

Quality of Life in Slovenia Development Report 2025



*»Innovation comes from the ability to see the world differently,
which can be cultivated through play and exploration.«*

Beau Lotto

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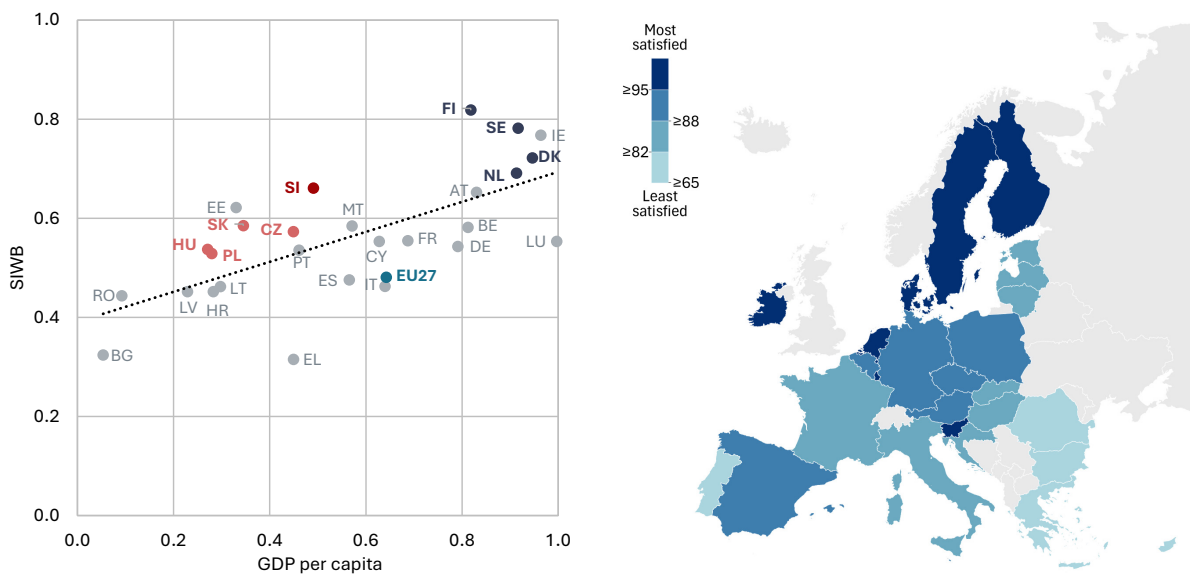
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Key messages and recommendations

Quality of life in Slovenia

Slovenia ranks in the top half of EU Member States on most global composite indicators of quality of life. This high quality of life is also reflected in perceived life satisfaction, where Slovenia consistently ranks among the best in the EU. However, notable disparities exist across various aspects of quality of life. For example, according to the Sustainable and Inclusive Wellbeing Index, Slovenia excels in certain areas such as inclusiveness, overall wellbeing and environment, but falls behind the EU average in economic development.

Figure 1: Slovenia is among the best-performing EU Member States in terms of both composite sustainable and inclusive wellbeing indicator (SIWB, 2022, left) and perceived life satisfaction (2024, right)

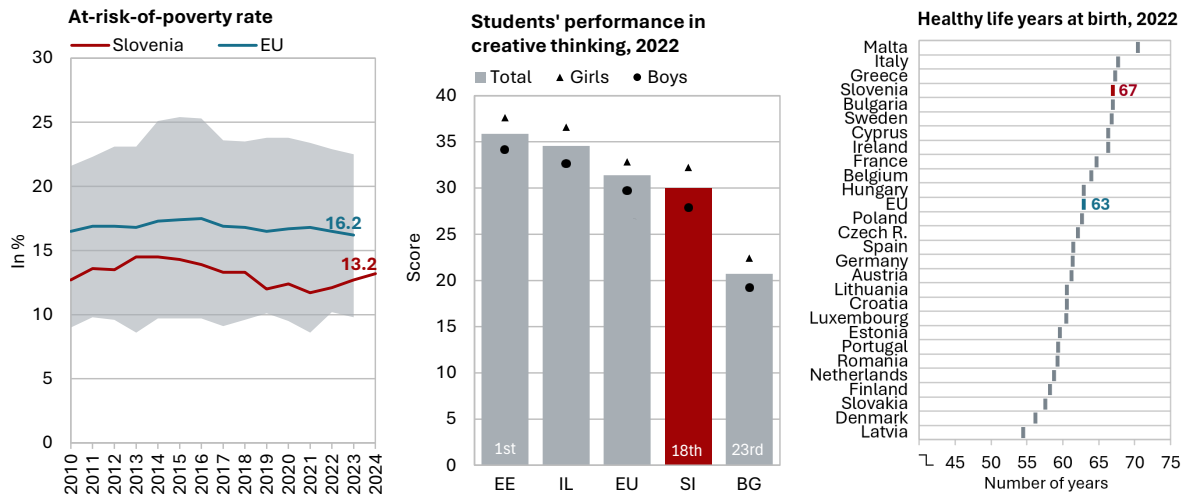


Sources: EC JRC, Benczur et al. (2025) and Eurobarometer (2024). Note: In the figure on the left, Visegrad Group (Czechia, Hungary, Poland and Slovakia) are highlighted in pink and innovation leaders (Denmark, Finland, the Netherlands and Sweden) in dark blue. The figure on the right shows the combined shares of very satisfied and satisfied respondents.

In terms of social development, living conditions, educational attainment and healthy life years are improving, but challenges remain, particularly in relation to unmet health and long-term care needs, the risk of poverty among vulnerable groups, the gender pay gap and the poor performance of young people in creativity and skills. In recent years, the material well-being of the population has gradually improved due to positive trends in the labour market and the resulting growth in average gross disposable income. However, it remains below the EU average. Income, wealth and wage inequalities remain among the lowest in the EU, which is also reflected in a high wage concentration at the lower end of the wage distribution. The gender

pay gap¹ has remained at around 11% for over a decade, with women on average earning less than men for the same work. The AROPE and at-risk-of-poverty rates increased slightly between 2022 and 2024 (calculated on the basis of the previous year's income) but remain among the lowest in the EU. In 2024 (based on 2023 income), around 276,000 people were at risk of poverty,² with approximately 169,000 just above the at-risk-of-poverty threshold.³ Certain population groups have consistently been at higher risk of poverty compared to their counterparts across the EU, particularly older people (aged 65 and over), individuals with lower levels of education, immigrants and certain minorities. Many of these groups are also more likely to experience discrimination, marginalisation and the intergenerational transmission of disadvantage. The education level of adults has improved over the long term and is relatively high. While young people's mathematical, science and reading literacy declined in 2022, they remained above the EU average. However, their competences in sustainable and digital development were low, and their creative thinking and mental well-being were among the lowest in the EU. The number of healthy life years is well above the EU average, and several other health indicators have also improved. However, unmet needs for health care and long-term care remain high.

Figure 2: The at-risk-of-poverty rate has risen slightly in the last three years but remains among the lowest in the EU (left); youth creative thinking is among the lowest in the EU (middle); healthy life years are well above the EU average (right)



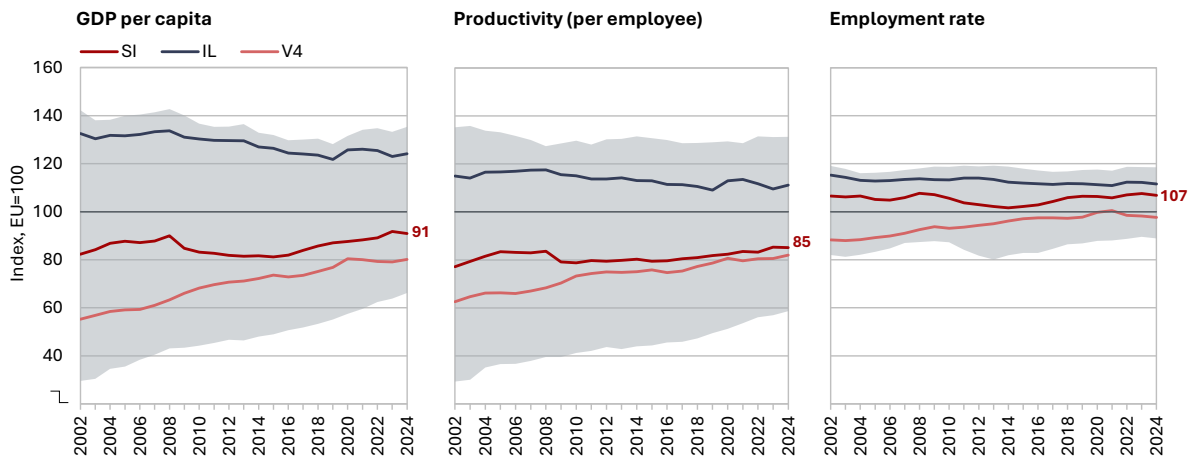
Sources: Eurostat (2025) and OECD (2024). Note to the figure on the left: data for 2024 is based on 2023 income; the shaded area shows the range between EU Member States with the lowest and highest values for each year. Note to the figure in the middle: EU average is calculated for 23 Member States with available data (excluding Austria, Ireland, Luxembourg and Sweden); IL – innovation leaders (Denmark, Finland, Netherlands and Sweden).

Slovenia remains an economically stable, moderately developed EU country, although it still lags well behind the EU in terms of labour productivity – a gap that was narrower in 2023 and 2024 than ever before. Despite the challenges posed by recent crises (the pandemic and the energy crisis), Slovenia has maintained macroeconomic stability. It has managed to contain inflation and improve the government's fiscal position, with unemployment at a historic low. Although average annual economic growth slowed in the post-pandemic period, it remained above the EU average.

¹ The adjusted gender pay gap compares men and women with similar occupational and demographic characteristics (see Section 2.2.2).
² The share of persons living in households with an equivalised disposable income below 60% of the median equivalised disposable income of all households, using the adjusted OECD equivalence scale.
³ The share of persons living in a household with a disposable income of more than 60% and less than 70% of the median equivalised disposable income of all households.

The gap between GDP per capita in PPS (a measure of economic development) and the EU average narrowed slightly in 2022 and 2023, following a slowdown in convergence during the pandemic. However, according to preliminary Eurostat data, convergence stalled in 2024. The economic development gap is largely due to below-average labour productivity, where convergence slowed considerably after the global financial crisis amid weak investment activity. In 2023 and 2024, Slovenia's labour productivity reached 85% of the EU average, the highest level ever recorded. Further productivity gains remain essential for closing the gap with the more developed countries, as the potential for further employment growth is limited due to the already high employment rate and the decline in the working-age population (demographic change). As a result, labour market is facing labour shortages. The acceleration of productivity growth which would at the same time contribute to a more balanced regional development could also be supported by better utilisation of regional development potential, particularly by boosting productivity growth in sectors that are not prone to concentration.

Figure 3: Below-average economic development is a consequence of a gap in labour productivity

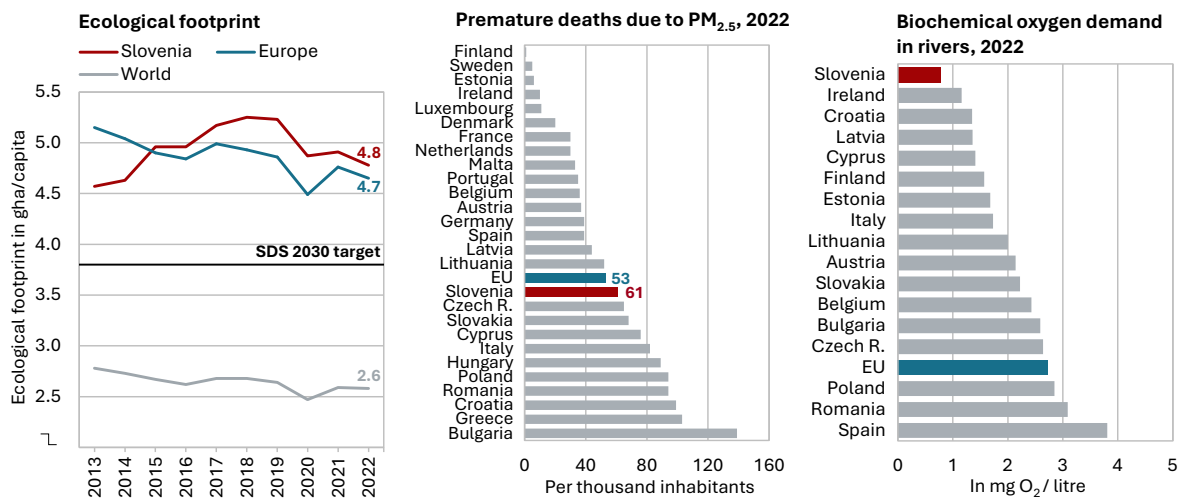


Sources: SURS (2025a), Eurostat (2025); calculations by IMAD. Note: GDP per capita can be decomposed into the employment rate (the proportion of the population in employment) and productivity (GDP per person employed). The grey shaded area indicates the range between the EU Member States with the lowest and the highest indicator values (Luxembourg and Ireland are excluded due to their extreme values). IL – innovation leaders (Denmark, Finland, the Netherlands and Sweden); V4 – Visegrad Group (Czechia, Hungary, Poland and Slovakia).

The environmental impact of production processes and lifestyles, as measured by the ecological footprint, is similar in Slovenia to the EU average; watercourse cleanliness is high, soil quality is satisfactory, while air pollution is primarily caused by particulate matter. The ecological footprint – a composite indicator of environmental impact – increased during the economic recovery following the global financial crisis, peaking in 2018. However, during the pandemic and the energy crisis, it returned to the level seen a decade earlier due to the slowdown in economic activity. Climate change is raising awareness of natural resources and driving efforts to protect the environment, which has already led to some improvements: (i) air pollution has decreased in recent decades, though the number of premature deaths attributable to exposure to the particularly harmful fine particulate matter remains slightly above the EU average; (ii) the quality of watercourses is high thanks to lower pollution and more efficient wastewater treatment; in terms of biochemical oxygen demand, Slovenian rivers are the best in the EU among countries for which data are available; connecting the population to at least secondary wastewater treatment remains a challenge, as coverage is still below the EU average; (iii) overall soil pollution is low, but the need to protect prime agricultural land is becoming increasingly important.

Slovenia’s diverse and rich natural environment supports a high quality of life, but past developments have not always gone according to plan. In rapidly developing areas, land use changes are driven by intensive infrastructure and construction projects, while in remote rural areas they are due to unwanted land abandonment.

/ **Figure 4: The environmental impact of human activities has decreased slightly in recent years, but achieving the SDS target is becoming increasingly challenging (left); in terms of air quality, PM_{2.5} emissions, which are particularly harmful to health, remain the main problem (middle); the quality of watercourses is high (right)**



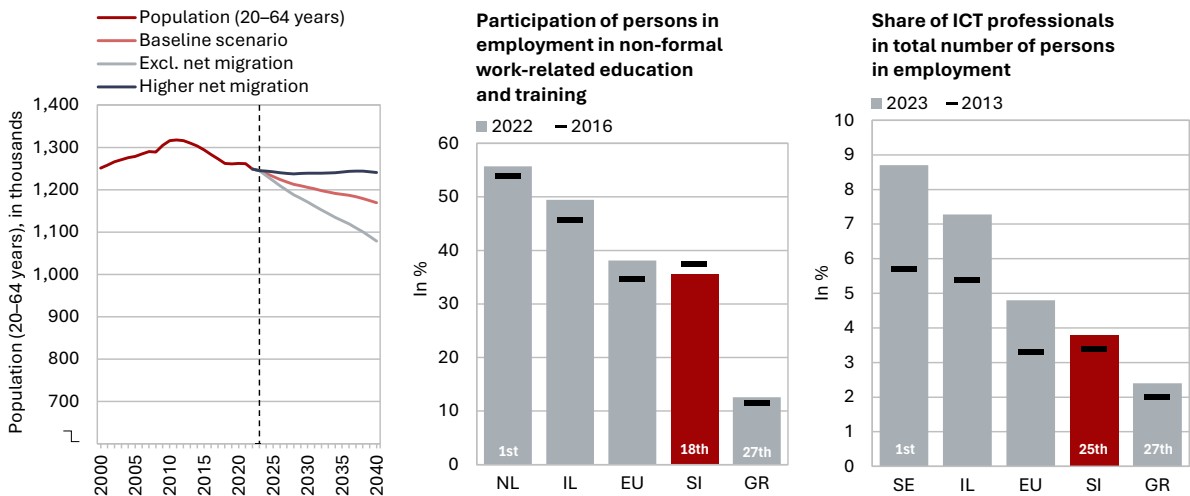
Sources: Global Footprint Network (2023); calculations by IMAD (2025); Eurostat (2025).

Key factors of development

Creative and long-lived society

The transition to a long-lived society and a smart, green economy is driving demand for skilled workers; however, significant challenges remain, particularly labour shortages, labour market mismatches, low attractiveness to foreign workers and slow automation. Like much of Europe, Slovenia has been undergoing intense demographic changes for over a decade, reshaping the age structure of both its population and labour market. In recent years, there have been positive shifts in the structure of enrolments. However, the shortage of diverse skilled labour (with a declining youth population) remains significant, and Slovenia is one of the EU countries least attractive to foreign talent. For many years, the challenges posed by demographic change in the labour market and the growing demand for adequately qualified workers have not been addressed strategically enough, and cooperation with social partners has been too weak. Key challenges include the need for: (i) extending the working lives of older people who exit the labour market early, (ii) faster integration of young people and first-time job seekers into the labour market; (iii) implementing appropriate migration and integration policies and adapting the culture of work organisations; (iv) greater automation of processes in both the public and private sectors; (v) more efficient human resource management based on medium- and long-term development needs; (vi) strategic human capital development, investing in talent, creativity and innovation; and (vii) improving job quality, responding to psychosocial risks and other challenges, as well as investing in employee well-being, engagement and performance.

/ Figure 5: In the medium term, the decline in the working-age population can only be mitigated by high net migration (left); employee participation in education and training is low (middle); the shortage of certain professionals is among the highest in the EU (right)



Sources: Eurostat (2025), EUROPOP2023 projections. Note: IL – innovation leaders (the Netherlands, Sweden, Denmark and Finland).

The effectiveness of inclusive development is reflected in the at-risk-of-poverty rate, which has risen slightly over the last three years despite historically high employment rates; around 135,000 people remain trapped in persistent at-risk-of-poverty.⁴ Although Slovenia spends less on social protection than the EU average, it still manages to reduce the risk of child poverty by half. However, it is less successful in reducing the risk of poverty among older people (aged 65 and older), a group that has long faced high levels of poverty, with the situation continuing to deteriorate. Housing affordability and transport poverty are also becoming increasing challenges. The income growth of households with low wages and pensions is not keeping pace with the rising cost of living, highlighting the need for comprehensive wage, social and pension policy measures, supported by accelerated productivity growth. Ensuring an adequate level of social transfers to prevent absolute poverty⁵ and preserve human dignity is also an increasing challenge. The level of support for the long-term unemployed and other inactive persons (social assistance recipients) is determined by the basic amount of minimum income, which, since 2019, has been moving further and further away from the at-risk-of-poverty threshold (as a proportion of the median equivalised disposable income). Its growth has not kept pace with the rise in minimum cost of living, other incomes, and consequently, the rise in the at-risk-of-poverty threshold.

Access to education, cultural and artistic services is generally good, but the quality of education has deteriorated and no longer meets today's societal challenges. Several factors contribute to this decline, including the shortage of pedagogical staff, the limited autonomy of teachers, the failure to create a creative and tolerant classroom environment with a good school climate, pressure of school, the low percentage of children who like school and their poor relationships between parents and teachers. While the overall accessibility of education is good by international standards, it

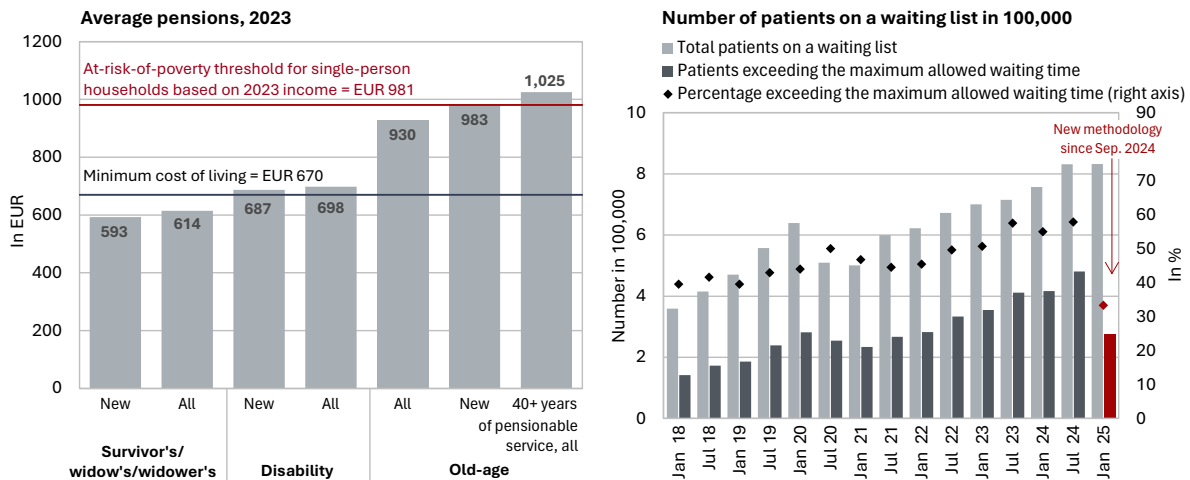
⁴ The proportion of people whose income was below the at-risk-of-poverty threshold in the last income year and in at least two of the previous three years.

⁵ Absolute poverty means living below the minimum subsistence level, determined on the basis of nutritional needs and other basic necessities. It is prevented by curative policies (social assistance in cash, income support, aid in food and clothing, social assistance services, etc.).

remains insufficient for certain vulnerable groups. Of particular concern is the persistent social segregation of Roma children. The participation of adults in education and training and the promotion of a culture of lifelong learning remain key challenges. Two important factors for lifelong learning, which are well developed in Slovenia, are the wide range of cultural and artistic activities on offer and the good accessibility of books.

Numerous reforms are being made in healthcare and long-term care, aimed at improving accessibility, with staff shortages remaining one of the biggest challenges. In the post-COVID period, demand for healthcare services remains high, influenced in part by demographic change, which is increasing the need for long-term care. Extensive investment is underway in both areas. In recent years, several measures have been introduced at the primary and secondary healthcare levels to improve quality and accessibility, although their full impact is not yet visible. The number of individuals without a general practitioner increased in 2024, while the rise in the number of patients waiting for secondary care services slowed down in the second half of 2024. Preventive healthcare is well-developed, yet risky lifestyles, poor mental health and physical inactivity among certain population groups remain major challenges. The Long-Term Care Act has established a funding source and framework for the development of long-term care services, which are currently being phased in. However, the provision of home care services will primarily depend on the availability of staff.

/ **Figure 6: The average disability pension in 2023 was slightly above the minimum cost of living and the average old-age pension was below the at-risk-of-poverty threshold;* the number of all patients on waiting lists** remains very high**



Sources: ZPIZ (2024) and NIJZ (2025c). Note: * The minimum cost of living was recalculated in October 2022 and the at-risk-of poverty threshold is set for 2024 (based on 2023 income) (see Section 3.1.3.1). ** Waiting lists include all patients waiting for initial specialist examinations, diagnostic tests and therapeutic interventions at all levels of urgency (see Section 3.1.3.3).

Recommendations

- I. Place creativity at the core of educational and social processes, and recognize the culture of lifelong learning as a pathway to a long-lived society, whose quality will also depend on strategic human resource management, successful inclusion and activation of available human resources (both domestic and foreign), human capital development to meet future needs and challenges and, not least, the automation of business and other processes.

- II. Ensure an adequate level of social transfers for individuals who, for various reasons, are unable to support themselves, as these transfers are essential for preventing absolute poverty and maintaining human dignity.
- III. Reduce the number patients waiting beyond the maximum established waiting times and take a systemic approach to reducing health inequalities (particularly for the economically vulnerable groups), as these are increasing due to an ageing population, the rise in chronic diseases and shortages of healthcare professionals; strengthen long-term home care to maintain the independence and dignity of older adults.

Transition to innovation-driven growth

Slovenia's modest productivity growth poses a risk to the competitiveness of its economy, and thus to income growth. The price and export competitiveness of the Slovenian economy have gradually improved following the energy crisis. The challenge is to accelerate productivity growth and make it more sustainable, ensuring that (cost) competitiveness is preserved even as labour costs rise. Average annual productivity growth more than halved after the global financial crisis and has slowed further during the last two crises (2020–2024). Over the long term, the highest productivity growth has been achieved in export-oriented manufacturing activities, though with notable differences between individual sectors. The productivity gap with the EU innovation leaders has mainly been narrowed by low-productivity companies of all sizes, while among high-productivity companies only large companies have contributed to its reduction. Moreover, Slovenia's productivity gap with the EU innovation leaders is smaller among low-productivity companies, but larger among high-productivity firms, with the most productive firms even lagging behind a group of three Central and Eastern European countries.⁶

The slowdown in productivity growth over the last decade is primarily due to low investment activity... Investment as a percentage of GDP has increased since 2016, but it remains significantly lower than before the global financial crisis, particularly in the corporate sector. Since 2022, investment levels have once again fallen behind the EU average, as well as those of the innovation leaders and Visegrad Group. From a productivity perspective, key investments include those that support innovation-driven growth, particularly in intangible assets. In international comparison, Slovenia stands out for its low investments in ICT, training of employees and organisational capital. Expenditure on formal education as a percentage of GDP is in line with the EU average but lower than it was a decade ago. In recent years, expenditure on R&D has increased, though it remains below the EU average, while corporate R&D investments are on par with the EU average, but far below those of the innovation leaders.

...and the slow restructuring of the corporate sector... During the pandemic and the energy crisis, the contribution of inter-sectoral labour mobility to productivity growth increased slightly, while the impact of intra-sectoral labour mobility has been weakening since the mid-2010s and did not rise during these last two crises. This indicates a relatively high resilience in the business sector throughout both crises, which was also supported by substantial public support. These funds helped preserve companies' production potential

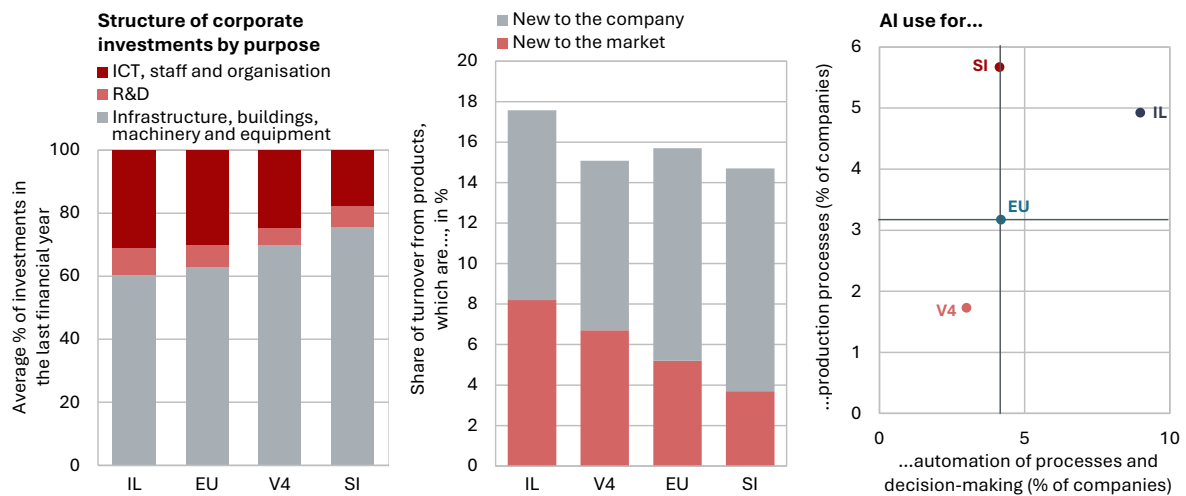
⁶ Based on available microdata, this group includes: Czechia, Croatia, and Hungary.

during the crises but also slowed economic restructuring – a process that is essential in a market economy for boosting productivity and society's ability to respond to emerging needs.

...which remains anchored in competition based on incremental innovation of established products and technologies rooted in Industry 3.0... The competitive advantage of the Slovenian economy is driven by high product innovation intensity, with large and medium-sized companies ranking among the EU leaders. This is supported by the third-highest robot density per employee in manufacturing in the EU, as well as the use of related digital technologies, including advanced solutions such as artificial intelligence. With the exception of small businesses, Slovenian companies are also among the most open and most intensely collaborating on innovation in the EU, indicating strong ecosystem synergies. Additionally, in recent years, companies have placed greater emphasis on developing their own brands and making environment-related investments. However, small and medium-sized enterprises are falling behind their EU counterparts in digitalisation, and their awareness of its importance has even declined.

...and is moving too slowly to develop more radical innovations, supported by the modernisation of business processes and company organisation in line with Industry 4.0 principles. Companies are lagging behind in areas such as the use of cloud computing services, data analytics and artificial intelligence for workflow automation and decision-making, highlighting the difficulties in transitioning to data-driven business operations as envisioned by Industry 4.0. Insufficient attention is paid to fostering an innovation-oriented culture and organisational structure. Compared to those of other EU countries, Slovenian companies lag not only in innovating business processes, but also in introducing new methods of work organisation, decision-making processes and human resource management. This also includes a low percentage of companies that have established internal innovation systems or use agile management methods. Slovenian companies, at least in the manufacturing sector, do not (yet) regard innovation as a key driver of competitiveness. This is reflected in the low share of revenue generated from radical innovations that are new to the market, rather than merely to the company. The need for a more ambitious approach is also reflected in the data on patent applications, where the gap with innovation leaders is widening. Moreover, significant untapped potential remains in areas such as product differentiation to achieve greater added value based on design.

Figure 7: Slovenia stands out for its low business investments in intangible assets for the transition to innovation-driven growth (particularly in ICT, training of employees and organisation) (left); the competitive advantage of its business sector is less dependent on new innovative products (middle); data-driven business practices are adopted too slowly (right)



Sources: EIB (2024); Eurostat, (2024); calculations by IMAD. IL – innovation leaders (Denmark, Finland, the Netherlands and Sweden); V4 – Visegrad Group (Czechia, Hungary, Poland and Slovakia).

Recommendations

- I. Significantly increase investments, particularly from the corporate sector, in intangible assets (high-risk research, development and innovation, ICT, training and organisation), which requires (i) a more predictable business environment (taxes), (ii) the acceleration and simplification of administrative procedures (permitting), and (iii) a more strategic use of traditional state interventions (such as supporting investment in tangible assets and job retention subsidies in the absence of extraordinary events) by shifting to more systemic and targeted support towards transition to innovation-driven growth.
- II. Support start-ups, scale-ups, niche and high-tech companies with global growth potential by (i) accelerating procedures for hiring foreign workers, (ii) adapting legal forms for their business operations and reward schemes (lean public limited companies, stock options), (iii) improving access to venture capital (and simplifying capital acquisition procedures), (iv) providing support for global market penetration and (v) enabling the development of new solutions and early deployments based on innovative public procurement.
- III. Prioritise and support the transition to innovation-driven growth of backbone enterprises through more targeted and focused measures by: (i) providing more substantial and predictable support for more complex and high-risk RTDI projects, (ii) facilitating access to specialised research infrastructures, (iii) supporting the integration of cutting-edge technologies in line with Industry 4.0 principles and optimising corporate management and organisation (lean, agile and innovation-driven business models), (iv) supporting the development of new (sustainable) business models based on product differentiation (design, branding), and (v) creating a supportive environment for accelerating innovation and collaboration (SRIPs, demo centres). Small, traditional and craft companies also require access to simple support instruments (vouchers), especially in areas like transitioning from informatisation to digitalisation, collaboration with knowledge institutions, etc.

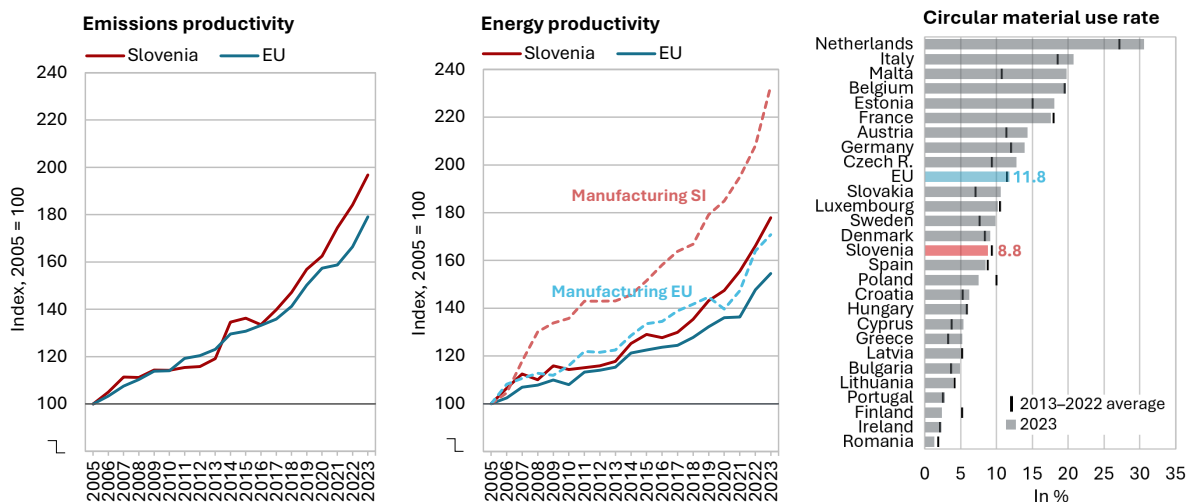
Transition to a low-carbon circular economy

Greenhouse gas (GHG) emissions – a key factor in slowing climate change – continued to decrease in 2023, falling by 4.8% to their lowest level in four decades; emissions productivity also improved, with the gap compared to the EU average narrowing to 5.9%. For the first time, this decline was primarily driven by lower emissions from transport, which account for more than one-third of total emissions. Over the past decade, emissions have decreased across all other sectors, most notably in the energy sector and households, and to a lesser extent in industry, where more emissions arise from fuel consumption than industrial processes. With emissions falling and GDP continuing to grow, Slovenia achieved its highest-ever level of emissions productivity, with the smallest gap recorded in comparison to the EU average. The use of fossil fuels, especially in transport, remains a major obstacle in the transition to a carbon-neutral society. Exemptions from excise duties and other price-lowering measures do not contribute to progress, which, in addition to price signals, requires infrastructure specifically designed to support the green transition.

Energy consumption, which is directly linked to GHG emissions through fossil fuel use, decreased by 4.7% in 2023 – marking the second consecutive year of reduction; with higher GDP growth in the same period, the gap in energy productivity compared to the EU narrowed significantly to 4.8%. Over the long term, the reduction in total energy consumption has been driven by changes in thermal energy production (notably the closure of Trbovlje Thermal Power Plant and the modernisation of Šoštanj Thermal Power Plant) and lower end-use energy consumption. The largest contribution to reduced end-use energy came from the manufacturing sector, particularly aluminium production, which had a positive effect on increased energy productivity. Reducing energy consumption remains particularly challenging in energy-intensive industries, where processes are more complex and require a high level of optimisation. Previous measures and activities have been particularly successful in improving energy efficiency. However, more attention should be given to modernising production processes through targeted and coordinated measures. The reduction in total end-use energy consumption has contributed to an increase in the share of renewable energy sources, which, after a long period of modest growth (due to increased use of solar energy in energy production and biofuels in transport), exceeded 25% for the first time in 2023.

Material consumption has increased at a faster pace than the EU average over the past decade, with the low circular material use rate being a particular concern; the gap in material productivity with the EU level remained high in 2023, at 13.6%. The circular material use rate is quite low in Slovenia, even below the already modest level seen in the EU. Therefore, there is a need to accelerate the development of high-quality recycling technologies and establish a well-functioning secondary raw materials market. The higher total material consumption in recent years is mainly due to increased consumption of non-metallic materials, especially from the construction sector. As a result, the amount of waste generated has also risen, although when calculated per GDP, this indicator has improved. In 2023, the amount of non-mineral waste generated per capita remained among the lowest in the EU, while recycling rates were among the highest.

/ Figure 8: Emissions and energy productivity are growing at a faster pace than at the EU level (though still lower than in the EU), while the circular material use rate remains modest



Sources: Eurostat (2025); calculations by IMAD. Note: Emissions (energy) productivity is the ratio of gross domestic product at constant prices to greenhouse gas emissions (energy consumption).

Recommendations

- I. Recognise opportunities and foster innovation to introduce new clean technologies, improve energy efficiency and accelerate the adoption of renewable energy sources. Reduce road transport based on fossil fuels and replace it with more sustainable forms of mobility. Consistently monitor development progress, ensure inter-ministerial coordination and adapt policies accordingly.
- II. Systematically develop new business and consumer models to reduce resource consumption and increase resource-use efficiency. Strengthen sustainable circular practises by adding value to local resources, promoting high-quality material processing and the use of recyclable raw materials. This can be achieved by connecting stakeholders and providing implementation support for innovative projects.
- III. Promote sustainable investment and ensure the efficient and targeted use of funds. In this context, strive for greater inclusion of private capital: reduce financial risks and capital costs through various financial mechanisms and strengthen investor collaboration and trust in green investment opportunities.

An accountable and efficient institutional environment

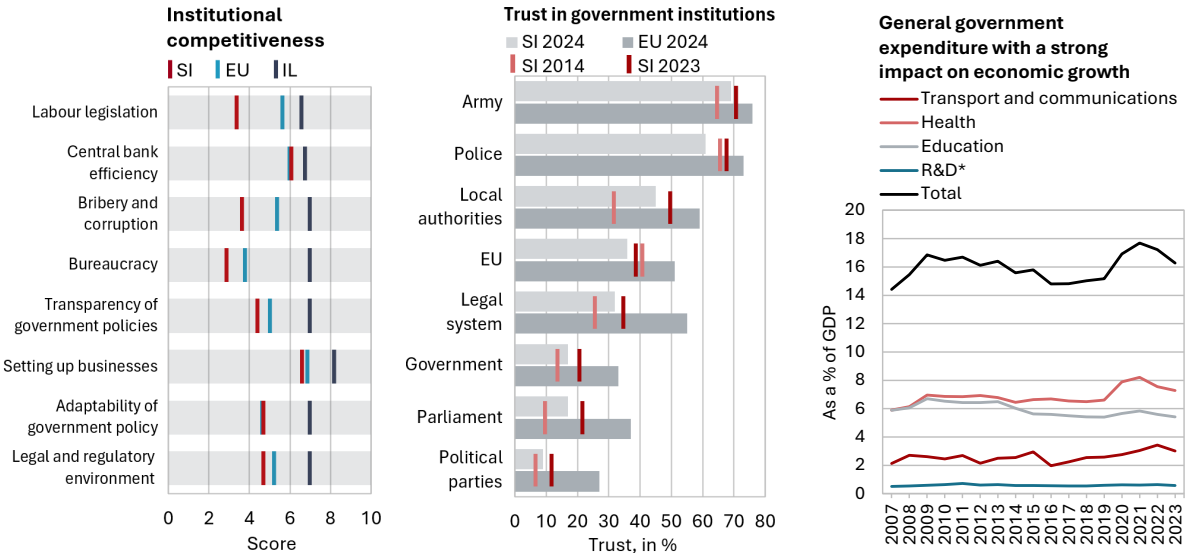
Slovenia has made significant progress in the functioning of the state in recent years, yet it still lags behind the EU average and innovation leaders on several indicators of institutional competitiveness. Notable improvements have been achieved, particularly in the digitalisation of public services, the development of e-government, the introduction of quality standards in public administration, the modernisation of public procurement, and the efficiency and quality of the judiciary. Additionally, several measures have been taken to reduce administrative barriers and prevent corruption. Despite this progress and measures implemented, institutional competitiveness – as measured by

IMD indicators – has not improved in recent years. The gap to the EU average has even widened, particularly in indicators that measure business executives' perceptions of the transparency and adaptability of government policies.

Key challenges lie in improving the efficiency of the state, creating a business-friendly, supportive and predictable environment and building trust in state institutions. According to the IMD survey, business executives are critical of the state's role in creating a business-friendly environment, citing excessive bureaucracy, unpredictable legislation and unstable tax policies. These issues are also related to persistently low levels of trust in state institutions and insufficient focus on promoting productivity growth. The business environment is also significantly influenced by major global changes and uncertainty in the international environment. In this context, the state's – including its strategic – response to emerging circumstances is crucial, as swift and effective adjustment of measures can help businesses navigate crises and seize new opportunities. Another challenge is adopting a more strategic approach to more balanced regional development, as previous efforts have failed to successfully activate the untapped development potential of regions, which could contribute to the accelerated economic growth of Slovenia as a whole.

The general government deficit and debt have been declining since 2020, while government investment has remained above the 2019 level. The share of taxes and social contributions in GDP, which account for the majority of government revenue, increased in 2024 after reaching a historic low in 2023, due to tax exemptions and reductions to cushion economic shocks. Over the long term, the structure of taxes has not changed in a way that would, according to empirical analyses, have a favourable impact on economic potential (shifts towards a strengthening of consumption taxes and other less distortionary taxes) or strengthen incentives for more sustainable development (environmental taxes). Revenue from social contributions, which are the main source of funding for social protection, is increasing. However, this is not a sustainable long-term source of funding for social protection systems in terms of promoting economic growth and demographic trends leading to a decline in the working-age population. In contrast, government spending increased significantly between 2019 and 2023 in areas that analyses show have a strong impact on economic growth (expenditure on transport, communications and healthcare). However, spending has increased less substantially in sectors with even greater potential to boost productivity growth (R&D and education), while social protection expenditure has remained relatively stable.

Figure 9: In 2024, most institutional competitiveness indicators still lagged significantly behind innovation leaders and the EU average (left); trust in most political institutions and the judiciary remained relatively low and below the EU average (middle); the share of general government expenditure (as a % of GDP) associated with a stronger impact on economic growth increased in the 2019–2023 period (right)



Sources: IMD (2024b), Eurobarometer (2024e), SURS (2025a), EC (2024g); IMAD calculations. Note: Individual factors of institutional competitiveness are calculated on the basis of surveys among business executives, with a possible score between 1 and 10. The figures on trust for each year are the latest available data for that year. IL – innovation leaders (Denmark, Finland, Netherlands, Sweden). * R&D includes expenditure on research and development across all ten COFOG (classification of the functions of government) categories (e.g. health, education, social protection). Transport and communications fall under the economic affairs category; however, separate data on R&D expenditure for these two subfields are not available.

Recommendations

- I. Restore trust in state institutions and public authorities by ensuring inclusive and strategic policy development, including at the regional level, by strengthening interinstitutional cooperation and enhancing collaboration with key stakeholders (particularly the business sector) in the adoption, implementation and monitoring of policies and regulations, by increasing transparency in decision-making, improving evidence-based policy-making and taking further measures to enhance integrity, ensure detection, prosecution and final conviction of corruption cases.
- II. Improve the business environment by supporting enterprises to enhance economic competitiveness through a high-quality and stable legislative framework, a predictable tax system and streamlined government regulation.
- III. Prioritise expenditures with a positive impact on productivity within public finance constraints and gradually shape a more fiscally sustainable revenue structure that strengthens economic potential (e.g., consumption and real estate taxes). Enhance incentives for work (or reduce inactivity and low-wage traps) by considering the combined effects of taxes on labour and social transfers on household income.

1 Introductory remarks

The document Quality of Life in Slovenia – Development Report 2025 combines the content of two previous IMAD reports: the Development Report and the Productivity Report. IMAD is responsible for monitoring the implementation of Slovenia's overarching development strategy (Decree on the Documents of Development Planning Bases and Procedures for the Preparation of the General Government Budgets, 2010). In its role as the National Productivity Board, it also conducts in-depth analyses and makes recommendations for improving productivity.⁷ In previous years, IMAD published two separate reports that were closely related from substance point of view. The combined report entitled Quality of Life in Slovenia – Development Report 2025 therefore includes both: (i) monitoring of progress in the implementation of the Slovenian Development Strategy 2030, which aims to ensure a high quality of life for everybody through balanced economic, social and environmental development, and (ii) a detailed analysis of productivity, which is one of the most important long-term factors for achieving a higher quality of life. The combined report enables not only a more comprehensive analysis but also the development of thorough, balanced and complementary recommendations, taking into account trade-offs between different aspects of development. This approach also shows more clearly that concepts such as productivity are merely instruments that, alongside appropriate additional measures, support the sustainable functioning of social subsystems and thus contribute to achieving the fundamental goal of improving people's quality of life.

The report consists of two main sections and an appendix, and it also contains two focus topics. The first section presents an assessment of the quality of life in Slovenia in the areas of society, economy and environment. The second section follows with an analysis of key development factors influencing the quality of life. This analysis is structured into four chapters: (i) creative and long-lived society, (ii) transition to innovation-driven growth, (iii) transition to a low-carbon circular economy, and (iv) an accountable and effective institutional environment. The focus topics cover: (i) youth creativity and (ii) an analysis of productivity in manufacturing activities using microdata. The appendix consists of two parts: the first provides an overview of the progress towards the numerical targets of the Slovenian Development Strategy 2030 (SDS) based on the latest available data, while the second part, the statistical annex, contains additional tables, figures and maps that complement the analyses in the main body of the publication.

The analysis in the Development Report is based, as far as possible, on indicators that are comparable over time and internationally and uses data sources published up to 31 March 2025. Internationally comparable indicators serve as the main analytical basis of the report, which is complemented by an overview of other data, studies and research

⁷ In accordance with the Council Recommendation (2016), each Member State appoints a National Productivity Board. In Slovenia, this role has been carried out by the Institute of Macroeconomic Analysis and Development (IMAD) since 2018. Based on objective, neutral and fully independent analyses of productivity and competitiveness, the National Productivity Boards produce analyses and recommendations with the aim of improving economic policies.

reports, particularly in areas where suitable indicators are not available for comparisons between countries or over time. For this edition of the report, the latest available data is mainly from 2023, with some also from 2024. Slovenia's status and progress are most frequently compared with: (i) the EU average and also (ii) the group of EU innovation leaders – highly developed EU countries according to the European Innovation Index (IL: Denmark, Finland, the Netherlands and Sweden), and (iii) the Visegrad Group – competitor countries to Slovenia (V4: Czechia, Slovakia, Hungary and Poland). The analyses underlying the report include comparisons with all EU countries and, where relevant, with OECD countries or at a global level. However, only the key findings are highlighted in this report.

2 Quality of life in Slovenia

2.1 Quality of life according to international composite indices

To enable international comparisons of quality of life, various international institutions have developed composite indices based on a wide range of indicators. The advantage of these indices lies in facilitating multidimensional comparisons between countries, while their drawback is that the results are significantly shaped by the methodologies used (the selection of indicators and the weighting of different dimensions) as well as the limited timeliness of data. The aim of this section is therefore to provide only a general assessment of quality of life in Slovenia up to 2022, based on composite indices. In the following chapters, this assessment is analysed in greater depth using the most recent available data – including for the period after 2022 – from economic, social and environmental perspectives. In forming the general assessment, various global composite indices of development and quality of life were considered, with particular attention given to the Sustainable and Inclusive Wellbeing Index (SIWB). This index is based on the most recent methodology aligned with the *Beyond GDP* approach, developed at the initiative of the European Commission. It is designed to assess the performance of EU Member States in utilising economic resources and evaluating quality of life in the EU, with a particular focus on sustainability and inclusiveness.⁸

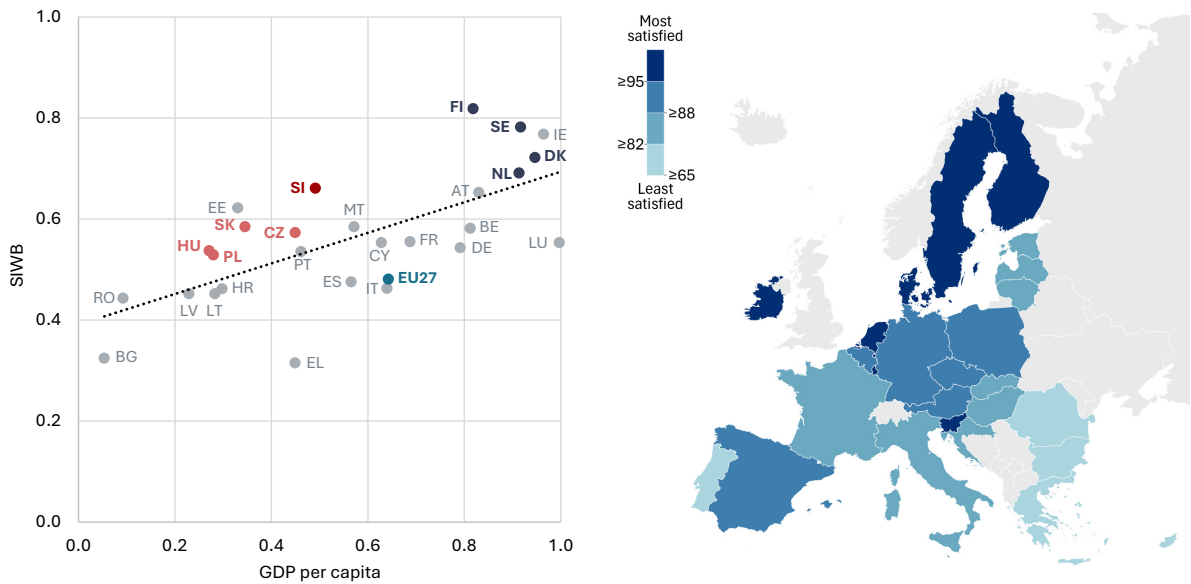
According to international composite indices, Slovenia achieves a high quality of life, which generally improved between 2011 and 2022. Most global composite indices place Slovenia in the more successful half of EU Member States, with its relative performance largely determined by the weight each composite index assigns to economic aspects (where Slovenia performs less well) relative to other dimensions of quality of life (where Slovenia performs better).⁹ In terms of economic performance, measured by GDP per capita (Figure 10, left), Slovenia ranked 15th among EU Member States in 2022, while it ranked 6th according to the SIWB index. A high quality of life is reflected not only in composite indicators but also in perceived life satisfaction. According

⁸ The SIWB was first published in 2025 in the study *Measuring sustainable and inclusive wellbeing: A multidimensional dashboard approach*. The index was calculated based on the distribution of data for each indicator from 2011 to 2022. Six indicators cannot be meaningfully calculated at the EU level due to their specific nature; therefore, EU averages by dimension are not presented. For more on the methodology, see the Statistical Appendix, which lists all indicators along with Slovenia's ranking among EU Member States according to the SIWB methodology. Within six dimensions, 55 indicators are analysed and classified into five groups – ranging from the highest-ranking group (5, blue) to the lowest-ranking group (1, red) in the EU.

⁹ According to the Human Development Index (HDI), which consists of five indicators across three dimensions, Slovenia ranked 10th in the EU in 2022 (UN, 2024a). Based on the World Happiness Index (WHI), composed of six indicators across three dimensions, Slovenia ranked 11th in the EU (Sustainable Development Solutions Network, 2024). Slovenia also ranked 11th in the EU according to the Social Progress Index (SPI), which includes 50 indicators and covers 12 dimensions (Social Progress Imperative, 2025). A somewhat less favourable picture is presented by the Prosperity Index (PI), where Slovenia ranked 15th in the EU. This index comprises 300 indicators across 12 dimensions (Legatum, 2023), and Slovenia's lower position is primarily due to weaker assessments in the areas of governance, economic quality and the protection of personal freedoms. Nonetheless, Slovenia has consistently ranked among the top thirty countries globally in all of the aforementioned global composite indices. For a summary chart, see the Statistical Appendix.

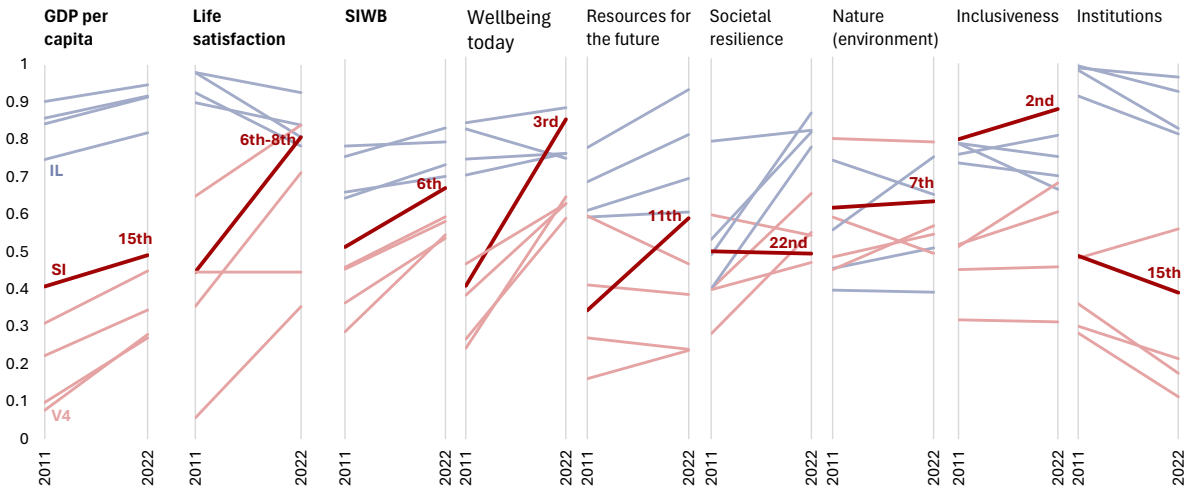
to Eurobarometer (2024e) surveys, Slovenia is among the seven EU Member States with the highest levels of general life satisfaction (Figure 10, right). A comparison of 2022 data with that of 2011 shows that Slovenia has improved its overall position in the SIWB index (Figure 11). Despite this general progress, negative trends were observed in some specific domains, particularly in the institutional environment, where the quality of regulation, public services and public institutions stands out negatively (see continuation).

Figure 10: Slovenia ranks among the most successful EU Member States both according to the composite SIWB indicator (left), as well as based on the perceived quality of life indicator (life satisfaction, right)



Sources: EC JRC, Benczur et al. (2025) and Eurobarometer (2024e). Note: JRC data are from 2022 (left), while Eurobarometer data are from 2024 (right), showing combined shares of very satisfied and satisfied respondents. In the Figure on the left, Visegrad Group are marked in pink, while innovation leaders in dark blue.

Figure 11: Between 2011 and 2022, Slovenia made greater progress in terms of the SIWB and life satisfaction than in GDP per capita; however, compared to the EU, it lagged behind in the quality of governance, public services and public institutions – key components of social resilience



Sources: EC JRC, Benczur et al. (2025). Note: Index values range from 0 (minimum) to 1 (maximum). For comparison purposes, GDP per capita and overall life satisfaction are shown alongside the composite SIWB indicator and its six constituent dimensions, calculated according to the SIWB methodology. Slovenia, including its ranking in 2022, is marked in dark red, while innovation leaders (IL) in blue and the Visegrad Group (V4) in pink.

Slovenia's high quality of life assessment according to SIWB is based on its strong performance in the areas of inclusiveness, wellbeing today¹⁰ and nature (environment), with a noticeable improvement in resources for the future between 2011 and 2022:

- **Inclusiveness (2nd place):** Slovenia's strength lies in its low share of people who feel discriminated against, low income inequality (measured by the income quintile share ratio), small employment gender gap and minimal regional differences in life expectancy.
- **Wellbeing today (3rd place):** Between 2011 and 2022, Slovenia made its most significant progress in this area, surpassing all innovation leaders except Finland. This progress reflects strong performance in reducing the risk of social exclusion or poverty, including in-work poverty, managing housing cost overburden and maintaining frequent social interactions. Among the top-ranked EU countries, Slovenia also performed well in terms of keeping the home adequately warm, high employment rates, a low share of NEETs (young people not in employment, education or training), UHC service coverage and low traffic deaths. However, in 2022, it ranked among the lower-performing countries in terms of real household disposable income per capita and environmental issues. It also ranked among the lowest – or the lowest – for trust in the national government, while the suicide rate is among the highest in the EU.
- **Nature (environment) (7th place):** Throughout the observed period, Slovenia ranked among the EU's best in terms of Natura 2000 areas and the water exploitation index. It also ranked high in terms of consumption footprint per capita, ecological status of water, natural and semi-natural vegetated land and the share of renewable energy in gross final energy consumption. It performed less well in gross value added of the environmental goods and services sector and in the use of public transport, while it ranked mid-range among EU countries for other indicators.
- **Resources for the future (11th place):** Unlike the V4 countries, which regressed during this period, Slovenia followed the positive trend of European innovation leaders and made significant progress. Improvements were seen in life expectancy, share of the population (aged 25–34) with tertiary education, net investments in fixed assets (as a % of GDP) and total fixed assets. Slovenia also ranked well in terms of participation in volunteer activities, although in 2022,¹¹ it slipped into a lower group for this indicator, as well as for reading, mathematics and science achievements, where it placed in the mid-range.

¹⁰ The term »wellbeing today« refers to the first of six SIWB components and is calculated based on 13 indicators (at-risk-of-poverty or social exclusion rate (AROPE), frequency of contacts with family and friends, housing cost overburden rate, in-work at-risk-of-poverty rate, employment rate, inability to keep home adequately warm, traffic deaths, UHC service coverage index, young people neither in employment nor in education and training (NEETS), pollution, noise, grime or other environmental problems, real gross disposable income of households per capita, average trust in national government and national parliament and deaths from suicide). This concept should not be confused with the broader understanding of wellbeing in terms of overall quality of life. For more details on the SIWB methodology, see the Statistical Appendix.

¹¹ Some indicators can be directly linked to the realities of the pandemic, while others reflect indirect consequences, such as changes in trends between 2020 and 2022.

Slovenia scores lower on quality of life according to the SIWB in the areas of social resilience, mainly due to the declining quality of public services and the institutional environment, leading to low trust in political institutions:

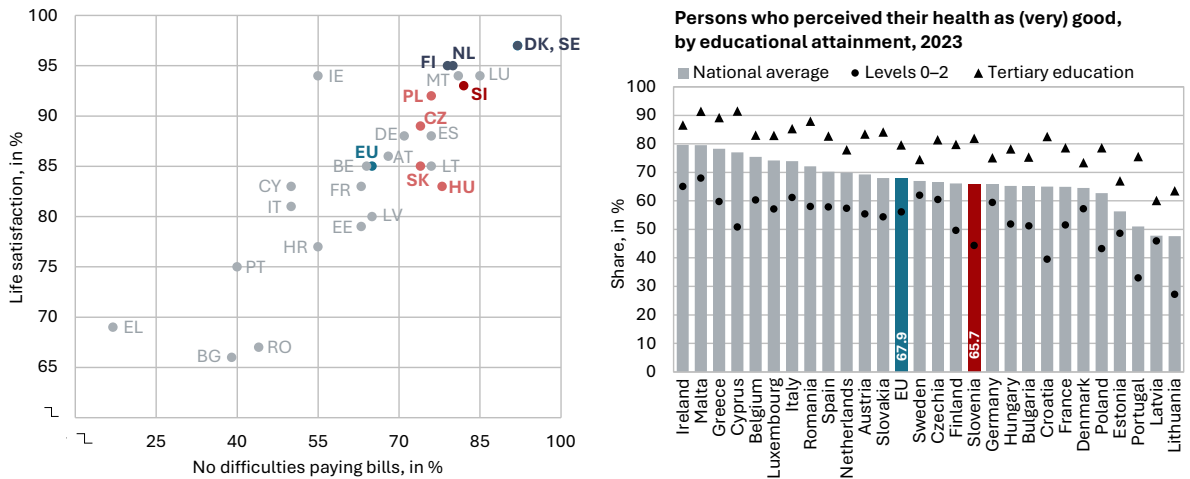
- **Social resilience (22nd place):** In 2022, Slovenia ranked among the most successful countries for adult participation in education,¹² but was less successful in other aspects of social resilience. It ranked in the mid-range among EU countries for standardised preventable mortality (deaths that could be avoided through public health measures and prevention) and treatable mortality, as well as impact of social transfers (excluding pensions) in reducing poverty. Slovenia ranked low for basic digital skills, material import dependency, net international investment position and projected old-age dependency ratio. In contrast, innovation leaders, V4 countries and the EU average made progress in social resilience, surpassing Slovenia.
- **Institutional environment (15th place):** This is the only area where a negative trend can be observed in Slovenia, as well as in the innovation leaders and V4 countries (except for Czechia). The greatest challenges are related to regulatory quality, trust in political institutions, social and political participation, and accountability.

¹² In this case, the indicator for adult participation in education was used in accordance with the Labour Force Survey (LFS) methodology. This measures participation in education over the four weeks prior to the survey and is calculated based on annual averages of quarterly data. Due to methodological differences, it differs from the data on adult participation in education according to the Adult Education Survey, under which Slovenia ranked among the countries with one of the lowest participation rates in 2022 (see Section 3.1.3.2).

2.2 Social development

Slovenia’s self-perceived quality of life has improved, though it remains below the EU average in some areas. Overall life satisfaction has remained high in recent years, despite the pandemic, geopolitical uncertainties, rising cost of living and energy price hikes. In 2024, it reached its highest level yet, ranking 7th in the EU (Figure 12, left). Interpersonal trust, willingness to help others and social interactions have also gradually improved. In 2023, interpersonal trust reached an all-time high,¹³ though it remained below the EU average, while trust in institutions remained low (see Section 3.4.1). A large majority of respondents (95%) reported having at least one person they could talk to about personal matters – an important factor for social support and inclusion.¹⁴ Participation in social life and volunteering was lower than the EU average.¹⁵ However, more Slovenians than the EU average engaged in leisure activities at least once a week, particularly for entertainment or relaxation and for improving their health (EIGE, 2024c). Self-perceived health was below the EU average (Figure 12, right), with the lowest scores among individuals with lower educational attainment.¹⁶ Groups that reported lower assessments across various aspects of quality of life included older adults, individuals with low education levels and women.

/ Figure 12: Life satisfaction peaked in 2024 (left), while self-perceived health remained low (right)



Sources: Eurobarometer (2024e) and Eurostat (2025).

¹³ The average trust rating on a scale from 0 to 10 was 4.7, below the average of 5.1 recorded across 18 EU countries included in the European Social Survey (ESS ERIC, 2024). Similarly, Eurofound (2025b) data for 2024 reported a trust rating of 4.4 for Slovenia, compared to the EU average of 4.9.

¹⁴ 55% of respondents had frequent contacts with relatives, friends or colleagues, which is similar to previous years (CJMMK, 2024).

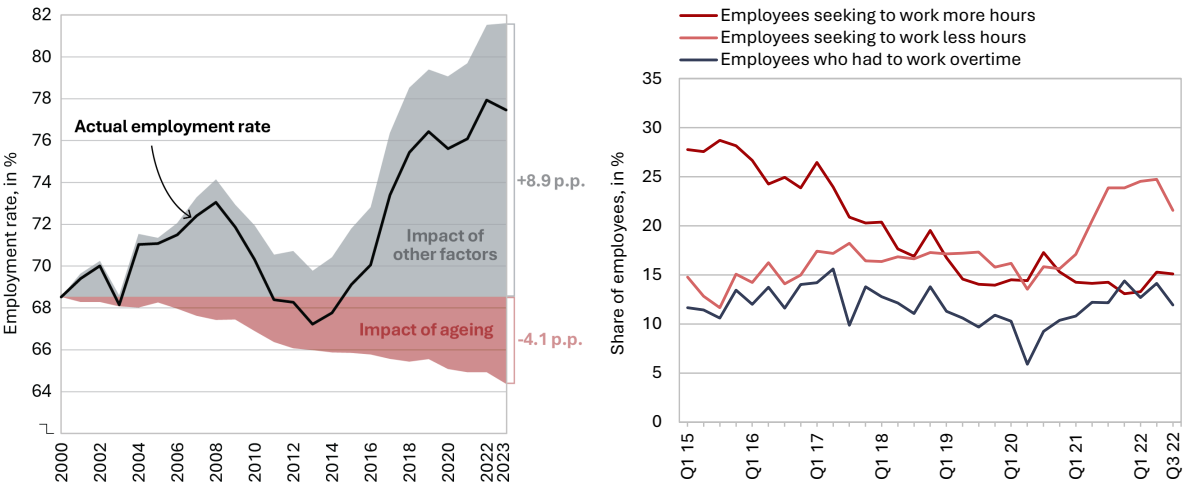
¹⁵ In 2022, 16.8% of the population was involved in volunteering, charitable, or political activities (EU: 19.3%) (EIGE, 2024c).

¹⁶ At the end of 2024, 34% of respondents in Slovenia cited health and the healthcare system as their main personal concern, similar to the innovation leaders (36%), while at the EU level, inflation and the cost of living were cited as the main personal concern (47%); for more, see Eurobaromer (2024e).

2.2.1 Material wellbeing of the population

Labour market participation has been steadily increasing for some time, helping to mitigate the effects of a shrinking workforce due to demographic trends. With record-high employment and historically low unemployment, the main sources of employment growth will be the further strengthening of labour market participation and attracting foreign workers. The employment rate – which measures the proportion of the population aged 20–64 that is economically active – increased to 77.5% by 2023 (the latest annual data) (EU: 75.3%). This exceeds Slovenia’s SDS 2030 target but still falls short of the European Pillar of Social Rights Action Plan target for 2030 (79.5%). Both cyclical and structural factors have had a positive effect on the employment rate, including longer participation in the workforce, gradual improvements in the educational structure of the labour force and greater inclusion of women. These changes have helped counter the adverse demographic trend of an ageing workforce, as the share of older workers in the labour force increases and older workers generally have a lower employment rate than younger cohorts (*impact of other factors*, see Figure 13, left).¹⁷ The ageing workforce has had a negative impact on the employment rate, as the share of older workers – who typically have a lower employment rate compared to younger cohorts – continues to rise (*impact of ageing*, see Figure 13, left). While labour market participation has increased, work-leisure preferences have changed markedly in recent years, which could affect future trends in this area. The share of workers seeking to increase their working hours has been steadily declining, while the share of those preferring to work fewer hours is on the rise. This trend was particularly evident in the period immediately following the COVID-19 crisis (Figure 13, right).

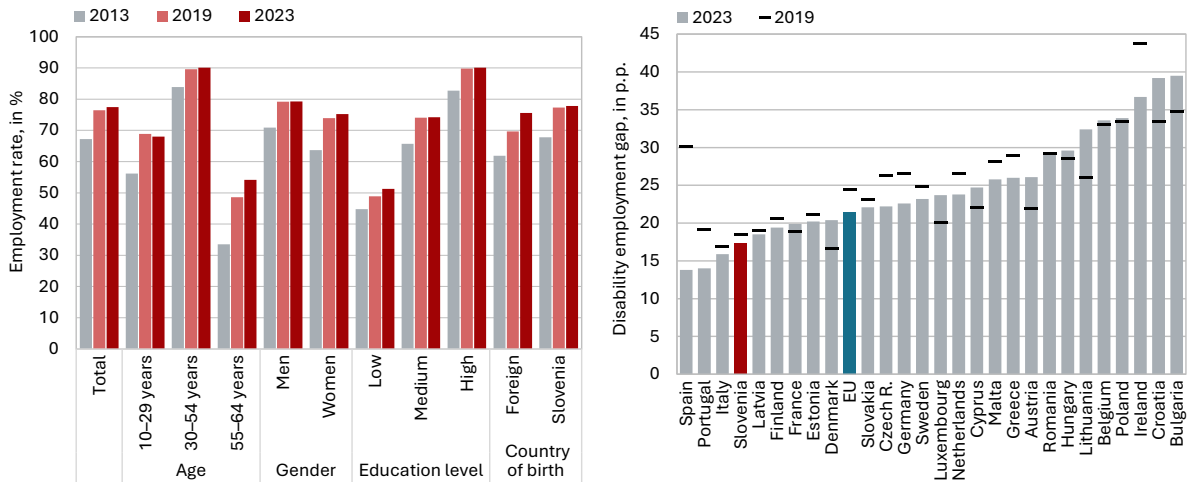
/ Figure 13: The ageing workforce has had a negative impact on overall employment levels (left); after 2020, the share of employees seeking to reduce their regular working hours surged (right)



Sources: Eurostat (2025) and SURS (2025b). Note to the figure on the left: decomposition of the employment rate, based on the shift-share method. This method breaks down the change in the employment rate between 2000 and 2023 (from 68.5% to 77.5%) into two contributing factors: the impact of ageing and the impact of other factors. The impact of ageing shows how much of the change in the employment rate can be attributed to the increase in the share of older workers among the entire labour force. Since older workers typically have a lower employment rate than other age groups, their growing share results in a negative contribution (of 4.1 p.p.) to the total rate. The contribution of other factors reflects how changes in the employment rates of specific age groups have influenced the overall rate.

¹⁷ The impact of demographic changes on the labour market, particularly through changes in the age structure, is generally multidimensional: The first dimension involves the increase in the proportion of older workers among all persons in employment (referred to as an ageing workforce) – a trend that began around 2005. Another aspect is the decrease in the working-age population (aged 20–64), which has been occurring since 2012.

/ Figure 14: Robust labour demand and the general labour shortage have contributed to improved employment opportunities, including for some vulnerable groups



Source: Eurostat (2025).

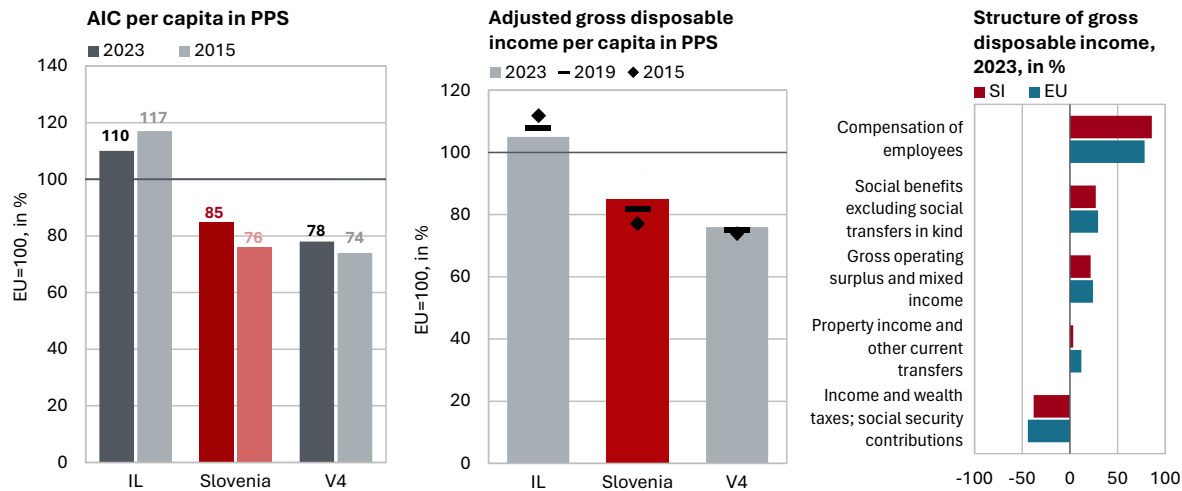
Employment opportunities have significantly improved, though there is still untapped potential, especially among older and younger workers. Individuals aged 30–54 have an above-average¹⁸ employment rate. Certain groups – older adults, young people, individuals with low education levels, women more often than men (especially foreign nationals) and people with disabilities – tend to have relatively lower employment rate (Figure 14, left). These groups often occupy lower-paying jobs, are trapped in inactivity or low-wage traps and have limited opportunities for career advancement, which further hampers their social inclusion and economic independence. While strong growth in labour demand and widespread labour shortages have noticeably improved employment prospects for these groups in recent years, there is still room for improvement. In 2023, the employment rate of young people (aged 20–29) approached pre-COVID-19 pandemic levels (this group was most affected by job insecurity during the COVID-19 pandemic as many fixed-term contracts were cancelled or not renewed). In recent years, the greatest progress in labour market integration has been made by older adults (55–64) and those with low education (two often-overlapping groups), where still only half of all people are economically active. Among foreign nationals, the overall employment rate was similar to that of Slovenian nationals, though this masks a significant gender gap: foreign women had a 10.9 p.p. lower employment rate in 2023 compared to Slovenian women, while the situation was reversed for men, although not as pronounced.¹⁹ While Slovenia ranks high in terms of the employment rate of persons with disabilities compared to other persons (Figure 14, right), progress in recent years has been relatively small, with only one-third of Slovenian companies required to meet the quota for employing persons with disabilities actually complying (Kokalj, 2024).

