovenian companies have not been able to substantially utilise alternative sources of financing to further support growth. Companies mainly rely on bank loans and are rarely able to tap the financial markets for bond or equity funding (see Annex 5). Like in most Member States, Slovenian households do not invest enough in financial assets and, most importantly, equity. Slovenia's capital markets are under-developed, as the Ljubljana Stock Exchange capitalisation is only 14.6% of GDP (EU average: 68%). At the end of 2023, the share of bank loans in all funding sources of non-financial corporations in Slovenia was similar to the EU average, while the share of listed shares and bonds was only a third of the EU average (7.4% vs 23.8%). When expressed in terms of GDP, the overall level of business funding was only half the EU average (122.7% vs 230.3%, see Graph 2.3 and Annex 5). As part of its capital markets development strategy (a reform in Slovenia's RRP), the government has been working on a law on individual investment accounts, which are expected to provide tax-efficient options for long-term investment for households.

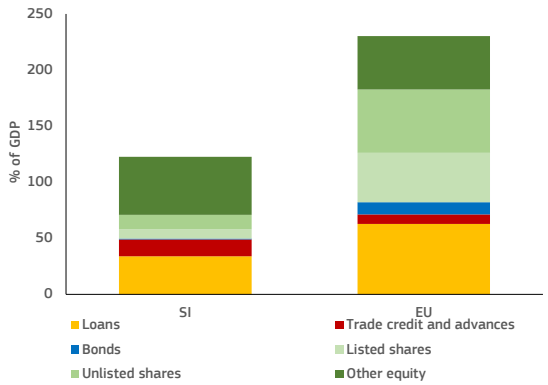
([18]) OECD, 2025, *Maximising the Benefits of Effective Competition in Public Procurement in Slovenia*.

Graph 2.2: **Business churning**



(1) Note that there is a structural break in the series in 2021. Therefore, the data are not directly comparable to previous years.
(2) Business churn is the sum of the birth and death rates of all active firms, excluding holding companies. An enterprise birth occurs when a firm starts from scratch and begins operations, amounting to the creation of a combination of production factors with the restriction that no other firms are involved in the event. An enterprise death is the termination of a firm, amounting to the dissolution of a combination of production factors with the restriction that no other firms are involved in the event. Deaths do not include exits from the population of active firms due to mergers, takeovers, break-ups or restructuring of a set of firms.
Source: Eurostat (bd_9bd_sz_cl_r2_ up to 2020, bd_size from 2021)

Graph 2.3: **Composition of non-financial corporation funding as % of GDP**



(1) Reference period: 2023.
Source: Eurostat

Regional differences persist. In 2023, GDP per person reached 136% of the EU average in the capital region but was only 50% in the Zasavska region (see Annex 17). Western Slovenia (including Ljubljana) was classified as a strong innovator in the innovation scoreboard ([19]), while eastern Slovenia (92) was a moderate innovator.

Tax rebalancing to promote growth

Slovenia relies heavily on labour taxes – including social contributions – paid by employees. Slovenia's labour tax wedge is high across different wage levels (see Annex 2). Slovenia's tax wedge for families on average wages with children is lower. The tax burden on labour will further increase with the new long-term care contribution, which is needed to address spending in this area. With the aim of increasing productivity and competitiveness, the amendments to the Personal Income Tax Act introduced a special tax credit for new tax residents. High labour taxation increases the cost of labour for employers, discourages people to work or look for a job, and makes shortages of workers more acute. By contrast, the share of recurrent property taxes in total taxes remains very low, at around one third of the EU average (see Annex 2). Tax rebalancing towards such more growth-friendly tax sources and spending their revenue on reducing the labour tax burden could make it more attractive for people to work or look for a job and support competitiveness. At the end of 2024, the government prepared and submitted tax amendments for public consultation in the field of the introduction of a new real estate tax and the reduction of labour taxation. To strengthen the application of the 'polluter pays' principle, there is also scope to expand waste disposal taxes (including on incineration) and to implement the three not-yet-implemented types of environmental taxes (i.e. taxes on NO_x emissions, pesticides and fertilisers).

([19]) European Commission: Directorate-General for Research and Innovation, Hollanders, H. and Es-Sadki, N., *Regional Innovation Scoreboard 2023*, Publications Office of the European Union, 2023, https://data.europa.eu/doi/10.2777/70412.

Closing the innovation gap

Slovenia remains a 'moderate innovator' and lags behind the EU in innovation performance. According to the 2024 European Innovation Scoreboard ([20]), Slovenia's innovation performance – a measure based on a total of 32 indicators – remained slightly below the EU average in 2024 (91%) but improved less than the EU average between 2017 and 2024. Slovenia is performing particularly well relative to the EU average when it comes to high-skilled workers and small to medium-sized enterprises (SMEs) introducing product innovations. On this indicator, Slovenia turned from an underperformer into one of the strongest performers. However, the country still faces challenges in various areas, such as venture capital expenditure. Similarly, non-R&D innovation expenditure showed the worst performance of all 32 indicators in 2024 and is also the indicator with the steepest decline since 2017. Slovenia also underperforms with regard to R&D expenditure in the public sector and innovation expenditure per person employed.

The low share of individuals with basic digital or ICT specialist skills weighs in particular on SMEs. The country ranks among the top performers in the EU in terms of digital intensity in businesses with 250 employees or more, where almost all employees have at least a basic level of digital intensity. By contrast, in SMEs, only 68% of employees have at least a basic level of digital skills (see Annex 3). This may reflect limited possibilities for SMEs to adopt digital technologies due to a lack of sufficiently skilled staff.

Despite recent improvements, the availability of venture capital remains very low. Venture capital amounts to only 0.005% of GDP in Slovenia, which is the second lowest in the EU (see Annex 5). This might be behind the low level of non-R&D innovation expenditure, which is particularly relevant to bringing innovation to the market, but which receives less public support. Possible regulatory problems exist as well: the age structure of Slovenian companies is not very well suited for high-growth companies; current rules make adding new capital injections and shareholders to the respective records cumbersome. Additionally, taxation of employee stock options does not meet the expectations of high-growth companies, limiting the effectiveness of this tool to recruit and retain talent in the companies.

Public investment in R&D remains low compared to other EU countries. Public R&D intensity (0.64% of GDP) remains below the EU average (0.72%) and is still well below Slovenia's ambitious 1.25% target for 2030 (see Annex 3). The Act on research, development and innovation activities, under the RRP, and the Slovenian scientific research and innovation strategy for 2030 provide a good basis for such investment. This could allow Slovenia to fully exploit its scientific potential and increase its attractiveness as a location for R&D intensive sectors, which are crucial for Slovenia's competitiveness. The selection of Slovenia as host for an artificial intelligence (AI) factory should raise Slovenia's attractiveness internationally to researchers and companies working intensively with AI. This project, estimated at EUR 150 million, is expected to foster AI-driven innovation across various sectors, engaging with industry partners to provide businesses with AI-powered solutions, technical support, and infrastructure access.

([20]) European Innovation Scoreboard - Slovenia.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

Accelerating the green transition to bolster competitiveness and energy affordability

Reliance on fossil fuels and limited non-fossil flexibility pose challenges to economic competitiveness and energy affordability. In 2024, wholesale electricity prices in Slovenia were the 10th highest in the EU, averaging 91 EUR/MWh. Slovenia remains structurally dependent on coal and natural gas, which continue to account for nearly a quarter of its electricity mix (see Annex 8). Exposure to volatile fossil fuel prices has impacted wholesale electricity prices, affecting both businesses and households. While wholesale electricity prices initially declined amid falling natural gas costs, they surged during summer and winter, diverging from central-western European markets. This volatility was partially driven by prolonged summer heatwaves, which increased electricity consumption, and reduced hydropower flexibility, limiting the available supply. As a result, natural gas- and coal-fired electricity generation had to be ramped up (see Annex 8).

The deployment of solar photovoltaics (PV) has slowed down, while wind installations remain stagnant. In 2024, the total renewable energy capacity increased by nearly 13% year-on-year, which is lower than in 2023 (22%). A total of 278 MW of solar PV were deployed in 2024, bringing the cumulative capacity to 1 309 MW. No new wind capacity has been added in Slovenia for over a decade, with the capacity remaining at 3 MW (see Annex 8). The permitting process for wind installations remains complex and lengthy, with no designated areas for fast-track approval. Local municipalities often lack the technical expertise and resources to navigate renewable energy deployment effectively. The issue is further exacerbated by high levels of opposition from locals.

Insufficient grid capacity represents an increasing obstacle for the integration of new renewable energy installations. With over 20% of grid connection requests rejected in 2024, Slovenia faces challenges to connect new renewable energy installations, especially small-scale ones. Investments under the recovery and resilience plan (RRP) and REPowerEU include the upgrade of the medium- and low-voltage grids, as well as the construction of new transformer stations. Completing these investments is expected to help alleviate the issue. Deployment of stand-alone and co-located storage installations is increasingly important for ensuring system flexibility and facilitating the integration of renewables.

Energy consumption has decreased, especially in the industrial sector, with a decrease of 9.1% in final energy consumption in 2023. However, there is room for improvement, especially in the service sector, which slightly increased its final energy consumption by 0.1% in 2023 (see Annex 8). Energy efficiency renovation of buildings has continued through the national financing framework composed mainly of grants and soft loans, as well as through the implementation of different EU funds, including the Recovery and Resilience Facility. However, Slovenia needs to step up its efforts, particularly to reach the long-term renovation strategy target to reduce the energy consumption of buildings by 17% by 2030 (compared to 2020).

Increasing the uptake of sustainable modes of transport

The uptake of sustainable transport is still lagging behind. The high dependence on private cars and slowed down uptake of sustainable modes of transport have a negative impact on Slovenia's ability to help achieve the EU target of reducing final energy consumption by 11.7% by 2030. Between 2005 and 2023, greenhouse gas emissions from road transport increased by 20% in Slovenia, while they decreased by 5% overall in the EU (see Annex 7). The share of electricity in final energy consumption in the transport sector remains negligible at 1.3% (see Annex 8). Many large railway and e-mobility investments under the RRP are in progress, but there is still room to increase the uptake of public transport by improving the frequency, reliability, accessibility and availability of national and local public rail and bus transport, particularly with soft measures such as better coordination of timetables with urban and municipal transport.

Strengthening climate and water resilience, sustainable water management, environmental protection and circularity

Slovenia is highly vulnerable to climate risks, particularly floods, which have a negative impact on the economy and society. Slovenia is frequently exposed to climate-related risks and has suffered multiple extreme weather events in recent years (such as wildfires in 2022 and windstorms with heavy floods, triggering landslides, in 2023). The economic loss per person, in particular due to floods, is the highest in the EU (see Annex 9). Despite efforts to strengthen climate adaptation and preparedness action, challenges remain, in particular in terms of the implementation of flood protection measures, which are continuously delayed, and the persisting climate change-related institutional weaknesses, in particular linked to the still lacking capacities in environmental governance and coordination among all levels of government and administration. Scaling up investments in green infrastructure and nature-based solutions plays a crucial role in mitigating the impact of floods while protecting nature. Improving sustainable water management could also further reduce the impacts of floods in the event of extreme precipitation.

Sustainable water use and nature protection and restoration are crucial for the economic stability and competitiveness of Slovenia. Slovenia has a biodiversity-rich natural environment, with 41% of its territory covered by protected land area in 2022. Key economic sectors (such as agriculture, the food industry, tourism, construction and pharmaceuticals) are highly dependent on ecosystem services and Slovenia's natural resources (see Annex 9). Water resources are under growing pressure, and despite ongoing EU-funded investments, substantial investment needs for water protection and water management remain, particularly in the areas of wastewater collection and treatment. The recently adopted Act on drinking water supply and collection and treatment of urban wastewater, supported by the RRP, aims to ensure the long-term sustainability of water infrastructure investment financing. However, further efforts are still needed to address ongoing sustainability challenges. Despite extensive protection efforts, the state of nature and ecosystems continues to deteriorate in Slovenia, which further weakens the country's climate resilience and highlights the financing gap. However, the adoption of the National Biodiversity Strategy 2030 and enhanced implementation of EU-funded restoration projects (such as LIFE and RRP nature-based solutions) represent a positive step toward addressing this trend.

Slovenia is also highly dependent on imports of raw materials from a limited number of sources, with its import concentration higher than the EU average. In addition, Slovenia's circular material use rate has stagnated, remaining below the EU average, with Slovenia's resource

productivity being considerably below the average. Implementation of measures supporting higher circular use of materials could help reduce dependence on imports, and address challenges regarding supply chain risks, environmental degradation, and social concerns (see Annex 7).

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

Shortages of workers constrain growth

Slovenia's job market is facing significant worker and skills shortages. Despite a low unemployment rate of 3.7% in 2024, the challenge of over-qualification persists. The skills available do not meet the demand in the job market. In 2024, job vacancy rates in key sectors such as industry, construction and services remained high, although these decreased compared to the previous year. In particular, high vacancy rates were registered in the construction and services sectors, at 4.9% and 2.9%, respectively (EU average: 3.1% and 2.7%). Almost half of all employers faced difficulties in hiring suitable workers, including among vocationally and post-secondary-educated individuals, undermining the productivity of firms and their ability to innovate. ICT professionals were particularly scarce, with a notable shortfall in the number of new ICT graduates, which is insufficient to meet the needs of the digital transformation in the corporate sector (see Annex 12). Shortages also affect occupations needed for the green economy.

Shortages of workers impact the healthcare, social and long-term care sectors significantly. In particular, doctors, nurses, caregivers and social workers are in short supply. Low wages and difficult working conditions cause high turnover rates. The workforce in these areas is also significantly older than in other sectors. Further investment in buildings and infrastructure in these sectors might be inefficient if no adequate staffing can be achieved.

Unavailability of teachers is a specific challenge to raise the basic skills level. The 2022 OECD PISA survey on pupils' skills highlighted a worrying trend: around a quarter of 15-year-olds did not achieve the minimum level of proficiency in mathematics and reading. Deficiencies are far more pronounced among students with a poor socio-economic background. Widespread shortages of teachers contributed to the decline in performance, as schools fail to organise lessons. In 2022, approximately 42% of students attended schools where instruction was compromised by a lack of teaching staff. Slovenia has already taken measures, including simplifying the procedure for recruiting teachers and introducing a new salary law, but further efforts are needed to improve the attractiveness of the profession, particularly in science, technology, engineering and mathematics (STEM) subjects.

Housing availability and prices also impact negatively on productivity, labour mobility, and attractiveness to foreign workers. Lack of housing in areas where employment is concentrated is becoming a problem, particularly for young people. House prices have continued to rise relative to incomes, which affects the ability of workers to relocate as well as to work more productively and makes it more difficult to attract foreign workers. Low availability of housing in urban areas increases commuting time, exacerbating transport emissions. Reforms in the recovery and resilience plan (RRP) aim to ease access to funding for local communities and boost investments in public rental housing. These reforms are likely to provide some relief, but more measures are needed to boost investment (see Annex 11).

Job market participation and adult skills could be further improved

The low share of people from vulnerable groups who are working or looking for a job is a pressing issue. In 2024, Slovenia had one of the lowest employment rates of older workers in the EU. Low-skilled older adults faced a high long-term unemployment rate, further highlighting the challenges they encounter in securing employment. Reforms envisaged in the RRP will address this challenge by increasing the retirement age and rationalising benefits available before retirement. These reforms are also expected to help reach the 2030 national employment rate target of 79.5%. Although employment rates for low-qualified adults have been on the rise since 2020, they are still below the EU average (see Annex 8). Additionally, the integration of non-EU nationals remains a challenge. In the short term, legal immigration could alleviate the shortages of workers in key sectors.

Low-wage and inactivity traps constitute hurdles to job market participation. For instance, transitioning from inactivity to work results in substantial loss of additional net income due to implicit taxation, which is significantly higher than the EU average. This deters especially single parents and second earners, often women, from seeking work or increasing working hours. Such traps act as disincentives, primarily affecting those with lower education levels, who are more likely to be employed in low-paying jobs.

While the workforce lacks labour-market-relevant skills, including in digital and STEM fields, participation in adult learning has declined. Adult learning participation declined sharply from 40.3% in 2016 to 26.5% in 2022, well below Slovenia's 2030 target of 60%. The challenges were most pronounced among low-qualified, older individuals, those with a migrant background, and non-working people. Conversely, better-trained individuals participate more frequently in lifelong learning schemes, highlighting disparities based on educational attainment. The lack of digital skills among the population presents a barrier to entering more skilled employment sectors. This is a challenge for the entire adult population, but in particular for unemployed people and those lacking access to digital tools. Special attention should be paid to green skills, as shortages of workers are prevalent across many occupations requiring specialised skills or expertise essential for the green transition.

The pension reform is in the final steps before the adoption

The government has put forward pension reform legislation dealing with the adequacy and sustainability of the pension system. The reform is very important, as during 2022-2070, the working-age population (20-64) is projected to fall by 16%, and the proportion of those with the highest activity rates (35-49) is expected to experience the steepest drop (28%) (see Annex 10). The reform, part of the Slovenian RRP, will gradually raise – by three months every year between 2028 and 2035 – the retirement age from 60 to 62 for those with 40 years of service and from 65 to 67 years for everyone else, and revise the pension indexation method (shifting the emphasis from wage increases to inflation). Pension adequacy and transparency are addressed by increasing the accrual rate for 40 years of contributions from 63.5% to 70% by 2035 and by implementing measures directed towards the most vulnerable retirees, essentially those receiving disability or survivor's pensions. Based on this proposal, the survivor's pensions will be increased gradually from 70% to 80% of the pension of the deceased. In addition, the reform will give broader options of vocational rehabilitation in order to help workers with a temporary or permanent lower capacity to work to maintain or find employment.

The pension reform will broaden the investment in supplementary pension schemes. The reform also .requires employers to create a pension plan for their employees but does not require employers to finance the

plan. This could lead to faster growth of the pension funds' assets. The restrictions on the investment of pension assets are high and the rates of return low – in 2023, Slovenia was at the lower end of the OECD countries in this regard ([21]).

Reforms of healthcare and long-term care are progressing

Slovenia is reforming the long-term care system comprehensively. The reform is one of the key measures under the RRP and includes the adoption of a new law on long-term care (LTC Act) and related implementing acts. The new LTC Act entered into force in 2023. The right to family care has been applicable since January 2024. During the course of 2025, the last aspects of the LTC Act will become applicable. As of 1 July 2025, the right to care at home for eligible users will take effect, along with the mandatory contribution to the new LTC insurance for employers, employees and pensioners. From 1 December 2025, the last two aspects, the right to care in an institution and to cash benefits, will become effective.

Many challenges remain to make the LTC system work in practice. The implementation of the entirely new LTC system is a challenging process with many administrative adjustments to be implemented, such as setting up one-stop shops for LTC users, putting in place the collection procedure for the insurance contributions, authorising LTC providers, and implementing a quality monitoring system. As the system matures, the challenge would be to offer different options for care, taking into account the special needs of different user groups while ensuring that the system remains financially viable ([22]).

([21]) Pension Markets in Focus 2024, OECD (2024).

([22]) In some cases, LTC providers are not able to find sufficient staff to open their newly built premises.

Slovenia is preparing a healthcare reform, the final parts of which are expected to be adopted in the autumn of 2025. The reform, which is a centrepiece of Slovenia's RRP, comprises amendments to the Healthcare and Health Insurance Act and to the Health Services Act. It also comprises a new Act on health quality that aims to set quality requirements in the healthcare system and to create an independent body to monitor and control compliance of healthcare providers. The amendments to the Health Services Act were adopted by parliament in March 2025. They aim to increase the efficiency and transparency of the work of public health institutions by regulating the relationship between healthcare providers operating in a public network and those operating outside the network, defining healthcare providers and the conditions for obtaining authorisation to practise healthcare, and demarcating public service and commercial activity in public health institutions. The amendments to the Healthcare and Health Insurance Act are expected to increase the efficiency of the healthcare system in Slovenia and to improve its financial stability by introducing different sources of revenue and reviewing the catalogue of items financed via the health insurance. It is expected to be adopted by parliament in the autumn of 2025.

Efficiency gains and expenditure confinements could help safeguard financial stability while ensuring access to healthcare. Limited access to healthcare, mainly caused by shortages of healthcare workers, remains one of the main challenges in Slovenia's healthcare system. In 2024, the proportion of the Slovenian population reporting unmet needs for medical care was higher than the EU average (3.4% vs 2.5%). Long waiting times – mainly for specialists, elective surgery, primary care physicians and emergency care – are seen as the main reason. With the transformation of the complementary voluntary health insurance held by the vast majority of Slovenes into a mandatory contribution to the statutory health insurance is expected to keep the share of private health expenditure below the EU average. At the same time, it is expected to

increase the share of publicly funded health expenditure. Investments in its digitalisation, partly financed by EU funds, are also expected to increase the efficiency and accessibility of healthcare (see Annex 14).

Slovenia makes efforts to address the country's relatively high preventable mortality. The high rate of preventable mortality is linked to behavioural risk factors, in particular poor diet and other unhealthy habits. Efforts to tackle preventable mortality include programmes for early detection of cancer, a national nutrition and physical activity strategy to fight obesity, health promotion initiatives, and the stepping-up of primary care, especially for chronic illnesses and vulnerable people (see Annex 14).

KEY FINDINGS

To boost competitiveness, sustainability and social fairness, Slovenia would benefit from:

- **accelerating the implementation of the recovery and resilience plan**, including the REPowerEU chapter, swiftly implementing **cohesion policy**, taking advantage of the opportunities under the mid-term review and making optimal use of EU instruments, including **InvestEU** and **STEP**, to improve competitiveness;

- **pursuing policies that support long-term fiscal sustainability** by: (i) rebalancing tax revenues towards more growth-friendly and sustainable sources; and (ii) ensuring the sustainability of the social protection system beyond measures envisaged in the recovery and resilience plan;

- **improving the quality of public finances**, including by implementing spending reviews;

- **increasing investments** to further deepen the capital stock of the economy, especially investments in non-tangibles;

- **supporting small to medium-sized enterprises to adopt digital technologies and to continue bringing innovative products to the market** with a particular focus on the financing needs in the critical phase of the commercialisation of a new product or service;

- **improving the legislative framework** to better match the expectations of high-growth businesses;

- **implementing relevant legislation fully and rapidly to provide a good basis for public R&D investment** to enable the full exploitation of the scientific potential and to increase Slovenia's attractiveness as a location for R&D intensive sectors;

- **further reducing the administrative burden** and easing business regulation by relaxing restrictions in certain services and regulated professions, and reducing barriers to service providers from other EU countries;

- **further developing financial markets** by implementing the capital markets development strategy;

- **making further progress in decarbonising by streamlining the permitting process for renewables**, particularly wind installations, with the creation of designated priority areas to boost deployment in order to reduce energy prices by reducing reliance on fossil fuels and minimising exposure to volatile natural gas prices;

- **making further progress in decarbonising by upgrading the electricity grid infrastructure,** in particular low-voltage infrastructure, to facilitate the integration of renewable energy installations;

- **further supporting climate adaptation and water resilience measures**, while ensuring sustainable water management and nature protection and restoration;

- **addressing worker and skills shortages**, including by: (i) improving the attractiveness of and working conditions in affected sectors; (ii) increasing participation of under-represented groups; and (iii) further integrating non-EU workers into the job market and society;

- **ensuring that pupils have strengthened basic skills,** including by addressing teacher shortages and improving teacher education and the attractiveness of the profession, particularly in science, technology, engineering and mathematics (STEM) subjects;

- **boosting skills and labour productivity**, by: (i) increasing participation in adult learning, including skilling, upskilling and reskilling; and (ii) fostering digital and green skills, including by accelerating the implementation of measures under the cohesion policy programme, the recovery and resilience plan and other national programmes;

- **implementing the major structural reforms of long-term care, healthcare and pensions** fully and swiftly in 2025 as well as improving working conditions and addressing staff shortages prevalent in healthcare and long-term care;

- **ensuring that future retirees joining the voluntary pension pillar have access to the full spectrum of investment options**, including low-cost index fund options, and relaxing the restrictions on the investment policies of pension funds in general while explaining the risks to the insured.

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ANNEX 1: FISCAL SURVEILLANCE AND DEBT SUSTAINABILITY

This Annex contains a series of tables relevant for the assessment of the fiscal situation in Slovenia, including how Slovenia is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024 ([23]), aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Slovenia submitted its plan on 15 October 2024. The plan covers the period until 2028, presenting a fiscal adjustment over four years. On 21 January 2025, the Council adopted the Recommendation endorsing Slovenia's plan ([24]).

The assessment of the implementation of the Council Recommendation endorsing the Slovenia's plan is carried out on the basis of outturn data from Eurostat, the Commission's Spring 2025 Forecast and taking into account the Annual Progress Report (APR) that Slovenia submitted on 28 April 2025. Furthermore, given Slovenia's request to activate the National Escape Clause ([25]) in accordance with the Commission Communication of 19 March 2025 ([26]), the assessment also considers, as appropriate, the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, the assessment of the **implementation of the Council Recommendation endorsing the plan** follows, based on the relevant figures presented in Tables A1.2 to A1.9, including data on defence expenditure.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024 ([27]).

Developments in government deficit and debt

Slovenia's government deficit amounted to 0.9% of GDP in 2024. Based on the Commission's Spring 2025 Forecast, it is projected to increase to 1.3% of GDP in 2025. The difference between the general government balance projected by Commission and Slovenia is mostly due to a lower projection of gross fixed capital formation as well as higher projections of revenue from taxes on production and imports and from social contributions by the Commission. The government debt-to-GDP ratio amounted to 67.0% at the end of 2024 and, according to the Commission, it is projected to decrease to 65.5% end-2025.

([23]) Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

([24]) OJ C, C/2025/640, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/640/oj.

([25]) On 29 April 2025, Slovenia requested to the Commission and to the Council the activation of the National Escape Clause. On this basis, the Commission adopted a Recommendation for a Council Recommendation allowing Slovenia to deviate from, and exceed, the net expenditure path set by the Council COM(2025)613.

([26]) Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

([27]) Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

Table A1.1: **General government balance and debt**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	-0.9	-1.9	-1.3	n.a.	-1.5
2	General government gross debt	% GDP	67.0	66.0	65.5	n.a.	63.8

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Developments in net expenditure

The net expenditure ([28]) growth of Slovenia in 2025 is forecast by the Commission ([29]) to be below the recommended maximum. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also projected below the recommended maximum cumulative growth rate. The Commission Spring 2025 Forecast projects lower net expenditure growth compared to the Annual Progress Report mostly because of lower primary expenditure, in particular gross fixed capital formation.

General government defence expenditure in Slovenia remained stable at 1.2% of GDP between 2021 and 2023 ([30]). According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 1.4% of GDP in 2024 and 1.6% of GDP in 2025.

Table A1.2: **Net expenditure growth**

	Annual			Cumulative*		
	REC	APR	COM	REC	APR	COM
	Growth rates					
2024	n.a.	4.5%	4.5%	n.a.	n.a.	n.a.
2025	5.6%	5.3%	4.6%	12.1%	10.0%	9.3%
2026	4.4%	n.a.	7.0%	17.0%	n.a.	17.0%

* The cumulative growth rates are calculated by reference to the base year of 2023.
Source: Council Recommendation endorsing the national medium-term fiscal-structural plan of Slovenia (REC), Annual Progress Report (APR) and Commission's calculation based on Commission Spring 2025 Forecast (COM).

([28]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

([29]) Commission Spring 2025 Forecast, *European Economy-Institutional paper 318*, May 2025.

([30]) Eurostat, government expenditure by classification of functions of government (COFOG).

Table A1.3: **Net expenditure (outturn and forecasts), annual and cumulated deviations vis-à-vis the recommendation**

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	29.7	31.3	33.6	35.7
2	Interest expenditure	bn NAC	0.8	0.9	0.9	1.0
3	Cyclical unemployment expenditure	bn NAC	-0.1	-0.1	-0.1	-0.1
4	Expenditure funded by transfers from the EU	bn NAC	0.8	0.6	1.0	0.8
5	National co-financing of EU programmes	bn NAC	0.2	0.1	0.1	0.1
6	One-off expenditure (levels, excl. EU funded)	bn NAC	0.3	0.2	0.4	0.0
7=1-2-3-4-5-6	**Net nationally financed primary expenditure (before discretionary revenue measures, DRM)**	**bn NAC**	**27.7**	**29.6**	**31.3**	**33.8**
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		1.9	1.7	2.5
9	DRM (excl. one-off revenue, incremental impact)	bn NAC		0.7	0.4	0.3
10=8-9	**Change in net nationally financed primary expenditure (after DRM)**	**bn NAC**		**1.3**	**1.4**	**2.2**
11	Outturn / forecast net expenditure growth	% change		4.5%	4.6%	7.0%
12	Recommended net expenditure growth*	% change		6.2%	5.6%	4.4%
13=(11-12) x 7	Annual deviation	bn NAC		-0.5	-0.3	0.8
14 (cumulated from 13)	Cumulated deviation	bn NAC		-0.5	-0.8	0.1
15=13/17	**Annual balance**	**% GDP**		**-0.7**	**-0.4**	**1.1**
16=14/17	**Cumulated balance**	**% GDP**		**-0.7**	**-1.1**	**0.1**
17	p.m. Nominal GDP	bn NAC	64.0	67.0	70.2	73.9

* The growth rate for 2024 is not a recommendation but serves to anchor the base, as the latest year with outturn data when setting the net expenditure path is year 2023.

Source: Commission Spring 2025 Forecast and Commission's calculation

Table A1.4: **Defence expenditure and the national escape clause**

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	1.2	1.2	1.2	1.4	1.6	1.7
2	*of which: gross fixed capital formation*	% GDP	0.2	0.1	0.3	0.4	0.4	0.4
3	Flexibility from increases in defence expenditure	% GDP					0.4	0.5
4	**Cumulated balance after flexibility**	**% GDP**					**-1.5**	**-0.4**

Source: Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation

Table A1.5: **Macroeconomic developments and forecasts**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	**Real GDP**	**% change**	**1.6**	**2.1**	**2.0**	**2.4**	**2.4**
2	Private consumption	% change	1.6	2.2	2.2	2.3	2.3
3	Government consumption expenditure	% change	8.5	2.7	2.8	4.1	3.7
4	Gross fixed capital formation	% change	-3.7	1.0	0.7	3.0	2.8
5	Exports of goods and services	% change	3.2	2.6	2.2	3.4	3.0
6	Imports of goods and services	% change	3.9	2.7	2.2	3.9	3.4
	Contributions to real GDP growth						
7	- Final domestic demand	pps	1.7	2.0	1.9	2.5	2.5
8	- Change in inventories	pps	0.3	0.0	0.0	0.0	0.0
9	- Net exports	pps	-0.4	0.1	0.2	-0.1	-0.1
10	Output gap	% pot GDP	1.3	1.0	1.0	1.2	1.2
11	Employment	% change	0.1	0.1	0.6	0.4	0.7
12	Unemployment rate	%	3.7	3.7	3.7	3.7	3.8
13	Labour productivity	% change	1.4	2.0	1.4	2.0	1.8
14	HICP	% change	2.0	2.3	2.1	2.3	1.9
15	GDP deflator	% change	3.1	2.8	2.8	2.7	2.7
16	Compensation of employees per head	% change	6.2	7.1	5.6	5.5	4.7
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	4.4	n.a.	4.6	n.a.	4.6

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.6: **General government budgetary position**

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1=2+3+4+5	**Revenue**	**45.8**	**46.2**	**46.5**	**n.a.**	**46.8**
	of which:					
2	- Taxes on production and imports	12.9	12.9	13.0	n.a.	12.9
3	- Current taxes on income, wealth, etc.	8.5	8.5	8.5	n.a.	8.5
4	- Social contributions	17.3	17.8	17.9	n.a.	18.4
5	- Other (residual)	7.1	7.0	7.1	n.a.	7.0
8=9+16	**Expenditure**	**46.8**	**48.1**	**47.8**	**n.a.**	**48.3**
	of which:					
9	- Primary expenditure	45.5	46.8	46.6	n.a.	47.0
	of which:					
10	- Compensation of employees	11.4	11.7	11.7	n.a.	11.9
11	- Intermediate consumption	6.7	6.8	6.8	n.a.	6.8
12	- Social payments	18.6	18.9	18.9	n.a.	19.3
13	- Subsidies	1.1	1.2	1.2	n.a.	1.2
14	- Gross fixed capital formation	5.1	5.5	5.3	n.a.	5.2
15	- Other	2.7	2.7	2.7	n.a.	2.7
16	- Interest expenditure	1.3	1.3	1.3	n.a.	1.3
18=1-8	**General government balance**	**-0.9**	**-1.9**	**-1.3**	**n.a.**	**-1.5**
19=1-9	**Primary balance**	**0.4**	**-0.6**	**-0.1**	**n.a.**	**-0.2**
20	Cyclically adjusted balance	-1.5	n.a.	-1.8	n.a.	-2.1
21	One-offs	-0.3	-0.6	-0.6	n.a.	0.0
22=20-21	**Structural balance**	**-1.2**	**-1.8**	**-1.2**	**n.a.**	**-2.1**
23=22+16	Structural primary balance	0.1	-0.5	0.1	n.a.	-0.8

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.7: **Debt developments**

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1	**Gross debt ratio* (% of GDP)**	**67.0**	**66.0**	**65.5**	**n.a.**	**63.8**
2=3+4+8	Change in the ratio (pps. of GDP)	-1.4	-1.1	-1.6	n.a.	-1.7
	Contributions**					
3	**Primary balance**	**-0.4**	**0.6**	**0.1**	**n.a.**	**0.2**
4≈5+6+7	**Snow-ball' effect**	**-1.8**	**-1.9**	**-1.8**	**n.a.**	**-1.9**
	of which:					
5	- Interest expenditure	1.3	1.3	1.3	n.a.	1.3
6	- Real growth effect	-1.0	-1.4	-1.3	n.a.	-1.5
7	- Inflation effect	-2.0	-1.8	-1.8	n.a.	-1.7
8	**'Stock-flow' adjustment**	**0.8**	**0.2**	**0.2**	**n.a.**	**0.0**

* End of period.

** The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

Source: Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: **RRF – Grants**

	Revenue from RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.2	0.2	0.6	0.5	0.7	0.7
2	Cash disbursements of RRF grants from EU	n.a.	0.4	0.0	0.5	0.2	0.5	0.5

	Expenditure financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	n.a.	n.a.	0.0	0.1	0.1	0.4	0.3
4	Gross fixed capital formation	n.a.	0.2	0.1	0.1	0.2	0.3	0.2
5	Capital transfers	n.a.	n.a.	0.0	0.1	0.0	0.1	0.1
6=4+5	Total capital expenditure	n.a.	0.2	0.1	0.2	0.2	0.5	0.3

	Other costs financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Other costs with impact on revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9	Financial transactions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Annual Progress Report

Table A1.9: **RRF - Loans**

	Cash flow from RRF loans projected in the Plan (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
1	Disbursements of RRF loans from EU	n.a.	n.a.	n.a.	0.5	0.2	0.1	0.1
2	Repayments of RRF loans to EU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

	Expenditure financed by RRF loans (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	n.a.	n.a.	n.a.	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	n.a.	n.a.	0.0	0.1	0.2	0.1	0.2
5	Capital transfers	n.a.	n.a.	n.a.	n.a.	0.0	0.0	0.1
6=4+5	Total capital expenditure	n.a.	n.a.	0.0	0.1	0.2	0.1	0.2

	Other costs financed by RRF loans (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	Other costs with impact on revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9	Financial transactions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Annual Progress Report

Cost of ageing

Total age-related spending in Slovenia is projected to rise from about 22% of GDP in 2024 to 25% in 2040 and to 27.5% in 2070 (see Table A1.10**).** The overall increase of around 5 pps of GDP by 2070 is mainly due to rising in pension expenditure, with also higher spending on healthcare and long-term care.

