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Recommendation for a

# COUNCIL RECOMMENDATION

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

{SWD(2024) 600 final} - {SWD(2024) 624 final}

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

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2021/241 of the European Parliament and of the Council[2], which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support to the Member States for the implementation of reforms and investment, entailing a fiscal impulse financed by the EU. In line with the European Semester priorities, it helps achieve the economic and social recovery and implement sustainable reforms and investment, in particular to promote the green and digital transitions and make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the EU and support the continued implementation of the European Pillar of Social Rights.

(2) The REPowerEU Regulation[3], adopted on 27 February 2023, aims to phase out the EU's dependency on Russian fossil fuel imports. This would help achieve energy security and diversify the EU's energy supply, while increasing the uptake of

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1 OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj.

2 Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17), ELI: http://data.europa.eu/eli/reg/2021/241/oj.

3 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1), ELI: http://data.europa.eu/eli/reg/2023/435/oj.

renewables, energy storage capacities and energy efficiency. Slovenia added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

(3) On 16 March 2023, the Commission issued a Communication on the 'Long-term competitiveness of the EU: looking beyond 2030'[4], in order to inform policy decisions and create the framework conditions for increasing growth. The Communication frames competitiveness along nine mutually reinforcing drivers. Among these drivers, access to private capital, research and innovation, education and skills, and the single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the EU and its Member States. On 14 February 2024, the Commission followed this Communication with the Annual Single Market and Competitiveness Report[5]. The report details the competitive strengths and challenges of Europe's Single Market, tracking yearly developments according to the nine competitiveness drivers identified.

(4) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey[6], marking the start of the 2024 cycle of the European Semester for economic policy coordination. The European Council endorsed the priorities of the 2024 Annual Sustainable Growth Survey around the four dimensions of competitive sustainability on 22 March 2024. On 21 November 2023, the Commission also adopted an opinion on the 2024 Draft Budgetary Plan of Slovenia. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which was adopted on 12 April 2024 by the Council, as well as the proposal for the 2024 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which was adopted by the Council on 11 March 2024.

(5) On 30 April 2024, the EU's new economic governance framework came into force. The framework includes the new Regulation of the European Parliament and of the Council (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97. It also includes the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure and the amended Directive 2011/85/EU on the budgetary frameworks of Member States[7]. The objectives of the new framework are public debt sustainability and sustainable and inclusive growth through gradual fiscal consolidation as well as reforms and investments. It promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State should submit to the Council and to the Commission a national medium-term fiscal-structural plan. National medium-term fiscal-structural plans contain the fiscal, reform and investment commitments of a Member State, covering a planning horizon of 4 years or 5 years

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4 COM(2023) 168 final.

5 COM(2024) 77 final.

6 COM(2023) 901 final.

7 Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj) and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

depending on the regular length of the national legislature. The net expenditure[8] path in the national medium-term fiscal-structural plans should comply with the requirements of Regulation (EU) No 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period at the latest, or for it to remain at prudent levels below 60% of GDP, and to bring and/or maintain the government deficit below the 3% of GDP reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) No 2024/1263, the adjustment period may be extended by 3 years at most. For the purpose of supporting the preparation of those plans, on [21 June] 2024, the Commission is set to provide Member States with guidance on the content of the plans and the subsequent annual progress reports that they will need to submit and, in accordance with Article 5 of Regulation (EU) No 2024/1263, will transmit to them technical guidance on the fiscal adjustments (reference trajectories and technical information where applicable). Member States should submit their medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. Member States should ensure the involvement of their national parliaments, and the consultation of independent fiscal institutions, of social partners and other national stakeholders, as appropriate.

(6) In 2024, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Recovery and Resilience Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(7) On 30 April 2021, Slovenia submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 20 July 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Slovenia[9], which was amended on 17 October 2023 following Article 11(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support, as well as to include the REPowerEU chapter[10]. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Slovenia has

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8 Net expenditure as defined in Article 2 of Council Regulation (EU) 2024/1263 of 29 April 2024 (OJ L 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj). Net expenditure means government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by Union funds revenue, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-offs and other temporary measures.

9 Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Slovenia (10612/21).

10 Council Implementing Decision of 16 October 2023 amending the Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Slovenia (13615/1/23).

satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(8) The Commission published the 2024 country report for Slovenia[11] on 19 June 2024. It assessed Slovenia's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 and took stock of Slovenia's implementation of the recovery and resilience plan. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. It also assessed Slovenia's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(9) Based on data validated by Eurostat[12], Slovenia's general government deficit decreased from 3.0% of GDP in 2022 to 2.5% in 2023, while the general government debt fell from 72.5% of GDP at the end of 2022 to 69.2% at the end of 2023. As announced in the fiscal policy guidance for 2024 [13], the Commission is taking the first step for the opening of deficit-based excessive deficit procedures, in line with existing legal provisions. On 19 June 2024, the Commission adopted a report under Article 126(3) of the TFEU [14]. That report assessed the budgetary situation of Slovenia, as its planned general government deficit in 2024 exceeds the reference value of 3% of GDP. The report concluded that in the light of this assessment, and after considering the opinion of the Economic and Financial Committee as established under article 126(4) TFEU, the Commission intends to not propose in July to open an excessive deficit procedure for Slovenia.