¹⁸ The employment rate in the age group of 30–54 was very high in 2024 compared to other EU Member States (90.5%, EU: 83%).

¹⁹ In 2023, the employment rate among foreign men was 85%, compared to 79.6% among Slovenian citizens. The significant gap in employment rates between foreign women and Slovenian women may be influenced by the educational structure of female immigrants, the mismatch between labour market demand and supply, and socio-cultural differences in the division of professional and family labour between men and women.

Material well-being of the population has improved in recent years, mainly due to positive developments in the labour market, but remains below the EU average. The indicator of actual individual consumption (AIC) per capita in PPS²⁰ reached 85% of the EU average in 2023, which is 9 p.p. higher than in 2015 (Figure 15, left). Similarly, gross adjusted disposable income per capita in PPS – which also accounts for household in-kind income – has moved closer to the EU average (Figure 15, middle). This is the result of real growth in gross disposable income, which has been twice as high as growth in the EU since 2016. In terms of structure, the share of compensation of employees, which is the main source of gross disposable income for all EU Member States, is higher in Slovenia than at the EU level (Figure 15, right).²¹ Another major difference between the structure in Slovenia and the EU is the higher share of income from property and taxes on income and wealth in the EU, which, in addition to the tax system, is also influenced by the structure of household financial assets. Nearly half of all assets in Slovenia are held in cash and deposits, compared to just under a third in the EU.

Figure 15: Actual individual consumption and gross adjusted disposable income (both per capita and in PPS) are gradually approaching the EU average (left and middle); in terms of income structure, Slovenia has a smaller share of income from property and income and property tax compared to the EU, but a larger share of employee compensation (right)



Source: Eurostat (2025); calculations by IMAD.

In 2023, the average assessment of the household financial situation in Slovenia was better than the EU average; wealthier households allocated the largest share of their expenditure to transportation, while less well-off households spent the most on housing. The financial situation of households has improved since 2019.²² In 2023, single-person households – particularly women aged 65 or older – faced more difficulties than the EU average. The share of households able to cover unexpected expenses in the amount of at-risk-of-poverty threshold gradually increased (Figure 16, left), with government measures playing a significant role during the pandemic and cost-of-living crisis. With the gradual increase in gross disposable income between 2012 and 2018, the share of household expenditure on food and

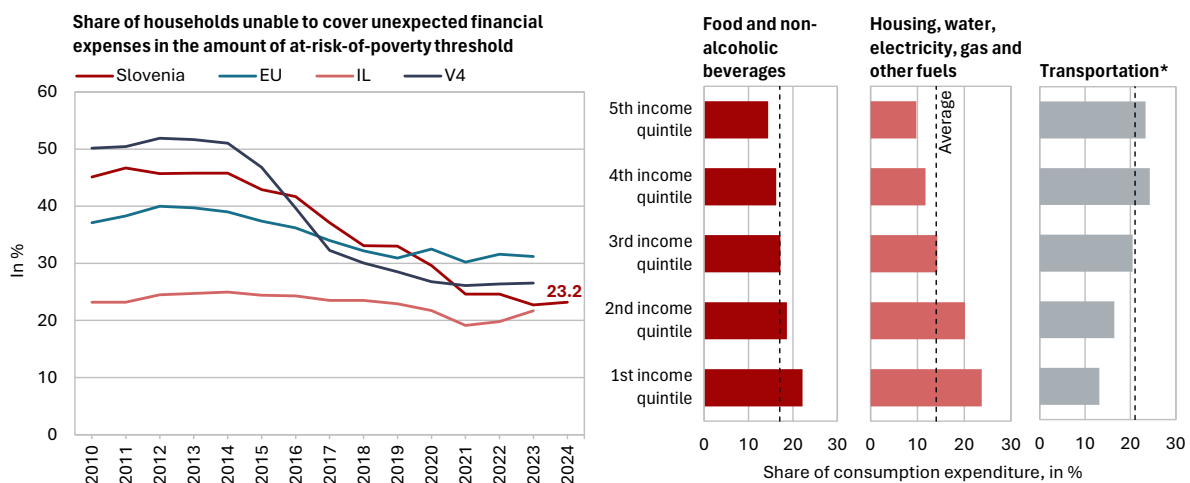
²⁰ The actual individual consumption per capita in PPS is used as a measure of the country's economic development (GDP per capita in PPS) but also reflects material well-being by considering the prices of goods and services actually consumed by individuals (including public services such as education and social assistance services).

²¹ Next are social benefits (excluding in-kind social transfers), which had the highest share in 2020 due to the impact of COVID-19 measures and measures to support the population, followed by gross operating surplus and mixed income.

²² Measured by EU-SILC indicators (annually) and Consumer Opinion Survey indicators (monthly).

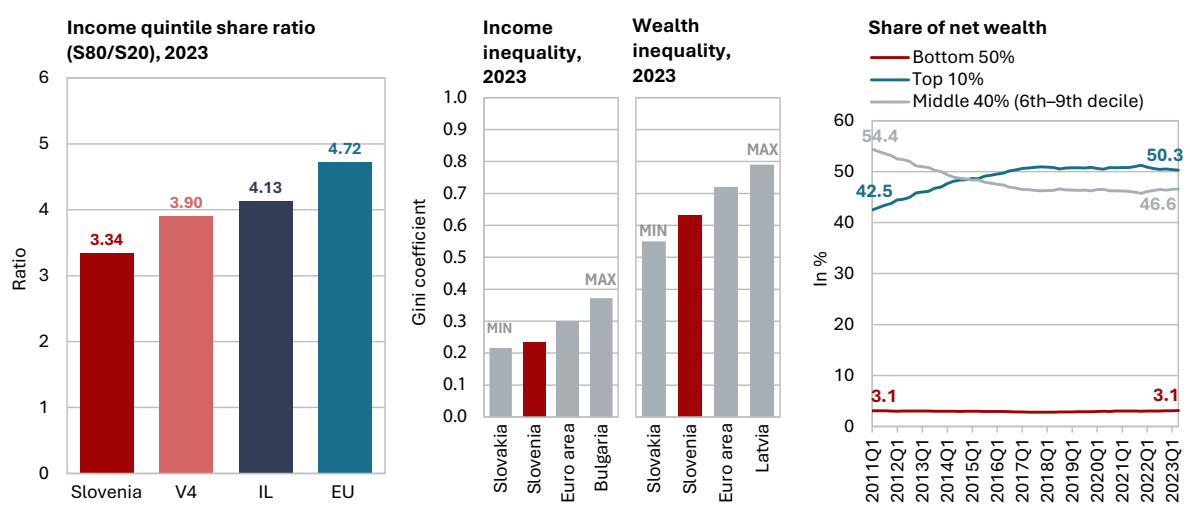
basic necessities declined, but it rose again in 2022 amid surging prices. On average, in 2022, household expenditure increased by 24% compared to 2018.²³ In the first two income quintiles, the largest share of expenditures was directed towards housing (Figure 16, right). In the remaining three quintiles and overall, the largest share was spent on transportation – the highest among EU Member States²⁴ (see Section 2.2.3).

/ Figure 16: Since 2020, the share of households in Slovenia able to cover unexpected expenses in the amount of the at-risk-of-poverty threshold has exceeded the EU average (left); in 2022, less well-off households allocated the largest share of their expenditure to housing, while better-off households spent the most on transportation (right)



Sources: Eurostat (2025), SURS (2025a); calculations by IMAD. Note to the figure on the right: Consumption expenditure excludes other expenditure which are not part of consumption expenditure (expenditure related to the purchase or renovation of a dwelling and various other expenditures). * Transport includes the purchase of vehicles, personal transport equipment and transport, postal and courier services.

/ Figure 17: Slovenia has one of the smallest income inequalities in the EU and the fourth smallest wealth inequality in the euro area; the ratio between income decile classes in terms of net wealth has remained unchanged for several years



Sources: Eurostat (2025) and ECB (2024a) (experimental statistics). Note: The figure in the middle shows the country with the highest and the lowest inequality and the value of Gini coefficient for Slovenia and euro area. The Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality).

²³ In the 2022 Household Budget Survey, consumption expenditure was classified according to the revised COICOP 2018 classification, impacting data comparability with previous periods. A major change involved splitting of “miscellaneous goods and services” into “insurance and financial services” and “miscellaneous goods and services”. Additionally, minor adjustments were made in other categories.

²⁴ According to internationally comparable data for 2020, Slovenian households spent 18.5% of their expenditure on transport – the largest share in the EU (10.8%) – while households in the lowest income quintile spent 9.5% on this category (EU: 7%). In 2022, households spent as much as 21% of their total expenditure on transport (Eurostat, 2025).

Income inequality increased slightly in the last two years but remained among the lowest in the EU, while wealth inequality was the fourth lowest in the euro area. In 2023, the ratio between the bottom and top income quintiles was the lowest in the EU and has been in line with the 2030 SDS target (<3.5; 3.4 in 2024) for the eighth consecutive year. Low income inequality was supported by smaller wage disparities compared to the EU average, a progressive income tax system and, to some extent, social transfers (cash benefits and subsidies). Measured by the Gini coefficient, wealth inequality²⁵ in the euro area countries is higher than income inequality, with higher income brackets holding a significantly larger share of wealth than of income. In 2023, the richest 10% of Slovenian households held half of the total wealth, while the bottom 50% owned 3.1%; these ratios have remained unchanged since 2015.

Slovenia has one of the narrowest gaps between the minimum and average wages in the EU, partly due to low wage inequality and a high concentration of low wages.²⁶ One of the factors contributing to this wage concentration is the higher wage growth among employees with lower wages compared to other employees (Figure 18, right). The increase in the minimum wage also resulted from changes in its definition, now excluding numerous allowances. In recent years, a key factor in wage growth has been the general labour shortage, particularly in labour-intensive industries with relatively lower wages. According to IMAD's estimate,²⁷ around 9.3% of all employees earned close to the minimum wage in 2022: a slightly larger share of men than women, almost one-fifth of young people and employees with low levels of education and over one-third of foreign employees (Figure 19, left). While the overall share of those receiving wages close to the minimum wage has gradually decreased, the share of those earning slightly higher wages – around the minimum social security contribution base – has increased (Figure 19, right). For companies, raising wages to this level is relatively favourable from a tax perspective, leading to a growing number of companies opting for such wage payments.²⁸ An analysis by Perko and Rogan (forthcoming) shows that the increase in the minimum wage has also had a significant impact on the wages of employees earning just above the minimum wage, as companies often adjusted other wages in line with the rise in the minimum wage to maintain internal wage hierarchy. However, since other wages are typically

²⁵ According to experimental statistics by ECB (2024a), wealth inequality is measured by the share of wealth held by the richest households (10%) or by the Gini coefficient (comparison of cumulative proportions of the population against cumulative proportions of income they receive). It ranges from 0 (perfect equality) to 1 (perfect inequality) (OECD, 2021).

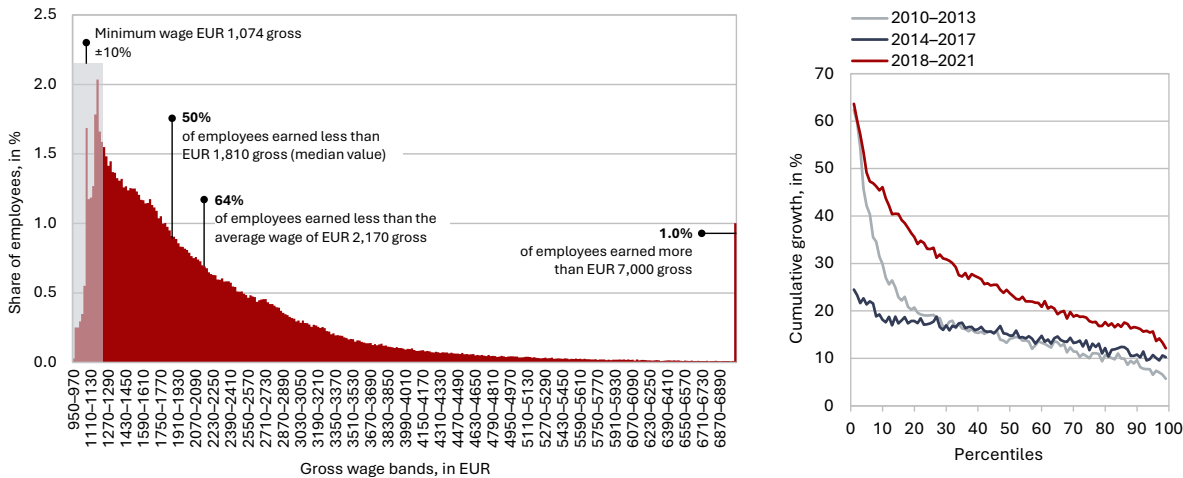
²⁶ According to Eurostat (2025), Slovenia ranked first in 2022 and second in 2023 in terms of the minimum-to-average wage ratio among EU Member States with a statutory minimum wage.

²⁷ Determining the number or share of minimum wage earners requires careful consideration, as only a small number of employees earn exactly the minimum wage. There is no internationally recognised definition of a *minimum wage earner*. In this analysis, a minimum wage earner is defined as an employee who received a wage $\pm 10\%$ around the minimum wage threshold. The estimate is based on the integration of administrative microdata on the working population and income tax data provided by SURS. A person was considered to be in employment if they were employed for a full year by a legal or natural person on the basis of an employment contract with the same employer in a permanent or fixed-term full-time employment relationship, were not on maternity leave or long-term sick leave and received at least 90% of the minimum wage. The sample comprised an average of about 570,000 people annually.

²⁸ The share of employees receiving wages within $\pm 10\%$ of the minimum wage has been decreasing, while the share of those receiving wages within $\pm 10\%$ of the minimum social security contribution base has been increasing since its introduction in 2015. Since employers, when paying a salary between the minimum wage and the minimum base, are required to calculate social security contributions (and the difference between the minimum wage and the minimum base) on the basis of the higher minimum base, increasing an employee's salary to the level of the minimum base is relatively favourable from a tax perspective (Perko and Rogan, forthcoming). The minimum social contributions base was introduced in 2015. It is higher than the minimum wage and depends on the average wage level (as a proportion of the average wage, which rose from 52% to 60% by 2021).

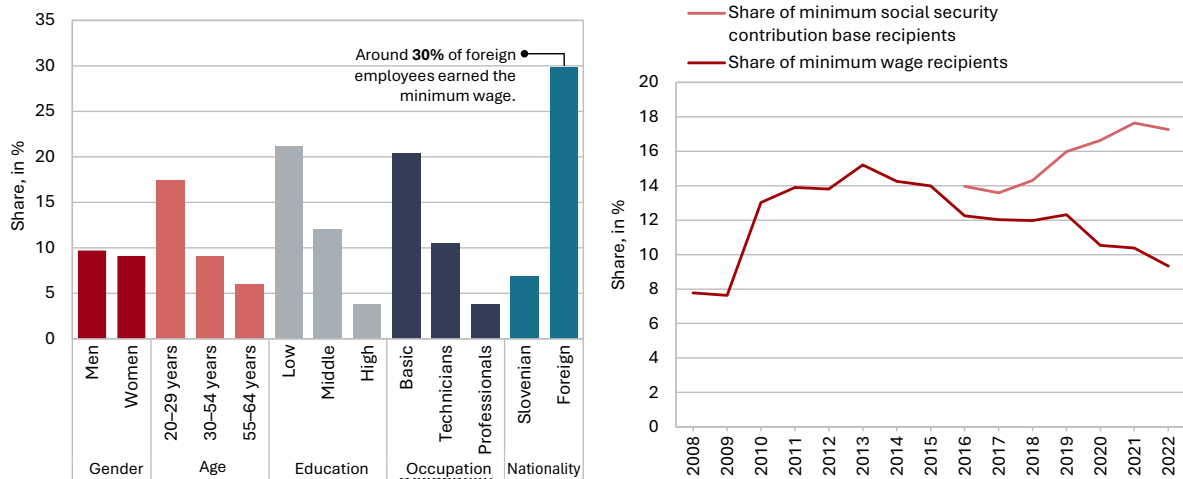
adjusted to a lesser extent, the gradual rise in the minimum wage has led to an increase in the density of low-wage earners and a decrease in wage inequality.

Figure 18: Wage distribution is heavily concentrated at the lower wage levels (left), which is the result of years of higher wage growth among low earners compared to other employees (right)



Source: SURS (2025b); IMAD estimates. Note: Figures are based on microdata, see note 28 and Perko and Rogan (forthcoming). The figure on the right shows annual wage growth across wage distribution percentiles. Percentiles divide the distribution into one hundred equal parts, with each percentile representing an equal share of occurrences or employees (i.e., 1%).

Figure 19: In 2022, young people, individuals with low education and foreign nationals were more likely to receive wages close to the minimum wage (left); the share of employees receiving such wages is gradually decreasing, while the share of those earning wages closer to the slightly higher minimum social security contribution base is increasing (right)



Source: SURS (2025b); IMAD estimates. Note: For the definition of minimum wage earners and minimum social security contribution base, refer to Footnote 28 and Perko and Rogan (forthcoming).

2.2.2

Gender equality

The Gender Equality Index (GEI)²⁹ has been slightly below the EU average for the past four years. In 2024, the GEI reached its highest recorded value (70.1 points), with the most significant progress in the *domain of power*: women's representation in politics increased, though their representation in leading positions in business remained relatively low.³⁰ In the *domain of knowledge*, the gap with the EU average widened slightly again due to a deterioration in the segregation score (uneven concentration of women and men in certain study programmes). Among tertiary education graduates, women continue to outnumber men. In the *domain of health*, men tend to rate their health better than women, but the number of healthy life years has increased more for women. In the *domains of time, work and money*, Slovenia remained above the EU average. The gender gap in unpaid care and domestic work³¹ has narrowed, primarily because women spend less time on these tasks, rather than men shouldering a heavier load (EIGE, 2024a). Gender disparities are more pronounced in unpaid household work, which was carried out daily by 69% of women (EU: 63%) and only 29% of men (EU: 36%) (EIGE, 2024b). The gender gap in employment rates is relatively small; however, the uneven distribution of women and men across labour market sectors remains a persistent challenge.³²

Although a large share of women are employed, occupational segregation and other socio-cultural factors continue to contribute to women earning less than men. In Slovenia, the employment gender gap has consistently been among the smallest in the EU, standing at 6.1 p.p. in 2023 (EU: 10.2 p.p.). This is largely due to high female participation in the labour market, particularly in the 30–54 age group, where Slovenia has the highest rate in the EU (90.9% in 2023). Women's strong participation in the labour market is driven by their high levels of formal education and supportive policies that help balance work and family life (access to early childhood education and care, maternity leave and legal provisions for part-time work in case of parenthood). Despite small differences in labour force participation, women often earn less than men. The gender pay gap is shaped not only by socio-cultural factors but also by pronounced occupational segregation, i.e., the unequal distribution of women and men across sectors and occupations. Segregation is both vertical, where men are more likely to hold higher-ranking positions and horizontal, where women are more frequently employed in »feminised« sectors and occupy lower-paying jobs (Figure 21, left). Women also often earn less even when performing similar work, i.e., when employed in the same companies, in similar positions, with comparable education, age and profession as men (Figure 21, right).³³ This, in addition to segregation, is a result of deeply rooted socio-cultural patterns, the unequal distribution

²⁹ The GEI is composed of 31 indicators and measures the gender gap across six domains. Its calculation is based on the latest available data (for 2024 it is mostly from 2022). For more, see EIGE (2024a: 79–85).

³⁰ At the end of 2024, women made up 35.6% of members of parliament (EU: 33.1%) and 30% of ministers (EU: 32.8%); they held 25.6% of board positions in the largest listed companies in October (EU: 34.7%) (EIGE, 2024c). In November 2024, an amendment to the Companies Act (ZGD-1M, 2024) was adopted to promote gender balance in top leadership positions.

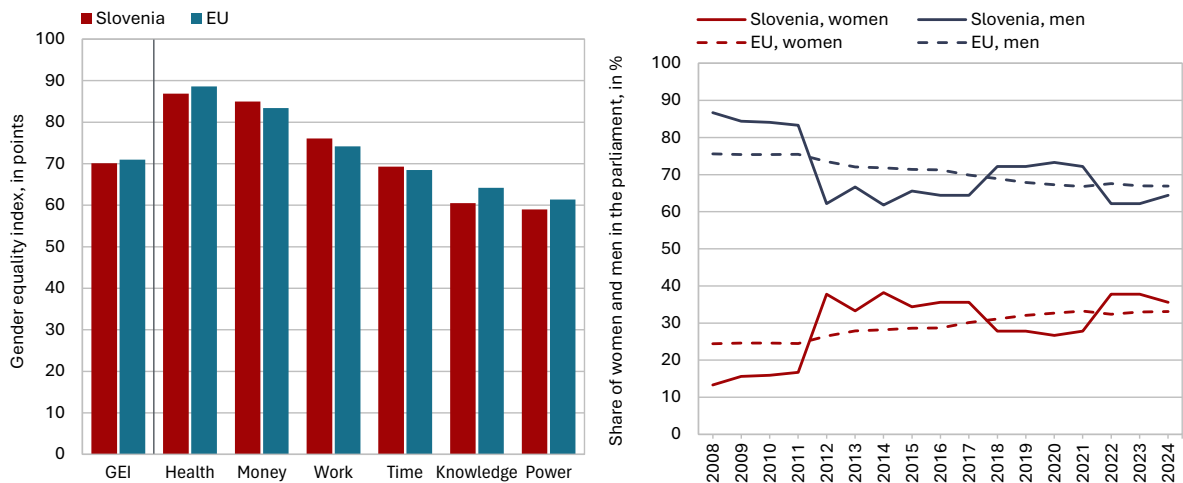
³¹ In 2022, the gender gap in unpaid care was 2 p.p. (EU: 9 p.p.), while the gender gap in housework and cooking was 40 p.p. (EU: 27 p.p.) (EIGE, 2024b).

³² In 2022, 30% of women were employed in education, human health and social work activities, compared to only 7% of men (EIGE, 2024b).

³³ The gender pay gap, which only compares the average wage of all men and women, is called the unadjusted pay gap. The gap where wages of men and women with similar characteristics (such as occupation, education, age, etc.) are compared is called the adjusted pay gap. The analysis by De Poli and Maier (2022) places Slovenia among predominantly Eastern European countries, where women, on average, have relatively better demographic and employment characteristics than men (e.g., better education), but still, on average, earn lower wages. Therefore, the implementation of the equal pay for equal work principle (see EU Directive: EP and the Council, 2023) could largely eliminate the gender pay gap.

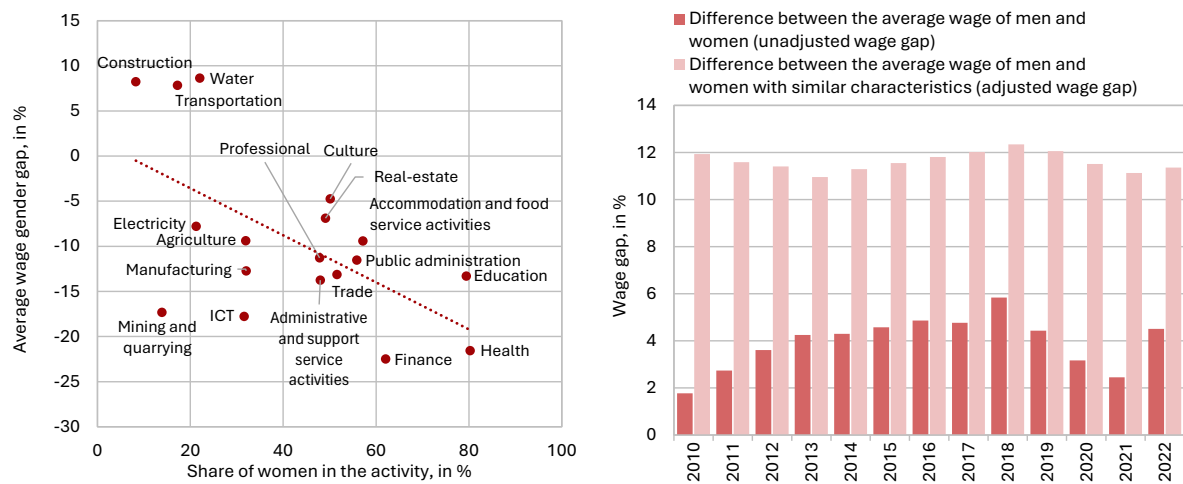
of care responsibilities, temporary career interruptions due to childbirth, workplace culture, lack of pay transparency, differing career motivations and aspirations, labour market dynamics and discrimination. Gender pay gaps emerge at the very start of women’s careers and tend to widen slightly in the early stages, coinciding with the birth of the first child, while men's career paths are generally uninterrupted during this period (Figure 22, left). The pay gap varies considerably between occupations, but is generally slightly larger in more demanding occupations (Figure 22, right).

/ Figure 20: The Gender Equality Index* remained slightly below the EU average in 2024 (left); the share of women in parliament** has increased in the last two years and now exceeds the EU average (right)



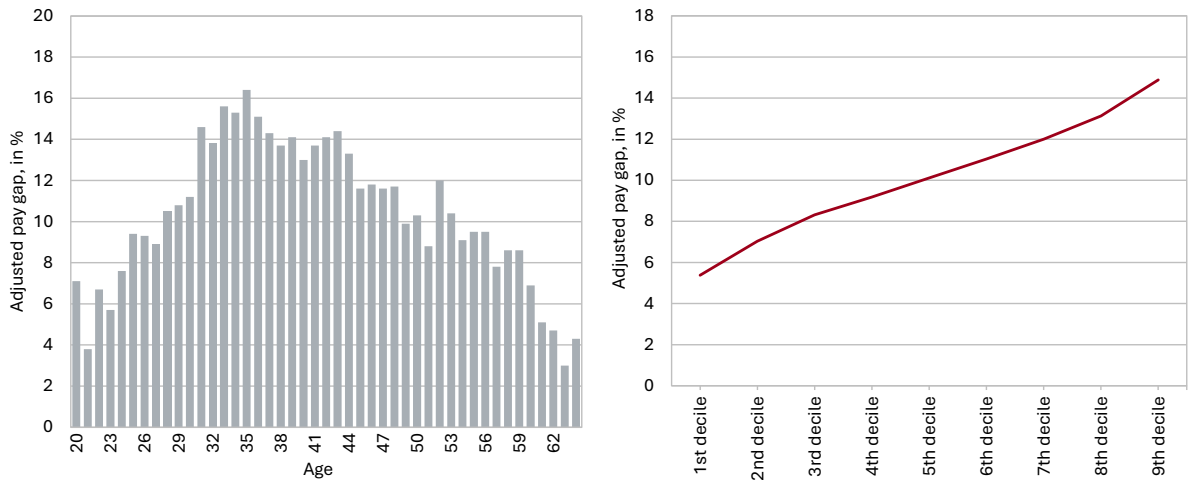
Source: EIGE (2024c). Notes: * A value of 1 means total inequality and 100 total equality. Data used in the index calculation for 2024 is mostly from 2022. ** Annual data are for the 4th quarter.

/ Figure 21: Horizontal segregation, where the average wage in sectors with a relatively higher share of women is lower for women than for men (left); the gender pay gap also persists when comparing the wages of men and women in similar jobs with comparable education, age and other factors (right)



Sources: SURS (2025a), SURS (2025b); IMAD estimates. Note: The unadjusted pay gap refers to the difference in the average wage of men and women expressed as a share of men’s wage. When the gap is positive (negative), the average pay for women is lower (higher) than for men. The adjusted gender pay gap is usually smaller than the unadjusted gender pay gap, but in Slovenia and some Eastern European countries the opposite is the case. The values for the unadjusted gap and the average wage level in the figure differ slightly from the values published by SURS due to slight differences in the sample used. In IMAD’s case, wages are first logarithmically transformed and only then averaged. The adjusted pay gap refers to the difference that excludes variations in employee structure and is a regression estimate. The regression estimate was created by merging micro-data from the Statistical Register of Employment (SRDAP) and income tax assessment/control data. The explanatory factors in the regression analysis were working time (permanent/not permanent, full-time/part-time), marital status, recognised disability, nationality, age, four enterprise size classes, educational level (21 levels), occupational level (according to the Standard Classification of Occupations (SKP) at level 4), activity (according to the Standard Classification of Activities (SKD) at level 5) and sector (according to the Standard Classification of Institutional Sectors (SKIS) at level 5). For each year, the estimate included around 550,000 employees who were with the same employer and in the same occupation for the entire year and earned at least 90% of the annual minimum wage.

/ Figure 22: The gender pay gap emerges at the very start of women’s careers (left) and widens further along the income distribution (right)



Source: SURS (2025b); IMAD estimates. Note: Estimates refer to 2023. In the gap estimates by age group, fixed effects at the organisational level were also used, meaning that the comparison refers to men and women within the same organisations.

2.2.3 A decent life for all

The overall at-risk-of-poverty or social exclusion (AROPE) rate is among the lowest in the EU,³⁴ although the rate for some vulnerable groups has exceeded the EU average for several years. According to the 2024 EU-SILC survey based on 2023 income data, the AROPE rate increased slightly (Figure 23, left): the at-risk-of-poverty rate³⁵ increased (by 0.5 p.p.), while the severe material and social deprivation rate³⁶ and the very low work intensity rate³⁷ decreased slightly. Around 302,000 people were at risk of poverty or social exclusion (15,000 more than in the previous year and 32,000 more than the national target by 2030). The lowest AROPE rate was recorded among children; however, certain vulnerable groups of children face a higher risk of poverty or social exclusion than in other EU countries.³⁸ For many years, individuals aged 65 and older (around 99,000 in 2024)³⁹ have been among the groups facing an above-average AROPE risk, reinforcing the age-related risk gap.⁴⁰ The risk is also higher than the EU average for single-person households, households with low work intensity, individuals with low education, immigrants and other minority groups. In these cases, multiple aspects of exclusion overlap, subjecting them more to intergenerational transmission of disadvantages

³⁴ As the EU-SILC survey does not adequately cover the most vulnerable and often marginalised groups, as well as the wealthiest (Guio et al., 2021; Stiglitz et al., 2018; IMAD, 2021a; UN, 2021), findings and analyses of other relevant authorities, institutions and organisations were also taken into account.

³⁵ The share of persons living in households with an equivalised disposable income below 60% of the median equivalised disposable income of all households, using the so-called adjusted OECD equivalence scale.

³⁶ The share of persons living in a household that cannot afford at least 7 out of 13 deprivation items, see Stare et al. (2024).

³⁷ The share of persons aged up to 64 living in households where the adults worked less than 20% of their total work potential during the reference year.

³⁸ In 2023, Slovenia had the highest AROPE rate among all Member States for children aged 6–11 whose parents have a low level of education (87%). The overall AROPE rate among children of low-educated parents is also among the highest in the EU.

³⁹ Among pensioners (who may also be younger than 65), this number reached 111,000 (Eurostat, 2025).

⁴⁰ The AROPE rate for older women is twice the national average, despite newer generations of pensioners receiving higher pensions. Older women face the greatest difficulties, with various aspects of risks, disadvantages and deprivations overlapping.

due to discrimination, marginalisation and lower social and cultural capital.⁴¹ Based on the level of urbanisation, Slovenia has the third-lowest AROPE rate in the EU.⁴²

The at-risk-of-poverty rate increased slightly in 2021–2024, with a high concentration of citizens up to 10% above the at-risk-of-poverty threshold.

The at-risk-of-poverty rate decreased in the period 2016–2021, but has been slowly rising since 2021. In 2024 (based on 2023 income), around 276,000 people were living below the at-risk-of-poverty threshold,⁴³ almost half of whom (around 135,000 people) lived in persistent poverty.⁴⁴ Expert institutions also point to hidden poverty (homeless, Roma, non-citizens) and insufficient monitoring and targeted action by the state.⁴⁵ As the number of people with incomes up to 10% above the at-risk-of-poverty threshold⁴⁶ continues to rise each year (around 169,000 in 2024), a sudden increase in household costs due to a cost-of-living or other crisis could quickly push a large share of the population below the at-risk-of-poverty threshold. During the pandemic, when tourism, accommodation and food service activities and transportation were severely affected by containment measures, the Obalno-kraška region⁴⁷ recorded the highest measured at-risk-of-poverty rate in Slovenian regions to date (24.8% in 2022). Despite some improvement, the risk remained the highest in the country in 2024 (19.5%). The in-work at-risk-of-poverty rate has been close to the 2030 SDS target in recent years, declining slightly in 2024 (to 5.4%). Those most affected were workers in precarious employment (self-employed, part-time and temporary workers) and foreign workers (Figure 24, right) (see the Statistical Appendix).

⁴¹ Children from vulnerable population groups tend to have poorer health, lower academic performance, tend to drop out of school early, and are trapped in the cycle of poverty and dependency on benefits from an early age. See Programme for Children (MDDSZ, 2020) and the National Action Plan for Child Guarantee 2022–2030 (Government of the RS, 2023).

⁴² In urban areas, the rate is 1.5 p.p. higher than in rural areas, with only Sweden and Czechia showing a smaller gap (Eurostat, 2025).

⁴³ In 2024, individuals with net disposable income per adult equivalent of less than EUR 981 per month (based on 2023 income) were living below the at-risk-of-poverty threshold.

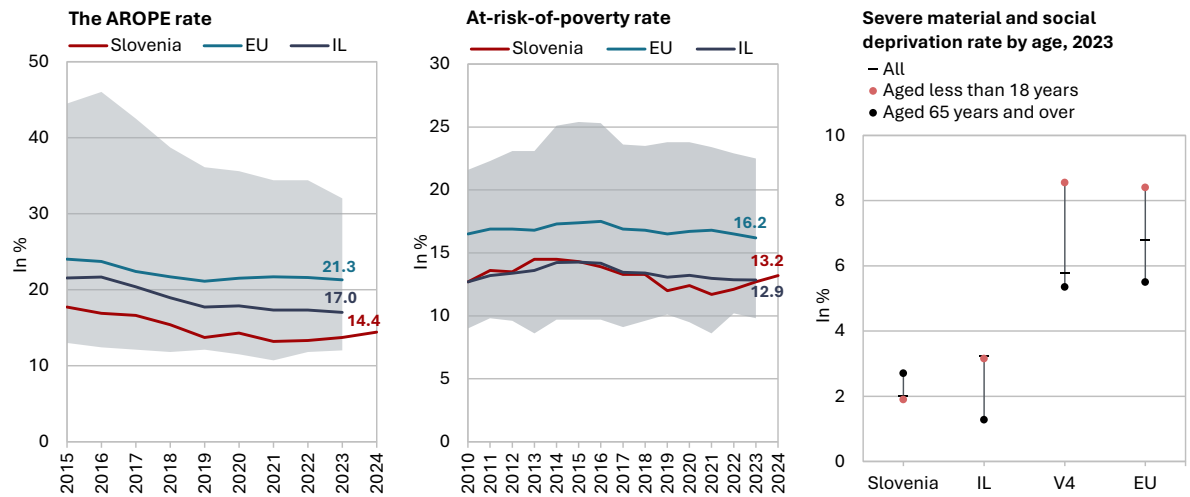
⁴⁴ 6.8% of people had an income below the at-risk-of-poverty threshold in the last income reference year and at least two out of the preceding three years.

⁴⁵ The Court of Auditors of the Republic of Slovenia (2021), the Ombudsman (2021), the IRSSV (2021) and various expert analyses (EAPN, 2022; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022) point to the high risk of poverty for people with disabilities, older women, single parents, certain groups of foreign nationals (e.g. foreign posted workers), migrants, tenants, etc.

⁴⁶ The share of persons living in a household with a disposable income of more than 60% and less than 70% of the median equivalised disposable income of all households.

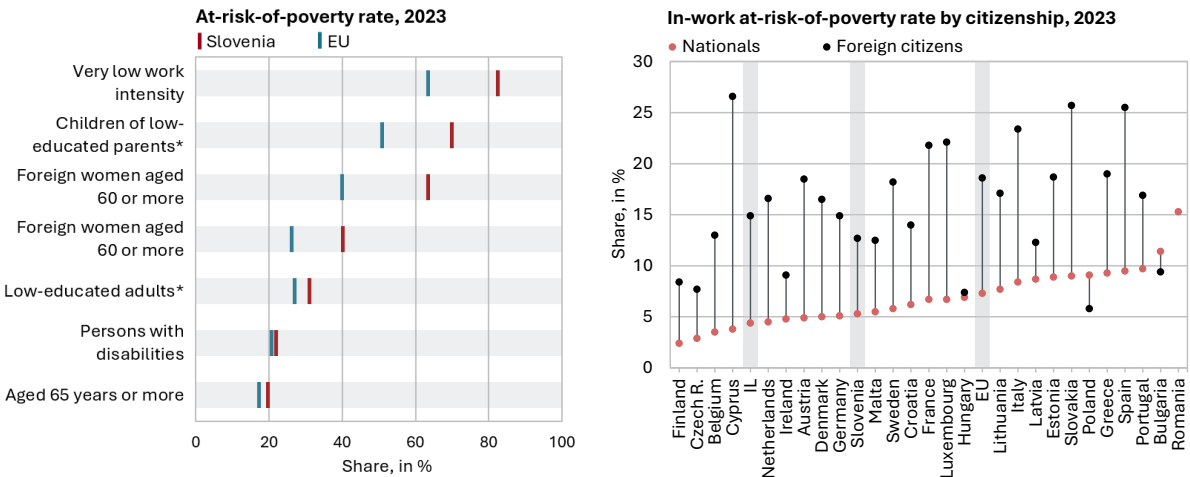
⁴⁷ In 2016, the Obalno-kraška region had the lowest at-risk-of-poverty rate in the country (8.7%).

/ Figure 23: The AROPE and at-risk-of-poverty rates remain among the lowest in the EU despite a slight increase in recent years, while the severe material and social deprivation rate is the lowest



Sources: Eurostat (2025) and SURS (2025a), data for Slovenia based on EU-SILC 2024 (based on 2023 income). Note: The shaded area shows the range between the EU Member States with the lowest and the highest indicator values.

/ Figure 24: Some groups in Slovenia have been at a higher risk of poverty than the EU average for several years (left); among those in employment, foreign workers are more exposed to poverty than Slovenian citizens (right)



Sources: Eurostat (2025), EU-SILC 2023 (based on 2022 income). Note: * with less than primary, primary and lower secondary education (levels 0–2). Figure to the right: Data on the in-work at-risk-of-poverty rate among foreign nationals is not available for Romania.

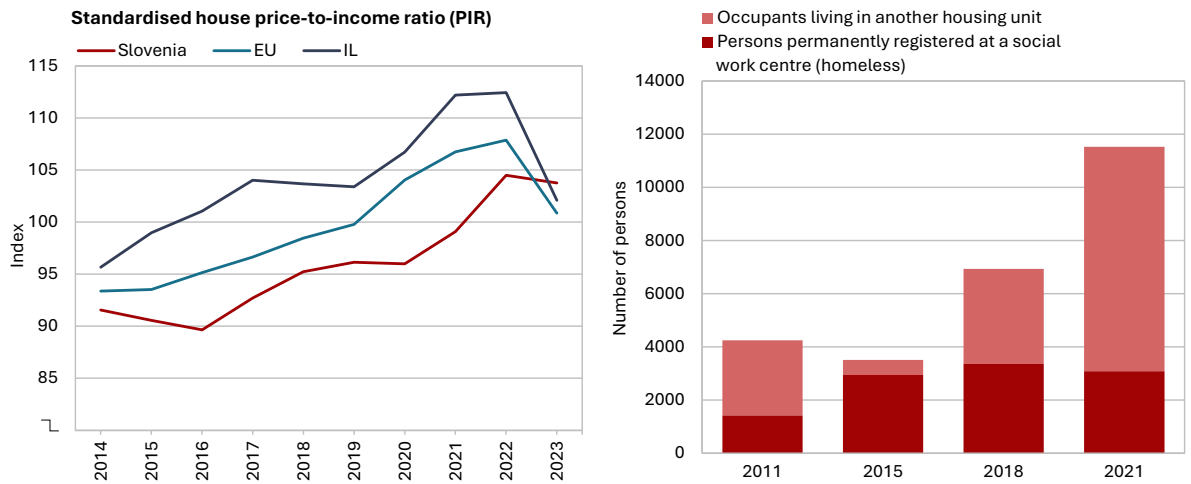
Housing affordability is declining, leading to an increasing number of residents facing housing deprivation. The price-to-income ratio (PIR)⁴⁸ has been rising compared to the long-term average since 2016, more significantly during the pandemic, when the quality of living gained importance worldwide due to containment and other measures. After 2022, the trend in PIR growth has reversed (Figure 25, left), but the decrease was much less pronounced compared to the EU average and innovation leaders. This was mainly due to an underdeveloped non-profit rental sector,⁴⁹ an insufficiently regulated

⁴⁸ The PIR is the ratio between the current dwelling price and the adjusted gross disposable household income in relation to the long-term (2000–2023) average price-income ratio. If the ratio is equal to 100, the current price-to-income ratio is equal to the long-term average. If the ratio increases, this usually means that dwelling prices are rising faster than incomes.

⁴⁹ According to the census data, there were 864,300 dwellings in Slovenia in 2021, of which 80% were occupied. Of the occupied dwellings, most were owner-occupied (almost 80%), 9% were rented and

private rental market (which would protect tenants and landlords) and, above all, housing shortage. Slovenia has the third lowest number of dwellings per 1,000 inhabitants in the EU and the second highest average number of persons per occupied dwelling (2.9 people), second only to Slovakia (3.1) (Miklič, 2024). Housing distress primarily affects first-time buyers, young people who consequently leave their parents' household later in life (in 2023, the average age of people leaving their parental home was 29.1 in Slovenia, 26.5 in the EU and just 22 in innovation leaders), immigrants and other vulnerable groups with lower incomes. Poor housing affordability⁵⁰ is increasingly reflected in these groups living in inadequate housing conditions and overcrowded dwellings.⁵¹ Homelessness is also an extreme form of housing deprivation.⁵²

/ Figure 25: In Slovenia, dwelling prices have risen faster than incomes; in the EU, the trend reversed in 2023 (left); the increasing unaffordability of housing is leading to a growing number of people without adequate housing (right)



Sources: Eurostat (2025) and SURS (2025a). Note to figure on the left: The PIR is the ratio between the current house price and the adjusted gross disposable household income in relation to the long-term (2000–2023) average price-income ratio. If the ratio is equal to 100, the current price-to-income ratio is equal to the long-term average. If the ratio increases, this usually means that dwelling prices are rising faster than incomes. IL – innovation leaders (Denmark, Finland, Netherlands and Sweden). Note to figure on the right: The category »other housing units« included buildings or parts of buildings that are not habitable or not intended for residential purposes. The number of residents in this type of housing fluctuated considerably between 2011 and 2021, underscoring its temporary nature. Due to precarious housing conditions, some of these people could be categorised as homeless according to the ETHOS definition (Filipovič Hrast et al., 2023).

Energy poverty in Slovenia is primarily driven by inadequate housing conditions, while transport poverty is largely caused by poor connectivity and insufficient service frequency. From 2014 to 2024, the proportion of households experiencing energy poverty⁵³ decreased by 3.6 p.p., or 70,000 people. In the last three years, it stood at 7.3% (the latest data for 2024).⁵⁴ The highest share of energy-poor households was found among single-person households and, compared to 2023, the increase was most notable

12% were user dwellings (users were neither owners nor tenants) (Miklič, 2021).

⁵⁰ Due to the high proportion of owner-occupied housing (almost 80%), housing costs are low, although not for households below the poverty line (see the Statistical Appendix).

⁵¹ The overcrowding rate includes people living in a flat with an insufficient number of rooms relative to the number of persons in the household, their gender and age (Stare et al., 2024).

⁵² According to the population and housing census, around 11,500 people lived in inadequate housing in 2021 (SURS, 2025a): of these, around 3,000 were homeless (registered with the social work centres) and around 8,400 lived in insecure housing. According to a Slovenian Public Opinion Poll on homelessness (CJMMK, 2023), more than 20,000 people have experienced homelessness or marginalisation in the past five years. Most of them have resolved their housing problems with the help of family and friends, which can constitute hidden homelessness (Filipovič Hrast et al., 2023).

⁵³ There is no standardised definition at the EU level. In Slovenia, energy-poor households are defined as those below the at-risk-of-poverty threshold who are either (i) unable to pay utility bills, (ii) unable to keep home adequately warm or (iii) living in inadequate housing conditions (Regulation on criteria for defining and assessing energy poverty, 2022).

⁵⁴ It was experienced by around 110,000 persons, i.e. 1,000 more than in 2023.

among single-parent households with at least one dependent child. Among the factors contributing to energy poverty, inadequate housing conditions stand out,⁵⁵ with the share of population exposed to this issue being among the highest in the EU. However, the severe housing deprivation rate⁵⁶ remains low (see the Statistical Appendix). Arrears on utility bills in 2023 were similar to the EU average, with the highest increase seen in the proportion of people not able to keep their housing adequately warm.⁵⁷ For years, the situation has been most severe for retired persons who often own homes that are either oversized and/or in poor condition (Kump and Stropnik, 2022), which can lead to excessive maintenance costs. According to experts,⁵⁸ in 2023, around 3.5% of the population in Slovenia faced transport poverty (i.e. around 60,000 people), with the highest rate in the Pomurska region (7.5%). This is due to the poor availability of public transport services, along with dispersed settlements and a higher risk of poverty in the region. The insufficient frequency of public transport services⁵⁹ forces people to either own a car or arrange their own mobility solutions, which creates a significant financial burden.⁶⁰ Access to essential services, which includes not only transportation and energy but also access to drinking water, sanitation, financial services and digital communications⁶¹ is poor for some households due to low incomes and for others due to a lack of skills (e.g. low financial and digital literacy) and inadequate infrastructure and/or connectivity in some rural areas. In 2020, households below the poverty line spent one quarter of their disposable income on essential services – approximately 75% more than other households. Access to essential services was lowest among older individuals, persons with disabilities, those with low education and skills, rural populations and marginalised groups (Pečar, 2024).

⁵⁵ They are measured by the proportion of the population living in housing in poor condition, i.e. leaking roof, damp walls/foundation/floors, rot in window frames or floor. This indicator is also known as the housing deprivation rate.

⁵⁶ It is measured as the share of people in overcrowded housing who are simultaneously deprived of at least one of the deprivation measures: (i) poor housing conditions, (ii) lack of a bath or shower in the dwelling, (iii) lack of an indoor flushing toilet for sole use of the household or (iv) problems with the dwelling considered too dark (Eurostat, 2025).

⁵⁷ Energy poverty in summer is also becoming increasingly relevant due to climate change and the increasingly hot summers.

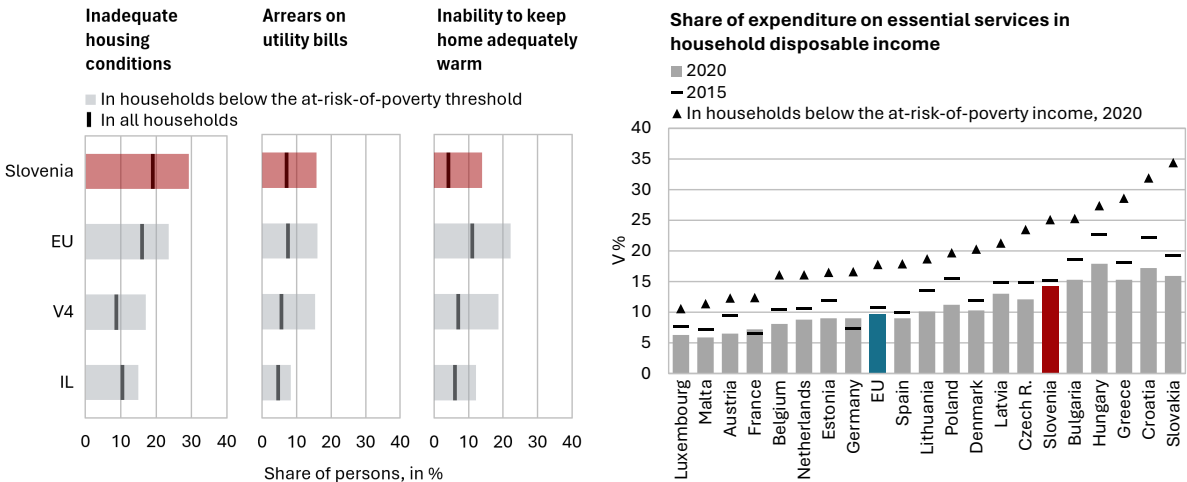
⁵⁸ There is no uniform definition of transport poverty at EU level. It was first defined by the Social Climate Fund (2023), established in 2023. On this basis it was defined for Slovenia within the Mobility Poverty Project (Gabrovec et al., 2024). Transport poverty was calculated for individuals or households living below the at-risk-of-poverty threshold and lacking access to an adequate public transport service (at least eight pairs of trips on weekdays and during school hours and living within 1 km to the nearest stop).

⁵⁹ In 2022, public transport in Slovenia accounted for 13.9% of passenger kilometres (EU: 16.9%) (EC JRC, Benczur et al, 2025).

⁶⁰ The most vulnerable groups include older people, people with disabilities, patients, refugees, foreigners, applicants for international protection, Roma, children, young people and women (Gabrovec et al., 2024).

⁶¹ Access to essential services is defined in Principle 20 of the European Pillar of Social Rights.

/ Figure 26: Energy poverty is most affected by inadequate housing (left); households below the at-risk-of-poverty threshold spend 25% of their disposable income on essential services (right)



Sources: Eurostat (2025); experimental statistics, Eurostat estimate (right). Notes: data in the figure to the left refer to 2023 (based on 2022 income).

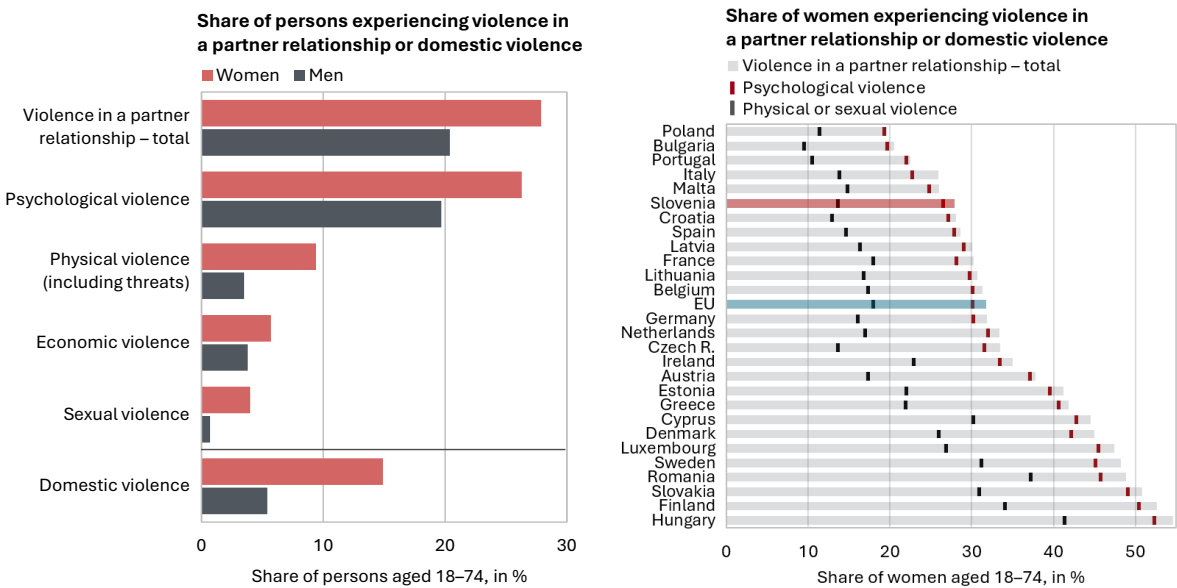
Exposure to various forms of discrimination increased in 2023 but remained among the lowest in the EU. After declining between 2015 and 2019, the share of the population experiencing discrimination or harassment diverged again from the SDS target in 2023, reaching 13% (EU: 21%). The most common reasons for discrimination were age, gender and general physical appearance (Eurobarometer, 2023b). Compared to the previous 2019 survey, age-based discrimination saw the largest increase in both Slovenia and the EU (by 2 p.p.), highlighting the need to strengthen efforts against ageism⁶² (EESO, 2023; WHO, 2021). Discrimination was most commonly experienced at work and public spaces, with Slovenia standing out compared to the EU average in terms of access to healthcare services (SI: 20%, EU: 11%). Members of minority groups more frequently reported experiences of discrimination. Prolonged exposure of an individual or group to discrimination affects their health, can lead to social exclusion and reduces both societal well-being and productivity (Hardy and Schraepen, 2024).

Violence in a partner relationship and domestic violence are more frequently experienced by women and often go unreported. Any form of violence, be it physical, sexual, psychological or/and economic, constitutes a violation of the victim’s human rights, dignity and, in the worst cases, even the right to life (EC, 2022a). In Slovenia, 22.5% of women (EU: 30.7%) and 16.3% of men have experienced physical (including threats) or sexual violence since the age of 15.⁶³ Men most often experience violence in public spaces, whereas women primarily face it at home (Figure 27, left), which has serious consequences for the victims. Incidents at home often occur without witnesses or only in the presence of children, who are thus also made victims of violence (see EC, 2022a; EP, 2021b; FRA, 2021). According to the latest data, 27.9% of women (EU: 31.8%) have experienced violence in a partner relationship and 14.9% domestic violence (EU: 19.3%) (Eurostat, 2024b). Women are more likely to be victims of repeated violence in a partner relationship than men and are also more likely to report physical injuries and psychological consequences as a result of abuse (Kontelj, 2022). Domestic violence remains a serious and often long-lasting and hidden social problem

⁶² Ageism refers to stereotyping, prejudice and/or discrimination against individuals based on their age.
⁶³ Eurostat (2024b) EU only shows data for women.

with a severe impact on the emotional, economic and social well-being of the whole family (EP, 2021a). In 2023 and 2024, the number of domestic violence victims increased, with significantly more female victims than male (Police, 2025b). Violence remains underreported, with victims often dealing with its consequences alone or relying on support from friends and family.⁶⁴ Increased awareness of zero tolerance for violence in society, as well as proper institutional treatment of victims, significantly contribute to the higher reporting of violence. This, in turn, builds trust in support mechanisms and a holistic approach, which includes a functioning network of interconnected stakeholders (Prislan et al., 2022).⁶⁵

/ Figure 27: Women are more likely than men to experience violence in a partner relationship and domestic violence (left); the share of women experiencing violence in a partner relationship is slightly below the EU average (right)



Sources: SURS (2025a) and Eurostat (2024b).

2.2.4 Knowledge and skills

Amid high levels of participation in education, Slovenia has seen an increase over the long term in the share of adults with at least upper secondary education. SURS changed its methodology⁶⁶ for data on the educational structure of the population for 2023, meaning that these figures are not directly comparable to those from previous years. In 2023, the share of adults with at least upper secondary education was above the EU average,⁶⁷ while the share of adults with tertiary education was slightly below the EU average and significantly below the average of innovation leaders (Figure 28,

⁶⁴ In Slovenia, 64.7% of women (EU: 63.7%) talked about their experience of violence with a friend, family member or relative, 21.3% (EU: 13.9%) reported the incident to the police, and 16.2% (EU: 20.5%) of women contacted a healthcare or social service (Eurostat, 2024b).

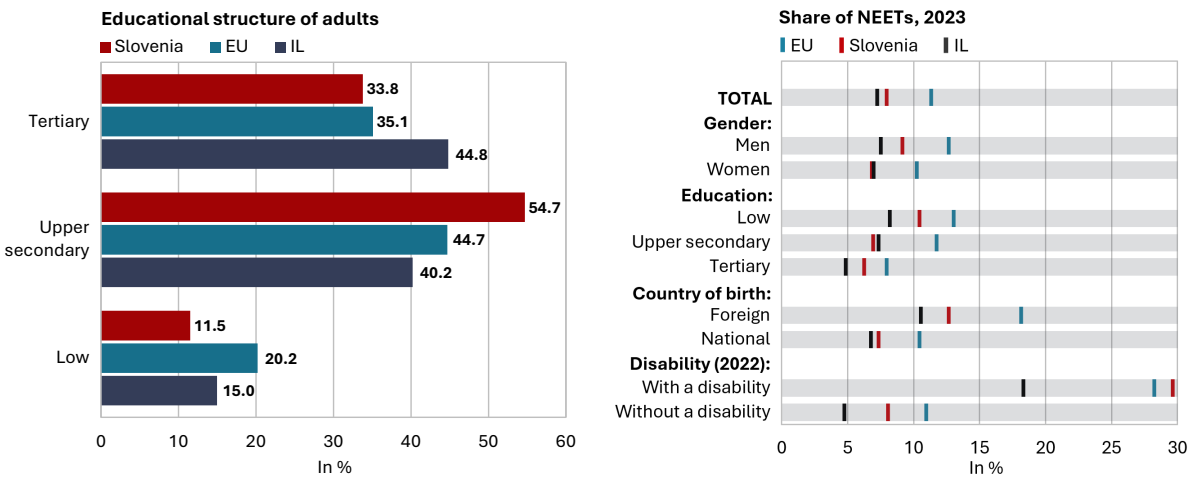
⁶⁵ This is also reflected in the Resolution on the National programme for the prevention of domestic violence and violence against women 2024–2029 (ReNPPND24–29, 2024).

⁶⁶ In 2023, SURS began weighting education levels when calculating educational attainment data through the Labour Force Survey. Education levels were calibrated to the education data from the population database, which SURS collects through the statistical survey *Socioeconomic Characteristics of Population and Migrants* (SURS, 2024c).

⁶⁷ In 2023, 88.5% of adults had at least upper secondary education (EU: 79.8%, IL: 85.0%) (Eurostat, 2025).

left).⁶⁸ The share of adults with low educational attainment (basic education or less) was below the EU average. Low educational attainment was more common among members of certain social groups⁶⁹ who face significant barriers to participation in education (see Section 3.1.3.2). In the period 2014–2024, for which methodologically comparable data for Slovenia are available as published by SURS,⁷⁰ the high participation of young people at all levels of education, along with the transition of younger, on average better educated cohorts to higher age groups (demographic effect) led to an increase in the share of adults with at least upper secondary education and tertiary education (by 6.2 p.p. and 8.1 p.p., respectively). The share of early school leavers⁷¹ has been in line with the EU’s objective for 2030 (less than 9%) over the last 10 years. Early school leavers face poorer employment prospects. The exclusion of young people from education and work is reflected in the share of young people who are neither in employment nor in education and training (NEET). In 2023, amid favourable labour market conditions, this share was one of the lowest in a decade (7.8%, EU: 11.2%), while for persons with disabilities, it was above the EU average (Figure 28, right).

/ Figure 28: The educational attainment of adults is relatively good* (left); the share of young people who are neither in employment nor in education and training is below the EU average (right)



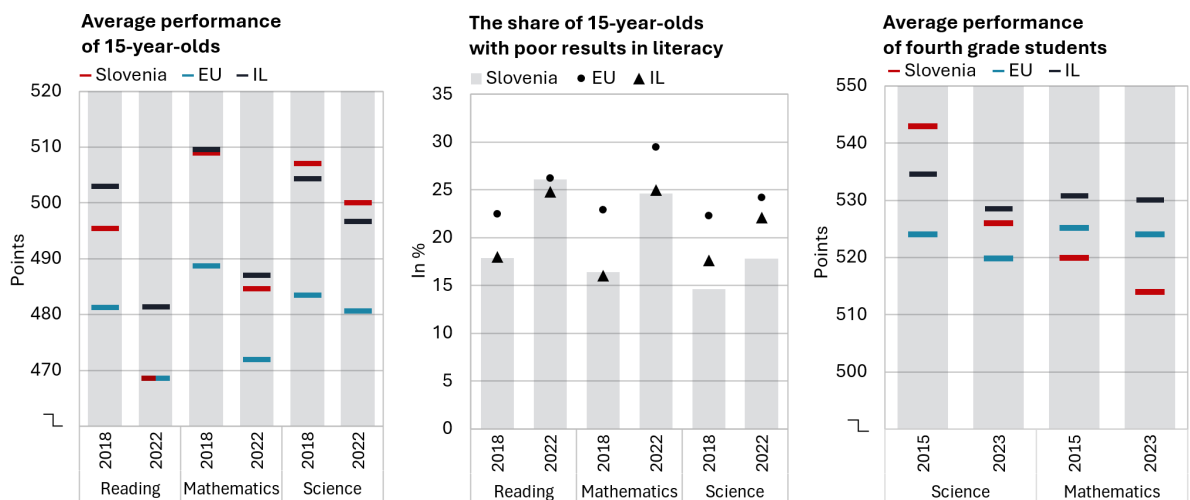
Source: Eurostat (2025). Note: * In 2023, the methodology for measuring educational attainment changed for Slovenia.

Literacy among upper secondary students has deteriorated; mathematical and science literacy remain above the EU average, while inequalities in educational achievement have increased. The results of the 2022 PISA survey on reading, mathematics and science literacy of 15-year-olds in Slovenia,⁷² similar to other EU countries, showed a decline compared to 2018, particularly in reading and also in mathematical literacy (Figure 29, left). The SDS 2030 target (to rank in the top quartile of EU Member States) was achieved only in science literacy, where Slovenia lagged behind only Estonia,

⁶⁸ In 2023, 33.8% of adults had tertiary education (EU: 35.1%, IL: 44.8%) (Eurostat, 2025).
⁶⁹ In 2022 (latest available data), the share of adults (aged 25–64) with low education among persons with disabilities was 23.8% (EU: 32.8%), while among persons without disabilities it was 7.2% (EU: 18.6%) (Eurostat, 2025).
⁷⁰ Data collected by SURS through the *Socio-economic characteristics of the population and migrants* survey and are published in the SI-STAT database for the period 2011–2024. Since 2023, SURS has been using these data for the calibration of education data collected through the Labour Force Survey (SURS, 2025a).
⁷¹ The share of young people (aged 18–24) who have completed at most basic school and are not in education or training.
⁷² In Slovenia, more than 90% of 15-year-olds attend upper secondary school (PI, 2023c).

Finland and Ireland. The shares of 15-year-olds with the highest performance (proficiency level 5 or higher) decreased in both reading and mathematical literacy, while the share of 15-year-olds with poor results (below proficiency level 2) increased across all three literacy domains (Figure 29, middle). Girls performed better than boys in reading and science literacy; 15-year-olds with the highest socio-economic status⁷³ achieved better results in all three literacy domains compared to their peers with the lowest socio-economic status; migrant students achieved lower results than their native peers in reading literacy, and the gap between the two groups was wider than the EU average. Similarly to 15-year-olds, a negative trend was also observed among fourth-grade students (basic school): in reading literacy between 2016 and 2021 (PI, 2023a) and in mathematical and science literacy between 2015 and 2023 (Figure 29, right).

/ Figure 29: The literacy of 15-year-olds* has deteriorated (left); the share of students with poor achievement** has increased (middle), and the average achievements have also declined among basic school pupils (right)



Sources: OECD (2023c), Eurostat (2025) and IEA TIMSS and PIRLS (2024). Notes: * Data for the EU is non-weighted average. ** Results below proficiency level 2 are regarded as poor.

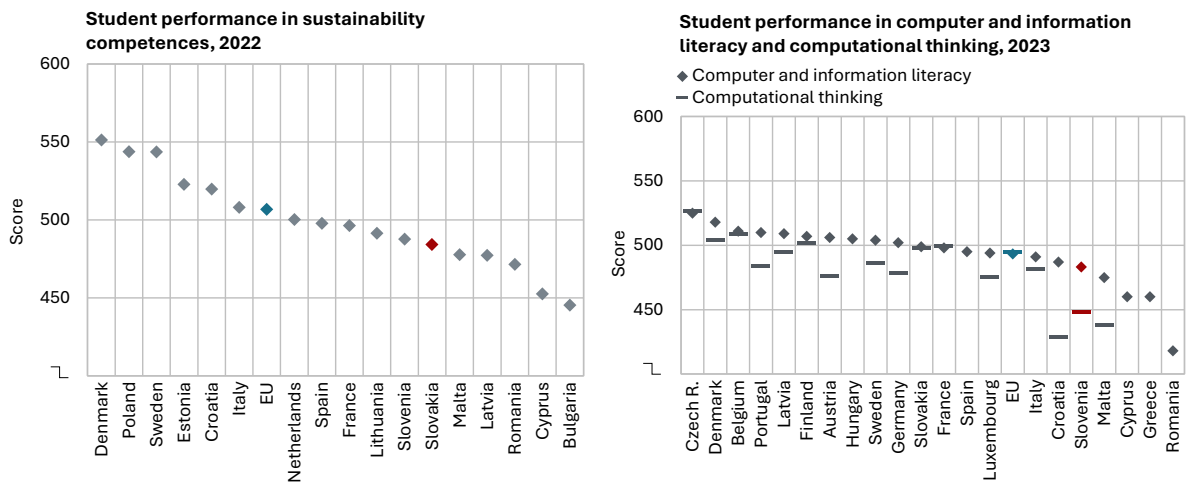
The skills and competences of young people, which are crucial for a high quality of life and an inclusive society, are below the EU average.

In 2022, eighth-grade students (basic school) in Slovenia performed below the EU average in sustainability competencies (Figure 30, left). They also engaged less frequently in eco-friendly behaviours (such as reducing water use, avoiding the purchase of plastic products) (EC, 2024e). Between 2018 and 2023, their computer and information literacy also deteriorated (Figure 30, right) (PI, 2024a). In terms of intercultural competences, which are increasingly important for life in multicultural societies, their performance in 2021 was very weak: only half expressed positive attitudes toward immigrants and supported equal rights for all ethnic minorities. Likewise, only half expressed positive attitudes towards gender equality. The inclusion of entrepreneurial-related content in basic and upper secondary education was relatively good in international comparison in 2023 (GEM, 2024). In 2022, the share of students learning foreign languages in the first two triennia of

⁷³ PISA measures the socio-economic status of 15-year-olds using the index of economic, social and cultural status, which includes indicators of parental educational attainment, parental occupational status and households possessions. Fifteen-year-olds with the highest socio-economic status belong to the highest quartile, while those with the lowest socio-economic status fall into the lowest quartile (OECD, 2023c).

basic school was below the EU average, while the share of pupils in the third triennium of basic schools and upper secondary schools was higher. A total of 54.9% of 15-year-olds believed that they were well prepared for the future after completing basic school (EU: 58.3%, IL: 64.4 %), and 55.2% stated that school had given them confidence to make decisions (EU: 50.9%, IL: 51.7%). In creative thinking, students performed worse than in most other EU Member States and also rated their imagination and adventurousness modestly (see Focus topic 1).

/ Figure 30: The performance of eighth-grade students in sustainability competences* (left); information literacy and computational thinking** (right) were below the EU average



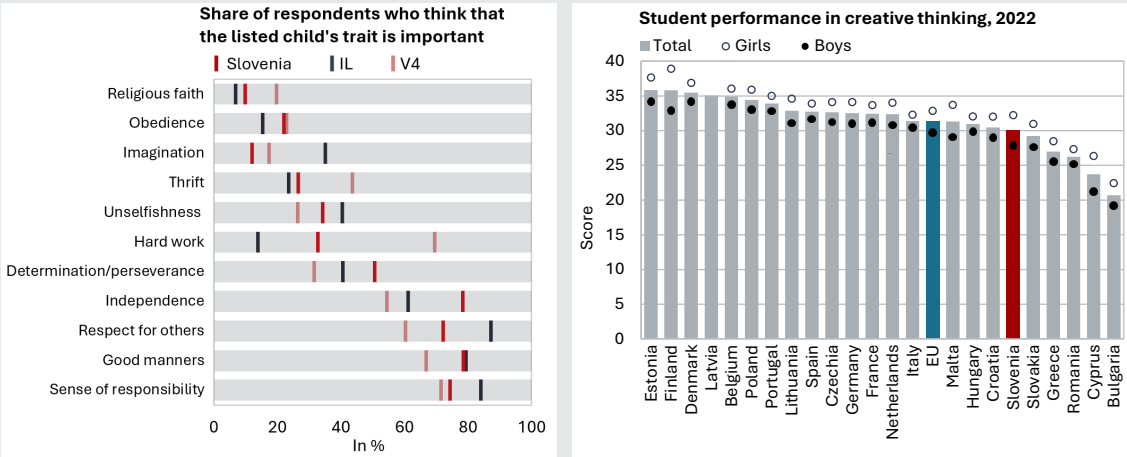
Sources: EC (2024d) and PI (2024a). Notes: to the figure on the left: data are available for only 17 Member States; the EU average is calculated by EC (2024d); note to the figure on the right: The EU average is an unweighted average. * The indicator measures students' opportunities to learn about the environment and sustainability, their participation in such activities and their attitudes towards environmental protection (EC, 2024e). ** Computer and information literacy refers to an individual's ability to use computers to investigate, create and communicate; computational thinking refers to the ability to formulate problems in a way that enables us to use a computer and other tools to help solve them (PI, 2024a).

Focus topic 1

Creativity is not at the core of educational and social processes in Slovenia, which is why creative thinking among young people is among the lowest in the EU

Imagination has, for decades, been ranked as a very low-valued desirable trait for children in Slovenia and according to the latest measurements, it is now the lowest valued trait among EU Member States. In early childhood, imagination is crucial for personal and cognitive development; later in life, it is important for the formation of personal identity and the development of skills. It is also important as a societal value, as creativity in education systems, the economy, the arts and science enables more innovative, inclusive and sustainable societal development. When creativity is valued and fostered at the societal level, it has the potential to address many challenges, including improving the quality of life for individuals and communities. In Slovenia, until 2010, the most desired traits in children were good manners, independence and a sense of responsibility, while imagination was among the least desired (Turnšek and Rožič, 2010). The latest survey for 2017–2022 also showed a below-average importance assigned to imagination in children’s development (Figure 31, left).

/ Figure 31: In the period 2017–2022, imagination was the least desired trait in children compared to the EU average* (left); students’ performance in creative thinking was also among the lowest** (right)



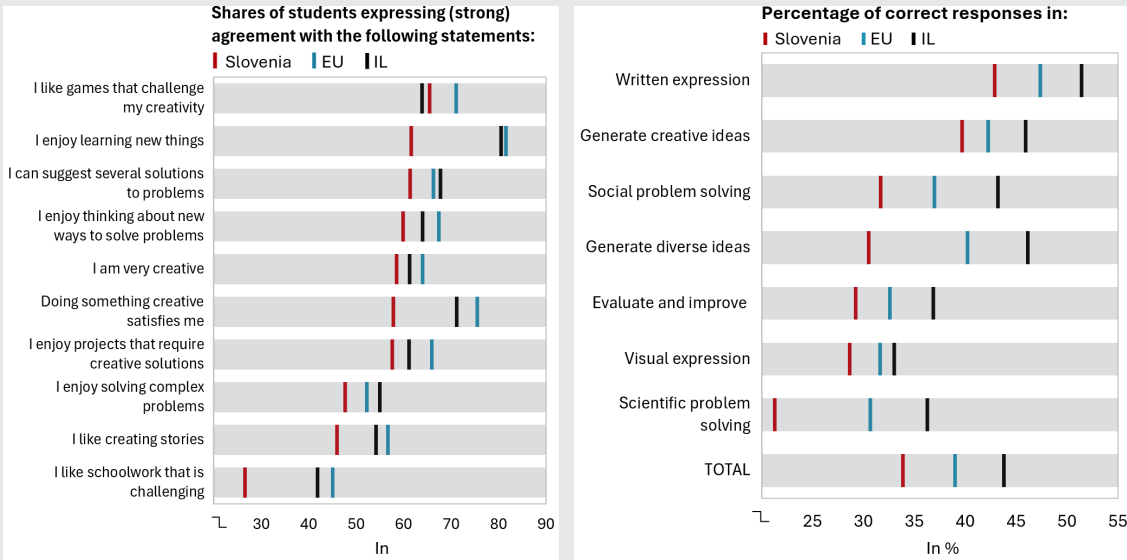
Sources: WVS (2024) and OECD (2024i). Notes: * The survey included 22 EU Member States. ** The EU average was calculated excluding Member States with no available data (Austria, Ireland, Luxembourg and Sweden); gender breakdowns are not available for Latvia.