Public pension spending is projected to rise by 3.5 pps of GDP by 2070, of which about 2 pps would occur by 2040. This puts Slovenia among the countries with the highest projected increase of all Member States compared with 2024, with pension expenditure reaching 13.7% of GDP in 2070, compared with an EU average of 11.8%.

Public healthcare expenditure is projected at 6.9% of GDP in 2024 (slightly above the EU average of 6.6%) and is expected to increase by 0.7 pps by 2040 and by a further 0.3 pps by

2070. While the overall increase is driven by an ageing population, it is further influenced by a recent increase in access to mental health services and increase in salaries of the healthcare workforce ([31]).

Public expenditure on long-term care is projected at 1.0% of GDP in 2024 (below the EU average of 1.7%) and is expected to increase by 0.5 pps of GDP by 2040 and by a further 0.5 pps of GDP by 2070. The projected increase is due to an ageing population but does not reflect yet the budgetary impact of the latest reforms on long-term care ([32]).

Table A1.10:**Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2040 (%GDP)	
SI	22.3	*1.9*	*0.7*	*0.5*	*-0.4*	***2.7***	25.0	**SI**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2070 (%GDP)	
SI	22.3	*3.5*	*0.9*	*1.0*	*-0.2*	***5.2***	27.5	**SI**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.4*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

([31]) Key performance characteristics, recent reforms and investments of the Slovenian healthcare system are discussed in Annex 14 'Health and health systems'.

([32]) The adequacy and quality of the Slovenian long-term care system are covered in Annex 11 'Social policies'.

National fiscal framework

Slovenia has split the Independent Fiscal Institution (IFI) tasks on two institutions, both of which could benefit from measures to strengthen their independence. The Fiscal Council (FC) focuses on monitoring the compliance with fiscal rules and assessing the fiscal forecast of the government and has recently developed its own budgetary forecast. Past capacity constraints, limiting the number of technical staff to four persons, are being addressed with the amended Fiscal Rule Act. The policy dialogue with the government is regular and persistent, although reporting by the media is rather selective and more of a sporadic nature. The FC is undertaking outreach activities to broaden the awareness of fiscal issues. The Institute of Macroeconomic Analysis and Development (IMAD), which provides the macroeconomic forecasts underlying the budgetary planning, can only employ civil servants and the Director can be prematurely dismissed in the first year of new government, potentially raising independence issues. IMAD does not have a formal communications strategy but is very active in communicating its work to different stakeholders as an IFI and as a national productivity board.

Table A1.11:**Fiscal Governance Database Indicators**

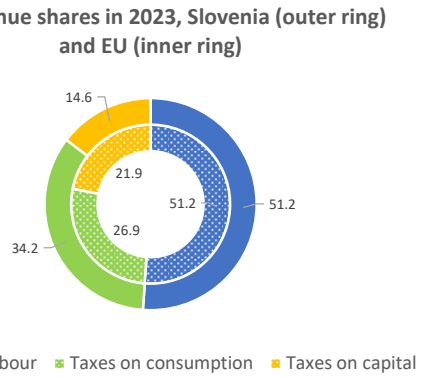
2023	Slovenia	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	8.47	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.78	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
Source: Fiscal Governance Database

This annex provides an indicator-based overview of Slovenia's tax system. It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; and (iii) tax collection and compliance.

In 2023 Slovenia's tax revenues were equivalent to 36.6% of GDP, slightly lower than the EU aggregate of 39%. Some relatively growth-friendly taxes, such as recurrent property taxes, are underused. Slovenia's strong reliance on labour taxation is reflected in labour taxes accounting for 51.2% of total tax revenues, which was at par with the EU aggregate of 51.2%. Revenues from social-security contributions expressed as a percentage of GDP were above the EU aggregate (15.6% vs 12.7%). In January 2024, Slovenia's voluntary complementary health insurance was abolished and replaced with an additional mandatory health contribution. The additional health contribution was initially charged at EUR 35 per month in 2024. In 2025, it was indexed for average gross wage growth in the previous year, and it will be adjusted in the same way in the future. Starting on 1 July 2025, a mandatory contribution to long-term care will also be charged at 2% of gross wages (1% paid by employers and 1% by employees) and at 1% of net pensions.

Graph A2.1: **Tax revenue shares in 2023**



Source: Taxation Trends Data, DG TAXUD

The amendments to the Personal Income Tax Act, which entered into force in January 2025, aim to increase the productivity and competitiveness of the Slovenian economy. The amended legislation introduces a preferential tax regime, which provides a tax credit of 7% of the received salaries for new residents (Slovenian and foreign nationals alike) who, on arrival in Slovenia: (i) are under 40 years of age; (ii) have not been resident in Slovenia for the last two years; and (iii) will have a wage of at least twice the last published average wage in Slovenia. The

Table A2.1: **Taxation indicators**

		Slovenia					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	38.6	38.7	37.8	36.6		37.8	40.2	39.7	39.0	
By tax base	Taxes on labour (% of GDP)	19.8	19.9	19.2	18.7		19.8	20.5	20.1	20.0	
	of which, social security contributions (SSC, % of GDP)	15.9	16.5	16.1	15.6		12.9	13.0	12.7	12.7	
	Taxes on consumption (% of GDP)	14.1	13.3	13.1	12.5		10.9	11.2	10.9	10.5	
	of which, value added taxes (VAT, % of GDP)	8.1	8.3	8.3	8.1		6.8	7.3	7.4	7.1	
	Taxes on capital (% of GDP)	4.8	5.6	5.5	5.3		7.1	8.5	8.7	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	5.6	5.4	5.2	5.1		8.6	9.6	9.4	9.3	
	Corporate income taxes (CIT, % of GDP)	1.9	2.5	2.3	2.3		2.2	2.9	3.2	3.2	
	Total property taxes (% of GDP)	0.6	0.7	0.7	0.6		1.9	2.2	2.1	1.9	
	Recurrent taxes on immovable property (% of GDP)	0.5	0.5	0.5	0.4		1.1	1.1	1.0	0.9	
	Environmental taxes (% of GDP)	3.9	3.3	2.9	2.8		2.5	2.4	2.1	2.0	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	NA	97.6	NA	81.7		NA	86.0	NA	84.8	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	33.7	39.5	39.3	37.1	41.3	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	42.5	43.5	42.9	43.1	44.6	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	18.1	17.2	17.2	17.2		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	10.6	8.5	8.3	8.2		8.6	8.2	7.9	7.7	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		4.8	4.3				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		3.6	9.2	7.8			6.6	7.0		

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2023. For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, https://data.europa.eu/doi/10.2778/2476549
For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en.
Source: European Commission, OECD

regime also provides for the beneficial tax treatment of: (i) employee stock options; and (ii) employees of innovative start-up companies by delaying the calculation of their tax liability.

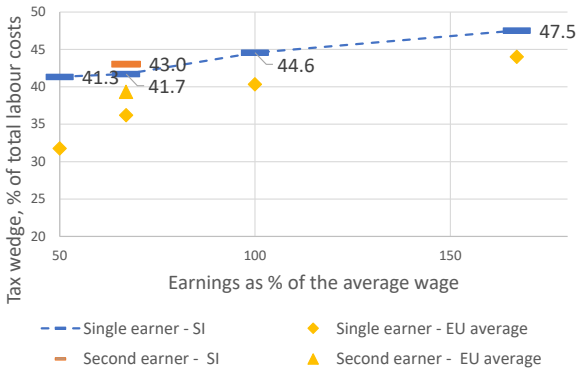
Revenues from recurrent property taxes, which are considered to be one of the taxes least detrimental to growth, were below the EU aggregate. Total property taxes were equivalent to 0.6% of GDP in Slovenia in 2023 (compared with 1.9% for the EU aggregate), of which the equivalent of 0.4% of GDP came from recurrent property taxes (compared with 0.9% for the EU aggregate).

Revenues from consumption and environmental taxes as a share of total taxation in Slovenia were above the EU aggregate, but revenues from capital taxes were below the EU aggregate. In 2023 revenues from VAT expressed as a percentage of GDP were 1 pp. above the EU aggregate (8.1% vs 7.1%) while revenues from corporate income tax (CIT) as a percentage of GDP were 0.9 pps below the EU aggregate (2.3% vs 3.2%). The December 2023 Act on Reconstruction, Development and the Provision of Financial Resources increased the CIT rate by 3 pps to 22% and introduced a tax on banking assets for 2024-2028. The revenue from these taxes will be used to finance reconstruction after the August 2023 floods. As of 2025 VAT rates for sweet drinks are increased from 9.5% to 22%.

There is potential to strengthen the application of the 'polluter pays' principle. Slovenia has implemented three of the six main types of pollution and resources taxes (i.e. taxes on waste landfilling, waste loadings to water and plastic products). There could be scope to expand waste disposal taxes (including on incineration) and to implement the three other types of environmental taxes (i.e. taxes on NOx emissions, pesticides and fertilisers).

Slovenia's labour-tax wedge is high across different wage levels and the labour-tax burden is less progressive than the EU average. Slovenia's labour-tax wedge([33]) was higher in 2024 than the EU average at various income levels, in particular for single people at 50% of the average wage (see Graph A2.2). Second earners at a wage level of 67% of the average wage, whose spouses earn the average wage, were also subject to a tax wedge considerably above the EU average. However, the difference between their tax wedge and that of single earners at the same wage level was clearly below the EU average. Slovenia is one of the Member States with the lowest income inequality (as measured by the Gini coefficient) and the tax-benefit system helped reduce income inequality by more than the EU average in 2023 (a reduction of 8.2 point in Slovenia compared to an EU-average reduction of 7.7 points).

Graph A2.2: **Tax wedge for single and second earners, % of total labour costs, 2024**



The tax wedge for second earners assumes a first earner at 100% of the average wage and no children. For the full methodology, see OECD, 2016, Taxing Wages 2014-2015.
Source: European Commission

At the end of 2024, the government prepared and submitted further tax amendments for public consultation in the field of the introduction of a new real estate tax and the reduction of labour taxation. Slovenia's planned tax reform has the main objective of supporting housing policy and regulating the housing market while using the funds raised to reduce labour taxation, by: (i) providing for an additional in-work tax allowance of EUR 2 000; (ii) reducing the highest tax rate from 50% to 43%; and (iii) introducing a reduced tax rate of 20% for annual income over EUR 500 000. On the real estate taxation, the proposed measures were designed in the direction that owner-occupied apartments and houses would be exempted from

([33]) The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

taxation but only the owners of a second property and each subsequent property would be taxed at a 1.45% tax rate of the generalised value of the property. It was proposed that individuals renting out their properties on long-term rental contracts would benefit from a tax reduction of 25% of the declared rental income.

Slovenia uses generous expenditure–based tax incentives, such as tax incentives for R&D expenses, investment tax incentives, depreciation of tangible fixed assets, amortisation of intangible assets, and depreciation of investment property. These incentives are all targeted at increasing the likelihood of generating additional investment as they directly target investment expenses.

Slovenia also allows for the use of retained tax losses, which is limited to a maximum of 50% of the actual tax base. An amendment to the Corporate Income Tax Act, which entered into force on 1 January 2025, has limited the possibility of utilising tax losses to five tax periods, while also providing for a transitional regime. Carry-back of losses is not permitted.

Slovenia has an investment allowance for investing in digital transformation and the green transition. The tax allowance for investment in equipment and intangible assets is limited to 40% of the cost of investing in: (i) cloud computing; (ii) artificial intelligence; (iii) big data; (iv) environmentally friendly technologies; (v) cleaner, cheaper public and private transport; (vi) the decarbonisation of the energy sector; (vii) the energy efficiency of buildings; and (viii) implementing other standards for climate neutrality. As of 1 January 2025, this allowance can be claimed in five tax periods following the investment period.

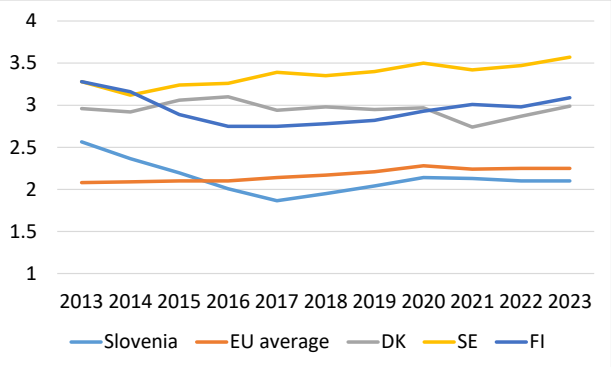
Slovenia does not have a specific tax regime or tax incentives for venture capital. Well-designed venture-capital incentives could help with the supply of venture-capital financing, particularly given that Slovenia ranks last in venture-capital financing as a percentage of GDP among 24 EU countries for which data are available.

Slovenia is working to improve its tax administration through comprehensive digitalisation efforts, as outlined in its strategic commitment to investing in IT infrastructure. Slovenia's e-filing rates are high for CIT and value added tax (VAT) (e-filing rates are 100% for both types of tax), indicating a relatively low compliance burden for these taxes due to streamlined digital processes. However, the personal-income-tax e-filing rate stands at 25%, suggesting a higher compliance burden for individual taxpayers.

Tax compliance and collection appear to be relatively effective. Outstanding tax arrears declined slightly by 0.5 pps to 4.3% of total net revenue in 2022. This was significantly below the EU-27 average of 32.6%, but that EU-27 average was inflated by very large values in a few Member States. In 2023, Slovenia's VAT compliance gap amounted to 7.8% of the VAT total tax liability.

Slovenia continues to fall short on the implementation of its ambitious targets for R&D investment and access to finance for innovative SMEs. According to the 2024 edition of the European Innovation Scoreboard,([34]) Slovenia remains a moderate innovator. While its performance (at 91% of the EU average) is above the average of the moderate innovators (84.8%), it is increasing at a slower pace than the EU average. The country's performance gap with the EU is thus growing. The main factor holding back Slovenia's performance continues to be low R&D expenditure in the public sector. R&D intensity stood at 2.13% of GDP in 2023, slightly below the EU average and still far behind Slovenia's own ambitious target of 3.5% of GDP by 2030 ([35]). To reach its own objective of becoming a leading innovator by 2030, Slovenia needs to further accelerate R&D investment, in line with the commitments made in its RDI strategy. The comparatively low uptake of digital technologies by SMEs also remains a challenge in terms of achieving the EU's Digital Decade target.

Graph A3.1: **R&D intensity (GERD as a percentage of GDP), 2013-2023**



Source: Eurostat

([34]) 2024 European Innovation Scoreboard, Country profile, Slovenia: https://projects.research-and-innovation.ec.europa.eu/en/statistics/performance-indicators/european-innovation-scoreboard/eis-2024#/eis/countries/SI . The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average).

([35]) Resolution on the Slovenian scientific research and innovation strategy 2030 (ReZrIS30),.

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Science and innovation ecosystems

In 2023, public expenditure on R&D stood at 0.64% of GDP, below the EU average of 0.72% and still far behind Slovenia's own ambitious target of reaching 1.25% by 2030. Slovenia's modest level of public R&D investment has not improved significantly over the last decade, holding back its scientific performance. Despite increasing research collaboration with other countries (in 2023 international co-publications accounted for 54.6% of total publications in Slovenia, against the EU average of 55.9%), Slovenian scientific publications in the top 10% most-cited publications worldwide, as a percentage of the country's total scientific publications, is 7.4% compared to the EU average of 9.6%. The increasingly open research system has therefore yet to translate into excellent science. The RDI strategy contains a clear commitment to raise R&D investments with a view to reaching a target of 1.25% of GDP for public R&D investment and of 3.5% of GDP for total R&D investment by 2030. Together with the Act on Research, Development and Innovation Activities ([36]), it aims to provide a stable and predictable framework for R&I funding over the long term. However, the public R&D spending has not increased by 0.08% of GDP as stipulated by the Act. Maintaining a solid path in terms of public R&D investment, in line with the RDI strategy and the Act, will be key for Slovenia to be able to fully exploit its scientific potential.

Further improving coordination within Slovenia's R&D system is crucial for boosting investment and competitiveness. A lack of cross-sector interaction and strategic guidance in the past has resulted in fragmented funding and hindered long-term cooperation among R&D players. To address this, Slovenia has undertaken significant reforms to its R&D governance system, as part of the recovery and resilience plan (RRP), which includes the RDI Act and the national RDI strategy. These reforms also included the establishment of a high-level Development Council

([36]) Act on Research, Development and Innovation Activities (in Slovenian) https://pisrs.si/pregledPredpisa?id=ZAKO7733

and a cross-government Programme Committee to supervise and monitor the implementation of the new R&D measures. At the same time, the relevant ministries and agencies were restructured to allow better coordination of research and innovation policies. Nevertheless, to ensure continuity and the effectiveness of the new R&D governance model, additional measures should be implemented, such as providing analytical support to the existing governance bodies for evidence-based policymaking or strengthening the role of strategic research and innovation partnerships ([37]).

Business innovation

Business R&D intensity is close to the EU average at 1.49% of GDP but has declined from 1.58% of GDP in 2020, while patenting activity remains below the EU average. Slovenia is underperforming in terms of scientific research excellence and product commercialisation, which is also reflected in its patenting activity. Patents filed under the Patent Cooperation Treaty per billion GDP have been on a declining trend in the last decade, falling to 1.8 in 2022, below the EU average of 2.8 ([38]). The Slovenian ICT sector (usually R&D-intensive) is among the smallest in the EU, accounting for 4.3% of GDP compared with the EU average of 5.5%. Also, the share of expenditure on R&D in the ICT sector is the lowest in the EU, at 9.8% of total R&D expenditure ([39]). Surveys suggest that low business investment is partly related to the lack of skilled labour ([40]). Growth of start-ups in the later stages of development is therefore held back not only by insufficient funding, but also by a lack of human resources with specific skills.

Stronger links between academia and businesses are essential to strengthen Slovenia's innovation potential and thus the competitiveness of the economy. Science-business linkages remain underexploited in Slovenia. This is reflected in the proportion of public R&D expenditure financed by businesses, which is well below the EU average (0.022% of GDP vs 0.050% for the EU average). The rate has been declining over time, hinting at businesses being reluctant to work with research labs. Slovenian SMEs play a bigger role in the economy than their counterparts in the rest of the EU, but their innovation collaboration with research organisations lags behind that of SMEs in innovation leader countries ([41]). It is therefore important to intensify collaboration between universities, research institutions and SMEs. Following the adoption of the Act on Research, Development and Innovation Activities, organisations carrying out research are now able to set up companies. The Slovenian Research and Innovation Agency (ARIS) promotes the application of high-quality scientific research and links between public research institutes and its end users. In addition to this, if implemented well, the investments provided for in the RRP will further strengthen longer-term collaboration between research organisations, large enterprises and SMEs ([42]). With the necessary legislative framework and supporting structures in place, Slovenia should be able to sustainably strengthen science-business linkages, but first results may take time to materialise and further efforts and monitoring will be essential.

Slovenia shows a mixed picture as regards the adoption of digital technologies by enterprises. The share of enterprises in Slovenia making use of artificial intelligence has progressed considerably and faster than the EU average (from 11.4% to 20.9%, vs from 8% to 13.5% at EU level, from 2013 to 2024). However, Slovenia has stagnated at around 68% in its level of basic digital intensity for SMEs, while the rate increased from 69% to 73% on average in the EU. Slovenia is taking action to boost the uptake of advanced

([37]) OECD, 2024: Improving the Governance Model of the Research and Innovation System in Slovenia, Improving the Governance Model of the Research and Innovation System in Slovenia - European Commission (europa.eu).

([38]) Compound annual growth in the period 2012-2022 was -5.4%.

([39]) Eurostat, ICT sector size (data from 2022) and R&D in ICT sector,(data from 2021).

([40]) See European Investment Bank Investment Survey 2023, EIB Investment Survey 2023: European Union overview.

([41]) SMEs represent most business entities (99.8%), of which 90.8% are micro enterprises. In 2022, SMEs contributed 66.9% to the added value of the economy and employed 73.3% of all employees in Slovenia (OECD SCOREBOARD: Financing SMEs and Entrepreneurs 2024).

([42]) The investment consists in the co-financing of collaborative projects between research organisations and business at all levels of technological development (COM(2023) 575 final), resource.html (europa.eu).

technologies among large companies and SMEs, including via the Recovery and Resilience Facility, and the European Digital Innovation Hubs also make their services available to Slovenian SMEs. As set out in its RRP, Slovenia engages considerably in EU-wide collaboration to develop and deploy infrastructure for advanced technologies by participating in multi-country projects on cloud infrastructure and services, semiconductors and quantum communication infrastructure.

Slovenia wants to position itself as a European leader in green technology by harnessing circularity to transform and decarbonise its economy. To do achieve this, Slovenia needs to improve the transfer of knowledge and access to finance for innovative SMEs, to allow them to set up large-scale production, and promote new technologies ([43]). Expanding cooperation within the Strategic Research and Innovation Partnership (SRIP – Circular Economy) would help Slovenia boost its competitiveness in global markets while developing a circular economy ([44]). The transition to a low-carbon circular economy depends on the development of new breakthrough technologies. Slovenian performance in eco-innovation has been increasing more than the EU average since 2014, mainly due to a strong increase in academic publications. However, this has not yet translated into new environment-related technologies, as reflected in the relatively low number of environment-related patents ([45]). The country has several demonstrators for low-carbon technologies funded by the EU, but to meet its objectives it needs to accelerate both innovation and pilot and demonstration activities and increase investment incentives.

([43]) Nikola Vrabec, Maja Hranilovic, Ecorys: Eco-Innovation Country Profile 2022: Slovenia, EcoAP - Library (europa.eu).

([44]) SRIP – Circular economy is a network of Slovenian businesses, educational and research institutions, non-governmental organisations and the State aiming to make the economy more competitive in the transition to a circular economy. About us - SRIP - Krožno gospodarstvo (srip-circular-economy.eu)

([45]) European Commission, EU Eco-Innovation Index 2024, EU eco-innovation index 2024 - Publications Office of the EU (europa.eu).

Financing innovation

A lack of venture capital continues to hinder innovative start-ups from scaling up. Venture capital investment in Slovenia amounts to 0.005% of GDP, the second lowest value in the EU. The enterprise birth rate is roughly the same as the EU average, but Slovenia is lagging behind on innovative start-ups. Slovenia has a relatively high number of innovating SMEs, but limited access to venture capital affects their ability to scale up innovations ([46]). The country needs to improve the support environment for start-ups by increasing the availability of venture capital and further strengthen cooperation between companies and knowledge institutions, including at market-entry level. Access to finance is needed in particular for technology demonstration,([47]) where investment and further development work are required for innovations to reach the market ([48]). The capital market development strategy, adopted by Slovenia in 2023, thus focuses on improving access to equity finance. If it is successfully implemented, the strategy could stimulate the development of new innovative SMEs with a high potential for fast growth. To improve access to the venture capital market in Slovenia the VESNA Venture Capital Fund was set up, and the Slovenian Enterprise Fund has prepared a new proposal for equity financing for the period 2024–2029 ([49]). Other measures, such as adopting a new act on alternative investment funds, have also been implemented as part of the RRP, but there is still room for speeding up reforms to improve access to finance ([50]).

([46]) OECD Economic Surveys: Slovenia, 2024.

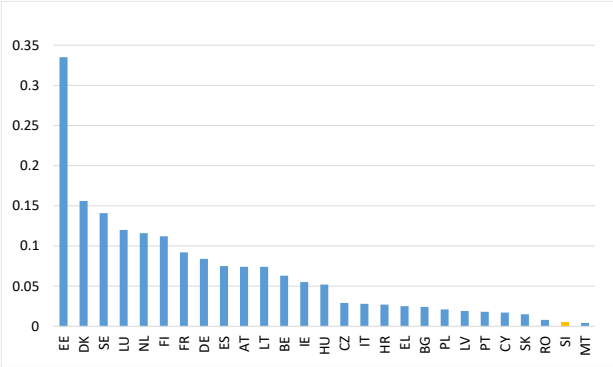
([47]) TRL levels 5-6

([48]) Tamara Besednjak Valič, Erika Džajić Uršič: Technology Transfer Offices for Better Management of the University-Industry Collaboration: Comparison of Slovenia, Italy, and Malta, 2024.

([49]) The new fund will focus on the 'proof-of-concept' stage that could be commercialised and transformed into companies. It will also help draw up a consistent intellectual-property transfer framework with university offices responsible for commercialising research.

([50]) Slovenia has implemented a range of measures to fill the gaps in SMEs' access to finance, such as blended finance with mentoring and training for innovative and early-stage start-ups (OECD SCOREBOARD: Financing SMEs and Entrepreneurs 2024).

Graph A3.2: **Venture capital as a percentage of GDP, 2023**



Source: Invest Europe

Innovative talent

Human resources present a mixed picture. To turn its potential into a competitive advantage, Slovenia needs to make further progress in this area. Significant efforts are being made to strengthen entrepreneurship education. A Strategic Council for Entrepreneurship in Education has been in place since 2020. In higher education, entrepreneurship education is available to all students through specialised courses and activities. Further efforts could focus on primary and general secondary education, as well as on the understanding of entrepreneurship as a skill rather than as a specific profession. The share of tertiary-educated people is below the EU average. Despite the high share of the population involved in lifelong learning, the proportion of the workforce with more than basic digital skills remains low (63.8% of the EU average) and has decreased marginally over the past years (see also Annex 12). The proportion of science, technology, engineering and mathematics graduates in Slovenia has risen by 4.55 percentage points to 29.5% since 2016, surpassing the EU average of 26.6% in 2022. The number of new doctorate graduates has also increased to slightly above the EU average (1.0 per thousand population in Slovenia, 0.9 in the EU)([51]). The gap with the innovation leaders, especially in terms of excellence, remains large and the education system is not well enough adapted to the needs of the private sector ([52]). This could change if companies further expanded the ICT training provided to staff, which is already above the EU average (137.4%), and if more attention was paid to developing top-quality human resources, such as researchers and people with PhDs, especially in technical fields ([53]).

([51]) Source: Eurostat

([52]) Nikola Vrabec, Maja Hranilovic, Ecorys: Eco-Innovation Country Profile 2022: Slovenia, EcoAP - Library (europa.eu).

([53]) IMAD: Productivity Report 2023 (gov.si).

Table A3.1: **Key innovation indicators**

Slovenia	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.58	1.88	2.16	2.14	2.1	2.13	:	2.24	3.45
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.63	0.47	0.56	0.55	0.6	0.64	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	7	6.9	8.1	7.4	:	:	:	9.6	12.3
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	4.3	3.5	4.1	4.3	4.6	5.0	:	4.2	:
International co-publications as % of total number of publications	43.4	48.5	51.7	53.1	52.5	54.6	:	55.9	39.3
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.96	1.41	1.58	1.57	1.48	1.47	:	1.49	2.7
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.92	0.56	0.63	0.63	0.54	:	:	0.4	0.3
Researchers employed by business per thousand active population	4.6	5.7	6.6	6.6	6.5	6.6	:	5.7	:
Innovative outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	2.9	2.7	2	1.8	1.8	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	9.49	16.2	10.68	:	:	:	:	12.51	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	67.14	:	67.63	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	19.06	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	37.56	:	36	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	11.73	:	11.37	20.89	13.48	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	8.5	8.3	9.7	9.7	9.7	9.5	:	7.7	8.9
Public expenditure on R&D financed by business enterprise (national) as % of GDP	0.061	:	0.037	0.032	0.022	:	:	0.05	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.399	0.217	0.227	0.228	0.198	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.091	0.107	0.082	0.106	0.098	0.092	:	0.102	0.141
BERD financed by the public sector (national and abroad) as % of GDP	0.308	0.110	0.145	0.122	0.100	:	:	0.100	0.110
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.004	0.008	0.003	0.003	0.007	0.005	:	0.078	:
Seed funding (market statistics) as % of GDP	0.00	6.70	1.70	2.90	9.60	17.40	:	7.30	:
Start-up and early-stage funding (market statistics) as % of GDP	79.70	54.00	77.40	79.70	65.60	57.60	:	44.00	:
Later stage and scale-up funding (market statistics) as % of GDP	20.30	39.20	20.90	17.30	24.70	24.90	:	48.70	:
Innovative talent									
New graduates in science and engineering per thousand population aged 25-34	17.1	14.3	15.2	16.0	16.5	:	:	17.5	:
Graduates in the field of computing per thousand population aged 25-34	2.6	2.3	2.6	3	3.2	:	:	3.6	:

(1) EU average for the last available year or the year with the largest number of country data.

Source: Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

Skills shortages, energy costs, uncertainty, and access to finance weigh heavily on an already low level of business investment, yet some significant steps have been taken in recent years to improve the business environment. Slovenia has made notable progress in removing administrative barriers and advancing e-government, but perceptions of improvement remain low, and obstacles are still seen as high. In addition to a lack of skilled labour, energy costs and economic uncertainty, access to finance continues to be a major barrier. Despite being highly integrated into the Single Market, restrictions persist in services, including some professions. Despite ongoing efforts to improve the public procurement system, a lack of competition in public procurement remains a concern.

Economic framework conditions

A rather low level of private investment is hampering productivity growth and the country's innovation capacity. Though there were some positive developments in the acceleration of innovation and investment activity in 2023 ([54]), the level of private investment declined once more in 2024. The perceived investment gap reported by companies in Slovenia was higher than the EU average, with 18% of firms reporting underinvestment (EU average, 14%) ([55]). Slovenia was still among the EU Member States with the lowest inward FDI-to-GDP ratio ([56]).

A lack of skilled labour, energy costs, and uncertainty are the main reported investment obstacles ([57]), while material shortages are decreasing. According to the EIB Investment Survey, 84% of businesses see the availability of skilled staff as an investment obstacle ([58]). Slovenia also continues to exhibit some persistent labour shortages in industry, having one of the highest rates in the EU, with 41.2% of companies reporting shortages as a limiting factor to their production (see also the Labour Market Annex) ([59]). In addition to demographic factors, the slow adaptation of education and training to meet the needs of the transition to a net-zero and digitalised economy exacerbates already existing constraints ([60]). A slightly above-EU average vacancy rate as well as a particular shortage of ICT specialists and a bottleneck in green skills may also complicate the transition (see also the Annexes on Labour Market and Education and Skills). Conversely, the share of businesses facing material supply constraints decreased from 37.8% in 2022 to 15.4% in 2023 and 9.5% in 2024, which is below the EU average. However, energy-intensive industries have felt the burden of energy costs on business revenues since the energy crisis (see also the Affordable Energy Transition Annex).

Access to finance remains an investment obstacle, but late payments are not a widespread problem. While Slovenia has been taking action via its recovery and resilience plan (RRP) to develop its capital market and improve access to finance, the country is the least successful in Europe in financing business growth through venture capital, with financing heavily reliant on bank loans (see the Capital Markets, Financial Stability and Access to Finance Annex). On the positive side, the share of SMEs reporting late payments is below the EU average, mainly because only a small share of companies reported delayed payment from public entities in 2024 (12.7% vs an EU average of 16.6%). However, the share of SMEs that reported payment delays from private entities is only marginally below the EU average (47.4% vs 47.9%) ([61]). Nevertheless, Slovenia had the smallest payment gap in the EU (the gap between the agreed and actual payment times) for business-to-business payments, with an average of 10 days in 2024, according to the Intrum Payment Report. The gap for payments

([54]) Institute of Macroeconomic Analysis and Development, 2023, *Productivity Report*, Umar.gov.si.

([55]) European Investment Bank, 2024, *EIB investment survey 2024*, Eib.org.

([56]) Institute of Macroeconomic Analysis and Development, 2024, *Development Report*, Umar.gov.si.

([57]) European Investment Bank, 2024, *EIB investment survey 2024*, Eib.org.

([58]) European Investment Bank, 2024, *EIB investment survey 2024*, Eib.org.

([59]) European Commission, 2024, *ECFIN Business and Consumer Survey*.

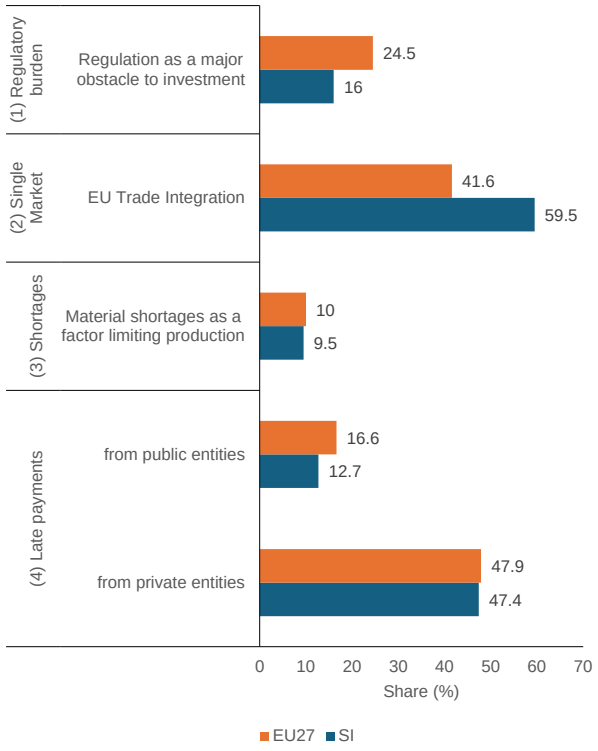
([60]) Institute of Macroeconomic Analysis and Development, 2023, *Productivity Report*, Umar.gov.si.

([61]) European Central Bank, 2024, *SAFE Survey*.

from the public sector has increased slightly (from 9 to 12 days in 2024) but also remains low ([62]).

Slovenian firms consider transport and digital infrastructure as obstacles to investment, albeit to a lesser extent. 45% of Slovenian businesses identify transport infrastructure as an obstacle, which matches perfectly with the EU average, while 13.9% see it as a major obstacle, which slightly exceeds the EU average. In addition, 30% see the country's digital infrastructure as negatively impacting investment, which is a smaller share than the EU average of 41% ([63]).

Graph A4.1: **Making Business Easier: selected indicators.**



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.
Sources: (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

Slovenia has solid digital infrastructure overall but room for improvement remains for rural areas and 5G coverage, and in business awareness of cybersecurity. Gigabit connectivity, measured by very high-capacity network (VHCN) coverage, is around the EU average. Despite the country's focus on rural areas, Slovenia still faces challenges, with only 57% of rural households being covered by VHCN, with the overall VHCN coverage at 78.5% (EU average 78.6%). Overall 5G coverage continues to improve considerably but still remains below the EU average, lying at 82.1% overall (EU average 89%) and 45.6% in rural areas (EU average 71.1%). Cybersecurity awareness in businesses is also increasing. The number of businesses that experienced ICT security incidents leading to unavailability of ICT services due to an external attack (e.g. ransomware attacks, denial of service attacks) slightly increased in Slovenia, from 2.15% in 2022 to 2.58% in 2024, yet still remained below the EU average (3.43%). ICT security measures were deployed by 86% of firms (below the EU average of 93%) and 55% of firms made their employees aware of their obligations in ICT security-related issues (below the EU average of 60%).

Slovenia seems to have improved rules for corporate governance in its many state-owned enterprises (SOEs) ([64]). The OECD Product Market Regulation (PMR) ([65]) database indicates that Slovenia is among OECD countries whose rules for public ownership and governing of SOEs induce the lowest distortions to competition and lowest shelter from market discipline ([66]). The largest SOEs by value are operating in infrastructure, energy and transport. Nevertheless, Slovenia continues to maintain stakes in companies in highly competitive sectors with little if any rationale for state ownership (e.g. tourism) ([67]).

([62]) Intrum, 2024, *European Payment Report*.

([63]) European Investment Bank, 2024, *EIB investment survey 2024*, Eib.org.