(10) On 12 July 2022, the Council recommended that Slovenia take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance[15], taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Slovenia was recommended to adjust current spending to the evolving situation. Slovenia was also recommended to expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. In 2023, according to the Commission estimates, the fiscal stance[16] was contractionary, by 0.5% of GDP, in a context of high inflation. The

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11 SWD(2024) 624 final.

12 Eurostat-Euro Indicators, 22.4.2024

13 COM(2023) 141 final.

14 Report from the Commission, prepared in accordance with Article 126(3) of the Treaty on the Functioning of the European Union, 19.6.2024, COM(2024)598 final.

15 Based on the Commission Spring 2024 Forecast, the medium-term potential output growth of Slovenia in 2023, which is used to measure the fiscal stance, is estimated at 11.5% in nominal terms, based on the 10-year average real potential growth rate and the 2023 GDP deflator.

16 The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures (and excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided a contractionary contribution to the fiscal stance of 0.4% of GDP. This includes the reduced cost of the targeted emergency support measures to households and firms most vulnerable to energy price hikes by 0.3% of GDP. The growth of nationally financed primary current expenditure in 2023 was in line with the Council recommendation. Expenditure financed by Recovery and Resilience Facility grants and other EU funds amounted to 1.3% of GDP in 2023. Nationally financed investment amounted to 4.6% of GDP in 2023, representing an annual decrease of 0.2 percentage points as compared to 2022. Slovenia financed additional investment through the Recovery and Resilience Facility and other EU funds. Slovenia financed public investment for the green and digital transitions, and for energy security, for example in railway infrastructure, renewable sources of energy and prevention of natural disasters, which are partly funded by the Recovery and Resilience Facility and other EU funds.

(11) The Commission Spring 2024 Forecast projects real GDP to grow by 2.3% in 2024 and 2.6% in 2025, and HICP inflation to stand at 2.8% in 2024 and 2.4% in 2025.

(12) The Commission Spring 2024 Forecast projects a government deficit of 2.8% of GDP in 2024, while the general government debt-to-GDP ratio is set to decrease to 68.1% by the end of 2024. The increase of the deficit in 2024 mainly reflects higher public investment, including nationally-financed expenditure for post-flood reconstruction, and indexation of social benefits, while it is partly offset by a decline in subsidies, withdrawal of revenue-decreasing measures to mitigate the impact of high energy prices and a temporary increase in corporate income tax rate. Based on the Commission's estimates, the fiscal stance is projected to be contractionary by 0.2% of GDP in 2024.

(13) Expenditure amounting to 0.7% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2024, compared to 0.2% of GDP in 2023, according to the Commission Spring 2024 Forecast. Expenditure financed by Recovery and Resilience Facility grants will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Slovenia. Expenditure amounting to 0.4% of GDP is expected to be backed by loans from the Recovery and Resilience Facility in 2024, compared to 0.1% of GDP in 2023, according to the Commission Spring 2024 Forecast.

(14) On 14 July 2023, the Council recommended[17] that Slovenia ensure a prudent fiscal policy, in particular by limiting the nominal increase in net nationally financed primary expenditure[18] in 2024 to not more than 5.5%. When executing their 2023 budgets and preparing their Draft Budgetary Plans for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of the deficit-based excessive deficit procedures based on the outturn data for 2023. According to the Commission Spring 2024 Forecast, Slovenia's net nationally

[17] Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Slovenia and delivering a Council opinion on the 2023 Stability Programme of Slovenia, OJ C 312, 1.9.2023, p. 224.

[18] Net primary expenditure is defined as nationally financed expenditure net of (i) discretionary revenue measures, (ii) interest expenditure, (iii) cyclical unemployment expenditure, and (iv) and one-offs and other temporary measures.

financed primary expenditure is projected to increase by 5.6% in 2024[19], which is above the recommended maximum growth rate. This excess spending over the recommended maximum growth rate in net nationally financed primary expenditure corresponds to less than 0.1% of GDP in 2024. This risks being not fully in line with what was recommended by the Council.