In 2022, student’ performance in creative thinking was among the lowest in the EU. The PISA survey assessed young people’s creative thinking based on their ability in written and visual expression, their effectiveness in solving social and scientific problems and various other skills.⁷⁴ Young people in Slovenia ranked among the lowest in the EU in creative thinking (Figure 31, right) and performed below the EU average across all skills and areas of creative thinking. The greatest lag behind other countries was

⁷⁴ PISA also assessed students’ achievements in creative thinking through three skills: evaluate and improve ideas, generate creative ideas and generate diverse ideas (OECD, 2024i).

observed in the percentage of young people who enjoy learning new things and who like schoolwork that is challenging, while students were least successful in solving natural science problems (Figure 32). As in other countries, boys in Slovenia achieved lower results than girls, although the gender gap was larger than the EU average. Students with the lowest socio-economic status and migrant students performed worse than their peers. Students also reported low confidence in generating creative ideas, telling creative stories, expressing themselves creatively, coming up with good ideas for scientific experiments, resolving disagreements and addressing social problems.⁷⁵ They rated creativity and adventurousness modestly⁷⁶ (Figure 33, left). Their openness to creativity and new knowledge was rated the lowest among EU countries (Figure 33, right). A higher share of students in Slovenia than in many other EU countries believed that their creativity cannot be (significantly) changed. Fewer students than in the EU believed they could be creative in any subject. They ranked slightly higher in agreement with the statement that »creativity can only be expressed through the arts« and showed a relatively high openness to art and reflection.⁷⁷

/ Figure 32: In 2022, students in Slovenia scored low across all aspects of creative thinking (left) and performed poorly compared to the EU average and even more so in comparison with innovation leaders (right)



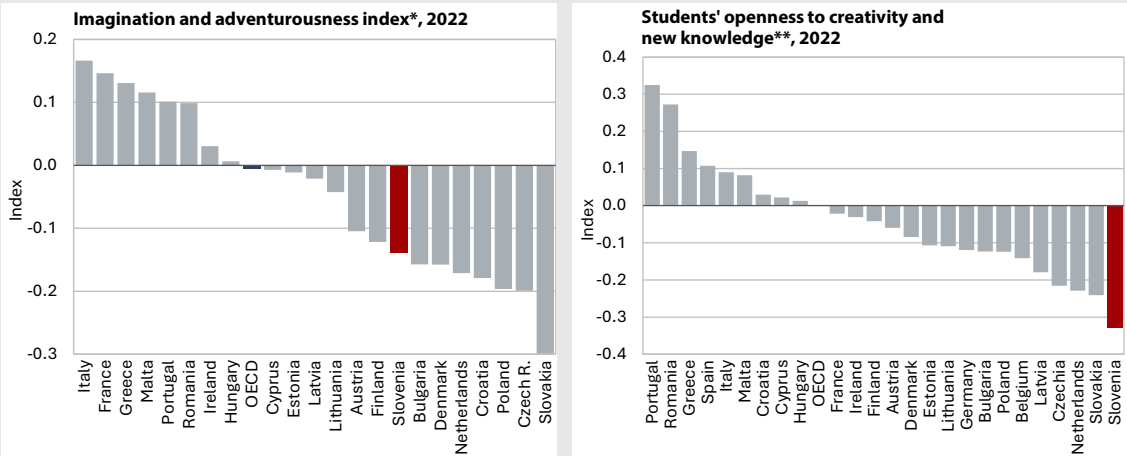
Source: OECD (2024i).

⁷⁵ This is measured by the low index of creative self-efficacy, see OECD (2024i) for more information.

⁷⁶ The index measures students' self-perceptions of their use of imagination, how often they get lost in thought, their enjoyment of coming up with new ideas, their boredom of always doing the same thing, and their joy of spontaneity and exploring the unknown (OECD, 2024i).

⁷⁷ The index measures students' enjoyment of creating art and engaging in artistic activities, their ability to express themselves through art, their tendency to reflect on films and appreciation of beauty in everyday things (OECD, 2024i).

/ Figure 33: Students rated their imagination and adventurousness low (left); they were the least open to creativity and learning new knowledge among EU Member States (right)

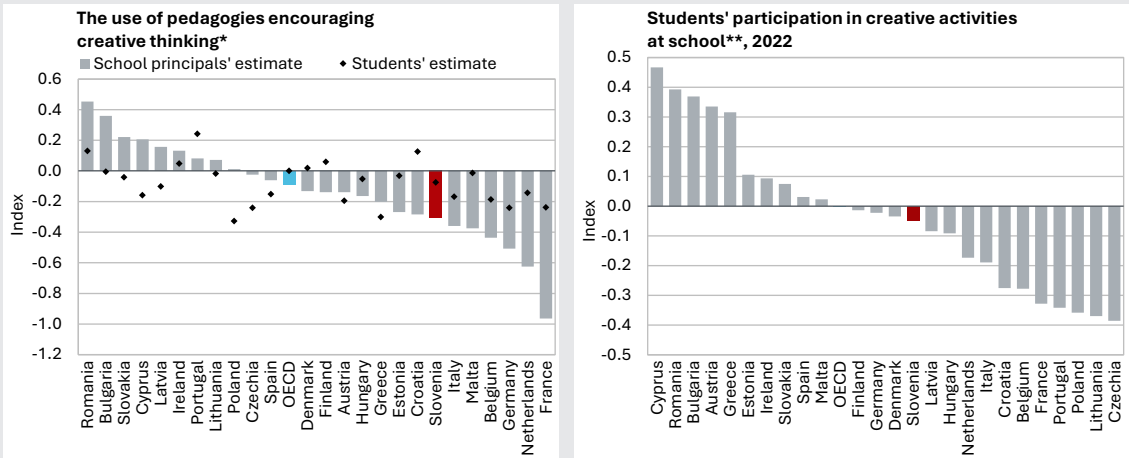


Source: OECD (2024i). Notes: * The index value ranges from -1 (lowest imagination and adventurousness) to 1 (highest adventurousness). The index consists of the students' self-assessments of the difficulty of using their imagination, the frequency of getting lost in thought, the satisfaction of coming up with new ideas, having a good imagination, the boredom of doing the same thing every day and the pleasure of travelling to places they have never been to. ** The index ranges from -1 (least open to creativity and learning) to 1 (most) and measures students' enjoyment of doing something creative, their self-perception of creativity, enjoyment of inventing stories and games that challenge creativity, enjoyment of projects that require creative solutions, enjoyment of finding new ways to solve problems, enjoyment of solving complex problems, enjoyment of doing challenging schoolwork, ability to suggest several solutions to problems and enjoyment of learning new things.

Children and young people in Slovenia have numerous opportunities to develop creativity, though creative thinking is not at the core of educational processes. While schools do foster young people's creativity in the classroom – both within the curriculum and through a variety of extracurricular⁷⁸ and similar activities – school principals in 2022 assessed the openness of schools to creativity in Slovenia as modest. In their evaluations, they also emphasised that too little attention is devoted to developing creativity in schools and that teachers rarely use pedagogies that encourage creative thinking (Figure 34, left). Students, however, rated pedagogies for fostering creativity somewhat more positively. Slovenia ranks mid-range among EU countries in terms of student participation in creative activities (Figure 34, right), as well as in the availability of such activities in schools. In Slovenia, there are many opportunities for children and young people to develop creativity, offered by schools in cooperation with cultural and other institutions. A rich and high-quality offering is also provided by other cultural, artistic and sports organisations (music schools, mountaineering clubs, gymnastics, scouting and other sports clubs, the House of Experiments, etc.).

⁷⁸ For examples of good practice in fostering pupils' creativity, see the ZRSŠ (2022).

/ Figure 34: The use of pedagogies that promote creative thinking was lower in Slovenia than in most EU countries (left); while students ranked approximately in the middle of EU Member States in terms of participation in creative activities (right)



Source: OECD (2024i). Notes: * The index measures head teachers' estimate of teachers' attitudes towards students' creativity: encouraging students to find original answers, giving students the opportunity to express their ideas, giving students time to find creative solutions, finding new ways to solve problems and different solutions to maths problems. ** The index measures participation (minimum is -1 and maximum is 1) in creative activities at school, such as art classes/art activities, creative writing, music activities, debate club, drama and theatre arts, publications, science club and computer club.

2.2.5

A healthy and active life for a long-lived society

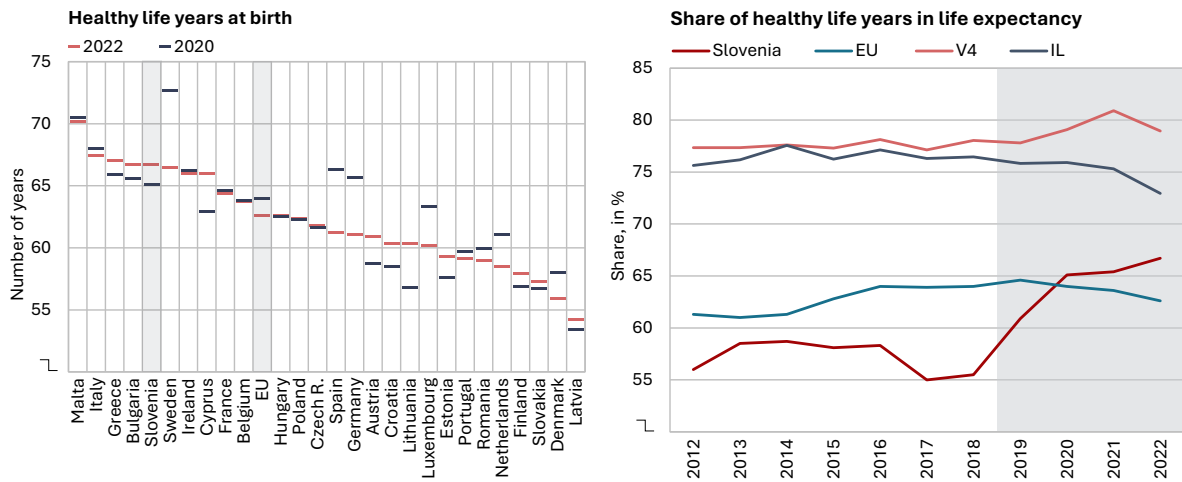
After deteriorating or stagnating during the COVID-19 pandemic, the main indicators of population health are improving again. This improvement is primarily driven by advancements in medicine, increased investment in prevention and public health, rising income per capita, a better educational structure and greater public awareness. In the decade before the pandemic, gains in life expectancy (LE)⁷⁹ in OECD countries slowed significantly, primarily due to the rise in obesity and diabetes rates, population ageing, severe seasonal influenza outbreaks and a slower decline in mortality from heart disease and stroke (OECD, 2023a). Following the decline in life expectancy during the pandemic, the situation in most countries has already returned to pre-pandemic levels (OECD and EC, 2024). In Slovenia, life expectancy reached a record high of 82 years in 2023 (79.1 years for men and 85 years for women), which is above the EU average. Despite the impact of the pandemic, healthy life expectancy at birth improved again in 2022 (latest available data), reaching 65 years for men and 68.5 years for women, which is well above the EU average (Figure 35, left; see the Statistical Appendix). The share of healthy life years in life expectancy increased in Slovenia between 2019 and 2022, but it remains significantly lower than in innovation leaders and the Visegrad Group. Among people aged over 70, the most common causes of poor health and disability are Alzheimer's disease, Parkinson's disease, diabetes, arthritis, depression, cardiovascular disease and falls (OECD and EC, 2024). Premature mortality in Slovenia has been declining rapidly (Figure 36, left). In 2023, the share of people under the age of 65 among the deceased was 14%, which is 11 p.p. lower than twenty years ago. The average age at death continues to rise, reaching 78.8 years in 2023. In 2022, the mortality rate in Slovenia was 10.6 deaths per 1,000 inhabitants (EU: 11,4).⁸⁰ During the pandemic, fewer deaths were prevented than before,⁸¹ while the EU average deteriorated even further (Figure 36, right). For causes of death that are preventable through treatment or screening programmes, Slovenia has recorded fewer deaths than the EU average for many years, indicating a comparatively effective healthcare system in terms of treatment. In recent years, the gap between Slovenia and the EU has also narrowed in mortality due to unhealthy lifestyles – factors that can be mitigated through primary-level prevention and public health measures (see the Statistical Appendix). Encouragingly, the age-standardised cancer incidence rate has been declining for several years, including among people with lower levels of education (NIJZ, 2025a).

⁷⁹ The average number of years that a person at a given age can expect to live, under the assumption that age-specific mortality rates remain constant throughout their lifetime (i.e. equal to the values in life tables for the observed year) (Šter, 2024). For comparability with EU countries, Eurostat data is used, which differs slightly from SURS data due to different methodologies used.

⁸⁰ The figures may vary slightly from official SURS publications as Eurostat data for the population aged 99 and under is used for comparison and calculation of a standardised rate.

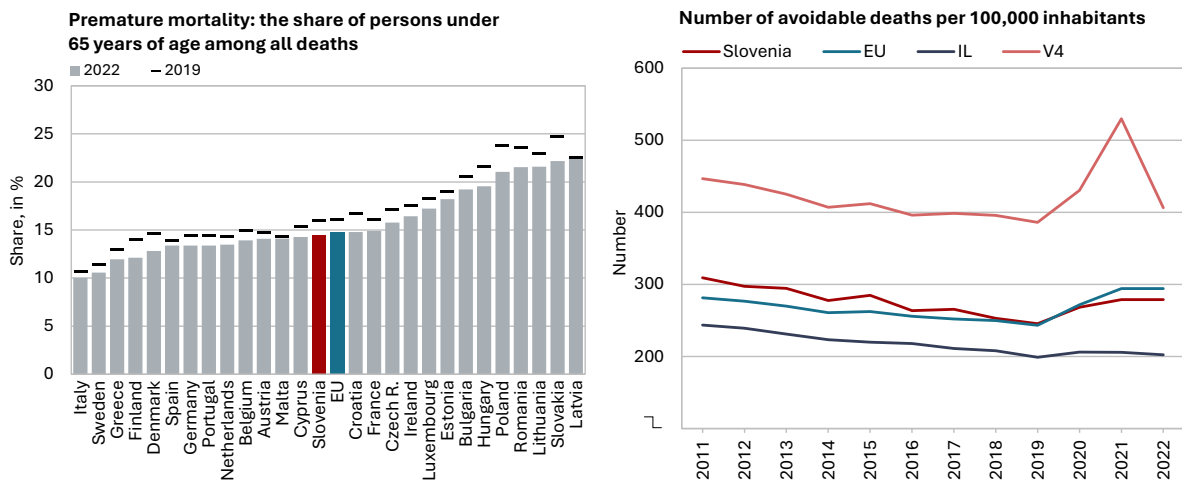
⁸¹ The avoidable mortality indicator is used to assess the performance of the healthcare system and consists of two indicators: 1. *preventable mortality*, i.e. causes of death that can be avoided by prevention measures and 2. *treatable (amenable) mortality*. Deaths up to the age of 75 are considered avoidable (see the Statistical Appendix).

/ Figure 35: In 2022, healthy life expectancy at birth exceeded the EU average by 4 years (left), and the proportion of healthy life years in life expectancy at birth is also higher (right)



Source: Eurostat (2025). Note to figure on the right: An analysis by SURS (2019) revealed that the very low values of the healthy life years indicator and the self-perceived health indicator (according to the EU-SILC survey) in Slovenia before 2020 were primarily due to inadequate translation and survey methodology, which were partially corrected in 2019 and fully addressed in 2020. As a result, the SDS target, which was set in 2017 based on lower indicator values, has already been exceeded since 2020. Measurements using the revised methodology are marked in grey.

/ Figure 36: Premature and avoidable mortality rates in Slovenia are already below the EU average



Source: Eurostat (2025); calculations by IMAD. Note to the figure on the right: A higher indicator value means poorer performance – less prevented deaths. In the V4 countries, preventable mortality increased significantly in 2020 and 2021, which was linked to high COVID-19-related mortality, overburdened healthcare systems, and delays in treatment.

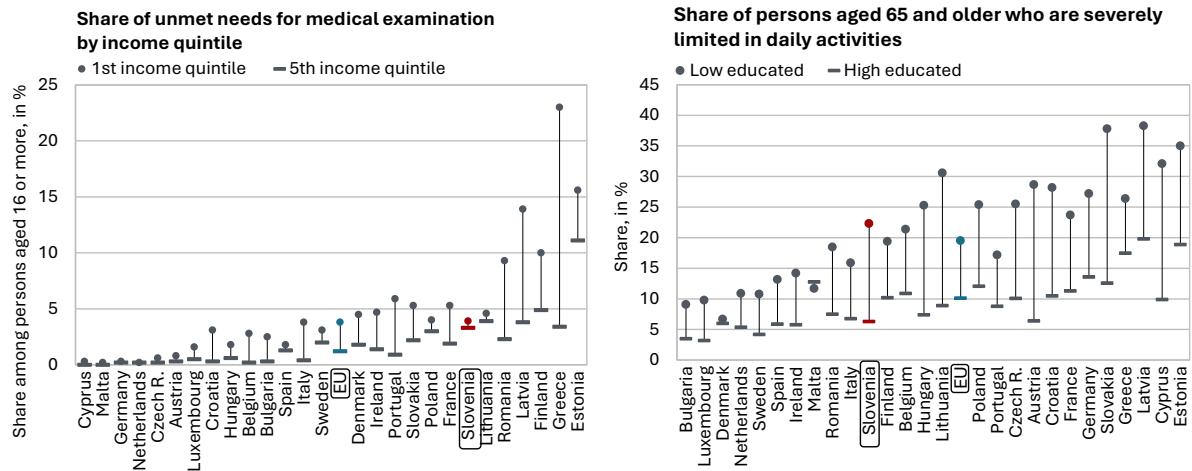
Inequalities in access to healthcare are small, but health inequalities remain significant and are increasing among young people. Unmet needs for medical examination by income level – which reflect inequalities in access to healthcare – are very low in Slovenia compared to other countries (Figure 37, left).⁸² In 2023, unmet needs for medical examination decreased compared to the previous two years but they remained considerably higher than before the COVID-19 pandemic and higher than the EU average.⁸³ The main reason lies in long waiting times, while financial and geographical reasons are almost negligible. Slovenia performs worse than the EU average

⁸² On average in the EU, the less well-off had more than three times the rate of unmet needs compared to the better-off, while in Slovenia, the difference was 1.2 times.

⁸³ In 2023, 3.8% of adults in Slovenia reported unmet needs for medical examination (EU: 2.4%).

in terms of unmet needs for medical examination among older people.⁸⁴ There are also substantial differences in unmet needs for long-term care by educational attainment and income, particularly due to the high level of unmet needs among individuals in the lowest income quintile.⁸⁵ Despite small inequalities in accessibility, various health and disability indicators point to widening disparities between highly and low-educated individuals during the pandemic and a persistence of these disparities thereafter (Figure 37, right). Health inequalities are strongly influenced by behavioural patterns and socio-economic circumstances of the population. Based on self-perceived health (Figure 12, right) and self-perceived limitations, health inequalities further increased in Slovenia in 2023, whereas they decreased in the EU.⁸⁶ Inequalities in childhood overweight and obesity are also relatively higher compared with the EU average (see Section 3.1.3.3). Growing disparities among adolescents (particularly in indicators such as smoking, alcohol consumption, obesity and diet) may lead to greater inequalities in the adult population in the future. Women with a low level of education are four times more likely to be treated for hypertension than those with tertiary education, while the ratio for men is 2:1. There are also large disparities in mortality due to lung cancer, alcohol-related diseases, injuries, falls and suicide. Premature mortality remains highest among men with lower levels of education (NIJZ, 2025a).

Figure 37: Unmet needs for medical examinations are significant in Slovenia, while income-related inequalities in access to care remain small (left); inequalities in self-perceived limitations in everyday tasks are very high (right)



Source: Eurostat (2025)

In 2022, children’s mental well-being in Slovenia was among the lowest rated in the EU, while their physical well-being ranked among the highest; despite a declining trend, the adult suicide rate remains one of the highest in the EU. The prevalence of mental health issues has been rising over the past decade in Slovenia and other developed countries, a trend that was further accelerated by the COVID-19 pandemic. In 2022, fewer than

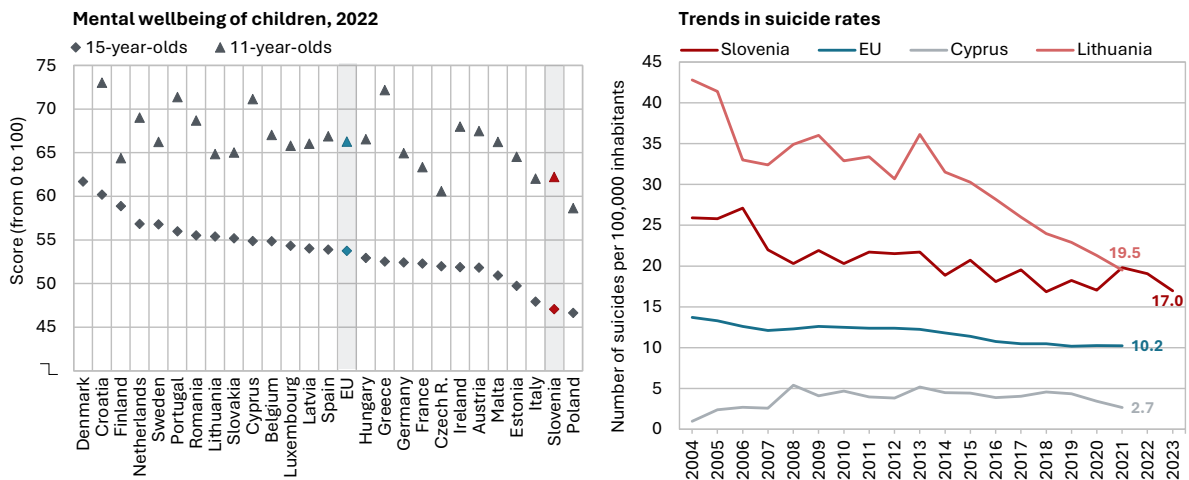
⁸⁴ On average over the period 2017–2023, people aged 65 and over had more unmet needs than those aged 16–64 (difference: 2.0 p.p.; EU: 1.2 p.p.).

⁸⁵ The difference between individuals with low and high educational attainment was 10.6 p.p. (EU: 7.4 p.p.) (NIJZ, 2025a). In 2022, 3.5% of people aged 50 and over lacked formal long-term care despite needing assistance with at least one basic activity of daily living (i.e. 31,000 people) (EU: 4.2%) (SHARE-ERIC, 2024).

⁸⁶ Among people aged 65 and over, 22% of those with low education and 6% of those with high education reported being severely impaired in daily tasks. The gap increased by 4 p.p. compared to 2022 and remains well above the EU average. The disparity by income was also greater than the EU average (Eurostat, 2025).

half of 15-year-olds in Slovenia reported good mental wellbeing (Figure 38, left); over one-third were at an increased risk of depression and one-fifth had suicidal thoughts.⁸⁷ Eleven-year-olds rated their mental well-being much better than 15-year-olds, but worse than the EU average. In terms of physical or psychosomatic well-being, 15-year-olds in Slovenia reported difficulties significantly less frequently than their EU peers.⁸⁸ Among people aged 50 and over, the prevalence of depression in 2021 and 2022 was lower than the EU average.⁸⁹ In 2023, the suicide rate declined to one of the lowest levels in the past 20 years;⁹⁰ however, in comparison to other EU countries, it was still the highest in 2021 (the most recent year with available data) (Figure 38, right).

/ Figure 38: Children’s mental well-being in Slovenia is significantly lower than in other EU countries (left); while the adult suicide rate remains one of the highest in the EU (right)



Sources: WHO (2024); Eurostat (2025); NIJZ (2025). Note to the figure on the left: The indicator is based on WHO-5 Well-Being Index, which assesses mental well-being using five questions about how often, in the past two weeks, respondents have felt: (1) cheerful, (2) calm and relaxed, (3) active and vigorous, (4) waking up feeling fresh and rested and (5) feeling that life is full of things that interest them. Response options range from “all of the time” to “at no time”. Scores are rescaled to a range from 0 to 100. For Denmark, data are available only for 15-year-olds. Figure on the right: The figure shows countries with the highest and lowest suicide rates. Comparable international data for 2022 and 2023 are not yet available.

⁸⁷ The likelihood of depression increased from 18% in 2018 to 36% in 2022, while the share of individuals reporting suicidal thoughts rose from 18% in 2018 to 20% in 2022 (based on reports for the previous 12 months) (NIJZ, 2023).

⁸⁸ In 2022, 59% of 15-year-old girls (EU: 68%) and 25% of 15-year-old boys (EU: 37%) reported experiencing at least one symptom (headache, stomach ache, backache, feeling low, feeling irritable or angry, feeling nervous, sleep difficulties and feeling dizzy) more than once a week (WHO, 2024).

⁸⁹ According to the 9th Wave of SHARE, more than 20% of people aged 50 and over (EU: 26%) exhibited symptoms of depression in 2021 and 2022 (OECD and EC, 2024).

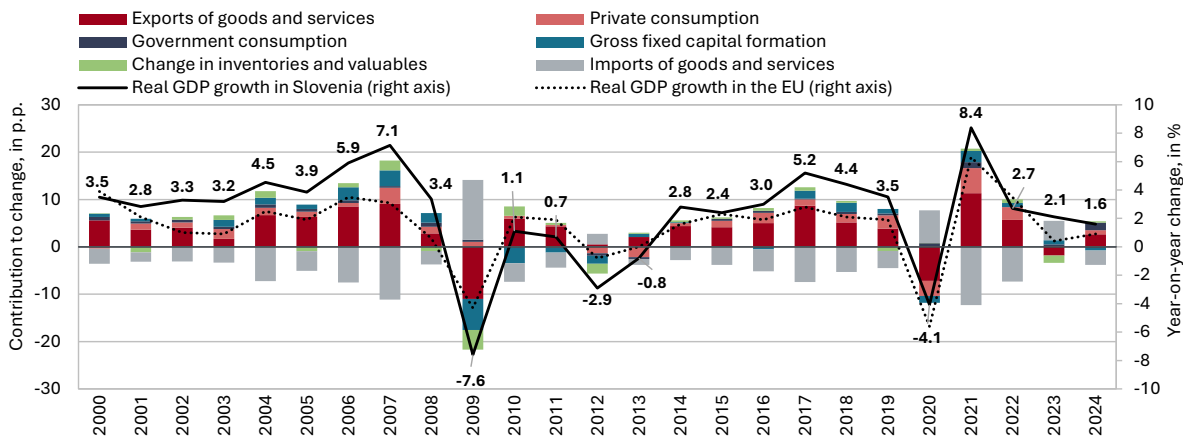
⁹⁰ In 2021, the suicide rate in Slovenia stood at 19.8 per 100,000 inhabitants (2023: 17) (NIJZ, 2025b), compared to an EU average of 10.2 (OECD and EC, 2024).

2.3 Economic development and productivity

2.3.1 Macroeconomic stability

Following a strong post-pandemic recovery in 2021, economic growth slowed during the 2022–2024 period, although it remained above the EU level on average. After several years of economic expansion following the global financial crisis, GDP contracted sharply in 2020 due to the pandemic and related restrictions. With a strong rebound supported in part by government measures to mitigate the consequences of the epidemic, economic activity already exceeded its pre-epidemic level in 2021. The post-COVID-19 recovery continued into the first half of 2022, before economic growth became increasingly constrained by the energy crisis triggered by the war in Ukraine, as well as by rising inflation, which dampened private consumption growth. The negative effects of these factors, also affecting Slovenia’s main trading partners, persisted for most of 2023, during which economic growth further slowed across the board. With the deterioration in the cost and price competitiveness of Slovenian exporters (see Section 3.2.1) combined with a significant decline in foreign demand, the export-oriented segment of the economy was most affected. The moderation of economic growth continued into 2024, largely reflecting a decline in investment and construction activity, both of which had expanded rapidly over the previous three years. Exports recovered amid renewed growth in foreign demand. After stagnating in the previous year, the growth of private consumption strengthened, supported by high employment, continued wage growth and lower inflation. Growth in government consumption also accelerated, driven by post-flood reconstruction efforts.⁹¹ Economic growth across the EU also moderated after 2021, with the average annual growth rate in the 2022–2024 period remaining lower than in Slovenia⁹² (Figure 39).

/ Figure 39: After a strong post-COVID-19 recovery in 2021, economic growth gradually weakened



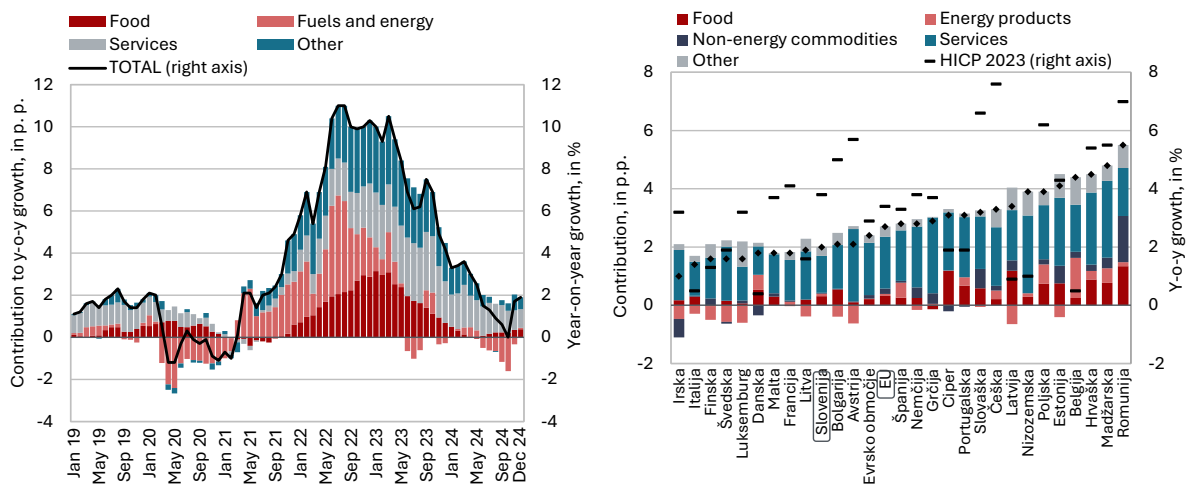
Source: SURS (2025a).

⁹¹ From a methodological perspective, the transformation of supplementary health insurance into a mandatory health contribution had a downward effect on private consumption and an upward effect on public consumption, while the overall macroeconomic impact remained neutral.

⁹² During these three years, Slovenia’s GDP growth was lower only in 2022, primarily due to an above-average decline in manufacturing output amid the energy crisis.

Inflation rose sharply amid the post-COVID-19 recovery and the energy crisis, but eased significantly by late 2023, falling to 1.9% by the end of 2024 – less than half the level recorded a year earlier – and aligning with core inflation. Inflation rose considerably in 2021 and 2022 amid the post-COVID-19 recovery and the energy crisis, but later started to ease. This moderation was initially driven by slower increases in food prices and lower energy prices, the latter being strongly affected by government measures aimed at mitigating the impact of the surge in energy prices. In 2024, the growth of non-energy industrial goods and services prices also slowed, influencing the trajectory of core inflation, which fell from 5.2% at the end of 2023 to 1.9% in December 2024. Despite the slowdown, the growth in service prices remained above average in 2024, reaching 2.7%, and accounted for nearly half of overall inflation. In 2024, consumer prices were on average 21.3% higher than at the end of 2019, i.e. before the epidemic and the energy crisis. The most significant increases were recorded in food prices, which rose by nearly one-third over this period, while energy and services prices increased by approximately one-fifth. The smallest increases were observed in durable and semi-durable goods (by 14% and 9%, respectively). The gap between HICP inflation in Slovenia and the euro area has been quite volatile, primarily due to differences in the scale and duration of government measures to mitigate soaring prices. In early 2023, inflation in Slovenia was still well above the euro area average, but by mid-2024 it had already fallen below it, as had core inflation.⁹³

/ Figure 40: Inflation continued to ease in 2024, with a lower contribution from most major groups of goods and services compared to 2023, except for energy; in some EU Member States, however, inflation rose again last year, with its dynamics significantly influenced by past government measures aimed at mitigating high prices



Sources: SURS (2025a), Eurostat (2025); calculations by IMAD. Notes: In the figure on the right, the contributions differ not only due to varying growth rates across countries, but also due to different weighing. NEIG – non-energy industrial goods; HICP – harmonised index of consumer prices.

Employment growth nearly came to a halt in 2024, while record-high employment and historically low unemployment contributed to relatively strong wage growth. With the post-COVID-19 rebound in economic activity and growing labour shortages, employment growth was solid in 2021 and accelerated further in the first half of 2022, before beginning to slow

⁹³ Initially, this was primarily due to a lower contribution from energy prices, reflecting government measures to mitigate high energy prices, alongside slower growth in food prices, while towards the end of last year, inflation declined mainly due to a smaller contribution from service prices. The growth in service prices in Slovenia is still gradually easing, whereas in the euro area it remained around the levels reached (4%) last year.

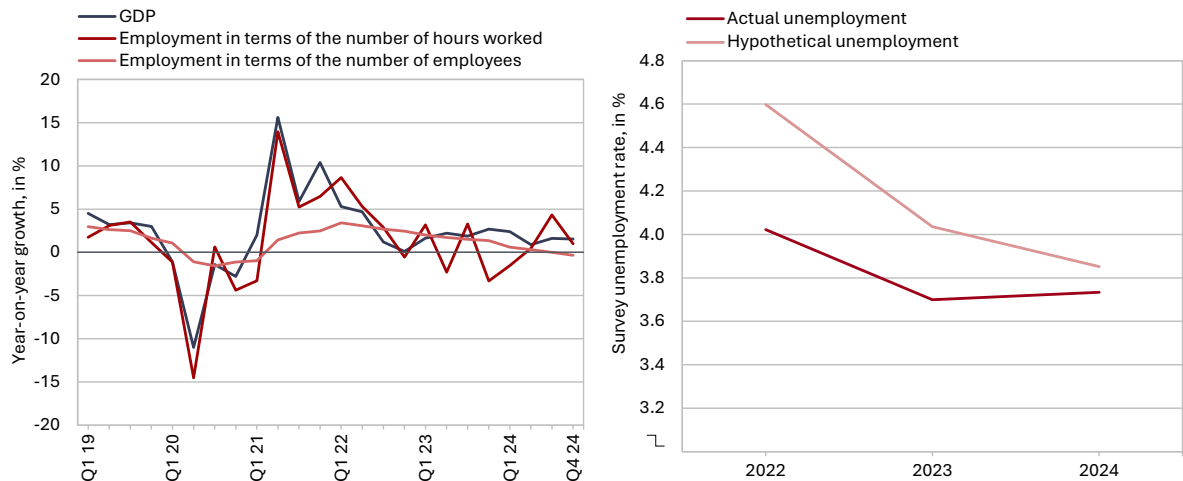
(Figure 41, left). As economic growth moderated, employment growth – which had already visibly slowed in 2023 – almost came to a halt in 2024 (0.1%).⁹⁴ Between 2021 and 2023, companies resorted to labour hoarding and precautionary employee retention, made possible in part by rising profit margins. In 2024, with profit margins declining, this trend eased significantly, as indicated by the lower value of the labour hoarding indicator (Figure 41, right).⁹⁵ The gap between the actual surveyed unemployment rate and its hypothetical value based on long-term correlation with GDP growth also narrowed (Figure 42, left). Labour demand declined slightly, yet the share of companies reporting labour shortages as a constraint on their business activity remained higher last year than in 2019, as did the job vacancy rate, which reflects unmet labour demand (Figure 42, right). These developments are estimated to be influenced primarily by demographic trends, including an ageing and shrinking working-age population (see Sections 3.1 and 3.3), with companies seeking to replace retiring employees.⁹⁶ Recent labour shortages have driven strong growth in the number of foreign workers (9.8% last year), already accounting for 15.8% of the total labour force at the end of last year (Figure 43, left). In the fourth quarter of 2024, 1,106,000 people were employed (according to national accounts statistics), while the number of registered unemployed stood at 46,100, representing a 3.2% year-on-year decrease. Amid ongoing labour shortages, an increase in the minimum wage and continued employee pressure for real income growth, wage growth remained high in 2024 (7.0% in the private sector and 4.6% in the public sector). In the public sector, growth was also supported by the partial indexation of wages to inflation (Figure 43, right).

⁹⁴ On average, employment growth in 2024 was moderate in most service activities, while it was much more modest or even negative in the more labour-intensive activities (manufacturing and construction), where it had still been relatively strong just a year earlier.

⁹⁵ The labour hoarding indicator – which measures the gap between negative business expectations and continued employment growth – is part of business sentiment surveys. It reflects the percentage of managers who expect their company's sales, demand or production to decline, while still anticipating that employment will remain unchanged or increase. This gap was particularly pronounced during the COVID-19 pandemic, when job retention measures helped companies maintain employment levels despite negative business outlooks. In 2022 and 2023, the elevated labour hoarding indicator was largely driven by precautionary hiring or employee retention, motivated by labour shortages and the growing awareness that companies would face difficulties in recruiting new staff if they downsized. Strong labour demand during this period was also supported by increased profit margins. The indicator fell back to its long-term (pre-crisis) level in the second half of last year, which may suggest that companies are more willing to adjust their hiring intentions in response to domestic and international uncertainties.

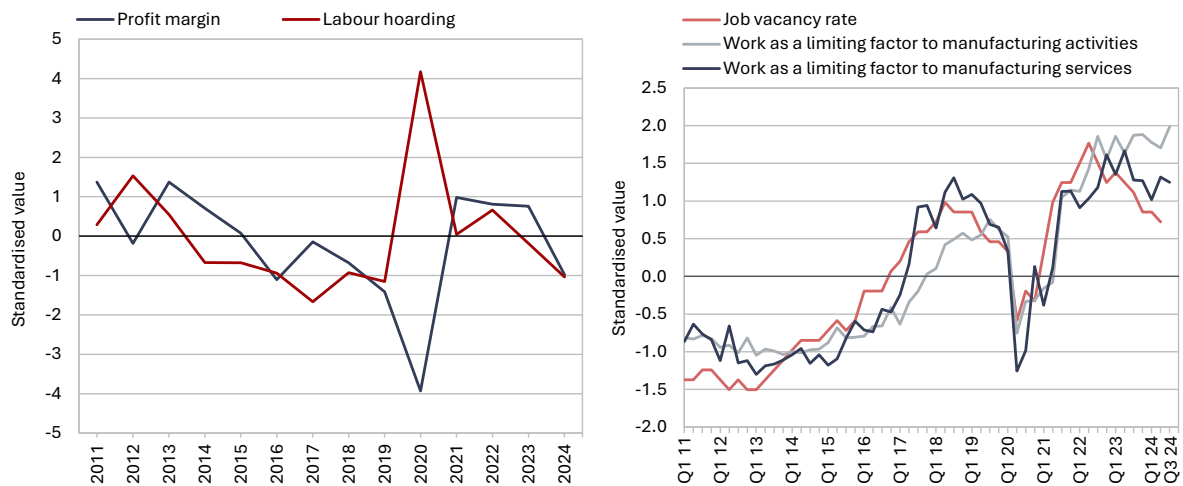
⁹⁶ In IMAD's view, this trend is also reflected in the modest growth in total employment, despite the persistent shortage of labour. Companies are compelled to hire to replace those who leave, even though this does not lead to a significant increase in overall employment levels.

/ **Figure 41: Amid slower economic growth, employment growth in 2024 virtually came to a halt (left); the gap between the actual unemployment rate and its hypothetical value (based on the long-term relationship with GDP growth) narrowed significantly in 2024, suggesting a decline in labour hoarding (right)**



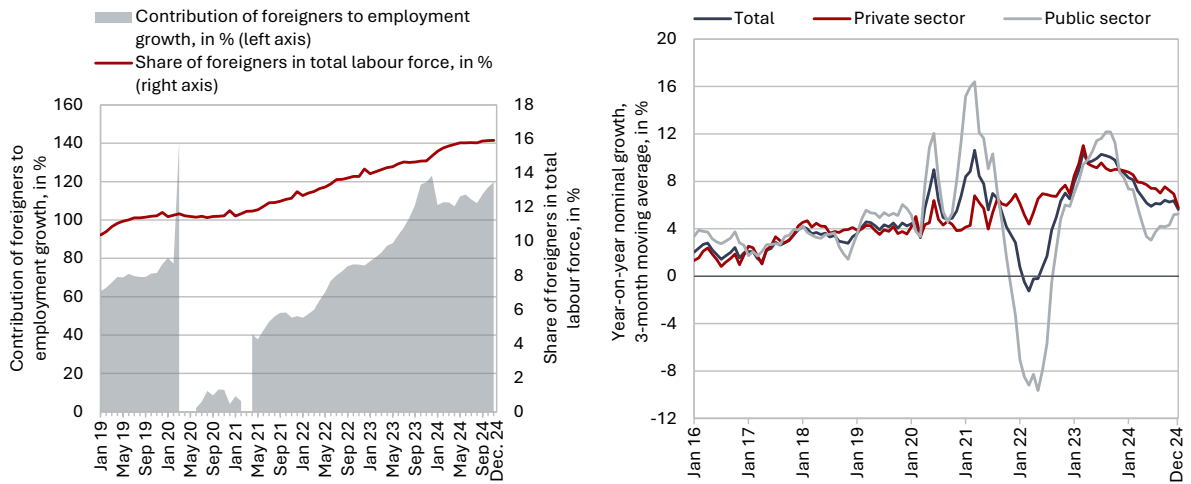
Source: SURS (2025a); calculations by IMAD. Notes: The hypothetical unemployment rate is estimated based on Okun's law, i.e. the relationship between year-on-year GDP growth and the year-on-year change in the survey unemployment rate. The estimation uses contemporaneous GDP values. Values for 2024 represent the average of the first three quarters.

/ **Figure 42: Employment and labour hoarding also subsided, reflecting a decrease in profit margins (left); despite lower values, indicators of labour supply-demand gap still suggest insufficient supply and excess demand (right)**



Sources: Eurostat (2025) and SURS (2025a); calculations by IMAD. Notes: The figures show the standardised value (or z-value) of indicators, reflecting deviations from their long-term average. Indicator values close to 0 indicate that the indicator is near its long-term average. The profit margin is defined as the difference between the GDP deflator and unit labour costs. An increase (decrease) in the profit margin broadly indicates that price levels have risen more (or less) than labour costs.

/ Figure 43: Labour shortages in the domestic market are reflected in the growing share of foreign workers (left), which, among other factors, contribute to relatively strong wage growth (right)

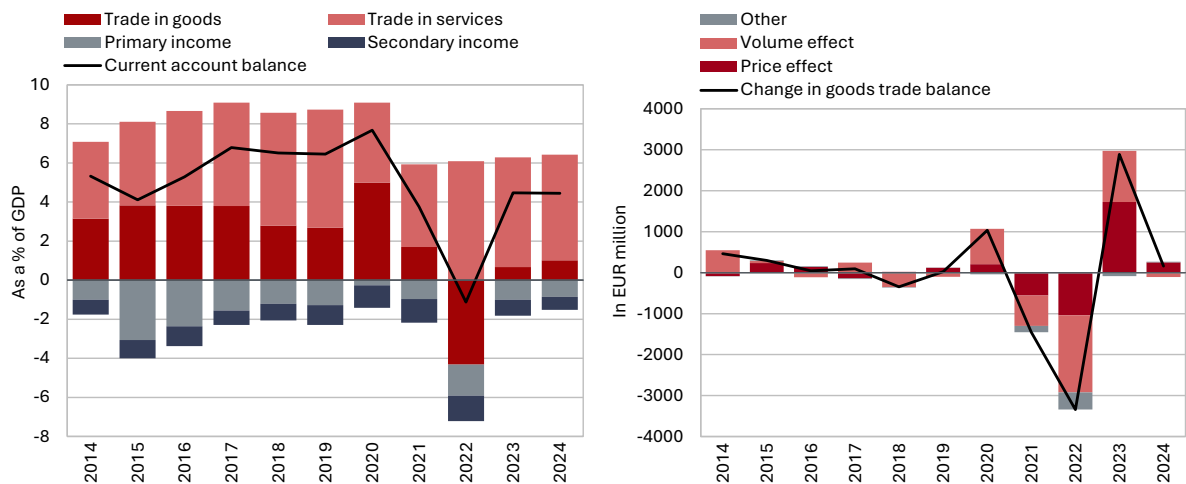


Source: SURS (2025a). Notes: The blank space in the figure showing the contribution of foreign workers to employment growth indicates periods when the contribution was negative. In March 2020 and since mid-2023, the contribution was high (over 100%), as the number of employed domestic citizens declined year-on-year, while the number of employed foreign citizens increased – resulting in foreign employment growth exceeding the net increase in total employment.

The current account surplus remained high last year. It increased by EUR 120.2 million compared to the previous year, reaching EUR 3.0 billion (4.4% of GDP). Slovenia's current account of the balance of payments already showed a surplus in the 2013–2019 period, during which its export competitiveness also improved, as measured by the growth of market shares in international markets. In 2020, with the outbreak of the epidemic that severely constrained domestic consumption, the current account surplus increased to its highest level to date (7.7% of GDP). Due to the rapid recovery of domestic demand relative to foreign demand and the deterioration in terms of trade amid sharp fluctuations in global commodity prices, the surplus narrowed significantly in 2021, and in 2022, with the sharp rise in energy prices, turned into a deficit. The return to surplus in 2023 was primarily driven by goods trade balance, which further increased in 2024. The services surplus remained high, with notable growth particularly in technical and trade-related services, and to some extent, in certain knowledge-based services (telecommunications, computer and information services, financial services and R&D services). Secondary income also contributed to the improvement in the current account balance, while primary income had a negative impact.⁹⁷

⁹⁷ The smaller secondary income deficit was mostly due to lower net outflows of private sector transfers. The primary income deficit was higher, primarily due to a lower surplus of labour income, amid continued growth in employment of foreign nationals.

/ Figure 44: In 2024, the high current account surplus, which increased further, was mostly driven by the goods balance



Sources: BoS (2025c) and SURS (2025a); calculations by IMAD.

In 2024, the general government deficit stood at 0.9% of GDP, the lowest level since 2020, when it had increased sharply during the COVID-19 crisis (-7.7% of GDP). With the reduction of the primary deficit (excluding interest payments), which turned into a primary surplus last year, and continued growth in nominal GDP,⁹⁸ the debt-to-GDP ratio also declined further (to 67.0% of GDP in 2024). The improvement in both fiscal indicators was faster than the average among euro area countries (Figure 45). The decline in the deficit in 2024 stemmed from strong growth in general government revenue, combined with lower expenditure growth compared to the previous year. Although revenue linked to the economic cycle moderated and inflows from EU funds declined, and despite some revenue-reducing measures aimed at alleviating high energy prices (such as exemption from the RES and CHP contribution), total revenue continued to grow robustly. This was supported by the transformation of supplementary health insurance into a mandatory health contribution⁹⁹ and by earmarked revenue for the recovery from the 2023 floods (higher corporate income tax and revenue from SSH). A substantial part of these recovery funds remained unspent in 2024.¹⁰⁰ On the expenditure side, a key factor contributing to the lower deficit was the phasing-out of energy crisis mitigation measures (particularly subsidies) as energy prices and inflationary pressures eased. Growth in compensation of employees also slowed, and general government investment decreased after several years of high growth.¹⁰¹ Nevertheless, the investment level remained high (5.1% of GDP), exceeding historical medium-term trends and the level observed during the fiscal consolidation period of 2014–2019 (4% of GDP) as well as the EU average (3.7% of GDP in 2024, according to the forecast by

⁹⁸ Nominal GDP growth in 2024 (4.7%) was lower than in previous years (an average of 11% in the 2021–2023 period), resulting in a smaller reduction in the debt-to-GDP ratio compared to previous years.

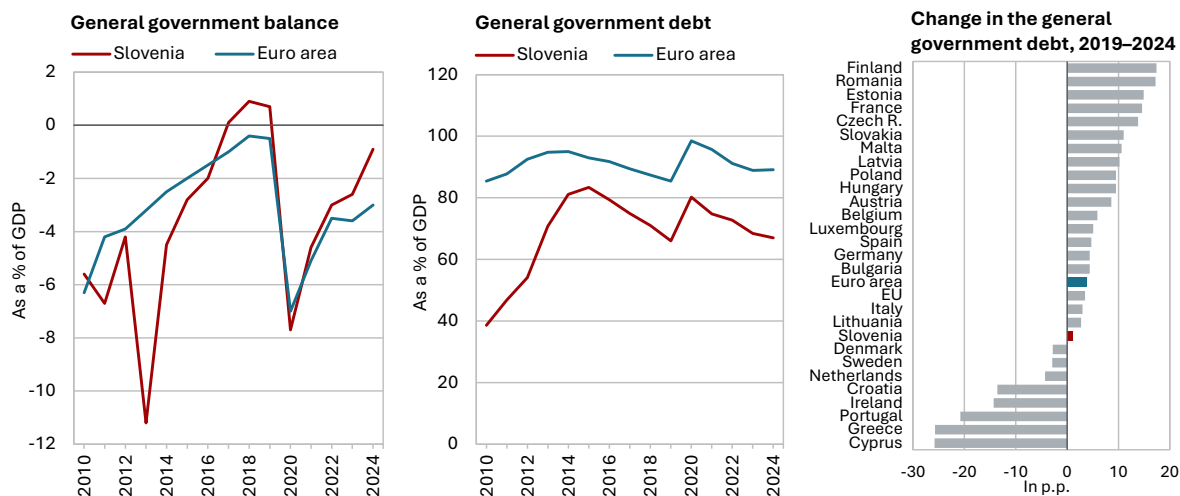
⁹⁹ Supplementary health insurance previously financed private sources of health expenditure (as part of private consumption), whereas the mandatory healthcare contribution constituted a public source of healthcare funding, mostly classified under general government final consumption expenditure. In 2024, EUR 623.5 million (0.9% of GDP) was paid into the Health Insurance Institute of Slovenia (ZZSZ) on the basis of this contribution.

¹⁰⁰ Funds were allocated to the Fund for the Reconstruction of Slovenia, which held EUR 543.3 million in available resources at the end of January 2025.

¹⁰¹ The decline in investments was due to the conclusion of the 2014–2020 financial framework and the REACT-EU COVID-19 recovery programme. Funds earmarked for post-flood reconstruction and investments under the Recovery and Resilience Plan were allocated to dedicated budgetary funds and are being drawn down gradually over a multi-year period.

EC (2024j)). Demographic trends have not yet had a significant impact on the share of social protection expenditure,¹⁰² although healthcare expenditure has increased following the COVID-19 pandemic. Further efforts to contain age-related expenditure and adapt systems to a long-lived society are part of the reforms under the Recovery and Resilience Plan, which are being implemented in the areas of long-term care and healthcare. In addition, a consensus was reached among social partners on the key elements of pension system reform (see Sections 3.1.3.3 and 3.4.6).

/ Figure 45: The general government deficit and debt both declined in 2024, reaching their lowest levels in the past five years (left and middle); since 2019, the increase in Slovenia’s public debt has been among the smallest in the EU (right)



Sources: SURS (2025a), for EA and EU countries for 2024: European Commission Autumn forecast (EC, 2024g).

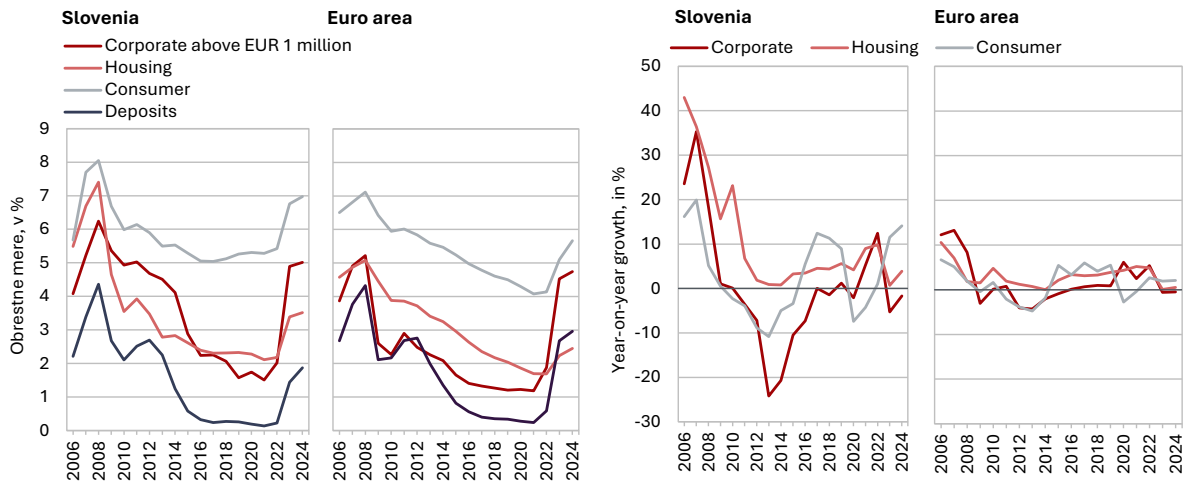
The Slovenian banking system remains stable, highly liquid and profitable.

Following the start of monetary policy tightening in mid-2022, and amid slowing economic activity and deteriorating credit conditions, bank lending activity in Slovenia began to moderate. As a result, the volume of loans to the domestic non-banking sector decreased by 2.3% in 2023, reflecting net deleveraging of corporate sector and non-monetary financial institutions (non-MFIs). In 2024, however, credit activity rebounded as monetary policy conditions eased. The volume of loans to domestic non-banking sectors increased by 6%, driven primarily by borrowing by non-MFIs and households. Among households, consumer loans continued to dominate borrowing activity, reaching EUR 1.6 billion and accounting for nearly half of all new household borrowing in 2024. Housing loan growth also picked up again, supported by easing lending conditions. In contrast, the volume of corporate loans continued to decline, in line with subdued economic growth. The dependence of banks on foreign sources of funding increased slightly in 2024, but remained low (8% of the banking system’s total assets). The increase was primarily due to compliance with minimum requirements for own funds and eligible liabilities (MREL), as banks, given the large volume of non-banking sector deposits, do not require additional external financing. The growth of non-banking sector deposits moderated to 1.5% amid low interest rates (compared to an average annual growth rate of over 6% during the 2021–2023 period). The loan-to-deposit ratio of the non-banking sector remained broadly stable at around 0.7%, which is less than half of the 2008 peak. The very conservative saving habits

¹⁰² In 2023, the share of social protection expenditure (according to the COFOG methodology) stood at 17% of GDP, which was 0.3 p.p. higher than in 2018 and 2019, and 2.6 p.p. lower than the peak levels observed in 2011 and 2012.

of Slovenian households, whose financial assets are still largely held in bank deposits, enable banks to maintain deposit interest rates well below the euro area average. This, together with a relatively larger spread between lending and deposit interest rates, contributes to the relatively high return on equity in Slovenian banks, which stood at 18.9% in 2024. The banking system remains highly liquid and, amid moderate lending activity, the share of non-performing loans also remains low (1%).

/ Figure 46: Lending interest rates in Slovenia exceed the euro area average, while deposit rates lag behind



Sources: ECB (2025), BoS (2025a); calculations by IMAD.

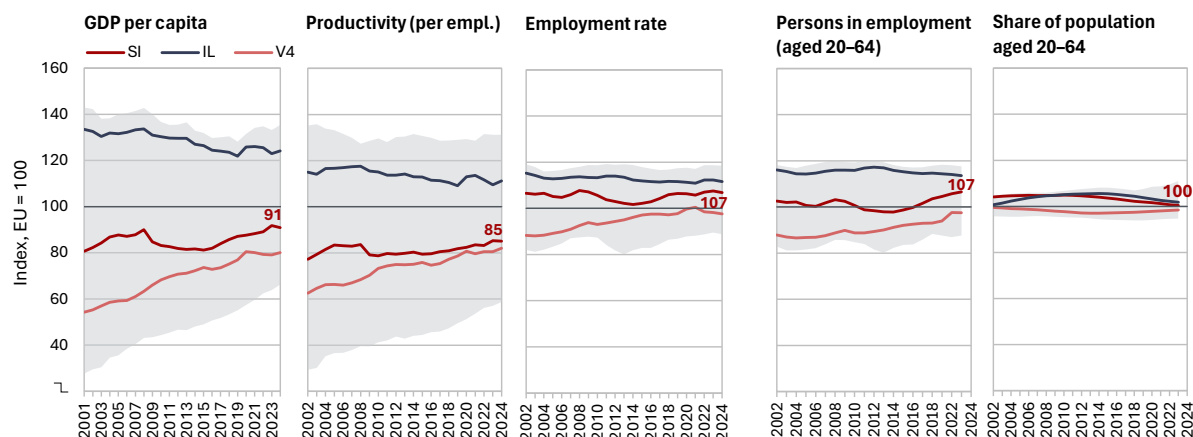
2.3.2

Economic development and productivity

The gap between Slovenia’s GDP per capita in purchasing power standards (PPS) and the EU average, an indicator of economic development, began to narrow more rapidly again in 2022 and 2023 after slowing during the pandemic, but convergence stalled in 2024. In 2024, Slovenia ranked 15th among EU Member States in terms of GDP per capita (in PPS). Over the past decade, Slovenia has been closing the development gap created during the global financial crisis that began in 2008. Convergence with the EU average progressed relatively rapidly during 2016–2019 (a period of high post-crisis growth), slowed down during the epidemic and then accelerated again in 2022 and 2023. However, according to preliminary Eurostat data, convergence halted again in 2024. Between 2016 and 2023, employment growth (the share of persons in employment in the total population) and productivity growth contributed roughly equally to economic convergence.¹⁰³ Prior to the pandemic, the contribution from employment growth had been slightly higher, while since 2020, the contribution from productivity has been higher. Slovenia’s employment rate is significantly above the EU average. Over the past decade, it has grown faster than in the EU, as labour market participation among the working-age population (20–64 years) increased more strongly in Slovenia than in the EU overall – despite demographic trends leading to a declining share of this age group (Figure 47, charts on the right).

¹⁰³ GDP per capita can be decomposed into employment rate (the share of the population employed) and productivity (GDP per person employed). The employment rate can be further decomposed into the share of the working-age population (20–64) in employment and the share of the working-age population in the total population.

/ Figure 47: Following an acceleration in 2022 and 2023, the narrowing of the gap in GDP per capita and productivity stalled in 2024, while the employment rate remained above the EU average

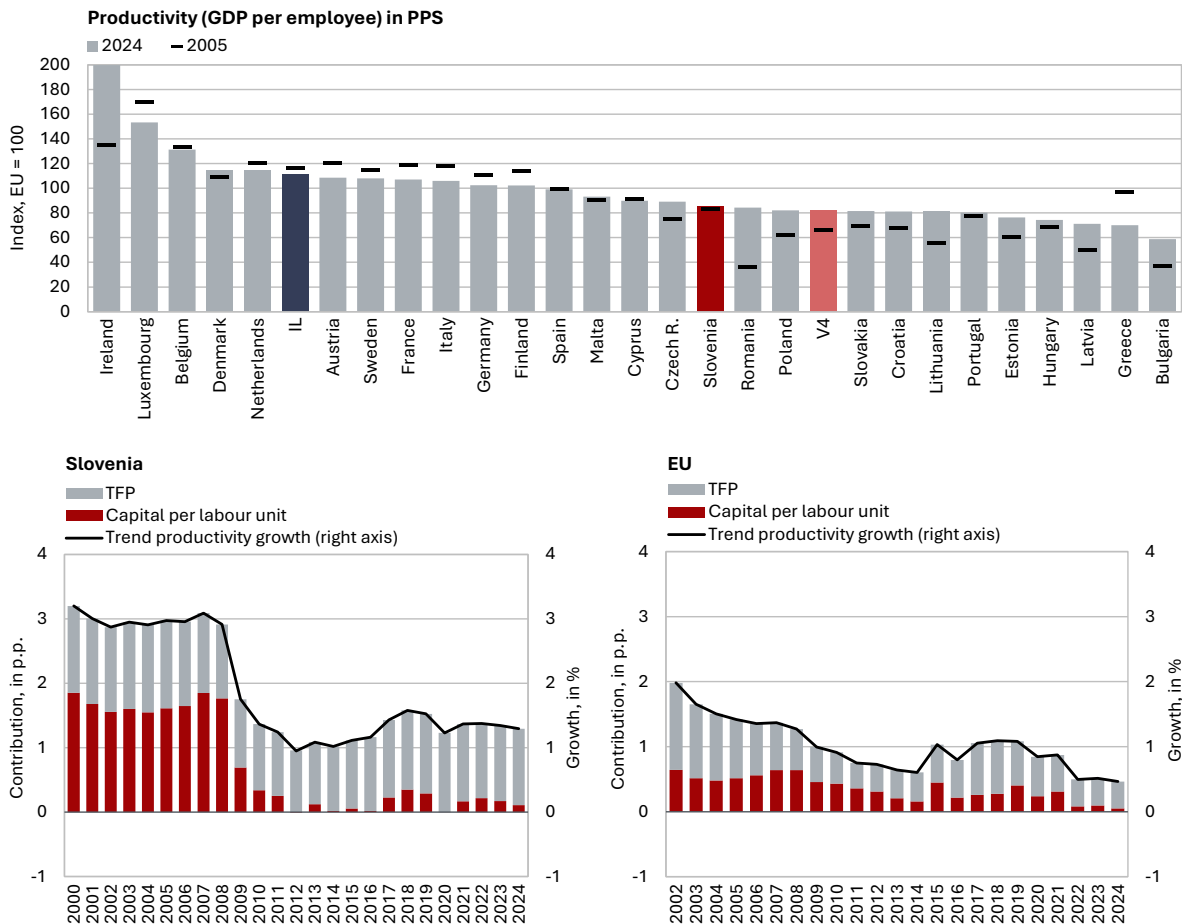


Source: Eurostat (2025); calculations by IMAD. Notes: GDP per capita can be decomposed into the employment rate (the share of the population in employment) and productivity (GDP per person employed). The employment rate can be further decomposed into the share of the working-age population (20–64 years) in employment and the share of the working-age population (20–64 years) in the total population. The grey shaded area represents the range between the EU Member State with the lowest and the one with the highest value of the indicator (Luxembourg and Ireland are excluded due to extreme values).

Slovenia's below-average level of economic development can be explained by a relatively large productivity gap, although this gap was at its lowest level on record in the past two years (2023–2024). In 2024, Slovenia's productivity (GDP per person employed in PPS) reached 85% of the EU average, slightly exceeding the previous peak recorded in 2008 for the second year in a row. Over the long term, Slovenia's productivity gap relative to the EU average has narrowed only marginally since 2005 (Figure 48), in contrast to the Visegrad Group (V4), due to a lack of convergence during 2005–2007 and the significant negative impact of the global financial crisis in 2008 on the Slovenian economy. Since 2015, the pace of convergence has been comparable to the V4 average. During the period of economic recovery after the global financial crisis (2015–2019), Slovenia's average annual real productivity growth stood at 1.5%, which is half the rate recorded before 2008. In the more recent period marked by the pandemic and energy crisis (2020–2024), average productivity growth slowed to 1.1%.¹⁰⁴ A decomposition of trend productivity growth shows that the slowdown after the global financial crisis was largely driven by a reduced contribution from capital deepening (capital per unit of labour, Figure 48), in terms of both tangible and especially intangible capital (see Section 3.2.4.2). The contribution of total factor productivity (TFP) – a proxy for technological progress that reflects the impact of technology, innovation, work organisation and other “soft” factors – has, in contrast to the EU overall (see Figure 48, below), remained close to the pre-2008 crisis levels since the second half of the previous decade. Looking ahead, strengthening TFP – supported by the opportunities offered by emerging technologies – represents an important potential driver also for future labour productivity growth. According to the literature, the positive impact of new technologies on productivity depends on parallel investments in human capital (see Section 3.2.1.3), organisational innovation and support policies (e.g. Brynjolfsson and McAfee, 2014).

¹⁰⁴ Productivity growth has also slowed in the EU. During the 2015–2019 period, the average annual growth rate was 0.9% in the EU (2000–2007: 1.4%), 0.7% in the IL (1.5%) and 2.8% in the V4 (3.9%). In the 2020–2023 period, the growth rates were as follows: EU: 0.2%, VI: 0.1% and V4: 1.0%.

/ Figure 48: In 2024, Slovenia ranked 16th among EU Member States in terms of productivity (in PPS), the same position it held in 2005 (top); the slowdown in productivity growth following the global financial crisis is mainly explained by the weak contribution of capital (per unit of labour), while the contribution of TFP, unlike in the EU overall, has remained close to pre-crisis levels (bottom)



Sources: Eurostat (2025) and SURS (2025a); calculations by IMAD. Notes: TFP – Total Factor Productivity is an indicator that measures how efficiently an economy uses its production resources – such as labour, capital, and technology – to generate final output (such as goods and services). TFP thus measures the contribution of technology, innovation, work organisation and other “soft” factors to labour productivity, beyond what can be explained by increases in labour or capital input alone. In line with the adopted methodology, capital includes investments in: (i) buildings and structures, (ii) machinery and equipment, including ICT, (iii) breeding stocks and orchard development, and (iv) intellectual property products, such as computer software, databases, and research and development.

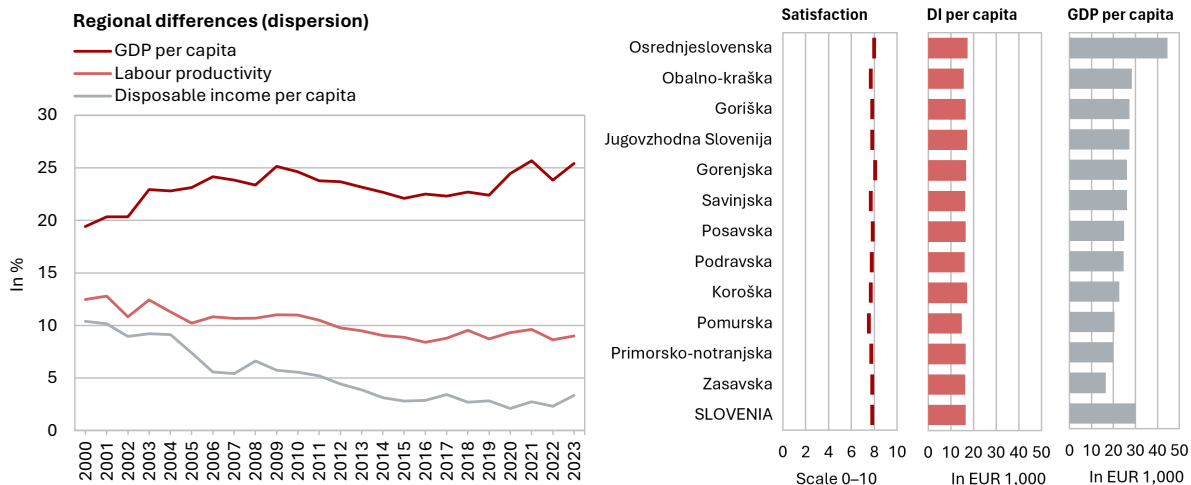
2.3.3 Territorial development

In Slovenia, regional differences in economic development are greater than those in productivity, disposable income and life satisfaction, with the former not declining over the long term, while the latter three have gradually narrowed. After a decade of decline, regional differences in economic development (measured by the dispersion of regional GDP per capita¹⁰⁵) widened again during the 2019–2023 period, marked by the epidemic and the energy crisis. By 2023, they came close to the peak levels observed in 2009 and 2021 (Figure 49, left). In 2023, the ratio between the least and most economically developed regions was 1:2.7, which is significantly higher than the ratio for productivity (1:1.4) and disposable income (1:1.2). The differences are even smaller when it comes to perceived life satisfaction.

¹⁰⁵ For definition, see note under Figure 49.

According to this indicator, residents in the Gorenjska region reported the highest satisfaction levels, exceeding the national average by 3%, while those in the Pomurska region reported the lowest, falling 4% below the national average. Self-perceived overall life satisfaction has been rising in all regions since 2012, with the most significant improvements recorded in the Posavska, Zasavska, Podravska and Jugovzhodna Slovenija regions.

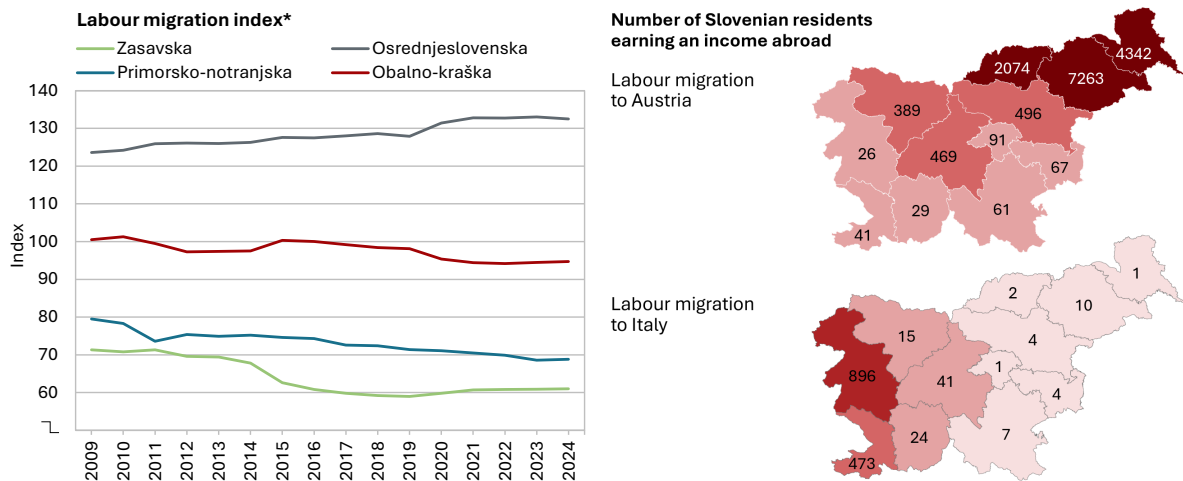
Figure 49: Regional differences in GDP per capita have widened since the epidemic, while the much smaller regional differences in productivity and disposable income have narrowed; even smaller regional differences were observed in perceived life satisfaction



Source: SURS (2025a); calculations by IMAD. Note to the figure on the left: The indicator dispersion is measured as the sum of the absolute differences between the regional and national indicator values, weighted by the population/employed share. It is expressed as a percentage. Figure on the right: “Satisfaction” refers to perceived life satisfaction, measured on a scale from 0 (very unsatisfied) to 10 (very satisfied). Data refer to the 2021–2023 average. “DI” stands for disposable income and refers to the year 2023, as does GDP per capita.