([64]) OECD, 2024, *Ownership and Governance of State-Owned Enterprises 2024*, Oecd.org.

([65]) OECD, 2024, *Product Market Regulation Policy Simulator 2023-2024 Edition*, Oecd.org.

([66]) OECD, 2023, *Descriptions of the components of the OECD PMR economy-wide indicator*, Oecd.org.

([67]) Republic of Slovenia, 2025, *Press release*, *Vlada dopolnila strategijo upravljanja državnih naložb*, Gov.si.

Reduction of regulatory and administrative barriers

Slovenia has gradually reduced the administrative burden and improved its business environment, but challenges remain. Several measures have been taken to make it easier to do business, for instance by setting up a single point of contact system for businesses, or also through the Slovenian RRP, which includes the two already adopted Debureaucratisation Acts. Furthermore, according to Slovenia's 'STOP the Bureaucracy' portal, over 300 measures to eliminate administrative barriers have already been implemented, most of them in finance, statistics, justice, and agriculture. This has contributed to reported annual savings of around EUR 420 million ([68]). However, perceptions of these changes among business executives remain low and obstacles to companies are still seen as rather high. Excessive bureaucracy (regulatory density and lengthy procedures) and frequent unpredictable changes in legislation and tax policy are most frequently cited, alongside concerns about labour shortages and the general economic situation ([69]).

Overall, business regulation is perceived as less of an obstacle to investment than on average in the EU. While still an issue for 52% and a major issue for 16% of businesses, these shares are considerably lower than the EU averages of 66% and 24.5%, respectively ([70]). Slovenia is also ranked as more competition-friendly in terms of administrative and regulatory burden than the OECD average, with licences and permits seen as comparatively less cumbersome ([71]). In terms of overall entrepreneurial conditions, Slovenia has started several initiatives over the past few years to develop entrepreneurial skills among young people ([72]). SPIRIT Slovenia also operates an entrepreneurship programme aimed to equip women with entrepreneurial skills, as women are still considerably less likely to start a business than men ([73]).

Slovenia has also made notable progress in e-government. The country is close to the EU average in the provision of digital public services for people and businesses, with service processes also relatively transparent compared to the EU average ([74]) (see the Effective Institutional Framework Annex).

Indebtedness of companies is lower than average for the euro area, with the share of companies with a high exposure to insolvency risk decreasing. This share declined after a temporary increase at the start of the COVID-19 pandemic and by 2023 was already lower than during the global financial crisis ([75]). Slovenia has also already adopted an amendment to its Insolvency Act to transpose the EU Directive on Restructuring and Insolvency into national law ([76]). The number of insolvency proceedings initiated against companies was lower in 2023 than in 2019 for most activities ([77]).

Slovenia is taking action to improve processes and procedures to strengthen tax compliance related to corporate income tax. It has also benefited from the technical support instrument of the European Commission ([78]). Slovenia has a high tax burden on labour, which may have an impact on attracting workers and business competitiveness. Slovenia's statutory corporate income tax rate has been temporarily increased from 19% to 22% for the tax years 2024-2028.

([68]) Republic of Slovenia, *STOP the Bureaucracy portal*, Stopbirokraciji.gov.si.

([69]) Institute of Macroeconomic Analysis and Development, 2024, *Development Report*, Umar.gov.si.

([70]) European Investment Bank, 2024, *EIB investment survey 2024,* Eib.org.

([71]) OECD, 2024, *Product market regulation – country note Slovenia*, 2024, Oecd.org.

([72]) EACEA, 2023, *Youthwiki Slovenia*, Eacea.ec.europa.eu.

([73]) OECD, 2023, *The Missing Entrepreneurs 2023*, Oecd.org.

([74]) European Commission, 2024, *Digital Decade Country Report Slovenia*, Ec.europa.eu.

([75]) Institute of Macroeconomic Analysis and Development, 2023, *Productivity Report*, Umar.gov.si.

([76]) OECD, 2022, *Enhancing insolvency frameworks to support economic renewal*, Oecd.org.

([77]) Institute of Macroeconomic Analysis and Development, 2024, *Development Report*, Umar.gov.si.

([78]) European Commission, *Improving the administration of corporate income tax in Slovenia*, 2024, Ec.europa.eu.

Single Market

Slovenia has a small, open and diversified economy with one of the highest rates of trade integration for goods in the Single Market. Intra-EU trade represented 59.3% of GDP in 2024 (mostly due to this high level of trade in goods). The largest investors in Slovenia are from EU Member States, with Slovenia's main trading partners (Austria, Germany, Italy, Croatia and Switzerland) contributing about three fifths of the total value of direct investment ([79]).

The country has one of the highest proportions of firms reporting engagement in international trade. According to the EIB Investment Survey, 84% of Slovenian firms imported and/or exported goods and/or services (within the Single Market or beyond), well above the EU average of 63% ([80]). The economy also continues to link into global value chains, for instance by upgrading production with other functions, such as research and development. This is reflected in increasing economic complexity and a higher share of exports of medium and high-technology intensive products ([81]).

Slovenia is one of the most restrictive Member States for trade in services. While the country's services export market share has increased, its trading potential in fast-growing, knowledge-intensive services, particularly in telecommunication, computing and information services, remains under-utilised ([82]). Insurance is the most open sector in Slovenia while engineering services are the most restricted when compared with other countries, with potential hindrances such as limitations on the duration of stay for service suppliers and limited recognition of foreign qualifications ([83]).

Barriers also remain in professional services. While Slovenia has reduced the number of regulated professions to some extent in the past (particularly in the trades and crafts sector), regulatory restrictiveness is higher than the EU average for professions such as lawyers, real estate agents, civil engineers and architects ([84]). Overall, 284 specific professions are regulated in Slovenia, which is the fourth highest number in the EU and considerably above the EU median ([85]). Reducing regulatory barriers in the professional services sector will make entry easier and improve quality and prices (the RRP does not cover this). In particular, the profession of lawyer is more strictly regulated than in other economies and the fragmented system regulating civil engineers could hinder the free movement of professionals. Rules dividing responsibility between different categories of professionals in the same area of activity could reduce the proportionality and efficiency of service provision. In addition, variations in regional regulations governing tourist guides may hinder market access and affect both national and cross-border service providers ([86]).

Other key Single Market indicators show signs of continued improvement. Slovenia has further caught up on its lag in transposing and conforming with Single Market directives and increased its resolution rate for SOLVIT, the EU-rights resolution system. In 2024, Slovenia solved 92.3% of the SOLVIT cases it handled as lead centre (EU average 84.9%) ([87]). The percentage of Single Market directives not transposed in reasonable time (transposition deficit) has dropped to 0.7% (below the EU average of 0.8%) and thus puts Slovenia firmly on track to reach the 0.5% target proposed in the Single Market Act. The conformity deficit (i.e. the percentage of all Single Market directives transposed incorrectly) also continued to narrow further, with Slovenia outperforming the EU average. The country also remains below the EU average for the number and duration of Single Market infringement cases.

([79]) Institute of Macroeconomic Analysis and Development, 2024, *Development Report*, Umar.gov.si.

([80]) European Investment Bank, 2024, *EIB investment survey 2024,* Eib.org.

([81]) Institute of Macroeconomic Analysis and Development, 2023, *Productivity Report*, Umar.gov.si.

([82]) Institute of Macroeconomic Analysis and Development, 2024, *Development Report*, Umar.gov.si.

([83]) OECD, 2024 *Services Trade Restrictiveness Index (STRI),* Oecd.org.

([84]) OECD, 2024, *Product market regulation – country note Slovenia*, 2024, Oecd.org.

([85]) European Commission, *Regulated professions database*, Ec.europa.eu.

([86]) European Commission, 2021, *Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021*, Eur-lex.europa.eu.

([87]) European Commission, *Single Market and Competitiveness Scoreboard*, Ec.europa.eu.

Public procurement

Competition within public procurement remains a challenge. 46% of contracts were awarded to single bidders in 2024, which is a slight increase compared to 2023 (44%). Service sectors like IT and maintenance have a particularly high share of single bids, despite efforts to increase competition. In addition, 21.5% of all procedures in 2024 were unsuccessful. However, while Slovenia's share of direct awards was still above the EU average, it declined progressively from a high of 26% in 2020 to 8% in 2024. A very low share of contracts also tends to be awarded to bidders from other countries (part of the Single Market and beyond) ([88]), resulting in a business environment with few new entrants. This further aggravates the lack of competition in what is a very small procurement market, featuring structural deficiencies, high fragmentation of the public procurement system and a complex regulatory structure where public procurement legislation is subject to frequent revisions. A slowdown of GDP growth also reduced bidder interest in 2024.

However, Slovenia continues to work on addressing the challenges with its public procurement system and has already implemented various initiatives, including through the RRP. For example, in 2024, a public procurement action plan was adopted, oriented towards making public procurement more competitive and effective, and bringing in some simplification tools. Slovenia has also successfully added e-forms to its national system. Further measures to improve competition in procurement procedures include enhanced training through the Public Procurement Academy, established through the RRP, and training for bidders, for instance by providing regional business support for SMEs to participate in public procurement. Furthermore, Slovenia's public procurement system underwent an independent analysis by the OECD in 2024, which offered recommendations for potential improvements to the institutional and regulatory frameworks that would foster competition and improve the public procurement capacity of both contracting authorities and bidders ([89]).

Slovenia has made considerable progress on strategic public procurement, in particular green public procurement (GPP), with socially responsible public procurement also on the rise. GPP accounted for 28.55% of contracts awarded in 2023, while socially responsible procurement accounted for 14.22%, which represents an increase of 1.73 percentage points in awarded contracts compared to 2022 ([90]). Under Slovenia's national legislation, it is mandatory for all public procuring entities to take environmental aspects into account when procuring goods or services from 22 product and service groups (from electricity, building and road construction to electronic office equipment) ([91]). A measurement framework to monitor the environmental, social and economic effects of GPP was also developed. Measurement results create a baseline for monitoring the effects of GPP over time and can be used to improve policies. In addition, Slovenia has also progressed in socially responsible public procurement and by 2018 had already published guidelines to combat 'social dumping' within the procurement of security and cleaning services ([92]).

Public procurement could also be used more strategically to encourage innovation. In 2022, to enable the development and use of innovative solutions by public authorities, the government adopted guidelines on innovative public procurement, but the lack of awareness and reluctance from contracting authorities indicates that these efforts have not been enough to drive widespread change. The uptake of innovation partnerships is also very low. Making effective use of Slovenia's Public Procurement Academy, which is available to all stakeholders involved in public procurement procedures and which also covers innovation procurement, could help improve the situation.

([88]) Republic of Slovenia, 2024, *Statistical report on public contracts awarded in 2023*, Ejn.gov.si.

([89]) OECD, 2025, *Maximising the Benefits of Effective Competition in Public Procurement in Slovenia*, .

([90]) Republic of Slovenia, 2024, *Statistical report on public contracts awarded in 2023*, Ejn.gov.si.

([91]) Official Gazette of the Republic of Slovenia, 2023, *Green Public Procurement Regulation*, Pisrs.si.

([92]) European Commission, 2024, *Procurement Monitoring Report – Slovenia*, Ec.europa.eu.

Table A4.1: **Making Business Easier: indicators.**

Slovenia							
POLICY AREA	**INDICATOR NAME**	**2020**	**2021**	**2022**	**2023**	**2024**	**EU-27 average**
Investment climate							
Shortages	Material shortage, firms facing constraints, %[1]	11.4	29.4	37.8	15.4	9.5	10.0
	Labour shortage, firms facing constraints, %[1]	20.1	32.4	41.4	44.1	41.2	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied)[2]	2.1	3.2	3.6	3.2	2.7	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle[3]	10.3	14.8	14.1	15.3	13.9	13.4
	VHCN coverage, %[4]	-	72.4	75.5	78.5	-	78.8
	FTTP coverage, %[4]	-	72.5	75.5	78.5	-	64.0
	5G coverage, %[4]	-	36.6	63.9	82.1	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle[3]	13.9	16.4	13.1	17.0	16.0	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[5]	17.2	11.7	12.3	11.8	10.3	15.6
	Payment gap - public sector, difference in days between offered and actual payment[5]	19.9	11.1	12.9	9.3	12.0	15.1
	Share of SMEs experiencing late payments, %*[6] — from public or private entities in the last 6 months	49.2	41.2	49.7	41.5	-	-
	Share of SMEs experiencing late payments, %*[6] — from private entities in the previous or current quarter	-	-	-	-	47.4	47.9
	Share of SMEs experiencing late payments, %*[6] — from public entities in the previous or current quarter	-	-	-	-	12.7	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP[2]	56.2	62.0	70.2	61.0	59.5	41.6
	EEA Services Trade Restrictiveness Index[7]	0.056	0.056	0.056	0.056	0.067	0.050
Compliance	Transposition deficit, % of all directives not transposed[8]	1.6	1.2	1.0	0.8	0.7	0.8
	Conformity deficit, % of all directives transposed incorrectly[8]	1.2	1.3	1.3	0.8	0.5	0.9
	SOLVIT, % resolution rate per country[8]	100	90.0	80.0	50.0	92.3	84.9
	Number of pending infringement proceedings[8]	28.0	24.0	23.0	23.0	18.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors**[8]	46	44	51	44	46	-
	Direct awards, %**[8]	26	19	11	10	8	7.0

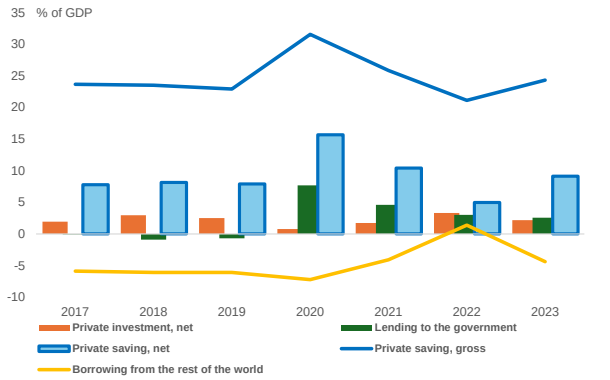
*Change in methodology in 2024: reporting late payments from public and private entities separately.
**Data on single bids for 2024 is provisional and subject to revision. Due to missing data, the EU average of direct awards data is calculated without Romania.
Sources: (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).

Slovenia's banking sector has performed well thanks to improving asset quality and a rise in net interest income. The Bank of Slovenia has introduced several important macroprudential measures. Insurance premiums dropped but profitability and solvency improved due to the abolition of complementary health insurance. The protection gap for earthquake and flood is significant. Firms in Slovenia rely on funding from banks rather than on funding from capital markets. Like in most Member States, households in Slovenia do not invest enough in financial assets and, more importantly, equity. The gap with US households is massive. It partly explains why Slovenia, like the EU in general, lags behind the US on access to finance, capital markets development, competitiveness, innovation, growth and geopolitical power. Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pension benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

Availability and use of domestic savings

The Slovenian economy is a net creditor to the rest of the world. In the last decade, the private savings ratio, net of fixed capital consumption, persistently fluctuated around its ten-year average of 8.3% of GDP, reaching a maximum of 15.7% in 2020 (see Graph A5.1). The net private investment ratio, which measures the net contribution of the private sector to capital accumulation in the country, evolved quite differentely. It exhibited a ten-year average of 0.9% of GDP, with a phase of negative investment from 2011 to 2016 followed by a phase of positive investment until now. During the same period the government budget was in regular deficit (except in 2017-2019) that averaged 2.6% of GDP with a peak at 11.2% of GDP in 2013 (banks' bail-out). Thus, the high positive balance between net domestic savings and net investment, together with the moderate government deficits, resulted in structural net lending by Slovenia to foreigners (except in 2022) that averaged 4.7% of GDP, with a peak of 7.2% of GDP in 2020.

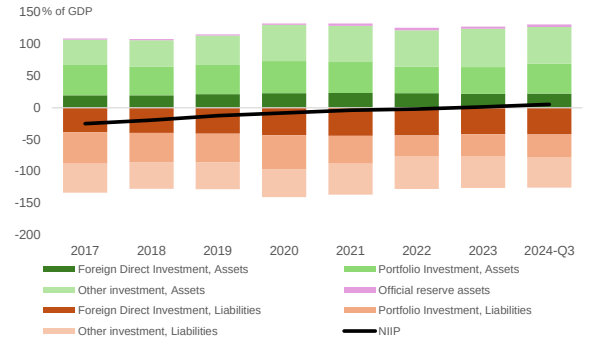
Graph A5.1: **Net savings-investment balance in Slovenia**



Source: AMECO.

Consistent with its regular position of a net creditor to the rest of the world, the Slovenian economy has exhibited a positive and steadily improving net international investment position since 2023. As of Q3-2024, total assets on foreigners reached 131% of GDP, while liabilities to foreigners stood at 125% of GDP, resulting in a net international investment position (NIIP) equivalent to 5% of GDP (see Graph A5.2). While significantly negative in 2017 (-25%), the NIIP has steadily improved and it became positive for the first time in 2023. The accumulated net portfolio investments and other investments, which each reached 11% of GDP as of Q3-2024, accounted for most of the NIIP. In contrast, net foreign direct investments were significantly negative (-20% of GDP). Thus, while the Slovenian economy is a major recipient of foreign direct investment, it has recently become a net capital exporter, notably by means of portfolio and other investments abroad.

Graph A5.2: **International investment position of Slovenia**

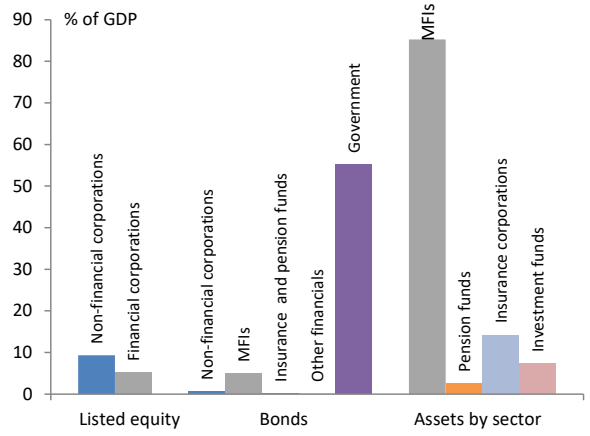


Source: ECB.

Structure of the capital markets and size of the financial sector

The Slovenian domestic capital market lacks depth. The market capitalisation of listed equity is quite modest and reached only 14% of GDP at end-2023 (vs 67% in the EU) (see Graph A5.3). The outstanding volume of debt securities is very low as well and reached 61% of GDP at end-2023. Bonds issued by the government accounted for 90% of the total. This reflects the very high weight of the gross public debt in the Slovenian bond market.

Graph A5.3: **Capital markets and financial intermediaries in Slovenia**



Source: ECB, EIOPA, AMECO.

The Slovenian banking sector is much smaller today than it was before the global financial crisis and the sovereign debt crisis. Banks' assets represented 83% of GDP in Q3-2024 (vs. 248% in the EU), one of the lowest in the EU, sharply down from 150% in 2012. The two crises had a dramatic impact on the banking sector: they drove the corporate non-performing loans ratio of several domestic banks beyond 30% and forced the government to bail out the three largest domestic banks (NLB, NKBM and Abanka) and to bail out or liquidate a few others. This resulted in a massive deleveraging and downsizing of the banking sector, followed by a significant consolidation phase. Abanka and Banka Celje merged in 2014, followed by the even bigger merger of NKBM with Abanka in 2020 to form the second largest bank in the country, quite far behind NLB. At the end of 2023, the banking sector was dominated by the state-controlled NLB (44% of market share in terms of total assets), followed by Hungarian OTP-owned NKBM (18% market share) and SKB (8%), in the process of being merged with NKBM, and the two subsidiaries of the Italian Intesa Sanpaolo (7%) and Unicredit (6%). Foreign-owned banks represented about 48% of the assets of the banking sector in 2023 compared with the 30% that prevailed before the sovereign crisis of 2013 and the subsequent sale of NKBM, Abanka and Banka Celje to Apollo-EBRD by the state. Most banks are privately owned, with the notable exception of the largest bank NLB which is still owned by the state at 25% and therefore effectively controlled by it. The insurance sector, with total assets of 14% of GDP at Q3-2024, dominates non-bank intermediation but much below the EU average (55% of GDP). The pension funds' assets are much smaller: they only represent 3% of GDP (vs 23% in the EU). Investment funds represent a relatively small share of 7.3% of GDP, below the EU median.

Resilience of the banking sector

Slovenia's banking sector has performed well thanks to improving asset quality and a rise in net interest income. Return on equity has constantly exceeded 9% since 2017, and reached a record high of 16.8% in 2023 (vs 9.0% in the EU) and 16.2% in 2024 (vs 10.0% in the EU), mainly thanks to an increase in net interest income and low impairments. However, the new temporary banking tax adopted in December 2023 would amount to 0.2% of banks' total assets (which is equivalent to about 0.19% of GDP). This could significantly reduce banks' future profits from 2024 to 2028. The capital adequacy ratio has slightly decreased from 20.4% in December 2023 to 19.7% in September 2024 (vs 20.1% in the EU). The average Minimum Requirement for own funds and Eligible Liabilities (MREL) level of Slovenian banks stood at 35.1% of Total Risk Exposure Amount (TREA) in December 2023, down from 36.1% of TREA in June 2023. Against an average MREL binding target (including combined buffer requirements, CBR) as of 1 January 2024 of 30.0% TREA, less than three banks present a MREL shortfall. In the meantime, Slovenia has not yet published information on its national bail-in mechanic in line with EBA guidelines. The non-performing-loan ratio has slightly increased from a record low of 1.5% in December 2023 to 1.6% in September 2024 (vs 1.9% in the EU). With a loan-to-deposit ratio of 72.2% (vs 95.5% in the EU),

banks benefit from a substantial excess of deposits over loans. This ensures a relatively stable funding basis and abundant liquidity, allowing banks to significantly reduce the share of funding they take from the ECB from 5.91% in August 2021 to 0% in August 2024. The liquidity coverage ratio slightly decreased from 305% in December 2023 to 297% in September 2024. However, this generally positive outlook could be threatened in the future by political or legal developments. There is still no lasting solution to the legacy portfolio of loans issued by Slovenian banks in Swiss francs, and adverse court rulings on this issue remain a real possibility, even if the issue only concerns a few banks.

The Bank of Slovenia has introduced several important macroprudential measures. On 22 December 2023, it modified the countercyclical capital buffer framework to introduce a positive neutral countercyclical capital buffer rate of 1.0%, which banks had to meet as of 1 January 2025. This aims to address unpredictable economic shocks and the uncertainties related to cyclical systemic risks. In July 2023, it slightly loosened the existing macroprudential restrictions on household lending, which impose caps on loans maturity, loan-to-value and debt service-to-income ratios. The goal of these borrower-based measures is to improve credit underwriting standards. Finally, it decided on 23 November 2023 to slightly reduce the systemic risk buffer on real estate residential exposures from 1% to 0.5% as of 1 January 2025 due to the observed cooling of the Slovenian real estate market. According to the Bank of Slovenia, the period of high house price growth and high growth in housing loans in a context of high inflation and higher interest rates is coming to an end.

Resilience of the non-bank financial intermediaries

The insurance market is highly concentrated. It is dominated by Zavarovalnica Triglav (36% of market share in terms of gross written premium in Q4 2023), followed by Zavarovalnica Sava (24%) and Generali (15%). Together, these companies controlled 75% of the insurance market in 2024. The first two insurers gained market share, while the third one lost market share. The two largest insurers, which are also the only two reinsurers, Triglav and Sava, are controlled by the Slovenian state.

Insurance premiums dropped but profitability and solvency improved due to the abolition of complementary health insurance. Insurers' gross written premium dropped by 12.3% between H1-2023 and H1-2024 due to the abolition of complementary health insurance, although individual segments recorded growth: non-life (excluding health) and life gross written premiums respectively increased by 10.8% and 10.6%. The non-life combined ratio([93]) improved from 96% in December 2023 to 89% in September 2024. Part of the improvement is due to the abolition of complementary health insurance which tended to exhibit a higher combined ratio than other non-life insurance segments due to the regulatory cap imposed on its premiums. This led to an increase in insurers' profit from EUR 7.9 million in H1-2023 to EUR 122 million in H1-2024. Overall capital adequacy improved from 247% in 2023 to 266% in 2024 (vs 247% in the EU).

The protection gap for earthquake and flood is significant. EIOPA's dashboard on insurance protection gap for natural catastrophes gives a score of respectively 3.5 and 3.0 for the earthquake and flood protection gaps on a scale from 0 (lowest gap) to 4 (highest gap). On 4-5 August 2023, Slovenia experienced its most catastrophic natural disaster (flash floods) since independence, with total direct and indirect damage estimated at EUR 10 billion (16% of GDP). Yet, the insurance penetration for earthquake and floods remains particularly low, between 0% and 25%.

Sources of business funding and the role of banks

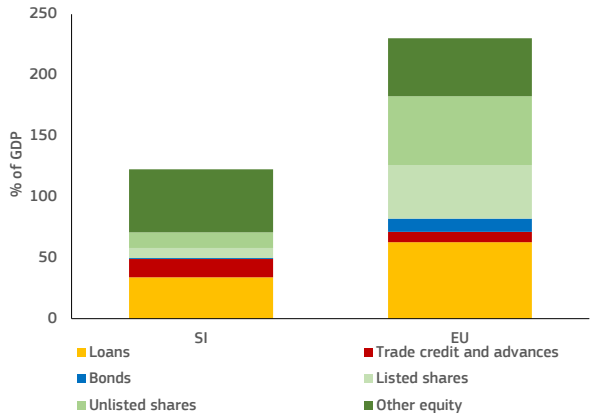
Firms in Slovenia rely on funding from banks rather than on funding from capital markets. More specifically, at the end of 2023, bank finance through loans constituted 27.6% (vs 27.2% in the EU) of all funding sources for Slovenian non-financial corporations (NFCs), while listed shares

([93]) The combined ratio is equal to the sum of the incurred losses and expenses divided by the earned premiums. It is inversely related to profitability.

and bonds represented only 7.4% (vs 23.8% in the EU) of funding sources. When expressed in terms of GDP, the overall level of NFC funding was lower in Slovenia (122.7% of GDP) than in the EU (230.3%), see Graph A5.4.

As a result, Slovenian businesses depend more on internal financing than their European peers. According to the 2024 EIB Investment Survey, 74% of investment needs of Slovenian firms are covered by internal funding, compared to an EU average of 66%. At the same time, 81% of Slovenian firms believe that their investment activities over the last three years were about the right amount, in line with the EU average (80%), suggesting that there is no material financing gap relative to investment demand. However, this may not be the case for firms with no or limited capacity for internal funding, such as innovative start-up firms (see further below).

Graph A5.4: **Composition of NFC funding as % of GDP**



(1) Reference period 2023
Source: Eurostat

Credit growth has fallen due to less attractive lending conditions. Due to the rise in interest rates, year-on-year growth of credit to NFCs has plunged since its peak of August 2022 and turned deeply negative to reach -6.9% in January 2024, a level unseen since the credit crunch observed as a result of the Slovenian banking crisis of 2013. The growth rate slightly increased to -5.2% in April 2024 (vs 0.2% in the euro area). Lending to households held up much better with year-on-year growth of 5.1% (vs 0.2% in the euro area) in April 2024, steadily picking up after having bottomed out at 3.4% in October 2023. It was mainly driven by a huge increase in consumer lending by 15.8%, as opposed to only 1.5% for housing loans. Between June 2022 and November 2023, interest rates on new loans to households and small and medium-sized enterprises (SMEs) soared by around 4 percentage points to levels unseen since 2008. In December 2023, interest rates on new loans to households for house purchases at variable rates reached a peak at 5.80%, before slightly decreasing to 5.75% in April 2024 (vs 4.82% in the euro area). In parallel, interest rates on new loans to SMEs reached their maximum of 5.62% in October 2023, before slightly decreasing to 5.22% (vs 5.30% in the euro area) in April 2024.

Banks reported no change in their credit standards for non-financial corporate loans in Q2-2024 and a slight loosening in credit standards for loans to households for house purchases. In the July 2024 Bank Lending Survey, Slovenian banks indicated that their credit standards for non-financial corporate loans in Q2-2024 remained stable for the fourth consecutive quarter since Q3-2023. Banks reported a slight loosening in credit standards for loans to households for house purchases in Q2-2024, mainly due to bank competition and general economic activity, while euro area banks reported a moderate loosening. Firms' net demand for corporate loans continued to fall in Q2-2024 for the eighth consecutive quarter, although the decline is less than during the previous quarters. Housing loan demand slightly increased in Q1 and Q2-2024 after six consecutive quarters of substantial decrease.

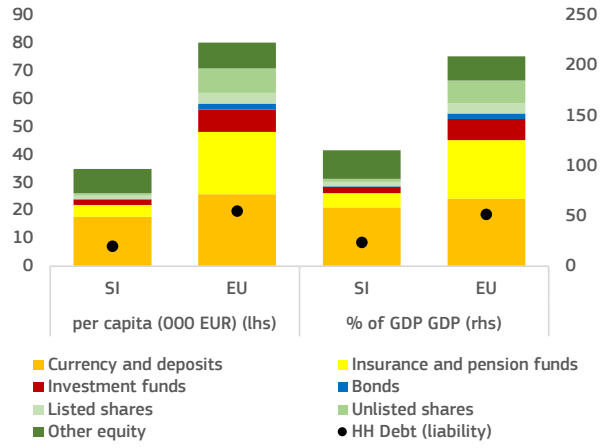
Capital markets and the participation of retail investors

Slovenia's capital markets are under-developed. The main stock exchange in Slovenia is the Ljubljana Stock Exchange. The equity market is very small in terms of capitalisation (14.6% of GDP vs an EU average of 68% as of end-2023) and volumes traded, and even more so when compared with the US (170.4%). The market breadth of bond markets has steadily decreased since 2018 and is largely below the EU average (0.6 vs 1.5). The bid-ask spread on equity markets is much higher than the EU average (12.6 vs 1.6). The use of equity by SMEs is relatively quite high, as 21.3% of SMEs indicated in the 2023 SAFE

survey that equity was relevant for them, compared to an EU average of 10.1% ([94]).

Some reforms are underway. The recovery and resilience plan included two reforms aimed at strengthening capital markets in Slovenia, namely (i) the adoption of a new act on forms of alternative investment funds and (ii) the implementation of a new strategy for Slovenian capital markets, setting out specific measures for further development. The government has also been working on a law on individual investment accounts.

Graph A5.5: **Composition of household financial assets per capita and as % of GDP**



(1) Reference period 2023
Source: Eurostat

Slovenian households do not invest enough in financial assets and, more importantly, equity. Slovenian households' financial assets equated to 115.7% of GDP in 2023, less than the EU average (209.4%) and much less than the US (435%) ([95]). Worse, assets invested in equity equated to only 53% of GDP, below the EU average (118%) and more than six times lower than the US (334%). Slovenian households invest relatively little in investment funds, bonds, shares and insurance pension funds, while allocating a significant portion to deposits, which generate much lower returns than equity.

The design of the overall pension system is not geared towards equity investment and the development of capital markets. The pay-as-you-go nature of the public pension system means that only the supplementary private schemes invest in high-return assets like equity. However, the supplementary private schemes are not universal and accumulated rights often remain limited for those covered. As a result, they only contribute to a moderate extent to the total pension income and do not fully foster the development of capital markets. Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pensions benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

The role of domestic institutional investors

The investment portfolio of Slovenian insurers is mostly composed of bond holdings. The Slovenian insurance sector, which is small by EU standards (14.4% of assets-to-GDP vs an EU average of 55.3%), invested 50.1% of its assets in bonds in Q2-2024 (compared to 36.9% for the European Economic Area as a whole) ([96]). Government bonds (domestic at 23%) represented 31.8% of the portfolio (vs 18.9% in the EEA), investment funds 26.3% (vs 35.4% in the EEA), corporate bonds 18.4% (vs 18.0% in the EEA), equity 16.0% (vs 15.9% in the EEA), cash and deposits 2.1% (vs 3.7% in the EEA), and mortgage and loans 1.0% (vs 3.9% in the EEA).

The domestic pension fund industry has an even more conservative investment profile, with a greater focus on bonds, and in particular corporate bonds. The assets of Slovenian pension funds were equivalent to 6.3% of GDP and bonds accounted for 65.6% of these assets as of end-2023 (vs 35.2% in the EEA). Corporate bonds represented 40.2% of the assets (vs 12.4% in the EEA), government bonds 25.4% (vs 22.8% in the EEA), investment funds represented 17.3% of the assets (vs 37.9% in the EEA), equity 11.8% (vs 19.4% in the EEA) and cash and deposits 2.7% (vs 4.5% in the EEA).

The participation of domestic institutional investors in providing funding for start-ups

([94]) Data and surveys - SAFE - European Commission, 2023, Results by country, T27.

([95]) US figures are from 2022.

([96]) Source: EIOPA Insurance Statistics.

and venture capital investors is low. A 2024 paper by the think tank centre for European Policy Studies showed that, on average, pension funds in Croatia, Slovenia and Slovakia accounted for only 6% of private equity and venture capital funds raised annually between 2007-2023, a figure that falls far short of the 19% for the Baltic states or 20% shares for Nordic Member States ([97]).

The depth of available venture and growth capital

The domestic venture and growth capital market is not developed enough to meet the financing needs of innovative firms. The average value of annual private equity relative to nominal GDP went up from 0.06% in 2015-2020 to 0.32% in 2021-2023, but it is still much lower than the equivalent EU average (0.6%). Worse, the average value of annual venture capital has remained negligible, dropping from 0.007% of GDP in 2015-2020 to 0.003% of GDP in 2021-2023 (vs 0.08% in the EU). Given the limited venture capital (VC) and private equity (PE) activity in Slovenia, there is a financing gap for early-stage innovative firms in need of capital.

There are some policies in place to promote start-up funding. To address the low volumes of PE and VC, on 23 March 2022, Slovenia adopted the Resolution on the Slovenian scientific research and innovation strategy 2030. The Slovenian recovery and resilience plan (RRP) also allocates EUR 143 million to support productivity and innovation, creating a more business-friendly environment for investors. This includes reforms to enhance the business environment, facilitate access to finance and foster cooperation between public and private research sectors. The Slovenian government also offers various support mechanisms for start-ups and SMEs via the Slovene enterprise fund (SEF), which proposes grants, loans and co-investment opportunities, or via EU funding, which is used for small scale incentives, with vouchers, or for a start-up consortium to improve the support environment for innovative start-ups through services like advisory support and mentoring.

([97]) Source: Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS.

Financing the green transition

Sustainable finance is not yet very developed in Slovenia, but some recent initiatives have shown growing awareness of the sector's potential. The share of green bonds in the total bonds outstanding has gradually increased over time to reach 1.2%, significantly lower than the EA average of 4.0%. However, more recently, the issuance of bonds with environmental, social, and governance objectives as a share of total bond issuance plunged to 2% in H1 2024 compared to its three-year average of around 28% ([98]). This large drop is due to the issuance by Slovenia of large sovereign sustainability bonds of EUR 1 billion and EUR 1.25 billion in June 2021 and January 2023 respectively. Under Slovenia's sustainability bond framework, the proceeds from the sustainability bonds will fund government investments that will contribute positively to the country's environmental and social goals. On 27 June 2023, the European Bank for Reconstruction and Development invested EUR 35 million in a senior preferred green bond as part of Nova Ljubljanska Banka's EUR 500 million public issuance.

Financial literacy

Financial literacy in Slovenia is the highest in the EU according to survey data. Financial literacy is crucial to promote retail-investor participation in capital markets but also to familiarise SMEs with alternatives to bank financing. The integration of financial literacy into the Slovenian education system aligns with the new national financial education programme adopted in January 2025. This programme represents a systematic effort to raise financial capability at national level, emphasising the importance of financial education as a lifelong process. In addition to integrating financial literacy into school curricula, Slovenia has also taken several other initiatives. It has been working on a 24-month project (supported by the Commission) to analyse the financial literacy of Slovenians aged 15 to 79. The project aims to produce a

([98]) Source: AFME CMU Key Performance Indicators, Seventh Edition, November 2024.