(15) Moreover, the Council recommended that Slovenia take action to wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. The Council further specified that, should renewed energy price increases necessitate new or continued support measures, Slovenia should ensure that these were targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings. According to the Commission Spring 2024 Forecast, the net budgetary cost[20] of emergency energy support measures is estimated at 1.4% of GDP in 2023 and projected at 0.1% in 2024, and 0.0% in 2025. In particular, compensation for suppliers of gas and electricity sold at administratively set prices is assumed to remain in force in 2024, albeit with a minor impact. If the related savings were used to reduce the government deficit, as recommended by the Council, these projections would imply a fiscal adjustment of 1.3% of GDP in 2024, whereas net nationally financed primary expenditure[21] provides a contractionary contribution to the fiscal stance of 0.1% of GDP in that year. The emergency energy support measures are projected to be wound down as soon as possible in 2023 and 2024. This is in line with what was recommended by the Council. However, the related savings are not projected to be fully used to reduce the government deficit. This risks being not in line with the Council recommendation.

(16) In addition, the Council also recommended that Slovenia preserve nationally financed public investment and ensure the effective absorption of Recovery and Resilience Facility grants and other EU funds, in particular to foster the green and digital transitions. According to the Commission Spring 2024 Forecast, nationally financed public investment is projected to increase to 5.3% of GDP in 2024 (from 4.6% of GDP in 2023). This is in line with what was recommended by the Council. In turn, public expenditure financed from revenues from EU funds, including Recovery and Resilience Facility grants, is expected to remain stable at 1.3% of GDP in 2024 from 1.3% of GDP in 2023.

(17) Based on policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission Spring 2024 Forecast projects a government

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19 This takes into account 0.7% of GDP one-off measures in 2024, relating to short term emergency costs for reconstruction after floods in August 2023 (as well as 0.4% of GDP in 2023, relating to the same cause). In addition, the EU Solidarity Fund is projected to provide 0.15% of GDP of emergency costs in 2023, 0.3% of GDP in 2024 and 0.15% of GDP in 2025. On 14 July 2023, the Council also referred to the devastating floods that hit Italy in May 2023 and agreed that the cost of direct emergency support related to those floods would be taken into account in subsequent assessments of compliance and would, in principle, be considered as one-off and temporary measures. A similar approach has been followed with regard to the devastating floods that hit Slovenia in August 2023.

20 The figure represents the level of the annual budgetary cost of those measures, including revenue and expenditure and, where applicable, net of the revenue from taxes on windfall profits of energy suppliers.

21 This contribution is measured as the change in general government primary expenditure, net of (i) the incremental budgetary impact of discretionary revenue measures, (ii) one-offs, (iii) cyclical unemployment expenditure and (iv) expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other EU funds, relative to the medium-term (10-year) average potential nominal GDP growth rate, expressed as a ratio to nominal GDP.

deficit of 2.2% of GDP in 2025. The decrease of the deficit in 2025 mainly reflects an introduction of a new long-term care contribution, to be levied as from July 2025, which is projected to increase social contributions by around 0.4% of GDP. Gradually lower expenditure for post-flood reconstruction will impact public investment, which is projected to decline by 0.4 percentage points to 5.4% of GDP. The general government debt-to-GDP ratio is set to decrease to 66.4% by the end of 2025.

(18) A substantial increase in ageing costs is projected for Slovenia, resulting in increases in spending on healthcare, long-term care and pensions in the next decades. The recovery and resilience plan already contains several measures to support the fiscal sustainability. Beyond the plan, it would be important to monitor spending to ensure the adequacy and fiscal sustainability of social protection. Spending reviews could be used to identify areas of lower priority or inefficient spending. Freed up funds could then be reallocated to address new fiscal challenges, including in the area of social protection. To ensure that spending becomes more effective, it would be crucial for follow-up measures to be implemented swiftly and to be consistent with ongoing structural reforms.

(19) Slovenia's tax-to-GDP ratio remains below the EU average and its composition not very growth-friendly. The top personal income tax bracket and the labour tax wedge for various income levels remain among the highest in the EU while property taxes, including recurrent property taxes, remain very low, with a share below half the EU average. Reducing the labour tax wedge would bring down labour costs, boost labour demand and improve competitiveness. Higher net wages could boost labour supply. Although the share of environmental tax revenue is above the EU average, the tax system could be used to further promote green objectives, including by applying the 'polluter pays' principle.

(20) Public investment in Slovenia is above the EU average and it has increased over the last few years. However, its effectiveness and efficiency could be improved by better coordinating the planning for public investment across sectors and ministries. A coherent set of long-term planning documents and an integrated medium-term plan for potential investments would also be tools to improve the efficiency of public investment, including the prioritisation of projects in line with national and European priorities. This would also help increase the country's growth potential and fiscal sustainability.