In Slovenia, regional disparities in economic development are driven more by differences in employment rates than in productivity, primarily as a result of labour migration – especially toward the Osrednjeslovenska region and, to a lesser degree, to other countries. The Osrednjeslovenska region exceeds the national average by 12% in productivity and by as much as 31% in the employment rate. This reflects the high number of commuters from other regions to work there. In 2024, 109,000 people daily commuted to the Osrednjeslovenska region for work, and this trend continues to strengthen (Figure 50, left). As a result, other regions are losing available labour, most notably the Zasavska and Primorsko-notranjska regions. After the epidemic, a significant decline in available labour was also observed in the Obalno-kraška region. Some regions, especially those along the northern border, are also losing their workforce due to cross-border labour migration (Figure 50, right). Approximately 15,000 Slovenian residents, mainly from the Podravska, Pomurska and Koroška regions, earn an income in Austria, accounting for 5.9% of total employment there. Fewer residents work in Italy, primarily from the Goriška and Obalno-kraška regions, representing 1.2% of total employment there. Since 2019, the number of cross-border labour migrants has been declining. Between 2019 and 2023, the number of Slovenian residents working in Italy decreased by around one-quarter due to the slowing economic activity there, and the number working in Austria fell by 4%.

/ Figure 50: Labour migration to the Osrednjeslovenska region contributes to the widening of regional economic disparities (left), while cross-border labour migration reduces the available workforce in border regions, with the effect being most pronounced in northeastern Slovenia

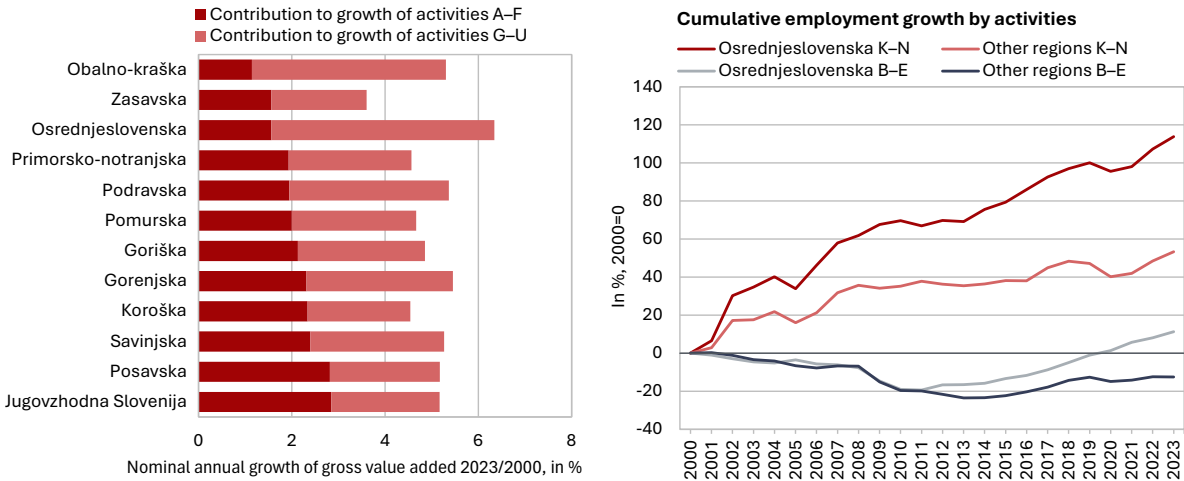


Sources: SURS (2025a) and FURS (2025); calculations by IMAD. Note: The figure (left) shows regions where the difference between the beginning and the end of the observation period is at least 5 index points. In the remaining regions, the change was smaller (between 86 and 97), with the exception of the Posavska region (79). * The labour migration index is calculated as the ratio between the number of persons in employment (excluding farmers) in the territorial unit of the workplace and the number of persons in employment (excluding farmers) in the territorial unit of residence, multiplied by 100.

Economic growth in the Osrednjeslovenska region is primarily driven by service activities, with the employment growth gap relative to other regions being especially pronounced in sectors with a tendency toward spatial concentration. By contrast, other regions have not fully exploited their development potential in other sectors – most notably manufacturing. The faster economic growth of the Osrednjeslovenska region compared to other regions between 2000 and 2023 was largely attributable to services (Figure 51, left). The average annual contribution of services to gross value added (GVA) growth in Osrednjeslovenska stood at 4.8%, while in other regions it was only 2%. The largest difference between the two regional groups occurred in activities with a tendency toward concentration,¹⁰⁶ such as financial and insurance activities, where the difference in average annual GVA growth reached 4 p.p. This is also reflected in cumulative employment growth data: although employment in services increased in line with global trends across other regions as well (by 33%), it rose significantly more in the Osrednjeslovenska region (by 74%), largely due to concentration-prone service sectors. Cumulative employment growth in activities in sections K–N (financial, insurance, professional, scientific and similar activities) in the Osrednjeslovenska region increased by 114%, compared to a 53% increase in other regions (Figure 51, right). In contrast, employment growth in activities with a lower tendency toward concentration (such as manufacturing) remained modest in other regions. For more balanced regional development, it is therefore essential to stimulate growth in activities that are less prone to concentration. This would help redirect employment toward other regions, but only if comparable working and living conditions can be ensured, which is possible only in connection with high-productivity activities. Balanced regional development is thus directly linked to and dependent on a shift toward innovation-driven growth.

¹⁰⁶ There is no single, universally accepted definition of such activities, as all activities benefit from concentration to some extent. However, according to the OECD, modern market services – especially knowledge-based services – tend to be more geographically concentrated, whereas industrial jobs are generally more evenly distributed due to the variety of needs and niches in manufacturing (OECD, 2018, 2020).

/ Figure 51: Economic growth in the Osrednjeslovenska region is primarily driven by services (left), with employment increasing particularly rapidly in sectors prone to spatial concentration, while growth in other activities (e.g. manufacturing) has remained modest outside the Osrednjeslovenska region since the global financial crisis (right)



Source: SURS (2025a); calculations by IMAD. Note: In the figure to the left, letters denote activities according to the NACE classification (see list of abbreviations), while the line in the figure on the right represents the linear trend.

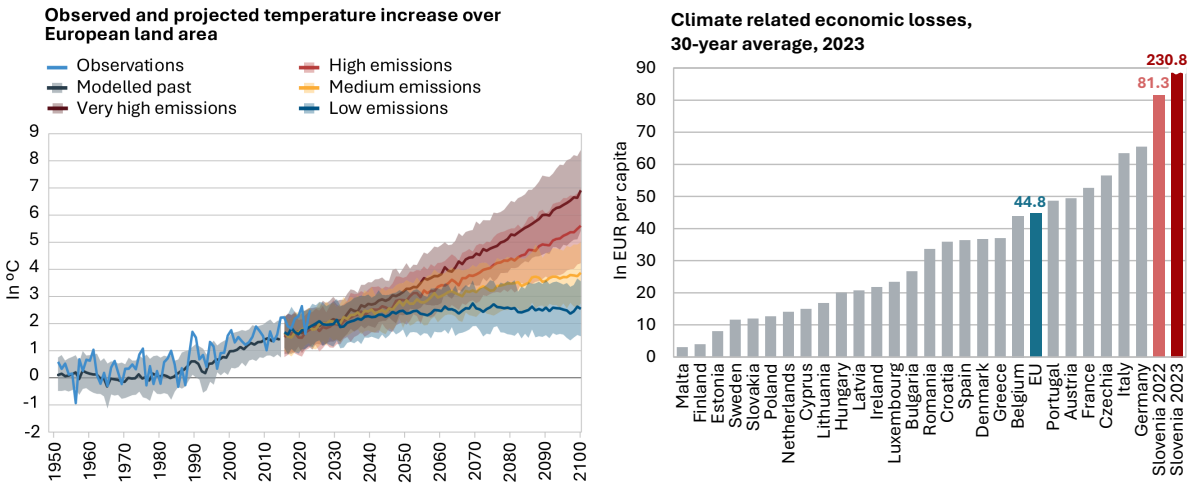
2.4 Preservation of the natural environment

2.4.1 Burden of climate change and the urgent need for action

The Earth is warming at an accelerated pace, leading to extreme weather events that threaten the conservation of natural resources, ecosystems, biodiversity, human health and livelihoods. The year 2024 was the hottest on record globally, in Europe and in Slovenia, marking the first year that the average global temperature exceeded 1.5°C above pre-industrial levels (Copernicus Climate Change Service, 2024, 2025; ARSO, 2024). As the planet overheats, climate-related risks are intensifying, including more frequent and severe weather events, changes in precipitation patterns, floods, heatwaves, and increasingly widespread droughts and wildfires. Without decisive action, these risks may soon reach critical thresholds. Mitigating the impact of climate change depends primarily on (i) the speed of greenhouse gas emission reductions and (ii) the effectiveness of adaptation measures to manage unavoidable changes (EEA, 2024b). Since current commitments to reduce greenhouse gas emissions fall short of achieving the Paris Agreement goal of limiting global warming to below 1.5°C above pre-industrial levels (UNFCCC, 2016), as well as the EU target of achieving net-zero emissions by 2050 (EC, 2019), climate action must be significantly intensified (EC, 2023b). Europe is warming at twice the global average, making it the fastest-warming continent, with Slovenia recognised as one of the regions most severely affected by climate change. This is largely due to the country's geographical and hydrological characteristics, given its natural location at the intersection of the Alps and the Pannonian Plain (ARSO, 2024b). Climate-related economic losses per capita in Slovenia – especially after the severe floods in 2023 – are estimated to be the highest in the EU (Eurostat, 2025). In addition to mitigating climate change, it is essential to accelerate adaptation efforts and reduce vulnerability.¹⁰⁷

¹⁰⁷ To this end, the Climate Act is currently being prepared. It will serve as the basis for key climate policy documents by transposing relevant EU legislation, monitoring the achievement of targets and implementing measures. To further accelerate adaptation, Slovenia has launched the seven-year LIFE4ADAPT project, aimed at establishing a systematic and strategic approach to climate resilience and enabling optimal planning, coordination and implementation of adaptation measures. The project involves key stakeholders, including from municipalities and regions, the corporate sector and civil society.

/ Figure 52: Europe is warming at an alarming rate, and the outlook remains grim; economic losses, particularly in Slovenia, are estimated to be substantial, with 2023 marked by exceptionally severe losses resulting from widespread flooding



Sources: EEA (2024b), based on Copernicus Climate Change Service (left); Eurostat, 2025 (right). Notes: The figure on the left shows temperatures relative to pre-industrial levels. Model projections display the average trend along with uncertainty intervals. The figure on the right illustrates economic loss caused by extreme meteorological, hydrological and climate-related events, considering the number of fatalities as well as total and insured weather- and climate-related economic losses.

The environmental impact of production processes and lifestyles in Slovenia is higher than in most European countries, but despite some progress made between 2020 and 2022, further efforts are needed to achieve the established targets. The ecological footprint, a composite indicator of pressure on the environment,¹⁰⁸ increased during the economic recovery after the global financial crisis, peaking in 2018. It declined during the COVID-19 pandemic and energy crisis, as economic activity slowed, returning to levels seen a decade earlier. According to the most recent data, it stood at 4.8 gha per capita in 2022. The gap compared to the EU average (4.5 gha) declined to 7.4%. Although Slovenia’s overconsumption of natural resources is broadly in line with the EU average, it remains above that of most European countries.¹⁰⁹ Its carbon footprint accounts for half of the total footprint, with its share decreasing in recent years. Meanwhile, its forest product footprint has increased steadily and made up over one-quarter of the total footprint in 2022. The share of its agricultural product footprint has remained relatively stable, accounting for approximately 15%. Its carbon footprint, mainly stemming from fossil fuel use in transportation, and its high forest product footprint – reflecting significant wood consumption in construction and heating – make a significant contribution to the housing and personal transport components, which together form the largest share of Slovenia’s ecological footprint.¹¹⁰

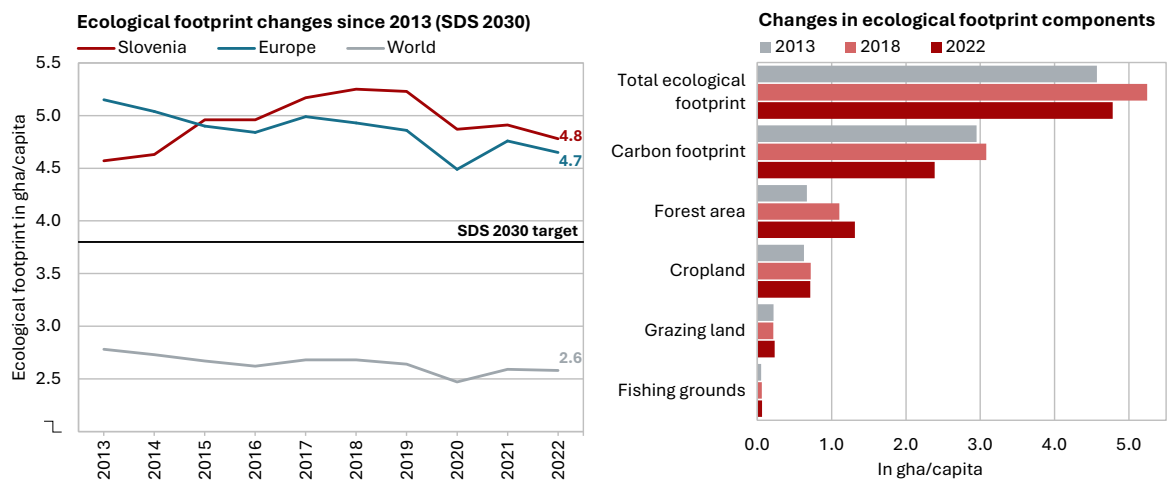
¹⁰⁸ The environmental burden of resource overconsumption, as measured by the ecological footprint, is directly linked to ecosystem functioning. Ecosystems provide essential benefits for societal well-being, although these are not fully recognised by the market. Ecosystem services are grouped into provisioning services (e.g. food, water, raw materials, energy and genetic resources), regulating services (e.g. air circulation, fire protection, erosion, water retention, climate regulation, carbon sequestration, soil fertility, biodiversity, pollination, seed dispersal, disease and pest regulation) and cultural services (e.g. cultural landscapes, recreation and social activities) (Millennium Ecosystem Assessment, 2005).

¹⁰⁹ In 2022, Slovenia’s ecological footprint intensity, which indicates how much the ecological footprint exceeds a country’s biocapacity, stood at 1.9 (2.0 in the EU; 1.5 in Europe and 1.1 in the world). This means that Slovenia would require nearly twice its biocapacity to meet current resource demands, or that it depletes its entire annual biocapacity within the first half of the year. If everyone on Earth lived like the average Slovenian, global biocapacity would be exceeded by April, as Slovenians spend over 250 days annually in a state of excessive and unsustainable use of natural resources (Country Overshoot Days 2024, 2025). 3.2 Earths would be needed to sustain such a lifestyle. While this places Slovenia close to the EU average, it ranks the country among the less sustainable globally (Global Footprint Network, 2023).

¹¹⁰ The ecological footprint of personal transport has increased by 70% in under a decade, driven entirely by the carbon footprint.

Slovenia’s extensive forest cover ensures high biocapacity, allowing it to meet domestic and export demand for forest products.¹¹¹ However, it does not compensate for its relatively high carbon footprint, which remains above the EU average and that of neighbouring countries. Meeting the SDS 2030 target to reduce Slovenia’s ecological footprint is becoming increasingly challenging. However, the goal could still be achieved through the implementation of more ambitious immediate measures, particularly in the areas of sustainable forest management, energy use and mobility (Jernej Stritih et al., 2023).

/ Figure 53: Slovenia’s ecological footprint decreased between 2018 and 2022, narrowing the gap with the European average; however, the SDS 2030 target remains a challenge (left), as the reduction in the carbon footprint has been largely offset by an increase in the forest product footprint (right)

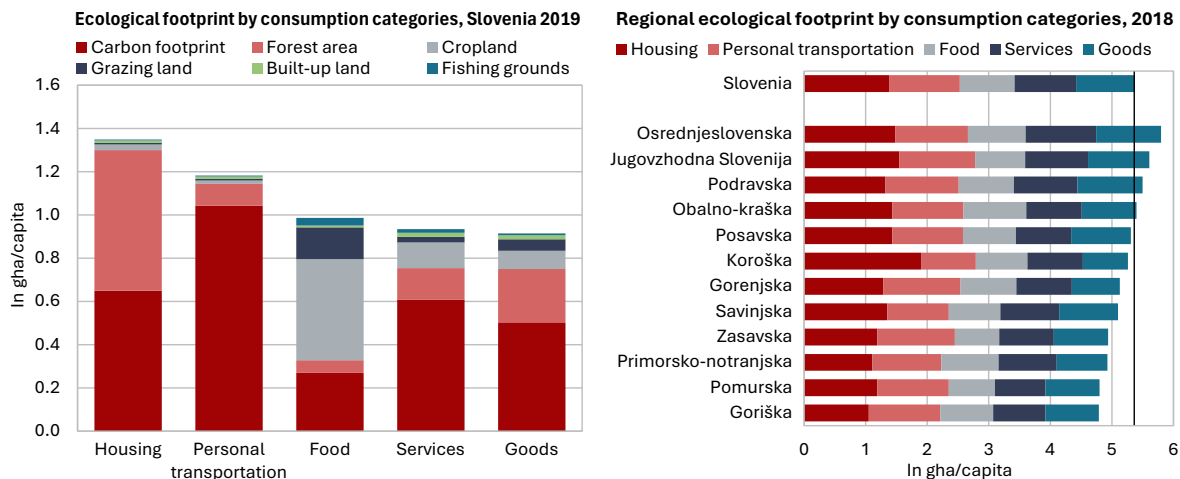


Source: Global Footprint Network (2023); calculation by IMAD. Note: i) figure on the left: The ecological footprint in the EU was 4.7 gha per capita in 2019 and 4.5 gha per capita in 2022; ii) figure on the right: the increase in the forest product footprint is largely due to higher wood consumption after the 2014 glaze ice damage.

There are notable regional differences in ecological footprints, which should be taken into account when designing and implementing green transition measures. Among Slovenian regions, the most densely populated Osrednjeslovenska region has the highest ecological footprint per capita (5.8 gha), while the Goriška region has the lowest (4.8 gha). The Primorsko-notranjska region also stands out for its below-average ecological footprint and high biocapacity per capita, particularly when compared to the Osrednjeslovenska region, which has the lowest biocapacity (Stritih et al., 2023). Regional differences are most pronounced in terms of carbon footprint (ranging from 2.9 to 3.6 gha per capita). There are also notable differences in the forest products footprint, largely influenced by regional access to wood biomass (e.g. firewood) and temperature variations that affect heating demands. When broken down by consumption components, differences are most visible in the housing footprint (lowest in the Goriška region and highest in the Koroška region) and in the personal transport footprint (lowest in the Koroška region and highest in the Zasavska region), which can be linked to heating methods and commuting habits.¹¹² The environmental impact of production processes and lifestyles is also reflected in the strain placed on and condition of natural resources – air, water, soil and space.

¹¹¹ Slovenia is a net importer of ecological footprint across all components except forest products, where the footprint embedded in exports exceeds that embedded in imports.
¹¹² Data from 2018. While results are statistically indicative, they are sufficiently informative to highlight the importance of adapting green transition measures to regional specificities. For more, see Stritih et al., 2023.

/ Figure 54: Housing is the consumption component with the largest contribution to the ecological footprint and, along with private transport, also to the carbon footprint (left); regional differences are significant and should be taken into account when designing measures (right)



Sources: Global Footprint Network (2023) and Stritih et al. (2023). Note: The housing component includes expenditures for rent, housing, maintenance and repairs, water supply, and other housing-related services, electricity, gas and other fuels, as well as the direct household consumption for heating (Stritih et al., 2023).

2.4.2 Air quality

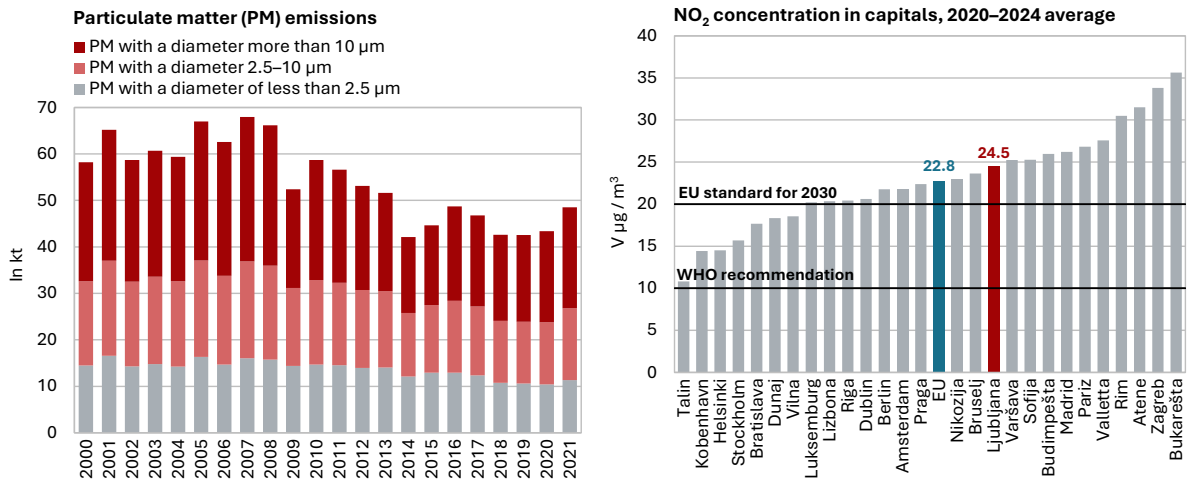
Ambient air pollution, which is the largest environmental health risk in Europe, reduces labour productivity and can lead to premature mortality. In addressing previously pressing issues related to certain pollutants, such as sulphur and nitrogen oxides, effective solutions were achieved over an extended period through sectoral policies. However, the issue of particulate matter (PM) concentrations remains a major concern. Among particulates, fine particles pose the greatest risks to human health. These are classified into two groups: particles with a diameter of 10 µm or less (PM₁₀) and those with a diameter of 2.5 µm or less (PM_{2.5}). PM_{2.5} in particular is associated with an increased risk of cardiovascular disease, reduced work efficiency and increased workplace absenteeism (Brook, 2008; Nogueira, 2009). Some research suggests that a 1 µg/m³ increase in PM_{2.5} concentration can lead to a 0.7% decline in labour productivity (OECD, 2024a). The effects are especially pronounced in activities involving intensive physical labour and outdoor work, involving greater exposure to particles, such as mining and quarrying, manufacturing and construction. Given the high number of premature deaths due to air pollution in the EU – including Slovenia – air quality regulations are being tightened (EEA, 2023; EC, 2022c; European parliament and the Council, 2024b).¹¹³

In Slovenia, ambient air quality has improved over time due to targeted actions; however, it remains locally impaired by inadequate wood biomass combustion, traffic emissions and poor ventilation in certain areas.

¹¹³ With the adoption of the revised Ambient Air Quality Directive, stricter limit values for PM_{2.5}, PM₁₀ and NO₂ have been introduced, aligning more closely with WHO recommendations. Quality standards for 2030 have been set as a stepping stone step towards achieving the EU's goal of zero pollution and a toxic-free environment by 2050. For example, the annual limit value for particulate matter (PM_{2.5}) – the leading cause of air pollution-related deaths in Europe – has been reduced from 25 µg/m³ to 10 µg/m³ (the WHO guideline value is 5 µg/m³). The new regulations are expected to significantly reduce the number of premature deaths caused by air pollution and the incidence of pollution-related diseases. The number of premature deaths related to PM_{2.5} is expected to fall by 75% over the next decade.

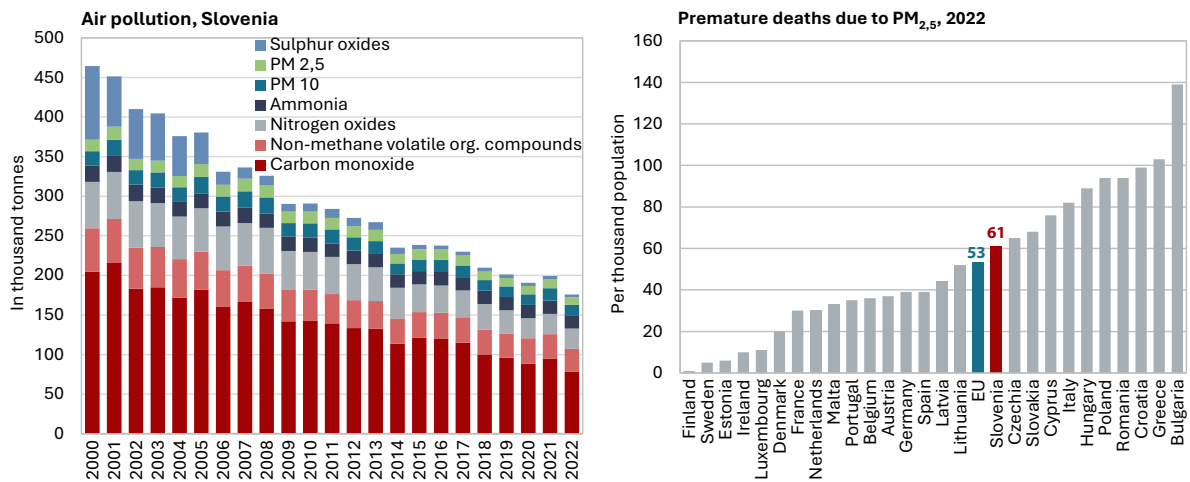
PM emissions have decreased over the long term due to the modernisation of combustion plants, energy-efficient building renovations and milder winters. In recent years, however, emissions have remained roughly stable. The primary sources of emissions are small combustion plants, construction activities and road traffic. In 2023, PM emissions decreased by 3.3%, with the most harmful fine particles (PM_{2.5}) dropping by 4%, reaching their lowest recorded level. Emissions from road traffic fell by 8.4%, while emissions from small combustion plants, which account for 45% of total PM emissions, declined by 4.2%.¹¹⁴ Although average exposure to PM_{2.5} and PM₁₀ has steadily decreased since 2010, ground-level ozone remains a significant local concern (ARSO, 2025a). Ground-level ozone forms only under sunny conditions, and excessive concentrations – unlike PM emissions – typically occur during the summer months. Long-term exposure to harmful substances is of particular concern (EEA, 2025).

Figure 55: PM emissions continued to decline in 2023 (left); however, nitrogen dioxide (NO₂) levels remain a concern in many European capitals, including Ljubljana (right)



Sources: ARSO (2025a) and Eurostat (2025). Note to the figure on the right: Valletta average 2020–2023.

Figure 56: Air pollution levels have significantly decreased over the past decades, yet the number of premature deaths caused by the particularly harmful PM_{2.5} remains slightly above the EU average



Sources: Eurostat (2025).

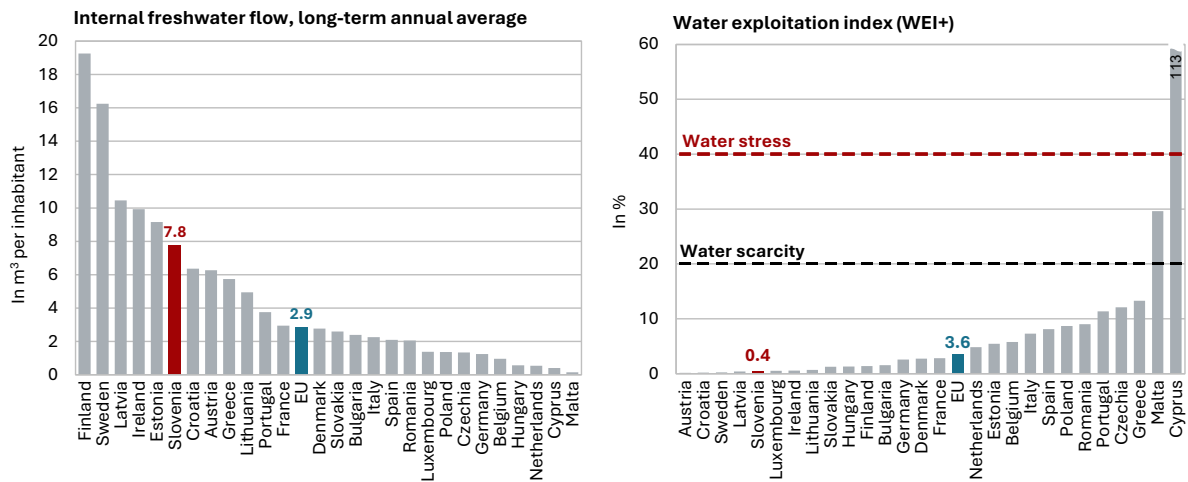
¹¹⁴ Industrial processes and solvent use (mainly larger-diameter particles) accounted for 35% of total PM emissions, traffic for 6%, fuel use in industry for 4%, and other sectors 3% or less.

2.4.3

Availability and quality of water resources

Slovenia is a water-rich country, and according to the water exploitation index, it is classified among non-stressed countries. A relatively high average annual amount of precipitation ensures abundant water resources. Most of the water used comes from surface sources (for industrial use), while one-fourth is drawn from groundwater (primarily for public water supply and irrigation). Since annual water withdrawals are generally lower than the amount replenished by precipitation and cross-border inflows, Slovenia's overall water balance has been positive, except in 2015, 2018 and 2021 (latest available data). The regionalised Water Exploitation Index WEI+, which measures water consumption as a proportion of the country's total water outflow, indicates that Slovenia's consumption remains well below the thresholds for water stress and scarcity.¹¹⁵ However, there are significant regional differences in water availability. Parts of the Primorska region and the eastern part of the country are dry, while the western mountainous areas are water-rich. Water problems have intensified under the influence of increasingly frequent and severe weather extremes and unsustainable watercourse management. As a result, extreme conditions, such as water shortages and floods, are becoming more common. The annual aquifer recharge indices vary widely, which, especially in shallow aquifers, indicates high quantitative sensitivity and a potential risk of future drinking water crisis (Andjelov, M., 2020).

/ **Figure 57: Available freshwater resources per capita in Slovenia are more than twice the EU average, with only a few northern European countries having higher levels; consequently, Slovenia's water consumption accounts for a relatively small share of total water flow**



Source: Eurostat (2025). Notes: Internal flow refers to the total volume of river run-off and groundwater renewal generated, under natural conditions, exclusively by precipitation (figure on the left); WEI+ refers to the water exploitation index. A WEI+ of over 20% indicates water scarcity, while values above 40% indicate severe water stress (figure on the right).

The August 2023 floods were the most severe in Slovenia's recorded history in terms of scale, intensity and damage; after recovery, it will be crucial to increase resilience against future floods. These devastating floods were triggered by an unusual weather pattern, combining autumn- and winter-like rainfall with elevated Mediterranean Sea temperatures, leading to the simultaneous overflowing of three major rivers – the Sava, Drava

¹¹⁵ The WEI+ measures the ratio of annual surface and groundwater abstraction to the average gross water outflow from the country over a long-term period (basic index) or in a specific year (annual index). Water stress occurs when water demand (excluding water used for hydropower generation) exceeds renewable water resources within a given timeframe or when pollution limits the usability of available water.

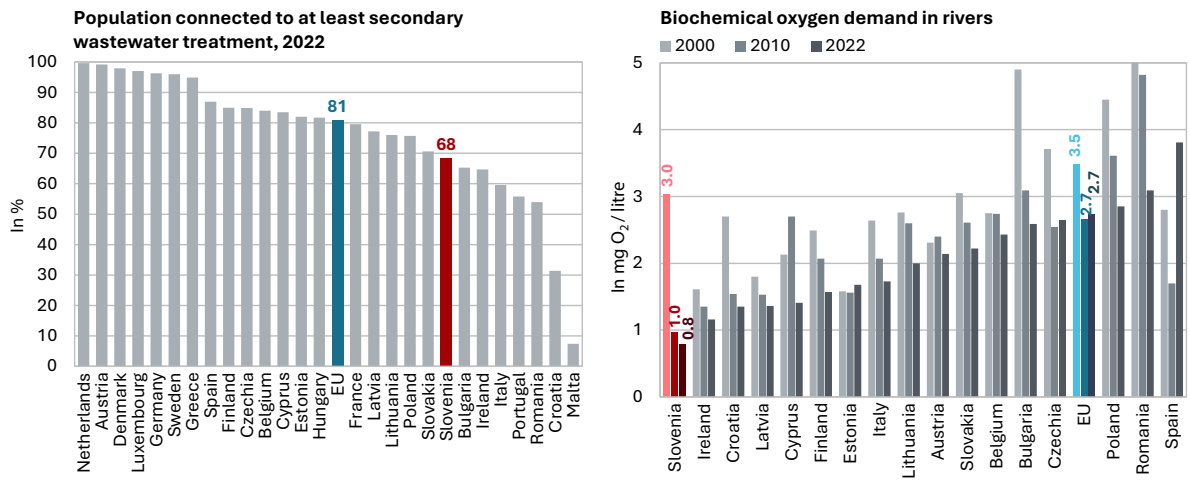
and Mura. The floods caused extensive direct economic damage, affecting infrastructure, residential and commercial buildings, and agricultural land, with total losses estimated at nearly EUR 3 billion (Government of RS, 2024c). Multiple regions – especially in the central, eastern, and southern parts of the country – were heavily affected. In 2023, the volume of rainfall and stormwater increased by one third, highlighting critical vulnerabilities, including lack of preparedness, inadequate maintenance of water infrastructure and risky settlement patterns in high flood risk areas. While emergency measures on damaged watercourses have been completed, the next phase will involve long-term rehabilitation, new investments and improved management of changing hydrological conditions (MNVP, 2024).

Due to reduced pollution and larger scale and more efficient wastewater treatment, water quality has improved, reaching the highest level among EU Member States with available data. The cleanliness of watercourses, measured by biochemical oxygen demand,¹¹⁶ which was near the EU average in early 2010s, is now the highest among EU Member States with available data. Lower pollution, typically caused by municipal and industrial wastewater discharges and agricultural runoff, is the result of more extensive and efficient wastewater treatment, the abandonment of certain economic activities that previously polluted watercourses and the adoption of more sustainable agricultural practices. Levels of nitrates in groundwater and phosphates in surface waters – the elevated concentrations of which can impair water quality – have been steadily decreasing and are now below the EU average. In 2021 the nitrate concentration in Slovenia was 14 mg/l, compared to 21 mg/l in the EU, while phosphate concentration was 0.03 mg/l, compared to 0.07 mg/l in the EU. The share of wastewater treated before discharge increased from 11% to 20% between 2015 and 2022, with most untreated water being only thermally polluted due to its use in hydroelectric power generation. In 2022, 72% of municipal wastewater collected via the public sewage system was treated in wastewater treatment plants before discharge. However, localised pollution issues persist, particularly in the Mura and Drava river catchment areas, which are also regions characterised by more widespread and intensive agricultural activity¹¹⁷ (Krivograd Klemenčič, 2023).

¹¹⁶ Biochemical oxygen demand (BOD) is a measure of organic water pollution. It refers to the amount of oxygen required by aerobic microorganisms to break down organic matter in water. The cleanest rivers have BOD values of less than 1 mg O₂/l, while moderately and heavily polluted rivers show values ranging from 2 to 8 mg O₂/l.

¹¹⁷ Environmental protection, including the prevention of water pollution from agricultural sources, is receiving growing attention under the framework of the Common Agricultural Policy.

/ Figure 58: Although the share of the population connected to at least secondary wastewater treatment is below the EU average, the quality of Slovenian watercourses is high¹¹⁸



Source: Eurostat (2025). Note to the figure on the right: Data for other EU countries is not available.

2.4.4

Soils as a key component of sustainability

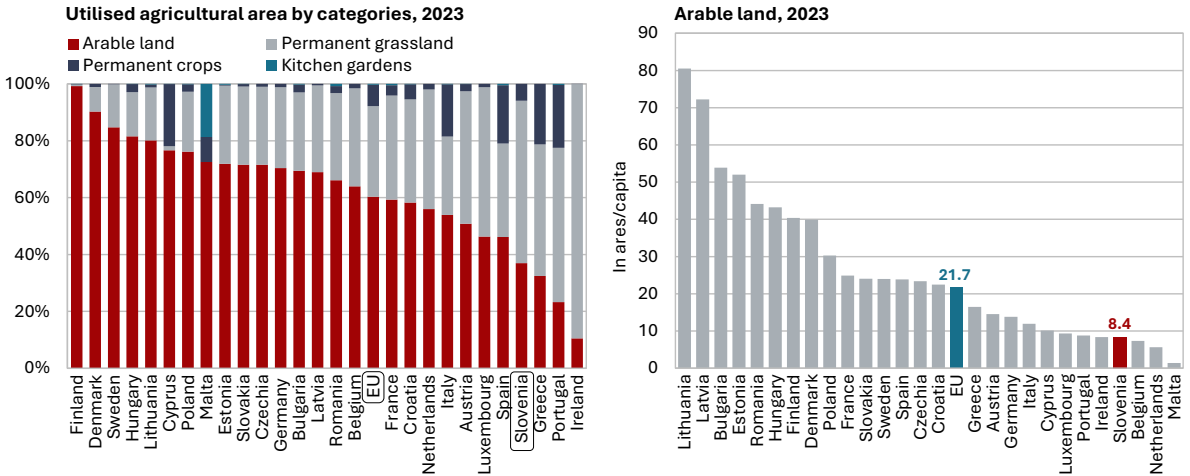
Soils play a crucial role in achieving sustainable development goals and in mitigating the impacts of climate change, owing to their important ecosystem functions. It is estimated that one-third of the world’s soils are moderately to severely degraded due to erosion, salinisation, compaction, acidification or chemical contamination (ISRIC, 2024), with the situation in Europe being even more acute (EC JRC, 2024). Healthy soils provide a wide range of ecosystem services, including the provision of food and biomass, the retention, purification and regulation of water, the transformation and neutralisation of pollutants, the supply of raw materials and the provision of habitat for soil organisms, contributing to the conservation of biodiversity (FAO, 2025). Given that soil formation is an inherently slow process resulting from the weathering of rocks and the gradual accumulation of organic matter, it is essential to place greater emphasis on preserving soil health and quality (Vrščaj, B., 2024). In the context of climate change and the green transition, their capacity to sequester and store atmospheric carbon is also becoming increasingly vital, playing a key role in achieving the zero-carbon target.

In food production, the protection of soils, particularly those of the highest quality, is a major challenge in Slovenia, as utilised agricultural area (UAA) is limited and is not increasing in line with the set SDS target. The UAA, which comprises arable land, permanent grassland, permanent crops and kitchen gardens, accounts for a considerably smaller share of Slovenia’s total land area compared to the EU average (2023: 23.7% in Slovenia versus 39.0% in the EU). Following a prolonged decline, the UAA has stabilised over the past decade at a level just below the SDS target (more than 24% of total land area). These developments are attributable to the abandonment of agricultural activities, the overgrowth of agricultural land and the conversion of farmland into built-up areas. Land use changes have been twofold – on the one hand, the conversion of agricultural land to other uses, and on the other, the reversion

¹¹⁸ This can be attributed to Slovenia’s low population density, extensive forest cover – which supports natural water filtration – and the high self-purification capacity of its aquatic ecosystems.

of non-agricultural land to agricultural purposes. A particular concern is that the highest-quality farmland has often been the most adversely affected by these shifts (Court of Audit of the Republic of Slovenia, 2021c). Given the already limited agricultural land area, the limited area of arable land (fields), which is the most critical category from the perspective of food security, is of particular concern. On a per capita basis, Slovenia ranks among the bottom four EU Member States in this regard.

/ Figure 59: In the structure of agricultural land use in Slovenia, a large share consists of permanent grassland (left), while the arable land area is limited (right); therefore, the protection of the highest quality agricultural land is of critical importance



Source: Eurostat (2025); right: calculations by IMAD. Note: Malta 2022.

Overall, soil quality in Slovenia is satisfactory, with generally low levels of pollution; in recent years, progress has been made in the monitoring potential localised contamination. The organic matter content in agricultural soils is relatively favourable, largely reflecting the structure of Slovenian agriculture, which is predominantly livestock-oriented. This indicates favourable physical, chemical and biological soil properties, including good soil structure, porosity and permeability, water retention and filtration capacity, drought resilience and the presence of more stable forms of nitrogen (Vrščaj et al., 2023). Average annual soil erosion in Slovenia is relatively low, primarily due to the country’s extensive forest cover (Vrščaj et al., 2020), and overall levels of soil pollution remain limited. Monitoring conducted through the register of functionally derelict areas (FDAs)¹¹⁹ indicates that, in urban environments, soil contamination predominantly results from industrial activities, waste disposal and backfilling, whereas in rural areas, the principal sources are mining and intensive agricultural practices.¹²⁰ The greatest challenge is posed by abandoned industrial and mining sites that have not been properly rehabilitated (Lampiĉ and Rebernik, 2023b).¹²¹ In certain

¹¹⁹ FDAs are either areas without any function or areas where a particular function (use) is implemented to a limited extent. An area is classified as an FDA if at least one-tenth of it is abandoned and covers at least 0.2 hectares (in cities and urban settlements) or 0.5 hectares (in open spaces).

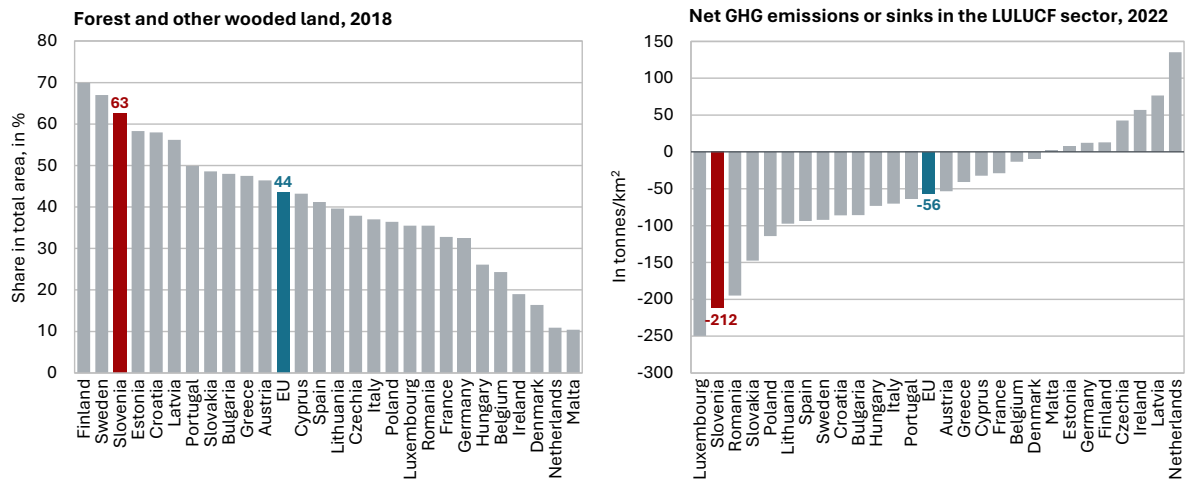
¹²⁰ To enable the systematic monitoring and management of environmental contamination, a national register of potentially contaminated sites was established in 2021. Following subsequent legislative amendments, this register now enables the more comprehensive management of these sites. Based on the degree of environmental sensitivity and potential health risks associated with contamination, one-third of FDAs have been classified as requiring urgent or high-priority intervention (Lampiĉ et al., 2022, 2021).

¹²¹ The Osrednjeslovenska and Podravska statistical regions stand out for having the highest number of potentially contaminated sites, while areas at risk of contamination by organic pollutants are located in the Pomurska statistical region, due to intensive agricultural activity. At the beginning of 2025, a targeted

localised areas (particularly along the Meža river), environmental degradation has occurred due to soil contamination with lead and other toxic metals. Remediation efforts are ongoing, and the programme has been extended until the end of 2034 (MOPE, 2025).

Due to extensive forest cover, soils in Slovenia sequester a significant share of greenhouse gases; after carbon sequestration declined considerably following forest damage caused by the ice storm in 2014, it increased again after 2019 to the level recorded before the ice storm. In the year before the ice storm, the land use, land-use change and forestry (LULUCF) sector accounted for more than one-quarter of total greenhouse gas removals. In the subsequent years, however, due to the large-scale increase in sanitary tree felling, the LULUCF sector temporarily transitioned from a net sink to a net source of emissions. A positive net emissions balance in this sector persisted until 2018, after which net carbon sinks were re-established, capturing 29% of total emissions in 2023, comparable to the levels recorded prior to the ice storm event. Increased sanitary tree felling contributes to forest rejuvenation and improved forest resilience, which suggests that carbon sinks are expected to continue growing after the conclusion of sanitary felling operations. This will also be crucial in efforts to achieve the goal of net-zero emissions and progressing toward a carbon-neutral society.

Figure 60: Forests, which cover a large part of Slovenian land area, store relatively large amounts of carbon



Source: Eurostat (2025). Note (figure on the right): (i) LULUCF – land use, land-use change and forestry. For Slovenia, IMAD calculations based on the latest data from ARSO for 2023 (2025b).

2.4.5 Land use

Slovenia’s landscape is highly diverse and rich, enabling a high quality of life. The country is situated at the intersection of four major European natural-geographical regions – the Adriatic, Alpine, Dinaric and Pannonian – resulting in a unique combination of landscape features. Forests and other wooded land dominate Slovenia’s land cover (63%), followed by meadows and pastures (18%) and arable land (11%). Slovenia is the least urbanised country in the EU, with an urbanisation rate of around 50% (EU: 73%). Settlement patterns are highly dispersed, characterised by a large number of small settlements.

Programme of measures to improve environmental quality in the municipalities of Črna na Koroškem, Mežica, Prevalje, Ravne na Koroškem and Dravograd (2025) was adopted.

The most attractive areas for settlement – plains, basins and valleys – are also where the majority of high-quality agricultural land suitable for intensive farming is located, which is an aspect that must be carefully considered in the context of ongoing changes. In areas undergoing intensive development, the landscape is being reshaped by the construction of transport and energy infrastructure, industrial zones and buildings, and by the adoption of new farming technologies, whereas in more remote areas, it is changing primarily due to the abandonment of agricultural land use.

Certain development trends over recent decades have diverged from the principles of planned, efficient, rational and high-quality spatial development. Settlement patterns are undergoing significant shifts, marked by the depopulation of both urban centres and remote mountainous and border rural areas. The functional areas of large cities are increasingly expanding into suburban and peripheral areas, particularly along the motorway network and in regions with well-developed road infrastructure connecting to key employment hubs. As a result, development capacities in depopulated areas are decreasing, creating spatial inequalities. Landscape diversity is declining due to rising population density, infrastructure construction, land abandonment, overgrowth and the intensification of agriculture. Climate change further exacerbates spatial vulnerability. These trends stand in contrast to the overarching objective of spatial development: to ensure a high quality of life in both urban and rural areas, while strengthening the resilience and adaptability of spaces in the face of ongoing changes (ReSPR50, 2023a).

Some regeneration has been observed in functionally derelict areas (FDAs), although redevelopment efforts are often not comprehensive. The reuse of FDAs – a mechanism for introducing a circular economy through the preservation of land as a natural resource, the reduction of fertile soil loss and the pursuit of net zero soil sealing (ReNPVO20–30, 2020)¹²² – is increasing. Seven years after the first national census of FDAs, the total number of such areas has declined (FF UL, 2024). Activities have been re-established in about one-quarter of the locations, predominantly in the form of industrial, craft, storage and residential uses (Lampič and Rebernik, 2023a). However, the mere re-establishment of activities does not guarantee a more rational use of resources, which, in line with the European Green Deal (EC, 2019), should also be climate neutral – a goal pursued by only one-tenth of revived FDAs. The re-establishment of activities is frequently guided by short-term planning and spontaneous, market-driven investment. New activities are dispersed, indicating a lack of systematic spatial planning and the absence of a strategic approach to the siting of new activities. A systemic approach is necessary to balance national, regional and local needs. A key opportunity for improvement lies in the preparation of new regional spatial plans (ZUreP-3, 2021), a process initiated in 2023 and still underway.

¹²² In 2023, built-up land in Slovenia covered approximately 115,000 hectares (5.7% of its territory), which is 1,600 ha more than in 2019 (Lampič and Rebernik, 2023b).

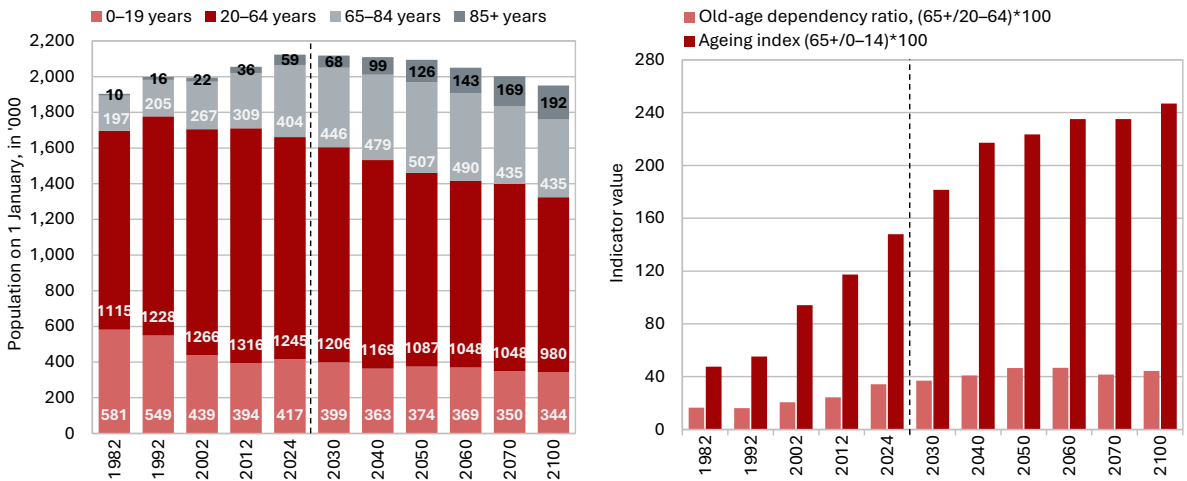
3 Key development factors

3.1 Creative and long-lived society

3.1.1 Demographic trends

For more than a decade, Slovenia has been undergoing profound changes in its demographics, with increasing older and decreasing younger generations. Population fluctuation and structure depend on the fertility, mortality and migration rates. The fertility rate has been below the replacement level for decades and natural increase¹²³ has been negative since 2017. Life expectancy is increasing and the number of older people (aged 65 and over) has already exceeded the number of young people (aged 0–19) (Figure 61). Demographic changes are also reflected in labour market imbalances and labour shortages. The biggest impact of ageing on social protection systems is expected around 2045, when the last larger cohorts born in the 1980s reach 65 years of age, accompanied by increased demand for healthcare and long-term care services.

/ Figure 61: The working-age population (aged 20–64) is decreasing (left), resulting in an increasing old-age dependency ratio (right)



Sources: SURS (2025a) and Eurostat (2025); calculations by IMAD. Note: Actual data up to and including 2024, projection for subsequent years. The baseline scenario of the EUROPOP2023 projection for the 2023–2100 period assumes a gradual increase in the fertility rate that would achieve 1.72 in 2100, resulting in generations with approximately 17.000 live births; a net migration of a little over 6.000 people on average per year; a further increase in life expectancy, with that of men continuing to increase slightly faster. In addition to the baseline scenario, Eurostat also prepared five sensitivity tests. For more information, see Bratuž Ferk (2023) and Eurostat (2023).

The negative natural increase seen since 2017 became more pronounced in 2020; since then, 2.2 more residents per year died on average than were born per 1.000 residents. Natural increase in 2020 and 2021 was negative (Figure 62, left), mostly due to the higher number of deaths caused by the epidemic (almost 15% more per year on average than in 2019)¹²⁴ and in 2022

¹²³ I.e. the difference between the number of births and the number of deaths.

¹²⁴ Due to larger generations of older people, the number of deaths is also expected to grow.

and 2023 due to the significantly lower number of births (10% less per year on average than in 2019). As a result of profound social and economic changes, fertility behaviour has shifted significantly over the past century, with the number of live births more than halving (40,710 children were born in 1923 compared to 16,989 in 2023, the lowest number to date¹²⁵). The average age of women at childbirth increased, standing at 31.1 years in 2023, 5.7 years more than 40 years ago. At the same time, the number of women of childbearing age (15–49 years old) has been declining relatively rapidly since 1997; in 2023, their average number was 17.9% lower than in 1996. Life expectancy at birth¹²⁶ in 2023 again exceeded the pre-epidemic values and was the highest ever (Figure 62, right, see also Section 2.2.5). After a short stagnation at the beginning of the transition period, life expectancy started rising in the mid-1990s before decreasing by one year in 2020. Compared to 1982, life expectancy in 2023 was almost 9 years longer for women and almost 11 years longer for men. The gender gap, which stood at 8.3 years in 1982, thus narrowed to 5.5 years. Life expectancy at 65 (20.3 years) also reached its highest value in 2023 (18.3 years for men and 22.1 years for women).

Due to labour shortages and labour market imbalances, net migration¹²⁷ in recent years has exceeded the long-term average. The scale of net migration is primarily influenced by economic factors, and therefore fluctuates considerably in line with the economic cycle and the demand for (specific) labour. Slovenia mostly attracts labour from countries of the former Yugoslavia, while Slovenian nationals tend to emigrate to countries such as Germany and Austria. In the 1995–2023 period, the average annual net migration was 5,780 people (with an average of 17,682 immigrants and 12,003 emigrants per year) (Figure 62, left). The net migration of Slovenian nationals has been negative since 2000; during this period, an average of 2,676 Slovenian nationals immigrated to Slovenia annually, while 4,386 emigrated.

Lower birth rates and greater longevity are changing the population's age structure; the ratio between the older (aged 65 and over) and working-age populations (aged 20–64) will continue to change. The percentage of young people (aged 0–19) in the population decreased significantly in the 1982–2024 period (by 10.9 p.p. to 19.6%) and will decrease further by 2050 (to 17.9%). Changes in the shares of the working-age population (aged 20–64) and people aged 65 years and over will be more significant (Figure 61, left). The latter will increase almost threefold by 2050 compared to 1982 (amounting to 30.2%). The share of the working-age population will decrease to 50.2% (its highest level was recorded between 2005 and 2012 at 64.2%, while it stood at 58.6% in 1982 and 2024). The old-age dependency ratio, which indicates the number of older people per 100 working-age individuals, has been increasing since the 1990s (16.1 in 1992), with a more rapid rise since 2012 (24.4). This growth is expected to accelerate further over the next three decades (Figure 61, right). The above-mentioned ratio also indicates the relationship between potential pensioners and potential payers of taxes and social contributions, which affects public revenue and expenditure on pensions, health care and long-term care. The ageing index is also rising sharply – at the beginning of 1982, there were twice as many children (aged 0–14) as people aged 65 and over

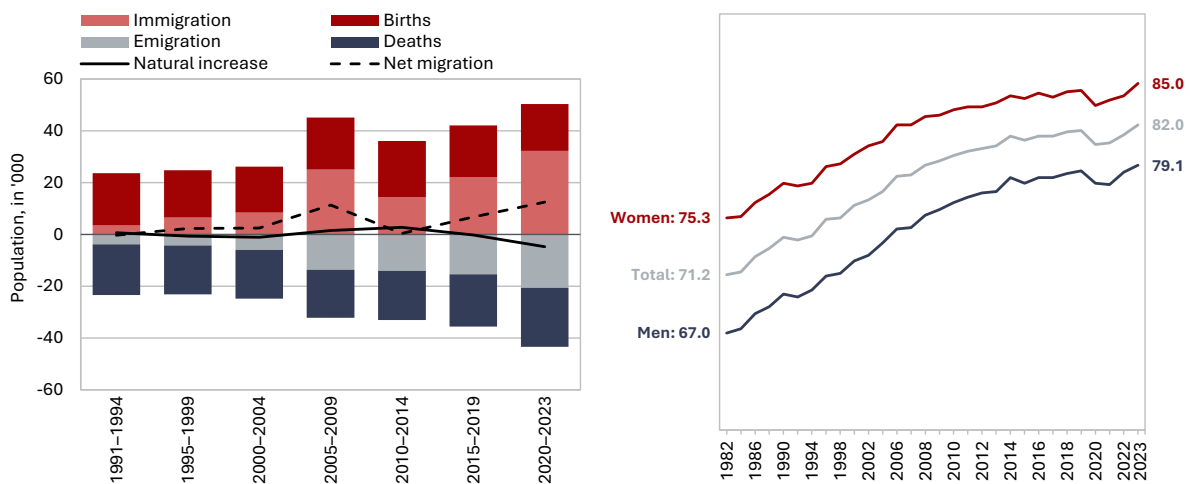
¹²⁵ According to preliminary data, 2024 saw less births, namely 16,628 (Šter and Žnidaršič, 2025). For more information, see Bratuž Ferk (2023).

¹²⁶ The average number of years that a person aged X can expect to live if age-specific mortality rates throughout their lifetime remain equal to the values in life tables for the observed year (Šter, 2024). Eurostat data is used (for comparisons at the EU level and the EUROPOP2023 projection and because it contains data for both genders in total), which differs slightly from SURS data due to the different methodologies used.

¹²⁷ I.e. the difference between the number of immigrants and the number of emigrants.

in Slovenia, while by 2024, the number of older people was almost 1.5 times higher than the number of children. According to projections, by 2050 there will be 2.2 times more older people than children (Figure 61, right).

Figure 62: Net migration has a profound impact on population growth in Slovenia, as natural increase is negative (left); in 2023, life expectancy at birth exceeded the pre-pandemic values and reached an all-time high (right)



Sources: SURS (2025a) and Eurostat (2025). Note: Changes in the population definition occurred in 1996, 2008 and 2010. As a result, data prepared according to different definitions are not always directly comparable (for more details, see Razpotnik, 2021a). The high increase in the number of immigrants (especially Slovenian nationals) in the third quarter of 2020 was mainly due to the administrative changes in the population register in accordance with the Residence Registration Act (Official Gazette of the Republic of Slovenia, No. 52/16). SURS eventually classified just under 7,500 people (among them 97% of Slovenian citizens and 3% of foreigners) as Slovenian residents, most of whom had likely immigrated to Slovenia years or even decades earlier but, for various reasons had not reported this to the administrative unit (see Razpotnik, 2021b; Razpotnik et al., 2021).

3.1.2 The labour market’s response to demographic, technological, environmental and social challenges

Like elsewhere in the EU, the labour market in Slovenia faces the challenges of demographic changes and changes in the structure of demand for knowledge, skills and competences in the transition to a smart and green economy. A long-lived society and the transition to a smart and green economy will significantly change the structure and scope of demand for workers in the future. Demographic changes affect the size of the working-age population (aged 20–64) with the transition of smaller and younger generations from the education system to the labour market and the retirement of bigger and older generations.¹²⁸ As a result, the age structure of the working population is shifting increasingly towards a higher percentage of older people and a higher average age. The shrinking labour force affects the functioning of healthcare, social protection and education systems and other public services provided by the state, while companies are experiencing increasing difficulties in finding qualified workers, which may affect their operations, productivity and growth. At the same time, the transition to a smart and green economy is accompanied by increasing needs for qualified workers, knowledge and competences. Due to mismatches in the labour market, companies are facing growing difficulties in finding suitable personnel. An insufficient supply of adequately skilled labour can

¹²⁸ Between 2012 and 2024, the working-age population (aged 20–64) declined by almost 72,000, meaning that the potential labour force shrunk by approximately 6,000 people each year. According to the EUROPOP2023 projection, the working-age population is expected to decrease by an average 6,000 people each year by 2050.

slow down the transition to innovation-driven growth, hinder the adoption of new technologies, increase business costs and complicate the transition to a long-lived society. Labour shortages must be addressed from both the supply and demand sides of the labour market, requiring measures aimed at:

- activating potential domestic sectors of the population, attracting workers from abroad, and ensuring business automation (Section 3.1.2.1);
- ensuring a more efficient human resource management to improve the workers' knowledge, skills and competences (Section 3.1.2.2);
- facilitating human capital development for a smart and green transition (Section 3.1.2.3), which is essential to increasing competitiveness, strengthening innovation capacities and ensuring an inclusive and sustainable growth;
- increasing social capital to ensure better worker engagement and performance (Section 3.1.2.4) and, above all, the workers' mental health.

3.1.2.1

Activating domestic and attracting foreign workers, and business automation

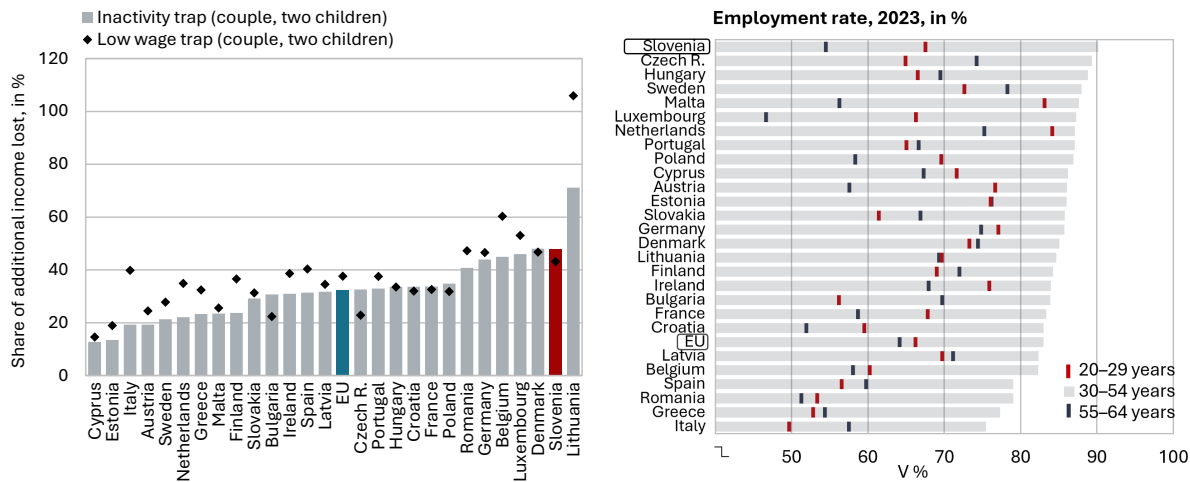
Addressing current and future challenges related to population ageing and the shrinking labour supply requires a wide range of policies aimed at extending working lives and increasing the participation of underrepresented groups. The workforce structure has already shifted significantly towards older age groups, and this trend is expected to continue in the following years (EC, 2024a). In Slovenia, the labour force participation rate is below average among the older population, particularly in the 60–64 age group, and slightly above the EU average among young people (aged 20–29) (Figure 63, right). Boosting the participation of young and older people is one of the ways of addressing the decline in the working-age population. Measures tackling the challenges related to young people include better alignment between labour market needs and study programmes, faster completion of studies, greater integration and interdisciplinarity of study programmes, the promotion of apprenticeship, etc. Measures to increase the participation of older people include job adaptation and improvement of job quality, retraining, lifelong learning, age-management, as well as the promotion of active ageing and intergenerational cooperation. Flexible and gradual retirement and the introduction of additional tax incentives for employers to retain workers even after they meet the retirement conditions have an important part in encouraging longer working lives. There is also potential to increase labour market participation among certain vulnerable groups that are less likely to participate in the labour market, mainly people with lower education (a group that often overlaps with older people), people with disabilities and women. Efficient active labour market policy measures¹²⁹ can play a key role in activating the inactive population and facilitating their transition into the labour market. However, relatively limited funding has been allocated for this purpose in Slovenia for several years (Section 3.2.4.2).¹³⁰

¹²⁹ An OECD analysis (forthcoming) showed the positive effects of training and education measures and employment incentives (job subsidies) on the participants' employability and income, as well as reducing the likelihood of emigration for the domestic population.

¹³⁰ In 2022, Slovenia allocated an average 0.1% of GDP for active employment policy measures, ranking 20th out of 22 EU Member States for which data was available. It also ranks at the bottom of OECD countries.

The participation of various groups is also affected by other factors, such as taxes, contributions and transfer payments and parental protection. Tax charges determine the percentage of a person’s higher income lost upon transitioning from inactivity to employment (the inactivity trap) or upon an increase of hours worked (the low-wage trap) due to higher taxes and lower social transfers.¹³¹ Slovenia has one of the highest percentages in the EU for both traps (Figure 63, left). Analyses show that people with low education, low pay and secondary bread-winners in the household (due to the gender pay gap, these are usually women) are more likely to respond to tax charge changes by increasing or decreasing their participation (EC, 2023c). While the labour force participation rate of women in Slovenia is relatively high, it can be boosted further by measures aimed at increasing the share of non-transferrable and paid paternity leave and changing the gender roles in care work,¹³² thereby distributing care for children more evenly and reducing the potential impact of absence from work on women’s salaries.¹³³ Work and employment are of key importance for persons with disabilities, not only from an economic standpoint but also in terms of an individual’s self-esteem, greater social integration and a more independent life. More emphasis should therefore be placed on the adaptation and accessibility of workplaces, appropriate training and the provision of support services for persons with disabilities.¹³⁴

/ Figure 63: People may be deterred from entering the labour market or taking on more work due to the inactivity trap and the low-wage trap, which were high in 2022 (left); Slovenia has the highest labour force participation rate among persons aged 30–54, while the participation of young people is slightly above and that of older people significantly below the EU average (right)



Source: Eurostat (2025).

¹³¹ The inactivity trap indicator shows the difference in a person’s net income when transitioning from inactivity to employment due to higher taxes and social contributions and lower social transfers. The calculation is for a couple with two children, where one earns 100% of the average salary and the other transitions from inactivity (receiving social assistance in cash, a rent subsidy and child benefits) to employment at 67% of the average salary. For the same household, the low-wage trap indicator shows the ratio in the net income of a worker transitioning to a better-paid position (from 33% to 67% of gross average salary) due to higher taxes and social contributions and lower social transfers compared to the previous lower income and the resulting lower taxes and social contributions and higher social transfers.

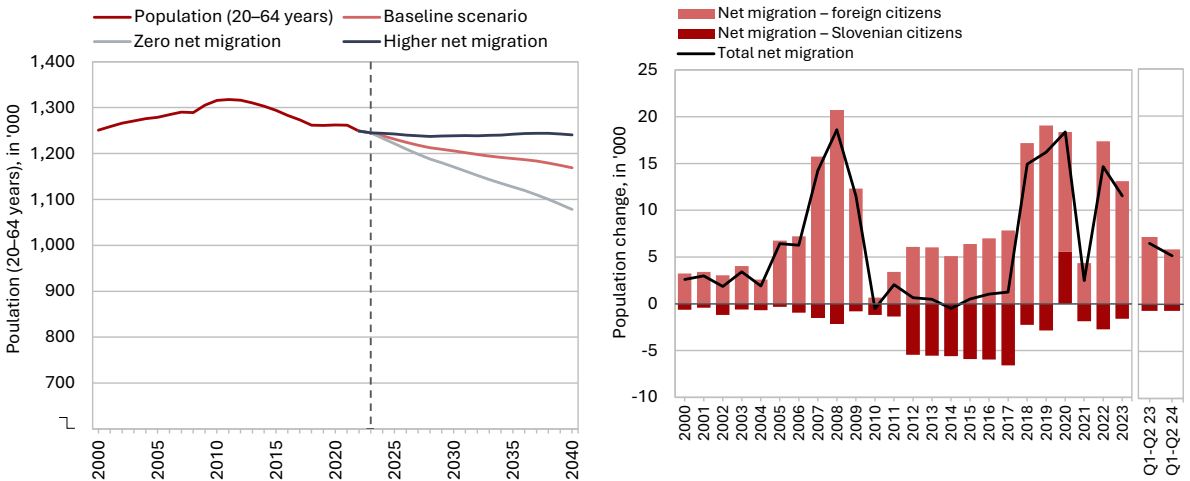
¹³² The labour force participation gap between foreign and Slovenian female nationals remains (amounting to 11.5 p.p. in 2023) but is slightly lower than in other EU countries (13.5 p.p.) and has decreased significantly since 2013 (by 19.7 p.p.).

¹³³ While, on the one hand, a more even distribution of care work can result in the higher participation of women, it can on the other hand result in the overall decrease in performed working hours in a household. An IMF analysis (Astinova et al., 2024) shows that the general long-term decrease in hours worked in European countries is, among other things, due to job preferences, particularly among men with children and young people.

¹³⁴ The Personal Assistance Act was adopted with a view to improving the integration of persons with disabilities, but the gap has remained unchanged since its entry into force.

Ensuring sufficient labour force is increasingly dependent on attracting and employing foreign workers, as only a high net migration can ease demographic pressures in the medium and long term. As the available labour force and reliance on the domestic population have long been insufficient to meet all economic demands, attracting foreign workers is becoming an increasingly important factor in employment growth. In the 2013–2023 period, 81,000 more people immigrated to Slovenia than emigrated from the country (a positive net migration), which enabled employment growth, particularly in 2023 and 2024. According to projections, unfavourable demographic trends will continue in the following decades (Figure 64, left). Merely increasing the participation of the domestic population will not be enough to ease the decrease in the working-age population; above all, it will be essential to maintain a high net migration (Figure 64, right).¹³⁵

/ Figure 64: In the medium term, the decreasing working-age population (left) can only be countered by the continued trend of historically high migration (right)



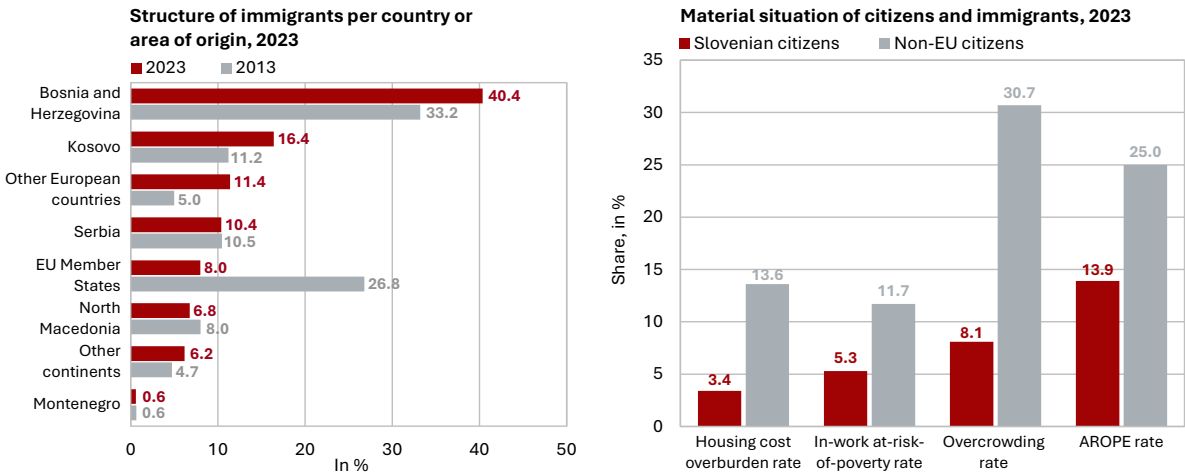
Sources: Eurostat (2025) and SURS (2025a). Note: EUROPOP2023 projections.

As the structure of demand for foreign labour rests more on low-wage and labour-intensive sectors due to the existing structure of the Slovenian economy, the material gap between foreign and domestic workers is wide. In the future, this may have an adverse effect on people's decisions to move to, work and stay in Slovenia. A less favourable material situation of foreign nationals is more common in countries where labour demand is concentrated in lower-paid and more labour-intensive sectors. In contrast, countries that attract more highly educated workers tend to exhibit a smaller material gap between foreign and domestic nationals (EC, 2024c). Most workers who immigrate to Slovenia come from the countries of former Yugoslavia (Figure 65, left), where relatively high unemployment drives many individuals to seek employment opportunities abroad. They are most frequently employed in sectors with below-average wages, with a third earning only the minimum wage.¹³⁶ As a result, they are more often in a disadvantaged position compared to Slovenian citizens: on average their financial position is weaker, more than a quarter are at risk of social exclusion, they more frequently experience housing deprivation and their risk of poverty is twice as high as that of Slovenian citizens (Figure 65, right).

¹³⁵ A high net migration, however, cannot produce a visible impact on the ageing of the working-age population, i.e. the increasing percentage of older people.

¹³⁶ While the labour force participation rate of foreign men is similar to that of domestic nationals, it is significantly lower among foreign women (see also Section 2.3.1.).

/ Figure 65: The majority of foreign nationals are workers from the former Yugoslavia (left); their material and living conditions are worse than those of Slovenian nationals (right)



Sources: SURS (2025a) and Eurostat (2025); the EU-SILC 2023 study (based on 2022 income).