Table A5.1: **Financial indicators**

		2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU
Banking sector	Total assets of MFIs (% of GDP)	94.9	89.4	88.6	98.8	95.0	91.1	85.2	83.3	248.4
	Common Equity Tier 1 ratio	17.7	17.6	17.8	16.7	16.9	15.9	17.7	17.3	16.6
	Total capital adequacy ratio	18.1	17.9	18.5	18.3	18.4	18.5	20.4	19.7	20.1
	Overall NPL ratio (% of all loans)	9.2	6.0	3.4	3.0	2.1	1.8	1.5	1.6	1.9
	NPL (% loans to NFC-Non financial corporations)	20.2	13.3	6.9	6.5	3.9	2.9	2.8	2.9	3.5
	NPL (% loans to HH-Households)	3.9	3.0	2.4	2.5	2.5	2.1	1.8	1.8	2.2
	NPL-Non performing loans coverage ratio	59.6	57.7	54.6	51.8	55.6	54.1	60.6	60.6	42.1
	Return on Equity[1]	9.1	10.7	10.3	11.3	9.5	13.3	16.8	16.2	10.0
	Loans to NFCs (% of GDP)	21.8	20.2	19.3	19.5	18.4	18.9	15.9	15.3	30.0
	Loans to HHs (% of GDP)	22.8	22.8	22.8	23.5	22.2	21.9	20.1	20.2	44.5
	NFC credit annual % growth	1.7	0.2	2.8	-1.1	5.7	12.7	-5.0	-3.4	0.8
	HH credit annual % growth	7.2	6.8	6.1	0.7	5.2	7.7	3.7	6.0	0.7
Non-banks sector	Stock market capitalisation (% of GDP)	12.4	14.0	14.7	15.1	17.7	13.4	14.4	17.3	69.3
	Initial public offerings (% of GDP)	-	-	-	-	-	-	-	-	0.05
	Market funding ratio	34.0	34.0	32.2	32.0	30.3	27.7	28.7	-	49.6
	Private equity (% of GDP)	0.05	0.05	0.04	0.04	0.82	0.12	0.02	-	0.41
	Venture capital (% of GDP)	0.01	0.00	0.00	0.01	0.00	0.01	0.00	-	0.05
	Financial literacy (composite)	-	-	-	-	-	-	54.5	-	45.5
	Bonds (as % of HH financial assets)	0.5	0.5	0.4	0.3	0.2	0.2	0.5	-	2.7
	Listed shares (as % of HH financial assets)	3.3	3.0	3.2	3.4	4.1	3.3	3.7	-	4.8
	Investment funds (as % of HH financial assets)	4.3	3.9	4.5	4.5	5.5	4.8	5.5	-	10.0
	Insurance/pension funds (as % of HH financial assets)	16.0	15.0	14.9	14.1	13.4	12.5	12.2	-	27.8
	Total assets of all insurers (% of GDP)	18.8	17.5	18.0	19.6	17.8	14.8	14.2	14.7	54.8
	Pension funds assets (% of GDP)	-	-	-	-	-	6.5	6.3	7.1	23.4

1-3 | 4-10 | 11-17 | 18-24 | 25-27 Colours indicate performance ranking among 27 EU Member States.

(1) Annualised data
Credit growth and pension funds EU data refer to the EA average
Source: ECB, ESTAT, EIOPA, DG FISMA CMU Dashboard, AMECO

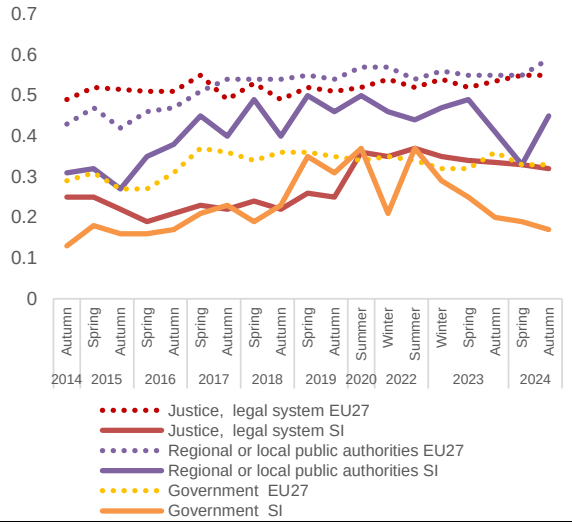
benchmarking report and develop educational content, including a self-assessment tool and an interactive game, to reach all demographic groups. Slovenia has also launched a financial literacy for adults project (2022-2024), which focuses on developing programmes tailored to adult learners, addressing their specific financial literacy needs. Furthermore, Slovenia actively participates in Global Money Week, an annual event promoting financial education among children and young people. Finally, the Bank of Slovenia has been organising financial literacy programmes for several years, targeting a wide audience. It is perhaps, in part, because of all these efforts that financial literacy in Slovenia is the highest in the EU. The 2023 Eurobarometer survey ([99]) shows that 27% of Slovenians have a high level of financial literacy, 61% a medium level, and the remaining 12% a low level, compared to the EU average of 18% for high literacy, 64% for medium, and 18% for low. This leads to an overall financial literacy indicator of 54.5, the highest in the EU, vs an EU average score of 45.5.

([99]) Source: Monitoring the level of financial literacy in the EU - July 2023 - Eurobarometer survey.

Slovenia's institutional framework influences its competitiveness. Trust in public institutions remains low. Slovenia would benefit from stronger regulatory governance and simplification. It has progressed in the provision of digital public services, but further efforts are needed to increase their use. The attractiveness of the public administration remains a challenge.

Public perceptions

Graph A6.1: **Trust in justice, regional / local authorities and in government**



(1) EU-27 from 2019; EU-28 before
Source: Standard Eurobarometer surveys

Trust in public institutions is below the EU average. Trust levels have fluctuated over the past decade. Trust in local authorities ranks higher than trust in central government, while trust in justice is furthest behind the EU average (Graph A4.1). Key aspects that can improve trust in public administration are less bureaucracy, more transparency in decision-making and use of public money, and more communication with citizens ([100]). The perceived quality of government has deteriorated slightly and stands just below the EU average ([101]). Against this backdrop, public administration reform priorities under Slovenia's recovery and resilience plan (RRP) include providing training on specific IT skills for civil servants, establishing a public procurement academy and setting up a single digital platform for regulatory activities, for all public authorities.

Some measures at local level aim to improve the quality of local public administration. For example, measures have been taken to even out administrative units' workload across the country and reduce processing times ([102]). Public opening hours have been harmonised across all administrative units and regional offices of the authorities ([103]). The government is also working on providing a solution to cover municipalities' additional costs ([104]).

Quality of legislation and regulatory simplification

Performance in developing and evaluating legislation is below the EU average. Performance is stronger in stakeholder engagement than in ex ante impact assessments. In 2024, Slovenia launched an application for drafting regulations, but assessment of their impact on different sectors is not yet mandatory ([105]). Moreover, the impact of subordinate regulations is assessed even more inconsistently. Performance in ex post evaluation of legislation shows a noticeable gap compared to the EU average. Despite of the ambition to introduce systematic policy evaluation, the methodology, transparency, oversight, and quality controls for this remain weak (Graph A6.2). Efforts to strengthen analytical capacity in central administration are still to show results. There has been a significant increase in civil society´s participation in the sessions of parliamentary working bodies and in written input to Parliament. However, civil society organisations still reported concerns about their restricted operating space.

([100]) Understanding Europeans' views on reform needs - April 2023 - - Eurobarometer survey, Country Fact Sheet.

([101]) Inforegio – European Quality of Government Index

([102]) Act on Measures to Optimise Certain Procedures at Administrative Units (Official Gazette of the Republic of Slovenia, No 62/24).

([103]) Amendment to the Decree on administrative operations.

([104]) 132nd regular session of the government of the Republic of Slovenia

([105]) Input from Slovenia for the 2025 Rule of Law Report.

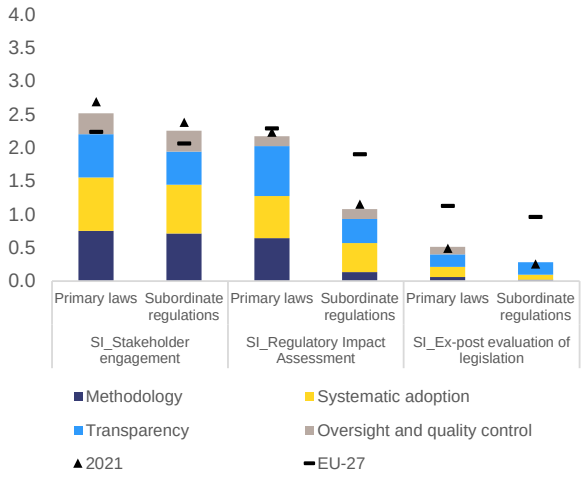
Table A6.1: **Slovenia. Selected indicators on administrative burden reduction and simplification**

	Ex ante impact assessment of legislation		Ex post evaluation of legislation	
When developing new legislation, regulators are required to …	Identify and assess the impacts of the baseline or 'do nothing' option.	○	Is required to consider the consistency of regulations and address areas of duplication.	○
	Identify and assess the impacts of alternative non-regulatory options.	○	Is required to contain an assessment of administrative burdens.	○
	Quantify administrative burdens of new regulations.	○	Is required to contain an assessment of substantive compliance costs.	○
	Quantify substantial costs of compliance of new regulations.	○	Compares the impact of the existing regulation to alternative options.	○
	Assess macroeconomic costs of new regulations.	○	Periodic ex post evaluation of existing regulations is mandatory.	○
	Assess the level of compliance.	○	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	○
	Identify and assess potential enforcement mechanisms.	○	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	●
			In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	○

● Yes / For all primary laws ◕ For major primary laws ◑ For some primary laws ○ No / Never

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation.
Source: OECD (2025), Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025 (forthcoming).

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



Source: OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

There is scope to further strengthen the mechanisms for simplifying regulation and identifying administrative burdens. The Ministry of Economy prepares regular packages aiming to simplify compliance costs and administrative burdens for business. However, when developing legislation, regulators are not required to identify and assess the impact of the baseline or "do nothing" option, to identify and assess the impact of alternative non-regulatory options or to assess the level of compliance. Requirements to conduct periodic ex post evaluation of existing regulations and to assess in those administrative burdens and substantive compliance costs apply to some (not all) primary laws (table A6.1).

The OECD product market regulation (PMR) indicator shows that Slovenia's licensing system is less burdensome than the EU average. However, there is some room for further alignment with best practices. For example, while the government keeps an up-to-date online inventory of all the permits and licences required/issued to businesses by public bodies, there is no requirement for the government to regularly review it and assess whether such licences and permits are still required or should be withdrawn (see also Annex 4).

Social dialogue

Social partners are involved in policy development in Slovenia, although there have been some disruptions. Slovenia's tripartite social dialogue, conducted through the

Table A6.2: **Digital Decade targets monitored by the Digital Economy and Society Index**

		Slovenia			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
Digitalisation of public services						
1	**Digital public services for citizens**	**69**	**71**	**77**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
2	**Digital public services for businesses**	**84**	**83**	**84**	**85**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
3	**Access to e-health records**	**na**	**80**	**88**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030

Source: State of the Digital Decade report 2024

Economic and Social Council established in 1994, represents the highest institutional framework for engagement among employers' associations, trade unions, and the government. This structure facilitates significant involvement of social partners in policy development and implementation. Leadership within the Council is rotational, with each group nominating the president on an annual basis. At the sectoral and enterprise levels, social dialogue is operationalised through trade unions and employers' associations via collective agreements. However, recent challenges have led to periodic suspensions of dialogue. In May 2021, a trade union exited the process, citing inadequate involvement in Covid-19 related legislative initiatives. Further disruptions occurred in July 2023 when employers' organisations suspended participation due to perceived deficiencies in inclusive policymaking. Dialogue resumed formally in June 2024, marked by the signing of a Declaration on respecting and promoting social dialogue, which aims to expedite critical reforms, notably in the pension and healthcare sectors, as outlined in the RRP. ([106])

Digital public services

Slovenia has made progress in the provision of public services online (Table A6.2). It is moving towards the EU average for digital public services for citizens and is very close to the EU average for digital public services for businesses. By contrast, access to electronic health records for citizens is above the EU average (with a score of 88 out of 100 versus 79).

While the range of digital public services is improving, their uptake is lagging behind. The share of e-government users has slightly decreased from 81% to 78% ([107]). Moreover, the share of eID users is below the EU average (36% vs 41%). However, Slovenia has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation ([108]). This means that Slovenian businesses cannot authenticate themselves to access public services provided by other Member States, including those enabled by the Once-Only Technical System ([109]).

Slovenia is now closer to being ready for seamless, automated exchange of authentic documents and data across the EU. It has completed its first transactions using the Once-Only Technical System, part of the EU Single Digital Gateway, and is ready to roll out services for citizens and business ([110]).

Many of the digital transformation measures in the Slovenian RRP are focused on public services. These include removing obstacles to the provision of digital public services and processes and enlarging the scope of electronic procedures in

([106])For an analysis of the involvement of Slovenia's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), National-level social governance of the European Semester and the Recovery and Resilience Facility.

([107])European Commission. Digital Decade 2024: Country reports

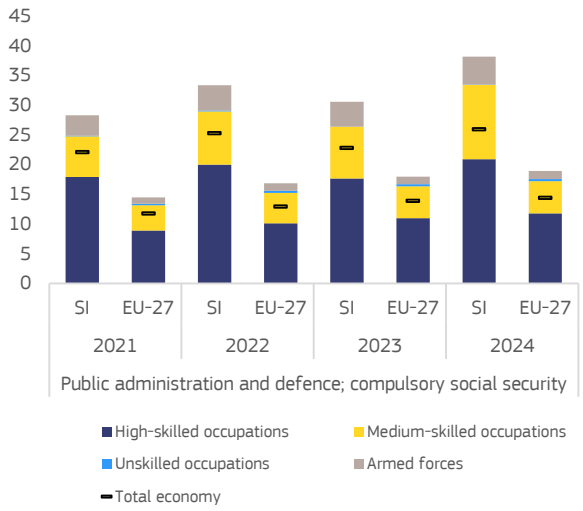
([108])European Commission, eIDAS Dashboard.

([109])European Commission, The Once Only Principle System: A breakthrough for the EU's Digital Single Market

([110])European Commission, Once-Only Technical System Acceleratormeter.

administrative processes. Furthermore, under its cohesion programme for 2021-2027, Slovenia is investing in a project aimed at providing integrated and user-friendly public services for businesses, citizens and public institutions ([111]). An AI semantic application for civil servants to analyse and process large documents and texts is under development ([112]).

Graph A6.3: **Participation rate of 25-64 year olds in adult learning (%) by occupation**



Source: European Commission, based on the Labour Force Survey

Civil service

Slovenia's civil service has a very high share of staff with higher education ([113]). The participation rate of civil servants in adult learning is also high (Graph A6.3). However, individual learning plans are not developed for all or most public employees. Nevertheless, the country is working on providing flexible upskilling and reskilling opportunities for civil servants. These opportunities relate to entrepreneurial and digital skills, better anticipating change and new skills requirements based on labour market needs.

The attractiveness of the public administration remains a challenge. Selection procedures for top civil service positions continue to attract few candidates, one of the deterrents being the possibility of dismissal without reason. In 2023, a single application was received in almost 50% of all published competitions ([114]). Slovenia does not apply a uniform measure of employee satisfaction in public administration. Internal mobility for civil servants, including senior-level civil servants, is possible but not encouraged or expected ([115]).

However, efforts have been made to improve working conditions for civil servants. The 2024 reform of the public pay system, a central part of Slovenia's RRP for the public administration, aims to make the system more flexible and more transparent ([116]). The reform includes a new pay scale and a method for converting existing pay grades, to be phased in over a period of three years. Slovenia has the highest share of women in senior management positions in the national administration at EU level, with 62.7% women ([117]).

Integrity

Companies consider corruption to be significant and a problem in doing business, but there were some improvements in the investigations, prosecutions and final judgments of corruption offences. In Slovenia, 83% of companies consider that corruption is widespread (EU average 64%) and 35% consider that corruption is a problem when doing business (EU average 36%) ([118]). Moreover, only 15% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%) ([119]). In

([111])Project Smart Digital Public Services: https://www.gov.si/en/news/2024-04-22-eu-funding-for-smart-digital-public-services/

([112]) https://nio.gov.si/en/products/semanticni%2Banalizator%2Bbesedil

([113])Eurostat. Labour Force Survey.

([114])Civil Servants' Council, 2023 Annual Report.

([115])Government at a Glance 2023: Slovenia – OECD.

([116])122nd regular session of the government of the Republic of Slovenia | GOV.SI

([117])National administrations: top two tiers of administrators by function of government - European Institute for Gender Equality.

([118])Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

([119])Ibid.

2023 prosecutors were successful in obtaining convictions in cases involving high- or mid-ranking officials for corruption-related offences ([120]). Detection and investigations of bribery in international business transactions remained weak throughout 2023 and 2024 ([121]). The length of court trials of money laundering and corruption cases is a challenge, as they are among the longest in the EU (926 days on average in first instance money laundering cases in 2023, up from 631 in 2022) ([122]). Moreover, while procedures have improved and transparency in public procurement has increased, a risk analysis of corruption and conflicts of interest in the healthcare sector was carried out and risks in public procurement persist ([123]). Furthermore, 34% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years ([124]). The National Review Commission, responsible for reviewing public procurement award procedures, indicated a decline in the number of reviews it is carrying out, potentially explained by increased transparency arising from the digitalisation of public procurement procedures. Sectors identified at high risk of corruption include health, decision-making in local government, spatial planning and environmental matters.([125])

Slovenia has implemented a public register for lobbyists, like most Member States. In 2023, the Commission for the Prevention of Corruption enforced administrative sanctions for omission of reporting on 18 registered lobbyists ([126]).

Justice

The justice system generally performs efficiently, but some challenges remain. The estimated time to resolve civil and commercial cases at first instance slightly increased from 337 in 2022 to 344 in 2023. As regards administrative cases, the estimated time length at first instance increased from 540 days in 2022 to 627 days in 2023. The quality of the justice system is quite advanced regarding digital tools for case management, particularly in courts. Electronic communication between courts and the parties involved has been further improved. As regards judicial independence, no systemic deficiencies have been reported.([127])

([120])See the 2024 country-specific chapter for Slovenia of the Rule of Law Report, pp. 14-15.

([121])Ibid., p. 14.

([122])See the upcoming 2025 EU Justice Scoreboard.

([123])Ibid., pp. 20-21.

([124])Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

([125])See the 2024 country-specific chapter for Slovenia of the Rule of Law Report., pp. 20-21.

([126])Ibid, pp. 17-18.

([127])For more detailed analysis of the performance of the justice system in Slovenia, see the upcoming 2025 EU Justice Scoreboard and 2024 Rule of Law Report.

Slovenia faces significant challenges regarding its clean industry transition and climate mitigation. It is a competitive exporter of grid technology components and also hosts battery production facilities. It is implementing policies to strengthen supply chains and the uptake of circular solutions for critical raw materials but remains highly dependent on imports of raw materials from a limited number of sources, with the circular material use rate stagnating below the EU average. Slovenia has put in place policies to support the decarbonisation of industry, but more is needed. Its industry still releases air and water pollutants, and the costs of pollution remain higher than the investment in pollution prevention and control. This annex reviews the areas in need of urgent attention in Slovenia's clean industry transition and climate mitigation, looking at different dimensions.

Strategic autonomy and technology for the green transition

Net zero industry

Slovenia's high level of industrialisation provides opportunities regarding the manufacturing of net zero technologies, although its production capacity is currently modest ([128]). For solar PV modules, it amounts to between 700 and 800 MW/y, which is 4% of the EU's capacity. In addition, the country hosts at least five battery production facilities, including one giga factory which opened in 2024, and at least six facilities producing heat pumps. Slovenia is also a competitive exporter of grid technology components, including automatic circuit breakers, relays, parts of electrical boards, devices for protecting electrical circuits and liquid dielectric transformers. To address its remaining strong import dependency for components and machinery in the field of batteries and microelectronics, Slovenia participates in several Important Projects of Common European Interest (IPCEI) related to strategic technologies for Europe. It is part of the EuBatIn IPCEI, approved in 2021, and the IPCEI on microelectronics (IPCEI ME/CT) and the IPCEI on cloud and communication/information technologies (IPCEI CIS). Projects in IPCEI ME/CT and IPCEI CIS are supported by Slovenia's national recovery and resilience plan.

The absence of an industrial policy on net zero industry means that there are few signals to support the scale up of net zero manufacturing. However, the need to ensure a fair transition in Slovenia's coal regions brings new economic opportunities through investment and skill transfers for net zero technologies, supported by the Just Transition Fund ([129]). This includes the Carbon-Free Technology Demonstration and Training Centre in Zagorje ob Savi, which will develop and provide training for both students and experts in batteries, hydrogen and Carbon Capture and Storage (CCS) technologies.

Transforming the car industry

Similar to other parts of Europe, Slovenia's automotive supplier industry is struggling for global competitiveness in the midst of the e-vehicle transformation. Exports of products related to the automotive industry have decreased slightly ([130]). The Slovenian automotive industry comprised around 300 companies in 2023 and provided around 16 900 jobs, with Germany by far being the biggest export market for this sector ([131]), which means that difficulties in the German market also impact Slovenian companies in the value chain. Weak demand for electric cars as well as production stops further impact the sector's competitiveness as well as the sustainable travel transition in a country which has a very low share of registered electric cars ([132]). As a result, Slovenia's automotive industry suppliers have started to promote ties with the Chinese automotive industry, in search of future business opportunities.

([128])European Commission, 2025, *The net-zero manufacturing industry landscape across the Member States*, Op.europa.eu.

([129])European Commission, 2022, *EU Cohesion Policy: More than EUR 258 million for a just climate transition in Slovenia*, Ec.europa.eu.

([130])Institute of Macroeconomic Analysis and Development, 2025, Spring Forecast of Economic Trends, Umar.gov.si.

([131])Slovenia Business, 2024, *Automotive industry*, Sloveniabusiness.eu.

([132])European Environment Agency, 2024, *Newly registered electric cars by country*, 2024, Eea.europa.eu.

Critical raw materials

The country is highly dependent on imports of raw materials from a limited number of sources, with Slovenia's import concentration higher than the EU average. The country's import concentration for a basket of critical raw materials was 6th highest in the EU in 2023, just below the high-degree threshold. ([133]). Furthermore, Slovenia's gross operating surplus in the basic metals manufacturing sector has been declining since 2017 ([134]). The majority of substances processed in Slovenia are minerals and metals (around 65% in total), which are mostly used in the processing industry and construction ([135]).

Non-food, non-fuel raw material imports are heavily concentrated in aluminium, primarily sourced from Bosnia-Herzegovina, with additional supplies from Mozambique. Slovenia also imports other critical or strategic minerals, such as phosphorus (mainly from Morocco), nickel (mainly from Canada and Colombia), fluorspar from China, copper from Bosnia-Herzegovina and borates from Turkey. With 41.5% of material inputs from imports in 2023 (EU average: 22%) ([136]), Slovenia is particularly vulnerable to supply chain disruptions.

To mitigate such vulnerabilities and to help integrate domestic raw material supply chains in line with the European Union's strategic objectives, Slovenia is preparing its National Research Programme. It will identify the national potential for critical raw materials, support research and innovation in the field of sustainable extraction and processing. As mining itself faces challenges regarding coordination and permitting, Slovenia also prepared an action plan to reduce the backlog of permit applications. In addition, in 2018, Slovenia adopted a National Mining Strategy, which defines the key goals and measures for the coordinate management of mineral resources ([137]).

The circular use of material is also key to reducing dependence on imports. In this regard, over the last decade, Slovenia's circular material use rate has stagnated, remaining below the EU average, with Slovenia's resource productivity also considerably below the average ([138]). This creates significant challenges regarding sustainability and resilience, such as supply chain risks, environmental degradation and social concerns.

Slovenia is implementing policies to strengthen supply chains and the uptake of circular solutions for critical raw materials. The government is encouraging the de-risking and diversification of Slovenian industry by implementing various reforms. These include the new implementing regulation for the Investment Promotion Act, which aims to speed up the transition to a circular economy (and therefore reduce reliance on imports) and promote the use of recycled materials. And the government is also investing in research and innovation projects in the circular economy. In addition, the Slovenian centre for the circular economy was established in 2025. The recycling rate for e-waste, a key source of critical raw materials, is close to the EU average, with 81% in 2022. The reuse and recycling rate for end-of-life vehicles is slightly below the EU average (86.7% vs. 89% in 2022). This points to the need to avoid the loss of critical raw materials, notably as the car industry shifts to battery electric- vehicles.

Climate mitigation

Industry decarbonisation

Although it contributes less to overall greenhouse gas emissions, the key climate and energy characteristics of Slovenia's manufacturing sector are close to the EU average. 17% of Slovenia's total greenhouse gas

([133])European Commission, 2024, *Single Market and Competitiveness Scoreboard, strategic dependencies on raw materials*, Ec.europa.eu.

([134])European Commission, *Raw Materials Information System, Country Profiles, Slovenia*, Rmis.jrc.ec.europa.eu.

([135])Institute of Macroeconomic Analysis and Development, 2023, *Productivity Report*, Umar.gov.si.

([136])Material import dependency, Statistics | Eurostat

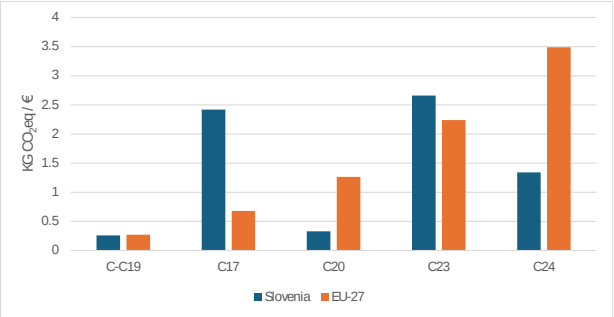
([137])Republic of Slovenia, 2018, *National Mining Strategy*, Energetica-portal.si.

([138])The European Environment Agency, 2024, Circular material use rate by EU country

emissions come from industry. With 260 g CO2eq per euro of GVA, the country's manufacturing sector's emissions intensity was just below the EU total, 270 g/€ ([139]). Between 2017 and 2022, the GHG emissions intensity of Slovenia's manufacturing improved by 16%, less than the EU on average (20%). A major share of Slovenia's manufacturing emissions – 58% – come from energy use; the remainder (42%) primarily relates to industrial processes – like in the EU overall, where these shares are 57% and 43%.

The energy-related greenhouse emissions intensity of manufacturing in Slovenia has seen improvements, in line with improving energy efficiency. Between 2017 and 2022, energy-related emissions intensity in Slovenian manufacturing declined by 20%, more than the EU average (16%) ([140]). In parallel, the share of renewables and electricity in manufacturing's final energy consumption decreased by 2 percentage points to 47% (the EU average is 44%). In the meantime, Slovenian manufacturing has seen larger improvements in energy intensity, with a decline in the sector's final energy consumption of 21%, from 1.6 to 1.3 GWh per euro of GVA produced (albeit still higher than the EU average, 1.1 GWh/€). Concerning industrial processes and product use, between 2017 and 2022, the greenhouse emissions intensity from these sources in Slovenian manufacturing declined by 18%, while a figure of 23% was registered in the EU overall.

Graph A7.1: **GHG emission intensity of manufacturing and energy-intensive sectors, 2022**



Source: Eurostat.

Slovenia's paper manufacturing sector is particularly greenhouse gas emissions intensive. Energy-intensive industries ([141]) account for 13% of Slovenia's total manufacturing gross value added (2022). Among these, with 2.4 kg CO2eq per euro of GVA, the emissions intensity of Slovenian paper (products) manufacture is the highest in the EU, more than three times the EU average of 0.7 kg/€. In contrast, the manufacture of basic metals and chemicals, both more important economically in Slovenia, recorded a relatively low emissions intensity, with 0.3 and 1.3 kg CO2eq/€ of GVA, below the respective EU averages. As an important component of the production costs in the above industries and others, electricity prices have remained slightly above the EU average lately ([142]).

Slovenia has put in place policies to support the decarbonisation of industry, but more is needed. It has implemented measures such as investment via the climate change fund, financed from revenues from the EU Emissions Trading Scheme (ETS), and has further plans to implement financial incentives, including for energy efficiency and carbon capture, transport and use projects in hard-to-decarbonise sectors. Its economy would benefit from further measures, such as the

([139])In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

([140])For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF1.A.2 – fuel combustion in manufacturing industries and construction and CRF2 – industrial processes and product use. The CRF1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

([141])Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

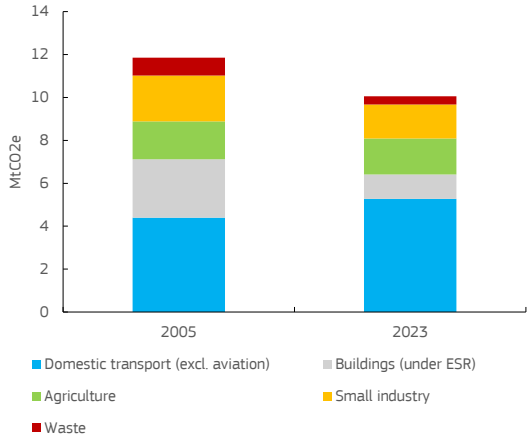
([142])For a detailed analysis of energy prices, see Annex 8 on the affordable energy transition.

promotion of new low carbon- technologies including hydrogen (e.g. under the EU Innovation Fund), measures to increase energy efficiency (e.g. under the EU's ETS Modernisation Fund), and the promotion of circular economy practices.

Reduction of emissions in the effort sharing sectors

To attain its 2030 effort sharing target, Slovenia needs to swiftly adopt and implement its planned climate mitigation measures ([143]). In 2023, greenhouse gas emissions from Slovenia's effort sharing sectors are expected to have been 15% below those of 2005. If implemented, by 2030, additional policies considered in Slovenia's final updated national energy and climate plan (NECP) are projected to reduce them by 28.6% relative to 2005 levels ([144]), meaning that Slovenia would overachieve its effort sharing target – a reduction of 27% – by 1.6 percentage points. Given the large impact of the additional measures that are not yet implemented, swift and steady adoption will be critical for the implementation of the full set of measures.

Graph A7.2: **Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023**



Source: European Environment Agency

Swift action on decarbonising transport appears particularly necessary in Slovenia. Between 2005 and 2023, greenhouse gas emissions from road transport increased by 20% in Slovenia, while they decreased by 5% in the EU overall. Speeding up climate mitigation in these sectors would help protect households, businesses and transport users in Slovenia from the impact of carbon pricing.

Sustainable industry

Circular economy transition

There is room for boosting Slovenia's circularity transition. At 8.8% in 2023, Slovenia's circular material use is still below the EU average. Resource productivity, too, was below the EU average in 2023, with EUR 1.38 per kg of material consumed. Slovenia's resource productivity has been stable over the past decade, with a slight decrease in 2023; greater efforts to increase it would help minimise negative environmental impacts and reduce dependence on volatile raw material markets.

Slovenia is regularly implementing policies to increase circularity, for example by introducing its comprehensive circular economy roadmap in 2018 as the basis for circular economy transition ([145]). Slovenia is using its recovery and

([143]) The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling); road transport, agriculture; waste; and small industry (known as the effort sharing sectors).

([144]) The effort sharing emissions for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections are based on the impact of current policies ("with existing measures", WEM) and additional policies ("with additional measures", WAM), as per Slovenia's final updated NECP.

([145]) Roadmap towards the Circular Economy in Slovenia, 2018.

resilience plan (RRP) to support the transition to a low carbon and circular economy and to increase material productivity. In this context, a new Framework for Sustainable and Green Transformation will improve Extended Producer Responsibility schemes and promote the integration of secondary raw materials. The reform also established a one-stop shop to support businesses, in particular SMEs, in their transition to a circular economy.

Slovenia is a top performer in waste management and produces less waste than the EU average. With a recycling rate of 63%, Slovenia ranked high in the EU for municipal waste recycling in 2022. It is on track to meet the 2025 recycling and 2035 landfilling targets. In 2022, at 51% its recycling rate for plastic packaging was above the EU average. In 2022, 71% of construction and demolition waste was recycled, excluding backfilling – below the EU average, 79.8%. Despite good performance in waste recycling, Slovenia has a high material footprint – 22.8 tonnes per capita – more than the EU average of 14 tonnes in 2023.

Current investment in the circularity transition is not yet sufficient. Slovenia is estimated to need total additional investment worth at least EUR 108 million per year for the transition, including waste management. Of the circular economy investment gap to attain policy targets that are not yet budgeted, EUR 23 million relate to recent initiatives on the circular economy, such as eco-design for sustainable products, packaging waste, labelling and digital tools, critical raw materials recycling and measures proposed under the amended Waste Framework Directive. An additional EUR 65 million is needed to unlock Slovenia's circular economy potential ([146]).

Zero pollution industry

Slovenia has been making considerable progress in reducing air pollution, which is now decoupled from GDP growth. The 2020--2029 emissions reduction commitments under the National Air Pollution Control Programme have been met, and the commitments for 2030 are projected to be met as well. In 2023, no exceedances above the limits set by the Ambient Air Quality (AAQ) Directive were registered in Slovenia. However, in two air quality zones the target values for ozone concentrations have not been met. Furthermore, decreasing trends in 2020-2022 have slowed or stopped for nitrogen oxide (NO_x) and particulate matter ($PM_{2.5}$). The main NO_x polluter is road transport (cars).

Slovenia's industry still releases air and water pollutants. Concerning air pollution, with EUR 26.4 in damage to health and the environment per thousand EUR of GVA, the emissions intensity of Slovenian industry is just below the EU average (27.5 EUR). Nevertheless, most emissions into the air come from the mineral industry for NO_X emissions, the waste management and chemical industry for dust emissions, the energy sector, the metals sector and the mineral sector for SO_2 and heavy metals. Concerning water pollution, Slovenia has the 8th lowest absolute amount of emissions of heavy metals into water in the EU. Furthermore, with EUR 0.21 in damage to health and the environment per billion EUR of GVA, its emissions intensity is below the EU average. Key emitters into water are the chemical industry for heavy metals, nitrogen and total organic carbon; the manufacture of pulp and paper for organic carbon, and the metal production and processing sector for polycyclic aromatic hydrocarbons (PAHs).

The costs of pollution remain higher than the investment in pollution prevention and control. For 2022, about 1 300 deaths per year were attributed to fine particulate matter (PM2.5) pollution; 140 deaths to nitrogen dioxide, and 340 to ozone ([147]). The costs from all pollutants are estimated to be EUR 403 million ([148]). In contrast, to meet its objectives for pollution prevention and control and address the health and economic costs of pollution, Slovenia needs an additional EUR 55

([146])European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

([147])EEA, 2024, Harm to human health from air pollution in Europe: burden of disease status, 2024. In terms of years of life lost, this implies 13 300 years for $PM_{2.5}$, 1 400 for NO_2, and 3 600 for O_3.

([148])For 2021, value of statistical life method. Source: EEA, 2024, The costs to health and the environment from industrial air pollution in Europe – 2024 update.