(21) In accordance with Article 19(3), point (b), and Annex V, criterion 2.2 of Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations, as well as its national energy and climate plan. Within this tight timeframe, proceeding swiftly with the effective implementation of the plan, including the REPowerEU chapter, is essential to boost Slovenia's long-term competitiveness through the green and digital transition, while ensuring social fairness. To deliver on the commitments of the plan by August 2026, it is essential for Slovenia to continue the implementation of reforms and to accelerate investments by addressing emerging delays while ensuring strong administrative capacity. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(22) As part of the mid-term review of the cohesion policy funds, in accordance with Article 18 of Regulation (EU) 2021/1060, Slovenia is required to review each programme by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. This review forms the basis for the definitive allocation of the EU funding included in each programme. Slovenia has made progress in implementing cohesion policy and the European Pillar of Social Rights, but challenges remain and pronounced disparities persist between the capital region and the rest of the country. Accelerating the implementation of cohesion policy programmes and strengthening administrative capacity at national and regional level is crucial. The priorities agreed in the programmes are still relevant. Beyond the administrative capacity measures, it is particularly important to continue green investments, especially flood protection and climate change mitigation measures, prioritising nature-based solutions. It is equally important to continue investments in sustainable transport to reduce the heavy reliance on passenger-car commuting. The implementation of the territorial just transition plans, supporting the coal phase-out, remains key. Public-private R&D partnerships to increase labour productivity remain pertinent. Furthermore, it is important to foster adult learning, including in digital and green skills, and active labour market policies, while modernising and digitalising social and labour market services. It is a priority to accelerate deinstitutionalisation and development of quality, adequate and affordable community-based social services, in particular long-term care, to support social inclusion. Slovenia could also make use of the Strategic Technologies for Europe Platform initiative to boost investments in the development and manufacturing of clean and resource-efficient technologies, in particular in the renewable energy and heating sector.

(23) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Slovenia faces several additional challenges related to the sustainability of its public finances, skills and labour shortages as well as scarce venture capital investment and investments in R&D and innovation.

(24) The 2022 Programme for International Student Assessment (PISA) test revealed a significant deterioration of basic skills (in particular in reading and mathematics). The increase in the share of low-performing 15-year-old students and the decrease in top performers in mathematics and reading can adversely impact Slovenia's skills supply and competitiveness in the future. The ongoing reform of the school curricula could also include measures helping to strengthen basic skills alongside green and digital skills, language learning and improving entrepreneurial and financial competences, furthermore the teacher profession could be made more attractive.

(25) Based on the Commission's business confidence survey[22], business managers in Slovenian industry have been reporting labour shortages as a very strong factor limiting activity since mid-2021. Vacancy rates are also significantly higher than the EU average. Despite measures taken under the recovery and resilience plan, there is still a significant backlog of foreign workers' applications, due to excessively cumbersome legal requirements. Labour and skills shortages are already holding back investment and production, especially in industry. They also hinder the smooth provision of services including of healthcare and long-term care. Therefore, to boost competitiveness and growth, it is key to increase labour supply, including by further

[22] Time series - European Commission (europa.eu)

stimulating labour market participation, attract workers from non-EU countries, and strengthen the integration of migrant workers into the labour market and society.

(26) Public research expenditure, non-research innovation expenditure by companies and innovation expenditure per employee are still relatively low in Slovenia. Venture capital investment relative to GDP is also low, especially when compared to the EU average, adversely affecting business dynamism and therefore companies' innovation and growth capacity. This, in turn, hinders Slovenia's competitiveness. Further improving the conditions for venture capital could help attract more foreign capital and help innovative start-ups to scale up.

(27) In view of the close interlinkages between the economies of euro area Member States and of their collective contribution to the functioning of the Economic and Monetary Union, in 2024 the Council recommended that the euro area Member States take action, including through their recovery and resilience plans, to implement the recommendation on the economic policy of the euro area. For Slovenia, recommendations (1), (2) and (3) help implement the first, second, third and fourth euro area recommendations.

HEREBY RECOMMENDS that Slovenia takes action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure[23] in 2025 to a rate consistent with 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. Ensure the fiscal sustainability of social protection and rebalance tax revenues towards more growth-friendly and sustainable sources. Improve the efficiency of public spending by carrying out spending reviews and through better management of public investment.

2. Strengthen administrative capacity to manage EU funds, accelerate investments and maintain momentum in the implementation of reforms. Address emerging delays 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.

[23] According to Article 2(2) of Regulation (EU) 2024/1263, 'net expenditure' means government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

3. Strengthen competitiveness by boosting skills levels further, ensuring that the ongoing curricula reform also helps strengthen basic skills, by addressing labour shortages, and 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.

Done at Brussels,

*For the Council*
*The President*