As Slovenia is competing with other countries in attracting foreign labour, an appropriate migration and integration policy must be implemented to ensure favourable conditions for migration and worker retention. Certain measures aimed at attracting foreign labour have already been implemented (e.g. the 2024 strategy on migration) which, however, should be strengthened further.¹³⁷ The adopted tax incentives for the return of highly educated Slovenian nationals who were tax non-residents for two years and simplified procedures for the employment of foreign nationals should be combined with other measures to attract professionals, following the example of other countries. At the same time, it is important to keep providing assistance to Slovenian nationals intending to return home and retain young people in Slovenia.¹³⁸ Activities aimed at resolving the housing problem should be intensified by increasing the fund for rental housing.¹³⁹ Furthermore, it is important to ensure access to healthcare and education for foreign nationals, the recognition of university diplomas and habilitation acquired abroad, including the possibility of care for preschool children, the recognition and transfer of pension rights, etc. Measures to recognise experience acquired in the public sector abroad, as well as to identify and validate the knowledge and skills of foreign and Slovenian immigrants, could also have a positive impact. The immigrants' family members and their integration in society have strong potential, as the number of people moving to Slovenia for the purposes of family reunification is steadily increasing (IMAD, 2022a). Finally, it is necessary to encourage the population's positive attitudes towards immigrants, who will represent an increasingly larger share of the labour force and population, and foster a culture of tolerance and cooperation, to which all social (sub) systems should aspire, starting with education, political culture, the media, etc. (Figure 66).¹⁴⁰ Increased ethnic and cultural diversity at work also requires

¹³⁷ The Employment Service of Slovenia is already organising recruitment fairs to attract workers from Bosnia and Herzegovina, Montenegro, Serbia and Macedonia, as well as fairs to present the living and working conditions in Slovenia. Proposals for concluding new employment and social security agreements are also being drafted and negotiated (for example with the Philippines and Turkey).

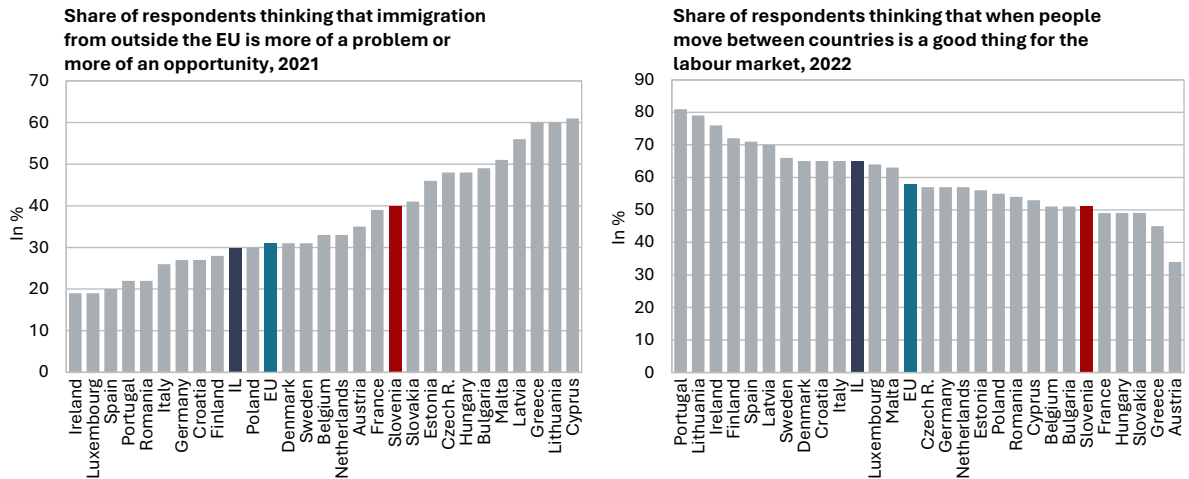
¹³⁸ In 2022, 33% of respondents expressed the intention to work abroad, mostly young and university educated people. Most of them wanted to go to Austria, Germany and Switzerland, provided that the income would be higher (Eurobarometer, 2022a).

¹³⁹ Examples include certain regions of Italy with the reimbursement of relocation expenses and contributions for building and renovating a first home.

¹⁴⁰ Compared to Scandinavian and Western European countries, Slovenia is less open to immigrants

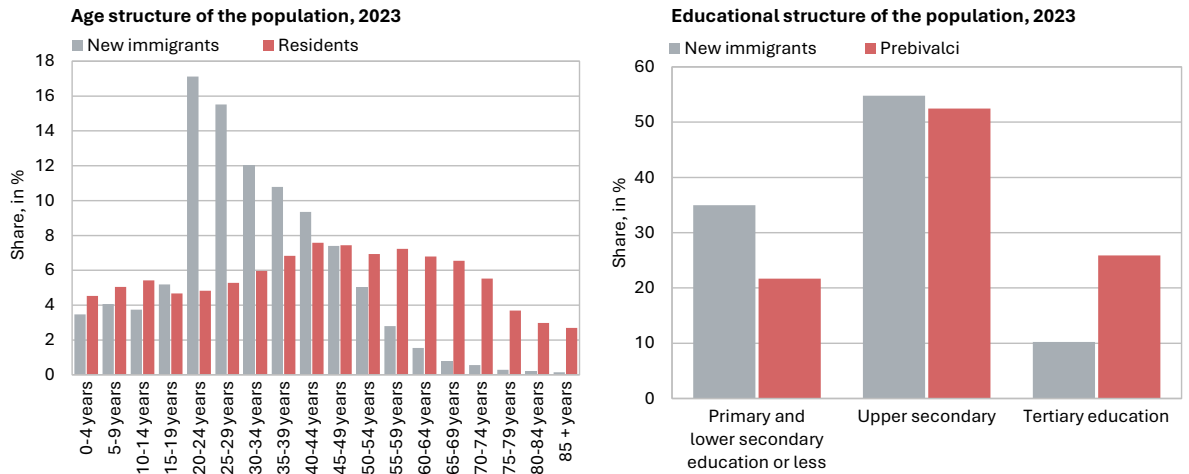
changes to the organisations’ management and culture. The age structure of foreign nationals immigrating to Slovenia is relatively favourable (consisting of mostly younger age groups) (Figure 67, left), but the educational structure of labour coming to Slovenia remains a challenge; so far, it has not met the long-term needs for professionals and workers with tertiary education (Figure 67, right).¹⁴¹ An IMAD analysis (2023a) shows that the recruitment of foreign workers with higher education, in addition to appropriate investments, would have a positive long-term effect on economic growth.

/ Figure 66: Attitudes towards migrants remain more challenging than the EU average (left); only one half of respondents have a positive perception of labour migration in terms of labour market needs, one of the lowest levels in the EU (left)



Source: Eurobarometer (2022a, 2022b).

/ Figure 67: The people moving to Slovenia are mostly younger (left) with upper secondary or lower education, which does not meet the long-term needs for innovation and digitally driven growth (right)



Source: SURS (2025a).

(including those from former Yugoslavia). The prevailing caution and scepticism towards diversity are partly due to historic homogeneity, lower exposure to migration and above all a weak integration and tolerance culture (CJMMK, 2024).

¹⁴¹ The percentage of foreign nationals with tertiary education in Slovenia is significantly lower than the EU average. According to EC (2024c) and Eurostat (2025), in 2023, the percentage of foreigners with tertiary education aged between 25–64 who are nationals of one of the EU countries is lower in Slovenia (SI: 24.9%, EU: 32.6%); the percentage is also lower for non-EU nationals (SI: 11.1%, EU: 28.5%).

In light of short- and long-term labour shortage, a substantially greater emphasis must be placed on business automation, which may also be influenced by the rise in the use of generative artificial intelligence (GAI).

Although concerns have frequently been raised in the past regarding the crowding-out effect of technology development and the automation of mostly routine tasks on the labour force, such fears have generally not materialised, as employment in developed countries, particularly in the EU, has continued to increase (OECD, 2019b). So far, Slovenia has been successful in introducing industrial automation, mainly tied to manufacture (see Section 3.2.5.2) but less so in business automation, particularly in service sectors, including the public administration. Due to demographic challenges, the processes of industrial automation must be accelerated further and automation must be introduced in areas where Slovenia has so far not been active (enough). On the one hand, this will help reduce the strong reliance on foreign labour, while on the other, it will gradually enable the adaptation of the employment structure towards a technologically more advanced society. In this process, the breakthrough in the development and use of GAI may also play an important role, as it enables the automation of non-routine cognitive tasks, without which the challenge of addressing labour shortages on the demand side would be difficult to overcome.

3.1.2.2

Efficient human resource management

Increasing structural mismatches affect company development and employee performance and satisfaction, requiring a more efficient human resource management. The supply of certain professions in Slovenia has long exceeded demand, and workplaces are often located far from workers' place of residence, which causes structural mismatches.¹⁴² People with tertiary education find employment in professions with lower education requirements (vertical mismatches) and/or professions that do not match their field of education or specialisation (horizontal mismatches). Furthermore, jobs are not properly distributed in relation to the jobseekers' place of residence, causing long daily commutes or migration to larger cities for employment (geographical mismatches). In 2022 (latest data), just under a quarter of workers in Slovenia were overqualified for their job; 13% were employed in occupations unrelated to their field of education; and 14% were underqualified for their job. Furthermore, over a fifth of workers estimated that their job did not require education from a specific field (see Statistical Appendix). Skill mismatches were also high: one half of the workers were unable to use their skills at work or lacked basic (numeracy and literacy), technical or job-specific skills, (complex) problem-solving competences and the ability to test new ideas (Cedefop, 2022). They lacked management skills (IMD, 2024a) and skills for environmentally responsible behaviour; there was a recognised need for transversal skills (such as communication, team work, flexibility and critical thinking).¹⁴³ In 2024, 22.5% of the active population commuted to work in a different statistical region (SURS, 2025a).

¹⁴² Structural mismatches reflect a mismatch between the workforce supply and the employers' demand based on various factors. The most common mismatches are (i) skill mismatches (where the skills of the workforce do not meet the needs of employers in the labour market) and often also other aspects: (ii) geographical mismatches (which arise when jobs and jobseekers are located in different areas and labour mobility is hindered by infrastructure, housing conditions and other limitations); (iii) sectoral mismatches (when certain sectors are shrinking while others are growing and the transition of labour is not fast or efficient enough); (iv) regulatory obstacles (rigid labour legislation or administrative barriers to the employment of foreign workers); (v) technological changes, etc.

¹⁴³ Transversal skills and competences include communication, problem-solving, leadership, teamwork, flexibility, cooperation, etc.

Larger urban areas and their functional hinterlands strongly attract workers with tertiary education due to better employment opportunities and higher income (UIRS, 2021) (see Section 2.3.3). Based on the above, a strategic and long-term approach to efficient human resource management should be adopted, establishing a system of medium-term planning of human-resource development. At the same time, mismatches should be resolved in the short term. Fast adaptation to changes must be fostered through social dialogue, better integration and cooperation between the public and private sectors, companies and all educational institutions, and through institutional transparency and efficiency (see Section 3.4).

The structure of enrolment in education programmes has shifted over the past decade in line with labour market needs but (due partly to smaller cohorts of young people) significant employer demand remains unmet; student international mobility continues to be modest. In the second half of 2024, half of all employers (and 80.4% of large employers) reported shortages of (suitably qualified) workers (ESS, 2024a).¹⁴⁴ There is a shortage of workers with upper secondary vocational and technical education,¹⁴⁵ although in certain profiles, supply exceeds demand.¹⁴⁶ With the recent increase in the size of youth cohorts, enrolment in upper secondary school has been rising for the fourth year in a row, and participation in vocational programmes has exceeded the EU average for several years. However, apprenticeship training, characterised by close cooperation between employers and schools, remains very low.¹⁴⁷ The shortage of tertiary-educated workers is also growing, particularly in healthcare, education, social work, certain fields within social sciences (e.g. law, psychology), and engineering. In contrast, for some profiles in the humanities and social sciences, supply still exceeds demand.¹⁴⁸ Despite an improved alignment of graduate structures with economic needs (Figure 68, left), prolonged study durations and low graduation rates (combined with declining student cohorts in the last decade) have led to lower labour market inflows of these profiles (OECD, 2022b). Although the total number of unemployed tertiary graduates has declined, some still face lengthy periods in securing (suitable) employment.¹⁴⁹ Student international mobility is half that of the EU average¹⁵⁰ and students returning from abroad often encounter difficulties in getting their qualifications and academic achievements recognised (EC, 2024m). Over the past decade, the share of foreign students has increased (in 2022 it was above the EU average) – representing a potential labour pool for employers.

¹⁴⁴ In 2023, 49% of SME employers experienced a shortage of workers with specific skills and competences (EU: 62%) (Eurobarometer, 2023a). For 59% of responding companies, appropriate skills and competences posed one of the biggest challenges in employment in 2025 (CCIS, 2024a); this share was higher than in Slovenia in seven EU Member States (Eurochambers, 2024).

¹⁴⁵ The most in-demand profiles are welders, HGV drivers, bus drivers, electricians, waiters and cooks (ESS, 2024b).

¹⁴⁶ Such as telephonists, masseurs, pedicurists, etc. (ESS, 2024b).

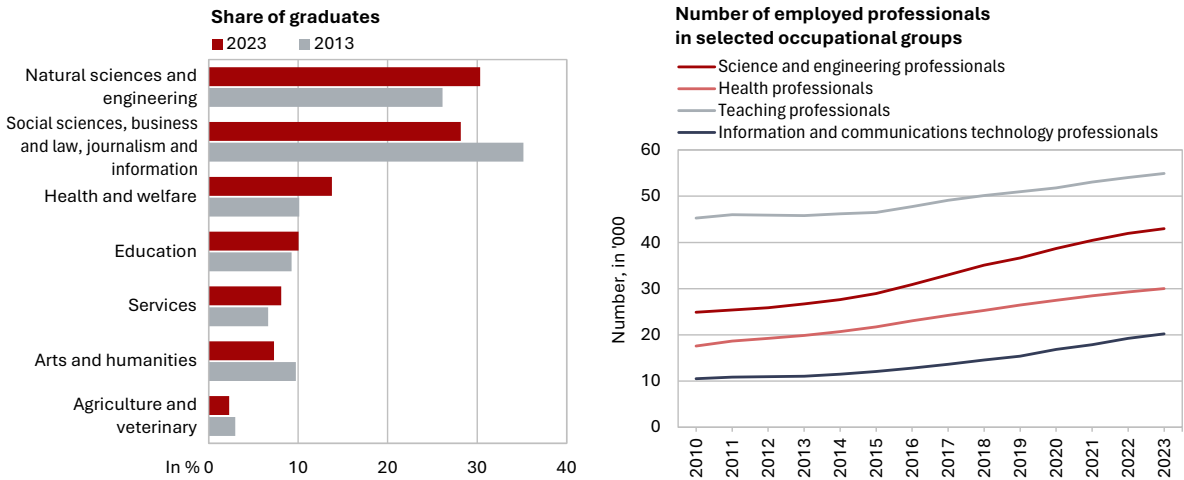
¹⁴⁷ At the end of November 2024, 637 students were enrolled in apprenticeship education programmes (MVI, 2025a).

¹⁴⁸ Such as architects, philosophers, sociologists, translators, proof-readers, etc. (ESS, 2024b).

¹⁴⁹ In particular graduates of arts, humanities and social science programmes (ESS, 2025).

¹⁵⁰ In 2022, only 5.3% of tertiary graduates spent at least three months studying abroad and obtained at least 15 ECTS credits (EU: 10.9%, innovation leaders: 9.8%) (EC, 2024d).

/ Figure 68: The increasing share of graduates in health and welfare, as well as in natural sciences and engineering, is also contributing to the employment of professionals needed for innovation-driven growth and a long-lived and knowledge-based society



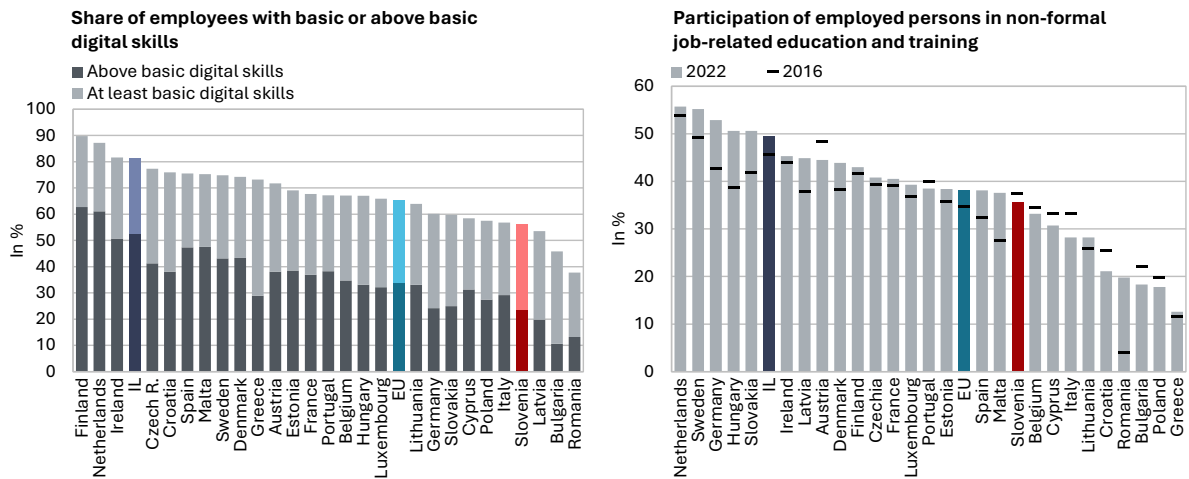
Sources: Eurostat (2025) and SURS (2025a).

As the positive development trend for various professional profiles is still insufficient to fulfil the growing needs, an efficient system for planning human resource development is needed, taking into consideration the trends of digital and sustainable transformation and long-lived society. Between 2013 and 2023, the number of professionals (particularly ICT)¹⁵¹ increased more than in any other occupational group, thus also increasing their share in the structure of the employed population (in 2023 it stood at 23.5%). Nevertheless, in international comparison, the gap in the share of ICT professionals between Slovenia and both the EU average and the innovation leaders widened in 2023 (see Statistical Appendix). In 2024, 63.9% of companies faced a shortage of such professionals (the 6th highest share in the EU) which, in addition to the low level of digital skills among employees (Figure 69, left), is increasingly hindering business digitalisation (see Section 3.2.5.2).¹⁵² Although the number of ICT graduates has been increasing since 2021 and reached its highest level in the last ten years in the 2023/2024 school year, estimates show that demand significantly exceeds the number of potential workers (CEDEFOP, 2024). The development of AI specialists is also progressing too slowly, limiting the broader adoption of this technology.¹⁵³ Human resource development in the healthcare,¹⁵⁴ social protection and education sectors has long been lagging behind the increasing needs of a long-lived society, which also leads to deviations from the standards and norms ensuring the quality of these services.¹⁵⁵ Demand for various professional profiles is expected to increase. According to the Labour Market Platform, developed by the Ministry of Labour, Family, Social Affairs and Equal

¹⁵¹ Under the Standard Classification of Occupations, the occupational group of professionals includes science and engineering professionals, health professionals, teaching professionals, finance professionals, ICT professionals, legal, social and cultural professionals, etc. (SURS, 2025a).
¹⁵² In 2024, 47.6% of companies reported that the shortage of appropriate workers or skills was an obstacle to the digital transformation of their operations (SURS, 2025a).
¹⁵³ In 2024, 65.2% of companies who wanted to introduce GAI technology did not opt to take this step due to the lack of adequate skills (SURS, 2025a).
¹⁵⁴ Demand for certain professions requiring upper secondary and tertiary education in healthcare and long-term care has been increasing for several years for demographic reasons, and there is a shortage of appropriate staff (ESS, 2024b, 2024a).
¹⁵⁵ The staff shortage in education is due to the retirement of larger cohorts of teachers, low salaries and the transition of teaching professionals to other jobs due to the profession's low reputation, burnout and stress, etc. (ZRSS, 2024) (for staff shortage assessments, see (ESS, 2024b, 2024a). For more about the staff shortage in healthcare and long-term care, see Section 3.1.3.3.

Opportunities, medium-term projections for 2023–2037 indicate that demand will be the highest for professionals, who are also the only occupational group for which new jobs are expected to be available, in addition to replacement employment. The platform should systematically address and include the future needs and trends of the digital and sustainable transformation and long-lived society.

/ **Figure 69: The level of digital skills among employees is among the lowest in the EU (left) and participation of employed persons in job-related non-formal education and training* is relatively low (right)**

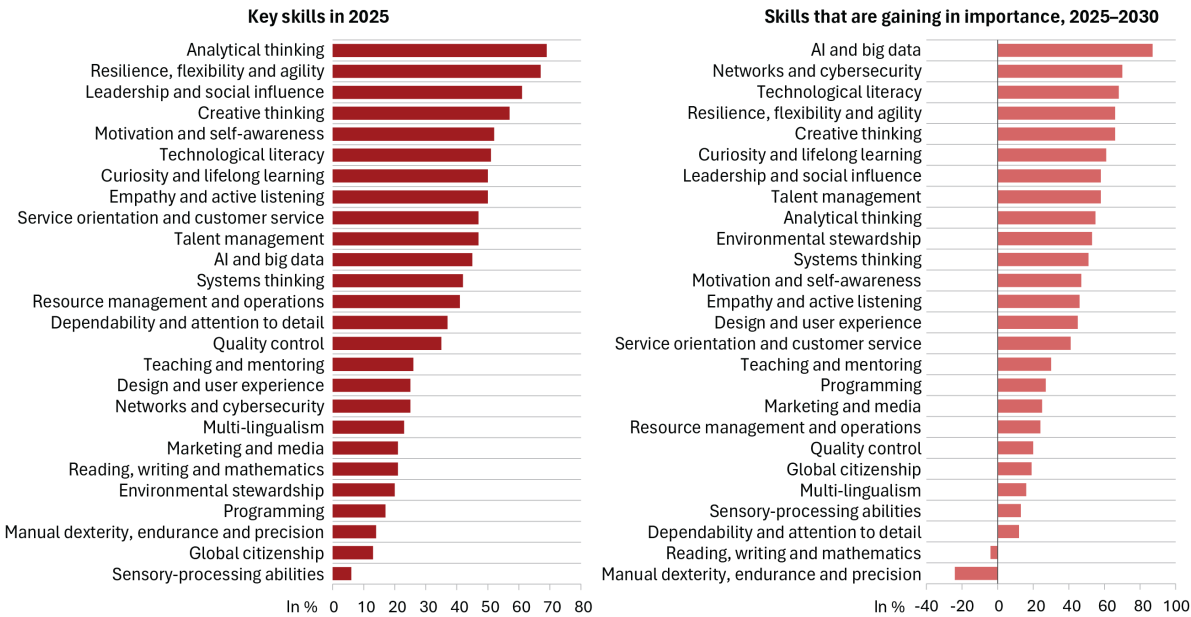


Source: Eurostat (2025). Note: * The indicator was calculated based on the study Adult Learning and Education. It establishes the level of participation of the employed population (aged 25–64) in non-formal education (only for the purposes of work, not personal development, etc.) and in on-the job training. The indicator excludes formal education.

Participation of the working population in non-formal education or training for job-related purposes is insufficient and declining, despite the rapid development and changing demand for various skills and competences. Slovenia has one of the highest shares of jobs exposed to the risk of automation among EU countries (OECD, 2023b). Between 2025 and 2030, due to the digital and green transition, technological progress, and other developmental trends, the demand for 37% of key employee skills is expected to change (WEF, 2025), particularly in the areas of AI and big data, cybersecurity and technological literacy (Figure 70). Despite high demand, the intensity of education and training is low,¹⁵⁶ and employee participation is declining (Figure 69, right). Furthermore, the participation of unemployed and inactive people in job-related education and training is lower than in innovation leaders, which reduces their employment prospects.

¹⁵⁶ In 2022, the employed persons spent an average 63 hours on education and training (EU: 76 hours, innovation leaders: 72.8 hours) (Eurostat, 2025).

/ Figure 70: In 2025, the key skills according to employers were analytical, resilience and leadership skills (left); in the 2025–2030 period, the needs expected to increase the most are AI, cybersecurity and technological literacy skills (right)



Source: WEF (2025). Note: The Future of Jobs 2025 study covered 55 countries, including Slovenia. The figure on the left shows the key skills according to employers in 2025, while the figure on the right shows which skills they estimate will become increasingly important in the next five years.

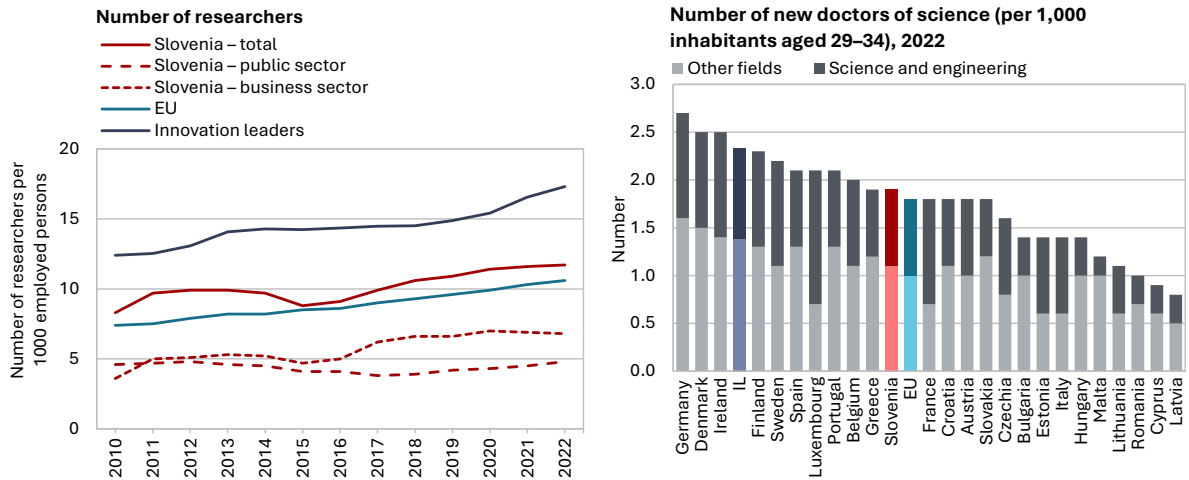
3.1.2.3 *Human capital development and the recruitment of professionals for a smart and green transition*

The development of professionals for research, development and innovation activities is too slow. The number of researchers is increasing at a rate similar to the EU average. In 2022, it reached its highest level in a decade, but the gap to innovation leaders is increasing (Figure 71, left). The number of researchers in the public sector has only started to increase in recent years, while in the private sector it has stabilised after increasing steeply between 2016 and 2018. The number of new PhD graduates in 2022 was above the EU average (Figure 71, right). Despite an increase in 2022, the percentage of foreign PhD students, who provide an opportunity for knowledge exchange and the recruitment of new talent, is lagging behind the EU average and innovation leaders.¹⁵⁷ The gradual increase in the number of enrolments in PhD programmes since 2018, partly due to incentives for young researchers, could result in a higher number of new PhD graduates in the future. A positive step was also made regarding the number of postdoctoral projects, which contribute to the qualification of research and development staff. In the field of science and technology, a big leap has been made in the last decade (30% of graduates in 2023, placing Slovenia 4th among EU countries), but due to demographic changes, their supply still lags behind the needs of innovation-driven growth.¹⁵⁸ Special attention should be devoted to professionals for the development of green technologies and ecological and other innovations, which are essential to the transition to a low-carbon circular

¹⁵⁷ The share of foreign students in PhD programmes was 21.9% (EU: 22.7%; innovation leaders: 33.6%) (Eurostat, 2025).
¹⁵⁸ According to Occupational Barometer estimates (2024b), there is a shortage of engineers, while long-term labour demand projections for the 2023–2037 period show the highest number of job openings for science and engineering professionals (MDDSZ, 2024a).

economy (see Section 3.3); other measures should be aimed at increasing interdisciplinarity, cooperation and the integration of professionals from various fields, recognising their potential and investing to increase innovation and competitive advantage (see Section 3.2.5).

/ Figure 71: Despite the gradual increase in the number of researchers, the gap to innovation leaders is increasing (left), while the number of new PhD graduates is above the EU average (right)

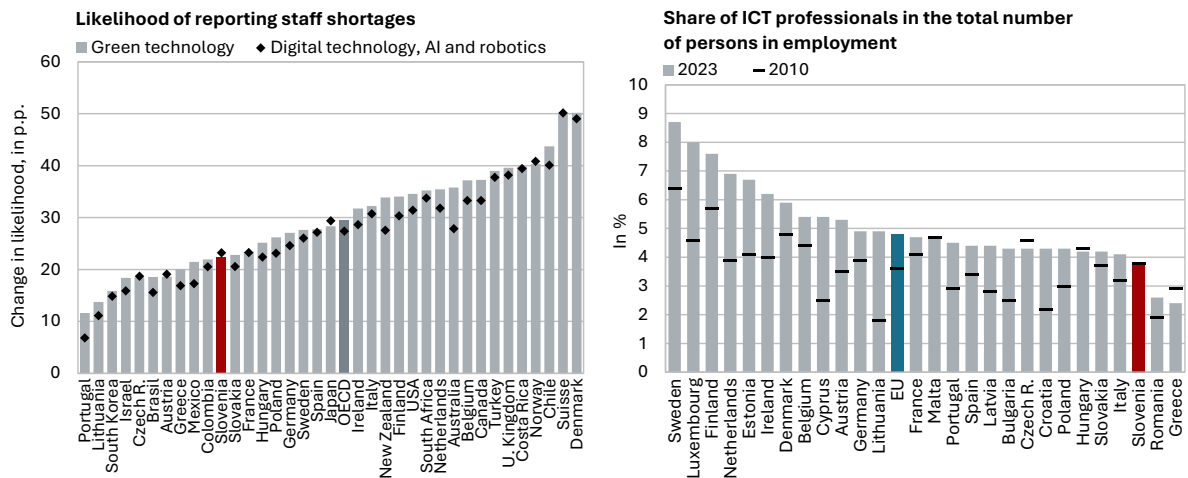


Source: Eurostat (2025). Note to the figure on the right: Data for the Netherlands is not available.

The green and digital transitions require the adaptation and strengthening of employee skills and competences; in this area, Slovenia faces both challenges and development opportunities. In the future, to enable a faster innovation-driven transformation and in line with labour market demand projections and past trends, the greatest shortages are expected to be among qualified digital specialists and engineers. Companies that are more exposed to the digital and green transition experience more difficulties in finding appropriate staff (Figure 72, left). The shortage of such staff with appropriate knowledge can become a growing constraint on productivity growth.¹⁵⁹ In 2022, the Council of the European Union adopted a Recommendation on a European approach to micro-credentials for lifelong learning and employability. These credentials certify the learning outcomes of short learning experiences, such as short courses and training. They offer a flexible and targeted way to support individuals in developing the knowledge, skills and competences needed for personal and professional development.

¹⁵⁹ For OECD country analyses, see for example Criscuolo et al. (2021); for Slovenia based on the same method, see IMAD (2023a).

/ Figure 72: In Slovenia, companies that invest in green or digital technologies are one fifth more likely to report staff shortages compared to those that do not (left); the percentage of ICT professionals has been very low for a long time (right)



Sources: OECD (2024f) referencing Filippucci et al. (forthcoming) (left) and Eurostat (2025). Note: The figure on the left shows how much more likely it is (in percentage points) for a company to experience staff shortages if it invests in green or digital technologies compared to companies that do not. Green technology refers to whether in the last two years a company has invested in products or technology reducing its electricity consumption or environmental footprint. Digital technology refers to a company's investment in one of the following: the use of data in decision-making process, process analytics, high-speed internet connection, the Internet of Things, machine-to-machine communication technology, ICT security. AI and robotics to the use of technologies such as text or image generation, computer vision, machine learning algorithms, process automation or monitoring, augmented or virtual reality, etc.

The level of attractiveness to highly qualified workers from abroad is among the lowest in the EU and lags far behind innovation leaders. In 2024, Slovenia ranked 16th among 26 EU countries in terms of attractiveness to highly educated workers, and 17th in terms of investment in domestic talent (IMD, 2024a). Among OECD countries, Slovenia ranks mid-range in terms of attractiveness for work and life among foreign professionals. It performs well in certain dimensions, such as employment opportunities for highly educated personnel and the prospects of staying in the country from the perspective of acquiring citizenship. However, compared to most other countries, it lags behind in areas such as income levels, digitalisation, innovation and development investment, as well as in the dimension of workplace inclusion (attitudes toward foreigners, gender equality).¹⁶⁰ High quality of life (see Section 3.2), along with environmental, safety and other advantages, could be important factors in attracting talent. However, some areas – including certain aspects of job quality – have remained a persistent challenge.

3.1.2.4

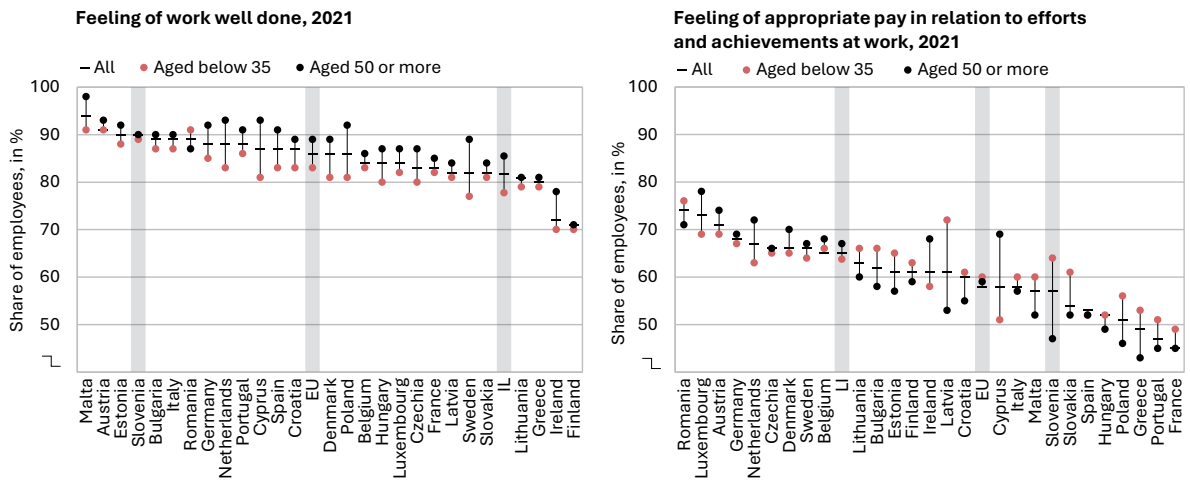
Improving the quality of jobs and increasing social capital

Labour productivity is influenced not only by technological equipment (physical capital) and the knowledge, skills and competences of employees (human capital), but also by social capital and the quality of jobs. The social capital of the active population is assessed by analysing the workers' values and attitudes towards work, wellbeing, trust, cooperation, joint decision-making in the work process, work motivation and engagement. The quality of jobs is measured through extensive research on working conditions and the companies' management of health and safety at work.¹⁶¹

¹⁶⁰ For a detailed overview of methodology and classification by dimension, see OECD (2023e).
¹⁶¹ The main studies determining job quality, employee engagement and performance and various aspects

In Slovenia, a large part of workers identify with their work organisation, job and employment (Figure 73, left), which is encouraging in terms of productivity. Job quality, earnings and material wellbeing received relatively poor marks (Figure 73, right), which can affect the workers’ performance and satisfaction. Psychosocial risks and physical and mental health in the workplace pose bigger challenges (Figure 76). The worst-rated aspect was mutual cooperation (Figure 74, right), which is the basis for interpersonal trust, trust in the management and employee engagement and performance. For most of the examined indicators, the self-assessments of older employees stand out in a negative and those of younger employees in a positive way (Figure 73), which shows that older workers face bigger challenges in performing their work. In terms of gender, men are slightly more satisfied with job quality.

/ Figure 73: The share of people who feel a sense of work well done is among the highest in the EU (left), the perception of being appropriately paid in relation to the effort invested at work is low, particularly among older workers (right)



Source: Eurofound (2025a). Note: The sum of responses “always” and “often” for having a feeling of work well done, and the sum of responses “strongly agree” and “tend to agree” for appropriate remuneration for work.

Employee engagement and performance are improving gradually, while employee cooperation must be strengthened. In the 2012–2024 period, the share of engaged employees¹⁶² increased but the share of employees who perceived their life as successful,¹⁶³ despite a significant increase (in the last decade), lagged significantly behind innovation leaders (Figure 74, left). Employees who are less engaged or dislike their work are more likely to experience high levels of daily stress, worry and other negative emotions. Actively disengaged employees are not just dissatisfied with their job but also actively express their dissatisfaction in the work process and cope with their situation worse than the unemployed (Gallup, 2024). This affects their mental health and also impacts the work atmosphere within the organisation. Employee cooperation must be promoted through motivation, encouragement, teamwork, intergenerational collaboration, by increasing

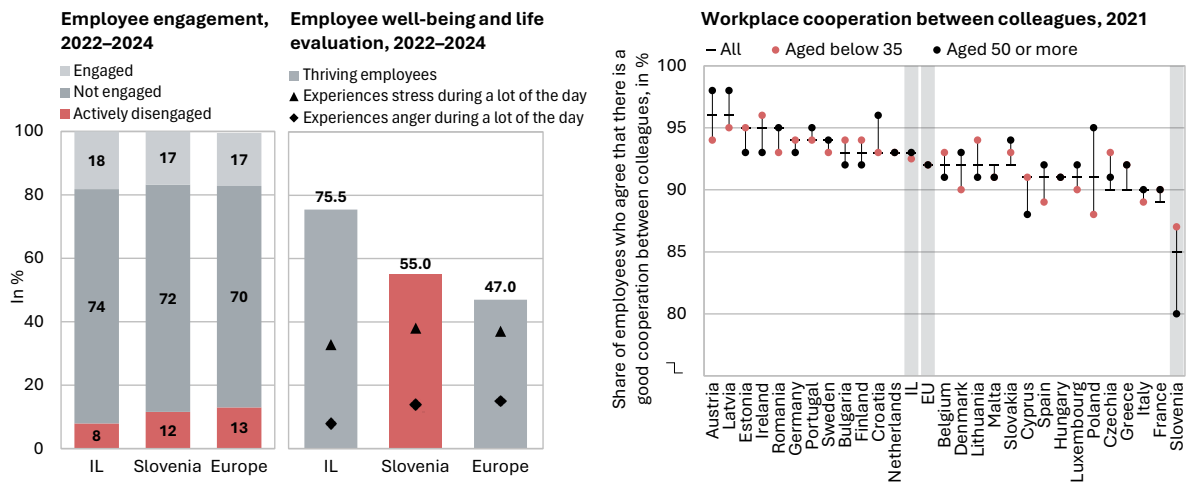
of social capital include: EU-OSHA (2022b, 2022a, 2025); Gallup (2017, 2020, 2024); Hafner-Fink et al. (2019; 2022); Eurofound (2022, 2023a, 2025b).

¹⁶² Employee engagement includes the basic needs of the employee (knowing what is expected of them in the workplace; having the necessary resources to perform their job well), their motivation (doing what they are best at; having their achievements recognised and rewarded; being respected as a person; having career development plans), their sense of belonging (feeling that their work is important and appreciated; having committed colleagues, having a friend at work), and personal growth (personal progression, learning and development).

¹⁶³ Thriving employees are positive about their life situation, have a positive outlook on the future, have few health problems and negative daily feelings, and are happy, respected and hopeful.

the availability of confidential counselling services for employees, currently provided by 25% of organisations (EU: 43%, innovation leaders: 56%), ensuring work reorganisation, which is implemented by 29% of organisations (EU: 44%, innovation leaders: 51%), and implementing other measures aimed at preventing psychosocial risks in the workplace (EU-OSHA, 2022).

/ Figure 74: Employee engagement and performance are increasing (left), workplace cooperation between colleagues is a big challenge (right)

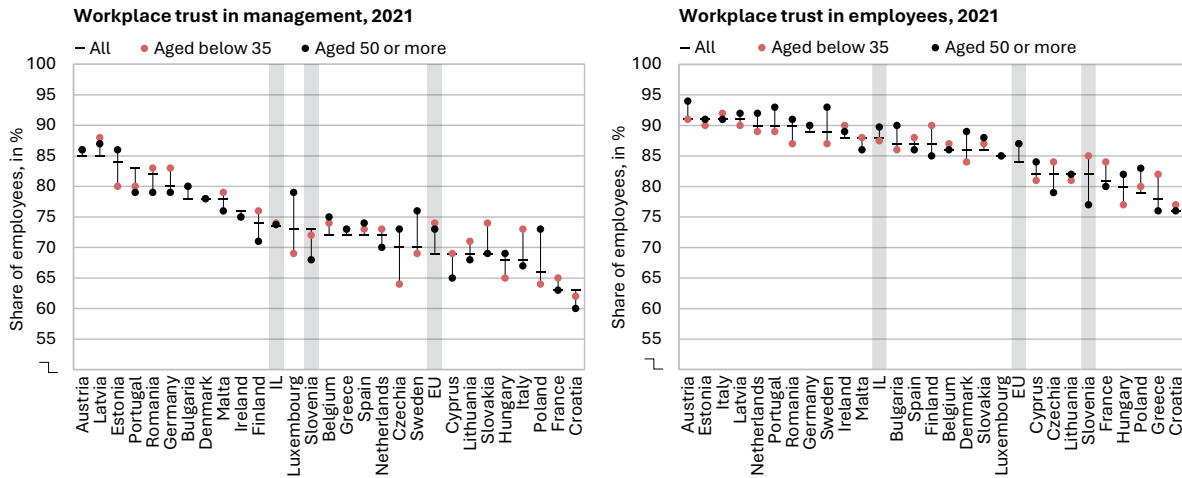


Sources: Gallup (2024) and Eurofound (2025a). Note: Gallup surveys cover most European countries, and the average is calculated for Europe. Employee engagement (Gallup’s Q¹² Index) includes employee self-assessment of the job and workplace, motivation, sense of belonging and personal growth. Employee well-being and life evaluation includes employees who evaluate their life situation positively, have an optimistic outlook on the future, have few health problems and negative daily feelings, and feel happy, respected and hopeful. Figure on the right: The sum of responses “strongly agree” and “tend to agree”.

Employees rate certain aspects of job quality better than the EU average, mainly job satisfaction, feeling of usefulness and work well done, communication, job security and work-life balance. More respondents in Slovenia are satisfied with their job than the EU average and a great majority think that they do their job well (Figure 73, left) and that their work is valuable to the organisation and society. Satisfaction is also influenced by good access to information, clarity in the assignment of tasks and support from supervisors, which can enhance trust in leadership (Figure 75, left). Equally important is leadership’s trust in employees, which is rated less favourably particularly by older workers (Figure 75, right). Job security and the adequacy of workplace safety standards are also rated highly.¹⁶⁴ In 2021, the share of workers who felt that their working hours fit well or very well with their family or social life was higher than the EU average (Eurofound, 2025a). Nevertheless, since the epidemic, employees have more frequently reported lacking time for family. In 2024, a higher share of women reported this, and women were also more likely than men to report being worried about work even when not working, and feeling too tired after work for household chores.¹⁶⁵ Men, on the other hand, were slightly more likely than women to report difficulty concentrating on job due to family responsibilities. In 2024, workers experienced more difficulties balancing their work and family life than the year before, although such difficulties were still reported less frequently than the EU average (Eurofound, 2025b).¹⁶⁶

¹⁶⁴ OHS (occupational health and safety) governance is better established in Slovenia than the EU average but less frequently acted upon (EU-OSHA, 2022).
¹⁶⁵ According to Eurofound (2025b), they did the same amount of paid work per week as men (41 hours; women EU: 36 hours, men EU: 40 hours).
¹⁶⁶ Only the share of respondents who reported that job prevented them from spending the time that they

/ Figure 75: Employees trust the management (left) but, compared to most countries, they perceive that the management’s trust in them is lower (right), with the lowest levels of perceived trust reported by older employees



Source: Eurofound (2025a). Note: The sum of responses “strongly agree” and “tend to agree”.

Studies on working conditions reveal certain shortcomings, as a result of which Slovenia lags behind the EU average and even more so behind innovation leaders.¹⁶⁷ In terms of working conditions, more attention should be devoted to ergonomics and reducing physical strain, as one third of employees report musculoskeletal problems.¹⁶⁸ Higher standards can be achieved through awareness-raising, the wider and correct use of ergonomic equipment and regular assessments of appropriate workplace adaptations. As regards work organisation, the flexibility of working hours should be improved, taking into consideration the employees’ needs;¹⁶⁹ in this context, some countries have implemented measures such as work from home (Figure 77, right) and the enforcement of the right to disconnect. As regards job quality, improvements can be made by increasing the average salary and introducing more transparent reward systems, such as providing interesting and stimulating work or financial incentives (Eurofound, 2021). As regards organisation culture, employee participation and transparency must be improved, as only 40% of employees feel included in decision-making processes at work (EU: 45%, innovation leaders: 60%), which is certainly affected by lower representation through works councils, fewer workers’ representatives, and limited participation opportunities, with the gap to innovation leaders widening. In 2024, 59% of work organisations in Slovenia had no workers’ representatives (EU: 31%, innovation leaders: 31%) (EU-OSHA, 2025).

There are major challenges relating to psychosocial risks, which can be prevented by better work organisation, greater support for employees and the promotion of a healthy work environment. Psychosocial risks in the

wanted with their family was above the EU average (SI: 33%, EU: 30%).

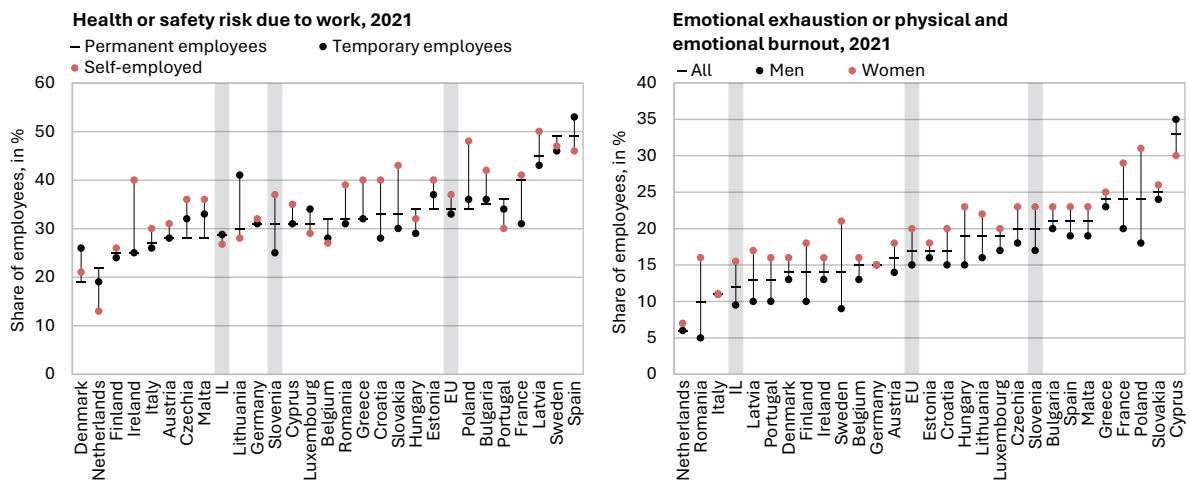
¹⁶⁷ Eurofound (2025a) measures job quality every four years; the latest data is from the 2021 survey. EU-OSHA (2022) measures how EU companies manage health and safety at work, particularly in relation to new and emerging risks; the latest data is from the 2019 survey and some data from a new survey that was completed in 2024 and will be fully available at the end of 2025 (EU-OSHA, 2025).

¹⁶⁸ Compared to the EU average and innovation leaders, Slovenia has an above-average proportion of employees whose work involves repetitive movements, tiring or painful postures, and/or exposure to noise and low temperatures. Fewer employees in Slovenia feel they are fairly treated at work, and more often find themselves in situations that cause emotional discomfort (EU-OSHA, 2022).

¹⁶⁹ The proportion of employees who can take a break when they need one is also low compared to the innovation leaders (EU-OSHA, 2022).

workplace are an important challenge that can affect the employees’ health, wellbeing and productivity. A significant psychosocial burden is experienced by 35% of employees (EU: 25%, innovation leaders: 20%) (EU-OSHA, 2022b). While the overall risk assessment of employees’ health and safety at work is close to the EU average (Figure 76, left), the level of emotional and physical strain is high (Figure 76, right). Work and life satisfaction and the employees’ social and emotional wellbeing are important, as they can reduce hidden costs due to absenteeism (Figure 77, left), healthcare expenditure, work disability, etc.¹⁷⁰ Excessive workload on employees may be reduced by setting more realistic deadlines and lowering demands, increasing the employees’ autonomy in making decisions about their work and introducing more flexible working hours, including greater opportunities to work from home, which is most widespread among innovation leaders (Figure 77, right). Mental health is heavily affected by cooperation and trust among employees, which innovation leaders tackle by introducing mentorship and regular feedback, encouraging teamwork and good interpersonal relations, as well as counselling services to boost the employees’ mental health. Other important aspects are the training of leaders and managers to better recognise and manage employee psychosocial risks, and measures developed and implemented in cooperation with employees, which was carried out by 55% of companies in the EU average in 2024. Slovenia is one of the few countries where the already below-average cooperation with employees decreased further between 2019 and 2024 (EU-OSHA, 2025). Adequate modernisation and automation of work processes, through digitalisation and other worker-centred processes, can address some of the shortcomings and weaknesses currently faced by employees; without more decisive action in line with already established occupational health and safety standards, however, the physical and mental health of employees will continue to deteriorate.

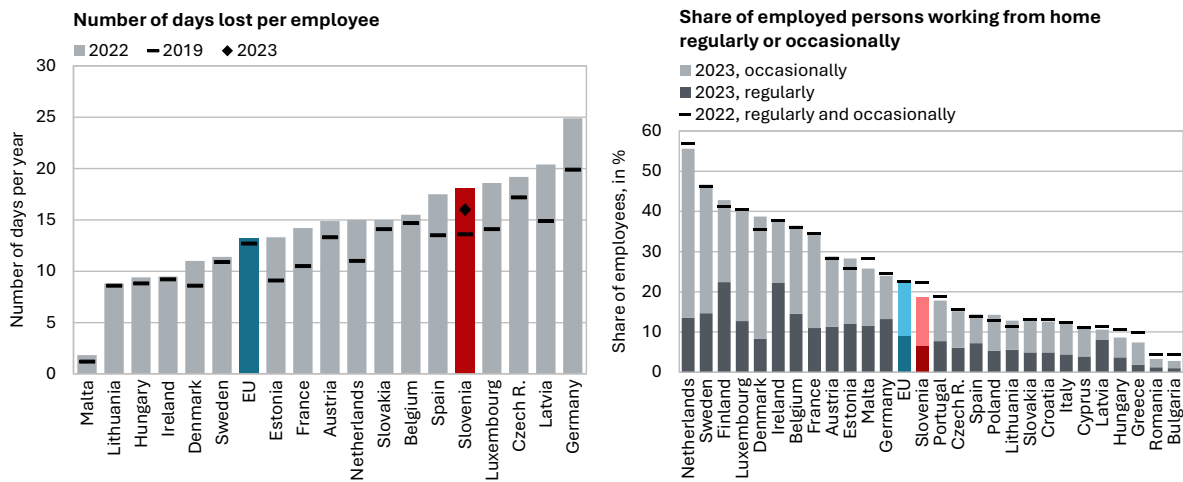
/ Figure 76: The employee occupational health and safety risk is similar to the EU average (left) but emotional exhaustion or physical and emotional burnout remain a challenge (right)



Source: Eurofound (2025a).

¹⁷⁰ Ensuring a healthy longevity (OECD and EC, 2024), which can prolong working life and reduce absenteeism, includes, among other things, measures to prevent diseases and injuries, the promotion of mental wellbeing and appropriate access to healthcare services. According to experts, absenteeism can be reduced mainly by increasing training and lifelong learning, care for health and coping with psychological pressures in the work environment, introducing the programmes of early vocational and employment rehabilitation, and on the social level providing information about the importance of prolonged employment (Teržan et al., 2023).

/ Figure 77: Absenteeism is above the EU average (left), while working from home decreased in 2023 (right)



Sources: OECD (2025c) and Eurostat (2025).

The prevalence of uncertain atypical employment has decreased in the last decade, mainly due to labour shortage, which contributed to improved employment conditions. Temporary and part-time employment and lower-paid jobs are more common among young people, those with lower education and foreign nationals. Among young people (aged 15–24), part of their work activity consists of student jobs,¹⁷¹ while foreign nationals are often recipients of the minimum wage or low wages, partly due to the sectors in which they are employed.¹⁷² Job insecurity and low income affect their ability to ensure decent living conditions and their integration into society. In 2024, the in-work at-risk-of-poverty rate (based on 2023 income) amounted to 5.4%, which is slightly above the SDS target by 2030 (less than 5%). Based on type of employment, the risk of poverty has long been the highest among the self-employed (23.8%) and the lowest among workers with a permanent contract (2.6%) (see Statistical Appendix). The risk of poverty for temporary employees in 2024 was 6.3%, which is lower than 10 years ago. Among employees working part-time, 10.6% were at risk of poverty, and the prevalence of part-time work is declining. Ensuring appropriate working conditions and decent pay for all employees therefore remains a challenge, particularly for employees in precarious employment relationships with low income and without workers’ representatives. Platform work is becoming an increasingly pressing issue in the EU, which resulted in the adoption of the Directive on improving working conditions in platform work in 2024 (European Parliament and Council, 2024a). This issue was also highlighted by the 2023–2025 Healthy Workplaces Campaign.¹⁷³

¹⁷¹ The share of economically active young people (aged 15–24) in Slovenia is relatively low due to the high level of participation in education, which is less commonly combined with work due to the underdeveloped dual education system. Temporary employment is also more common among foreign nationals.

¹⁷² In 2023, 10.2% of Slovenian nationals (aged 20–64) (EU: 12.3%) and 15.8% of foreign nationals had temporary employment (EU: 19.6%).

¹⁷³ The campaign consists of five priority areas: digital platform work, advanced robotics and artificial intelligence, remote work, smart digital systems and work management through AI.

3.1.3

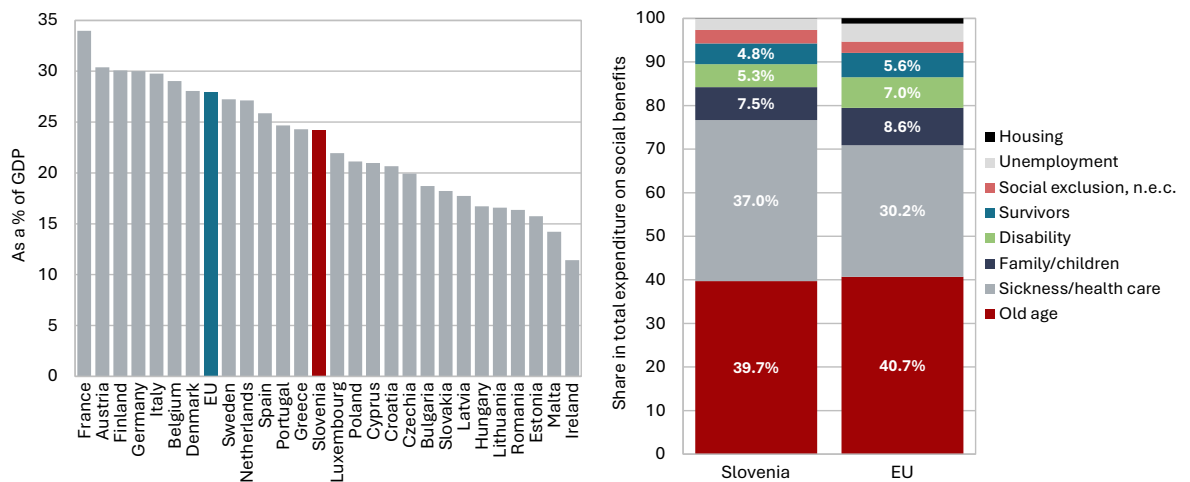
A solidarity-based, inclusive and resilient society

3.1.3.1

Social protection

After a steep increase due to the epidemic, growth in social protection expenditure continued in 2022; as a share of GDP, expenditure amounted to 24.3%, which is less than the EU average (28.0%). In 2022, social protection expenditure in Slovenia rose by 27.8% compared to 2019 (EU: 14.7%), mainly due to expenditure for the two largest categories – sickness and healthcare (up by 12.7 p.p.) and old age (up by 10 p.p.) (EU: 5.6 and 5.5 p.p. respectively). As a share of GDP, this expenditure still lagged behind the EU average in 2022 (by 3.7 p.p., which is the lowest in the last decade). The majority of social protection expenditure in Slovenia and in the EU is intended for old age and for sickness and healthcare. The third largest share in the structure of expenditure in 2022 in both the EU and Slovenia was intended for families and children (Figure 78, right). Unemployment expenditure more than tripled in 2020 due to epidemic emergency measures¹⁷⁴ and dropped significantly in 2022 (by 59%).¹⁷⁵ Expenditure on housing is among the lowest in the EU while housing insecurity is increasing: in 2024, it was faced by 12% residents (EU: 7%, innovation leaders: 10%) (Eurofound, 2025c).

Figure 78: Slovenia again allocated less funds for social protection in 2022 as a share of GDP compared to the EU average (left); a significantly higher share among all types of expenditure was allocated to sickness and healthcare compared to the EU average (right)



Source: Eurostat (2025).

In recent years, Slovenia has allocated approximately one tenth of its GDP to pensions. The share of pension expenditure in GDP has remained at approximately 10% (including in 2023 and 2024, according to preliminary estimates), as average GDP growth has outpaced the growth of pension expenditure. The latest Ageing Report (EC, 2024a) forecasts a smaller increase in pension expenditure in the following decades than the 2021 Report. This is due to more favourable demographic projections, which foresee a slightly lower growth in the number of older people compared to the working-age population (the main factor driving higher expenditure) and higher estimated employment rates. The smaller increase in pension expenditure also reflects

¹⁷⁴ Measures included the reimbursement of wage compensation – temporary lay-offs, the reimbursement of compensation due to reduced working time, temporary benefits, etc. (Černič, 2022).

¹⁷⁵ This expenditure, which was nearly three times higher than in 2019 in the 2020–2021 period in Slovenia and 1.6-times higher in the EU average, dropped to 2.6% (EU: 4.1%).

the expected lower pension qualifying period of younger generations, including those entering the labour market later as a result of the global financial crisis after 2008. As insured persons aged 49 or younger in 2022 had less pension qualifying period than insured persons of the same age 20 years ago (ZPIZ, 2007, 2023), they are likely to have lower pension qualifying period on average when they reach the retirement age and also to retire with lower pension qualifying period on average, which could (negatively) affect pension adequacy in the future.

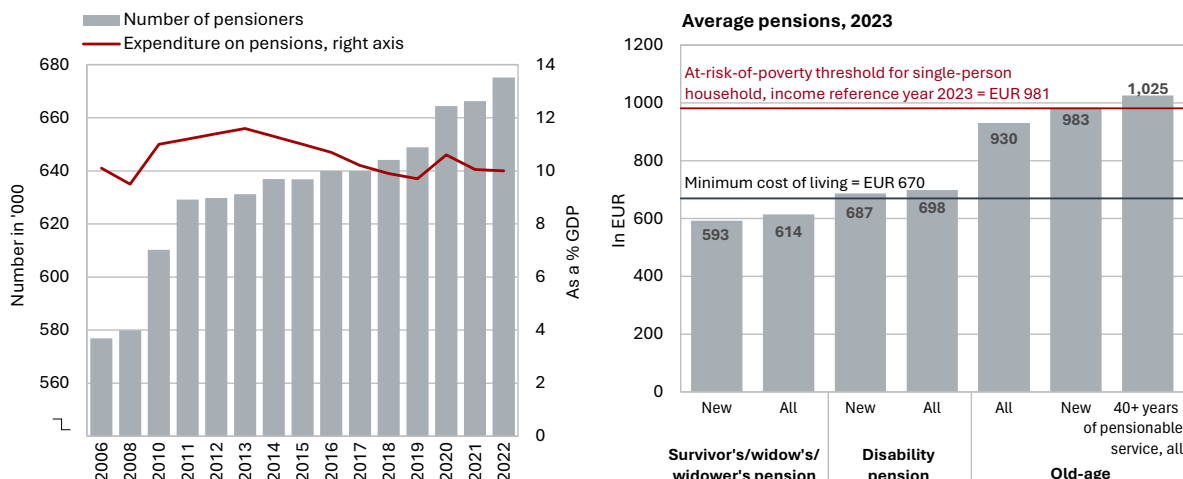
The situation of pensioners, particularly newly retired individuals, is improving, but there are still groups of pensioners receiving very low pensions. Following the entry into force of the Pension and Disability Insurance Act (ZPIZ-2) in 2013, the situation of new pensioners, particularly women, began to improve due to longer working lives. Numerous measures¹⁷⁶ and pension indexation in recent years have contributed to real pension growth. However, some pensioners continue to receive very low pensions. In 2023, a relatively large share of recipients of disability, survivors' and widow-er's pensions received less than EUR 600 per month. Among old-age pensioners, this was mainly the case for individuals with fewer years of pensionable service.¹⁷⁷ The biggest challenge is therefore ensuring adequate pensions or income in old age for persons with few years of pensionable service, the self-employed and persons with low contribution payments and irregular employment (EC, 2024p).

The aim of the proposed amendments to the pension legislation, currently under public consultation (MDDSZ, 2025c), is to establish a fiscally sustainable pension system while ensuring adequate pensions. The draft law envisages the new system entering into force at the beginning of 2026, with most changes to be introduced gradually between 2028 and 2035. Key measures include a gradual increase in the retirement age by two years under the existing condition of 15 years of pensionable service (to 67 years) or 40 years of pensionable service (to 62 years); a change in the pension indexation (gradually increasing the inflation share in the formula); a gradual extension of reference period for calculating the pension base to the entire insurance period, excluding five (or less) lowest-earning years; and a gradual increase in the assessment rate for 40 years of pensionable service from the current 63.5% to 70%. IER model simulations show that, with the implementation of the reform, pension expenditure would remain below 11% of GDP until 2040. After that, due to increased demographic pressures (see Section 3.1.1), it would rise slightly above 12% by 2055, thereby ensuring the system's long-term sustainability.

¹⁷⁶ The two biggest changes were providing a guaranteed pension for those with 40 years of pensionable service (in 2017) and the gradual equalising of the assessment percentages for men and women (in 2020).

¹⁷⁷ According to the 2023 data of the Pension and Disability Insurance Institute, 11.4% of old-age pensioners and 46.9% of persons receiving disability, survivors' and widow-er's pensions received a pension of less than EUR 600 per month (i.e. those who do not receive pro-rata pensions).

Figure 79: The share of pensions in GDP has remained around 10% despite the growing number of pensioners and pension expenditure (left); in 2023, the average disability pension slightly exceeded the minimum cost of living, while the average old age pension was below the at-risk-of-poverty threshold (right)



Sources: Eurostat (2025) and ZPIZ (2024). Note to the figure on the right: The amount of the minimum cost of living was newly defined in October 2022 and the at-risk-of-poverty threshold is for 2024 (based on 2023 income). New pension beneficiaries include all recipients whose right was recognised in the relevant calendar year (i.e. in 2023). The figures take into account non-pro-rata pensions (e.g. partial payments from abroad or based on the proportionate working time) and partial pensions (paid to insured persons who fulfil the conditions for entitlement to an early or old-age pension and remain under compulsory insurance to an extent corresponding to a proportionate share of full-time work).

In 2024, the at-risk-of-poverty rate (based on 2023 income) was 13.2%; without social transfers, it would stand at 21.2%. The effectiveness of social transfers in preventing the risk of poverty has long been the highest for children and the lowest for older people aged 65 and over (pensions are excluded from social transfers and are not deducted from the income). Social transfers reduced the risk of poverty by an average of 44.2% over the 2010–2021 period (EU: 33.4%) and by 37.7% in 2024 (the lowest percentage was recorded in 2023, namely 35.5%) (Figure 80, left). They were least effective, i.e. at 11.1%, in reducing the risk of poverty for older people (aged 65 and over), which is below the EU average. 29.7% of women aged 75 and over were at risk of poverty. Transfers were most effective (53.5%) in reducing the risk of poverty for children (Figure 80, right); however, the children of low-educated parents (Figure 81, right) and children with severe disability or illness,¹⁷⁸ had one of the highest at-risk-of-poverty rates in the EU, as well as the children of parents with foreign citizenship (every third child). Almost half of all people from these vulnerable groups remain in persistent poverty,¹⁷⁹ which requires more ambitious and targeted measures. Many institutions and analyses have long shown that: (i) social legislation is extremely complex, outdated and in need of comprehensive reform; (ii) the information system of social work centres (ISCSD-2), despite upgrades, is poorly functioning and is not targeted, which also leads to discrimination; (iii) social work centres (SWCs) have been understaffed for a decade, and (iv) SWC staff have systemically incomplete and even contradictory tasks.¹⁸⁰ In addition to the legal, procedural and technical anomalies of the social system, all of the above calls into question

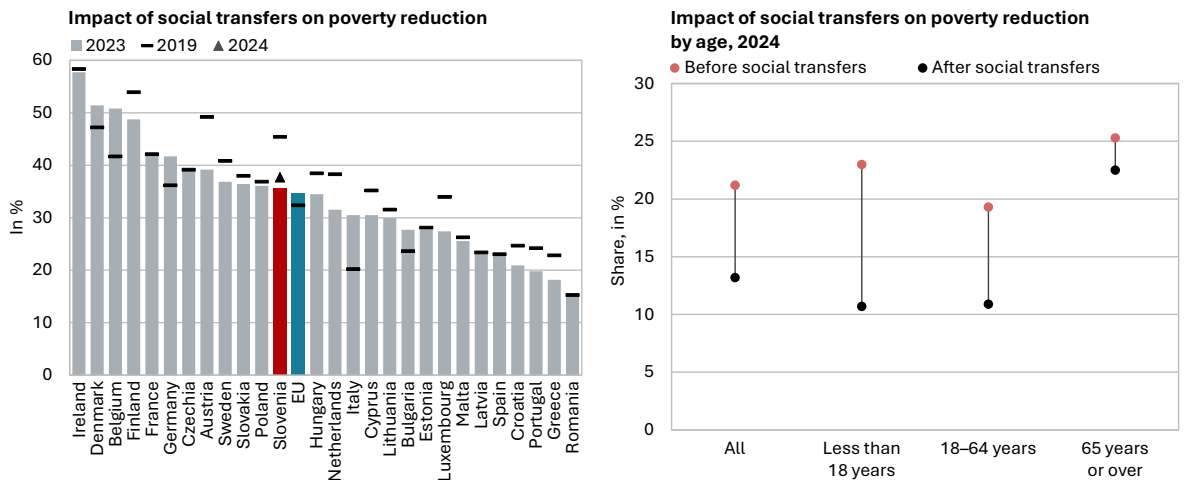
¹⁷⁸ According to the latest comparable data (in 2021), 1.5% of households in Slovenia with severely ill children aged up to 16 were living in poverty (EU: 1.1%). Parents who exit the labour market to care for these children are entitled to partial payment for loss of income in the amount of 1.2 times the minimum wage (the ZSDP-1F, 2022); however, they are not entitled to leave or home assistance, which significantly affects their mental and physical health.

¹⁷⁹ People are considered to be at risk of persistent poverty if their income was below the at-risk-of-poverty threshold in the most recent income year and in at least two of the previous three years.

¹⁸⁰ These aspects are highlighted in our previous Reports, see also the findings of the IRSSV (2024) and other reports (Korpič-Horvat et al., 2022; MDDSZ, 2022a; Court of Audit, 2021b; IMAD, 2021a).

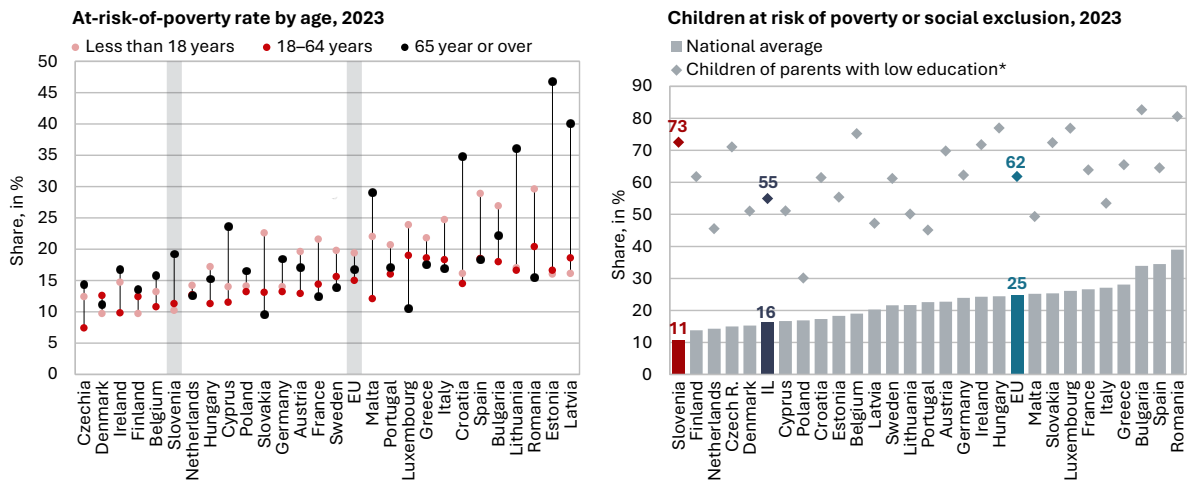
equality before the law, proportionality, personal dignity, and the effective coverage of beneficiaries with financial and material benefits (the enabling principle).¹⁸¹

/ Figure 80: The effectiveness of social transfers improved slightly in 2024 (left), reducing the risk of poverty by 12.3 p.p. for children compared to only 2.8 p.p. for older people (right)



Source: Eurostat (2025); calculations by IMAD.

/ Figure 81: The at-risk-of-poverty rate for children is among the lowest in the EU and above the average for older people (left), some groups of children face a ver high risk of social exclusion (right)



Sources: Eurostat (2025), EU-SILC 2023 (based on 2022 income). Note: * with completed primary school or less.

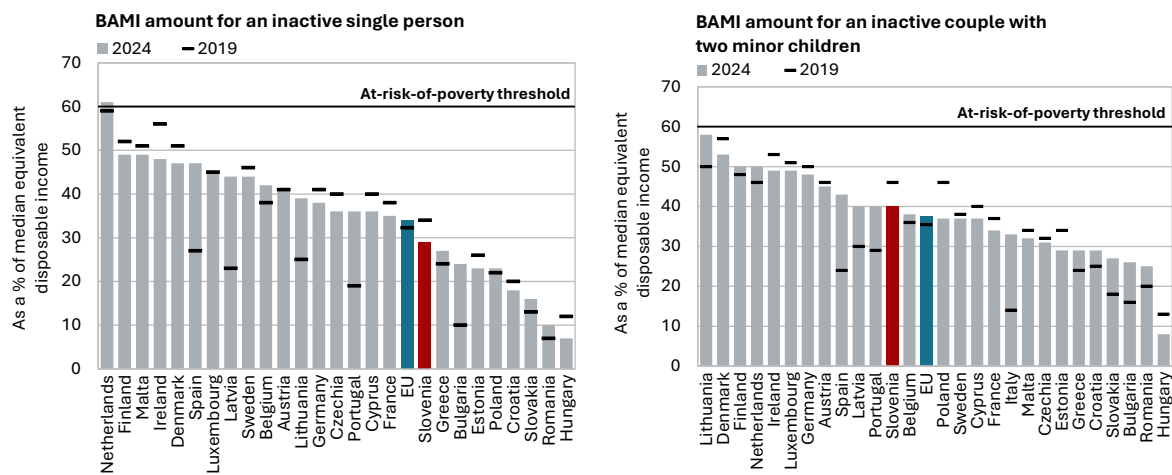
The basic amount of minimum income¹⁸² protects mostly households with very low incomes and no economically active members, but despite more frequent adjustments, it is moving away from the at-risk-of-poverty threshold. Adequate levels of social transfers intended to support individuals who, due to various circumstances, are unable to provide for themselves, are

¹⁸¹ This has been pointed out in previous Development reports as well as in Court of Audit of the Republic of Slovenia (2021b), MDDSZ (2021), Human Rights Ombudsman (2023) and expert analyses (EAPN, 2022; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022; Smolej Jež and Trbanc, 2021).