Table A7.1: **Key clean industry and climate mitigation indicators: Slovenia**

Strategic autonomy and technology for the green transition	Slovenia								EU-27	
Net zero industry										
Operational manufacturing capacity 2023										
- Solar PV (c: cell, w: wafer, m: module), MW	700-800 (m)			- Electrolyzer, MW		-				
- Wind (b: blade, t: turbine, n: nacelle), MW	-			- battery, MWh		-				
Automotive industry transformation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Motorisation rate (passenger cars per 1000 inhabitants), %	541	549	556	555	564	571	579	↗	539	561
New zero-emission vehicles, electricity motor, %	0.41	0.70	0.96	3.22	3.26	5.02	8.89	↗	1.03	8.96
Critical raw materials	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material import dependency, %		46.8	48.0	46.2	45.3	46.5	41.5	↘	24.2	22.6

Climate mitigation	Slovenia							Trend	EU-27	
Industry decarbonisation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2017**	**2022**
GHG emissions intensity of manufacturing production, kg/€	0.31	0.31	0.29	0.28	0.27	0.26	0.24	↘	0.34	0.27
Share of energy-related emissions in industrial GHG emissions	40.8	40.9	40.1	40.8	40.4	39.4	41.5	↘	44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	155.0	156.4	142.3	141.4	132.5	124.0	-	↘	158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	49.4	48.0	48.3	47.5	47.0	47.2	46.0	↘	43.3	44.2
Energy intensity of manufacturing, GWh/€	1.64	1.61	1.50	1.45	1.38	1.29	1.15	↘	1.29	1.09
Share of energy-intensive industries in manufacturing production						12.5				7.3
GHG emissions intensity of production in sector [...], kg/€										
- paper and paper products (NACE C-17)	1.61	1.63	1.47	1.24	1.09	2.42	2.11	-	0.73	0.68
- chemicals and chemical products (NACE C20)	0.38	0.36	0.32	0.31	0.28	0.33	0.35	-	1.25	1.26
- other non-metallic mineral products (NACE C23)	2.94	2.90	2.90	2.95	2.65	2.66	2.44	-	2.53	2.24
- basic metals (NACE C24)	1.31	1.39	1.11	1.10	1.15	1.34	1.06	-	2.79	3.49
Reduction of effort sharing emissions		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2023**
GHG emission reductions relative to base year, %					-12.1	-9.1	-15.0			
- domestic road transport		32.6	27.8	4.0	18.3	31.7	20.0	↘	1.4	5.2
- buildings		-49.7	-50.2	-50.1	-53.7	-53.4	-58.5	↘	21.4	32.9
	2005				**2021**	**2022**	**2023**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	11.8				10.4	10.8	10.1	-27.0	-17.5	1.6

Sustainable industry	Slovenia							Trend	EU-27	
Circular economy transition		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material footprint, tonnes per person		17.9	16.5	16.7	20.7	21.5	22.8	↗	14.7	15.0
Circular material use rate, %		10.1	10.2	9.9	8.9	8.3	8.8	↘	11.6	11.1
Resource productivity, €/kg		1.5	1.7	1.7	1.8	1.8	1.8	↗	2.1	2.3
Zero pollution industry										
Years of life lost due to PM2.5, per 100,000 inhabitants		795	599	548	557	897	-	↗	702	571
Air pollution damage cost intensity, per thousand € of GVA					26.4					27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.2				0.9

Source: **Net zero industry:** European Commission: The net-zero manufacturing industry landscape across Member States: final report, 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: EEA greenhouse gases data viewer; European Commission, Climate Action Progress Report, 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, Harm to human health from air pollution in Europe: burden of disease status, 2024. Air pollution damage: EEA, EU large industry air pollution damage costs intensity, 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, EU large industry water pollution intensity, 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

million per year (0.09% of GDP), mostly related to clean air and noise ([149]).

([149])European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

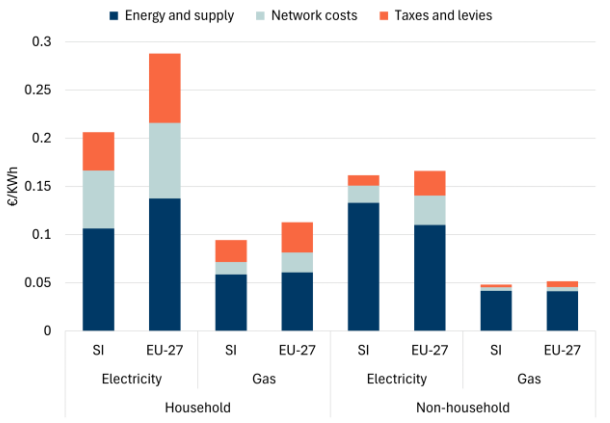
This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero. It examines the measures and targets proposed in the final (draft) updates to the national energy and climate plans (NECPs) for 2030.

In 2024, Slovenia's energy system faced significant challenges due to its reliance on fossil fuels which still accounted for nearly a quarter of its electricity mix. Wholesale electricity prices, among the highest in the EU, were driven up by volatile fossil fuel costs, as infra-marginal thermal power plants ramped up production, both in Slovenia and neighbouring coupled markets, to cover the supply-demand gap created by increased electricity consumption and reduced hydropower output. Despite a 13% increase in renewable energy capacity, solar PV deployment slowed, and wind energy remained stagnant. Grid capacity limitations and a complex permitting process hindered the integration of new renewables. Meanwhile, energy consumption in industry dropped, but efforts to boost efficiency in other sectors, like services and buildings, remain insufficient to meet long-term goals.

Energy prices and costs

Except for household electricity prices which stagnated, Slovenia's retail energy prices dropped significantly in 2024 - especially for non-household consumers - with final prices generally below the EU average, driven by lower network costs and lighter taxation compared to the EU. For households, lower electricity bills in Slovenia (which were 28% cheaper than the EU average) compared to the EU average were driven by lower energy/supply and network costs (both 23% below the EU average) and lighter overall fiscality. While Slovenia's VAT rate was slightly higher compared to the EU average (18% vs 14.6%), taxes and levies excluding VAT([150]) were at 0.002 EUR/KWh in Slovenia while they averaged 0.03 EUR/KWh in the EU, making overall taxes and levies paid by household electricity consumers per KWh in Slovenia 45% lower than the EU average. For gas, prices paid by households were also lower due to significantly lower network costs (at 0.013 EUR/kWh, 38% below the EU average) and lower overall taxation, while energy/supply costs remained in line with the EU average. For non-household consumers, final prices for electricity matched the EU average, with higher energy/supply costs (21% higher than the EU average - mainly due to higher wholesale electricity prices in Slovenia) being offset by considerably lower network charges (at 0.018 EUR/KWh, 42% below the EU average) and taxes. Non-household gas prices were below the EU average, driven by lower network costs and lighter fiscality while energy/supply costs remained on par with the EU average.

Graph A8.1: **Retail energy price components for household and non-household consumers, 2024**



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.
(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.
Source: Eurostat

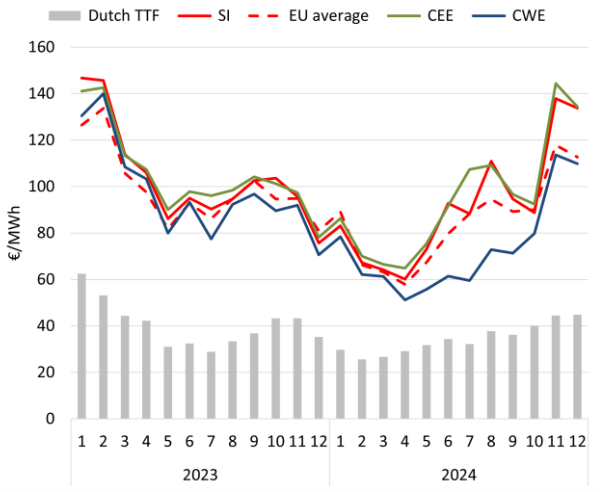
Slovenia had the EU's tenth highest wholesale electricity prices, averaging 91 EUR/MWh in 2024([151]). Prices in 2024 initially fell across the EU with decreasing natural gas costs but surged in the spring/summer and winter, with Slovenia and the broader central-eastern European region diverging from central-western European markets. This decorrelation was driven by factors affecting both consumption and generation. Prolonged summer heatwaves and a

([150])Taxes and levies excluding VAT comprise renewable, capacity, environmental, nuclear (when applicable) and other taxes which are usually fixed rates per unit consumed and not applied as percentage of final price as VAT is.

([151])Fraunhofer (ENTSO-E data).

cold winter led to higher consumption in the region, while reduced hydropower (over the summer and winter) due to meteorological conditions limited non-fossil flexibility. Moreover, higher export needs from Croatia (+68% in 2024)([152]) further exacerbated the supply-demand gap. This gap was mainly covered by costly natural gas and coal-fired generation (+20% and +10% in 2024) ramping up especially during peak demand hours, and higher imports from Austria. This led to more pronounced price spikes in the evening hours (18h-21h) of 2024, as solar output declined, and summer demand remained high. In contrast, average daytime hourly prices dropped in 2024, likely due to the significant surge in solar output in Slovenia (+51%) and neighbouring markets([153]).

Graph A8.2: **Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)**



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.
(ii) CEE and CWE respectively provide average prices in the central-western European (Belgium, France, Germany, Luxembourg, the Netherlands and Austria) and central-eastern European (Poland, Czechia, Slovakia, Hungary, Slovenia and Romania) markets.
Source: S&P Platts and ENTSO-E

([152])Fraunhofer (ENTSO-E data).
([153]) Yearly electricity data, Ember (generation and consumption data throughout the paragraph).

Flexibility and electricity grids

Slovenia's capacity made available for cross-zonal electricity trade remains consistently high([154]), with the result that no action plan nor a timeline derogation([155]) to achieve the 70%([156]) threshold has been necessary. Since 2020, EU Member States have been required to ensure that at least 70% of electricity interconnection capacity is made available for cross-border trade. Slovenia is part of the Core and Italy North capacity calculation regions (CCRs)([157]) and while the Italy North CCR largely meets this target, greater efforts are needed in the Core CCR.

Slovenia has strong interconnection links with neighbouring EU countries, which have been reinforced with the implementation of recent projects of common interest with Croatia and Hungary. Slovenia's electricity interconnection target is well above the minimum level, reaching 92% for 2025.

Flexibility limitations have slowed the implementation of renewable energy projects. In 2023, 6 828 applications for connections of individual self-consumers to the distribution grid were rejected (out of approximately 50 000), while 1 506 approvals were issued with restrictions. Technical limitations and voltage issues prevented the connection of individual self-sufficiency plants, highlighting the need for distribution-level reinforcements([158]). Since 2023, Slovenia, together with Croatia and Austria, has been implementing the GreenSwitch

([154]) According to 2023 estimates from ACER (2024 Market Monitoring Report).
([155]) A transitional period was granted under Article 15 of the Electricity Regulation, allowing Member States with structural congestion issues to gradually reach compliance by 31 December 2025 through action plans approved by the European Commission.
([156]) Transmission system operators are required under EU law to make 70% of transmission capacity available for electricity trading with neighbours by the end of 2025.
([157]) A CCR is a group of countries which calculate cross-border electricity trade flows together. Core is the CCR which covers central European countries, namely Austria, Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Poland, Romania, Slovenia, Slovakia and, once connected, Ireland. France, Italy, Austria and Slovenia belong to the Italy North CCR.
([158]) ELES (2024). The Sustainable Annual Report of ELES for the year 2023.

project, supported through the Connecting Europe Facility, which seeks to modernise and digitise these countries' electricity grids, and increase their hosting capacity.

There have also been new projects in the solar sector, which in recent years have seen a significant uptake. For utility-scale solar photovoltaics, the grid connection waiting time is 1-4 years. In contrast, the situation looks slightly better for small-scale photovoltaics, with a connection time of 3-12 months([159]). Further reflecting the need for improved flexibility, there were 96 occurrences of day-ahead negative prices in 2023.

Slovenia has already taken steps to promote the installation of electricity storage and demand-response systems, as well to put in place the regulatory framework to enable development of flexible energy resources. Slovenia has introduced economic incentives for local storage integrated with renewable energy sources (RES) and a support scheme for advanced devices enabling flexibility services, with implementation expected by 2025. Further measures, such as the roll-out of advanced metering systems by 2025 and the introduction of economic incentives for combined RES-storage projects, should follow until 2030, as outlined in the country's updated NECP. Furthermore, there are no barriers for the development of flexible resources in Slovenia's regulatory framework, as it allows for demand-side response (DSR) and storage to sell and buy electricity in the day-ahead and intraday markets. DSR and storage are allowed to participate in ancillary services. Aggregators, including independent aggregators, can participate in these services.

Slovenia has taken major steps towards empowering consumers, but some regulatory and administrative challenges persist in the area of energy communities. Roll-out of smart meters has progressed well in Slovenia, with 95% of households being equipped with them. Furthermore, 4.8% of households generate electricity. While dynamic contracts are available, there is no comparison tool for them and all household consumers are on regulated fixed-price contracts. Slovenia has fully opened its day-ahead and intraday markets and has balanced services and congestion management services for all stakeholders and distributed energy resources. The number of energy communities is very limited. This can be attributed to challenges related to the national legal framework, administrative procedures and a lack of clarity regarding market rules. However, the updated NECP introduces measures to promote energy communities and an enabling programme to remove obstacles.

In October 2024, a new system of electricity network charges for both businesses and households entered into operation. It is based on 2022's Act on the Methodology for the Charging of Network Charges for Electricity Operators, which has been amended on several occasions since then. The reform introduced high (November-February) and low (March-October) seasons, as well as five time blocks which are determined according to the load on the network. Additional notable changes were made in areas of capacity and the calculation of the network charges. In February 2025, the Parliament passed an urgent bill to reduce the of network fee during the most expensive, block 1 for household consumers in January and February 2025, with the shortfall in the collected network fee to be covered by ELES, the electricity system operator.

In 2023, electricity accounted for 23.5% of Slovenia's final energy consumption, slightly above the EU average of 22.9%, and this share has seen a slight increase in the last decade([160]). When it comes to households, electricity accounts for 33.7% of final energy consumption, while in industry it represents 37.6% (see also Annex 7). For the transport sector, this share remains negligible at 1.3%. Further progress in electrification across sectors is required for cost effectively decarbonising the economy and bringing the benefits of affordable renewable generation to consumers.

Renewables and long-term contracts

In 2024, 42% of Slovenia's electricity mix was supplied by renewable energy sources

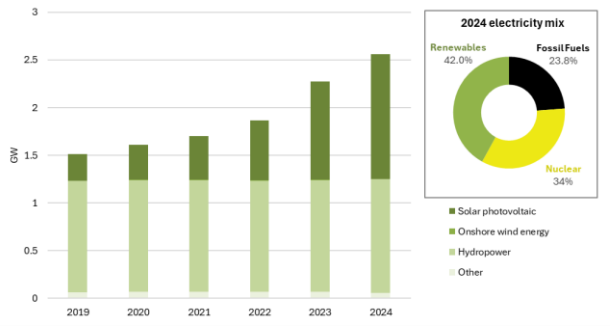
([159])EU Market Outlook for Solar Power 2023-2027.

([160]) CAGR (compound annual growth rate) of 0.5% between 2013 and 2023 and minimum/maximum share of 22.3% and 25.0%, respectively.

(hydro, wind, solar, biomass), compared to 47% in the EU overall([161]).

Slovenia has recorded no increase in wind power capacity in the past decade and has maintained modest goals for increasing its share of renewable energy by 2030. Newly installed renewable capacity slowed down in 2024, with a weaker uptake of solar photovoltaics compared to 2023 and still no deployment of new wind power installations. Slovenia's total renewable energy capacity in 2024 was 2 562 MW (year-on-year increase of 12.7% considerably below the 22% in 2023)([162]). This was driven by 278 MW of newly installed solar photovoltaic capacity, resulting in total installed capacity of 1 309 MW in 2024. On the other hand, the wind capacity currently deployed in Slovenia remains insignificant (3 MW), with limited plans for its deployment by 2030. In addition, Slovenia's 2030 renewable energy target of at least 33% falls short of the EU Commission's recommended 46%. In 2023, the share of renewable energy sources in Slovenia's gross final energy consumption stagnated at 25% (EU average at 24.5%)([163]).

Graph A8.3: **Slovenia's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes solid biofuels, liquid biofuels and biogas
Source: IRENA, Ember

There is a need to ensure a just transition in Slovenia's coal regions. In response to the significant financial losses and the impending bankruptcy of the Šoštanj coal-fired thermal power plant (TEŠ) and the Velenje coal mine, the Parliament passed the Act on Transitional Financing for an Accelerated and Fair Coal Phase-out in December 2024. In line with that Act, the Government will provide an estimated EUR 403.1 million to ensure the operation of TEŠ and the Velenje coal mine from January 2025 to April 2027. During this period, TEŠ will primarily provide heat for district heating as a public service for the Šaleška valley (the municipalities of Velenje and Šoštanj). In efforts to ensure alternative source of heat, in the years to come, the Act foresees that the municipal energy company to initiate public procurement until 1st of June 2025 and to sign a contract by 1st of January 2026. The ownership of TEŠ and the Velenje coal mine was also transferred from the Holding Slovenske elektrarne and is now managed by the Slovene State Holding. Slovenia still aims to complete the phase out of coal by 2033.

Despite Slovenia undertaking a number of reforms on permitting from 2023 to 2024, deployment of wind capacities has stalled in the country. Slovenia's legal framework for permitting is moderately to strongly aligned with the Commission's Recommendation. Following the 2023 Act on the Deployment of Installations for the Production of Electricity from Renewable Energy Sources, the Slovenian Parliament passed the Energy Act in April 2024. This Act comprehensively adapts the country's legal framework in the energy sector to support the green transition and speed up permitting. In April 2024, the Regulation on Detailed Spatial Planning Rules for the Placement of Photovoltaic Installations and Solar Energy Collectors, envisaged under the recovery and resilience plan, entered into force, after being adopted by the government.

Further progress relates to the establishment and gradual introduction of the eBuilding (eGraditev) system, which will be fully operational by 2026. It will fully digitalise the process of obtaining a building permit, as well as of communication with competent authorities (with few exceptions). On the other hand, despite the legal improvements made, the installation of wind power plants is still being delayed by local opposition and lengthy municipal permitting procedures. Capacity building through providing training and boosting the resources available to local authorities could, for instance, contribute to faster permit-processing and reduce potential bottlenecks in the system. A significant limitation in Slovenia is that permits cannot be applied for simultaneously, as each

([161])Yearly electricity data, Ember.
([162])Renewable capacity statistics 2025, IRENA.
([163])Eurostat.

permit or approval typically requires the previous one to be obtained first.

So far, Slovenia has not set up auctions to support the uptake of renewable energy. Slovenia lacks transparency in its project pipeline, as it has not published a long-term auction schedule for the next 3-5 years, including details on timing, frequency and expected capacity.

Power purchase agreements (PPAs) are relatively new in much of south-eastern Europe, with Slovenia entering the market for the first time in 2023. While interest in the market is growing and there is potential to scale up, barriers to PPAs need to be tackled. Still, the PPA projects are expected to receive financial incentives as envisaged under the final updated NECP. The renewal or modification of the RES support scheme is scheduled for 2025, as it is linked to changes in the legal bases (introduction of the contract-for-differences mechanism, combination with the PPA mechanism and others). The support scheme is set to be upgraded every three years (next in 2028) to contribute at least 1% annually or 500 GWh.

Energy efficiency

Energy efficiency gains have increased in Slovenia, while still leaving room for improvement. In 2023, Slovenia's primary energy consumption was 5.9 Mtoe, a 4.6% decrease compared to 2022. Its final energy consumption was 4.5 Mtoe, a 5.2% decrease compared to 2022. The best results came from the industrial sector, which decreased its final energy consumption by 9.1%, and the worst from the services sector, which increased its final energy consumption by 0.1%. The biggest single efficiency improvement in 2023 came from the installation of a combined heat and power unit in the power sector, which accounted for 81% (1 863.9 GWh) of the total savings in 2023. In the private sector, the highest savings were achieved through waste heat recovery systems in buildings and the installation of advanced metering systems. This means Slovenia is well on track towards meeting its 2030 national contribution according to the recast Energy Efficiency Directive (Directive (EU) 2023/1791) of 4.319 Mtoe for FEC and 5.8 Mtoe for PEC. At the same time, Slovenia has not submitted its comprehensive heating and cooling assessment as required by Article 25(1) of the Energy Efficiency Directive.

Slovenia needs to continue working towards reaching its long-term renovation strategy target to reduce the energy consumption of buildings by 17% by 2030 compared to 2020. The residential sector's climate-corrected final energy consumption declined only by 3% between 2020 and 2022. In 2022, heating and cooling represented 79% of Slovenia's residential final energy consumption.

Slovenia's considerable proportion of renewables in heating and cooling (36% in 2024) is mainly the result of biomass use. Heat pumps cover about a tenth of this. According to the revised Renewable Energy Directive, Member States must aim to increase the share of RES in heating and cooling by 0.8% per year on average in 2021-2025 and by 1.1% in 2026-2030. The evolution of the ratio in the Slovenian NECP shows that this increase is not being achieved, as it is projected to increase by 0.5% annually on average in the first period and 1.0% in the second period. The lower RES share is affected by the fact that a large part of the RES in heating and cooling is woody biomass, the use of which is decreasing as a result of energy efficiency measures. The objective in the updated NECP is to reach a proportion of at least 45% of RES in heating and cooling by 2030. Slovenia is developing a heating and cooling strategy for 2050, to be completed by 2025. To support this goal, the country has banned gas boilers in new buildings and introduced a financing programme to cover 20% of heat pump installation costs, up to EUR 4 000. Additionally, with a 32% drop over the past five years, the decreasing electricity-to-gas price ratio has made heat pumps more financially viable.

Slovenia deploys a supportive, albeit limited, national financing framework that mobilises energy efficiency investments and is composed mainly of grants and soft loans. In 2024, Slovenia continued to implement its eco-fund and energy-savings obligation schemes. In terms of sectors supported, Slovenia tends to adopt a multi-sector approach, with some focus on public and residential buildings, including through the implementation of different EU-supported programmes, such as the recovery and resilience plan.

Security of supply and diversification

Despite progress in renewables, Slovenia's overall energy mix in 2023 remained quite reliant on fossil fuels. Oil accounted for 35.5%, coal 11.7% and natural gas 10.6% of gross inland consumption([164]), while nuclear heat contributed 21.2% and renewables (and biofuels) 20.1% (vs 16.8% in 2022)([165]).

The development of Slovenia's electricity generation sector will remain (until 2030) largely reliant on a mix of renewable energy sources and nuclear power, while progressively reducing reliance on coal. The Krško nuclear power plant will aim to keep the number of unplanned automatic shutdowns below or equal to one over a three-year period, with a view to being able to produce at least 5 200 GWh of electricity per year. At the strategic level, Slovenia supports the continued use of nuclear energy for electricity production, including the potential construction of a new nuclear power plant and small modular reactors (SMRs), under the Resolution on the Long-Term Peaceful Use of Nuclear Energy, Nuclear Energy for the Future of Slovenia, adopted in May 2024. The Slovenian Parliament cancelled the consultative referendum on the construction of the new Krško 2 nuclear power plant, originally scheduled for November 24. According to the Slovenian authorities, the referendum will take place at a later stage once the project's national spatial plan and other key studies and assessments are completed – ensuring people can make an informed decision. This is tentatively expected to happen as part of the next government mandate.

Fossil fuel subsidies

In 2023, environmentally harmful ([166]) fossil fuel subsidies without a planned phase-out before 2030 represented 0.18%([167]) of Slovenia's GDP([168]), below the EU weighted average of 0.49%. Tax measures and income/price support accounted for 52% and 48% of this volume, respectively. However, Slovenia's 2023 Effective Carbon Rate([169]) averaged EUR 81.74 per tonne of CO_2, slightly below the EU weighted mean of EUR 84.80([170]).

([164]) Electricity and heat are excluded to avoid double-counting, focusing on primary energy sources.

([165]) Gross inland consumption (Eurostat).

([166]) Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

([167]) Numerator is based on volumes disclosed by the Slovenian authorities via the 2025 NECPR reporting. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

([168]) 2023 Gross Domestic Product at market prices, Eurostat.

([169]) The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([170]) OECD (2024), Pricing Greenhouse Gas Emissions 2024

Table A8.1: **Key Energy Indicators**

	Slovenia				EU			
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
Household consumer - Electricity retail price (EUR/KWh)	**0.1686**	**0.1677**	**0.2018**	**0.2062**	**0.2314**	**0.2649**	**0.2877**	**0.2879**
Energy & supply [%]	39.3%	50.5%	52.0%	51.6%	36.6%	54.3%	55.6%	47.8%
Network costs	30.0%	25.2%	27.9%	29.2%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	30.7%	24.3%	20.0%	19.2%	36.7%	20.3%	19.6%	25.0%
VAT	18.0%	16.3%	14.3%	18.0%	14.5%	13.4%	13.8%	14.6%
Household consumer - Gas retail price	**0.0563**	**0.0794**	**0.1025**	**0.0944**	**0.0684**	**0.0948**	**0.1121**	**0.1128**
Energy & supply	47.4%	62.1%	70.2%	62.3%	43.7%	61.0%	64.5%	53.9%
Network costs	22.7%	15.9%	12.8%	13.6%	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	29.8%	22.0%	17.0%	24.2%	33.8%	21.7%	18.4%	27.8%
VAT	18.1%	15.6%	12.2%	18.0%	15.5%	11.6%	10.2%	13.6%
Non-household consumer - Electricity retail price	**0.0851**	**0.1694**	**0.2159**	**0.1616**	**0.1242**	**0.1895**	**0.1971**	**0.1661**
Energy & supply	57.1%	74.0%	75.5%	67.5%	43.0%	66.5%	63.0%	55.8%
Network costs	13.4%	5.8%	6.1%	9.0%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	14.0%	6.1%	5.0%	6.7%	30.4%	9.9%	11.2%	15.4%
Non-household consumer - Gas retail price	**0.0342**	**0.0625**	**0.0584**	**0.0481**	**0.0328**	**0.0722**	**0.0672**	**0.0517**
Energy & supply	66.4%	77.1%	77.0%	71.0%	66.2%	77.3%	77.3%	68.7%
Network costs	7.4%	3.9%	5.9%	6.5%	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	9.9%	3.7%	3.8%	5.4%	12.5%	6.1%	7.3%	11.6%
Wholesale electricity price (EUR/MWh)	114.6	273.7	104.6	91.2	111.0	233.2	99.1	84.7
Dutch TTF (EUR/MWh)	*n/a*	*n/a*	*n/a*	*n/a*	46.9	123.1	40.5	34.4

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Gross Electricity Production (GWh)	**16,326**	**16,327**	**16,100**	**17,191**	**15,877**	**13,617**	**15,879**	-
Combustible Fuels	5,610	5,397	5,287	5,239	4,715	3,958	3,961	-
Nuclear	6,285	5,776	5,821	6,353	5,706	5,606	5,603	-
Hydro	4,141	4,893	4,683	5,225	4,997	3,401	5,322	-
Wind	6	6	6	6	6	6	6	-
Solar	284	255	303	368	453	646	984	-
Geothermal	-	-	-	-	-	-	-	-
Other Sources	-	-	-	-	-	1	2	
Gross Electricity Production [%]								
Combustible Fuels	34.4%	33.1%	32.8%	30.5%	29.7%	29.1%	24.9%	-
Nuclear	38.5%	35.4%	36.2%	37.0%	35.9%	41.2%	35.3%	-
Hydro	25.4%	30.0%	29.1%	30.4%	31.5%	25.0%	33.5%	-
Wind	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Solar	1.7%	1.6%	1.9%	2.1%	2.9%	4.7%	6.2%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Net Imports of Electricity (GWh)	**-516**	**-502**	**-319**	**-2,003**	**-270**	**1,446**	**-1,506**	-
As a % of electricity available for final consumption	-3.8%	-3.6%	-2.3%	-15.4%	-2.0%	11.0%	-12.1%	-
Electricity Interconnection [%]	**83.6%**	**73.6%**	**76.2%**	**78.9%**	**65.8%**	**75.6%**	**82.1%**	**85.5%**
Share of renewable energy consumption - by sector [%]								
Electricity	32.4%	32.3%	32.6%	35.1%	35.0%	37.0%	41.9%	-
Heating and cooling	34.6%	32.3%	32.1%	32.1%	35.2%	34.0%	34.3%	-
Transport	2.6%	5.5%	8.0%	10.9%	10.6%	7.8%	10.0%	-
Overall	21.7%	21.4%	22.0%	25.0%	25.0%	25.0%	25.1%	-

	2020	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
Import Dependency [%]	**45.7%**	**48.6%**	**53.9%**	**49.3%**	**57.5%**	**55.5%**	**62.5%**	**58.3%**
of Solid fossil fuels	17.7%	11.0%	28.1%	27.0%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	99.5%	99.6%	98.4%	98.9%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	99.4%	99.4%	99.5%	99.4%	83.6%	83.6%	97.6%	90.0%
Dependency from Russian Fossil Fuels [%]								
of Natural Gas	8.7%	13.6%	8.6%	0.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	0.0%	0.0%	0.0%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	21.9%	0.2%	0.0%	0.0%	49.1%	47.4%	21.5%	1.0%

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gas Consumption (in bcm)	**0.9**	**0.9**	**0.9**	**0.9**	**1.0**	**0.8**	**0.8**
Gas Consumption year-on-year change [%]	4.8%	-1.9%	1.5%	0.0%	5.4%	-11.1%	-2.3%
Gas Imports - by type (in bcm)	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**	**0.8**	**0.8**
Gas imports - pipeline	0.9	0.9	0.9	0.9	0.9	0.8	0.8
Gas imports - LNG	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gas Imports - by main source supplier [%]							
Austria	75.0%	67.5%	88.0%	91.0%	85.1%	82.1%	68.3%
Algeria	0.0%	0.0%	0.0%	0.0%	1.1%	3.8%	28.3%
Italy	0.0%	0.0%	0.2%	0.3%	0.2%	5.2%	2.6%
Russia	23.0%	31.3%	11.8%	8.7%	13.6%	8.6%	0.0%

Source: Eurostat, ENTSO-E, S&P Platts

Slovenia is exposed to several climate risks and extreme weather events, such as heat waves, forest fire, floods and drought, and should take urgent action to build up climate and water resilience, and support climate adaptation measures. Improving sustainable water management can reduce the devastating impacts of floods in the event of extreme precipitation. The degradation of nature and ecosystems also reduces climate resilience in Slovenia. Key economic sectors such as agriculture, the food industry, tourism, construction and pharmaceuticals are highly dependent on ecosystem services and reducing climate risks and protecting the environment are therefore fundamental to economic stability and competitiveness.

Climate adaptation and preparedness

Slovenia is vulnerable to heavy floods, heatwaves and droughts. Major weather events have occurred over recent years, such as wildfires in 2022 and windstorms with heavy floods in 2023. In 2022, Slovenia suffered a drought following a significant shortage of rainfall and a long-lasting heatwave, affecting large parts of its territory (55.5%). This resulted in one of Slovenia's largest wildfires, burning around 4 000 ha, compared to an annual average of 342 ha over the last two decades. In August 2023, Slovenia experienced devastating floods, which also triggered multiple landslides.

Climate risks directly affect Slovenia's economy and society. Between 1980 and 2023, it incurred EUR 17.5 billion in economic losses, resulting in the highest per capita damage in the EU. Meanwhile, only 2% of the economic losses were insured ([171]). Floods are the extreme events that cause Slovenia the greatest damage. The floods in August 2023 caused an estimated EUR 10 billion of damage (16% of national GDP) and at least seven people were killed ([172]). Slovenia recorded a significant increase in heat-related deaths over the period 2013-2022, with around 45 deaths per 100 000 people, up from 32 during the previous decade.

Institutional weaknesses remain a key challenge in Slovenia. Slovenia adopted the National Strategic Framework on Adaptation to Climate Change in 2016 but began preparing a new national adaptation strategy in 2024. Several strategic documents address climate impacts, such as the 2021 long-term strategy, or the 2022 - 2028 Strategy of Slovenian Tourism. Slovenia's national energy and climate plan acknowledges that further action is required as there is currently a low level of implementation of adaptation measures. Key objectives are to reduce exposure to climate change impacts by setting up a climate change adaptation centre and the establishment of a new adaptation strategy. To date, only the agriculture, forestry and electricity sectors have embraced adaptation strategies, making slow and uneven progress. In the autumn of 2024, Slovenia organised a training for priority sectors and prepared instructions for the preparation of sectoral climate vulnerability and risk assessments. The final preparations are currently underway to start the risk assessments for ten priority areas, which should be completed at the end of 2025.

Slovenia makes use of various EU funds to improve its preparedness, including the Recovery and Resilience Facility and 2021-27 cohesion policy support, as well as the EU Solidarity Fund. Its recovery and resilience plan features adaptation measures, such as reforms to enhance preparedness and response to climate-driven disasters, while both the Recovery and Resilience Facility and cohesion policy programme cover investments in nature-based flood protection and water management. Nature-based solutions are key to mitigating the impact of floods, while protecting nature. To effectively address flood protection, it is crucial that nature-based solutions are integrated into sectoral policies from the spatial planning stage onwards. This requires a monitoring, reporting and evaluation system, and improved coordination between government sectors.

Slovenia aims to strengthen its climate adaptation actions, particularly at local and regional level. Besides the Climate Change Adaptation Centre, Slovenia plans to establish local points for regions and municipalities, though implementation remains key. In autumn 2024,

([171])EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, Link.

([172])Bezak, N. et al., 2023, *Brief communication: A first hydrological investigation of extreme August 2023 floods in Slovenia, Europe*, Link.

Slovenia established a Climate office together with the Association of Municipalities of Slovenia to strengthen the climate resilience of Slovenian municipalities and regions in the long term, help them manage climate risks, and integrate climate change adaptation into municipal and regional spatial plans and projects.

Water resilience

Some areas of Slovenia are subject to water stress, particularly due to demands from electricity production, tourism and manufacturing. These sectors are heavily dependent on water supply, and irrigation is crucial in many rural areas. Slovenia's water productivity is considerably lower than that of many Member States, standing at EUR 56 per m^3 of abstracted water in 2022 and showing an increasing trend over a five-year period. The water exploitation index plus (WEI+) was 0.6 in 2022 and has been quite stable over the last few years. Total water consumption during all periods of the year is below renewable freshwater resources. The WEI+ value is generally very low and ranged between 0.4 and 1.0 between 2016 and 2020. The main consumers of water are electricity, cooling and the public water supply, but they all showed a decreasing trend over the period 2018-2022.

Water quality in Slovenia is relatively good, except for its chemical status, but it can only be partially assessed. Slovenia has failed to submit the third river basin management plans (RBMPs) (2022-2027) under the Water Framework Directive on time (by March 2022), and the Commission has not been able to include Slovenia in its report on the assessment of the third RBMPs to the European Parliament and the Council. Data on the ecological status/potential of surface water bodies and on the chemical status of surface and groundwater bodies are not therefore updated. In the second RBMPs (2015-2021), Slovenia reported that 58% of surface water bodies were in good or better ecological status/potential. Almost all surface water bodies were reported as failing to achieve good chemical status, while 86% of groundwater bodies achieved good chemical status.

Slovenia's wastewater treatment is a cause for concern. Overall, Slovenia's compliance rate was 61% in 2020, and 32 agglomerations did not comply with all of the Directive's requirements Despite improvements over the years, in particular thanks to EU funding, Slovenia is still facing difficulties in implementing the Urban Wastewater Treatment Directive. This has forced the European Commission to take legal action that has led to rulings of the Court of Justice of the European Union in respect of the agglomeration of Ljubljana. Slovenia should therefore take additional measures and implement projects that would close the gap in compliance with the requirements of the Directive, making use of the available EU funding, i.e. the European Regional Development Fund and the Recovery and Resilience Facility (RRF). As shown in Graph A7.2, the investment needs for water protection and water management are substantial, with a financing gap of EUR 260 million per year until 2027. Roughly 31% of the gap can be attributed to unaddressed financing needs in wastewater management. Increasing investments will be all the more important as the Directive was revised and strengthened in 2024 ([173]). Slovenia's water investments amount to around EUR 441 million per year. Of this, 7.4% is from the 2021-2027 multiannual financial framework and an additional 5.4% from the RRF. The bulk of financing comes from national sources (87.3%). Further infrastructure development would help improve water management, e.g. wastewater collection and treatment, water reuse and the general water supply. Additional investments are needed to improve monitoring (quality and quantity) and to support nature-based solutions, flood prevention and river restoration.