¹⁸² Based on the last calculation of (short-term) minimum living expenses prepared in October 2022 for the Ministry of Labour, Family and Social Affairs by the Institute for Economic Research, the basic amount of minimum income was estimated at EUR 488.58 per month. Payments gradually increased, from EUR 421.89 per month on 1 January 2023 to EUR 494.09 after the last adjustment on 1 March 2025 (MDDSZ, 2025a).

important for preventing absolute poverty¹⁸³ and upholding human dignity. The amount of support available to unemployed and other inactive people is defined by the basic amount of minimum income (BAMI), which serves as the reference for determining the level of social transfers, especially financial social assistance (FSA) and income support (IS). Since 2019, BAMI has been distancing itself from the at-risk-of-poverty threshold (as a share of the median equivalised disposable income), its growth not keeping pace with the growth in the minimum cost of living and other incomes and consequently the growth in the at-risk-of-poverty threshold. Social transfers offer slightly better protection for households with children compared to single-person households (Figure 82).¹⁸⁴ On average, approximately 98,000 people were entitled to financial social assistance and income support in 2024 (MDDSZ, 2025b), but most of them have long lived below the subsistence level, which the State alleviates through material assistance in food and clothing, annually given to around 150,000 people, mostly women and children up to the age of 15 (MDDSZ, 2022b).¹⁸⁵ Despite these negative trends, certain vulnerable groups have recently been able to enter the labour market and overcome severe material and social deprivation, mostly due to greater labour demand in recent years.¹⁸⁶ Since 2016, the decline in severe material and social deprivation rate outpaced the EU average; in 2023 it was the lowest in the EU. According to the latest 2024 data (based on 2023 income), approximately 38,000 people were severely materially and socially deprived despite all forms of assistance and transfers, while around 8,000 were exposed to all three forms of social exclusion.

/ Figure 82: The ratio between social transfers and the at-risk-of-poverty threshold is increasing for all groups, with a more pronounced rise for single-person households (left) than for families with minor children (right)*



Source: OECD (2024g). Note: For the figure on the left, comparable data for Italy is unavailable. * The calculation for all countries includes housing rent equivalent to 20% of the average national wage for all household types. For Slovenia, the annual calculations are prepared by the Statistical Office of the Republic of Slovenia (SURs) in cooperation with the relevant ministries according to the unified OECD methodology. The calculations for each year are based on data valid for the first month of the year and are adjusted based on the annual average.

¹⁸³ Absolute poverty means living below the minimum conditions of subsistence, determined on the basis of nutritional needs and other basic necessities for basic survival. It is prevented by curative policies (financial social assistance, income support, etc., food and clothing aid distributions, social assistance services, etc.) (see ReNPSV22–30, 2022).

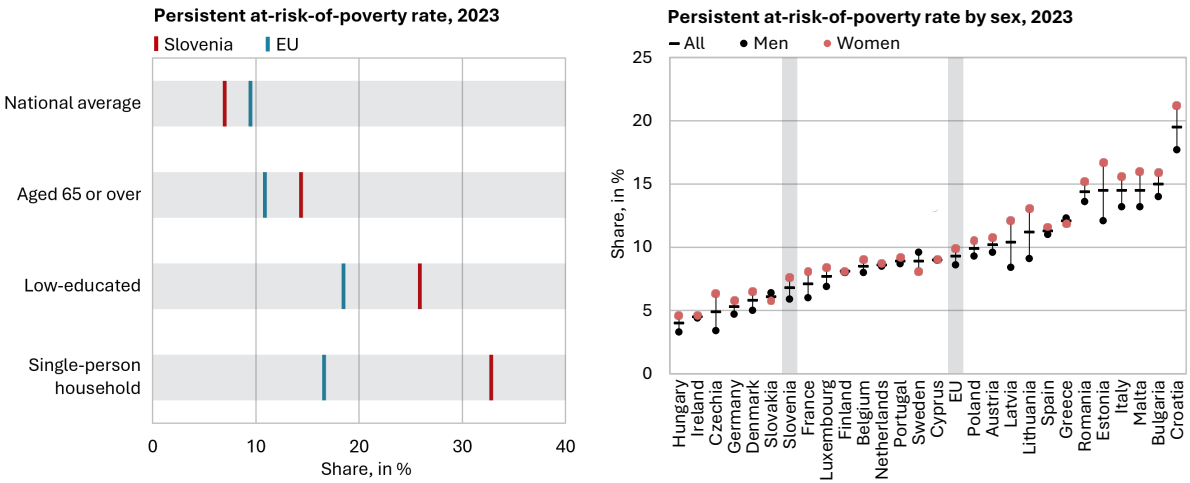
¹⁸⁴ The difference is due to the fact that the minimum level of income for various types of households is determined by taking into account the equivalence scale (weights for individual family members). Weights for additional family members (in addition to the first) are significantly higher for minimum income, as a result of which the minimum income for larger families is closer to the at-risk-of-poverty threshold (IMAD, 2021a).

¹⁸⁵ The new Programme for the Elimination of Material Deprivation 2021–2027 provides annual continuous assistance in food to around 164,000 people facing the highest risk-of-poverty rate (MDDSZ, 2022b).

¹⁸⁶ The severe material and social deprivation rate is the percentage of people living in the household that shows deprivation in at least 7 out of 13 deprivation elements, see Stare et al. (2024).

The vicious circle of persistent poverty is increasingly affecting the (mental) health and permanent social exclusion of the most vulnerable groups. Some people appear in social exclusion statistics year after year, unable to escape the vicious circle of poverty.¹⁸⁷ In 2024 (based on 2023 income), 7.3% of people were exposed to persistent risk of poverty, which is 0.5 p.p. more than in 2023 (EU: 9.3%). The risk was higher than the EU average for older residents with low pensions, the low-educated and single-person households (Figure 83, left). The risk was also higher among women (7.6%) than among men (5.9%) (Figure 83, right). Furthermore, certain groups are not included in national statistics or are not sufficiently represented, including between 3,000 and 11,000 homeless people (see Section 2.2.3), the Erased (according to the Ministry of the Interior, there are still 13,157 people with an unregulated status), applicants for international protection, some temporarily posted workers from abroad and other ethnic or sexual minorities. For these groups, social exclusion often overlaps with discrimination, stigmatisation and/or the intergenerational transmission of disadvantages. To improve the situation of the most vulnerable groups of children,¹⁸⁸ it is essential to increase the effectiveness of tax and social benefit systems and to implement the European Child Guarantee (EC, 2024n). The first step towards eliminating the risk of poverty for a particular group that is caught in the cycle of persistent poverty was made in 2025 with the proposed Strategy for Preventing and Ending Homelessness 2025–2035. The strategy aims to ensure unconditional, adequate, stable, and safe access to housing, along with other forms of support to manage life risks.

/ Figure 83: Certain vulnerable groups are more exposed to the risk of persistent poverty than the EU average (left), with women more exposed than men in almost all Member States (right)



Source: Eurostat (2025). Note to the figure on the right: data for Luxembourg refer to 2022.

Measures to tackle energy poverty are appropriately designed and targeted at households below the at-risk-of-poverty threshold, while other measures – particularly in the areas of housing and transport poverty – are still in the development phase. Positive effects of the Eco

¹⁸⁷ The percentage of people whose income in the last income period and at least two out of the three preceding years was lower than the at-risk-of-poverty threshold.

¹⁸⁸ The most vulnerable groups of children who, despite being at risk of poverty, fall through the cracks of existing measures or are not adequately addressed by them, such as Roma children, the children of single-parent families, children removed from their families due to inadequate living conditions, children who lack access to the digital environment due to material deprivation and children with at least one parent not born in Slovenia (MDDSZ, 2024d).

Fund's measures to combat energy poverty are reflected in the increased share of the population living in dwellings with improved energy efficiency in the past five years (34%; EU: 25.5% in 2023). One of the key challenges is the low level of awareness among eligible beneficiaries about their entitlement to subsidies. As a result, households most in need – those below the at-risk-of-poverty threshold – often remain excluded, as they lack the knowledge or resources to access these support schemes. In recent decades, Slovenia has lacked an active housing policy, which has been reflected for a number of years in the decreasing provision of housing. In the past year, the activities of the Ministry for a Solidary Future have focused primarily on increasing funding and amending legislation, with the aim of improving housing accessibility. Reducing transport poverty (see Section 2.2.3) can be achieved primarily by ensuring public passenger transport that is affordable, physically accessible, and time-efficient. The relevant measures will be defined in the Social Climate Plan, which is being prepared in 2025 (Government of the RS, 2024b).

3.1.3.2

Ensuring high-quality education and art and culture services

Public investment in education lags behind that of more economically developed countries. Public expenditure on formal education¹⁸⁹ declined (to 4.83% of GDP)¹⁹⁰ for the second year in a row in 2023 after several years of fluctuation and was below peak levels. In 2021 (latest international data), it was higher than the EU average but lagged behind that of more economically developed countries; it was higher than the EU average only in primary and lower secondary education (Figure 84, left) and lagged significantly behind in upper secondary and tertiary education where Slovenia has one of the highest participation rates in the EU. Expenditure on educational institutions also lagged behind¹⁹¹ (see Section 3.2.4.2). The proposed Act Amending the Organisation and Financing of Education Act provides for an increase in funding for development tasks and projects and investments¹⁹² by an average 0.02 p.p. per year (from 2027 onwards) until the target value of 0.5% of GDP is reached (MVI, 2025b). Public investment in adult education, largely dependent on funding under the European Cohesion policy, declined in nominal terms (by 38%) in 2023 for the second year in a row and was the lowest in a decade (Figure 84, right), as projects from the previous financial perspective were not completed while new ones had not begun yet, which affected the scope and accessibility of education programmes.

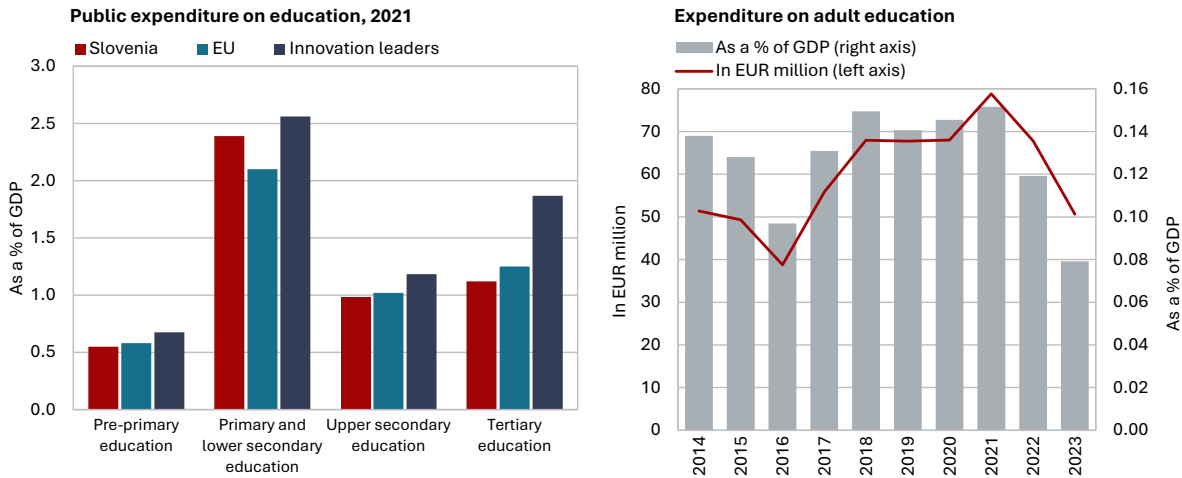
¹⁸⁹ Total public expenditure on education includes all budget expenditure on the formal tertiary education of young people and adults at the state and municipal levels. Public expenditure spent directly on educational institutions and transfers to households (scholarships, food subsidies, travel tickets, accommodation, textbooks, etc.) are covered.

¹⁹⁰ Public expenditure covers the second age group of pre-primary, primary, secondary and tertiary education. Public expenditure including the first age group of pre-primary education totalled 5.18% of GDP in 2023 (SURS, 2025a).

¹⁹¹ Public and private expenditure on educational institutions, excluding transfers to schoolchildren or households, is taken into account (OECD, 2024c).

¹⁹² It covers staff training, development work, work with talented students, the development of education programmes and other tasks, programmes or projects and investments contributing to the quality of educational work (MVI, 2025b).

/ Figure 84: Public expenditure on education is above the EU average only on primary and lower secondary level (left); expenditure on adult education* decreased significantly in the last two years (right)



Sources: Eurostat (2025) and ACS (2020, 2021, 2022, 2023a, 2024). Note: * The data displayed is for public expenditure on adult education under the Annual Adult Education Programme adopted by the Government each year.

The shortage of qualified teaching staff, insufficient autonomy of teachers and schools, negative attitudes to certain subjects and many other factors are reflected in the students' performance (OECD, 2023d, 2023c, 2024j; PI, 2023b, 2024b, 2024a). The assessment of the general education situation in Slovenia in 2023 was among the lowest in the last decade (CJMMK, 2024). A total of 57% of respondents were satisfied with the educational system (7th place among 16 EU Member States), significantly less than in Finland (81%) and Denmark (74%), where academic achievements are among the highest in the EU (OECD, 2024h). The quality of education could be improved mainly by increasing the number of qualified teaching staff,¹⁹³ which is becoming a significant challenge due to the high share of older teachers.¹⁹⁴ Other possible measures include better equipment and adequate teaching materials,¹⁹⁵ intensifying schools' efforts to achieve greater educational achievement, increasing autonomy in relation to the curriculum and strengthening the participation of teachers in decision-making (OECD, 2023d). Ensuring a creative learning environment remains a challenge (see Section 2.2.4, Focus topic 1). Learning conditions can be improved through standards and norms that allow for smaller class sizes,¹⁹⁶ thereby enhancing the inclusion of students from vulnerable groups and remote areas.¹⁹⁷ However, teachers need more specialised knowledge to work with vulnerable groups of children.¹⁹⁸ In mathematics, students report that the curriculum is not challenging enough and express a negative

¹⁹³ According to the PISA 2022 survey, headteachers in Slovenia estimated that 42.2% (EU: 44.4%) of fifteen-year-olds attended a school affected by teaching staff shortages and 22.9% (EU: 23.8%) attended a school with inadequately qualified teachers (OECD, 2023d).

¹⁹⁴ In 2022, 23.5% (EU: 24.8%) of primary and secondary school teachers were aged 55 years or over (Eurostat, 2025).

¹⁹⁵ In 2022, 36.0% of students were enrolled in schools lacking sufficient, adequate, or high-quality teaching materials (text books, IT equipment, libraries or laboratory instruments) (OECD, 2023d).

¹⁹⁶ In 2022, the average class size in the first two triads of primary school in Slovenia was 19.8 pupils, compared to 21.0 pupils in 25 EU Member States that are full or associate members of the OECD (OECD, 2024c).

¹⁹⁷ In the 2023/2024 school year, 325 out of 819 primary schools were branch schools, accounting for 9.1% of all primary school pupils (SURS, 2025a).

¹⁹⁸ According to the TALIS 2018 survey, 23.2% of teachers in lower secondary education (the third triad of primary school in Slovenia) reported the need for additional skills to work with pupils with special needs, and 14.3% of teachers reported the need for additional skills to work in classrooms with immigrants and members of different cultures (OECD, 2019c).

attitude towards the subject (PI, 2024b); the same applies to natural science. Various possibilities to participate in environmental activities can have a positive effect on education for sustainable development, while the negative factors can be the teacher preparedness to teach about environmental sustainability. The development of computer and information literacy and computational thinking can be adversely affected by the limited inclusion of these topics in the curriculum,¹⁹⁹ despite schools being relatively well equipped with software (PI, 2024a). The students' academic achievements can also be adversely affected by a weak sense of belonging, as well as poor school safety and orderliness.²⁰⁰

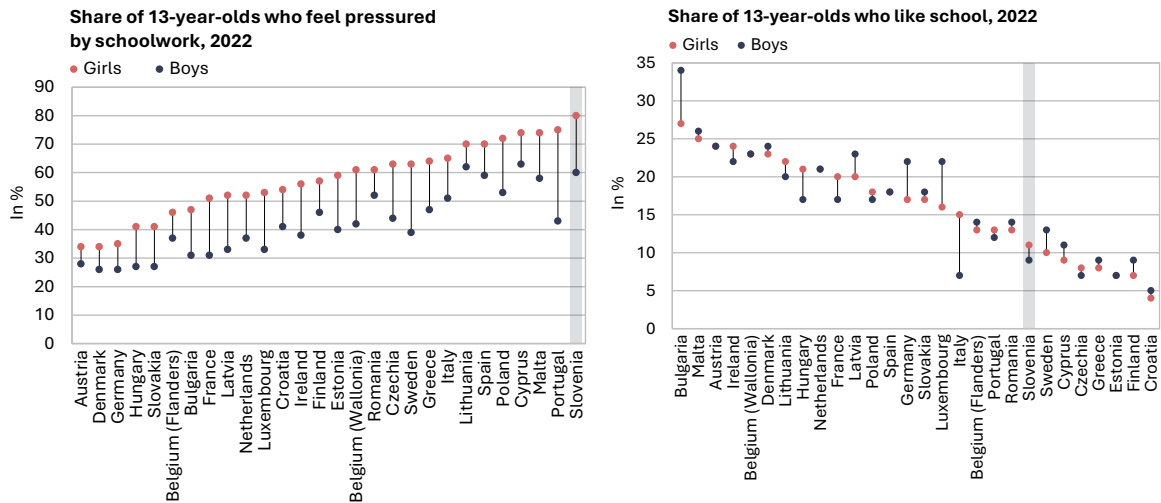
Due to heavy school work pressure and a number of other factors, school popularity among pupils in basic education is among the lowest in the EU; among upper secondary school students, motivation for learning is low while school popularity is among the highest in the EU. Various (above-mentioned) factors, particularly the importance of grades for enrolment in upper secondary school, have an adverse effect on the mental wellbeing and school workload of pupils in basic education (Figure 85, left). Fifteen-year-olds were also very concerned about their family's expectations regarding their chosen career path.²⁰¹ While they received a lot of support from their classmates, particularly girls, parent and teacher support was rated lower than in the majority of other EU Member States. School popularity was the lowest in the last ten years and one of the lowest among EU Member States for basic education pupils (Figure 85, right) and one of the highest in the EU for upper secondary school students, with only Poland recording a higher rating than in Slovenia. However, few upper secondary school students liked learning new things (Focus topic 1, Figure 33), which shows low inner motivation for learning. Upper secondary school students also rated classmate support as high, while teacher and parent support received lower ratings. School work pressure and good relationships with parents, teachers and classmates affect the students' mental wellbeing, which was one of the lowest rated among EU Member States in 2022 (Section 2.3.5). This also affects young people's overall life satisfaction, which was one of the lowest in the EU in 2022 among fifteen-year-olds (OECD, 2023d).

¹⁹⁹ Unlike many EU Member States, Slovenia does not have a compulsory computer science subject in basic education (PI, 2024a).

²⁰⁰ The rates of school belonging (based on assessments by basic school pupils) and school safety and orderliness (as assessed by teachers) are lower than in most other EU Member States (PI, 2024b).

²⁰¹ In 2022, 36.8% of fifteen-year-olds (the 8th highest share in the EU) felt pressured by their family to choose a particular career path (OECD, 2024j).

/ Figure 85: School workload for pupils enrolled in basic education is the highest in the EU (left), school popularity is low (right)



Source: WHO (2024).

The accessibility and quality of pre-primary education are relatively good by international comparison, although parents cover a significant share of the costs. Pre-primary education has a positive impact on children’s personal and cognitive development, supports their socialisation and preparation for basic education and helps parents better reconcile work and family life. Slovenia is one of the few EU countries where children are entitled to attend pre-primary education immediately after the end of parental leave (Eurydice, 2025). Participation in pre-primary education²⁰² has increased significantly over the years and is above the EU average, even though Slovenia is one of the few Member States without free education for all children in the second age group (three years and over) (Eurydice, 2025) and the costs are relatively high.²⁰³ In terms of quality, the child-to-staff ratio (including both preschool teachers and assistants) is more favourable than the EU average,²⁰⁴ and tertiary education is required for pre-school teachers.²⁰⁵ In 2025, the Council of Experts of the Republic of Slovenia for General Education adopted a new Kindergarten Curriculum based on international recommendations.²⁰⁶

Access to the remaining three levels of education is generally good; however, pupils and students from socially and economically disadvantaged backgrounds often do not achieve the same outcomes as their peers, primarily due to the intergenerational transmission of disadvantage. The *accessibility of basic education* is supported through various subsidies and forms of assistance for pupils and their families.²⁰⁷

²⁰² E.g. the Barcelona target, the Strategic Framework of the European Education Area 2030, the target of the European Pillar of Social Rights.

²⁰³ In 2021, private expenditure on the second age group of pre-primary education accounted for 21.2% of total expenditure (EU-25: 10.4%) (OECD, 2025e).

²⁰⁴ In 2022, each pre-school teacher or assistant preschool teacher was responsible for an average of 8.8 children (EU25: 9.8) (OECD, 2024c).

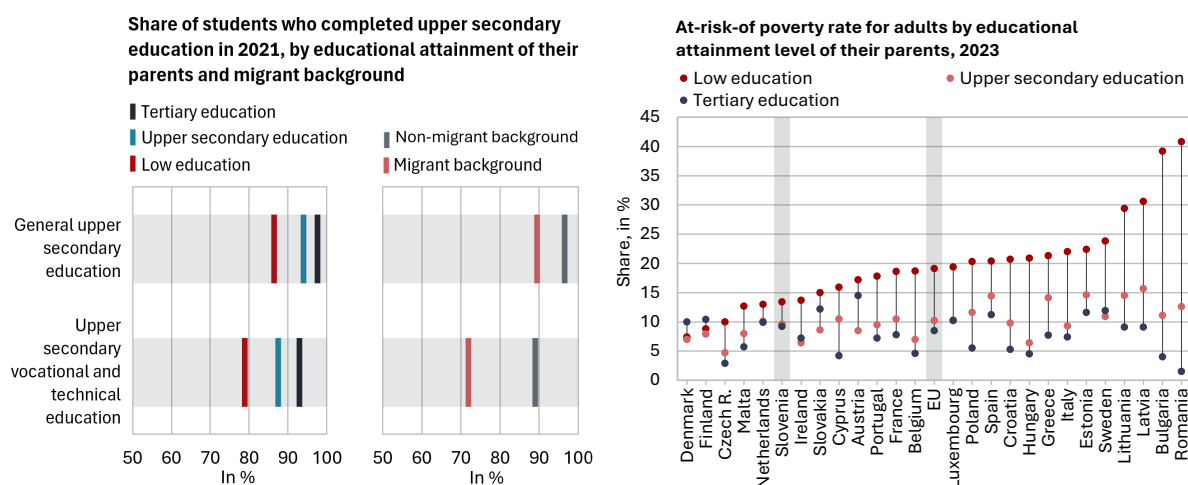
²⁰⁵ In 2024, a tertiary-level qualification was required for early childhood educators working with children up to the age of 3 in Slovenia and 13 other EU Member States. For those working with children over the age of 3, this requirement was in place in 20 EU Member States (Eurydice, 2025).

²⁰⁶ This includes new conceptual starting points and allows for greater individualisation and differentiation in working with children, taking into consideration their diversity and their development and learning needs. A new Kindergarten Curriculum for the adapted programme was also adopted, containing specific recommendations for specialised teaching and for individualised approaches in working with children with various impairments (MVI, 2025c).

²⁰⁷ E.g. free borrowing of text books, subsidised school meals, free transportation and co-funded outdoor learning.

As of the 2023/2024 school year, the number of beneficiaries entitled to subsidised school meals has been expanded.²⁰⁸ In addition, children from low-income families are also entitled to reduced fees or free access to extracurricular activities (MDDSZ, 2024c). *The accessibility of upper secondary education* is reflected in one of the highest participation rates in the EU, boosted further by subsidies (for transportation, food, etc.) and state scholarships, which were granted to more than one half of students in the 2023/2024 school year. Nevertheless, some groups of students from low socio-economic backgrounds face greater challenges: for example, students with low-educated parents are less likely to finish upper secondary school than their peers (Figure 86, left), as they are more exposed to the intergenerational transmission of disadvantage (Figure 86, right). *The accessibility of tertiary education*, which is also reflected in one of the highest participation rates in the EU, is enabled by tuition-free studies, state scholarships and subsidies (for accommodation, food and transportation).²⁰⁹ However, the hidden costs of studying are high, which is why students often take part-time jobs (PI, 2021).

Figure 86: Upper secondary school students with a migrant background and low-educated parents are less likely to finish school compared to their peers (left), which is also reflected in the higher risk of poverty in the course of their life (right)



Sources: OECD (2024c) and Eurostat (2025). Note to the figure on the right: comparable data for 2023 for Germany are not available.

There are long-standing shortcomings in ensuring a high-quality inclusive education for pupils with special needs and migrants, while Roma students also face social segregation and discrimination. Despite various measures within the education system, pupils with special needs encounter various obstacles in participating in mainstream basic education,²¹⁰ primarily due to insufficient implementation of inclusive education tailored to their specific needs.²¹¹ Roma children, particularly those from Jugovzhodna Slovenija, have faced significant difficulties in integrating into

²⁰⁸ Starting with the 2027/2028 school year, the right to free lunch will become universal, i.e. independent of the children's family income (ZŠolPre-1B, 2023; ZŠolPre-1C, 2024).

²⁰⁹ In 2024, Slovenia was one of 15 EU Member States that guaranteed all university students the right to subsidised housing, meals and transportation (EC, 2024d). However, students who are unable to secure a place in subsidised accommodation increasingly face difficulties in finding affordable housing, which may, over time, reduce access to higher education.

²¹⁰ In the 2023/2024 school year, 8.5% of pupils with special needs were enrolled in mainstream basic education, the highest share in the last ten years (SURS, 2025a).

²¹¹ Although their needs differ considerably, they are only referred to the adapted education programme with additional professional assistance that is limited in scope and sometimes of poor quality, meaning that their conditions for development are less than optimal (Kavkler, 2024).

both the education system and wider society. Due to limited proficiency in the Slovenian language, lack of acceptance by peers and the broader community, and insufficient incentives for inclusive education, they are overrepresented in special needs education classes.²¹² Consequently, only 21.5% of Roma children finish basic education,²¹³ leaving entire generations in a state of social exclusion, which contributes to tensions and conflicts within local communities. The Roma culture and history are generally not systemically included in school curricula (European network of legal experts in gender equality & non-discrimination, 2024). Pupils and students from a migrant background are also more likely to encounter integration obstacles, thus achieving lower academic results on average (Section 2.3.4), and are less likely to finish upper secondary school than their peers (Figure 86, left). The importance of intercultural dialogue and learning is underrated: in 2022, many basic education teachers believed that cultural and ethnic differences between students were a valuable resource for teaching and for fostering empathy. However, such topics were discussed with pupils only rarely. More than one half of pupils had no opportunity to participate in activities to develop pupils' knowledge of different cultures. This affects the pupils' perceptions on migrants (Section 2.3.4), which reflect the prevailing perceptions of society²¹⁴ (PI, 2023b) (see Section 3.1.2.2).

Adult participation in lifelong learning is above the EU average but lags significantly behind the target of the European Pillar of Social Rights. The data on adult participation in education varies significantly for methodological reasons (see note under Figure 87). According to Labour force survey, adult participation in lifelong learning achieved the SDS target (Figure 87, left) despite the reduced scope of education programmes in 2023 caused by the completion of the EU Cohesion Policy's financial perspective. According to participation data measured with the help of data obtained from the Adult education survey and in relation to the target of the European Pillar of Social Rights,²¹⁵ participation decreased (to 26.5%, EU: 39.5%) between 2016 and 2022 (latest data) and is among the lowest in the EU (Figure 87, right). Adults face several barriers to participating in education, including a limited supply of suitable educational programmes,²¹⁶ high training costs, or the considerable distance to available learning opportunities. Nearly half (49%) report having no interest in pursuing education (EU: 42.4%), highlighting the need to strengthen awareness on the importance of lifelong learning²¹⁷ and to enhance counselling services. Particular attention should be given to low-educated individuals, older adults, and immigrants, who participate less frequently in education. Informal learning should also be encouraged, with nearly three-quarters of adults taking part in such learning in 2022 (the most recent available data).

²¹² Their level of preparedness for basic education is adversely affected by low participation in pre-primary education and more than ten-year social segregation in Roma settlements, especially in Jugovzhodna Slovenija. The Advocate of the Principle of Equality (2025) has called attention to various deficiencies in the social integration of Roma children and the Roma community and the downsides of short-term and project-based solutions to complex and long-lasting issues.

²¹³ In the 2016/2017–2021/2022 period, an average 12% of Roma children from Jugovzhodna Slovenija and 45% from Severovzhodna Slovenija completed basic education (Bešter and Pirc, 2022).

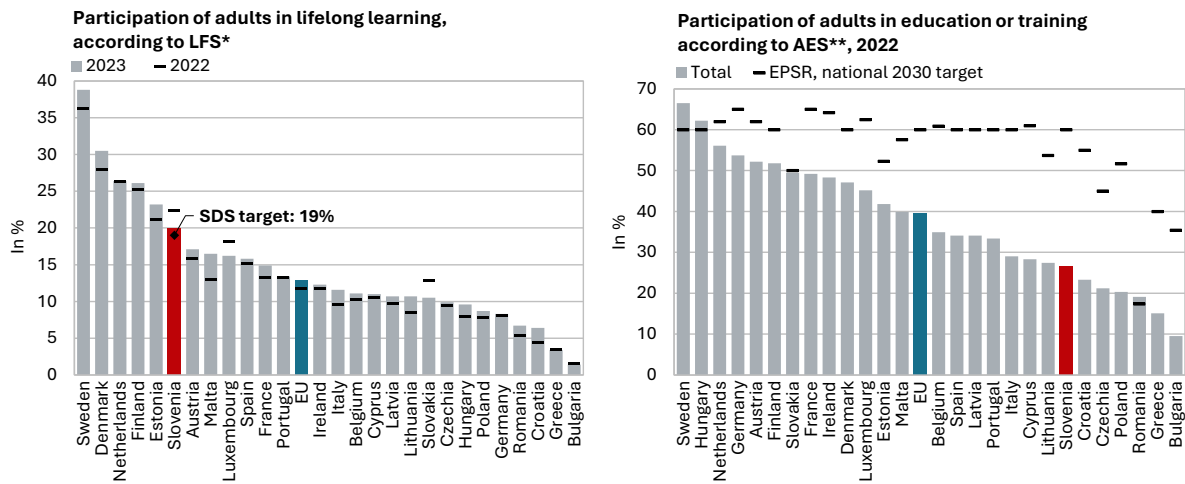
²¹⁴ In 2023, 46.7% of respondents were in favour of reducing the number of immigrants and 34.8% of people disagreed with the statement that immigrants can improve Slovenian society by bringing new ideas and cultures (CJMMK, 2024).

²¹⁵ The European Pillar of Social Rights Action Plan lays down that by 2030 at least 60% of all adults should take part in formal or non-formal education every year, which is also the target for Slovenia.

²¹⁶ In 2022, 16.1% (EU: 14.5%) of adults did not participate in education due to an inadequate supply of educational programmes (Eurostat, 2025).

²¹⁷ In 2023, the Slovenian Institute for Adult Education launched the project Awareness-raising on Lifelong Learning (2023–2028) aimed at increasing the general awareness of the importance of lifelong learning and contributing to greater participation in adult education (ACS, 2023b).

/ Figure 87: Adult education participation is within the SDS target (left) but far from the target of the European Pillar of Social Rights (right)

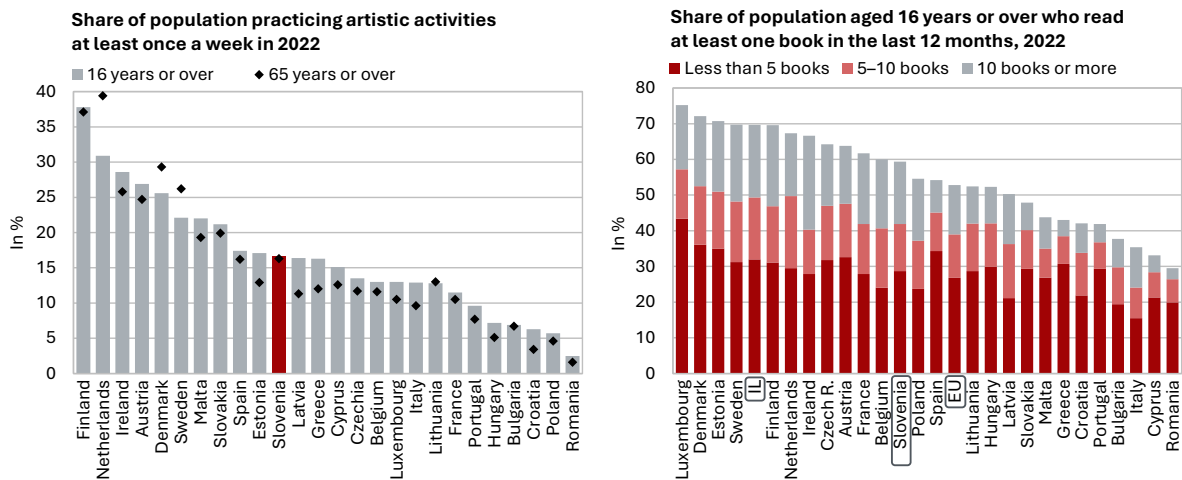


Sources: Eurostat (2025) and EC (2024e). Note: * Labour force surveys (LFS). The indicator based on LFS (figure on the left) measures adult participation in formal and non-formal education (for work and personal development needs) in the last four weeks preceding the survey and is calculated based on the annual average of quarterly data. ** Adult education survey (AES). The indicator based on AES (figure on the right) measures adult participation in formal and non-formal education (for the needs of work, hobbies, leisure activities) in the last 12 months. The values of the two indicators (LFS and AES) differ due to different periods of data collection, questionnaires and particularly survey purposes, other differences (the sample size, the sampling unit, etc.) and different use of proxies. Proxy responses are more common in the LFS, where one adult may respond on behalf of all adult household members, while in the AES, respondents generally answer only for themselves.

Attendance at cultural events and participation in cultural and artistic activities were relatively high in 2022, and book readership was above the EU average. The average number of visits to cultural events organised by public institutions and participation in amateur cultural activities per capita increased,²¹⁸ though it still fell short of the SDS target (2030). According to internationally comparable data, 56.6% of the population attended a cultural event or visited a cultural site (11th in the EU), with higher participation among women than men, and the highest rates observed among the middle-aged population. More residents were also actively involved in an artistic activity (Figure 88, left), which allows individuals to develop their creativity. Book readership was above the EU average (Figure 88, right); similarly to the EU average, book readership was less common among men, low-educated people, people with disabilities and older people, although the latter group was only slightly behind the middle-aged population.

²¹⁸ In 2022 (latest data), the average number of visits to cultural events per capita was 4.9. In 2023, there were 4.0 visits, but the data on attendance at events organised by cultural societies is not available (SFC, 2024; SURS, 2025a).

/ Figure 88: Artistic activity (left) and book reading (right) are an important part of active leisure time



Source: Eurostat (2025). Note: For the figure on the left, the data for Germany is unavailable.

The availability and accessibility of cultural and artistic activities are high and contribute 2.8% of GDP. In 2023, the number of exhibitions and available Slovenian films and events at institutions with stage activity increased, while the scope of national and foreign coproduction and guest performances from abroad decreased. In 2022, residents spent an average of EUR 478 on culture. A third of residents did not attend a cultural event because of lack of interest, while only 2.7% of people did not attend due to lack of availability, which shows a high availability rate (one of the highest in the EU). This is also enabled by lower prices for some groups of population and free entry on certain days of the year.²¹⁹ However, accessibility for people with disabilities has long been limited.²²⁰ Increased international activities and important international events (such as the Nova Gorica and Gorizia European Capital of Culture 2025) have a positive effect on the promotion of culture abroad and the artists' reputation. In 2023, the share of cultural events performed abroad exceeded the SDS 2030 target for the second year in a row (see Statistical Appendix).²²¹ The variety of cultural activities is enabled by government investments: while in 2023, expenditure on culture was one of the lowest in the last ten years (0.9% of GDP²²²), it was still higher than the EU average (0.7% of GDP, data for 2022). Culture was created by 42,400 cultural workers, who contributed 2.9% of added value or 2.8% of GDP.²²³

While book availability and reading are good by international comparison, the intensity of reading is decreasing and language resources and technologies are growing in importance. A well-developed network of school and general libraries and "bibliobuses" have a positive effect on book

²¹⁹ In 2023, performing arts institutions held more free events than ever, while museums and galleries issued the most free tickets since 2016 (SURS, 2025a). In 2022, only 6.1% of residents did not attend a cultural event due to high prices (Eurostat, 2025).

²²⁰ In 2023, 33.3% of museums and galleries and 56.4% of institutions with stage activity offered full access for mobility impaired persons, while 9.1% of museums and galleries and 14.9% of institutions with stage activity offered full access for sensory impaired persons (SURS, 2025a).

²²¹ In 2023, cultural institutions performed 3.7% of events abroad (3.3% of performances and 19.9% of exhibitions) (SURS, 2025a).

²²² Expenditure on cultural services accounted for 0.7% of GDP in 2023, while expenditure on radio, television and publishing accounted for 0.3% of GDP (Eurostat, 2025).

²²³ Satellite accounts for culture show that, according to preliminary 2022 assessments, culture contributed 2.9% of GDP for the economy as a whole (2019: 2.8%) or 2.8% of GDP (same as in 2019) (SURS, 2024b).

availability. In 2022, membership in general libraries was the sixth highest in the EU (Public libraries 2030, 2024), while 53% of respondents in 2024 bought at least one printed or electronic book, which is more than five years ago (Blatnik et al., 2024). High book availability results in a higher reading rate than the EU average, but the lower reading intensity is changing the population's reading habits.²²⁴ Nearly two-thirds of non-readers cite a lack of interest as the main reason, while about one-quarter point to a lack of time. Adults with changing reading habits are becoming less effective role models for children, and the role of schools as reading motivators is also diminishing (Blatnik et al., 2024). These trends have an adverse effect on the development of literacy among young people, which is decreasing (see Section 2.2.4) (see Statistical Appendix). The development and preservation of the Slovenian language are also affected by language resources and technologies.²²⁵ A variety of activities²²⁶ are underway in the field of language resources and technology development.²²⁷ The number of open-access language resources and tools in the national CLARIN repository increased further, reaching 644 at the end of 2024, which is well above the SDS target (153). Activities to develop the digital cultural and scientific heritage continued in 2023 (NUK, 2024).

3.1.3.3

Providing accessible and quality health and long-term care services

Despite a significant increase in public funding, the healthcare system continues to face growing challenges. According to preliminary estimates, total current healthcare expenditure in 2023 amounted to 9.3% of GDP (Figure 89, left). This is notably higher than the EU average of 8.7% of GDP in 2022 (the latest available data) and also higher than pre-pandemic levels. The increase is primarily due to a substantial rise in state budget spending for healthcare, which more than doubled between 2019 and 2022.²²⁸ As in most countries, the pandemic led to the largest increases in spending on prevention and public health, and hospital services.²²⁹ In 2023, the share of budget funding remained high to primarily cover increased sickness benefits and to reimburse health services based on actual performance, with the aim of reducing waiting times and stabilising the healthcare system in the post-pandemic period. Out-of-pocket healthcare spending remained very low (at 1.2% of GDP, see Statistical Appendix).²³⁰

²²⁴ In 2024, respondents read fewer books on average than in 2019, and fewer read every day (Blatnik et al., 2024).

²²⁵ The Act (ZJRS-B, 2024) expanded the definition of the use of Slovenian in electronic communications and digital client devices. It requires the providers of information society services and online intermediary services headquartered in Slovenia to offer their content and services for Slovenian users in Slovenian.

²²⁶ For more details, see Report on the implementation of the Resolution adopted in 2023 on the National Programme for Language Policy 2021–2025 (The Inter-Ministerial Working Group for Monitoring the Implementation of Slovenia's Language Policy, 2024).

²²⁷ Language resources is a collective term for language manuals (dictionaries, grammars, spelling books, etc.) and language collections (corpora and language databases). Language technologies are used in online browsers, spellchecking, grammar checking, etc. (MK, 2023).

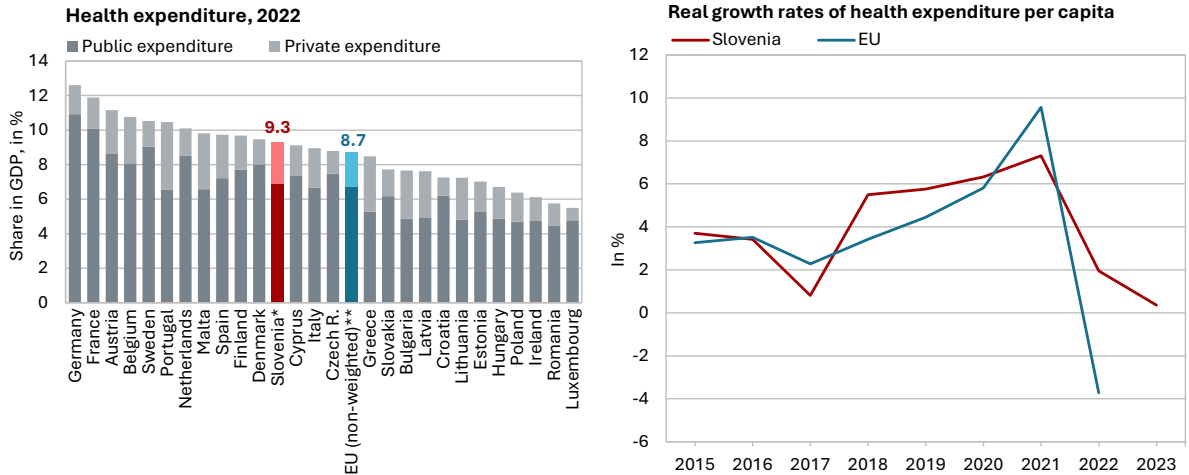
²²⁸ The share of government schemes spending in current health expenditure rose sharply from 4.2% in 2019 to 9.2% in 2022, and according to preliminary estimates, remained high at 9.1% in 2023. The state budget transfer to the Health Insurance Institute of Slovenia also increased, rising from 3.0% of total current health expenditure in 2019 to 4.9% in 2022 (Eurostat, 2025).

²²⁹ This includes funding for COVID-19 treatment, the payment of crisis salary supplements due to increased workload, COVID-19 testing and vaccination costs, the distribution of medicines, influenza vaccination, telemedicine of COVID-19 patients, and reimbursement of various sickness benefits. See IMAD (2022b) and IMAD (2023b).

²³⁰ For more on financial access to healthcare, see: IMAD (2024), Section 3.1.

In January 2024, all co-payments for health services and medicines were abolished and a new compulsory healthcare contribution was introduced. From 1992 to the end of 2023, the high co-payments for most health services were covered by complementary voluntary health insurance, which provided coverage for 95% of individuals liable for co-payments. In 2023, complementary voluntary health insurance accounted for 12.3% of current health expenditure, equivalent to 1.2% of GDP. However, since January 2024, the basket of healthcare entitlements has been covered 100% by public sources. Complementary voluntary health insurance was replaced by a new compulsory healthcare contribution,²³¹ which generated 0.93% of GDP in 2024, while the remaining funding gap (around 0.3% of GDP) was covered by a transfer from the state budget to the Health Insurance Institute of Slovenia (ZZZS, 2025a). With this shift in financing sources, the share of public health expenditure in Slovenia has increased significantly, rising to 8.0% of GDP (2023: 6.9% of GDP) or 87% of total current health expenditure (2023: 74%). This level of public expenditure is estimated to be among the highest in the EU.²³²

/ Figure 89: Total current health expenditure as a % of GDP is well above the EU average



Sources: OECD and EC (2024), OECD (2025c). Note: * For Slovenia, the 2023 data reflect a preliminary estimate reported by SURS to Eurostat and the OECD (2025c); ** For the EU, data represent a non-weighted average calculated by IMAD. Eurostat and the OECD report weighted averages (2022: 10.4% of GDP), which primarily reflects the data of larger countries (e.g. Germany, France).

A number of measures have been taken in recent years to improve access to primary healthcare. The number of primary care appointments is increasing rapidly, driven by an ageing population and a rising number of chronic diseases: in 2019–2024, appointments increased by an average of 530,000 each year, or by 29% over five years (ZZZS, 2025a). The number of general practitioners (GPs) increased by 35% between 2010 and 2022, but this figure still lags behind the EU average (Figure 90, left). Since 2021, the number of inhabitants without a designated personal physician has been increasing,²³³ a trend that is also linked to the 2017 lowering norms

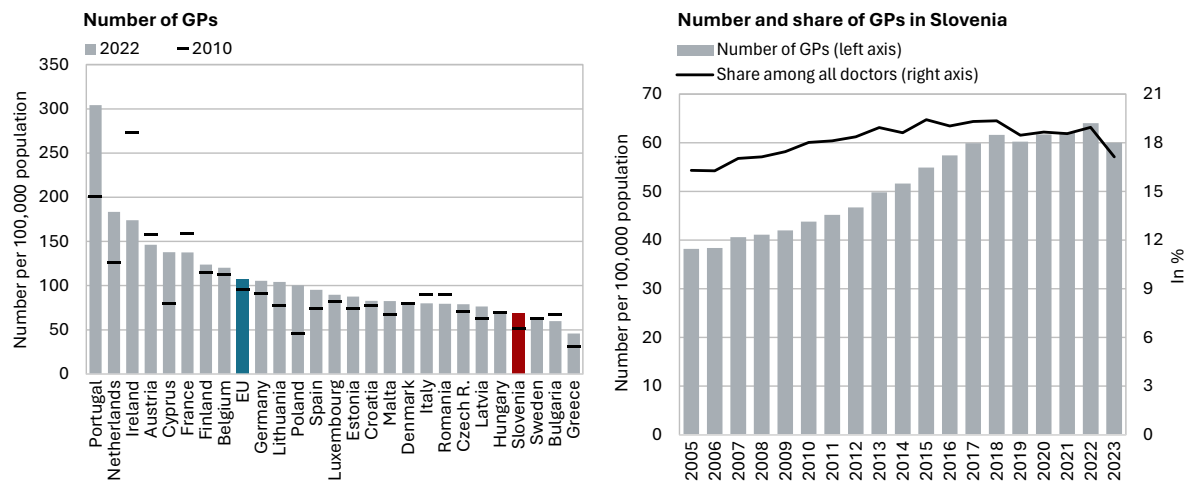
²³¹ The compulsory healthcare contribution is a flat-rate payment, required from all liable individuals regardless of income level. From January 2024 to March 2025, this monthly contribution was set at EUR 35.00. As of 1 January 2025, it increased to EUR 37.17. The Act Determining Intervention Measures in Healthcare, Labour, Social Affairs, and Health-Related Issues (ZIUZDS, 2023) stipulates that the contribution is to be adjusted each March based on the increase in the average gross wage in the previous year.

²³² For more on financial access to healthcare, see: IMAD (2024), Section 3.1.

²³³ According to data from the Health Insurance Institute of Slovenia (ZZZS), the number of persons without a designated personal physician stood at 107,000 at the end of 2021, 132,000 at the end of

(time spent with patients) for GPs (to the weighted capitation of 1,895). In the last two years, outpatient clinics have been set up for people without a designated personal physician (ZNUNBZ, 2022).²³⁴ These clinics allow individuals without a designated general practitioner to register with the clinic and receive appropriate healthcare through this form of service provision. In addition, outpatient clinics run by specialist trainees in family medicine have been established, and several other measures have been introduced to improve access to primary healthcare.²³⁵ These include, since 2021, additional financial incentives for doctors opting to specialise in family medicine, as well as scholarship schemes. According to the Ministry of Health, interest in medical specialisations in the field of family medicine increased in 2024. The Primary Health Care Development Strategy until 2031, adopted in 2024, emphasises the need to improve staffing conditions by creating more opportunities for career development for all primary healthcare workers and greater involvement in research activities. On 1 February 2025, a new funding model for family medicine and paediatric outpatient clinics was introduced, with updated capitation coefficients as the main source of funding. The model also includes a scale to encourage primary care teams to register insured persons in the most optimal and balanced manner.

/ Figure 90: The number of GPs lags significantly behind the EU average (left), while measures to increase interest in family medicine specialisation have yet to translate into a higher share of primary care doctors (right)



Sources: Eurostat (2025) and NIJZ (2025c). According to preliminary data, which are subject to change, the number of GPs increased in 2024.

The number of professionals in the field of mental health has increased significantly, but there is still a notable shortage of clinical psychologists, psychotherapists and psychiatrists. The year 2023 was declared the Year of Mental Health (Ministry of Health, 2023c), which encouraged the implementation of the Resolution on the National Mental Health Programme – MIRA 2018-2028 (NIJZ, 2019). The Resolution’s primary objective is to shift the focus of care from the secondary and tertiary levels to the primary level of healthcare. Since 2020, the network of child and

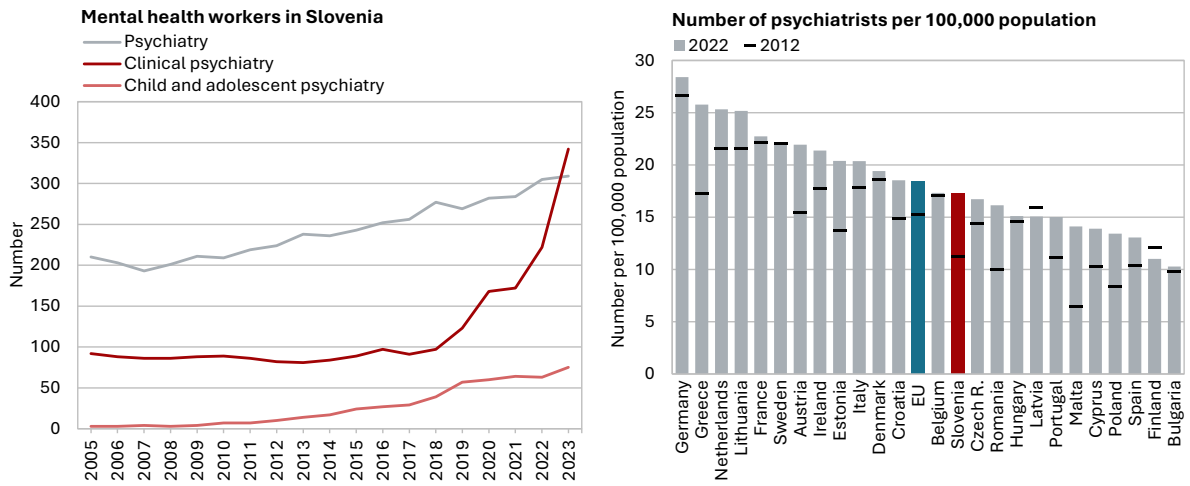
2022, 137,000 at the end of 2023 (6.6% of the population), and 145,000 at the end of 2024 (6.9% of the population) (ZZSZ, 2025a).

²³⁴ In January 2025, outpatient clinics for persons without a designated personal physician were renamed as additional family medicine outpatient clinics (ZNUZSZS, 2024).

²³⁵ A salary supplement of EUR 1,000 gross is provided to young doctors who choose to specialise in family medicine; telephone appointment is guaranteed (ZNUNBZ, 2022). The intervention law extended (ZNUZSZS, 2024) the measure of salary supplements for outpatient family medicine clinics that exceed the number of registered patients until the end of 2026.

adolescent mental health centres and adult mental health centres has been expanded to include additional and new services (Figure 91, left). The main challenge in the implementation of the national programme remains the severe shortage of clinical psychologists and psychiatrists, especially child and adolescent psychiatrists, resulting in persistently long waiting times.²³⁶ Despite the introduction of new specialisations for clinical psychologists (MZ, 2023b) and a rapid increase in employment in public healthcare institutions, the shortage remains significant. Additional specialisations have therefore been announced for 2025 and 2026. Although the number of psychiatrists has increased considerably since 2010, it continues to lag behind the EU average (Figure 91, right).

/ Figure 91: Employment of mental health professionals has increased rapidly in recent years (left), but the number of psychiatrists still falls short of the EU average (right)



Sources: NIJZ (2025c) and Eurostat (2025).

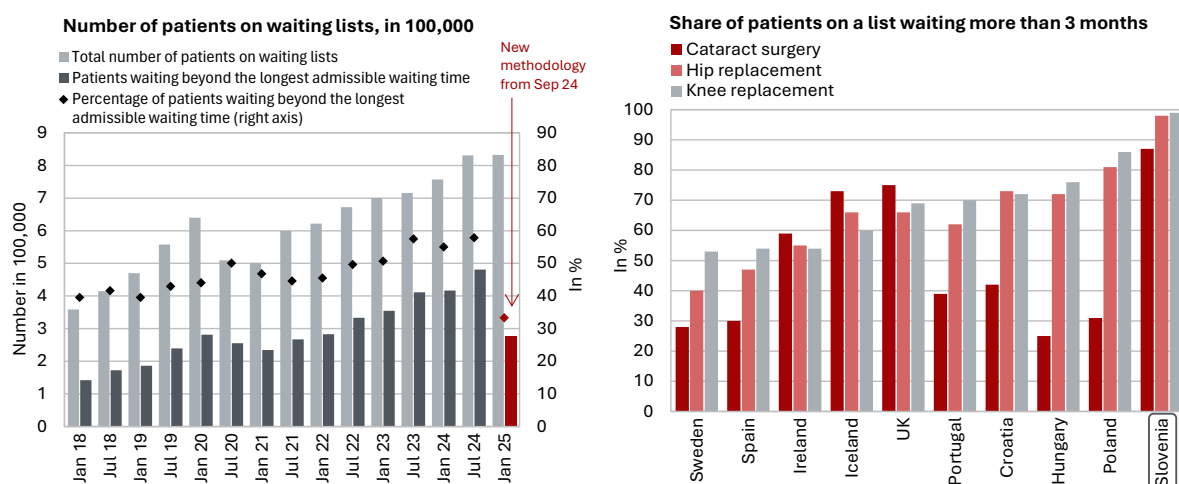
Several measures have been taken at the secondary healthcare level to reduce long waiting times, yet the number of people on waiting lists continued to rise, particularly in the first half of 2024, but growth slowed in the second half of the year; regional disparities remain significant. Between 2022 and 2024, a series of measures were introduced to stabilise the healthcare system after the epidemic and to shorten waiting times. In the first half of 2023, healthcare providers were reimbursed on the basis of the number of services actually delivered. As this approach proved ineffective, the Government intervened in July 2023 by revising the list of services paid on a fee-for-service basis. It abolished all fee-for-service payments and introduced specifically defined programmes to be financed in this way, based on the number of patients on waiting lists. Despite these efforts, the total number of patients on waiting lists increased by 9.8% in the first half of 2024, although the rate of increase slowed to 1.5% in the second half (Figure 92, left). The number of patients waiting beyond the longest admissible waiting time increased by 15.6% – equivalent to over 64,000 people – in the first half of 2024.²³⁷ This is mainly due to staff shortages, lengthy procedures for granting concession contract with Health Insurance Institute of Slovenia

²³⁶ In 2023, the Slovenian public healthcare system employed 248 psychiatrists, 39 child and adolescent psychiatrists, and 160 clinical psychologists (2020: 215 psychiatrists, 34 child and adolescent psychiatrists, and 96 clinical psychologists) (NIJZ, 2024).

²³⁷ From 12 September 2024, when a new methodology was introduced, the number of patients waiting beyond the longest admissible waiting time decreased by 13,700 or 4.8% by the end of January 2025.

(ZZZS) and doctors' strikes since January 2024 (ZZZS, 2025; FIDES, 2025). A study by Kuhar et al. (2025) focusing on orthopaedics revealed stark regional differences in average waiting times. Furthermore, access to initial paediatric specialist consultations has also deteriorated since the epidemic, with waiting times in five specialties (urology, rheumatology, cardiology, neurology and allergology) significantly exceeding acceptable limits (Kuhar, 2023). The National Assembly passed an amendment to the Health Services Act (ZZDej-N, 2025).²³⁸ The amendment is expected to strengthen the functioning of public institutions and the public network, improve access to healthcare and working conditions, and increase transparency in the health system.

Figure 92: The total number of patients on waiting lists* increased from January 2024 to January 2025, and as of September 2024, the number of patients waiting beyond the longest admissible waiting time is measured according to the new methodology (left); waiting times for certain procedures are among the longest compared to ten other countries (right)**



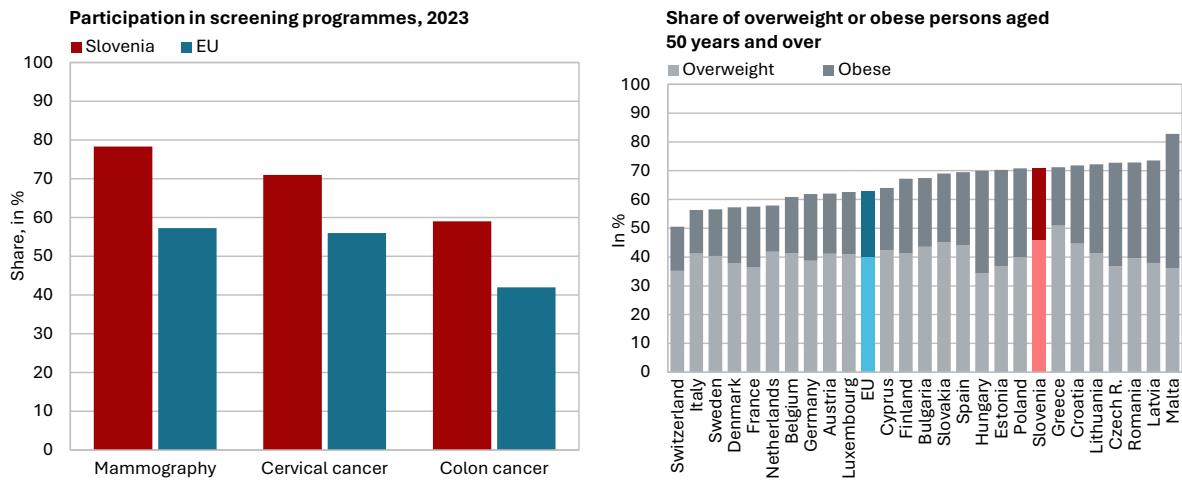
Sources: NIJZ (2025d); OECD and EC (2024). Notes: * All patients waiting for initial specialist consultations, diagnostic tests and therapeutic procedures were included, across all levels of urgency. At the beginning of 2018, there were 698 types of health services in the eBooking system for these groups of services. On 4 January 2024, there were 962 (including 166 types of first specialist consultations, 503 types of diagnostic tests, and 293 types of therapeutic procedures). On 8 January 2025, there were 1,012 types of health services (including 185 types of first specialist consultation, 509 types of diagnostic tests and 318 types of therapeutic procedures). The number of different types of health services continues to grow due to the increasing needs of the population and the introduction of new medical technologies and treatments. ** Until August 2024, all patients who were given an appointment beyond the longest admissible waiting time were counted as having waited beyond the admissible time. From September 2024, the calculation method has changed – now only patients who have been on the waiting list longer than the admissible waiting time are included in this count. Figure, right: The international comparison includes countries with comparable waiting list systems.

For many years, treatable mortality rate in Slovenia has been lower than the EU average; however, the country still sees a relatively high preventable mortality rate related to unhealthy lifestyles. In 2021, the overall avoidable mortality rate was already slightly below the EU average (see Section 2.2.5 and the Statistical Appendix). Hospitalisation rates for chronic diseases such as asthma, COPD and diabetes are well below the EU average, reflecting the

²³⁸ The Act regulates the work of physicians in public institutions and with private providers, as it more clearly defines the non-compete clause. Doctors employed by public healthcare institutions will be allowed, under certain conditions, to apply for authorisation to work for contracted providers, but not for private practices, not included in the public network. Work within public healthcare institutions and the increase in services performed for one's primary employer in public institutions are being encouraged; therefore, the Act regulates the conclusion of tax-exempt service contracts with employees within public healthcare institutions. Exceptionally, top-level doctors working outside the public healthcare network will be permitted to work in public institutions through part-time employment. The amendment also introduces health regions and allows for the integration of public healthcare institutions. The commercial activities of public healthcare institutions are regulated in more detail, as are the conditions for obtaining a license to provide healthcare services and the rules governing contracts with ZZS. The amendment to the Act also provides a more detailed regulation of the conditions for appointing directors of public healthcare institutions.

effectiveness of primary healthcare (Figure 94, right). Vaccination coverage of children against diphtheria, tetanus and pertussis reached 95% in 2020, matching the EU average. HPV vaccination coverage among adolescent girls is increasing (44% in 2022), but still lags behind the EU average (63%). Despite full coverage of influenza vaccination by mandatory health insurance from 2020, uptake remains among the lowest in the EU. In the 2023/24 season, only 17.6% of people aged 65 and over were vaccinated (EU 2021/22: 56%). In 2022, screening rates for cervical cancer (ZORA), colorectal cancer (SVIT) and breast cancer (DORA) were above the EU average. However, there are significant differences by place of residence, age and income. Two new screening programmes for the early detection of cancer are being introduced: PETER for prostate cancer and LUKA for lung cancer. Obesity – along with associated conditions such as diabetes – is an increasingly serious problem, with over half of adults overweight or obese, which is above the EU average²³⁹ (Figure 93, right). On the other hand, almost 70% of adults consume fruit and vegetables every day, a rate exceeded only by Italy and Portugal. The share of smokers has decreased from 19% to 17% over the last decade (2022), slightly below the EU average. In 2022, yearly alcohol consumption in Slovenia was 10 litres per capita – just below the EU average – but 23% of adults reported heavy episodic drinking (EU: 19.5%).

/ Figure 93: Participation in preventive screening programmes is significantly higher in Slovenia than the EU average (left); however, overweight and obesity is becoming an increasing challenge (right)



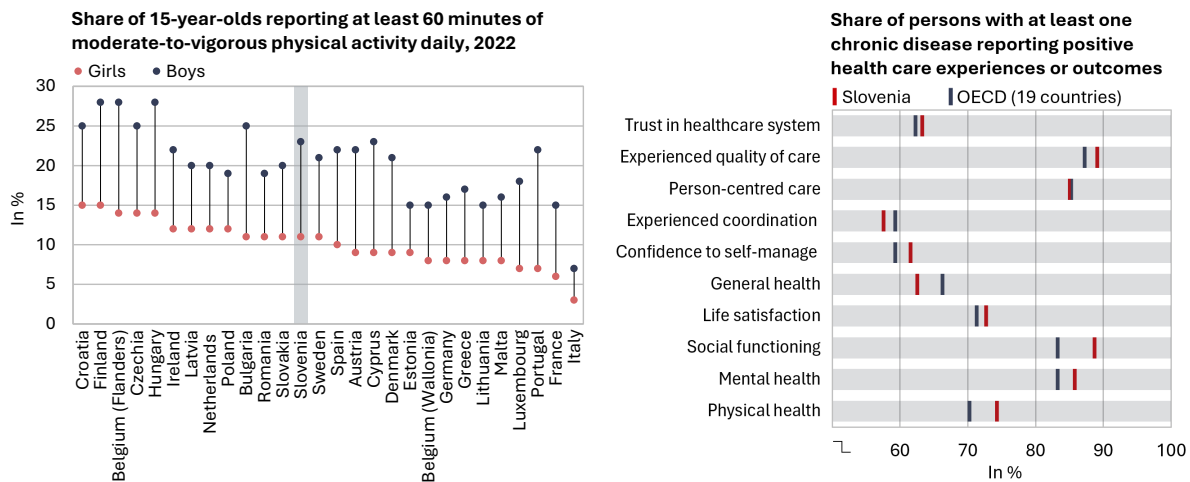
Sources: OECD and EC (2024); SHARE 4th wave (Börsch-Supan, 2022b), 6th wave (Börsch-Supan, 2017) and 8th wave (Börsch-Supan, 2022a); recalculated by the IER

Children’s physical fitness levels remain lower than before the epidemic, while the share of physically active adults lags behind only a few northern European countries. In 2022, about a quarter of 11-year-olds, just over a fifth of 13-year-olds and only 17% of 15-year-olds met the WHO-recommended minimum of at least one hour of moderate-to-vigorous physical activity daily (Figure 94, left). Boys were more physically active than girls. The consequences are reflected in persistently low physical fitness levels among children, which – despite some improvement since the epidemic – remain well below pre-epidemic levels in 2023. The situation is markedly better for adults: in 2022, 52% reported doing sports at least once a week (EU: 38%) and

²³⁹ Overweight people have a Body Mass Index (BMI) between 25.0 and 29.9 kg/m², while those with a BMI over 30 kg/m² are considered obese. BMI is the ratio of body weight to the square of body height (WHO, 2023).

63% did other physical activities (EU: 50%) (Eurobarometer, 2018b, 2022c). In terms of physical activity, adults in Slovenia trailed only a few Northern European countries.²⁴⁰

/ **Figure 94: Far fewer girls than boys were physically active (left); in 2023, ratings by patients with chronic conditions indicate high quality primary healthcare (right)**



Sources: WHO (2024) and OECD (2025a). Note to the figure on the right: The PaRIS survey included 19 OECD countries: Australia, Belgium, Canada, Czechia, France, Greece, Iceland, Luxembourg, the Netherlands, Norway, Portugal, Romania, Saudi Arabia, Slovenia, Spain, Switzerland, Wales, Italy (just a few selected regions) and the USA (only people aged 65 and over were included).

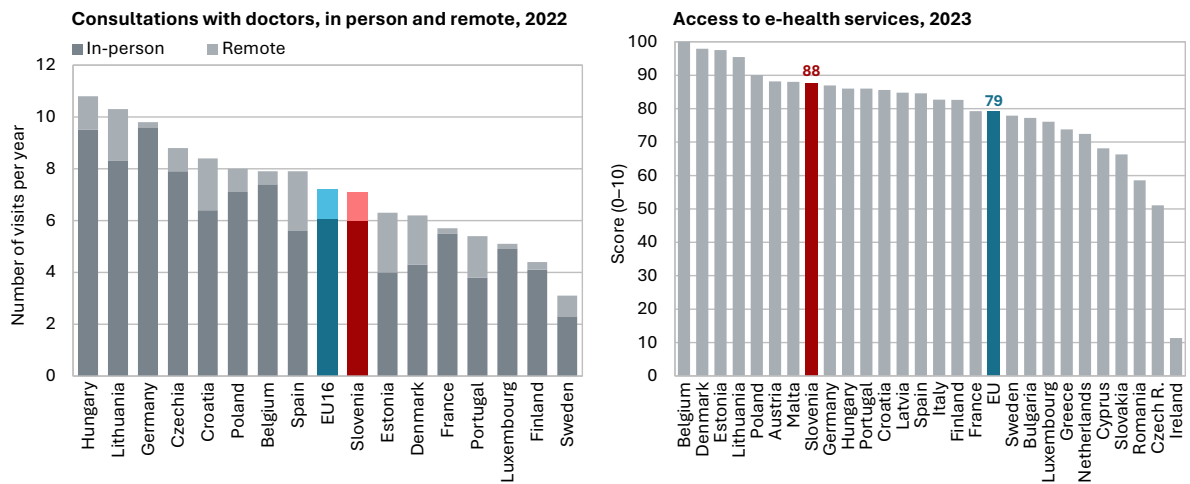
Patient experience and satisfaction are important aspects of healthcare quality. According to the national PREMS (Patient Reported Experience Measures) survey, conducted in specialist outpatient and hospital care, patient experiences improved across all indicators between 2019 and 2023 (NIJZ, 2025e). The first results of the international PaRIS (Patient-Reported Indicator Survey) survey²⁴¹ (OECD, 2025a), which assessed the primary healthcare experiences of patients with one or more chronic conditions in 2023, showed that Slovenia scored at or above the average of 19 OECD countries on most indicators (Figure 94, right). In areas such as physical and mental health, social inclusion of patients and trust in self-sufficiency, Slovenia scored above the average of 19 OECD countries. Results were also above average for life satisfaction, perceived quality of care and trust in the healthcare system. However, the survey revealed below-average scores for overall self-rated health and care coordination (particularly in digital health literacy and the exchange of electronic health records). The Health Care Quality Assurance Act, adopted in December 2024, mandates the development of clinical guidelines for all healthcare areas, the monitoring of the quality of the services provided, including from the patient’s perspective, and requires public healthcare institutions to establish a standardised workload measurement system for doctors and other staff. It also introduces comparable indicators of capacity utilisation (e.g. bed occupancy rate, number of treatments and weighted bed-days) and establishes quality indicators for treatment outcomes with appropriate benchmarks (ZZKZ, 2024).

²⁴⁰ According to the 2022 EU-SILC survey, Slovenia reported even higher rates of adult physical activity: 82% of respondents engaged in sports at least once a week – a figure surpassed only by Finland, the Netherlands and Denmark. In addition, 32% were active every day, the highest rate in the EU (OECD and EC, 2024).

²⁴¹ The PaRIS Survey (Patient-Reported Indicator Survey) in Slovenia included 3,303 primary healthcare users (aged 45+) and 81 primary healthcare practices. The survey was carried out in 19 countries (OECD, 2025a).

The epidemic accelerated digitalisation in healthcare and the uptake of eHealth services. In 2022, residents in Slovenia visited a doctor on average 7.1 times, with 15.5% of consultations conducted remotely – roughly in line the EU average (Figure 95, left). Under the e-Health initiative, Slovenia has successfully implemented e-prescriptions and e-referrals in recent years, and is making swift progress in establishing a comprehensive electronic health record (EHR) system. The EHR is a key element in the digital transformation of healthcare, improving patient safety, strengthening public health preparedness, and optimising healthcare management. Slovenia is ahead of some more developed European countries in the introduction of e-health services (Figure 95, right). However, as consultations, scheduling appointments by email and using various patient portals (zVEM²⁴², doZdravnika, etc.) require digital skills, access to healthcare has become more difficult for some residents (in particular for those with limited digital skills or without access to digital devices).²⁴³

/ Figure 95: The introduction of remote consultations (left) and e-health services (right) has been successful



Sources: OECD and EC (2024), EC (2024). Note: Citizens' access to e-health services is one of the indicators within the Digital Economy and Society Index (DESI). It is measured using two main components: (i) access to e-health services (via a patient portal or mobile application), and (ii) the share of individuals who are able to obtain or use their basic health data stored in public and private electronic health records.

The share of older people receiving formal long-term care (LTC) declined between 2011 and 2021 and remains below the OECD average, and the level of unmet needs remains very high. In 2021, only 11% of people aged 65+ in Slovenia received formal LTC²⁴⁴ (OECD: 11.5%), a decrease from 2011 (11.9%) (OECD, 2023a). Public spending on LTC amounted to only 1.2% of GDP in 2022, well below the EU average (1.7%) and less than half that of the most developed European countries. An OECD study (2024d) found that in Slovenia in 2022, older people (65+) with a high degree of disability and moderate income were often unable to afford co-payments for formal home

²⁴² The zVEM portal is the entry point to eHealth services: referrals, appointment scheduling, prescriptions, specialist reports and other documents (NIJZ and MZ, 2023). From 2019 to 2023, the number of users of the zVEM portal increased from around 44,000 to nearly 500,000 (MZ, 2023a).

²⁴³ In 2022, 50% of respondents aged 16–74 searched for health information online, compared to 60% on average in OECD countries (the highest percentage, over 75%, was recorded in Finland, the Netherlands and Norway) (OECD, 2023a).

²⁴⁴ In 2022, an average of 74,283 people received long-term care in Slovenia – 2,061 more than in 2021. Of these, 22,700 (30.6%) received care in institutions, 28,500 (38.3%) received care at home, and 22,400 (30.1%) received cash benefits (SURs, 2024a).

care, even with public co-financing. The consequences are reflected in a high level of unmet needs for long-term care: in 2019 (latest available data), 55% of persons aged 65+ who needed help with at least three basic or instrumental daily activities received no care (EU-22: 32%).²⁴⁵ This is mainly due to poorly developed home care services: in 2021, according to SURS data, 69% of persons aged 65+ who need assistance received home care. While this marks a notable improvement in recent years – partly due to the introduction of the Personal Assistance Act – it is still below the OECD average. Due to poorly developed home and community-based services and a growing shortage of care workers, waiting times for admission to institutional care have continued to increase.

In 2025, all rights under the Long-Term Care Act (ZDOsk-1) will come into effect, amid increasingly pressing staff shortage. A key objective of the Long-Term Care Act (ZDOsk-1) (ZJF-H, 2018) is to accelerate the development of home care, promote deinstitutionalisation and establish a standardised eligibility assessment for entry into the long-term care system. In January 2024, the entitlement to a family caregiver was introduced. By the end of 2024, around 1,200 people were employed as family caregivers, 475 of whom had previously held the status of family assistant. As of 1 July 2025, entry points into the long-term care system are expected to be established at social work centres, along with the launch of long-term home-based care and e-care services. As of 1 December 2025, new institutional long-term care services and the payment of cash benefits will also be introduced. However, chronic staffing shortages in long-term care continue to worsen. In response, in April 2022, amendments to the staffing standards for residential care homes and special social care institutions were adopted. These changes aim to substantially raise staffing levels and will be phased in by 2030.²⁴⁶ Despite these measures, service providers face serious challenges in recruiting staff, resulting in unoccupied beds in residential care homes and a year-on-year decline in the coverage of demand.²⁴⁷ In the autumn of 2024, the Act Determining Urgent Measures to Improve the Staffing, Working Conditions and Capacities of Providers of Social Assistance and Long-term Care Services (ZNURK) was adopted (MSP, 2024).²⁴⁸ In terms of the number of beds in institutional care,²⁴⁹ Slovenia exceeds the EU average. The highest bed counts are recorded in the Netherlands, Sweden and Belgium – countries that have increased the availability of smaller, independent living units for older people and people with disabilities.

For people with disabilities, the Personal Assistance Act (ZOA) has significantly improved the possibilities for independent living at home. The number of personal assistance users²⁵⁰ has been increasing since the Personal Assistance Act entered into force (ZOA) in 2019, with public

²⁴⁵ For more details, see the 8th wave of SHARE (Börsch-Supan, 2022a); adapted from OECD (2023a).

²⁴⁶ By 2030, the number of staff in residential care homes is expected to increase by 46% compared to 2022 and by 30% in specialised institutions (equivalent to one fifth of additional staff every two years), totalling more than 2,200 new posts (Government of the RS, 2024a).

²⁴⁷ Capacity coverage reflects the share of the population aged 65+ receiving institutional care. While the target is set at 4.8%, actual coverage decreased from 4.6% in 2019 to 4.4% in 2023 (SSZS, 2024).

²⁴⁸ The Act Determining Urgent Measures to Improve the Staffing, Working Conditions and Capacities of Providers of Social Assistance and Long-term Care Services (ZNURK) contains eight key measures: company scholarships, support for the participation of volunteers, training new employees, guidelines for updating and optimising work processes in residential care homes, employment of foreigners, and measures aimed at the faster integration of foreign workers in professional and social life (MSP, 2024).

²⁴⁹ In 2022, Slovenia had 1,116 care home beds per 100,000 inhabitants, compared to 757 across the EU (Eurostat, 2025).

²⁵⁰ Personal assistance is available to persons aged 18 to 65 who require at least 30 hours per week of support from another person to carry out activities related to independent personal and family life, participation in the community, education, and employment.

expenditure for this purpose continuing to rise (MDDSZ, 2024b).²⁵¹ One of the main objectives in the field of social welfare remains the improvement of the availability and accessibility of social care services and programmes aimed at deinstitutionalisation. In 2020, the ratio between users of community-based and institutional forms of social protection was 1:1.17²⁵² (excluding personal assistance, as it is implemented under disability legislation), with a target ratio by 2030 of approximately 1:1 (ReNPSV22–30, 2022).

3.1.4

Creative and tolerant social environment

Over the past 30 years, Slovenia, like most countries in the world, has been moving towards a more secular-rational and autonomous society. Since 1981, Inglehart and Welzel have been studying the shift in value orientations among the populations of more than 80 societies (Inglehart, 1997; Inglehart and Welzel, 2005; Welzel, 2014). Their cultural map of the world shows that systems of human belief are shaped around two main dimensions of cross-cultural variation that define societies (Figure 96, left). The first dimension measures how important a role religious doctrine plays in societies,²⁵³ with secular values²⁵⁴ indicating a largely reduced role of organised religion. The second dimension, by contrast, indicates how autonomous from kinship obligations individuals in a society are in their life planning, with self-expression values²⁵⁵ emphasising high individual autonomy and survival values emphasising²⁵⁶ security and ethnocentrism. Seven consecutive waves of the World Values Survey, conducted since the early 1980s, have confirmed the validity of these two dimensions, showing surprisingly stable values and attitudes across countries and broader cultural regions. However, shifts on the map can be observed over the decades: as populations become more prosperous, educated, live longer and give birth to fewer children, new generations become more secular, autonomous and emancipatory in their moral values, thus moving from the lower left to the upper right on the cultural map (Figure 96, left). This movement is described by the authors as a shift from materialist to post-materialist values. Hence, despite enduring cultural differences, humanity as a whole is in the middle of an emancipatory progression (Welzel, 2014) – towards an increasing emphasis on free choice and equal opportunities, the empowerment of people for greater democratisation of societies with an active civil society, and the understanding that the development of societies is only possible through a consistent commitment to sustainability and environmental awareness. Slovenia has made significant progress over the past thirty years. While progress is evident, further improvements are possible, particularly in

²⁵¹ In 2020, an average of 1,209 personal assistance users were recorded; in 2023, the number was 4,308. Public expenditure on personal assistance increased from EUR 3.8 million in 2018 (before the new law entered into force) to EUR 187.5 million in 2024 (MDDSZ, 2025b).

²⁵² The calculation used in the ReNPSV13–20 also took into account personal assistance users, with the ratio reaching 1:1.08 in 2020, which was a remarkable improvement compared to previous years, due on the one hand to the high increase in the number of personal assistance users and on the other to the decrease in the number of residents in residential care homes during the epidemic (Smolej Jež and Trbanc, 2021).

²⁵³ Traditional values emphasise the importance of religion, family ties, traditional family values and respect for authority. These societies have high levels of national pride and a nationalistic outlook.

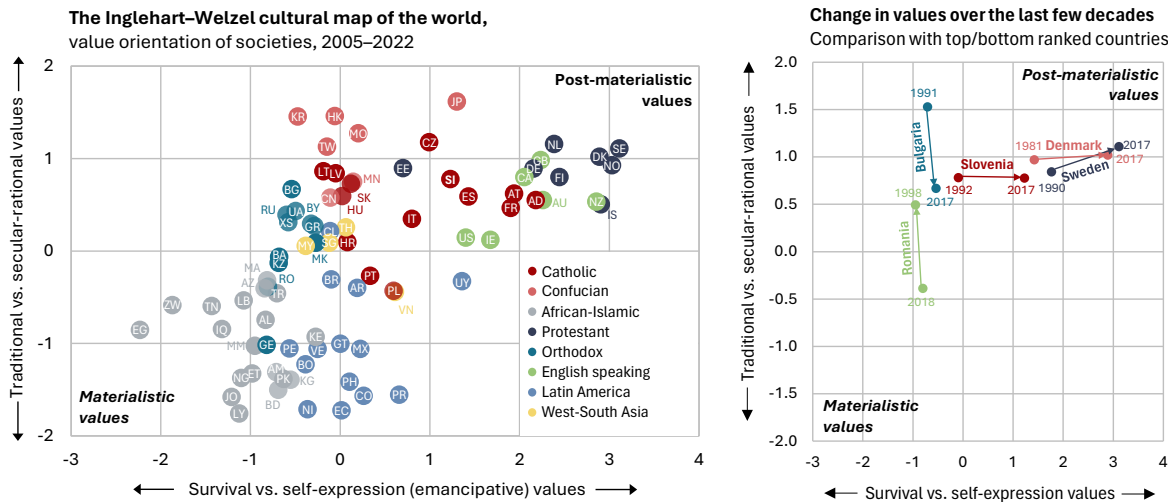
²⁵⁴ Secular-rational values have the opposite preferences to the traditional values. These societies place less emphasis on religion, traditional family values and authority. Divorce, abortion, euthanasia and suicide are seen as relatively acceptable, though not necessarily more common.

²⁵⁵ Self-expression values prioritise environmental protection, tolerance of foreigners and LGBTIQ communities, gender equality, and increasing demands for participation in decision-making in economic and political life, thereby strengthening individual self-realisation and autonomy.

²⁵⁶ Survival values place emphasis on economic and physical security. They are linked with a relatively ethnocentric outlook and low levels of trust and tolerance.

strengthening trust in institutions, recognising political and social engagement as a driver of democratisation and societal progress, fostering creativity and imagination, promoting tolerance and acceptance, increasing environmental awareness and adopting measures for sustainable development. For specific long-term challenges, we have identified key indicators and visualised them on a map of Europe (see Statistical Appendix).

/ **Figure 96: On the Inglehart-Welzel Cultural Map of the World, Slovenia was still classified as a Central European (Catholic) society in the 2005–2022 period (left), but in recent decades it has shifted towards greater self-expression and self-realisation (right)**



Source: Inglehart et al. (2022).

The Slovenian value pattern reflects a similar hierarchy of Schwartz’s values as observed at the European level. The European Social Survey²⁵⁷ includes Schwartz’s value scale (Figure 97, left), which monitors changes in the motivations and perceptions of the population over an extended period (2002–2018). Schwartz developed a universal structure of value orientations, measured by several dozen variables and explained by a scale of ten value orientations or motivational types (Schwartz, 2003, 2008, 2016, n.d.).²⁵⁸ The analysis shows that, on average across European countries,²⁵⁹ the most prominent values are power, stimulation and achievement (Figure 97, right), which Schwartz categorises as self-enhancement motivations and openness to change. Hedonism, conformity, tradition and self-direction are moderately important European values. The least emphasised in the value hierarchy are benevolence, universalism and security (as shown in Figure 97) – these fall within the domain of altruistic and conservative values. In Slovenia, the hierarchy of value orientations closely aligns with the European pattern, though with some notable deviations: power (money, respect) is slightly more important, while achievement (demonstrating one’s abilities to others) is significantly less important than the European average. Compared to the European average, conformity (good behaviour and obedience) and altruistic values – benevolence (helping people, loyalty to friends, kindness)

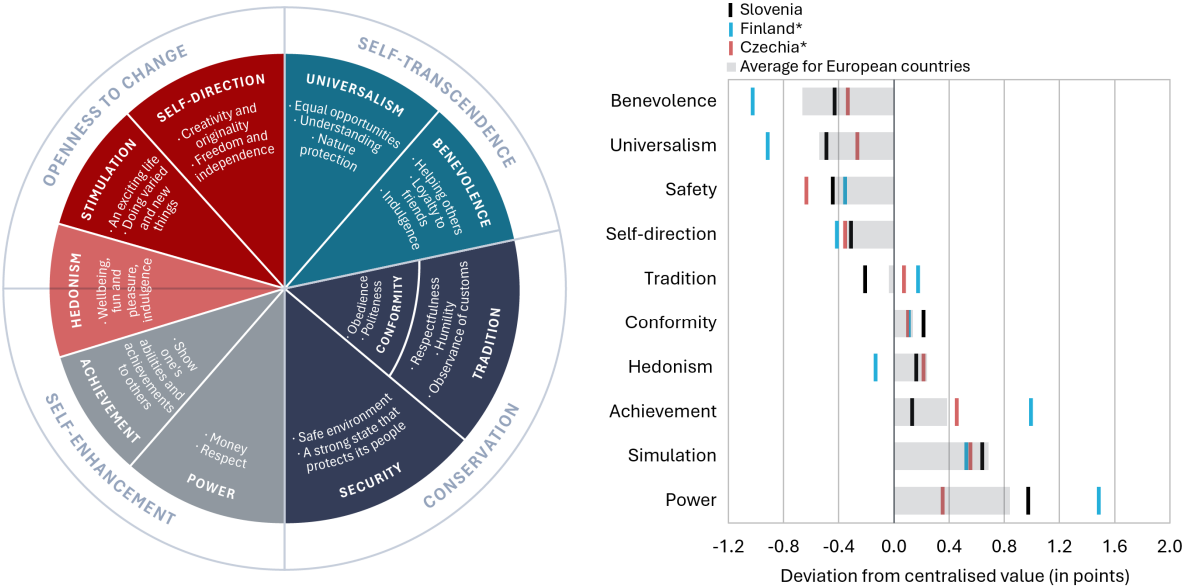
²⁵⁷ The surveys, conducted every two years, cover the period from 2002 to 2018 across nine rounds of the European Social Survey (ESS ERIC, 2024).

²⁵⁸ The value scale has been used for a wide range of research purposes over the past decades, including studies on employee motivation in work organisations.

²⁵⁹ All nine surveys were carried out in all EU Member States (with the exception of Malta) and in thirteen other countries in northern and south-eastern Europe, Russia and Israel. For Slovenia and the majority of EU Member States, data are available for all survey periods (for some countries only for certain periods). For country-specific participation details, see ESS ERIC (2024).

and universalism (understanding, equal opportunities, protection of the environment) – are more pronounced in Slovenia. Tradition (respect, modesty, adherence to customs) is less valued in Slovenia compared to the European average.

/ Figure 97: According to Schwartz’s value scale (left), the importance of individual values in Slovenia is similar to the average of 29 European countries; however, power is slightly more pronounced, while achievement scores below average (right)



Sources: Schwartz (2003, 2008, 2016, n.d.), ESS (2024), based on data from nine surveys conducted between 2002 and 2018 (left), and the most recent survey for Slovenia in 2018 (right); calculations by IMAD. Note: The charts show statistically significant deviations from the central value, calculated on the basis of all values (21 variables), expressed in points according to the Schwartz method (Schwartz, 2003, 2008, 2016, n.d.). Each value is composed of two or more variables. The centralised value is indicated as 0. Deviations from 0 are calculated as the average of the associated variables for each value, minus the centralised value. A negative value does not imply that a value is unimportant; it simply indicates a lower ranking within the hierarchy of values, showing its relative position compared to other values on the scale. Note: * In the right-hand chart, in addition to the averages for 29 European countries and Slovenia, the countries with the largest deviation (Finland) and the smallest deviation (Czechia) are also shown.

3.2 Transition to innovation-driven growth

The transition from investment-driven to innovation-driven growth requires a shift in the development model, which is particularly important for countries at the development stage, such as Slovenia (Aghion and Bircan, 2017). An innovation-based economy can achieve long-term growth by increasing its competitiveness (through cost reduction, differentiation of products and services, fostering adaptability, addressing sustainable development challenges, etc.). It attracts investment and talent, thereby increasing its resilience to shocks. All this has a direct impact on quality of life, in particular on living standards, as a competitive economy with higher productivity enables income growth, creates jobs, encourages innovation and reduces costs for consumers (Aghion and Howitt, 1992; Porter, 1990). In addition, a highly productive economy is the basis for economic and, in particular, fiscal stability, which is crucial for ensuring high quality public services.

3.2.1 Competitiveness and productivity

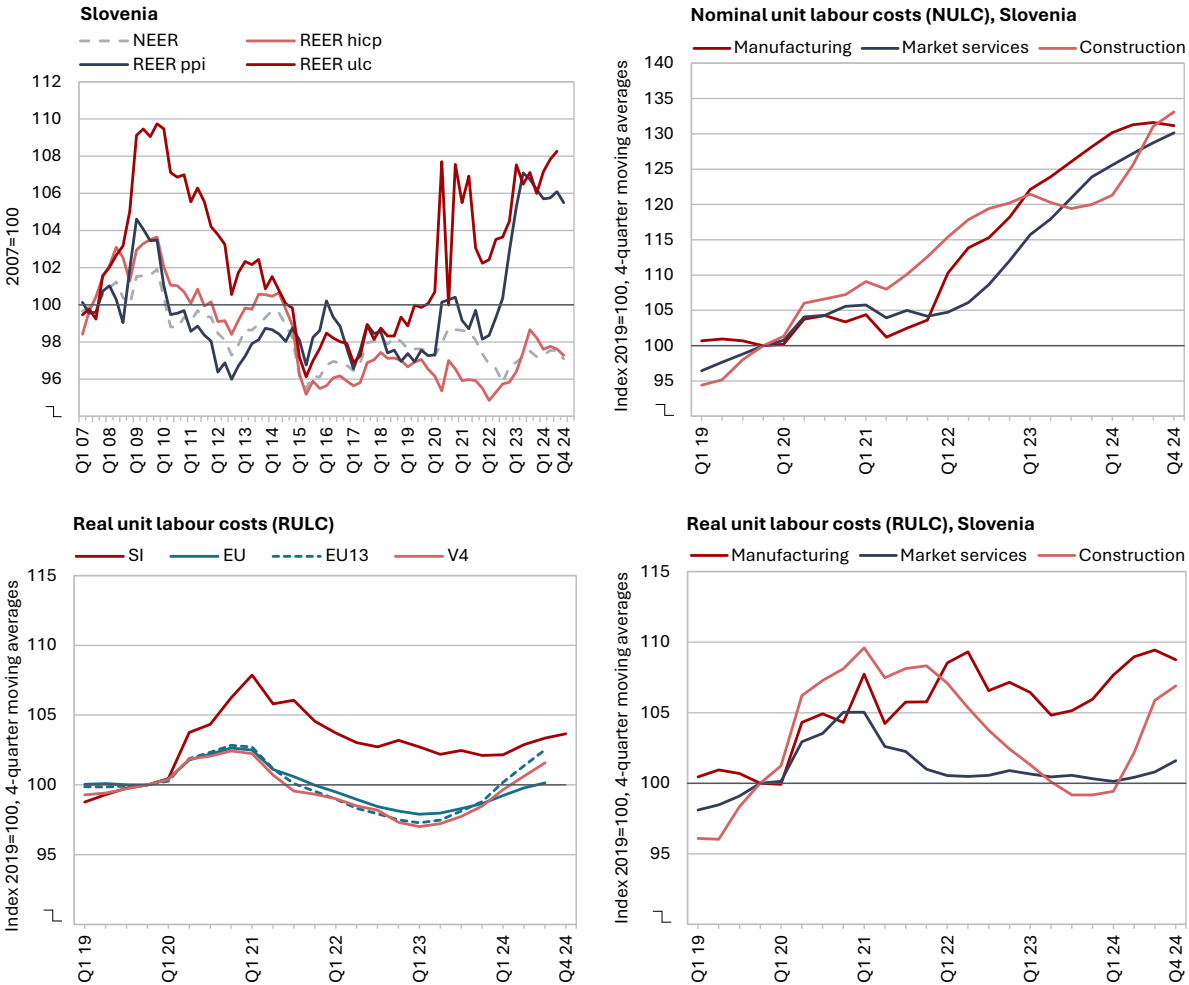
Following a deterioration at the onset of the energy crisis, price competitiveness has improved since mid-2023, with cost pressures easing in 2024, particularly in the manufacturing sector. Unit labour costs already rose markedly with the outbreak of the epidemic (2020), and the burden of the increased cost pressures was then largely borne by the state through measures to mitigate the effects of the epidemic (IMAD, 2021b, 2022b). During the energy crisis (2022), a cyclical decline in (real) productivity – particularly pronounced in manufacturing, especially energy-intensive sectors – combined with a sharp increase in nominal labour costs (driven by high inflation and labour shortages), led to a rapid rise in nominal unit labour costs²⁶⁰. This resulted in a decline in cost competitiveness (REERulc) and (as higher costs were passed on to prices) a deterioration in price competitiveness (REERhpc, REERppi), both of which peaked in the first half of 2023. Since then, the two price competitiveness indicators have gradually improved, while the recovery of cost competitiveness indicator stalled in 2024. This was largely due to a sharp decline in productivity in construction. In manufacturing, however, the growth of nominal unit labour costs halted in the second half of 2024, driven by a cyclical rebound in productivity (Figure 98, top right). Since the end of 2023, in addition to the increase in nominal unit labour costs, there has also been a moderate rise in real unit labour costs²⁶¹ (RULC), which reflect profits per unit of output. This suggests that, unlike during the energy crisis – when sharp cost increases were largely passed on to prices – companies have cushioned these increases more through profit margins rather than passing them on to prices in order to maintain price competitiveness.²⁶²

²⁶⁰ Nominal unit labour costs represent the ratio of nominal compensation per employee to real productivity.

²⁶¹ Real unit labour costs represent the ratio of nominal compensation per employee to nominal productivity and, in simplified terms, reflect the share of labour costs in GDP or value added.

²⁶² Profitability indicators were at historically relatively high levels in 2023 (see Section 3.2.2).

Figure 98: Indicators of (price) competitiveness have been gradually improving since mid-2023 (top left), while cost pressures eased in 2024, especially in manufacturing (top and bottom right); after several years of decline, real unit labour costs (RULC) increased slightly in 2024, pointing to increasing pressure on profit margins (bottom left)



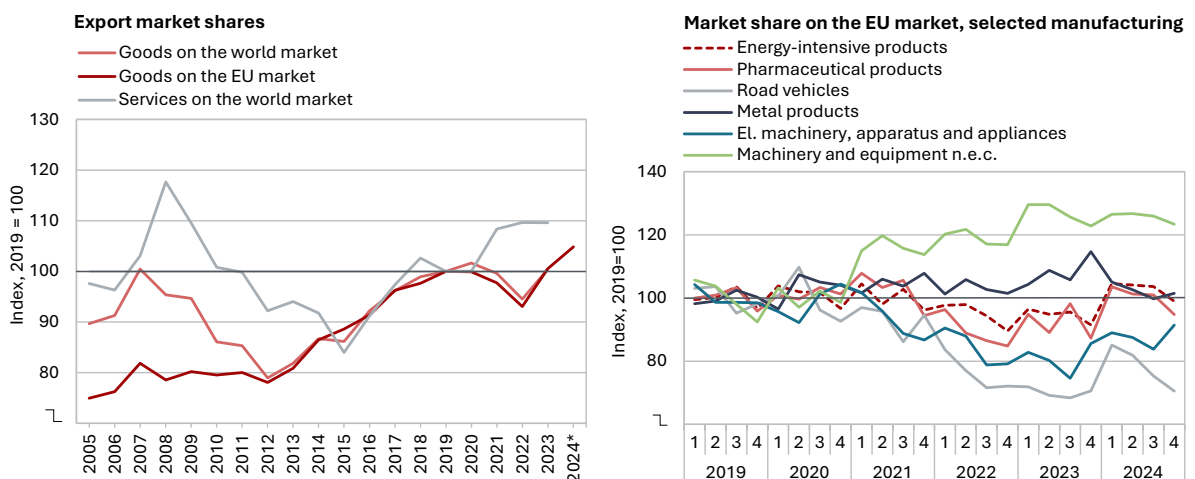
Sources: ECB (2025), SURS (2025a), Eurostat (2025); calculations by IMAD. Note: NEER – nominal effective exchange rate, REER hpic (ppi, ULC) – Real effective exchange rate deflated by HICP (ppi – producer price index or ULC – nominal unit labour costs), RULC – real unit labour costs, NULC – nominal unit labour costs, market services include G–N activities (trade, accommodation and food service activities, transportation, information and communication, professional, scientific and technical activities, and other business activities).

Slovenia’s export market share in goods (a key indicator of export competitiveness) fell during the energy crisis, but returned to pre-crisis and pre-pandemic levels by 2024. In services, the market share remains well above pre-pandemic levels. After several years of growth, the export market share of *goods* had already slightly declined in 2021 (by 2% in the global and by 2.2% in the EU market), mainly due to structural factors.²⁶³ In 2022, with the onset of the energy crisis, the decline deepened (to 2.4% globally and 4.8% in the EU), but by 2023 it had fully recovered (in the EU market) and had nearly returned (in the global market) to its pre-decline levels. The quarterly data for 2024 show a continued increase in Slovenia’s market share in the EU (reaching 4.3%). This downward swing and subsequent recovery in the market share of goods were largely driven by trends in energy-intensive products (such as metals, non-metallic mineral products, paper, and chemicals), electrical

²⁶³ In 2021, global demand for raw materials, which have a below-average share in the composition of Slovenia’s goods exports, increased strongly, while demand for road vehicles, which have an above-average share in Slovenia’s exports, remained low.

devices, and pharmaceuticals. The market share of motor vehicles, which had been declining for several years and continued to fall in 2022, recovered briefly at the beginning of 2024 but dropped again by the end of the year to the low levels observed in 2022–2023 (Figure 99, right). In addition, the market share trend in 2022 (downward) and 2023 (upward) was strongly influenced by the composition of Slovenia's goods exports. In contrast, the growth in 2024 (based on EU market data) was entirely driven by competitiveness gains in product markets (especially in the French, German and Croatian markets). The market share of *services exports* has gradually increased since 2015. After a notable increase in 2021, its growth slowed significantly in 2022–2023. In the longer term (since 2015), growth has been driven primarily by transport services, travel services, construction, and other business services. After the epidemic, the market share of transport and travel declined, while the market share of construction and other business services has remained close to peak levels in the last two to three years. Compared with the period before the global financial crisis (2006–2008), the overall market share of services has remained broadly unchanged, while the share of travel services remains significantly lower.

Figure 99: Slovenia's goods export market share recovered strongly in 2023, with further growth in the EU market in 2024; in contrast, the services sector experienced a slowdown in growth in the last two years (2022–2023)

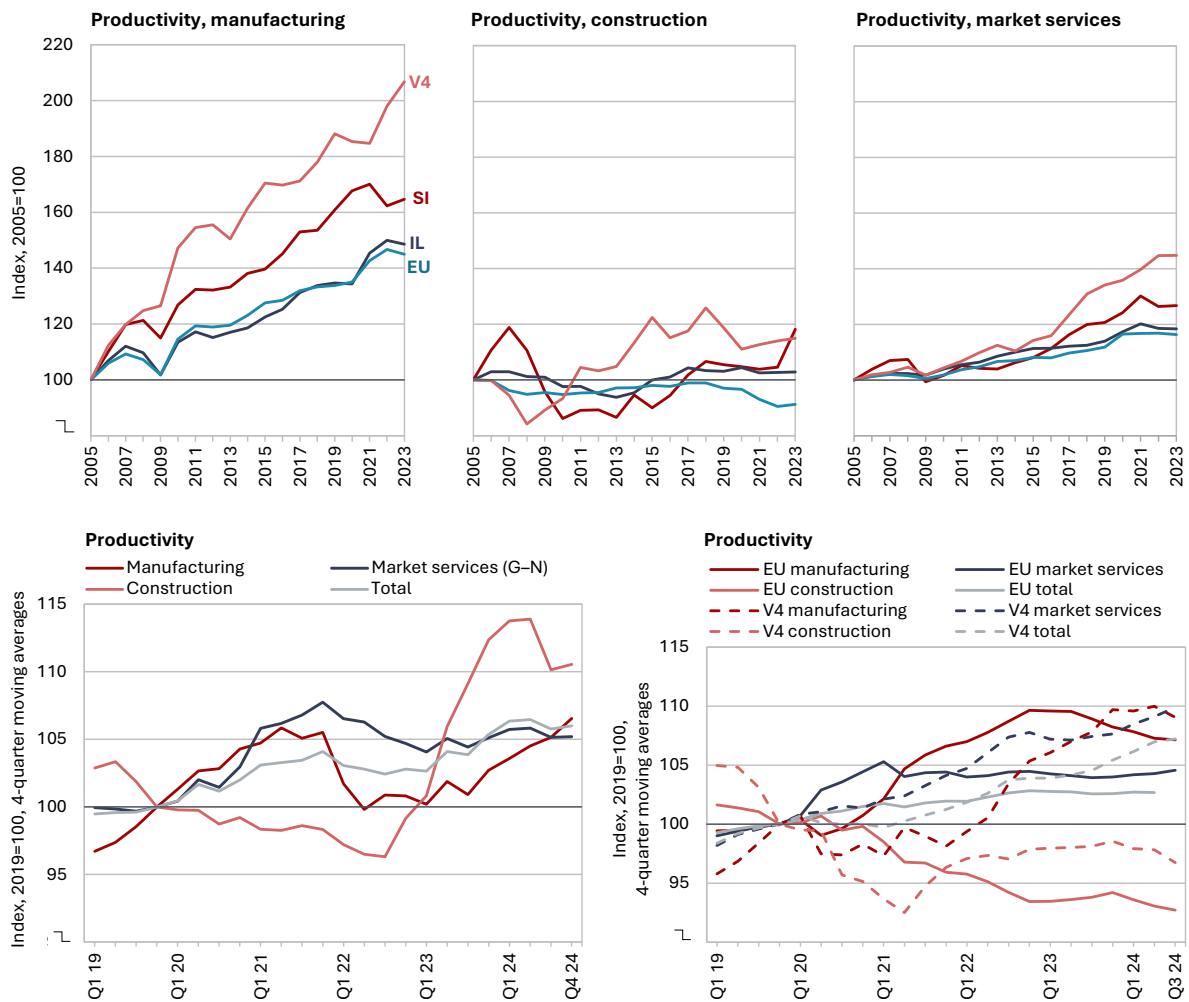


Sources: UNCTAD (2025), UN Comtrade (2025), Eurostat (2025), SURS (2025a), WTO (2024); calculations by IMAD. Note: Slovenia's exports of goods do not include the exports of pharmaceutical products to Switzerland, which are an approximation of the sharp increase in exports of previously imported pharmaceutical products and do not reflect the change in the competitive position; their impact on economic activity is negligible and is not included in national accounts export data. * The figure for 2024 (left figure) is an estimate by IMAD based on quarterly data from SURS and Eurostat.

Over the longer term, productivity growth has been driven mainly by export-oriented sectors of the economy (especially manufacturing). However, since the onset of the energy crisis (2022–2024), the most notable productivity gains have been in construction and knowledge-based services. After the global financial crisis, productivity growth slowed down in most sectors. Until the onset of the energy crisis in 2022, most of the productivity improvements came from export-oriented activities, especially manufacturing, while traditional market services (G–I: trade, accommodation and food services activities, transportation; see Statistical Appendix) also recorded significant gains. These activities recovered rapidly after the epidemic; however, the shock of rising raw material costs, in particular energy, had the strongest impact on manufacturing. The most energy-intensive sectors, including the paper, chemical and metal industries, as well as the manufacture of non-metallic mineral products, were hardest

hit. In the year when the energy crisis began (2022), this group accounted for most of the intra-sectoral decline in manufacturing productivity (Figure 107, left). Productivity in manufacturing recovered over the next two years, and by the end of 2024 slightly exceeded its pre-energy crisis level. The impact of the energy shock on productivity in (market) services (G–N) was more modest, with only a temporary dip in traditional services (G–I: trade, accommodation and food service activities, transportation), while productivity in knowledge-based services (J–N: ICT, professional, scientific and technical services and other business services) continued to grow (see Statistical Appendix). Meanwhile, after two years of strong growth, productivity in construction fell in 2024, in line with the decline in construction activity, but remained above the long-term average.

/ Figure 100: Over the long term, productivity has increased most rapidly in manufacturing (top figures); it also experienced the sharpest decline during the energy crisis, but by the end of 2024 it was slightly above its pre-crisis level (figures below)



Sources: SURS (2025a) and Eurostat (2025); calculations by IMAD. Note: Productivity = real value added per hour worked. Market services include G–N activities (trade, accommodation and food service activities, transportation, information and communication, professional, scientific and technical activities, and other business activities).

In the manufacturing sector, low- and medium-productivity companies were the main drivers behind the narrowing of the productivity gap with highly innovative EU countries over the long term (2007–2020), while among high-productivity companies, only large companies made progress – particularly after 2015. Microdata analysis for the 2007–2020 period (see Focus topic 2) shows that low-productivity companies achieved, on average, higher productivity growth than their high-productivity counterparts. In terms of size, all groups of low-productivity companies outperformed not only the group of three Central and Eastern European countries (CEE: Czechia, Hungary and Croatia), but also highly innovative EU Member States (INNOV: Belgium, Finland, Denmark, the Netherlands and Sweden). The narrowing of the productivity gap between low-productivity companies with the INNOV group was mainly due to a larger reduction in employment in large companies – both during the global financial crisis and after 2015. Low-productivity small and medium-sized enterprises also narrowed the gap over the entire period, driven by relatively higher value added growth. Companies in the middle of the distribution curve (medium-productivity companies), in particular small companies – also achieved higher productivity growth than companies in both reference groups over the period 2007–2020. Among high-productivity companies, only large companies narrowed the productivity gap with the INNOV group, mainly due to stronger value added growth (despite faster employment growth) after 2015. When looking at the cross-section by age of companies, the international comparison shows faster growth among young companies (0–5 years), while older companies (over 5 years) show slower growth in the high-productivity segment.

Focus topic 2

Analysis of manufacturing companies' productivity growth by productivity level, company size and age

This section analyses productivity developments in Slovenia's manufacturing sector and compares them with two groups of countries: three Eastern and Central European countries (Czechia, Croatia and Hungary; hereinafter: the CEE group) and five highly innovative EU Member States (Belgium, Finland, Denmark, the Netherlands, Sweden; hereinafter: the INNOV group). The analysis is based on real labour productivity data²⁶⁴ drawn from the CompNet (2022)²⁶⁵ and Eurostat (national accounts) databases.²⁶⁶

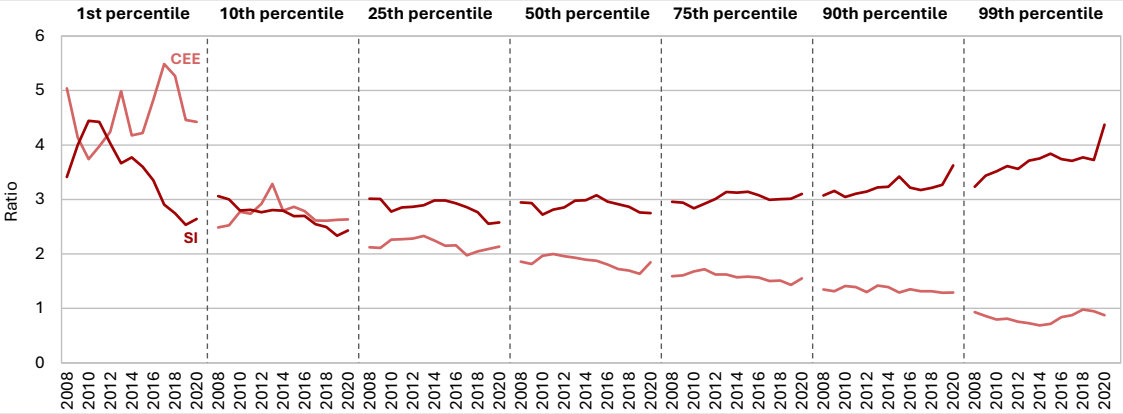
Slovenia's real labour productivity in the manufacturing sector is on average lower than that in the INNOV group but higher than that of the CEE group. Between 2007 and 2020, the productivity gap with the INNOV group narrowed, while Slovenia's lead over the CEE group grew slightly. Before 2015, faster productivity growth in Slovenia was driven by a larger decline in the number of employees, whereas after 2015 it was driven by a stronger growth in value added. Following the 2008 crisis, the collapse of companies and the subsequent decline in employment was more pronounced in Slovenia than in either the INNOV or CEE groups. Meanwhile, the drop in value added was larger than in the CEE group but smaller than in the INNOV group. After 2015, manufacturing activity picked up across all three regions. In Slovenia, productivity, value-added and employment grew faster (until 2020) than in both the INNOV and the CEE group. Slovenia's productivity gap compared to the two groups of countries (i.e. the ratio of average productivity in Slovenia to that in the INNOV or CEE groups) varies along the distribution curve. Slovenia's gap with the INNOV group is smaller for low-productivity companies and wider for high-productivity companies. Compared to the CEE group, Slovenia outperforms in all segments of productivity except among the most productive companies.

²⁶⁴ Real labour productivity is defined as value-added per employee, expressed in constant prices (2010). In this context, value added refers to the difference between gross operating surplus and intermediate production costs.

²⁶⁵ CompNet is a database of aggregated business performance indicators. It is based on a cleaned micro-level database on business performance indicators, from which extreme values of variables and units with negative value-added and less than one employee have been excluded. Productivity for aggregate categories (e.g. countries, firm size classes or firm age classes) is calculated as the ratio of aggregated value-added to the aggregated number of employees. The variables INNOV and CEE group represent the ordinary (unweighted) averages of country variables, unless otherwise specified.

²⁶⁶ Due to differences in enterprise coverage, aggregated business performance variables from the CompNet database may differ from corresponding aggregates reported in the national accounts (Eurostat).

/ Figure 101: Productivity ratio between the INNOV group and Slovenia and productivity ratio between Slovenia and the CEE group, by percentiles of the distribution curve

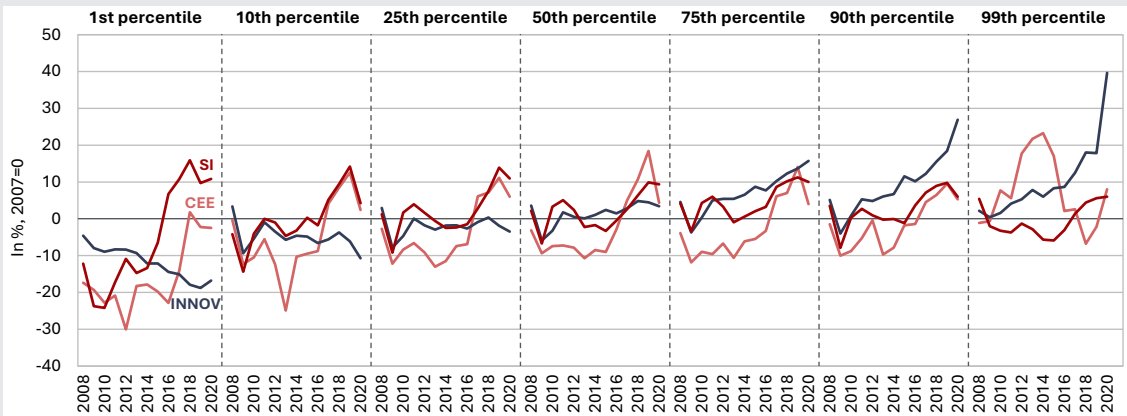


Source: IMAD calculations based on the CompNet database (2022). Note: The percentiles of the INNOV and CEE groups are the ordinary average of the corresponding national percentiles. Due to high data variability, the values at the lowest and highest percentiles (1st and 99th) have been smoothed (using 3-year moving averages).

Between 2007 and 2020, Slovenia recorded faster productivity growth among low-productivity companies and, to a lesser extent, medium-productivity companies than the INNOV and CEE groups. However, the growth of high-productivity companies in Slovenia was, on average, slower.²⁶⁷ Between 2007 and 2020, and particularly after 2015, the productivity growth in Slovenia was strongest among low-productivity companies, primarily due to a sharper decline in employment relative to value-added. Low-productivity companies recorded higher productivity growth also in international comparison, as the productivity of this segment declined in both the INNOV and CEE group. The productivity of medium-productivity companies in Slovenia was driven by similar factors to those of low-productivity companies, but at a slightly slower pace, while in international comparison, their productivity growth was slightly faster than in the INNOV and CEE groups. For high-productivity companies, growth was primarily driven by a faster increase in value-added than in employment. Nevertheless, despite stronger value-added growth, their overall productivity growth lagged behind that of the INNOV and CEE groups due to even faster employment growth.

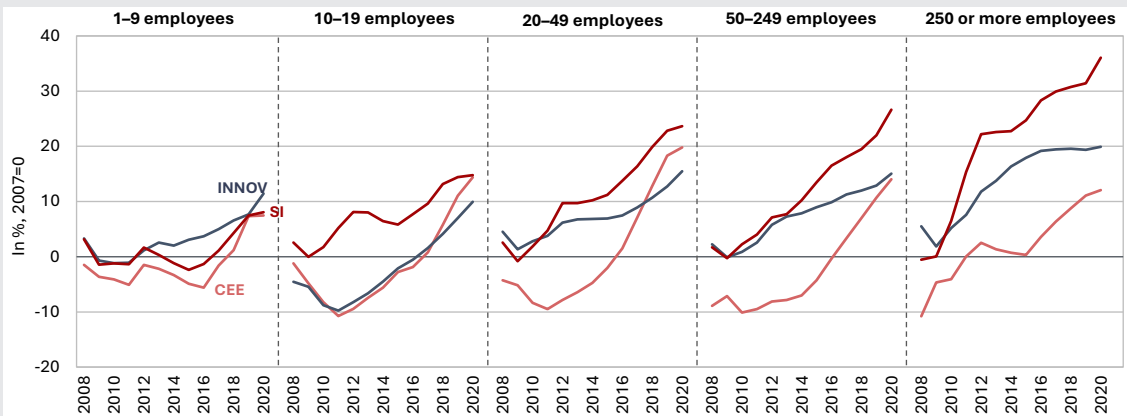
²⁶⁷ The analysis of the productivity distribution curve is based on the aggregated and unconditional productivity distributions of companies from individual countries in a given year. The calculation includes structurally heterogeneous groups of companies: companies from the manufacturing sectors that submitted their final reports in that year, without taking into account their status in previous or subsequent years.

/ Figure 102: Cumulative change in productivity between 2007 and 2020, by percentiles of the distribution curve



Source: IMAD calculations based on the CompNet database (2022). Note: The percentiles of groups (INNOV and CEE) are the ordinary (unweighted) average of the corresponding national percentiles. Due to high data variability, the values at the lowest and highest percentiles (1st and 99th) have been smoothed (using 3-year moving averages).

/ Figure 103: Cumulative change in average productivity between 2007 and 2020, by size class

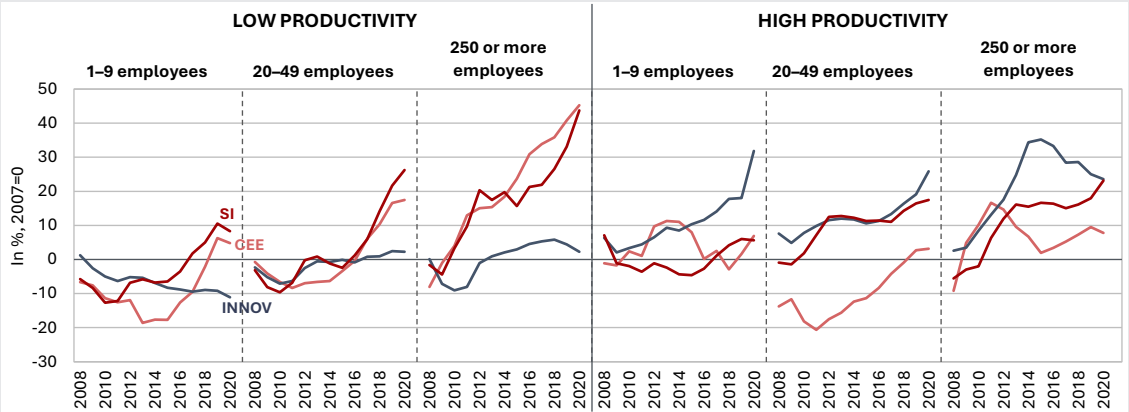


Source: IMAD calculations based on the CompNet database (2022). Note: The productivity of groups (INNOV, CEE) is the ordinary (unweighted) average of countries' productivity. The time series have been smoothed using 3-year moving averages.

The analysis of productivity along the distribution curve and by size class shows that Slovenia had higher average productivity growth than the INNOV and CEE groups in all size classes of low-productivity companies. Among high-productivity companies, only large Slovenian companies outperformed the growth seen in both groups. Between 2007 and 2020, the highest productivity growth was seen among large low-productivity companies in Slovenia (mainly due to a faster decline in employment). This growth also outpaced that in the INNOV and CEE groups, influenced by a sharper decline in employment in Slovenia associated with the collapse of large, low-productivity companies during the global financial crisis (see also the following paragraph). Faster productivity growth in large, low-productivity companies was still evident in the aftermath of the crisis, during the 2015–2020 period (again driven by a greater decline in employment). In international comparison, Slovenia also achieved higher productivity growth in small and medium-sized low-productivity companies, primarily due to faster growth in value-added. Productivity growth in Slovenia's medium and large high-productivity companies was also higher than in the CEE group. However, compared to the INNOV group, only large high-productivity companies in Slovenia achieved higher

productivity growth. After 2015 in particular, these companies achieved stronger growth in value-added, and despite increased employment, they narrowed the productivity gap with the INNOV group. In contrast, Slovenia's small high-productivity companies trailed behind both the INNOV and CEE groups throughout the analysed period, with lower value-added growth and higher employment growth.

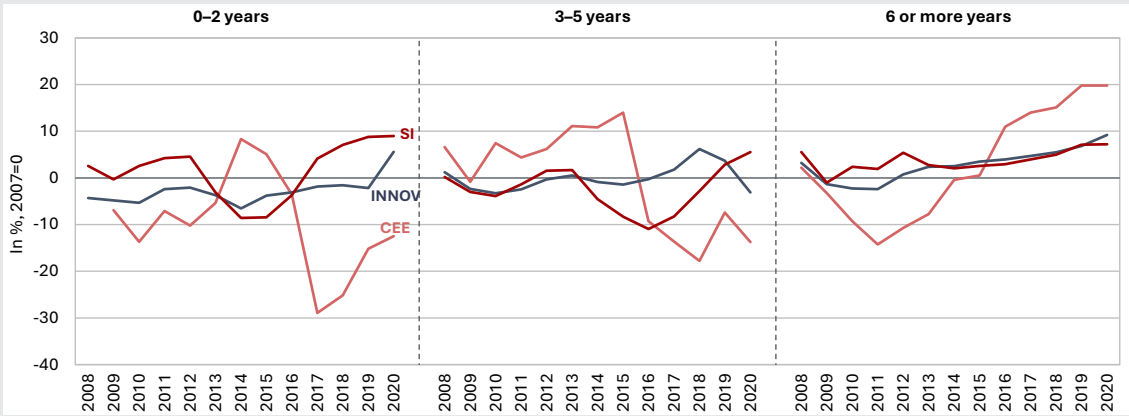
/ Figure 104: Cumulative change in productivity of low- and high-productivity companies between 2007 and 2020, by size class



Source: IMAD calculations based on the CompNet database (2022). Note: Low-productivity companies represent the average productivity of the 1st, 5th and 10th percentile of the group's productivity distribution, while high-productivity companies represent the average productivity of the 90th, 95th and 99th percentile. The productivity of groups (INNOV, CEE) is the ordinary (unweighted) average of countries' productivity. The time series have been smoothed using 3-year moving averages.

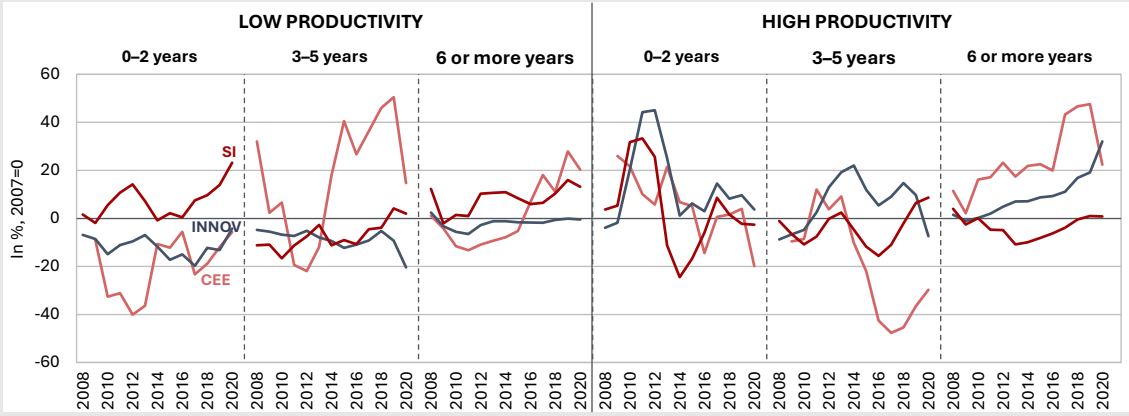
The analysis of the age structure of companies shows that between 2007 and 2020 the average productivity growth of older companies (above 5 years old) was lower, while that of young companies (0–5 years) was, on average, higher compared to the INNOV and CEE groups. In this international comparison, young companies demonstrated faster productivity growth along the entire distribution curve. The most rapid growth was observed among young companies with low and medium productivity. Among high-productivity firms, young companies aged 3–5 years outperformed their INNOV and CEE counterparts following an acceleration in growth after 2015. Older companies' productivity growth between 2007 and 2020 was largely driven by a decline in employment, resulting from the collapse of large low-productivity companies in the aftermath of the 2008 global financial crisis. Growth among older low-productivity companies during this period (and even after 2015 alone) exceeded that of the INNOV group but lagged behind the CEE group due to slower growth after 2015. By contrast, productivity growth among Slovenia's older high-productivity companies fell behind both the INNOV and CEE groups. This was due to a sharper decline in Slovenia's productivity during the 2008 crisis, followed by a weaker recovery, particularly after 2015.

/ Figure 105: Cumulative change in average productivity between 2007 and 2020, by age group



Source: IMAD calculations based on the CompNet database (2022). Note: The productivity of groups (INNOV, CEE) is the ordinary (unweighted) average of countries' productivity. The time series have been smoothed using 3-year moving averages.

/ Figure 106: Cumulative change in productivity of low- and high-productivity companies between 2007 and 2020, by age group

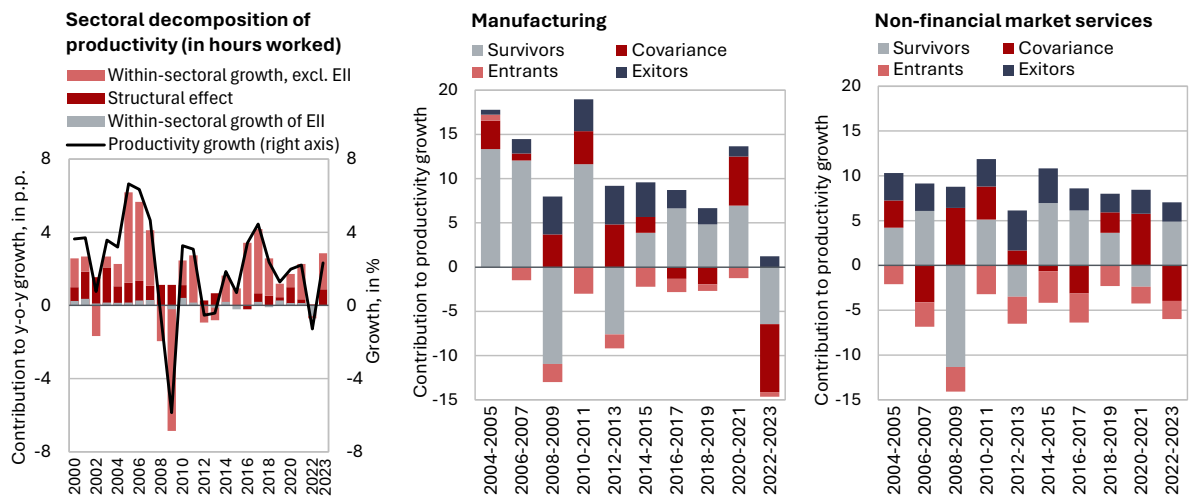


Source: IMAD calculations based on the CompNet database (2022). Note: Low-productivity companies represent the average productivity of the 1st, 5th and 10th percentile of the group's productivity distribution, while high-productivity companies represent the average productivity of the 90th, 95th and 99th percentile. The productivity of groups (INNOV, CEE) is the ordinary (unweighted) average of countries' productivity. The time series have been smoothed using 3-year moving averages.

During the pandemic and the energy crisis, the contribution of labour reallocation across sectors to productivity growth increased slightly. In contrast, the impact of labour shifts between companies within sectors has weakened since the mid-2000s and therefore has not played a significant role in driving productivity growth. Allocation efficiency measures the extent to which the transition of employees (labour) from less productive to more productive sectors (or companies) contributes to overall productivity growth. This tends to improve during crises due to tightening conditions. During the 2020–2023 period, which was characterised by an epidemic and the energy crisis with an asymmetric impact on the economy (affecting sectors unevenly), the contribution of labour reallocation between sectors to productivity growth remained positive and was higher than in the preceding period of economic expansion. However, this contribution was lower than during the global financial crisis (2008–2010), which had a significantly deeper impact. The analysis at company level within sectors shows a different picture. Since the middle of the previous decade, the transition of employees (particularly in manufacturing) from less to more productive companies has not significantly contributed to productivity growth within sectors. An exception was the two-year period of the 2020–2021 epidemic (in the services sector also during the 2018–2019 period), when the allocation efficiency temporarily improved significantly but then declined considerably over the following two years. In addition, (net) market exits by companies have also not significantly boosted productivity growth in these sectors. In the years of economic boom following the global financial crisis, their contribution to productivity growth declined, remaining modest also during the epidemic and the energy crisis when an increase would have been expected due to the crisis. This suggests that the business sector was relatively resilient during both crises (as also evidenced by favourable indicators of profitability, liquidity and indebtedness, and a low number of bankruptcies, see Section 3.2.2) which was significantly supported by government funding (Section 3.2.2). The funding helped preserve the companies' production capacity, which might otherwise have been significantly reduced during the crises. At the same time, this support also slowed the vital process of economic restructuring, which in the market economy is a necessary element of increasing productivity or a company's ability to respond to emerging needs.²⁶⁸

²⁶⁸ According to Eurostat data, Slovenia also had a lower corporate mortality rate (the ratio of business closures to the number of active enterprises) than the EU average in both 2021 and 2022.

/ Figure 107: Most of the productivity growth stems from gains at the sectoral level (left) or at the company level (middle and right); the impact of labour reallocation across sectors increased slightly after 2020 (due to the epidemic and energy crisis) (left), whereas the reallocation of labour between companies within sectors has largely ceased to contribute significantly to productivity growth since the mid-2010s (middle right)



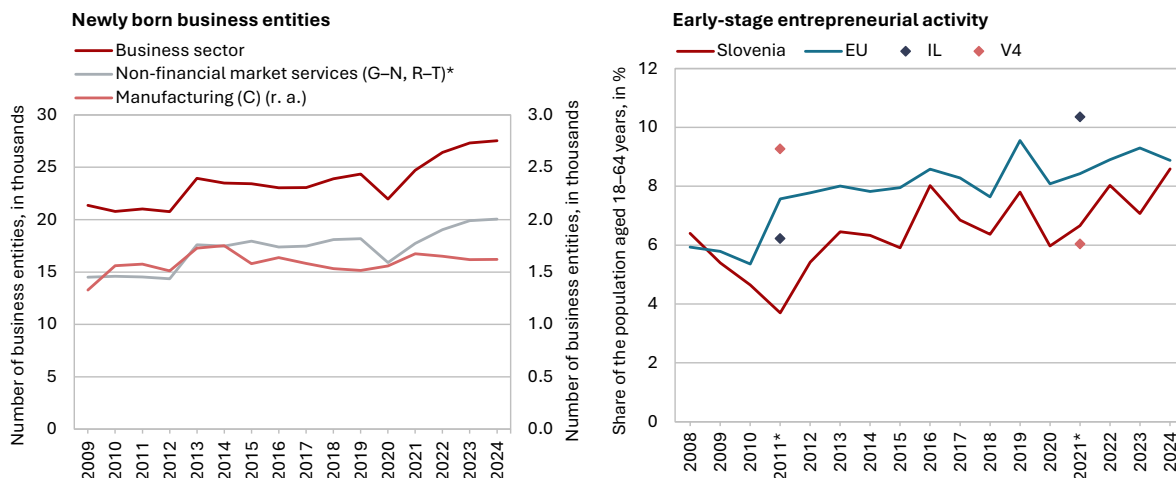
Source: SURS (2025a); calculations by IMAD. Notes: EII – Energy-intensive industries (manufacture of metals, non-metallic mineral products, paper and the chemical industry), Non-financial market services: Standard Classification of Activities (2008) G–N. In the sectoral decomposition of productivity growth (Figure left), the individual components do not sum up to total productivity growth, which is illustrated by the line (non-additivity of components at constant prices). Covariance refers to the covariance between productivity and company size. The positive contribution of covariance means that the share of above-average productive companies in the (employment) structure is increasing. For a detailed description of the decomposition methodology, see IMAD (2019b) (Boxes 1 and 2).

The number of newly-born enterprises has increased in the long term, and following a drop at the beginning of the epidemic, the indicator of early-stage entrepreneurial activity has also been gradually improving. The emergence of the creation of new enterprises is essential for the efficient reallocation of resources and thus the transformation of the economy towards higher value added, as it enables the replacement of less productive companies by those with a higher growth potential. The number of newly-born enterprises in Slovenia has risen steadily over the long term, reaching historically high levels. In this respect, especially since the epidemic, growth has been particularly strong in the non-financial market services sector, though it has declined slightly in the manufacturing sector since 2021. According to data from 2022, Slovenia’s business birth rate²⁶⁹ is slightly above the EU average, with a higher rate in services and a lower rate in manufacturing. Increase in early-stage entrepreneurial activity (the share of adults entering entrepreneurship²⁷⁰) is also encouraging for business dynamism. Having declined at the onset of the epidemic in 2020, this indicator has steadily increased to reach 8.6% in 2024 – the highest level observed to date. In 2021, the latest year for which comparable data is available for a large number of EU Member States, Slovenia’s early-stage entrepreneurial activity was slightly higher than that of the Visegrad Group (excluding Czechia), but significantly lower than that of the innovation leaders (excluding Denmark). The challenge remains in the area of start-up entrepreneurship, although gradual progress is being made to reduce the gap in meeting EU best practice standards for start-up performance (see Section 3.2.5.5).

²⁶⁹ The ratio of the number of new companies to the number of active companies in a given year, expressed as a percentage.

²⁷⁰ Early-stage entrepreneurial activity measures the share of adults aged 18–64 who, in a given year, have started new businesses or engaged in new business activities, including self-employment. It also includes individuals who are owners/managers of new companies that have been operating for less than 42 months.

/ Figure 108: The number of newly born business entities has increased over the long term, particularly in the service sector (left); meanwhile, early-stage entrepreneurial activity has gradually risen following a decline at the onset of the epidemic (right)



Sources: AJPEs (n. d.-c) and GEM (2025); calculations by IMAD. Notes: Business sector: A–U activities; Non-financial market services (G–N, R–T)**: without K. Early-stage entrepreneurial activity measures the share of adults aged 18–64 who, in a given year, have started new businesses or engaged in new business activities, including self-employment. It also includes individuals who are owners/managers of new companies that have been operating for less than 42 months. EU data are not complete, as they include only EU countries participating in the GEM survey. The number of countries participating varies slightly from year to year. *2011: IL and V4 include all member states in their respective groups; 2021: IL excludes Denmark, V4 excludes Czechia.

3.2.2

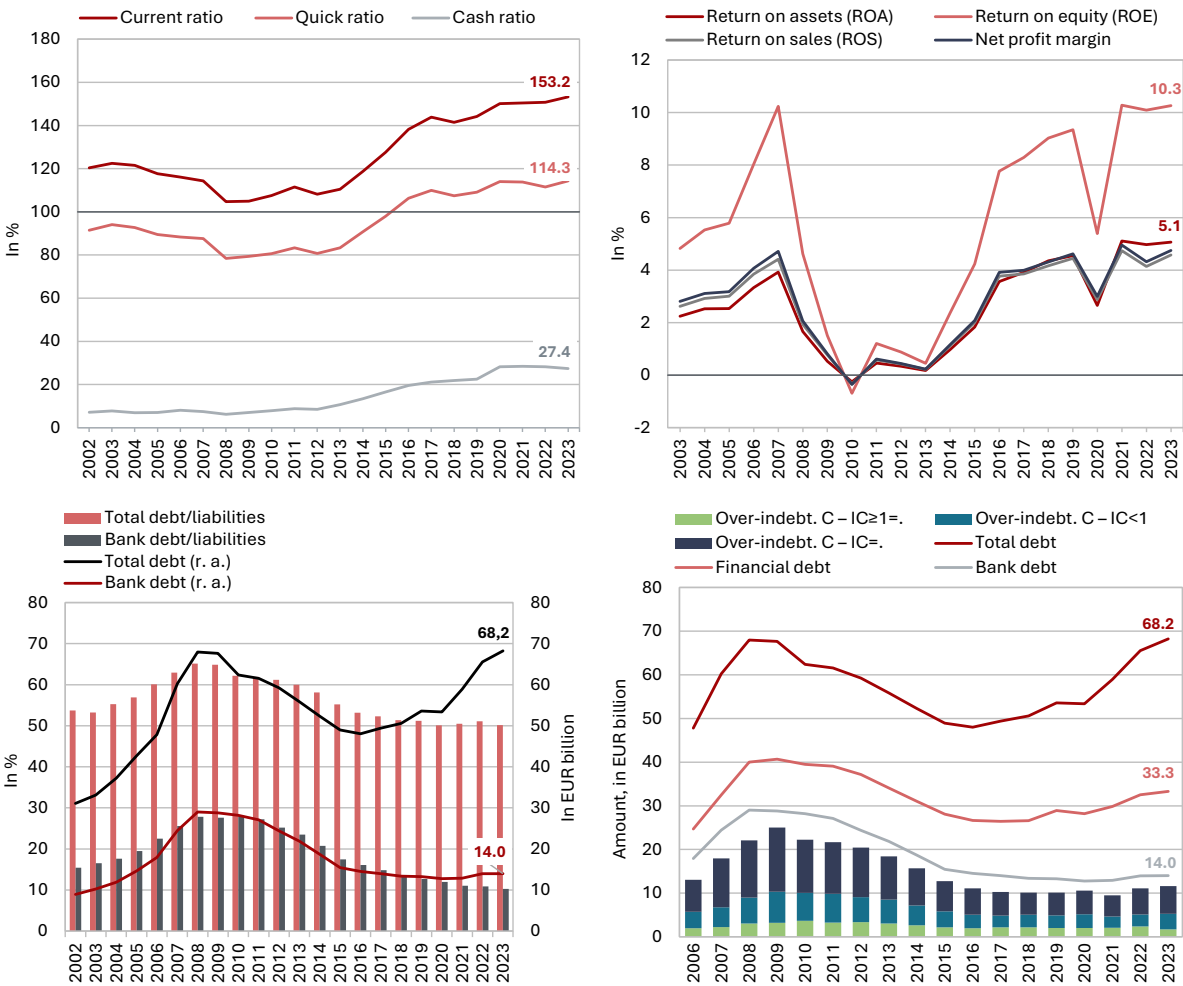
Financial situation of the corporate sector

In 2023, the overall financial situation of the corporate sector remained relatively favourable. Liquidity and profitability increased further across most indicators in 2023, reaching their highest levels in the past two decades (Figure 109, top). Indebtedness and over-indebtedness increased in 2023, according to most indicators, and only bank debt remained at the 2022 level. According to all indicators, indebtedness was higher than before the epidemic, though generally lower than at the onset of the global financial crisis (Figure 109, bottom).²⁷¹ Over-indebtedness was slightly higher than before the epidemic, yet still over 50% lower than its peak in 2009 (Figure 109, bottom). Despite the continued growth of most of the debt and interest indicators, the debt-servicing capacity of companies improved slightly in 2023 as a result of good business performance and, according to most indicators, reached their best levels since 2006 (Figure 110). The share of companies with relatively high exposure to insolvency risk (with over-indebted companies, including zombie companies, being the most problematic) temporarily increased after 2020, reflecting deteriorating financial conditions in sectors most affected by the epidemic, the energy crisis, and extreme weather events.²⁷² However, by 2023, this share had returned to levels comparable to those in the pre-epidemic expansion period across most indicators (Figure 111).

²⁷¹ Amidst elevated geopolitical tensions, moderate economic growth, and high interest rates, companies remain cautious about taking out new bank loans. Instead, they are increasingly relying on internal financing sources, supported by strong liquidity (see Statistical Appendix).

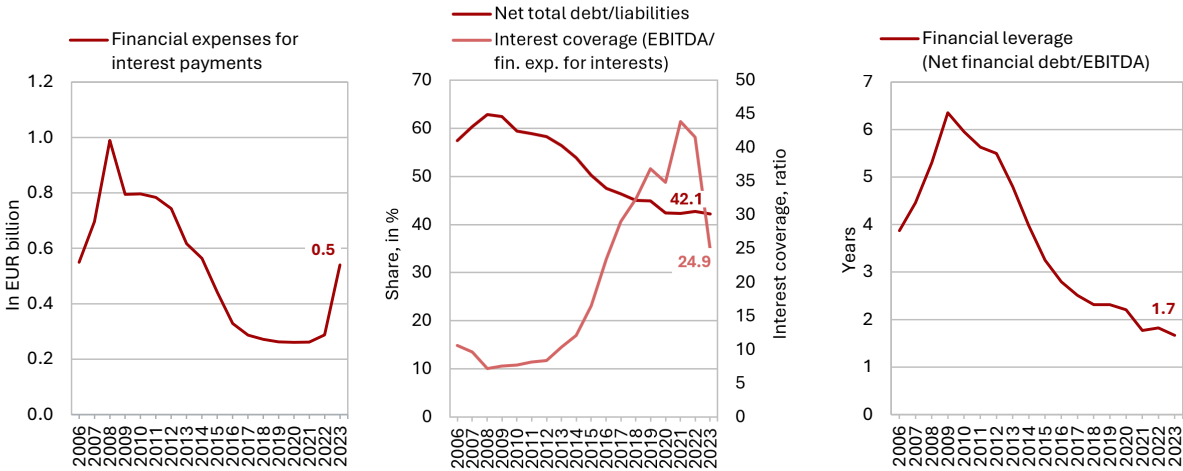
²⁷² In 2020 and 2021, the financial position weakened, mainly in some market service sectors most affected by the epidemic (accommodation and food service activities, arts and recreation, and administrative and support service activities), in 2022 and in 2023 in some of the more material- and energy-cost-intensive activities (construction, manufacturing and energy), as well as holdings, leasing companies, information and communication activities.

Figure 109: Liquidity and profitability indicators are at their highest levels; debt indicators remain relatively favourable



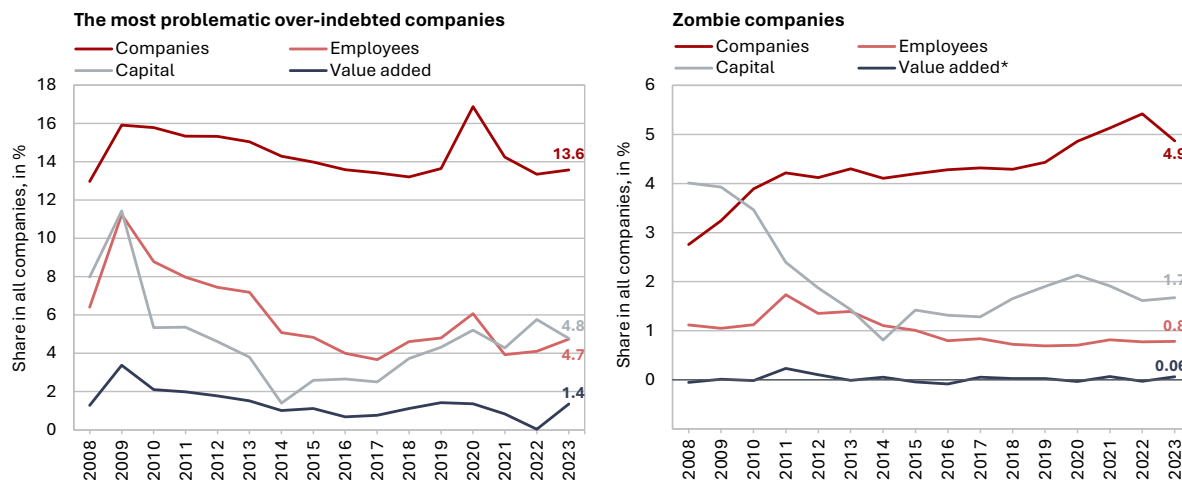
Source: AJ PES (n. d.-b); calculations by IMAD. Note: r. a. – right axis; Total debt comprises financial (including bank), operational and other liabilities of companies. Financial debt comparisons can be made as of 2006 (when 2006 Slovene Accounting Standards were introduced); C – IC – companies with interest coverage (EBITDA/fin. exp. for interests); IC = . – companies with zero financial expenditure on interest; Over-indebtedness is calculated as the sum of net financial debts (i.e. financial debt excluding cash), exceeding EBITDA by a factor of five (if FL ≥ 5) or as the sum of the overall net financial debt (if EBITDA < 0).

Figure 110: Despite increases in debt, over-indebtedness and interest rates, companies' debt-servicing capacity has reached its most favourable levels since 2006, according to most indicators



Source: AJ PES (n. d.-b); calculations by IMAD. Note: r. a. – right axis; Financial debt comparisons can be made as of 2006 (when 2006 Slovene Accounting Standards were introduced).

/ Figure 111: The share of companies with relatively high exposure to insolvency risk was lower in 2023 than during the global financial crisis



Source: AJPEs; calculations by IMAD. Note: The most problematic over-indebted companies are those with net financial debt and negative EBITDA. They include zombie companies, which are at the highest risk of insolvency, as, in addition to net financial debt, they had negative EBITDA for at least three consecutive years; Employees – the average number of employees based on the number of work hours in the period (AOP 188); Value added*: gross operating returns (AOP 126) – subsidies, grants, allowances, compensations and other revenues attributable to operating results (AOP 124) – costs of goods, materials and services (AOP 128) – other operating expenses (AOP 148), was slightly negative in 2008, 2015, 2016, 2020 and 2022.

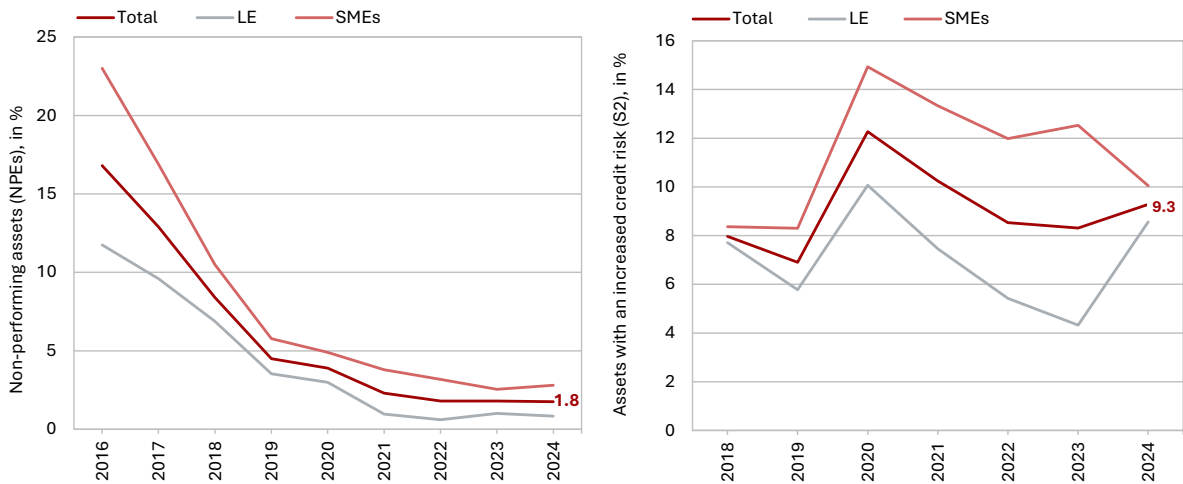
The quality of banks' claims against companies remained solid in 2024, while the number of bankruptcy proceedings initiated increased slightly in 2024 following a decline observed during the period from 2019 to 2023.