Biodiversity and ecosystems

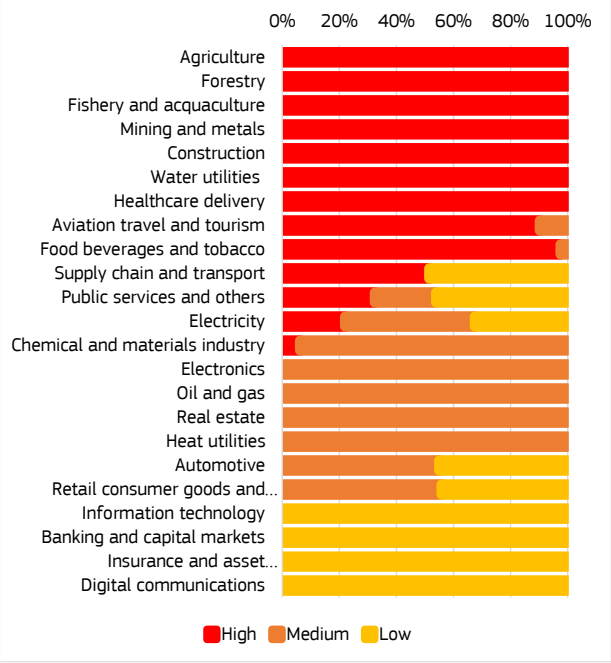
The state of nature and ecosystems continues to degrade in Slovenia, reducing the country's climate resilience. Slovenia is a biologically diverse country and is home to a large number of species endemic to Europe ([174]). However, according to the latest available data, only 38.2% of the country's habitats have a good

([173]) Directive 2024/3 019, of 27 November 2024. The deadline for transposition is 31 July 2027.

([174]) Convention on Biological Diversity, *Slovenia - Country Profile*, Link.

status, and over 61% have a poor or bad status. Similarly, the conservation status of species is concerning, with 29% reported as having a good status, higher than the EU average of 27%, but with 53% of species having a poor or bad status. Data show a deteriorating trend compared to the previous reporting period. This situation has severe implications for Slovenia's climate resilience, as the loss of biodiversity impairs ecosystems' ability to provide services that help mitigate the effects of climate change, such as regulating water cycles, maintaining soil health and sequestering carbon.

Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.
(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).
Source: Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, Link.

Nature degradation presents significant economic and competitiveness risks. In fact, Slovenia's dependency on ecosystem services is high, and very close to the EU average for direct supply chain and downstream dependency. In terms of overall dependency on ecosystem services, which stands at 34%, it is also very close to the EU average (36%). Several sectors, such as agriculture, forestry, fisheries, construction, mining and metals, healthcare delivery and water utilities (see Graph A9.1), are particularly dependent on ecosystem services, with 100% of these sectors' gross value added directly dependent on them. This means that failure to maintain the capacity of ecosystems to deliver services could result in significant costs or even stop production in these sectors. Protecting and restoring key ecosystems would ensure that their long-term competitiveness is preserved. As regards rivers, between 2006 and 2015, the extent of soil areas providing flood control ecosystem services decreased by 79% due to soil sealing ([175]), the greatest decrease in the EU. Moreover, the economic losses normalised by GDP in Slovenia are much higher than the EU average (about 0.5% of GDP from 1980 to 2023) ([176]), which highlights the need for flood protection measures, including river ecosystem restoration.

Targeted action on nature protection and restoration is needed to meet Slovenia's nature restoration targets. With 41% of its territory covered by protected land area in 2022, Slovenia ranks second among the Member States in terms of its share of protected area on land, after Bulgaria. In contrast, only 5% of Slovenia's marine area is protected. Slovenia's protected land area therefore makes a contribution to the EU biodiversity strategy target that is above the EU average, but makes a much lesser contribution when it comes to EU protected sea areas. Slovenia also needs to restore up to 2 843 km^2 of habitats listed in Annex I to the Habitats Directive, corresponding to up to 14% of its territory ([177]). Slovenia needs EUR 326 million of investment per year to effectively conserve and restore its natural capital, mitigate the impacts of climate change, and preserve the country's rich biodiversity (see Graph A9.2). The current level of financing for biodiversity and ecosystem conservation in Slovenia is around EUR 124 million per year. This shortfall puts at risk the country's commitment to

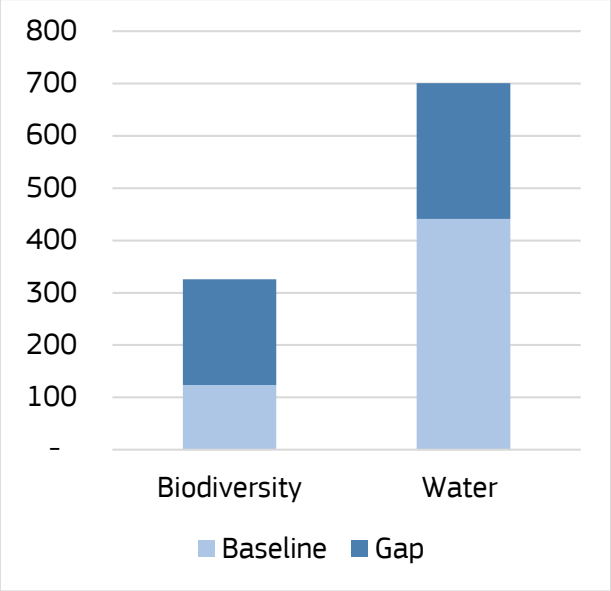
([175])European Commission, European Environment Agency, 2021, *Accounting for ecosystems and their services in the European Union*.

([176])EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes, Link.

([177])European Commission (2022), Impact assessment accompanying the proposal for a Regulation on nature restoration.

global biodiversity agreements and undermines its long-term economic and social development.

Graph A9.2: **Investment needs and gaps in EUR million, in 2022 constant prices**



Source: European Commission, DG Environment, Environmental investment needs & gaps assessment programme, 2025 update.

Sustainable agriculture and land use

Slovenia's carbon removals are in line with the level of ambition needed to meet its 2030 target for land use, land use change and forestry (LULUCF). In Slovenia, LULUCF net removals have decreased from 0.64 million tonnes CO_2 equivalent (CO_2eq) to 0.17 million tonnes CO_2eq from 2019 to 2022. The country's forests are responsible for a major share of these removals. To meet its 2030 LULUCF target, additional carbon removals of -0.2 million tonnes of CO_2eq are needed ([178]). The latest available projections show a surplus compared to the target of -2.6 million tonnes of CO_2eq for 2030 ([179]). Slovenia is therefore on track to meet its 2030 target.

Slovenian agriculture is a major source of greenhouse gas emissions and has a significant impact on air, water and soils. In 2022, agriculture was responsible for a total of 1.7 million tonnes of CO_2eq (this figure has been stable since 2018), accounting for around 10.6% of the country's total emissions. This includes 1.7 million tonnes of CO_2eq from livestock. Slovenia's utilised agricultural area (UAA) has remained stable since 2014, standing at 480 000 hectares in 2022. Nevertheless, the nitrogen balance did not follow the same trend, with a decrease from 68.8 kg of nitrogen per hectare of UAA in 2013 to 42 kg in 2014, and then rising to 48.5 kg in 2021. Furthermore, according to data from the Nitrates Directive, 9% of groundwater monitoring stations in Slovenia recorded average nitrate concentrations above 50 mg/l between 2016 and 2019, exceeding the healthy threshold for human consumption. Although the livestock density index was 1.01 in 2020, above the EU average of 0.75, ammonia emissions were stable between 2012 and 2021, followed by a more noticeable decrease in 2022. In 2022, pesticide concentrations exceeding thresholds were detected in 10% of surface water bodies, which is below the EU average.

Slovenia is transitioning to a sustainable food system by implementing policies to reduce the environmental impact of agriculture. In 2022, 5.9% of its agricultural land had landscape features such as woods and non-productive grasslands, slightly above the EU average of 5.6%. Organic farming, which reduced the use of synthetic fertilisers and pesticides, made up 11.1% of Slovenia's agricultural land, a 51% increase since 2012. Under its common agricultural policy (CAP) strategic plan, Slovenia aims to reach 17% UAA under organic farming by 2027, which it will be able to achieve if the current growth trend in organic farming area is maintained over the coming years.

([178])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

([179])Climate Action Progress Report 2024 COM/2024/498.

Table A9.1: **Key indicators tracking progress on climate adaptation, resilience and environment**

Climate adaptation and preparedness:	Slovenia						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Drought impact on ecosystems *[area impacted by drought as % of total]*	0.23	0.29	0.69	5.58	55.48	0.26	6.77	2.76
Forest-fire burnt area (1) *[ha, annual average 2006-2023]*	342	342	342	342	342	342		
Economic losses from extreme events *[EUR million at constant 2022 prices]*	-	199	9	-	166	9 935	24 142	62 981
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	-	1.88	1.88		
Heat-related mortality (3) *[number of deaths per 100 000 inhabitants in 2013-2022]*	45	45	45	45	45			
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	37	46	48	51	51	52	41	44

Water resilience:	Slovenia						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Water Exploitation Index Plus, WEI+ (4) *[total water consumption as % of renewable freshwater resources]*	0.6	0.6	0.6	0.5	0.6	-	4.5	4.5
Water consumption *[million m^3]*	211	205	208	181	157	-		
Ecological/quantitative status of water bodies (5) *[% of water bodies failing to achieve good status]*								
Surface water bodies	-	-	-	-	-	-	-	59%
Groundwater bodies	-	-	-	-	-	-	-	93%

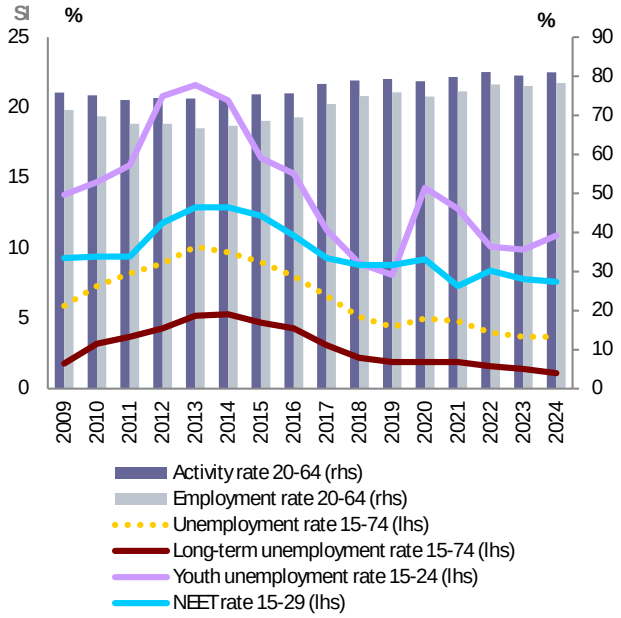
Biodiversity and ecosystems:	Slovenia						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Conservation status of habitats (6) *[% of habitats having a good conservation status]*	38.2	-	-	-	-	-	14.7	-
Common farmland bird index *2000=100*	79.0	76.9	81.6	76.3	73.9	-	72.2	74.4
Protected areas *[% of protected land areas]*	-	-	-	40	41	-	-	26

Sustainable agriculture and land use:	Slovenia						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Bioeconomy's added value (7) *[EUR million]*	2 751	2 879	3 018	3 054			634 378	716 124
Landscape features *[% of agricultural land covered with landscape features]*	-	-	-	-	6	-		
Food waste *[kg per capita]*	-	-	68	68	71	-		
Area under organic farming *[% of total UAA]*	10.0	10.4	10.3	10.8	11.1		7.99	-
Nitrogen balance *[kg of nitrogen per ha of UAA]*	43.4	43.2	31.7	48.5	-	-		
Nitrates in groundwater (8) *[mgNO_3/l]*	14.4	12.6	12.5	14.1	-	-		
Net greenhouse gas removals from LULUCF (9) *[Kt CO_2-eq]*	804 -	641 -	397 -	321 -	169	-	- 256 077 -	240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.
(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.
(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action. The Lancet Public Health.
(4) This indicator measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal or greater than 40% indicate situations of severe water scarcity.
(5) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.
(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.
(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO_3/L to avoid threats to human health.
(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA

Slovenia's labour market continues to perform well, but challenges remain. In particular, labour shortages paired with skills mismatches, perpetuated by an ageing workforce and the underrepresentation of some groups in the labour market, disincentives in the taxation system, as well as the slow adoption of the workforce to the digital and green transitions negatively impact the country's competitiveness and growth potential. As Slovenia works towards its 2030 employment rate target, harnessing the potential of underrepresented groups, and addressing skills mismatches and labour shortages will be key challenges to overcome for a more robust and inclusive labour market and a thriving economy.

Graph A10.1: **Key labour market indicators**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, une_ltu_a, lfsi_neet_a]

Slovenia's labour market has remained robust, with high employment and historically low unemployment rates. Against a backdrop of modest real GDP growth, the employment and activity rates (20-64) in 2024 recovered to levels similar to those seen in 2022, reaching 78.3% and 81% respectively. The employment rate remained well above the EU average (75.8%) and increased by 2.4 percentage points (pps) compared to 2019, while the unemployment rate, at 3.7%, remained far below the EU average (5.9%) and on par with the previous year. These generally positive developments suggest that Slovenia is on the right track in terms of reaching its employment rate target of 79.5% by 2030.

Labour shortages and skills mismatches are critical issues in the Slovenian labour market, particularly given an ageing population and declining birth rates. At 2.3% in 2024, job-vacancy rates in industry, construction and services decreased slightly (0.4 pps) compared to the year before but remained around the EU average (2.4%). Vacancies remained particularly high in construction (4.9%) and services (2.9%). Around half of employers were facing difficulty finding suitable workers in 2024. There are shortages of both vocational (e.g. truck drivers, cooks and caregivers) and tertiary-educated workers (e.g. ICT professionals, engineers, healthcare and education staff) ([180]), which limit productivity gains. These shortages are especially acute in sectors such as construction, tourism, transport, healthcare, long-term care, education and ICT. Slovenia has some of the highest labour market imbalances in the EU, with both severe shortages and surplus occupations at the same time ([181]). Employers in construction (58%), manufacturing (40%) and services (37%) report shortages – more than twice the EU average ([182]). Despite its low unemployment rate, Slovenia faces challenges related to over-qualification, with the macroeconomic skills mismatch exceeding the EU average in 2024 (see Annex 12). At the same time, life expectancy is increasing, birth rates are declining, and net migration is influenced by the economic cycle and labour shortages. Between 2022 and 2070, the working-age population is projected to fall by 16%, and the proportion of those with the highest activity rates (35-49) is expected to experience the steepest drop (28%) ([183]). In addition, the proportion of those aged 65 and above is set to increase by 34% by 2070. As the population is ageing, the old-age dependency ratio is projected to rise from 36.1 in 2022 to a peak of 60.3 in 2050, as the baby boomer generation enters old

([180])Ibid., p. 59.

([181])ELA, Labour shortages and surpluses in Europe, 2024

([182])European Commission, Business and Consumer Survey.

([183])Economic Policy Committee-Ageing Working Group, 2024 Ageing Report Slovenia - Country Fiche, 2024.

age, and reach 57.5 in 2070. These demographic shifts will exacerbate labour market tightness, underscoring the urgency of activating and better integrating underrepresented groups as well as foreigners. The ageing population will also put further pressure on the healthcare and long-term care systems, which face shortages (see Annex 11).

In this context, the low labour market participation of vulnerable groups such as older people, low-qualified workers and persons with disabilities can hold back economic growth. Slovenia has one of the lowest employment rates for older workers (55-64) in the EU (56.3% vs 65.2% in 2024), particularly among those with lower levels of qualifications (40.6% vs 49.6% in 2024). Older people also face persistently high levels of long-term unemployment, comprising 39.6% of total unemployment in 2024. The employment rate for adults with lower qualifications (54.9% in 2024) has steadily increased since 2020 (47.4%) but remains below the EU average (58.7%). The disability employment gap narrowed from 21.7 pps in 2020 to 14.2 pps in 2024 (EU: 24) and is he lowest in the EU. Nearly a third of young persons with disabilities are neither in employment, nor in education or training (NEETs) (27%, 2022) ([184]). Slovenia has yet to set a target for the employment of persons with disabilities.

Young people also face challenges in entering the labour market. The proportion of NEETs (15-29) continues to be one of the lowest in the EU. However, at 10.9% in 2024 (14.% in EU), the youth unemployment rate (15-24) remains significantly higher than that of the overall population (3.7% in 2024) and increased by 1 pp compared to 2023. Similarly, while precarious employment is decreasing, 36.3% of young workers (15-29) are employed on temporary contracts (EU: 33.3%). Slovenian students tend to enter the labour market around two years later than their peers in other Member States. This is largely due to the prevalence of student work, which, uniquely in the EU, is driven by specific social security arrangements. This system may deter people from entering work at an earlier age, as it is more beneficial for students and employers to use what are known as 'student referrals' than other types of contracts. As a result, in 2022, Slovenia had one of the largest proportions of students aged 20, 22 and 24 in tertiary education in the EU. In 2020, only 56.1% of students who entered a bachelor's or equivalent programme completed it within the notional duration of the programme or within three years of its end. Number of young people working in occupations that do not match their field of study is one of the highest in the EU and nearly a quarter (20.8% in 2024) of young people with tertiary education are employed in jobs below their qualifications.

Slovenia makes use of the European Social Fund Plus (ESF+) to support active labour market measures, focusing on young people and vulnerable groups, such as older workers and the low-skilled and long-term unemployed. The ESF+ supports the development of a platform for long-term skills forecasting and for raising the quality of the working environment and working conditions. The purpose of this is to extend the working lives of older people and to promote intergenerational cooperation, with a focus on the exchange of knowledge and skills between generations. As part of the recovery and resilience plan, Slovenia has committed to adopting pension reform and changes to the unemployment benefits legislation in order to promote longer working lives and to reduce the gap between the age at which people stop working and the statutory retirement age.

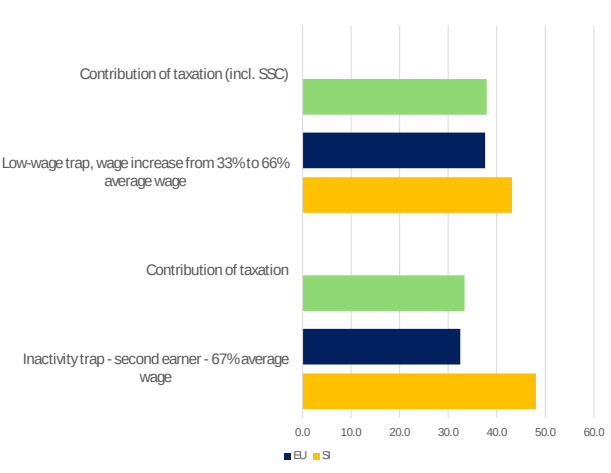
Ensuring faster integration of foreign workers in the labour market and society is essential for addressing labour shortages. In addition to reducing brain drain and promoting circular migration, fostering legal migration and attracting talent, particularly from third countries, may be increasingly needed to maintain adequate human capital in key sectors and bolster Slovenia's competitiveness ([185]). Foreign-born workers currently make up 15% of the workforce, with the largest proportion employed in catering, construction, warehouses and logistics. Since 2019, the number of foreign workers has increased by 48.7%. Most of these workers are low-skilled, as nine out of ten have at most primary school education and more than one third

([184])European Commission, European comparative data on persons with disabilities, 2024

([185])IMAD, Development report 2024. The supply of Slovenian specialists is also decreasing, as they migrate to other countries to find professional and career development and promotion opportunities abroad.

are on the minimum wage. To address labour shortages more effectively, Slovenia has adopted a strategy for (economic) immigration and several measures to facilitate the employment of non-EU nationals. These measures also include issuing work permits more quickly, partly in response to recurring complaints from employers about lengthy administrative procedures. Although there has been some improvement, a significant backlog of applications from foreign workers remains ([186]), and it would be helpful to adopt further measures to tackle the challenges of attracting and facilitating the integration of foreign nationals into society.

Graph A10.2: **Low-wage and inactivity trap**



Source: European Commission, DG ECFIN, Tax and benefits database, based on OECD tax/benefit model (April 2024).

Slovenia faces significant low-wage and inactivity traps which affect both single people and those living in multi-person households, especially women. In 2023, a person moving into work from a period of inactivity, thus becoming the second earner at 67% of the average wage in a family with two children and a principal earner on the average wage, had 48.1% of their income implicitly taxed away, compared to 32.5% in the EU (see Graph A8.2). A third of this income is taxed away by explicit taxation, while the rest is accounted for by withdrawn benefits. As a result, Slovenia's taxation structure may deter second earners, particularly women, from taking a full part in the labour market. Similarly, when transitioning people move to higher-paid jobs or increase their working hours - e.g. increasing a second-earner's wage from 33% to 66% of the median income in a similar setting - 43.1% of the additional income is lost. While this is already significantly lower than in the past, it remains well above the EU average of 37.6%. In this case, explicit taxation and social contributions, account for 37.9% of the additional income. These traps discourage people from entering work, especially those with a lower level of education, who are more likely to hold low-paid jobs. Labour taxation has undergone some changes in recent years, but high taxes, social contributions and sometimes lower social transfers continue to deter single parents and second earners, often women, from seeking work or increasing working hours. To address these issues, it would be beneficial to reduce marginal effective tax rates for low-income earners and second earners by withdrawing benefits and social assistance in a more gradual, coordinated manner. Moreover, better alignment of the tax and social transfer system could help mitigate the severity of the low-wage trap.

Robust wage growth has led to a recovery in real wages which outpaces labour productivity, eroding competitiveness. Nominal wage growth is projected to reach 5.6% in 2025, compared with 5.0% in 2022, 9.5% in 2023 and 6.2% in 2024. Real wages increased by 4.1% in 2024 and are projected to rise by 2.2% in 2025, after a significant decline in 2022 (3.7%) and a partial rebound in 2023 (2.3%) ([187]). This has led to overall real wage growth of 4.9% during the period 2022-2025. The statutory minimum wage rose by nearly 19% between January 2022 and April 2025, with a real increase of around 3%. Slovenia has a high concentration of workers paid close to the minimum wage. In 2022, 64% of employees were paid below the average wage, with 9.5% earning the minimum wage. This included almost a fifth of young people, the same proportion of workers with lower levels of educational attainment, and around one in three foreign workers ([188]). Frequent and substantial increases in the minimum wage can cause spillover effects on other wages (to maintain wage

([186])These delays are driven by factors such as understaffing, low wages, complex legislation and high employee turnover. Foreign cases rose sharply from 125 000 in 2019 to 189 000 in 2023, with first work permits expected to increase from 20 000 to 30 000 by 2024.

([187])Based on the European Commission Autumn 2024 economic forecast.

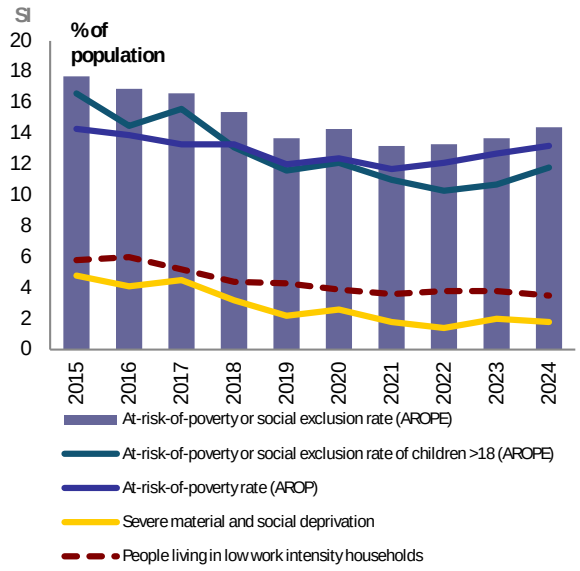
([188])IMAD, Development report 2024. In 2018, Slovenia had one of the highest proportions of employees earning up to 105% of the minimum wage (around 15% of all employees).

ratios) and have a negative impact on competitiveness if not matched by productivity gains. In 2024, Slovenia adopted a comprehensive public sector wage reform which lifted the lowest basic wages to the level of a minimum wage, restructured salary scales to restore wage competitiveness with the private sector and created a more attractive working environment.

Slovenia's transition towards a green and digital economy is hindered by skills gaps and the absence of a comprehensive strategy for green jobs. In 2024, employment in the country's energy-intensive industries accounted for 4.1% of total employment, while the number of jobs in the green economy increased modestly. Between 2016 and 2022, employment in the environmental goods and services sector grew by 18.6%, reaching 3.2% of total employment (EU: 3.3%). In turn, the job-vacancy rate in construction, a key sector for the green transition, is well above the EU average (4.9% vs 3.1% in 2024). In 2022, labour shortages were reported in 66 occupations that required specific skills or knowledge for the green transition, including insulation workers, civil engineering technicians and civil engineers. At the same time, in 2023, digital skills proficiency among the general public remained limited and almost four out of five Slovenian businesses reported difficulties in recruiting ICT specialists. Around 3 000-4 000 ICT specialists per year are needed to reach the Digital Decade target (see Annex 12). This shortage is impeding a faster transition to a smart green economy and hampering productivity growth. The greenhouse gas emission intensity of the country's workforce has improved, decreasing from 13.6 tonnes per worker in 2015 to 10.2 in 2023 (EU: 12.3), reflecting progress on the green transition. Upskilling and reskilling, including for those worst affected, and promoting an inclusive labour market are essential policy levers for speeding up the transition to a net-zero economy and ensuring its fairness. Slovenia lacks a systematic horizontal approach towards green jobs and green skills and would benefit from a more structured strategy. The concept of green skills has not been defined yet, which negatively impacts the efforts of the Public Employment Services to provide training.

Slovenia has a well-functioning welfare system, with one of the lowest at-risk-of-poverty rates in the EU along with one of the lowest income and wealth inequalities, but it continues to face challenges related to poverty and social exclusion, particularly among vulnerable groups and in rural areas, especially in eastern Slovenia. The key contributing factors to these challenges include a less diverse economy, especially in rural areas, coupled with more limited access to quality jobs, healthcare, education, social services and essential services. In addition, the lack of affordable housing, especially in the capital and other urban areas where jobs are concentrated, has a negative impact on labour mobility, on the attractiveness of the country for foreign workers and, consequently, on productivity. Demographic shifts raise concerns for the sustainability of the pension and care systems. The limited capacity of the healthcare and long-term care system, including uneven access to quality services across regions, and housing affordability pose risks to Slovenia's sustainable and inclusive growth and prosperity.

Graph A11.1: **AROPE rate and its components**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n]

Slovenia has one of the lowest rates of people at risk of poverty or social exclusion (AROPE) in the EU, even though the rate has been rising in recent years. In 2024, the AROPE rate both for the overall population and for children increased by 0.7 and 1.1 percentage points (pps), respectively. Rising for the third consecutive year, the AROPE rate reached 14.4%, equivalent to 302 000 individuals, representing a move away from the 2030 national target. Slovenia has committed to reducing the number of people AROPE by 9 000, including 3 000 children, compared to 2019 levels. In light of the increase, Slovenia now has to reduce the number of people AROPE by 32 000 by 2030. For children, the AROPE rate reached 11.8% in 2024 but still remains the lowest in the EU. However, for children of parents with a low level of education, the rate was 62.6%, above the EU average of 61.2%. Since 2021, monetary poverty also rose and the at-risk-of-poverty (AROP) rate increased from 11.7% in 2021 to 13.2% in 2024. After decreasing rapidly between 2015 and 2022, the percentage of people affected by severe material and social deprivation increased in 2023 on the back of high inflation in 2022 and stands at 1.8% in 2024 (around 36 000 people) .Lastly, around 10 000 people were exposed to all three forms of social exclusion ([189]). Slovenia is implementing the European Child Guarantee (ECG) as part of its 2023 action plan. The 2024 implementation report shows that progress was made in some areas, e.g. social inclusion of Roma children and support for Roma families as well the creation of child and adolescent mental health centres at primary healthcare level. At the same time, additional measures could help counteract staff shortages in social services and support single parents and children in alternative (especially institutional) care. The implementation of the ECG is supported by EU cohesion policy funds including through the creation of preventive programmes to ensure access to services and social inclusion. In light of the worsening trend regarding the number of AROPE people, further measures are needed to achieve the 2030 national target on poverty reduction.

Slovenia has a strong social protection system, but higher poverty risks among vulnerable groups remain a challenge. Some vulnerable groups remain at a much higher risk of poverty and social exclusion, such as single-person households (39.3% in 2024). The AROPE rate of older people (65+) is significantly above the EU average (23.3% vs 19.4% for the EU), but much higher for older women than for older men (26.8% and 19%, respectively). At the same time, the unemployed (56.6%), people born outside the EU (23.8%), persons with disabilities (24.4%) and

([189])IMAD, Development report 2024, p. 182.

tenants renting at market prices (26.9%) also face higher AROPE risks than the general population. This might be driven by the negative impact of high energy prices and inflation in recent years on pensions and wages. As there is also a high proportion of households and individuals just above the poverty threshold, particular policy attention is warranted. In this context, the impact of social transfers (other than pensions) on poverty reduction has significantly declined from 44.8% in 2021 to 37.7% in 2024. Around EUR 237 million from the European Social Fund+ (ESF+) is allocated to improving social inclusion for vulnerable groups. This includes improving social services' accessibility and quality (with learning and digital skills workshops), supporting healthcare services and implementing measures for minorities and people with disabilities.

Employment status plays an important role in determining poverty risks, and in-work poverty is increasing. The in-work at-risk-of-poverty rate decreased by 0.3 pp to 5.4% in 2024(8.2% in the EU), exceeding pre-pandemic levels (4.5% in 2019). The rate among men rose from 5.4% in 2023 to 5.9% in 2024, while for women, it remained steady compared to 2023 (4.8%). Between 2014 and 2022, the poverty risk for temporary workers decreased significantly from 14.6% to 3.4%. However, it increased again to 10.8% in 2023 and stood at 6.3% in 2024. For part-time workers, the AROP rate was 10.6% in 2024. The self-employed continue to face the highest risk, at 23.8% in 2024, although this represents an improvement from 27.9% in 2013. In 2022, those with a migrant background faced significantly higher poverty risks, yet still below the EU average.

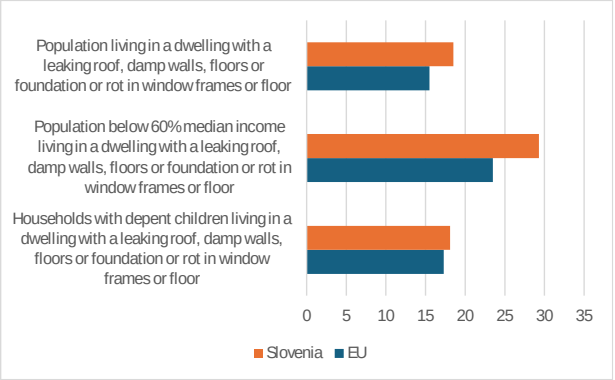
Energy and transport poverty are low. In 2024, only 3.3% of the population struggled to keep homes warm, well below the EU average of 9.2%. In contrast, 6.7% of individuals faced arrears on utility bills in 2024, which marks an improvement of 2.7 pps compared to 2020 (EU average 6.9%). To address energy poverty, Slovenia has introduced a range of measures including financial incentives to support vulnerable households, such as replacing old solid fuel boilers with wood biomass boilers and protecting against disconnection from the grid. Slovenia has also adopted a national action plan to alleviate energy poverty for 2024-2026, with an allocated budget of EUR 34 million focusing on structural measures such as energy-efficiency renovations for the energy poor, decarbonising district heating systems and transitioning away from outdated biomass heating technologies. Transport poverty is also low: Slovenia demonstrates strong affordability for car ownership, even among lower-income groups. The percentage of Slovenians who could not afford a car was 2.1% in 2024, well below the EU average of 5.6%. Similarly, the percentage of people at risk of poverty who cannot afford a car was 9.8% in 2024 – below the EU average of 15.9%. However, the continued dominance of personal cars and the stagnation in public transport use highlight challenges in promoting sustainable and inclusive transportation systems. These challenges may be more pronounced in rural areas where the largest share of people reside (45.1%) compared to towns, suburbs and cities.

An ageing population poses a significant challenge for the future adequacy and sustainability of the pension system. With the 65+ age group accounting for an increasing share of the population, which is expected to rise by 34% between 2022 and 2070, the old-age dependency ratio is also projected to increase from 36% in 2022 to about 57.5% in 2070, after peaking at around 61% in 2059. The ratio of working-age individuals to pensioners already decreased from 1.57 in 2023 to 1.55 in 2024. The ongoing reform of the public pension system, as part of the recovery and resilience plan (RRP), is expected to have a positive effect on the adequacy, especially of the lowest pensions, and on the financial sustainability of the pension system. The amended pension legislation (adoption expected in 2025) aims to increase the statutory retirement age from 60 to 62 for those who have been working for 40 years, and from 65 to 67 for everyone else. The legislation also plans to increase the accrual rate from 63.5% to 70% for 40 years of work and to 30% for 15 years of work. Further changes are envisaged as regards pension adjustment to closer link pensions to inflation, the aim being to maintain the level of benefits and thus ensure the social security of pensioners. As single pensioners, especially women, are among the most vulnerable groups with the highest AROP rates, the reform proposal includes raising survivors' pensions from 70% to 80%. As a result, pension adequacy could be significantly improved. While various measures, such as the guaranteed pension for 40 years of work and pension indexation, contributed to growth in real pensions in recent years, challenges

remain. In particular, these pertain to certain groups of pensioners ([190]) who continue to receive very low pensions. Approximately half of the pensioners in Slovenia receive a pension that is below the poverty threshold ([191]). The impact of social transfers (other than pensions) in reducing poverty was lowest among older individuals (65+), with the AROPE rate among women aged 75+ being almost twice as high as that of the general population. At 43%, the aggregate pension replacement ratio in Slovenia is below the EU average of 61% in 2024, as are median relative incomes of people aged 65+ (78% compared to 90%) ([192]).

Despite recent comprehensive reforms, challenges in the areas of long-term care and social care persist. At a structural level, important reforms and legislative changes have already been made since 2022. However, there is a significant risk that key long-term care (LTC) services will not be satisfactorily operating in full by the 2025 deadlines, following the adoption of the LTC act in 2023. Effective implementation requires adequate administrative procedures to implement the new LTC system, upgrading or establishing care services, and especially boosting home care capacity. The most important challenges remain access, adequacy, quality and, especially, staff shortages and long-term financial sustainability. In terms of access, the challenges are twofold, especially in rural areas: (i) the limited availability of respite care and support for families and carers of older and disabled people, and (ii) the limited availability of specialised care for older people with complex needs. Another critical factor hampering the effective provision of services is staffing. In 2023, Slovenia faced staff shortages (with many staff members leaving the sector due to burnout and poor working conditions), with a shortage in the LTC sector of approximately 2 000 caregivers, and in the social care sector of approximately 1 000 social workers. The lack of staff is compounded by relatively high turnover rates (15% for long-term care professionals, and 20% in the social care sector) as well as an ageing workforce. In Slovenia, the average age of LTC professionals is approximately 50, and 55 in the case of social workers. In 2023, Slovenia adopted a national deinstitutionalisation strategy which aims to transform 22 institutions by 2034 and provide community alternative care to around 3 416 persons currently living in institutions.

Graph A11.2: **Housing deprivation**



Source: Eurostat, [ilc_mdho01].

House prices have increased significantly over the last decade, rising by almost 100% since 2015. They increased by 7.2% in 2023 and 7.4% in 2024. In 2021 and 2022, house prices grew 11.5% and 14.8%, respectively. At the same time, house prices are estimated to be only slightly overvalued. Mortgage rates increased from 1.8% in 2021 to 3.2% in 2024, after peaking at 4.0% in 2023. This caused mortgage credit to decelerate and grow only 0.7% in 2023 and 3.9% in 2024. The adjustment to the higher interest rate environment has resulted in a lower number of transactions (down 7.6% and 20.0% in 2022 and 2023 respectively). Building permits remain high when compared with 2015, though they fell by 3.9% in 2023 and 11.5% in 2024.

Overall housing affordability deteriorated over the last decade. Since 2015, house price growth has exceeded household income growth. The standardised house price-to-income ratio has increased by 17%. It stands 5% above its long-term average. While ownership rates are high due to the legacy of the privatisation of state-owned properties, housing affordability has become an issue, especially for first-time buyers. At the same time, housing supply has remained limited. The ratio of dwellings per capita has been stable over the past years but stands among the lowest in the EU. Furthermore, despite an increase in house completions over the past years, the ratio of house completions per capita is also among the lowest in the EU. Residential building permits have been

([190])Pensioners with incomplete or short working lives, the self-employed, people working in intermittent jobs, and those with a low level of contributions. See European Commission, 2024 pension adequacy report, 2024.

([191])ZPIZ, Annual Report 2023, p. 35.

([192])Source Eurostat: ilc_pnp2

decreasing over the past two years but stand above their pre-pandemic levels. Spatial planning and lengthy permitting systems constrain construction activity and housing investment remains low. Furthermore, rising costs have exacerbated supply constraints and affordability challenges in recent years. Taking into account the cost of mortgage funding, the borrowing capacity of households worsened only marginally over the past decade. While the rental market is rather small, the ratio of new rents to incomes increased significantly over the last ten years.

Despite relatively low housing cost overburden rates, affordable housing has been a long-term challenge, and housing deprivation is among the highest in the EU. Close to 75% of dwellings in Slovenia are owner-occupied, keeping housing costs lower overall, with just 3.8% of the population facing housing costs above 40% of income (EU: 8.2%). However, access to affordable housing is becoming increasingly problematic in Slovenia, and not just for vulnerable groups but also for young families and first-time buyers. In 2023, there was a shortage of around 11 000 public rental apartments in Slovenia ([193]). Factors contributing to this include the low urbanisation, the concentration of key jobs and universities in cities and limited housing construction, leading to high homeownership rates. As a result, property prices and rents have soared, particularly in larger cities ([194]). This means that housing costs for those at risk of poverty and tenants renting at market prices are much higher, with overburden rates of 20.6% and 16.5% respectively. The lack of non-profit rental housing, the underdeveloped social housing sector and the resulting housing market shortages together with an underdeveloped capital market with real estate as a key asset for investment have contributed to high prices. Increasing public rental housing supply through new construction or renovating vacant properties could improve affordability, while under-occupied dwellings offer untapped housing potential. In 2024, more than one third (35.3%) of the population lived in such dwellings (EU 33.1%). Under its RRP, Slovenia intends to purchase or construct nearly 5 000 non-profit flats by 2026 (480 financed by the Recovery and Resilience Facility (RRF)) to improve access to non-profit rented housing for young families and disadvantaged groups, however, the full implementation is to be monitored. In 2023 and 2024, EUR 25.5 million annually have been allocated to recapitalise the national housing fund, with an additional EUR 60 million from the RRF between 2023 and 2026. Slovenia intends to systematically finance affordable housing with EUR 100 million per year for the 2025-2035 period. Slovenia has one of the highest levels of housing deprivation in the EU. At 18.5% of households, the proportion of people living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in the window frames or floor was among the highest in the EU. The number is even higher for the lowest income households (29.3% in 2023) and elevated for families with dependent children. The issue is particularly pronounced in Pomurska and south-east Slovenia ([195]). Additionally, 10.6% of people live in overcrowded households, rising to 16.2% for those AROP. Slovenia plans to implement a strategy to prevent and comprehensively address the problem of homelessness. The latest national estimates found that 3 545 individuals, representing 0.17% of the total population, were homeless in 2022; of these, 27% were women and 73% were men ([196]).

Slovenia has an ambitious strategic framework to address its social challenges. It is implementing the resolution on the 2022-2030 national social assistance programme through national action plans, multiple sectoral strategies and other measures. If implemented effectively, these policies could improve the efficiency and effectiveness of social protection. This includes modernising and reforming complex social legislation, such as the Social Assistance Payments Act and the Exercise of Rights to Public Funds Act. Ensuring a proper social benefit floor involves recalculating the minimum basic income more frequently. As regards determining social benefit eligibility, it is also important to address long-

([193])Government of Slovenia, Proposal for a strategy to prevent and end homelessness in Slovenia 2025-2035.

([194])Between 2021 and 2024 rent in Ljubljana doubled from EUR 11 to EUR 22 per square metre. In 2024, the average rent for a 30 square metre studio was EUR 660 and for a 50 square metre flat it was EUR 1100, while the minimum wage was EUR 902 net in 2024.

([195])One of the main reasons for poor housing condition is the old and poorly maintained housing stock. About 80% of dwellings were built before 1990 and only about 2% between 2016 and 2021, with the highest share in the Osrednjeslovenska region and the lowest in the Zasavska region. See IMAD, Development report 2024.

([196])OECD, Country notes on homelessness data.

standing issues in the information system of the centres for social work. Additionally, resolving staff shortages at the centres for social work is crucial.

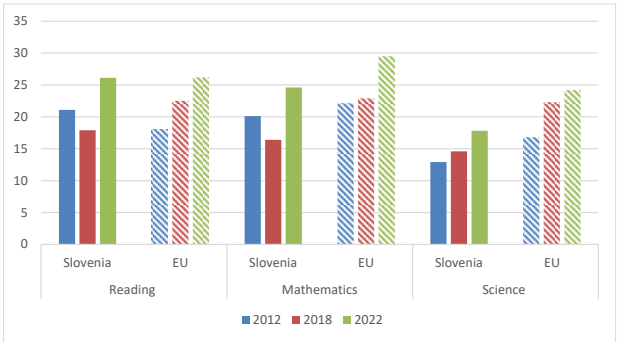
The decline in basic skills among pupils, significantly decreasing adult learning, insufficient digital and green skills, alongside rising skills mismatches and shortages, are adversely affecting competitiveness and innovation. Slovenia is increasingly experiencing a shortage of adequately qualified staff and skills mismatches in a context of wider labour shortages. Basic skills among pupils have deteriorated, negatively affecting future skills development. At the same time, the number of adults participating in learning overall dropped by almost 20 percentage points (pps) from 2016 to 26.5% in 2022 and was especially low among low-qualified and older workers. Further efforts are needed to develop the necessary skills for the twin transition, including increasing the number of ICT specialists. On a positive note, the number of students and graduates in science, technology, engineering, and mathematics (STEM) rose over recent years and Slovenia has a well-developed system of vocational education and training (VET).

Participation in early childhood education and care (ECEC) significantly contributes to building a solid foundation for skills development. Slovenia's participation rate in ECEC for children aged between three and compulsory primary school age was 93.2% in 2023 (EU-27 average 94.6%). Among children under the age of 3, participation in formal childcare reached 57.8% in 20243 and significantly exceeded both the EU average (39.2%) and the national Barcelona target of 46%. However, a participation gap exists between children at risk of poverty (38.9%) and those not at risk (58.3%), indicating that access barriers still persist. In some regions, the lack of qualified teachers and assistants remains a challenge ([197]).

An updated curriculum for ECEC will be introduced in 2025/26 in all public kindergartens. The objective is to enhance quality, promote fairness and foster multilingualism and multiculturalism, while also making kindergarten even more accessible, with special emphasis on the enrolment of children from the most vulnerable groups (Roma children). To attract more professionals into the education sector, Slovenia is continuing to offer internships. In 2024, a public call was issued for 80 internship positions in kindergartens and 170 in schools.

The recent sharp decline in basic skills among young people may weaken the skills base and exacerbate skills shortages in the future. The percentage of early leavers from education and training among 18-24-year-olds has slightly increased over the last decade (from 3.9% in 2013 to 5% in 2024) but remains well below the EU average (9.3% in 2024). Between 2018 and 2022, however, basic skills among 15-year-olds deteriorated ([198]), which poses a challenge for skills development in the future. In 2022, 24.6% of 15 year-olds did not achieve the minimum level of proficiency in mathematics (EU average: 29.5%) and 26.1% did not achieve it in reading (EU average: 26.2%). While between 2015-18, underachievement was close to the EU level target of 15%, it rose dramatically in mathematics and in reading (both by 8.2 pps) between 2018 and 2022**.** School closures during the pandemic, a lack of teaching staff might have contributed to the decline in performance. Teacher shortages have been on the rise as maintaining the attractiveness of the teaching profession became a challenge. In 2022, approximately 42% of students in Slovenia attended schools where instruction was compromised by a lack of teaching staff (PISA 2022).

Graph A12.1: **Underachievement in basic skills**



Source: OECD, Programme for International Student Assessment (PISA) 2022.

Socio-economic status significantly influences educational outcomes. Whereas 41% of students from the poorest income quartile underperformed in mathematics (EU average:

([197])Seepro3, ECEC Workforce Profile – Slovenia, 2024.

([198])OECD, Programme for International Student Assessment (PISA) 2022.

48%), only 9.9% from the richest quartile did. Compared to 2018, the share of disadvantaged students who underachieve increased by 13.7 pps (EU average: 9.9 pps), compared to 4.1 pps (EU average: 2.2 pps) among non-disadvantaged students. Underachievement was higher among those born abroad**.** More than half (51.2%) of students born abroad were underperforming in mathematics. Also here, the socio-economic background plays a key role, as around half of students with a migrant background face socio-economic disadvantage.

Declining top performance and low level of creative thinking may impact the future pool of innovative talent. The top performance rate in reading among 15-year-olds decreased by 3.3 pps, currently standing at 4.4%, compared to the EU average of 6.5%. Slovenian students also demonstrated weaker performance in creative thinking, with a top performance rate of 16.3%, while the EU-23 average was 25.1% in 2022. Slovenia is taking steps to improve education outcomes, but implementation is at early stages. Slovenia's 2023-2033 national programme for education promotes reading literacy, reading culture, and developing digital literacy, among other things. The recovery and resilience plan (RRP) has earmarked EUR 4.4. million for the ongoing reform of the curriculum by 2025 and might help improve reading and mathematics skills, also for disadvantaged children. For a successful implementation of the reform, an adequate preparation of teachers will be key and additional efforts might be needed.

Reducing teacher shortages and increasing the attractiveness of the teaching profession could help increase the quality of education and strengthen basic skills. While at present there is no comprehensive system for monitoring and forecasting teacher shortages, schools report increasing difficulties in organising lessons. Based on an internal survey in 2023, the Association of Principals and Assistant Principals estimates that around 5 000 teaching posts (from kindergartens to upper secondary schools) were unfilled or not appropriately filled. Addressing teacher shortages and increasing the attractiveness of the teaching profession requires concerted efforts, such as a strategy addressing issues in initial teacher education, entry pathways and the social status of the profession. Slovenia has already taken some measures, including simplifying the teachers' recruitment procedure and introducing a new salary law, negotiated with public sector trade unions ([199]). However, challenges remain, in particular for subjects linked to STEM ([200]).

Slovenia has a well-developed system of VET, but additional efforts are needed to improve alignment with labour market needs. With around 6 in 10 upper secondary students taking part in VET programmes in the 2024/25 school year, VET is a popular choice for students ([201]). At 80.6% ([202]), the employment rate of recent VET graduates is high and slightly above the EU average (80%). In the context of a tight labour market, however, employers are struggling to find workers with vocational education ([203]). This is in part also driven by a high proportion of young people opting for tertiary education after VET upper secondary school and an underdeveloped apprenticeship system. In recent years, only a small number of 1st-year VET students decided to do an apprenticeship. Despite the growth of apprenticeship programmes and partners schools, apprentice numbers remain stagnant. This is primarily because apprenticeships are completed under a student status rather than an employee status. There are also challenges finding employers. Larger companies capable of offering comprehensive professional training are scarce, while smaller companies often lack the resources necessary to train apprentices.

In this context, Slovenia is working to prepare the VET system for future challenges. Slovenia's RRP includes measures for modernising upper secondary vocational and technical education, such as apprenticeships, strengthening cooperation between the education system and the labour market, reforming the curriculum of higher vocational study programmes, and including digital and green skills in all updated VET programmes ([204]). To increase young people's interest in VET, the Institute of the Republic of Slovenia for Vocational Education and Training is

([199])The salaries of public sector employees will increase by 19% on average and by 28% for trainee teachers.

([200])See Education and Training Monitor 2024 - Slovenia.

([201])Statistical Office Slovenia, Students in pre-tertiary education, school years 2024/2025 and 2023/2024

([202])EUROSTAT data for 2024 is flagged as unreliable.

([203])IMAD, Development report 2024, p. 156.

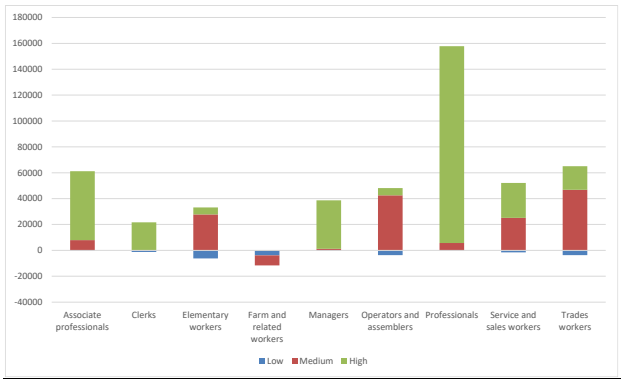
([204])The objective is to renew 25 upper secondary and 16 higher VET programmes by the end of 2026.

carrying out a project to achieve greater visibility, attractiveness and competitiveness of VET through promotional activities, such as the presentation of professions and schools, competitions in professional skills, and promotion of deficit professions. A European Social Fund Plus (ESF+)-funded project for the acquisition of basic and vocational skills aims to improve their core skills in responding to technological, demographic and climate change in modern society. ESF+ funding is also invested in the expansion of apprenticeships and career guidance for young people.

Further increasing tertiary educational attainment could help meet the demand for highly skilled professionals. Between 2022 and 2035, employment in high-tech manufacturing and knowledge-intensive services in Slovenia is predicted to register one of the highest growth rates in the EU, requiring a highly qualified workforce ([205]). The share of tertiary-educated people aged 25-34 increased from 35.3% in 2012 to 43.1% in 2024 ([206]), slightly below the EU average of 44.2% and the EU-level target at 45%. The gender gap in tertiary educational attainment in favour of women remained one of the highest in the EU in 2024 (23.7 pps vs 11.2 pps in the EU). Narrowing this gap could help meet labour market demands. At the same time, the share of tertiary graduates in STEM has also increased. Since 2016, the proportion of STEM graduates rose by 4.5 pps to 29.5%, surpassing the EU average of 26.6% in 2022. Among medium-level VET pupils, around 42.1% were enrolled in STEM fields in 2023 compared to 36.3% in the EU.

Slovenia increasingly experiences skills mismatches and shortages of skilled labour, while future employment needs are estimated to predominantly require high-level qualifications. Vacancy rates stood around EU average in 2024 (see Annex 10), however labour shortages driven by demographic shifts and a robust economic expansion in recent years remain pronounced in certain sectors More than half of companies (55.8%) and almost 9 out of 10 large companies (85.1%) also faced shortages of suitably qualified staff ([207]). Employers' difficulties in finding suitable workers are exacerbated by mismatches in education, knowledge and competencies. The macroeconomic skills mismatch, highlighting the relatively higher difficulty of people with low- and medium-level qualifications in entering the labour market, as compared to highly qualified people, has increased over the last decade and exceeded the EU average in 2024, where it decreased over the same period. At the same time, in 2024, 20.8% of those with tertiary education (25-34) were employed in occupations requiring at most upper secondary education (EU: 21.2%). Shortages of digital specialists and engineers are particularly acute. This in turn hinders a faster transition to innovation-led growth. Specialists are lacking in ICT, healthcare, education and social sciences. These shortages of skilled labour are projected to become more acute in the years ahead. According to the European Centre for the Development of Vocational Training (CEDEFOP), Slovenia's future employment needs from 2022 to 2035 will demand a workforce with high qualifications ([208]). By 2035, it is anticipated that approximately 320 000 workers will be needed in occupations requiring high-level education, alongside 150 000 workers in roles necessitating medium-level qualifications. Conversely, occupations requiring low levels of qualification are expected to shrink by 21 000 (see Graph A10.2).

Graph A12.2: **Future employment needs (2022-2035) by occupation and education level**



Source: CEDEFOP, Skills forecast 2023 – Slovenia.

The population is only slowly adapting to the digital transition and is lagging in digital skills. Slovenia's share of the general population (aged 16-74) with at least basic digital skills is considerably lower than the EU average (47% vs 56% in 2023). Looking at different age groups,

([205])CEDEFOP (n.d.), Employment growth in high-tech economy.

([206])Change in methodology in 2023.

([207])IMAD, Productivity report 2023.

([208])CEDEFOP, Skills forecast 2023 – Slovenia.

only those aged 16-24 score above the EU average (73% vs 70%). The gap is especially large for the unemployed (27.5% vs 46.5% at EU level) and more generally, digital skills remain a challenge, in particular for older, less educated and socially disadvantaged people who do not have access to digital tools or skills to use them. This underscores the need for further strengthening upskilling and reskilling. The RRP allocates EUR 71 million for investments in digital infrastructure and skills. Together with measures financed by the ESF+, 661 000 people are expected to benefit.

The lack of ICT specialists is a growing constraint on productivity and growth. In 2023, 78% of Slovenian enterprises reported difficulties in recruiting ICT specialists, (EU average: 63%) and the Chamber of Commerce and Industry of Slovenia estimates that on top of the around 1 400 ICT specialists trained every year, an additional 3 000-4 000 ICT specialists per year would be needed to reach the Digital Decade target. As a result, the current number of ICT graduates is insufficient to meet the needs of the digital transformation in the corporate sector and is increasingly becoming a crucial challenge. Yet between 2022-2024, the share of ICT specialists declined from 4.5% to 4.3% and remains below the EU average of 5%. This might harm the uptake of advanced technologies, e.g. AI, cloud and data analytics, in businesses, where Slovenia performs poorly. The sector is also marked by a pronounced gender disparity, with only 17.1% of ICT specialists being women (EU average: 19.4%). Slovenia is taking action to improve the situation, e.g. via a higher education curricula reform and measures to monitor ICT specialist needs through a Skills Forecasting Platform. The RRP has allocated EUR 60 million in funding to pilot projects in higher education to strengthen quality and integrate digital and sustainable skills in curricula.

Within the broader need for upskilling and reskilling, the development of green skills is essential for speeding up the transition to a net-zero economy. More than 70% of Slovenians believe that they have the necessary skills to contribute to the green transition (EU average 54%) ([209]). However, in 2022, Slovenia experienced labour shortages across 66 occupations that demanded specialised skills or expertise essential for the green transition. These occupations included insulation workers, civil engineering technicians and civil engineers. Simultaneously, SMEs highlight the need for occupation-specific skills and for greening the economy, including transversal skills. Attention should be devoted to specialists in green technologies and innovations essential for a sustainable transformation.

The large decline of participation in adult learning warrants increased and targeted policy action, which should boost competitiveness. Slovenia's adult learning participation (aged 25-64) rate declined sharply from 40.3% in 2016 to 26.5% in 2022, moving further away from the 2030 national target of 60% by 2030. Women (31.2%) participated significantly more frequently in training compared to men (22%). Among other reasons, the deterioration was driven by a combination of systemic, demographic, socio-economic and pandemic-related factors. The low training participation rates among the low-qualified continues to pose a significant challenge, notably considering widespread labour shortages. At 7.8% in 2022 (EU average: 18.4%), their share decreased from 2016 and was less than a third of the share of the overall population, while almost every second adult with tertiary education (48.1%) participated in training. Slovenia is thus unlikely to meet the EU benchmark of 30% for adult learning participation among low-qualified individuals by 2025. Rates were higher for unemployed adults - with 23.1% having recent learning experiences, exceeding the EU benchmark of 20% - and have been broadly stable since 2016. Other groups such as older workers (55 and over), persons with a migrant background and those outside the labour force are particularly in need of up- and reskilling, yet their participation is low and decreasing.

Slovenia is undertaking significant efforts to improve participation in training among adults and foster lifelong learning. Under its ambitious 2022-2030 National Adult Education Programme, Slovenia aims to increase participation in lifelong learning to 66% by 2030. Approximately EUR 423 million (67% of the ESF+ allocation) has been designated for initiatives under the theme 'Skills and Responsive Labour Market', including for the integration of green skills within the education system, also covering VET. Furthermore, the ESF+ is investing in essential skills (EUR 37 million) and supporting flexible

([209]) Special Eurobarometer 527: Fairness perceptions of the green transition.

opportunities for upskilling and reskilling, including digital competencies.

Table A13.1:**Social Scoreboard for Slovenia**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	26.5
	Early leavers from education and training (% of the population aged 18-24, 2024)	5.0
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)	46.7
	Young people not in employment, education or training (% of the population aged 15-29, 2024)	7.6
	Gender employment gap (percentage points, population aged 20-64, 2024)	6.0
	Income quintile ratio (S80/S20, 2024)	3.42
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2024)	78.3
	Unemployment rate (% of the active population aged 15-74, 2024)	3.7
	Long term unemployment (% of the active population aged 15-74, 2024)	1.1
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)	120.7
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)	14.4
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)	11.8
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)	37.7
	Disability employment gap (percentage points, population aged 20-64, 2024)	14.2
	Housing cost overburden (% of the total population, 2024)	3.8
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)	57.8
	Self-reported unmet need for medical care (% of the population aged 16+, 2024)	3.4

Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

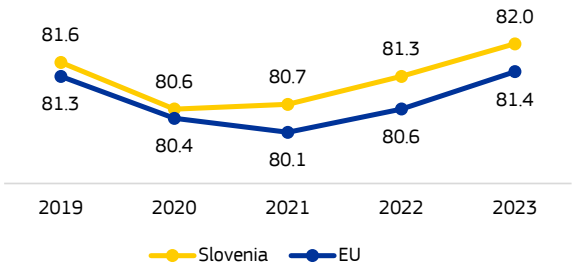
(1) Update of 5 May 2025. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2025 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0).

Source: Eurostat

Slovenia's health system faces challenges that need to be addressed if the country is to improve the health of its population and social fairness, while boosting the competitiveness of its economy. The main challenge is limited access to healthcare, mainly caused by shortages of healthcare workers.

Life expectancy at birth in Slovenia rebounded above its pre-COVID-19 level and was above the EU average in 2023. As in other EU countries, women can expect to live longer than men (5.8 years longer). However, unlike in other EU countries, they can also expect to live considerably longer in good health (around 3.5 years longer than men). Slovenia fares comparatively well in avoiding deaths from treatable causes. Diseases of the circulatory system ('cardiovascular diseases') and cancer are the leading causes of death, with mortality rates higher than the EU average, particularly for cancer. Suicide rates are a cause for concern, remaining among the highest in the EU, despite a decrease in recent years. Slovenia participates in EU4Health-funded joint actions aimed at reducing the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases, and improving mental health.

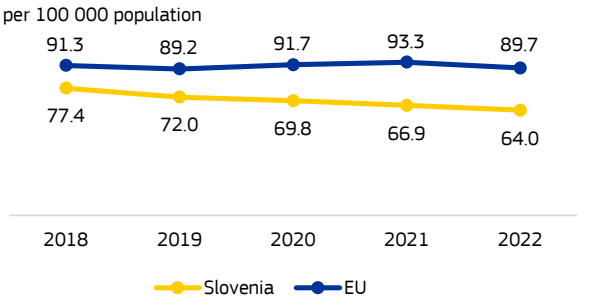
Graph A14.1: **Life expectancy at birth, years**



Source: Eurostat (demo_mlexpec)

Health expenditure in Slovenia is lower than the EU average, as is the share of health costs covered by public funds. However, due to population ageing, Slovenia is projected to increase its public healthcare spending, raising concerns about fiscal sustainability (see Annex 1). In 2022, health spending per inhabitant (adjusted for differences in purchasing power) was below the EU average and only 74% of it was publicly funded. The main source of healthcare funding is the employment-based statutory health insurance. In 2024, the government transformed the complementary voluntary health insurance into a mandatory contribution to the statutory health insurance. This change is expected to increase the share of publicly funded health expenditure and to keep the share of out-of-pocket payments below the EU average (12.4% of total health expenditure in 2022 vs an EU average of 14.3%) ([210]). The biggest share of out-of-pocket payments went towards outpatient medical goods, followed by outpatient care and dental care. Slovenia received a country-specific recommendation in 2024 to ensure its fiscal sustainability (see Annex 16). The largest share of health expenditure went towards outpatient care, with a share above the EU average. This, together with a relatively low number of hospital beds (350 per 100 000 population in 2022, lower than the EU average of 444) illustrates Slovenia's focus on primary care, which matches the reform trend observed in other countries.

Graph A14.2: **Treatable mortality**



Age-standardised death rate **(mortality that could be avoided through optimal quality healthcare)**
Source: Eurostat (hlth_cd_apr)

In line with its recovery and resilience plan (RRP), Slovenia set up an independent body to monitor and control quality in the healthcare system. Other RRP investments are being directed towards physical infrastructure of public healthcare institutions, medical equipment, emergency and preventive health services, and the digitalisation of healthcare. In 2022, investments in health capital formation, as a share of total health expenditure, were among the highest in the EU ([211]).

([210])OECD/European Commission (2024), Health at a Glance: Europe 2024 - State of Health in the EU Cycle, pp.186-187.
([211])See Health at a Glance Europe 2018, 2020, 2022 and 2024.

Table A14.1:**Key health indicators**

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	290.1	290.7	277.3	280.5	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	393.6	377.1	361.2	332.9	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	2 286	2 443	2 682	2 927	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	72.8	73.2	73.8	74.0	73.8	81.3 (2022)
Spending on prevention, % of current health expenditure	3.2	3.2	5.4	4.7	n.a.	5.5 (2022)
Available hospital beds per 100 000 population**	378	364	361	350	n.a.	444 (2022)
Doctors per 1 000 population*	3.3	3.3	3.3	3.4	n.a.	4.2 (2022)*
Nurses per 1 000 population*	3.8	4.3	4.5	4.9	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	15.5	13.4	14.6	14.1	13.8	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	15	11	8	4	9	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	13.0	10.2	10.2	12.4	13.4	20.0 (2023)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2022 (or latest 2021) data except for Luxembourg (2017). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except France and Slovakia (professionally active) and Greece (hospital only). **'Available hospital beds' covers somatic care, not psychiatric care. ***The EU median is used for patents. ***Source:*** Eurostat database; European Patent Office; ****European Centre for Disease Prevention and Control (ECDC) for 2023.

As regards public health, the focus on disease prevention is below the EU average, but efforts are being made to address the country's relatively high preventable mortality. In 2022, spending on prevention in Slovenia accounted for 4.7% of total spending on health, below the EU average of 5.5%. The rate of preventable mortality is higher than the EU average, linked to behavioural risk factors - notably poor diet, and high alcohol and tobacco consumption. Obesity is also a growing public health concern, with over half of adults being overweight or obese, and adolescent obesity rates steadily rising over the past 20 years. To address this, the government introduced the 2015-2025 national nutrition and physical activity strategy, which aims to combat obesity by improving dietary habits and increasing physical activity. Cancer is a major focus of Slovenia's health efforts. Since 2000, national strategies and programmes for breast, cervical and colorectal cancer screening have boosted early detection. By 2021, screening rates for breast and colorectal cancers were higher than the EU averages, though regional disparities remain a challenge. The third national cancer control programme aims to lower cancer rates, improve survival and boost quality of life for patients. Efforts to tackle preventable mortality include health promotion initiatives and stepping up primary care, especially for chronic illnesses and vulnerable populations. The new family medicine model includes more nursing support for screenings and managing chronic conditions. Health centres are increasingly focusing on prevention and care coordination.

Investments under the RRP are being directed towards improving emergency care and infectious disease treatment facilities in an effort to strengthen the resilience of the health system.

Timely access to publicly funded health services leaves considerable room for improvement. In 2024, the proportion of the Slovenian population reporting unmet needs for medical care was higher than the EU average (3.4% vs 2.5%). The main reasons for unmet needs are long waiting times, mainly for specialists, elective surgery, primary care physicians and emergency care. Additional funding for short-term measures, mainly to reinforce primary care teams, have helped to scale up several programmes to address preventable and treatable mortality.

In September 2024, Slovenia approved a primary healthcare development strategy for 2024–2031, highlighting the critical role of primary care. The strategy tackles challenges like an ageing population, technological advances, and changing patient needs, focusing on strengthening the primary healthcare workforce. Key goals include equitable access to care, health promotion, and empowering communities. Further priorities include integrated, high-quality care, better management, financial incentives, research, and digital transformation.

Investments under the RRP aim to improve healthcare accessibility through better emergency medical services and faster response times. Investments are also being directed towards creating post-acute service centres, enhancing emergency care, and upgrading vehicles and

equipment. Moreover, Slovenia participates in the EU4Health-funded CIRCE Joint Action ([212]), through which EU countries share good practices and expertise in primary care.

Shortages of health staff in Slovenia limit the availability of care. The number of nurses per inhabitant in Slovenia is below the EU average (4.9 per 1 000 population in 2022 vs 7.6), as is the number of doctors (3.4 per 1 000 population in 2022 vs 4.2([213]) (see Annexes 10 and 11). Shortfalls in primary care doctors and hospital nurses in Slovenia are linked to the low appeal of these careers including low pay. The National Strategy for the Management and Development of Human Resources in Healthcare 2025–2035 is being developed.

Investments under the RRP focus on improving the skills of health personnel, enabling nurses to work more independently and expanding doctors' competencies in primary care. These efforts should reduce the workloads of family doctors and improve access to primary care and treatment conditions. Moreover, Slovenia participates in the EU4Health-funded HEROES Joint Action ([214]), through which EU countries share best practices and expertise on health workforce planning.

The potential of Slovenia's health system to drive innovation and foster industrial development in the EU medical sector remains largely untapped. Slovenia is among the EU countries that report the lowest levels of public spending on health research and development. This is reflected in the low number of European patents granted: nine in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical devices, against an EU-level median of 29 ([215]). Clinical trial activity is also limited in Slovenia ([216]).

Slovenia aims to scale up the digitalisation of its health system, **with support from EU programmes.** The shares of people accessing their personal health records online and using online health services (excluding phone) instead of in-person consultations both decreased between 2022 and 2024. Despite the above average overall technical deployment of electronic health records (see Annex 6), their use by patients is comparatively low.

Investments to boost the digital transformation of the health sector in Slovenia are planned under both the RRP and the cohesion policy in 2021-2027. The RRP investments focus on improving access to high-quality healthcare data by integrating digital services, enhancing communication between patients and stakeholders, and using real-time data for quality monitoring and planning. Key initiatives include: (i) expanding the Patient Data Register; (ii) creating a central image storage system; (iii) implementing a telemedicine platform; (iv) upgrading the eMedical appointment system; and (v) boosting digital skills in healthcare.

Slovenia is currently in the final stages of preparing a new law that increases funding for digital health tenfold over three years, proposes that an independent company be set up for digital infrastructure, and aims to standardise data across national registries in an effort to enhance healthcare access and quality. In addition, Slovenia participates in joint actions and benefits from direct grants under EU4Health to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space.

([212])https://circeja.nfz.gov.pl/

([213])According to the newly-adopted Eurostat definition of nurses (set out in Directive 2005/36/EC on the recognition of professional qualifications) nurse density numbers are significantly lower (491) than numbers using a broader definition, for instance that used for OECD health statistics (1 043)

([214])JA HEROES | Health workforce planning project (https://healthworkforce.eu/the-project/).

([215])European Patent Office, Data to download | epo.org.

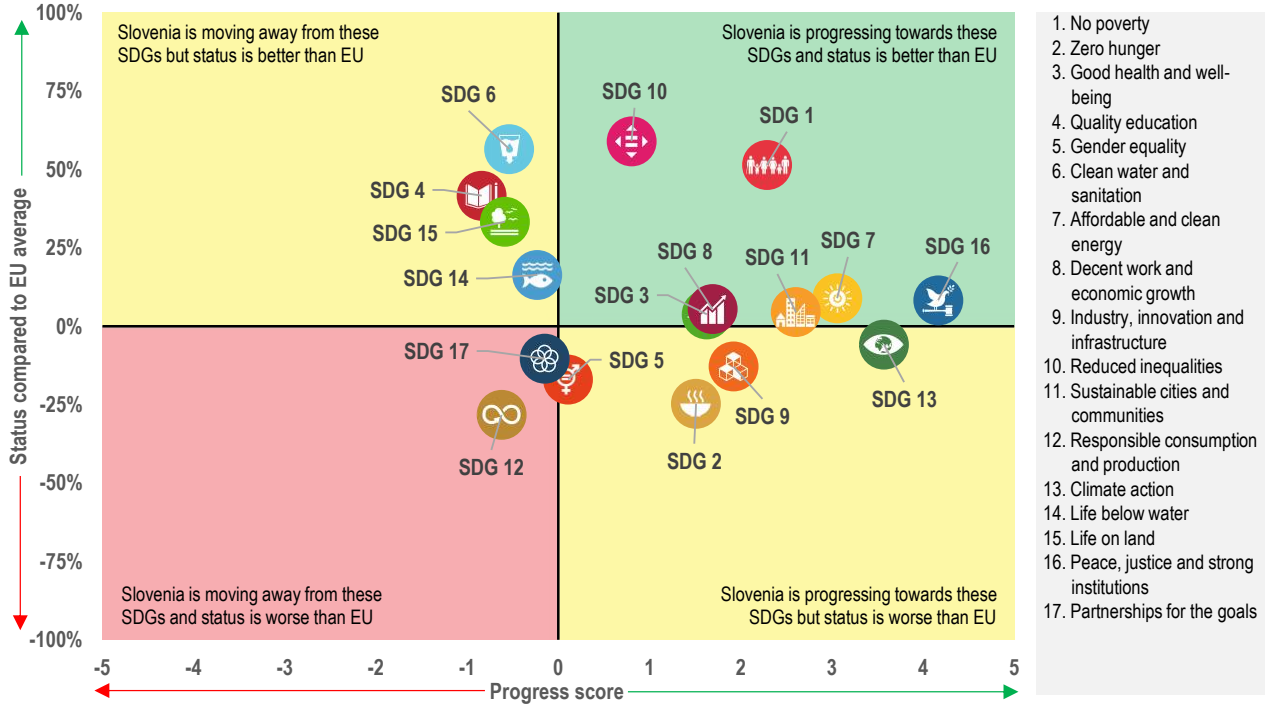
([216])EMA (2024), Monitoring the European clinical trials environment, p. 9.

ANNEX 15: SUSTAINABLE DEVELOPMENT GOALS

This Annex assesses Slovenia's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Slovenia performs well on most SDGs related to *competitiveness* (SDGs 4, 8, 9) but still needs to catch up with the EU average for SDG 9. Slovenia has made progress on R&D and innovation (SDG 9), namely gross domestic expenditure on R&D has increased from 1.96% of GDP in 2018 to 2.13% in 2023 but remains below the EU average of 2.22%. Slovenia has made significant progress on sustainable infrastructure (SDG 9) regarding the share of households with a high-speed internet connection. The share increased from 63.8% in 2019 to 78.5% in 2023. **Although Slovenia performs well on the quality of education (SDG 4), there are signs that it is diverging from certain targets, particularly due to recent negative trends in basic skills, including digital skills.** On digital skills, the share of adults with at least basic digital skills is below the EU average (46.7% in 2023; EU average: 55.6%) and Slovenia needs to catch up. The percentage of the population aged 25 to 34 completing tertiary education has improved, increasing from 40.7% in 2023 to 43.1% in 2024, but remains slightly below the EU average of 44.2%. The Slovenian recovery and resilience plan (RRP) will help digitalise the country's public and private sector and boost digital skills. The measures under the RRP will ensure that further

Graph A15.1: **Progress towards the SDGs in Slovenia**



For detailed datasets on the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for details on extensive country-specific data on the short-term progress of Member States: Key findings – Sustainable development indicators - Eurostat (europa.eu). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

progress is made on these SDGs by helping to digitalise the country's public and private sector and boost digital skills.

Slovenia is improving on most of the SDGs related to *sustainability* (SDGs 2, 7, 9, 11, 13), but it is moving away from some (6, 12, 15) and needs to catch up with the EU average on four of them (SDGs 2, 9, 12, 13). Slovenia has made some progress in increasing the share of renewable energy in gross final energy consumption, going from 21.4% in 2018 to 25.1% in 2023 (SDG 7). Moreover, its energy import dependency has slightly decreased, going from 51.1% in 2018 to 49.3% in 2023. Through the RRP, Slovenia is expected to boost its production of renewable energy by investing in the distribution grid, which would lower wholesale electricity prices and strengthen the case for electrification across sectors. Slovenia has made some progress on climate action (SDG 13) over the last few years, reducing its net greenhouse gas emissions from 8.9 tonnes per capita in 2018 to 7.3 in 2022 but it still needs to catch up with the EU average on some aspects. In particular, the average CO_2 emissions per kilometre from new passenger cars was 123.6 grammes in 2023, while the EU average was 107.6 grammes. Despite improvements on industry, innovation and infrastructure (SDG 9), Slovenia still needs to catch up with the EU average on certain indicators. In particular, the share of buses and trains in passenger transport is very low (13.9% in 2022, compared to EU average of 16.6%). Slovenia's RRP contains several measures aimed at increasing the use of public transport and significantly improving the country's railway infrastructure, which will help the country tackle this challenge.

Slovenia has been moving away from responsible consumption and production (SDG 12) and needs to catch up with the EU average (See Annex 7). Particularly noteworthy is the increase in generation of waste from 3,964 kg per capita in 2018 to 5,397 kg in 2022. Moreover, the rate of circular material input for domestic use decreased from 1.6% to 1.3%, well below the EU average of 2.5%. Although it remains above the EU average on clean water and sanitation (SDG 6) and on life on land (SDG 15), Slovenia has also been moving away from these SDGs. The performance for all indicators on water quality has decreased, in particular the percentage of inland bathing waters with excellent quality has gone from 76.9% in 2018 to 65.4% in 2023.

Slovenia performs well or is improving on some SDGs related to *social fairness* (SDGs 1, 3, 7, 8, 10), but there are signs that Slovenia is diverging from certain targets for quality education (SDG 4) and needs to catch up with the EU average on gender equality (SDG 5). Slovenia performs well on poverty and basic needs (SDG 1). While the share of people at risk of poverty or social exclusion has increased from 13.7% in 2023 to 14.4% in 2024, the share remains significantly lower than the EU average of 21%. Slovenia has improved on the fairness-related gender equality indicators (SDG 5), but it remains below the EU average, particularly on the percentage of positions held by women in senior management which was 24.7% in 2024 against 32.6% for the EU average.

The quality of education (SDG 4) is above the EU average, however, there is room for improvement. The percentage of the population aged 25 to 34 completing tertiary education reached 43.1% in 2024, close to the EU average of 44.2%. According to the PISA 2022 survey, about a quarter of Slovenian students lack the minimum level of proficiency in mathematics and reading. While this performance is better than the EU average, Slovenia's performance in the PISA survey categories has decreased. The percentage of early leavers from education and training decreased from 5.4% in 2023 to 5.0 in 2024, well below the EU average of 9.3%, but remains higher than the 4.0% of 2022.

Slovenia performs well on SDGs related to *macroeconomic stability* (SDGs 8, 16) and, although it is improving, it needs to catch up with EU average on 'partnerships for goals' (SDG 17). Slovenia performs well on indicators measuring employment (SDG 8). Notably, the percentage of young people not in employment, education or training is low compared to the EU average (7.6% in 2024; EU average: 11.0%). The long-term unemployment rate is also below the EU average (1.1% in 2024; EU average: 1.9%).

On SDG 16 (Peace, justice and strong institutions), the perceived independence of the justice system in Slovenia increased from 39% in 2019 to 45% in 2024, but remains below the EU average of 52%. Conversely, the percentage of the population reporting crime, violence or vandalism in their area decreased from 7.3 in 2020 to 6.8 in 2023, a better performance

than the EU average which stands at 10.0. On 'Partnership for goals' (SDG 17), Slovenia is improving, with, for example, the general government gross debt going from 68.4% of GDP in 2023 to 67.0% in 2024. However, its official development assistance is only at 0.29% of GNI in 2023, significantly below the EU average of 0.56%.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Slovenia faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester. They refer, among other things, to skills and education, tax administration, healthcare, renewable energy and infrastructure, transport and the labour market.

The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Slovenia to date and the commitments in its recovery and resilience plan (RRP). At this stage, Slovenia has made at least 'some progress' on 82% of the CSRs ([217]), and 'limited progress' on 18% (Table A16.2).

EU funding instruments provide considerable resources to Slovenia by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs. In addition to the EUR 2.7 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds ([218]) are providing EUR 3.2 billion to Slovenia (amounting to EUR 4.5 billion with national co-financing) for 2021-2027 ([219]) to boost regional competitiveness and growth. Support from these instruments combined represents around 9.3% of 2024 GDP ([220]). The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support comes on top of financing provided to Slovenia under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the economy and Slovenian society. Project selection under the 2021-2027 cohesion policy programmes has accelerated, although significant volumes of investment are yet to be mobilised.

The Slovenian RRP contains 50 investments and 36 reforms to stimulate sustainable growth and foster the digital transition. A year before the end of the RRF timespan, implementation is well on its way, with 40.9% of the funds disbursed. At present, Slovenia has fulfilled 32% of the milestones and targets in its RRP ([221]). Efforts are needed to ensure completion of all RRP measures by 31 August 2026. The implementation of Slovenia's RRP faces challenges. Investments are highly concentrated towards the end of the implementation period, which can create significant capacity challenges at various levels and therefore merit special attention.

Slovenia also receives funding from several other EU instruments, including those listed in Table A16.1. Most notably, the common agricultural policy (CAP) provides Slovenia with an EU contribution of EUR 1.2 billion under the CAP strategic plan 2023-2027 ([222]). Operations amounting to EUR 97 million ([223]) have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Slovenia.

([217])17% of the 2019-2024 CSRs have been fully implemented, 18% substantially implemented, and some progress has been made on 47%.

([218])In 2021-2027, cohesion policy funds include the European Regional Development Fund, the Cohesion Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

([219])European territorial cooperation (ETC) programmes are excluded from the figure.

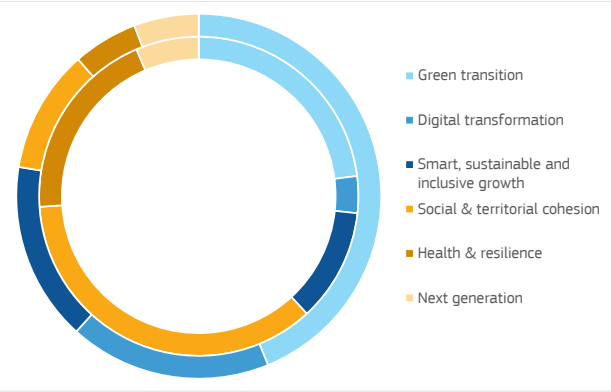
([220])RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

([221])As of mid-May 2025, Slovenia has submitted 3 payment requests.

([222])An overview of Slovenia's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/slovenia_en.

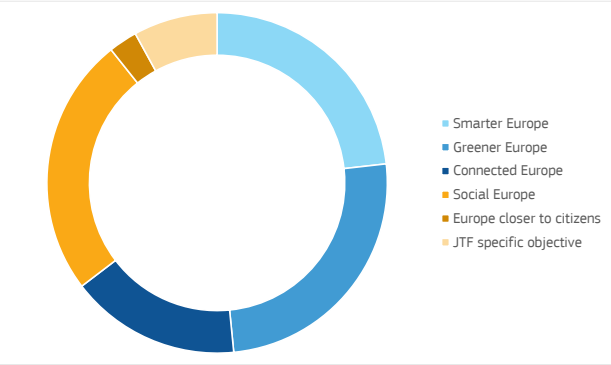
([223])Data reflect the situation on 31.12.2024.

Graph A16.1: **Distribution of RRF funding in Slovenia by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.
Source: European Commission

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in Slovenia**



Source: European Commission

Cohesion policy funds aim to increase the productivity and competitiveness of Slovenian firms and improve the business environment. For example, the European Regional Development Fund (ERDF), the Cohesion Fund and the Just Transition Fund (JTF) are providing support to almost 11 900 businesses and are enabling 400 small and medium-sized enterprises (SMEs) to invest in new skills relevant for smart specialisation, industrial transition and entrepreneurship. Investments such as the upgrade of the Vega supercomputer at the University of Maribor in the north-east of the country and the National Institute of Biology in Ljubljana help boost research and innovation further in Slovenia, creating positive spillovers to business and tech-businesses. In addition, EUR 406 million from the European Social Fund Plus (ESF+) are going towards supporting the development of skills, including for upskilling and adult education to better align skills with the labour market, to bring vulnerable groups into the labour market and to provide better skills for the digital and green transition. The ESF+ funding is also bolstering development of the social economy and social innovations. The educational system, including vocational education and training, is being further aligned with labour market needs, emphasising key competencies and digital skills. Over 62 300 young people between the ages of 18 and 29 will benefit from market relevance education and training system.

Other funds are contributing to competitiveness in Slovenia, for instance through open calls. The Connecting Europe Facility has financed strategic investments for instance in the development of the rail transport infrastructure; key infrastructure projects that allow for energy market integration, decarbonisation of the energy system and security of energy supply; and to building a robust, and secure, state of the art connectivity infrastructure by funding projects such as smart emergency response and recovery. Horizon Europe has supported research and innovation, from scientific breakthroughs to scaling up innovations, with Climate, Energy and Mobility and Digital, Industry and Space as top priorities in Slovenia. In 2024, the Technical Support Instrument (TSI) supported Slovenia in reviewing and upgrading methods and processes for quarterly GDP calculation and macroeconomic forecasting. It also helped Slovenia reinforcing the level of financial literacy of citizens and SMEs, including through the development of a survey and educational tools.

Slovenia's RRP also contains ambitious measures to improve the business environment and competitiveness. As part of the measures covered by payment requests submitted over the past year, grants were awarded to projects aimed at increasing investment and fostering the competitiveness of the business environment, alongside a reform of the public procurement system and reforms to simplify construction and spatial planning procedures.

EU funds are playing a significant role in promoting the green transition and environmental sustainability in Slovenia during the current seven-year EU budget (multiannual financial framework). Cohesion

policy funding to the green transition in Slovenia amounts to over EUR 1 billion. The funding is making a substantial contribution to improving energy efficiency and promoting renewable energy and smart energy systems, with additional production capacity for renewable energy amounting to 614 MW. Flood-protection installations are at the core of climate mitigation measures, with a focus on sustainable nature-based solutions across all major riverbeds. Meanwhile, the Just Transition Fund is helping the district heating system in the Šaleška Valley shift from coal dependency to renewable energy sources, aiming to achieve a 100% sustainable heat supply for the region's 35 000 residents and local industry. Slovenia's CAP strategic plan allocates 58% (almost EUR 320 million) of its rural development budget and, through eco-schemes, 15% (EUR 101 million) of its direct payments budget to environmental and climate objectives. Slovenia has also reserved EUR 12.1 million per year for the preservation of biodiversity. This means a six-fold increase in CAP funds for biodiversity compared to the previous programming period of 2014-2022.

Slovenia's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition. Measures covered by the payment request submitted last year include: (i) the entry into force of an act on alternative fuels in transport; (ii) completing the selection of investment projects in greening education infrastructure; and (iii) the entry into force of a ban on the use of fossil fuels for heating in new buildings.

Promoting fairness, social cohesion and improving access to basic services are among the key priorities of EU funding in Slovenia. For instance, ERDF funding is being put towards increasing the capacity of healthcare facilities for 123 000 people/year. In addition, the ESF+ is providing EUR 94 million to fight poverty through the development of social competencies and new skills. This includes measures for the social inclusion of people with special needs and vulnerable groups. Nearly 11 000 unemployed and inactive people will benefit from these measures. Meanwhile, measures are being supported to integrate immigrants into the education system through language learning for children and their parents.

Slovenia's RRP contains several reforms and investments related to fairness and social policies. Measures covered by the payment request submitted last year include: (i) the granting of awards for the construction of new institutional care facilities to provide appropriate housing to address the expected increase in demand for institutional care due to an ageing society; (ii) investments to reform the educational system and invest in digital and green skills to boost knowledge and strengthen the labour market; and (iii) launching the reform of the pension system to prepare the labour market for negative demographic trends. The TSI has enhanced Slovenia's capacity to perform strategic planning for balanced regional development and a just transition, as well as supporting authorities in the health sector to implement EU Health Technology Assessment Regulation and to improve cancer screening programmes.

Table A16.1:**Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	1 612.9		672.5
RRF loans	1 072.4		426.2
Instrument/policy	**Allocation 2014-2020 (2)**	**Allocation 2021-2027**	**Disbursed since 2021 (3)** (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
Cohesion policy (total)	3 336.9	3 242.1	1 851.4
European Regional Development Fund (ERDF)	1 672.4	1 599.8	985.2
Cohesion Fund (CF)	914.0	718.2	435.9
European Social Fund (ESF, ESF+) and the Youth Employment Initiative (YEI)	750.4	665.4	349.1
Just Transition Fund (JTF)		258.7	81.2
Fisheries			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	21.8	23.9	16.9
Migration and home affairs			
Migration, border management and internal security - AMIF, BMVI and ISF (4)	79.1	185.3	66.0
The common agricultural policy under the CAP strategic plan (5)	**Allocation 2023-2027**		**Disbursements under the CAP Strategic Plan (6)**
Total under the CAP strategic plan	1 225.8		309.5
European Agricultural Guarantee Fund (EAGF)	680.7		231.7
European Fund for Agricultural Development (EAFRD)	545.1		77.8

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.
(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.
(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.
(4) AMIF - Asylum, Migration and Integration Fund; BMVI - Border Management and Visa Instrument; ISF - Internal Security Fund.
(5) Expenditure outside the CAP strategic plan is not included.
(6) The cut-off date for data on EAFRD disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.
Source: European Commission

Table A16.2:**Summary table on 2019-2024 CSRs**

Slovenia	Assessment in May 2025	Relevant SDGs
2019 CSR 1	**Some progress**	
Achieve the medium-term budgetary objective in 2020.	No longer relevant	SDG 8, 16
Adopt and implement reforms in healthcare	Some progress	SDG 3
and long-term care that ensure quality, accessibility and long-term fiscal sustainability.	Substantial progress	SDG 3
Ensure the long-term sustainability and adequacy of the pension system, including by adjusting the statutory retirement age restricting early retirement and other forms of early exit from the labour market.	Substantial progress	SDG 8
Increase the employability of low-skilled and older workers by improving labour market relevance of education and training, lifelong learning and activation measures, including through better digital literacy.	Some progress	SDG 4, 8
2019 CSR 2	**Some progress**	
Support the development of equity markets.	Some progress	SDG 8, 9
Improve the business environment by reducing regulatory restrictions and administrative burden.	Some progress	SDG 8, 9
Improve competition, professionalisation and independent oversight in public procurement.	Some progress	SDG 9
Carry out privatisations in line with the existing plans.	Substantial progress	SDG 9
2019 CSR 3	**Some progress**	
Focus investment-related economic policy on research and innovation,	Some progress	SDG 9, 10, 11
low carbon and energy transition,	Some progress	SDG 7, 9, 10, 11, 13
sustainable transport, in particular rail, and	Some progress	SDG 10, 11
environmental infrastructure, taking into account regional disparities.	Some progress	SDG 6, 10, 11, 12, 15
2020 CSR 1	**Some progress**	
Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	No longer relevant	SDG 8, 16
Ensure the resilience of the health and long-term care system, including by providing the adequate supply of critical medical products and addressing the shortage of health workers.	Some progress	SDG 3
2020 CSR 2	**Substantial progress**	
Mitigate the social and employment impact of the COVID-19 crisis, including by providing adequate income replacement and social protection,	Full Implementation	SDG 1, 2, 8, 10
enhancing short-time work schemes and through flexible working arrangements.	Substantial progress	SDG 8
Ensure that these measures provide adequate protection for non-standard workers.	Full Implementation	SDG 1, 2, 8, 10
2020 CSR 3	**Some progress**	
Continue to swiftly implement measures to provide liquidity and financing to businesses and households and	Full implementation	SDG 8, 9
reduce administrative burden.	Some progress	SDG 8, 9
Front-load mature public investment projects and	Substantial progress	SDG 8, 16
promote private investment to support the economic recovery.	Some progress	SDG 8, 9
Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy,	Some progress	SDG 7, 9, 13
environmental infrastructure,	Some progress	SDG 6, 12, 15
sustainable transport,	Some progress	SDG 11
research and innovation, and	Some progress	SDG 9
the rollout of the 5G network.	Some progress	SDG 9
Promote digital capacities of businesses, and	Some progress	SDG 9

(Continued on the next page)

Table (continued)

strengthen digital skills,	Some progress	SDG 4
e-commerce and	Limited progress	SDG 9
e-health.	Limited progress	SDG 3
2021 CSR 1	**No longer relevant**	
In 2022, maintain a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment.	No longer relevant	SDG 8, 16
When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.	No longer relevant	SDG 8, 16
At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.	No longer relevant	SDG 8, 16
Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy, and sustainability of health and social protection systems for all.	No longer relevant	SDG 8, 16
2022 CSR 1	**Some progress**	
In 2023, ensure that the growth of nationally-financed current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.	No longer relevant	SDG 8, 16
Expand public investment for the green and digital transition and for energy security, including by making use of the RRF, RePowerEU and other EU funds.	Substantial progress	SDG 8, 16
For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions.	Full Implementation	SDG 8, 16
Ensure the long-term fiscal sustainability of the healthcare and	Limited progress	SDG 3
long-term care systems.	Substantial progress	SDG 3
Introduce compensating measures to finalise the shift from labour taxes, including by rebalancing towards more green and growth-friendly taxes.	Full Implementation	SDG 8, 10, 12
2022 CSR 2		
Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 28 July 2021.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
Submit the 2021-2027 cohesion policy programming documents with a view to finalising their negotiations with the Commission and subsequently starting their implementation.	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
2022 CSR 3	**Some progress**	
Diversify imports of fossil fuels and reduce overall reliance on fossil fuels	Some progress	SDG 7, 9, 13
by accelerating the deployment of renewables, in particular by further streamlining permitting procedures,	Some progress	SDG 7, 8, 9, 13
and strengthening of the electricity distribution network.	Limited progress	SDG 7, 9, 13
Increase implementation of energy efficiency measures, notably in the building sector,	Some progress	SDG 7
electrification of the transport sector,	Limited progress	SDG 11
and by ensuring that energy infrastructure and interconnections have sufficient capacity.	Substancial progress	SDG 7, 9, 13
2023 CSR 1	**Substantial progress**	
Wind down the energy support measures in force by the end of 2023 using the related savings to reduce the government deficit. Should renewed energy price increases necessitate support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.	Substantial progress	SDG 8, 16
Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 5.5%.	Full Implementation	SDG 8, 16
Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full Implementation	SDG 8, 16

(Continued on the next page)

Table (continued)

For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.	Full Implementation	SDG 8, 16
Ensure the long-term fiscal sustainability of the healthcare and	Limited progress	SDG 3
long-term care systems	Substantial progress	SDG 3
Rebalance tax revenues towards more growth-friendly and sustainable sources.	Limited progress	SDG 8, 10, 12
2023 CSR 2		
Ensure an effective governance structure and strengthen the administrative capacity to allow for a swift and steady implementation of its recovery and resilience plan. Swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
2023 CSR 3	**Some progress**	
Continue efforts to diversify gas imports and reduce overall reliance on fossil fuel	Some progress	SDG 7, 9, 13
by accelerating the deployment of renewables, in particular by further simplifying and shortening the permitting procedures, and	Some progress	SDG 7, 8, 9, 13
strengthening the electricity grid, as well as improving its management, including through digitalisation.	Limited progress	SDG 7, 9, 13
Increase the implementation of energy efficiency measures, in particular in the building sector,	Some progress	SDG 7
promote the electrification of the transport sector, and	Limited progress	SDG 11
step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition	Limited progress	SDG 4
2024 CSR 1	**Substantial progress**	
Submit the medium-term fiscal-structural plan in a timely manner.	Full Implementation	SDG 8, 16
In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent with inter alia, putting the general government debt on a plausibly downward trajectory over the medium term and maintaining the general government deficit below the 3% of GDP Treaty reference value.	Full Implementation	SDG 8, 16
Ensure the fiscal sustainability of social protection and rebalance tax revenues towards more growth-friendly and sustainable sources.	Some progress	SDG 8,16
Improve the efficiency of public spending by carrying out spending reviews and through better management of public investment.	Some progress	SDG 8, 16
2024 CSR 2		
Strengthen administrative capacity to manage EU funds, accelerate investments and maintain momentum in the implementation of reforms. Address relevant challenges to allow for continued, swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of the cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy programming is monitored in the context of the Cohesion Policy of the European Union.	
2024 CSR 3	**Some Progress**	
Strengthen competitiveness by boosting skills levels further, ensuring that the ongoing curricula reform also helps strengthen basic skills,	Limited progress	SDG 4
by addressing labour shortages, and	Substantial progress	SDG 8
by promoting business dynamism and the creation of high-growth companies by improving the conditions for venture capital investment and institutional investors as well as investments in research, development and innovation.	Some progress	SDG 9, 8

Source: European Commission

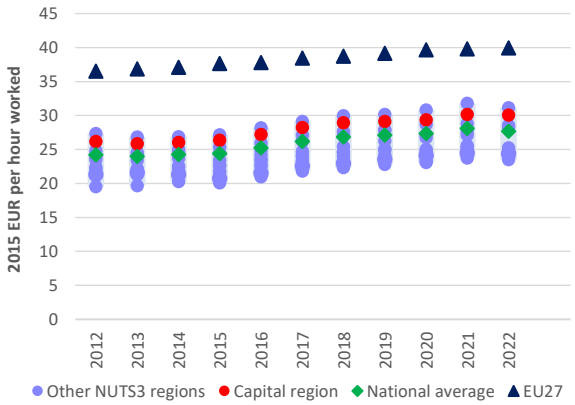
Favourable macroeconomic conditions and an upward trend in regional productivity provide an opportunity for territorial cohesion and competitiveness in Slovenia. Some regions benefit from affordable housing, but a high level of commuting presents challenges for sustainable transport. The installation of flood protection and the phasing-out of coal bear medium-term potential to make Slovenia's regions greener and fairer.

The Slovenian economy continues to experience solid growth, with GDP per head growth averaging 1.8% in the 2022-2024 period. This trend is expected to continue robustly in 2025 and 2026, creating a favourable environment to address persistent regional challenges. Regional economic disparities within Slovenia have remained significant. In 2023, GDP per head (in purchasing power standard, PPS) at national level was 92% of the EU average. It was particularly high in the capital region, at 136% of the EU average, which is 2.7 times higher than in the Zasavska region (50%). While Obalna-kraška in the very south-west stood at 87%, Pomurska in the very north-east was at 62%.

Competitiveness

The productivity gap between Eastern Slovenia and Western Slovenia, which includes the capital region, has narrowed. During the period 2013-2022, annual productivity growth per hour worked in Western Slovenia (1.4%) was slightly higher than in Eastern Slovenia (1.2%). This difference is less pronounced than the GDP per head development over the same period. Both regions fared better than the EU average (0.9%) in this period. This momentum is an opportunity to further catch up with the average EU productivity level. In 2022, the capital region of Osrednjeslovenska stood at 94% of the EU average GDP (PPS) per hour worked compared to Pomurska (71%) and Primorsko-notranjska (72%).

Graph A17.1: **Labour productivity per hour**



Unit: Real GDP per hour worked (EUR, 2015 prices)
Source: ARDECO (JRC)

Slovenia is on an upward trend in research and innovation (R&I), and this creates further momentum and opportunities for the regions. In 2024, Slovenia remained a moderate innovator, with its R&I Performance Index at 91% of the EU average. While this places Slovenia above the average of other moderate innovators (84.8%), its progress is slower than the EU average (see Annex 3). On the Regional Innovation Performance Scoreboard (NUTS 2 level) in 2023, Western Slovenia was classified as a Strong Innovator (114), with a very high index of international scientific publications (377), while Eastern Slovenia (92) was a Moderate Innovator, with a high index of lifelong learning (167). There is a performance gap in basic skills among 15-year-old students (in maths, reading and science) between rural or urban schools ([224]).

Slovenia's regions boast efficient institutional frameworks, with recent improvements in local governance quality. While there is still potential for improvements for all Slovenian regions, for example in digitalising the administration (see Annex 6), the latest NUTS 2 survey from 2021 on trust in local authorities shows that Slovenia has climbed three places in the overall EU-27 ranking compared to 2017. Indicators included the quality, impartiality and level of corruption of the administration. Eastern Slovenia is one of only three less developed regions in new Member States which score above the EU average. Meanwhile Western

([224]) Programme for International Student Assessment 2022 - Slovenia

Table A17.1:**Selection of indicators at regional level in Slovenia**

	GDP per head (PPS)	Real GDP per head growth	Productivity - GDP per person employed (PPS)	Real productivity growth (per person employed)	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	Population growth	Unemploy-ment rate	CO2 emissions from fossil fuels per head
	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	Average annual change per 1000 residents	% of labour force	tCO2
	2023	2014-2023	2023	2014-2023	2022	2013-2022	2014-2023	2024	2022
European Union (27 MS)	100	1.6	100	0.6	100	0.9	1.7	5.9	8.0
Slovenija	92	2.7	85	1.3	84	1.4	3.0	3.7	8.7
Vzhodna Slovenija	73	2.5	77	1.3	76	1.2	1.5	4.1	10.6
Zahodna Slovenija	112	2.8	92	1.2	91	1.4	4.7	3.3	6.5

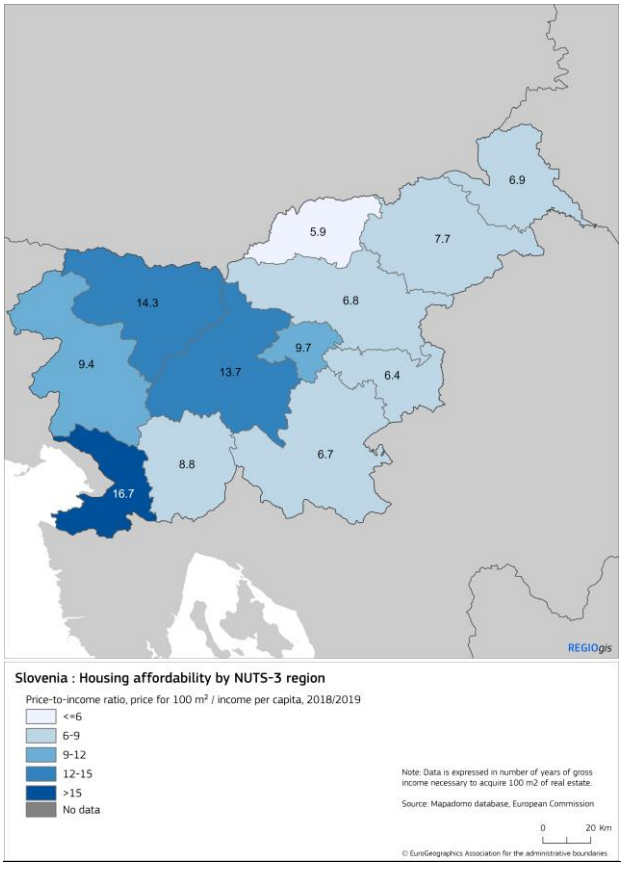
Source: Eurostat and JRC

Slovenia, including the capital region, is among those comparable to more-developed regions elsewhere in the EU that have made the most noticeable leap forward ([225]). The current reform of the Balanced Regional Development Act in Slovenia is an opportunity to further increase people's trust in local government, wherever they live.

Social fairness

Housing affordability in Slovenia varies significantly between regions, shaping both opportunities and growing disparities. House price differentiation is a territorial strength of some regions in Slovenia. In the northernmost alpine region of Koroška, the average household needs 5.9 years of average annual income to pay for a 100 m^2 dwelling (house-price-to-income ratio), whereas in the coastal region of Obalno-kraška in the southwest, the house-price-to-income ratio stands at 16.7 years. In line with an EU-wide trend, property prices in coastal regions tend to be much higher than in the rest of the country with the exception of the capital region. Even there, the house-price-to-income ratio is lower (13.7), as salaries in and around Ljubljana are the highest in relative terms, (see Map A17.1). Despite these differences, housing affordability has worsened, with house price growth outpacing income growth in most regions. While home ownership remains high, the lack of affordable housing – especially in urban and high-demand areas – poses a growing challenge, indicating a need for targeted policy responses.

Map A17.1: **House prices relative to income, 2019**



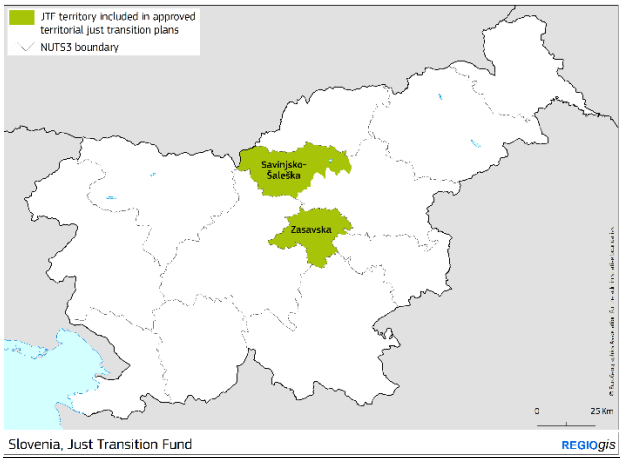
Source: European Commission, Mapadomo

The decarbonisation of energy production is a core regional challenge for Slovenia, creating both challenges and opportunities to re-skill employees and develop renewable energies. In the Savinjsko-Šaleška region, coal

([225])DG REGIO study Measuring the Quality of Government at the Sub-National Level and Comparing Results with Previous Studies.

mining in Velenje and the Šoštanj lignite power plant will be phased out by 2033 at the latest. Meanwhile, the Zasavska region is addressing the lingering challenges of its earlier unfinished transition away from coal. The challenges these regions face centre around the expansion of renewable energies, economic diversification and creating new job opportunities. These regions in Eastern Slovenia are benefiting from support from the EU Just Transition Fund, boosting, among other things, the re-skilling of the workforce, a new district heating system based on renewables, and a hydrogen centre of excellence (see Map A17.2).

Map A17.2: **Territories most affected by energy transition**

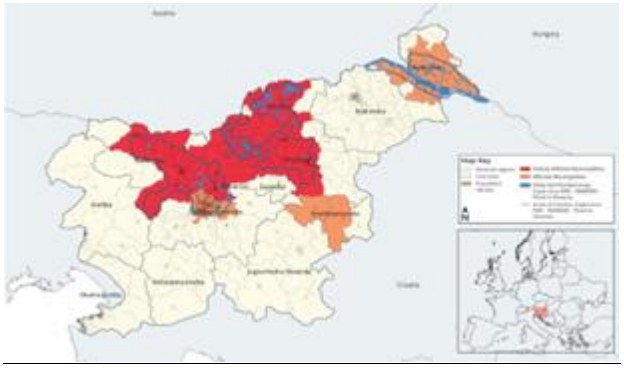


Source: DG REGIO

Sustainability

Slovenia's regions are increasingly vulnerable to climate change, including forest fires and flooding (see also Annex 9). The catastrophic August 2023 floods hit many (mostly northern) regions of Slovenia in an unprecedented way. However, installing flood protection measures, including those co-financed by the EU, is a significant challenge for the administration and the absorption capacity at all levels. Nature-based solutions have the potential to improve flood management around all riverbeds in Slovenia's regions (see Map A17.3) and could help achieve EU Nature Restoration Law targets.

Map A17.3: **Regional impact of 2023 floods**



Source: International Federation of Red Cross Societies

Regional discrepancies in GDP per head and house prices have created challenges and opportunities for sustainable transport. Variations between the regions are less pronounced when GDP is calculated per employee. The capital region then accounts for 113% of the national average, while the lowest-performing region, Primorsko-notranjska, stood at 84% (figures for 2023). This is a result of very substantial daily commuting into the Capital region, with its greater number of jobs ([226]) and its high house prices. 90% of all distances travelled in passenger transport in Slovenia are made by car (EU average 83%). This high dependency is influenced by underdeveloped urban, intercity and interregional public transport connections, with significant regional disparities in infrastructure. For example, regions such as Goriška (648 cars per 1 000 inhabitants) and Primorsko-notranjska (623 cars per 1 000 inhabitants) show higher motorisation rates compared to the national average of 579 cars per 1 000 inhabitants. This contrasts with Osrednjeslovenska, which is the national urban, intercity and interregional public transport hub, where the motorisation rate is lower (555 cars per 1 000 inhabitants). Increased investment in regional public transport and multimodal urban transport could help to reduce greenhouse gas emissions in the regions and boost the modal shift from road to rail wherever possible.

([226])In 2024, more than half a million people in Slovenia, equalling 55.5% of the working population, commuted daily to another municipality for work. 141 500 commuted into Ljubljana (which has 298 000 inhabitants). Nationwide, the percentage of people commuting to work has increased by almost one third since 2003, when the figure was 42.3% (Source: Slovenian National Statistical Office).

Slovenia has a competitive advantage in circular economy, in particular waste management and recycling. Slovenia has been above the EU average for recycling municipal waste since 2015. This puts the country among eight Member States (Austria, Belgium, Denmark, Italy, Luxembourg, the Netherlands, and Slovenia) which have achieved recycling rates of 50% or higher. However regional differences persist, as separate collection – crucial for effective recycling – varies across regions, with Savinjska achieving the highest rate at 77.5% in 2023, while Obalno-kraška lagged behind at 64%. This creates an opportunity for sustainable waste management across the board. This momentum can be used to overcome the regional challenge of illegal landfilling in Bukovžlak near Celje, which is subject to an ongoing infringement case before the Court of Justice.

Slovenian regions face significant challenges in wastewater treatment, with the capital region notably underperforming. The overall implementation of the EU Wastewater Directive has progressed across Slovenia. While regions such as Pomurska (100% of wastewater discharged from the public sewage system treated in treatment plants) and Obalno-kraška (92%) are already in compliance with the standards, the implementation rate remains at 61% (against the EU average of 80%). At present, this is largely because the new treatment facilities in Ljubljana are set to be operational only by December 2026.