The share of non-performing loans (NPEs) has more than halved since 2019, stabilising at historically low levels (Figure 112). It remains highest in the accommodation and food service activities (4.1%; peak reached at the end of 2022: 15%), which were the most affected during the epidemic. However, since December 2023, the NPE rate in accommodation and food service activities has fallen below pre-epidemic levels (8%; see Statistical Appendix). The share of claims against companies whose credit risk has increased significantly since their loans were granted (S2) increased in 2024²⁷³ but remains well below the epidemic levels (Figure 112; see also the Statistical Appendix). The number of bankruptcy proceedings initiated for all business entities declined between 2019 and 2023, but rose by 15% year-on-year in 2024 (companies: 13%, sole traders: 24%; Figure 113).²⁷⁴ Nevertheless, the total remains almost a quarter lower than in 2019. In 2024, the largest number of bankruptcy proceedings were initiated against business entities engaged in construction (24%), trade (20%), transport (12%), accommodation and food service activities (10%), and in manufacturing (10%; see Statistical Appendix). Pre-epidemic levels were exceeded in transport, education, mining, public utilities, and public administration, although these sectors typically account for a low number of bankruptcy cases (except for transport).

²⁷³ The increase occurred in the final two months of 2024, driven by a deterioration in economic conditions in the metal production sector and in manufacturing linked to the automotive industry.

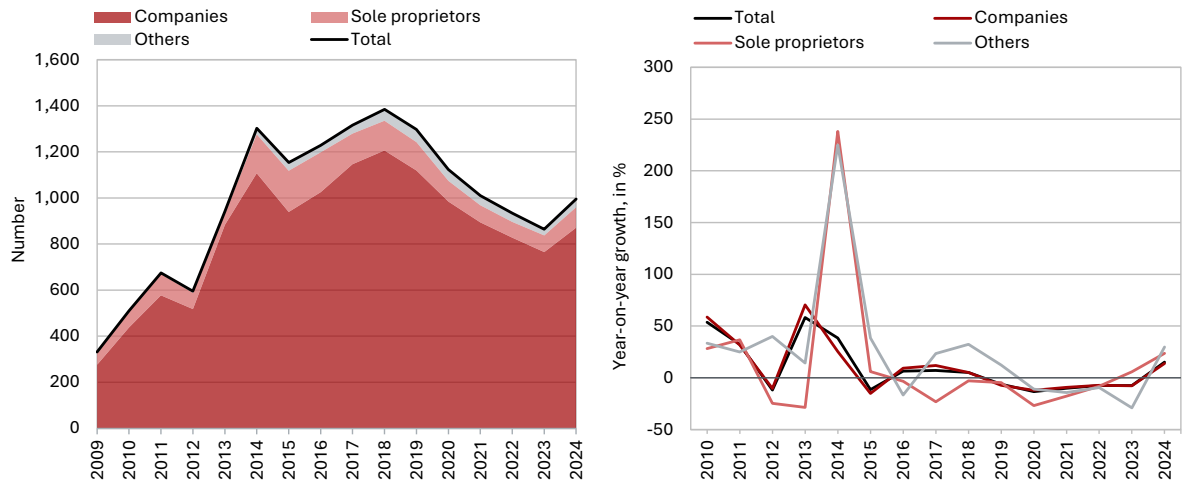
²⁷⁴ In 2024, the number of bankruptcy proceedings initiated for business entities was higher than in 2023 across the following sectors: construction; trade; transport; information and communication; manufacturing; other business activities; real estate activities; and education.

/ Figure 112: The quality of banks' claims against companies remains solid



Source: BoS (2025b). Note: LE – large enterprises; SMEs – micro, small and medium-sized enterprises; data on non-performing exposures (NPEs) are calculated based on the definition provided by the European Banking Authority (EBA)²⁷⁵ since 2016. Data on exposures by credit risk stages have been available since 2018.

/ Figure 113: The number of bankruptcy proceedings initiated for all business entities decreased between 2019 and 2023. However, the trend reversed in 2024 for all entities (for sole proprietors already in 2023)



Source: AJPes (n.d.-a). Note: Others – cooperatives, public sector entities – entities governed by public law, not-profit organisations – legal persons governed by private law, associations and other natural persons performing registered or regulated activities.

Despite the 2019–2023 crises, the corporate sector’s relatively favourable financial position was largely supported by government intervention measures. However, if these measures are not well-targeted, they may – despite their short-term positive effects – have adverse medium-term impacts on productivity and economic growth. The indicators of profitability, liquidity, indebtedness, and debt-servicing capacity remained relatively favourable even after the epidemic, energy crisis, and extreme weather events. The number of bankruptcy proceedings initiated remained low, despite increasing in 2024. In addition to the relatively sound financial position of the corporate sector before the epidemic broke out, substantial state financial

²⁷⁵ For details on the EBA definition of NPE, see BoS (2015).

support also played an important role.²⁷⁶ However, such support measures can only be temporary and must be carefully targeted. The fiscal deficit and public debt increased significantly due to interventions aimed at supporting the economy, though both have since been decreasing (see Section 2.3.1 and also Gopinath, 2023). On the other hand, insufficiently targeted measures may hinder the restructuring of the economy towards more productive companies. Economic policy measures should therefore focus on supporting the healthy cores of the economy – namely, companies that are not over-indebted in the long term and are able to survive in the long run. Particular attention should be given to development-oriented niche segments of the economy with high growth potential.²⁷⁷ Prolonging the existence of zombie companies (i.e. the unhealthy cores of the economy)²⁷⁸ through continued funding prevents the optimal allocation of production resources and, as a result, hampers both productivity and economic growth. This particularly applies to circumstances where demographic change is leading to a shrinking working-age population. In a general labour shortage, tying up production resources in low-productivity companies can have an even more detrimental effect on the growth of more successful companies.

3.2.3

Participation in global value chains (GVCs)

Between 2015 and 2020, Slovenia's export participation in global value chains was comparable to that of other groups of European countries, with the exception of innovation leaders, which stood out significantly. Slovenia's forward GVC participation,²⁷⁹ which reflects the share of domestic value added embodied in foreign exports, was on par with the EU average during the 2015–2020 period. For the group of innovation leaders, however, this indicator exceeded the EU average by two percentage points. No major changes in GVC participation were observed across the analysed country groups during this period. In 2020, Slovenia stood out for its high GVC participation in manufacturing, which was 2.2 p.p. above the EU average and 1.5 p.p. above the average of the CEE group. Compared to 2015, forward GVC participation in manufacturing declined slightly in all groups of countries, with the sharpest decreases seen in the CEE group and the Visegrad Group. Among the innovation leaders, GVC participation in manufacturing remained relatively low in both years. However, these countries showed significantly higher GVC participation in knowledge-intensive services. Slovenia lags furthest behind in this area. While its GVC participation in knowledge-intensive services was comparable to that of the CEE group and the Visegrad Group in 2015, these countries had surpassed Slovenia by 2020.

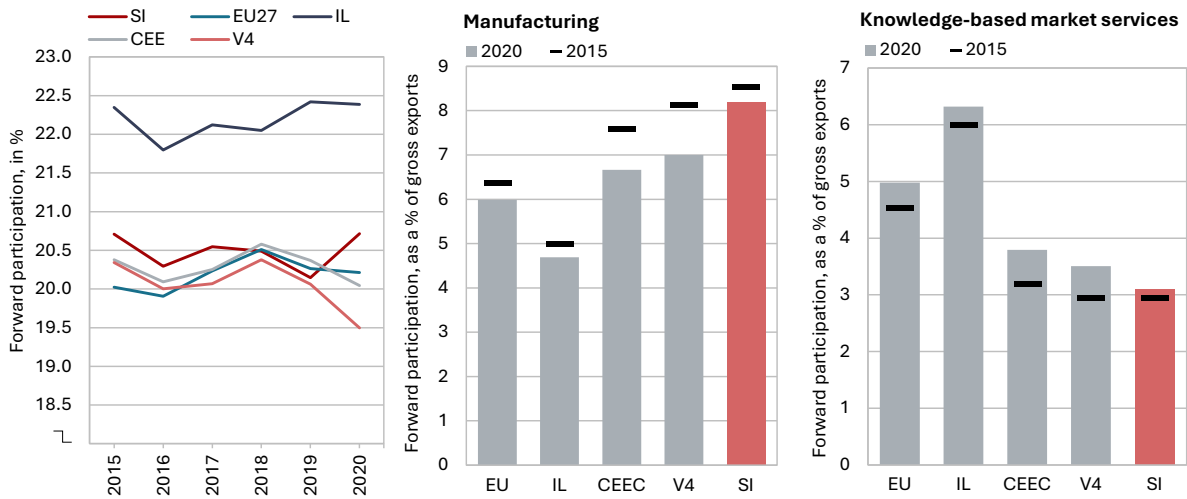
²⁷⁶ According to data from the Ministry of Finance, *expenditure on non-refundable or reimbursable intervention measures* to mitigate the effects of various crises and natural disasters across all sectors amounted to 15% of GDP between 2020 and 2024 (breakdown by year: 2020: 4.3%, 2021: 5.4%, 2022: 2%, 2023: 2.3%, and 2024: 0.9%). Expenditure to mitigate the effects of the epidemic amounted to 11.7% of GDP, while expenditure on addressing the energy crisis and on post-flood recovery each accounted for 1.6% of GDP (MF, n. d.-a, n. d.-b, n. d.-c).

²⁷⁷ For a deeper insight into economic policy options in this area, see also Demmou et al. (2021) and Diez et al. (2021).

²⁷⁸ In 2023, the most problematic over-indebted companies received 2.7% (EUR 31 million; 6.9% in 2008–2013) of all subsidies to the corporate sector (EUR 1,146 million), while zombie companies received 0.3% (EUR 3.3 million; 1% in 2008–2013).

²⁷⁹ Forward GVC participation – measured as the share of domestic value added embodied in other countries' exports, relative to the gross domestic exports.

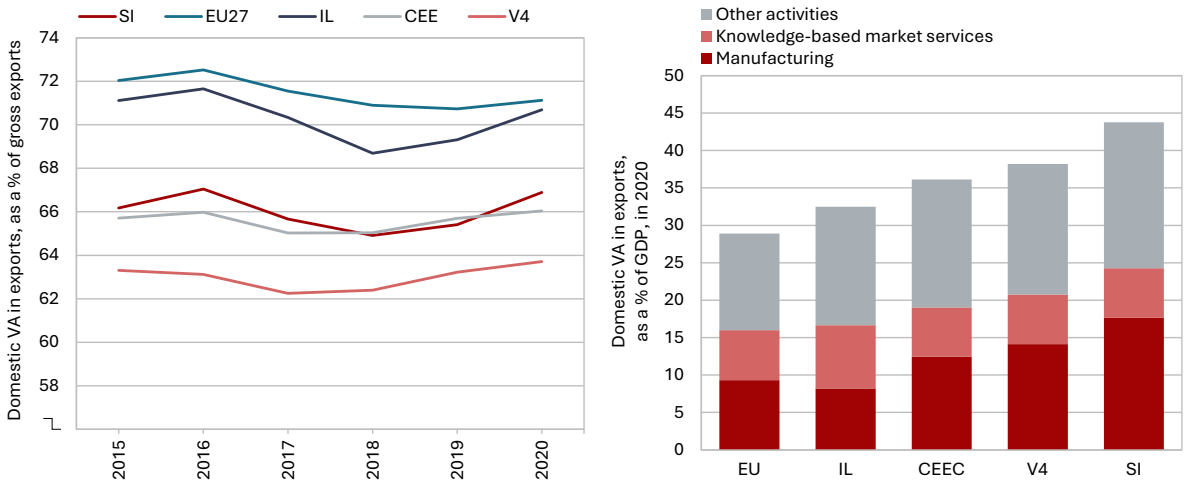
/ Figure 114: Slovenia's forward GVC participation is comparable to that of most other European countries (left); however, it stands out in terms of its GVC participation in manufacturing activities



Source: OECD (2023f); calculations by IMAD. Note: Notes: Forward GC participations is defined as the share of domestic value added that is embodied in other countries' exports, relative to the gross domestic exports. For manufacturing and knowledge-intensive market services, a methodological adjustment is required when calculating GVC participation: domestic value added embodied in foreign exports is shown as a share of the economy's total gross exports. IL – innovation leaders according to the European Innovation Index (Denmark, the Netherlands, Finland and Sweden), CEE – Central and Eastern European countries (Czechia, Hungary, Poland, Slovakia, Slovenia, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania), V4 – Visegrad Group (Czechia, Hungary, Poland, Slovakia). Knowledge-intensive market services are defined according to Eurostat's classification and include the following activities: H50 – Water transport, H51 – Air transport, J – Information and communication, K – Financial and insurance activities, and M – Professional, scientific and technical activities.

Between 2015 and 2020, Slovenia's share of domestic value added in gross exports lagged behind both the EU average and innovation leaders, but was comparable to the CEE average and higher than that of the Visegrad Group. A higher value for this indicator suggests that a country upgrades imported semi-finished products with greater added value, or exports goods and services with a higher added value, potentially indicating strong domestic production, high-quality services, and the ability to generate innovative products and services. As Slovenia is a small open economy, the domestic value added in gross exports accounted for as much as 44% of its GDP in 2020, which is significantly higher than the EU average (28.9 %) and that of the innovation leaders (32.5%). Manufacturing activities contributed 17.6 p.p. to this figure, while knowledge-intensive market services contributed 6.6 p.p. In Slovenia and the CEE group of countries, as well as in the Visegrad Group, manufacturing contributes a greater share than knowledge-intensive market services. In contrast, among the innovation leaders, knowledge-intensive services contribute a similar share of domestic value added to exports as manufacturing activities do.

Figure 115: Between 2015 and 2020, Slovenia’s share of domestic value added in gross exports lagged behind the EU average and that of the innovation leaders (left)



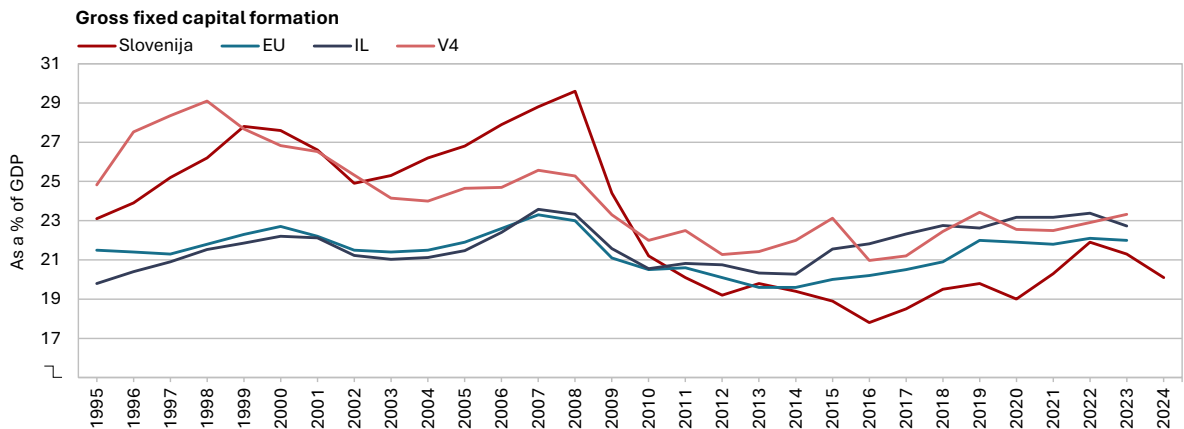
Source: OECD (2023f); calculations by IMAD. Note: Knowledge-intensive market services are defined according to Eurostat’s classification and include the following activities: H50 – Water transport, H51 – Air transport, J – Information and communication, K – Financial and insurance activities, and M – Professional, scientific and technical activities. Other activities cover all activities except manufacturing and knowledge-intensive market services.

3.2.4 Investment

3.2.4.1 Gross fixed capital formation

Although gross fixed capital formation has increased in recent years, it remains below the EU average and the levels achieved by the innovation leaders and Visegrad Group. Following the global financial crisis of 2008, which coincided with the completion of the motorway network, Slovenia’s investment activity declined sharply. By 2016, it had fallen significantly below the EU average, reaching its lowest point. In the following years, investment gradually recovered, particularly after 2020, reaching a GDP share comparable to the EU average by 2022. However, over the subsequent two years, Slovenia’s investment growth lagged behind, causing the gap with the EU and innovation leaders to widen again (Figure 116).²⁸⁰

Figure 116: The investment gap between Slovenia and the EU average, the innovation leaders, and the Visegrad Group widened again after 2022

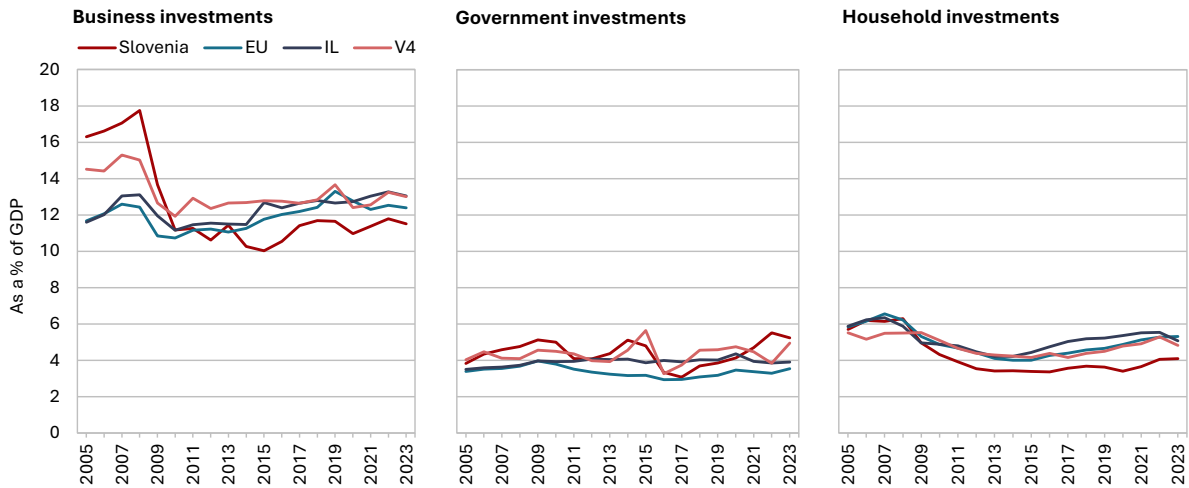


Source: Eurostat (2025); calculations by IMAD.

²⁸⁰ Although data on the structure of GDP are not yet available, conclusions can be drawn from the higher real decline in investment in Slovenia.

By institutional sector, the investment by corporate sector and population continues to lag behind, while the general government sector invests more than the EU average. Prior to 2008, companies in Slovenia invested significantly more than their EU counterparts. However, over the past decade, they have invested less, which has notably contributed to slower growth in both tangible and intangible capital in Slovenia. The same trend applies to the population, whose investments are predominantly in residential property. However, the general government sector in Slovenia is characterised by lower investment at the beginning of the EU financial perspective cycle (2016/17), followed by significantly higher investment towards the end of the cycle compared to the EU average (2014/15, 2022/23). In fact, it was the dynamics of investment by the general government sector that contributed most to the reappearance of a gap in total investment compared to the EU after 2022.

/ Figure 117: Corporate sector and population investment remains below average



Source: Eurostat (2025); calculations by IMAD.

According to the EIB survey (2024), the main obstacles to investment cited most frequently by companies in Slovenia are the availability of skilled labour, uncertainty about the future, and energy costs. These three obstacles are also the most frequently mentioned in other EU countries. In Slovenia, the main obstacle is the availability of skilled labour (cited by 84% of companies, compared to 77% in the EU), followed by uncertainty about the future (cited by 78%, compared to 79% in the EU) and energy costs (cited by 75%, compared to 77% in the EU). Only 38% of Slovenian companies mentioned the availability of finance as a barrier (compared to 45% in the EU), while even fewer saw digital infrastructure as an obstacle (30%, compared to 41% in the EU).

Following a significant increase in 2021 and 2022, inflows of foreign direct investment (FDI) into Slovenia decreased in 2023 and 2024. The value of FDI inflows as a percentage of GDP increased to an average of 3.3% in 2021 and 2022, exceeding the previous decade's average of 1.9%. However, over the past two years, inbound FDI inflows have fallen to 2.1% of GDP.²⁸¹ This was primarily due to lower equity capital inflows, as there were no major company takeovers or significant new investments in greenfield projects.²⁸²

²⁸¹ The data for 2024 refer to the first three quarters.

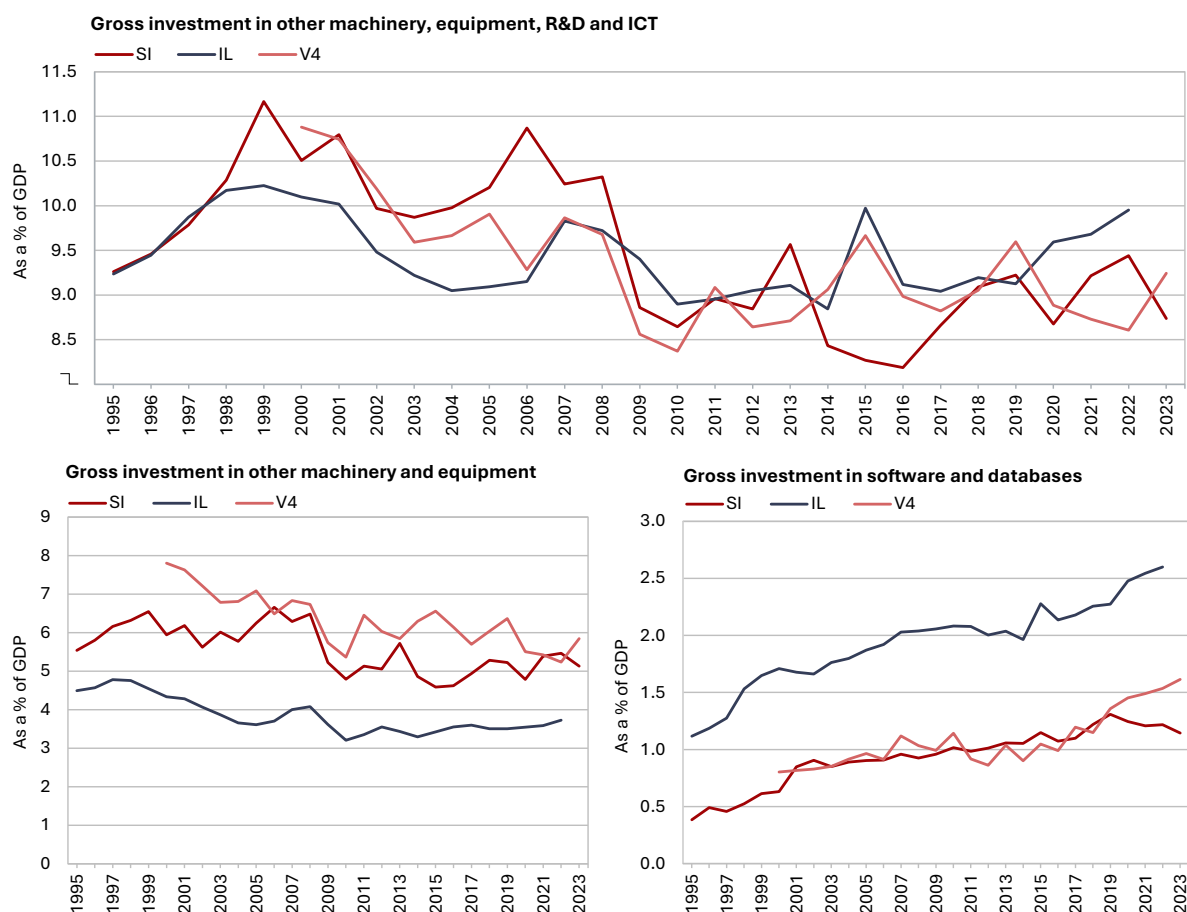
²⁸² Over the past two years, several major investment projects aimed at business expansion have been launched (including the construction of new pharmaceutical production facilities in Lendava, the transformation of Revoz into a plant exclusively producing electric vehicles, and the expansion of crane

3.2.4.2

Investment in innovation-driven growth

In recent years, Slovenia's investment in innovation-driven growth has remained at the level of the Visegrad Group, while the gap to innovation leaders has been widening rapidly. As an approximation of total investment in innovation-driven growth, as recorded in national accounts, we use investment in other machinery and equipment,²⁸³ R&D and computer hardware, software, and databases (ICT). During the first decade of this century, Slovenia was among the leading EU countries in this respect. However, with the onset of the global financial crisis of 2008, all groups of countries drastically reduced investment in this area, but accelerated it again after 2014. Slovenia did not follow this trend, falling significantly behind during the 2014–2017 period, with an average gap of 0.9 p.p. of GDP compared to the innovation leaders, and 0.7 p.p. compared to the Visegrad Group. In the following years, Slovenia increased investment in innovation-driven growth, closing the gap with the Visegrad Group on average. At the same time, however, the gap with the innovation leaders widened, as they also stepped up their efforts. In the most recent period, from 2018 to 2023, the gap amounted to 0.4 p.p. of GDP.

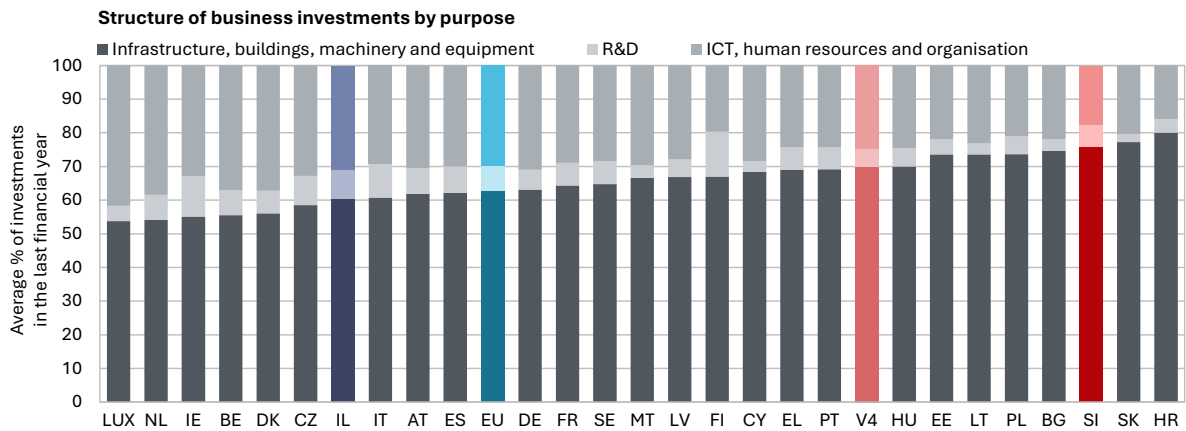
/ Figure 118: Slovenia is falling further behind the innovation leaders in terms of investment in innovation-driven growth; the gap is most pronounced in investment in intangible assets, and it is continuing to widen



Sources: Eurostat (2025) and EIB (2024); calculations by IMAD. Note: Investment in other machinery and equipment refers to machinery and equipment excluding transport and information and communication technology (ICT) equipment.

manufacturing capacity in Ormož, etc.). According to the Ministry of the Economy, Tourism and Sport, there has also been an increase in direct applications from both foreign and domestic companies for state investment incentives, which contribute significantly to the development of the Slovenian economy.

²⁸³ These are investments in machinery and equipment without transport and ICT equipment.



Sources: Eurostat (2025) and EIB (2024); calculations by IMAD.

In terms of investment in innovation-driven growth, Slovenia’s investment in intangible capital is insufficient, with a particularly negative trend in investment in computer software and databases. Nevertheless, Slovenia ranks sixth in the EU for gross investment in other machinery and equipment, at 5.1% of GDP – comparable with the Visegrad Group, and significantly above the level seen in the innovation leaders. In contrast, Slovenia lags well behind innovation leaders in investment in computer software and databases, accounting for only 1.1% of GDP – less than half the level of the innovation leaders. Since 2020, the gap with the Visegrad Group has widened further, reaching 0.5 p.p. of GDP in 2023. A similar trend is evident from the EIB’s comparative data on the corporate investment structure (2024): Slovenian companies allocate 76% of investment to infrastructure, buildings, machinery, and equipment – the third-highest share in the EU (compared to an average of 63%) – while dedicating only 17% to ICT, employee training, and business process organisation and optimisation (compared to the EU average of 30%).

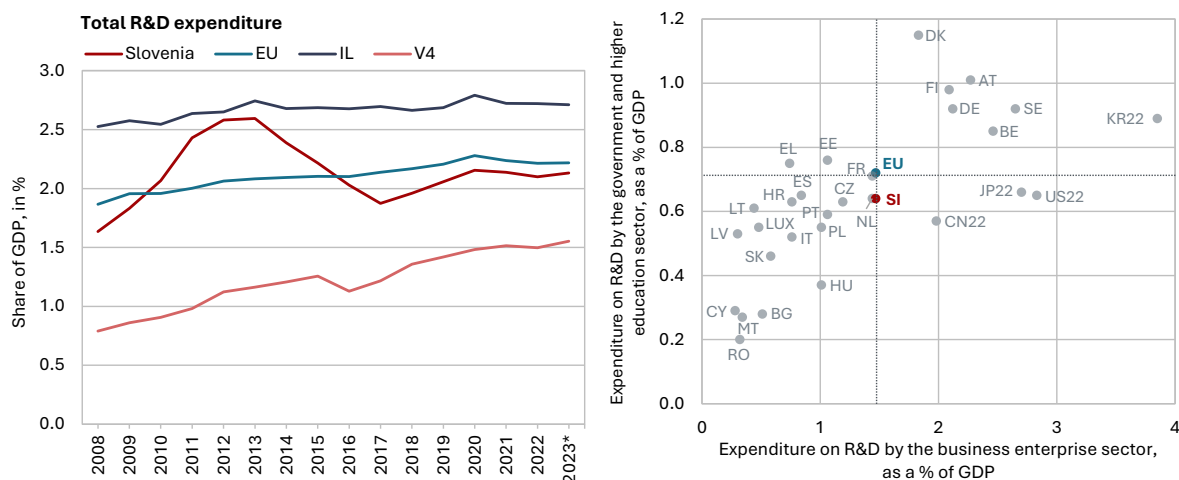
In terms of R&D investment, Slovenia remains among the successful innovation followers. However, making further progress requires a step-change in the scale of investment – particularly from the business enterprise sector – while the structure of public sector R&D investment should gain increasing attention. In 2023, total R&D expenditure reached a record nominal level of EUR 1.365 billion. As a share of GDP, though, it has stagnated at around 2.1% for the fourth consecutive year (2023: 2.13%), still slightly below the EU average (2023: 2.22%) and well behind the innovation leaders (2023: 2.71%). While this stagnation since the 2020 peak is evident across the EU²⁸⁴ and among the innovation leaders, Slovenia continues to trail the EU average by 0.1 p.p. and the innovation leaders by 0.6 p.p. In contrast, the Visegrad Group has gradually narrowed the gap with the EU average, a gap that remains considerable in comparison to Slovenia as well (Figure 119, left). In recent years, public sector R&D investment (from the Government and higher education sector) has gained momentum in terms of funding. Yet, at 0.61% of GDP,²⁸⁵ it still falls well short of the 2011 peak (by 0.17 p.p.), current EU levels (0.7% in 2021), and the level achieved by the innovation leaders

²⁸⁴ In 2023, only 5 EU Member States (Finland, Sweden, Belgium, Germany and Austria) exceeded the Barcelona target, which aimed for R&D expenditure of at least 3% of GDP by 2020.

²⁸⁵ The amendment to the Scientific Research and Innovation Activity Act introduces new provisions for funding scientific research and innovation activities (minimum 1% of GDP for the former and minimum 0.25% of GDP for the latter). If adopted in its current form by the National Assembly, total public funding would reach 1.25% of GDP by 2030, aligning with Slovenia’s Resolution on the Research and Innovation Strategy 2030 (MVZI, 2024).

(0.74% in 2021, excluding Denmark). Nevertheless, Slovenia has reached the 12th place in the EU. With the Government aiming to increase public R&D funding by 2030, the structure of these investments will need to gain increasing attention (see Section 3.2.5). Business enterprise sector R&D investments, in terms of sector of performance, have declined slightly as a percentage of GDP since 2020. Nevertheless, Slovenia continues to hold a strong position in this regard, ranking 7th in the EU in terms of investment intensity. To join the ranks of EU and global innovation leaders, though, a step-change in the scale of investment remains crucial – particularly from the business enterprise sector (Figure 119, right).

Figure 119: Total investment in R&D as a share of GDP in Slovenia has stagnated over the past four years, indicating that Slovenia is not closing the international gap; with the public funding set to increase by 2030, the focus should now shift towards accelerating business enterprise sector R&D investments



Source: Eurostat (2025); calculations by IMAD. Note: * Data for 2023 are provisional, except for Slovenia. The figure on the right displays R&D expenditures by sector of performance. Data for EU Member States refer to 2023, while non-European countries show 2022 figures. "CN" denotes China, "JP" Japan, "US" the United States of America, and "KR" the Republic of Korea (South Korea).

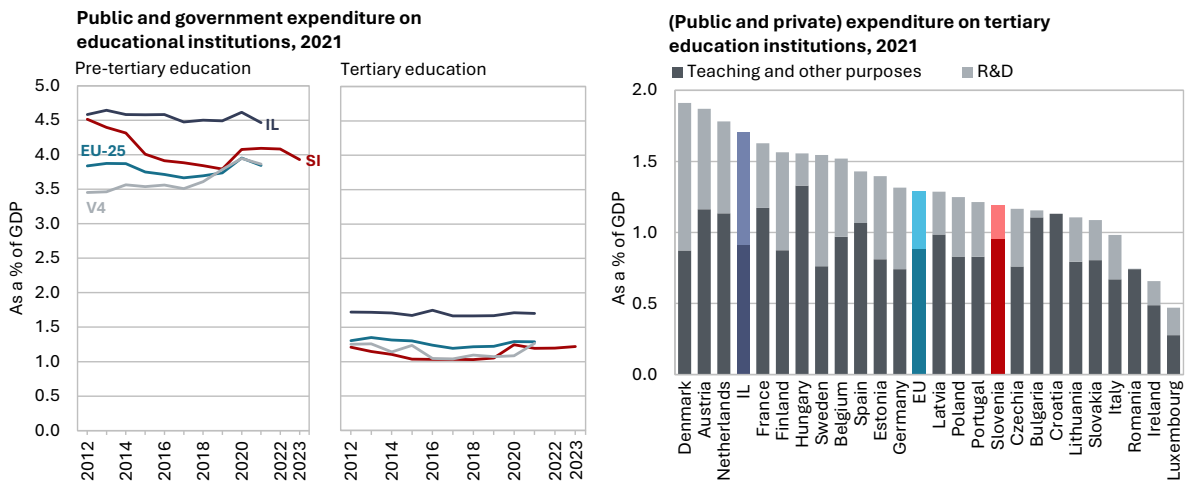
Expenditure on formal education remains comparable to the EU average, but lags behind levels from a decade ago and behind those of the innovation leaders (by 0.9 p.p. of GDP). Investment in developing existing human resources also falls short of the EU average. Total public and private expenditure on pre-tertiary education²⁸⁶ – i.e. investment in developing future human capital, which is a key driver of long-term, innovation-driven growth – has fluctuated around 4% of GDP over the past decade (close to the EU-25 average), down from 4.5% in earlier years. While the gap with innovation leaders has narrowed slightly in recent years, it still amounted to a significant 0.4 p. p. of GDP in 2021 (Figure 120, left). Expenditure on tertiary education is roughly in line with the EU-25 average. However, the gap of around 0.5 p.p. of GDP relative to innovation leaders (in 2020 and 2021) is primarily due to lower spending on R&D activities conducted by higher education institutions (Figure 120, right). Expenditure on other tertiary education purposes, i.e. teaching, investment, etc., exceeds both the EU average and spending levels in the innovation leaders. In recent years, expenditure on the development of R&D specialists has increased, particularly through the young researchers programme²⁸⁷ (although the industry-focused programme has yet to be launched), postdoctoral projects, and growing investment in international

²⁸⁶ Pre-tertiary education includes the second age period of pre-primary education, primary education and upper secondary education.

²⁸⁷ In 2023, expenditure for this young researchers programme totalled EUR 35.6 million, of which 61.3% was allocated to young researchers in natural sciences and engineering (ARIS, 2024b).

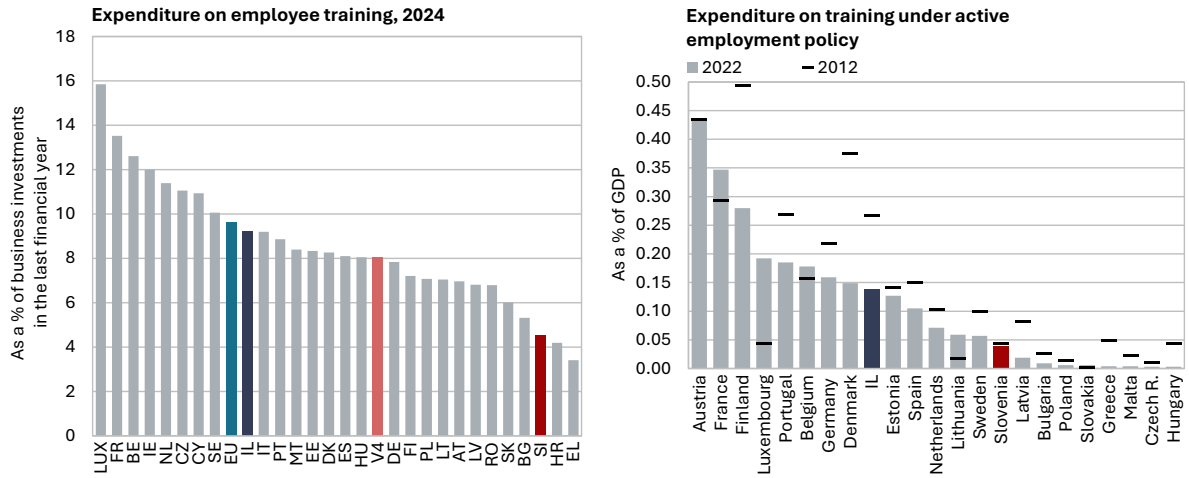
cooperation activities.²⁸⁸ Nevertheless, companies in Slovenia continue to lag far behind the EU average and innovation leaders in terms of investment in the (re)training of existing employees (Figure 121). This is reflected in low participation rates in training.²⁸⁹ A similar situation applies to public expenditure on the training and upskilling of employees and the unemployed as part of active employment policies. Since 2018, this has ranged between 0.04% and 0.05% of GDP, which is significantly lower than in most other EU Member States and well below the level seen in the innovation leaders (where it stands at 0.14% of GDP) (Figure 121).

/ Figure 120: Expenditure on education remains below the levels achieved a decade ago (left), while the gap with innovation leaders at the tertiary level is due to lower investment in research and development (right)



Sources: OECD (2025c) and OECD (2024c).

/ Figure 121: Investment by companies in employee training (left) and expenditure on active labour management policy training (right) are among the lowest in the EU



Sources: EIB (2024) and Eurostat (2025).

²⁸⁸ In 2023, expenditures amounted to EUR 5.56 million for postdoctoral projects and EUR 13.06 million for international cooperation projects (ARIS, 2024a).

²⁸⁹ In 2024, companies in Slovenia invested half as much (4.5%) in employee training relative to their investment structure compared to the EU average (9.6%) and the innovation leaders (9.2%) (EIB, 2024). In 2022, 40.4% of employed persons in Slovenia participated in employer-funded job-related education and training, compared to 43.2% in the EU and 55% in the innovation leaders. The same year, the employed persons spent an average of 63 hours on education or training (EU: 76 hours, IL: 72.8 hours) (Eurostat, 2025).

3.2.5

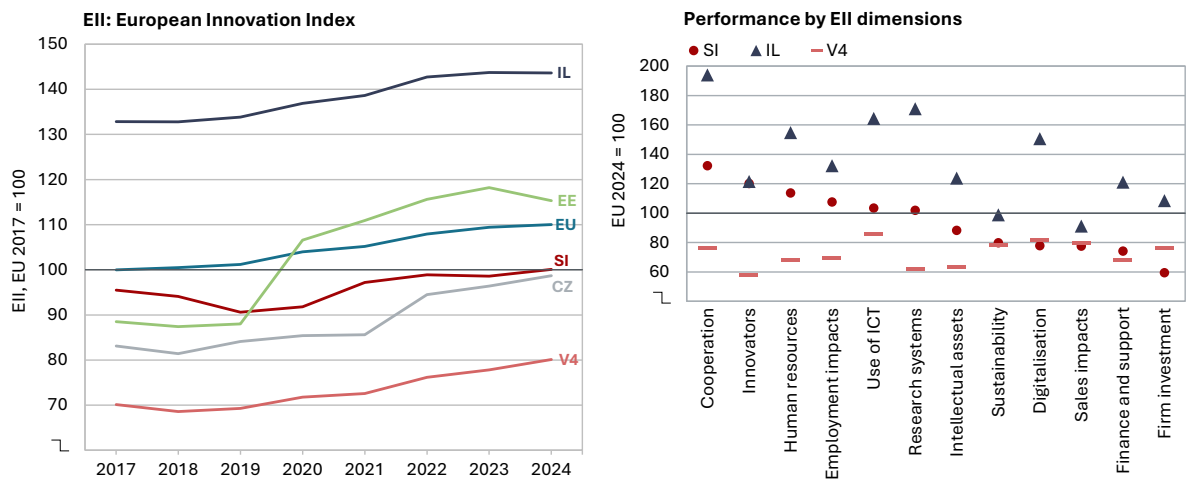
Innovation through business transformation

3.2.5.1

Development and innovation perspective

Although Slovenia made progress on the European Innovation Index in 2024,²⁹⁰ this improvement was insufficient to narrow the gap with the EU average or the group of innovation leaders. Over the past four years, this gap has remained largely unchanged (Figure 122, left). As a result, Slovenia continues to be classified as a moderate innovator, while its lead over the Visegrad Group has been steadily narrowing. After several years of consistent progress, Czechia has almost caught up with Slovenia, and the case of Estonia demonstrates that more ambitious leaps are achievable. Slovenia’s lack of ambition in the field of innovation is also reflected in its gradual decline on the Global Innovation Index (WIPO, 2025) since 2018, where it now ranks 34th out of 133 countries.²⁹¹

/ Figure 122: Despite gradual progress according to the European Innovation Index, Slovenia remains among the group of moderate innovators



Source: EC (2024i); calculation by IMAD.

A comparison of Slovenia’s performance across individual components of the European Innovation Index with the EU average, innovation leaders, and the Visegrad Group reveals the following (Figure 122, right):

- **Slovenia’s main comparative advantages** relative to the EU lie in **cooperation, innovation activities of companies, and human resources**. However, significant gaps persist when compared to the innovation leaders, with the exception of innovation activities of companies.²⁹² This highlights the need for Slovenia to align its development and innovation policy with that of leading countries – the essential path to achieving substantial progress in innovation performance.

²⁹⁰ The reference years of the European Innovation Index and its components correspond to the year of publication of the European Innovation Scoreboard. However, the input data used to calculate the indicators refer to earlier periods (ranging from t-1 to t-5).

²⁹¹ All four Europe’s innovation leaders rank among the world’s ten most innovative countries. Among EU countries with below-average development, several outperform Slovenia: France (12th), Estonia (16th), Italy (26th), Cyprus (27th), Spain (28th), Czechia (30th) and Portugal (31st). Others rank lower, including Hungary (36th), Poland (40th), Croatia (43rd) and Slovakia (46th).

²⁹² In the area of human resources, methodological changes have additionally caused significant deterioration in one of the three indicators – specifically, the share of adults with tertiary education (see Section 2.3.4.) – which is not yet reflected in the European Innovation Index (EII) data.

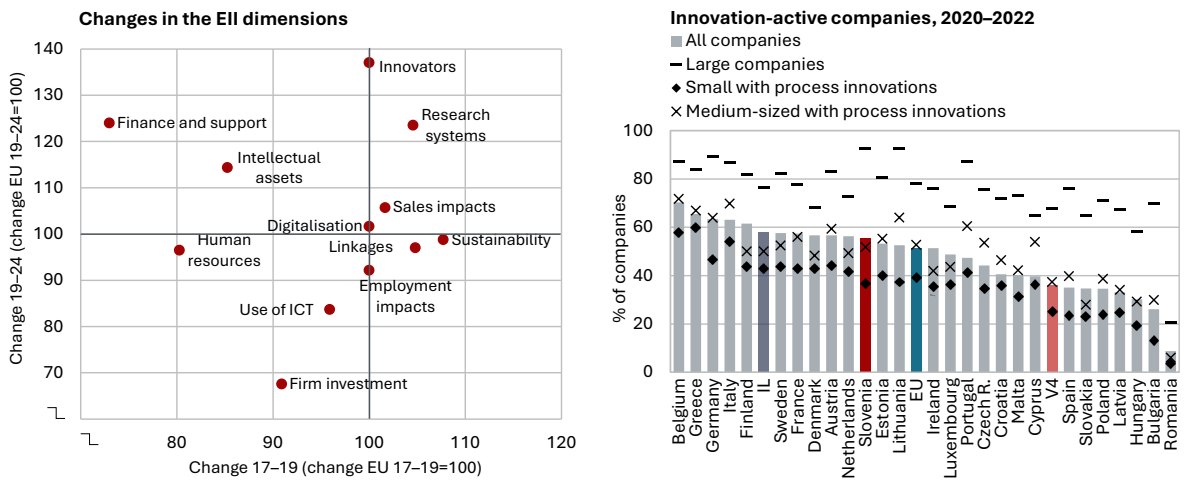
- **The main weaknesses of the scientific research and innovation system** are firm **investment** (primarily due to low spending on non-R&D-innovation expenditures), **financial support** (especially venture capital, but also public-sector R&D expenditure), and **digitalisation** (due to the low share of individuals with advanced digital skills).
- **In other areas, Slovenia ranks near the EU average, but there are substantial gaps compared to the innovation leaders.** This is particularly evident in the quality of the scientific research system and ICT use, while the shortfall in investment efficiency remains relatively small. This is also supported by econometric studies which, using the *counterfactual methods*, demonstrate the strong multiplier effects of public investment in R&D at company level (Burger et al., 2023; Crivellaro and Granato, 2023; Černigoj et al., 2024)

With increased funding and innovation support since 2019, it is important to sustain this momentum, as it has had a positive impact on other parts of the research and innovation system. At the same time, greater structural emphasis should be placed on higher-risk, disruptive research, development and innovation (RDI) programmes. A comparison of changes in the EII components between the periods 2017–2019, still characterised by decline, and 2019–2024, when Slovenia began improving its EII performance again, reveals the following (Figure 123, left):

- The primary reasons for Slovenia's EII decline during the 2017–2019 period can be attributed to a sharp drop in finance and support, which highlights the public sector's role in promoting the transition to innovation-driven growth. During this period, Slovenia also experienced a significant decline in human resources, intellectual assets and firm investment. Econometric studies confirm that public support accelerates rather than crowds out firm investment in R&D (Burger et al., 2023).
- The progress made between 2019 and 2024 was driven by improvements in companies' innovation activity. However, this was not matched by an increase in business expenditure on innovation, which held back Slovenia's progress compared to other EU countries during this period. The improvement of the EII was also based on further enhancements to the quality of the scientific and research system, supported by increased funding. After 2019, all three indicators in this component (RDI support to the public or corporate sector and venture capital availability) improved. Nevertheless, finance and support remains Slovenia's second most significant weakness. As public investment and support increase, the structure of this investment becomes increasingly important. Alongside capital market development, more attention should be given to higher-risk, disruptive RDI programmes.²⁹³

²⁹³ An example of this type of support is the call for tenders »Promoting the implementation of R&D programmes (TRL3-6)« published by the Slovenian Research and Innovation Agency on 19 February 2025, with a total allocation of EUR 58.7 million.

/ Figure 123: Since 2019, Slovenian companies have become more active in terms of product innovation; however, more attention is needed in terms of business process innovation, which requires more substantial corporate investment



Sources: EC (2024i) and Eurostat (2024a); calculations by IMAD.

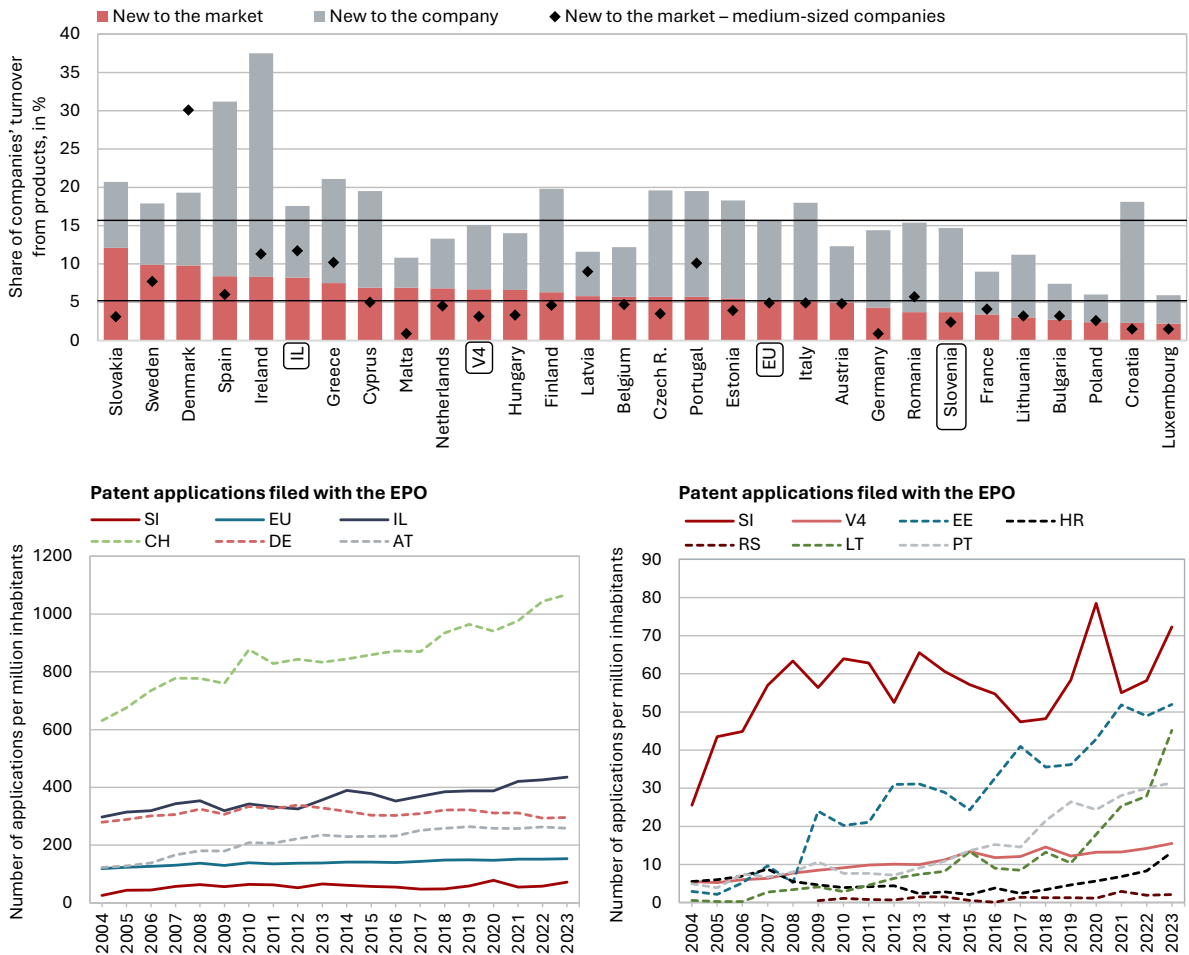
Slovenian companies are highly innovation-active, particularly large and medium-sized enterprises in terms of product innovation. However, their performance is weaker in terms of business process innovation, especially of small and medium-sized enterprises. According to the latest European Innovation Survey for the 2020–2022 period, 55.4% of Slovenian companies were innovation-active, placing Slovenia between the EU average and the average of innovation leaders. This favourable result is driven by the highest share of innovation-active large companies and the second-highest share of medium-sized companies with regard to product innovation. On the other hand, small and medium-sized enterprises lag behind in the adoption of business process innovations, with 37% and 52%, respectively, falling short also of the EU average.

Slovenian companies lag significantly in introducing (radical) innovations that are new to the market, generating only half as much revenue from them as the Visegrad Group. This suggests that they take fewer risks and rely more heavily on tried-and-tested products and technologies. New or significantly improved products account for 14.7% of revenues in Slovenian companies, which is close to the EU average of 15.7%, but considerably less than in certain competitors, such as Spain, Slovakia and Czechia. Slovenia is falling even further behind in the share of revenue generated by companies from products that are new to the market (rather than merely new to the company). With only 3.7% of revenue coming from such products, Slovenia ranks 20th in the EU, alongside Romania. By contrast, the Visegrad Group and innovation leaders achieve approximately twice the share (6.7% and 8.2%, respectively), which suggests that Slovenian companies focus too much on incremental and not enough on radical and creative innovations (Acemoglu et al., 2022).²⁹⁴ Data for Slovenian firms further show that the introduction of new-to-the-market products is closely linked to productivity (Wostner et al.,

²⁹⁴ Incremental innovations improve productivity within the scope of existing technologies for a given product line, while radical innovations combine the current technology of the product line with broader knowledge available in the economy to innovate in a new area – creatively crowding out the leading-edge technologies of competitors (adapted from Acemoglu et al., 2022). According to the same source, radical innovations are the engines of growth, as incremental innovations run into diminishing returns, while radical innovations create new technology clusters and enable new series of incremental innovations (ibid.).

forthcoming). According to the same source, which draws on data from the European Manufacturing Survey (Palčič and Kovič, 2022), the main competitive factors for Slovenian products are quality, customer-specific adaptation, and price. Product innovativeness ranks only fifth out of six key factors.

Figure 124: Slovenian companies are too focused on introducing incremental innovations, from which they generate significantly more revenue than their competitors (see above) – the lack of a more ambitious approach is also reflected in the relatively low number of patent applications filed with the European Patent Office (EPO)



Source: Eurostat (2024a); calculations by IMAD.

Although research intensity remains Slovenia's comparative advantage, patent data indicate the need for a more ambitious approach, given that the gap with the innovation leaders continues to widen and the lead over some competitor countries is shrinking. Data on patent applications filed with the European Patent Office (EPO) by country of origin show that Slovenia has consistently ranked 13th within the EU since 2004. The gap with the EU average is not narrowing, and the gap with innovation leaders is widening. At the same time, EU innovation leaders themselves are increasingly lagging behind global leaders such as Switzerland. On the other hand, Slovenia still maintains a leading position in terms of research intensity when compared with its competitor countries. Its advantage over the Visegrad Group is not narrowing, and Slovenia's advantage over Balkan countries remains significant. The latter comparison indicates that R&D continues to be Slovenia's strong competitive advantage in terms of both patenting activity and overall R&D expenditure. However, the rapid progress of countries such

as Estonia, Lithuania and Portugal suggests that Slovenia's development ambitions are insufficient. To maintain its position, Slovenia must build on the positive trends that have been observed since 2018. The structure of patent applications by technological field in Slovenia changed little between 2014 and 2023: patent activity in mechanical engineering increased slightly above average, while activity in electrical engineering decreased slightly. Activity in instruments and chemistry grew at an average pace. Based on the diversity of its patent applications across technological fields, Slovenia is the fifth most diversified of the twenty smaller EU Member States.²⁹⁵

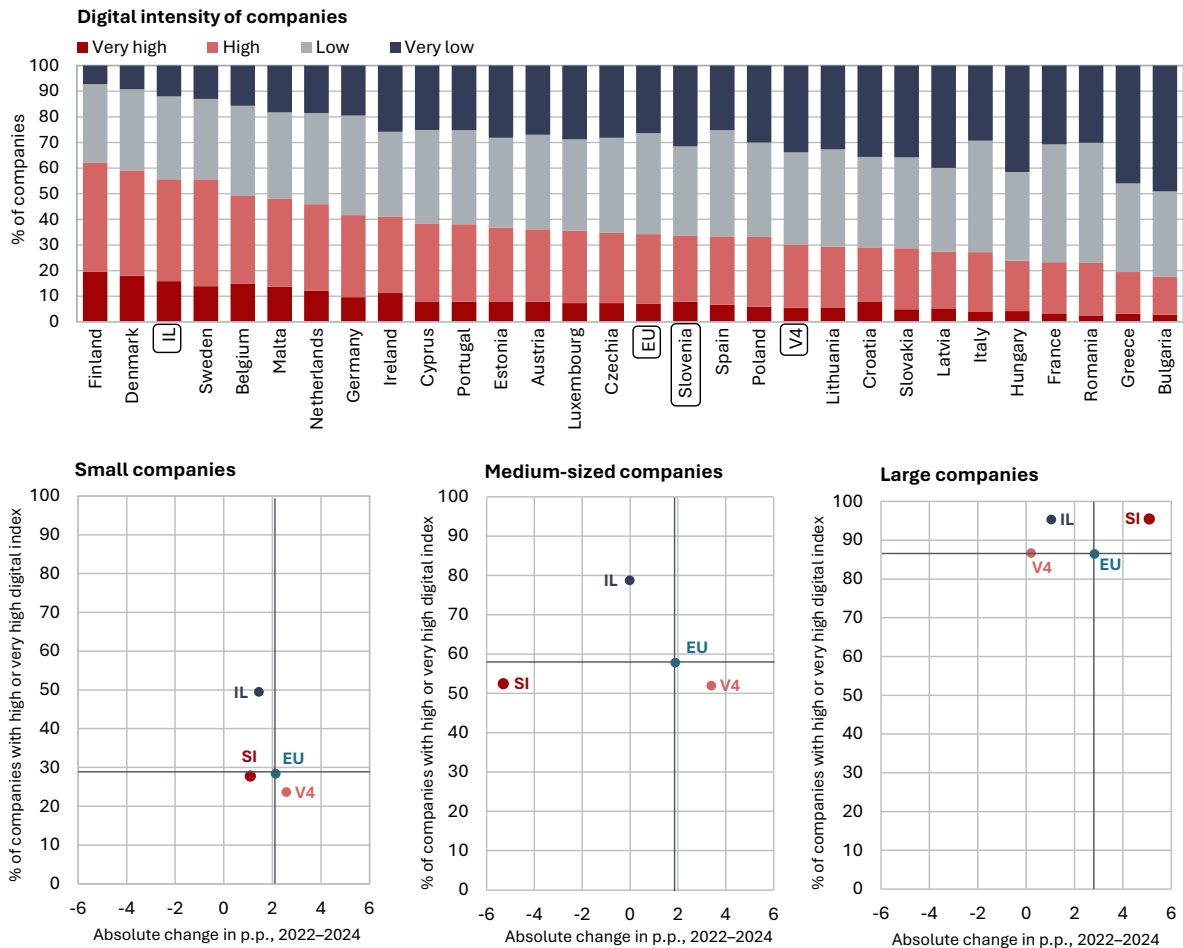
3.2.5.2

The digital aspect

In terms of digital intensity, the list is topped by Slovenian large companies that are further strengthening their position, while the digital intensity of small companies is average and slightly on the decline, medium-sized companies have regressed significantly since 2022 and lost their entire advantage over the V4. In Slovenia, one third of the companies have very high or high digital intensity (according to Eurostat methodology), which is in line with the EU average (Figure 125, top) and more than in the V4 group of countries (while lagging behind Czechia). However, it lags far behind the innovation leaders, which account for 55% of such companies, and some competitor countries (Estonia and Portugal). Analysis by company size shows that large companies, with the fourth highest share of digitally intensive companies, are very successful and have progressed faster than the EU average, innovation leaders and V4 countries in the 2022–2024 period. Progress was significantly slower among small, average-performing companies, but differences between country groups were small in the 2022–2024 period. Medium-sized companies, however, declined significantly during this period (with only Greece performing worse): the share of digitally intensive companies decreased by over 5 p.p., while in the V4 countries it increased by over 3 p.p., which means that medium-sized V4 companies have caught up with their competitors in Slovenia in terms of digital intensity.

²⁹⁵ The assessment is based on the standard deviation of patent shares across 35 technological fields, as monitored by the EPO. Among small countries, only those with fewer than 15 million inhabitants were included.

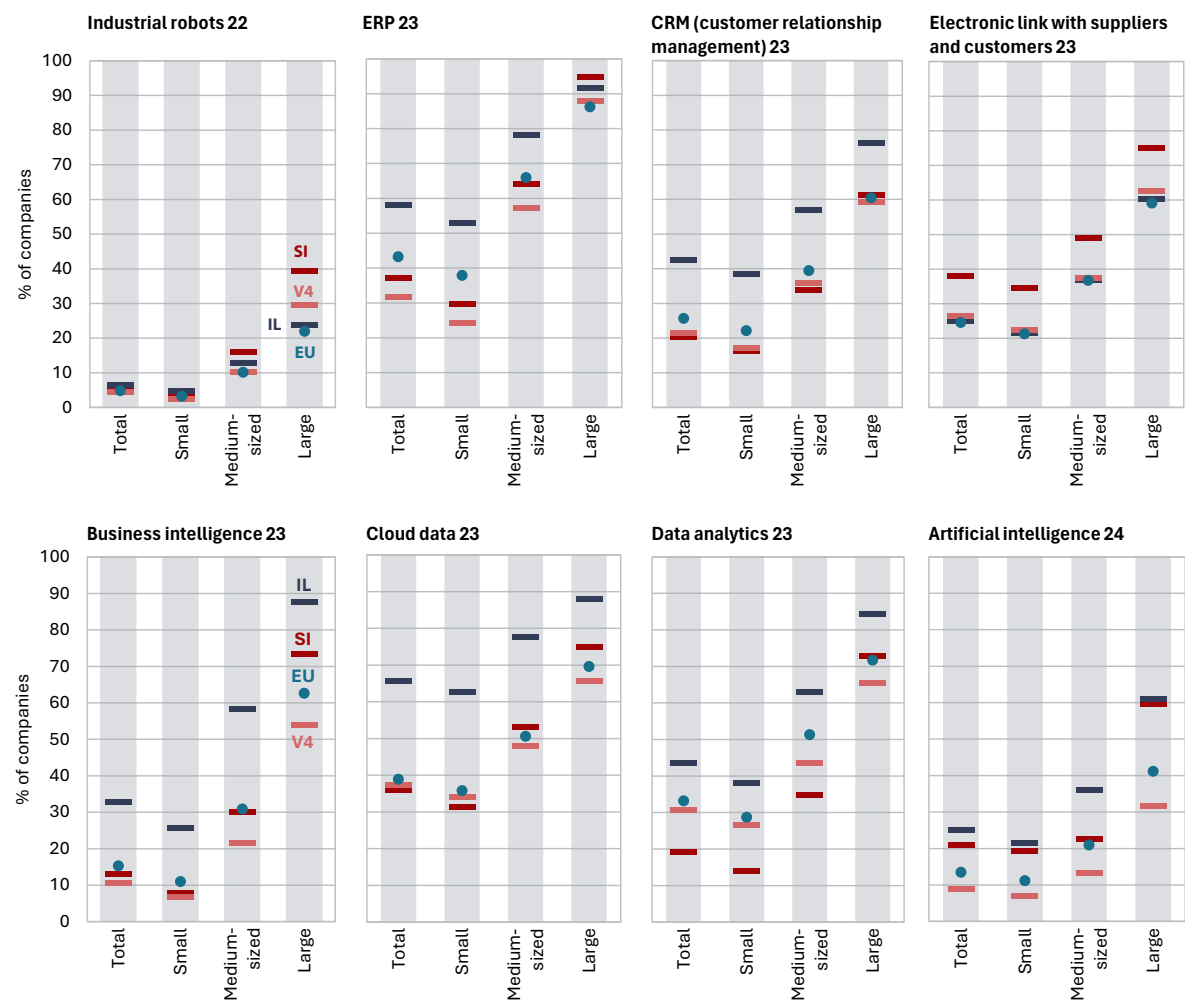
/ Figure 125: Innovation leaders are also leaders in digital intensity, but the situation among Slovenian companies is different: large companies are among the digital leaders, while medium-sized companies fell behind the EU average in 2022–2024 and lost their advantage over the V4



Source: Eurostat (2024a); calculations by IMAD.

Production and interfirm linkages remain the main comparative advantages, but from the perspective of effective management, there are large untapped opportunities, especially among small and medium-sized enterprises. Large and medium-sized companies are among the leading EU companies in terms of the share of companies using industrial robots (Figure 126), which indicates the strong manufacturing orientation of Slovenia’s economy. In addition to robotisation, an important comparative advantage is close (electronic) linkages with suppliers and customers, where Slovenia is also a leader (small companies being particularly successful), which indicates a well-developed ecosystem in terms of mutual entrepreneurial complementarity. The situation is less convincing in terms of effective business management, e.g. in terms of the use of integrated enterprise resource planning (ERP) systems, customer relationship management (CRM) systems or the use of business intelligence, where small and medium-sized enterprises lag significantly behind, especially compared to innovation leaders.

/ Figure 126: In international comparison, large companies are much more successful than small and medium-sized ones in the use of digital technologies, and a large untapped potential lies in the more intensive use of data and development of new products and business models



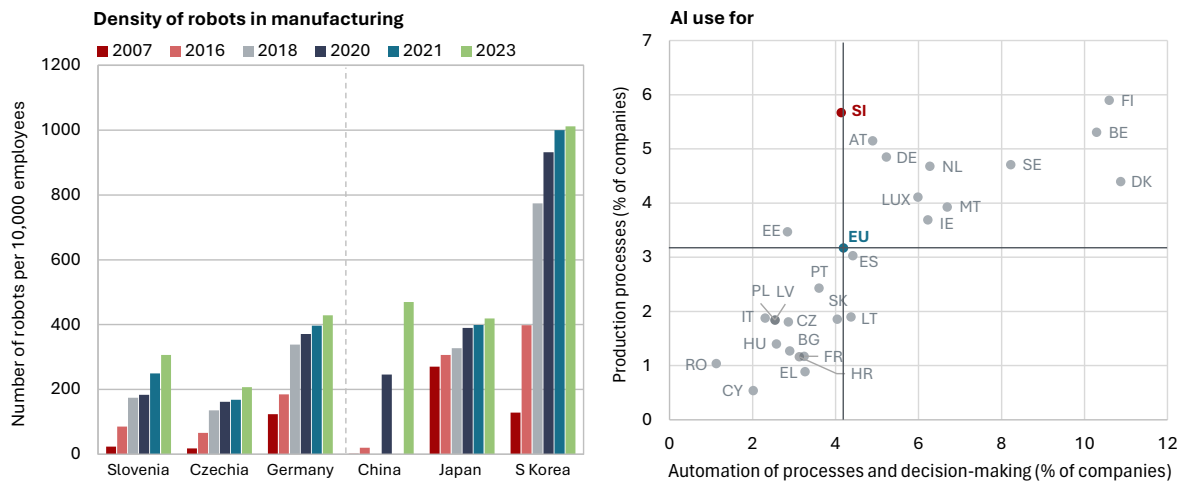
Source: Eurostat (2024a); calculations by IMAD. Note: Enterprise resource planning (ERP) refers to systems for integrated management of company resources, while customer relationship management (CRM) refers to customer relationship management systems. The number after the indicator description refers to the year: e.g. 23 means the year 2023.

Although Slovenian companies have been successful in using artificial intelligence in production processes, the transition from Industry 3.0 to Industry 4.0, i.e. the integration of technologies and data-driven business operations, continues to pose a major challenge. A key shortcoming in the field of digitalisation relates to the transition to data-driven business operations of companies (see the indicators data in the cloud and the use of data analytics), which is important not only from the perspective of business efficiency, but also for the development of new products and especially business models (Figure 126). In this area, large companies are only average compared to EU countries, while small and medium-sized companies lag behind even comparable companies in the V4. Data management is also a prerequisite for the integration of different technologies, which is key to accelerating productivity growth (Calvino and Fontanelli, 2023), with which Slovenian companies have more difficulties (IMAD, 2022a). However, Slovenian companies, especially large and small ones, are very successful in using artificial intelligence, ranking fourth and seventh in the EU respectively. In this case too, the use of artificial intelligence is primarily linked to the

optimisation of production processes, where Slovenia only slightly lags behind leading Finland, while in process automation and decision-making with artificial intelligence it is at the EU average (Figure 127, right). Ranked 17th, medium-sized companies particularly lag behind the EU average.

More and more companies are struggling with digital transformation, while at the same time they are perceiving it as less and less important. The share of Slovenian companies that, according to the SURS survey (2024e) believe that digital transformation is not essential or relevant for their successful business is increasing: 53% (or 4 p.p. more than in 2021) of small companies did so in 2024, 51% (as much as 18 p.p. more than in 2021) of medium-sized companies, and 25% (or 6 p.p. more than in 2021) of large companies. Due to low awareness of the importance of digitalisation, companies are not systematically tackling this type of transformation, as the share of companies with a digital strategy in 2024 remains at the 2021 level (17%), with a slight increase among large companies, but a decrease among medium-sized ones. This could be due to the fact that the share of companies experiencing challenges with digital transformation increased from 60% to 71% between 2021 and 2024. The most important problems reported by companies in digital transformation relate to human resources (two thirds of companies), lack of financial resources and (in)adaptability of companies (both one half of all companies), while problems with leadership and setting priorities are slightly less important. (Un)preparedness for change among employees and managers was a problem for a good third of companies, and a similarly low proportion of companies had problems with unrelated business processes (the importance of which is growing in all company size groups).

/ **Figure 127: Slovenia continues to strengthen its long-standing competitive edge within the EU in the field of robotisation of production processes; increased pressure from global competitors requires additional acceleration of business transformation processes also in areas where Slovenia is less successful**



Sources: IFR (2024), OECD (2019a), Eurostat (2024a); calculations by IMAD. Note: The data in the right-hand figure, relating to the use of artificial intelligence, refer to 2024, except for France, where the data refer to 2023.

Slovenia has been strengthening its long-standing (traditional) competitive edge in the EU, but, at the same time, it is under increasing global pressure due to even more intensive robotisation and automation (especially) in Asia, and even more so due to the EU's lagging behind in the development and introduction of the most complex digital technologies. From the perspective of Slovenia's economic challenges, it is worth considering that even Europe's leading economies are exposed to increasingly intense competition from other continents. This is illustrated by Figure 127 (left),

which shows the density of robot use in manufacturing. According to this indicator, Slovenia, together with Denmark, ranks third in the EU in terms of robotisation, further increasing its advantage over its competitor, Czechia. On the one hand, this shows that Slovenia is further strengthening its traditional competitive edge within the EU, as it is successfully reducing the lag behind the most successful EU countries. But at the same time, South Korea's advantage and especially China's extremely rapid progress show why the entire EU is already having problems in the automotive industry, and judging by the aforementioned data, other industries will also be exposed to similar pressures in the future. Since 2016, when China's level of robotisation was more than four times lower than Slovenia's, it has managed to overtake EU's most robotised countries, Germany and Sweden, by 2023, the former by 10% and the latter by one third.²⁹⁶ Similarly, Slovenia's successful use of artificial intelligence is relativised at the global level. According to the Global AI index, it ranks 37th among 83 countries in the world, along with other V4 countries (Tortois, 2024), while only France and Germany (ranked 5th and 7th) are, as EU Member States, among the ten most successful countries in the world, but even these two countries lag far behind the leaders, the USA and China.

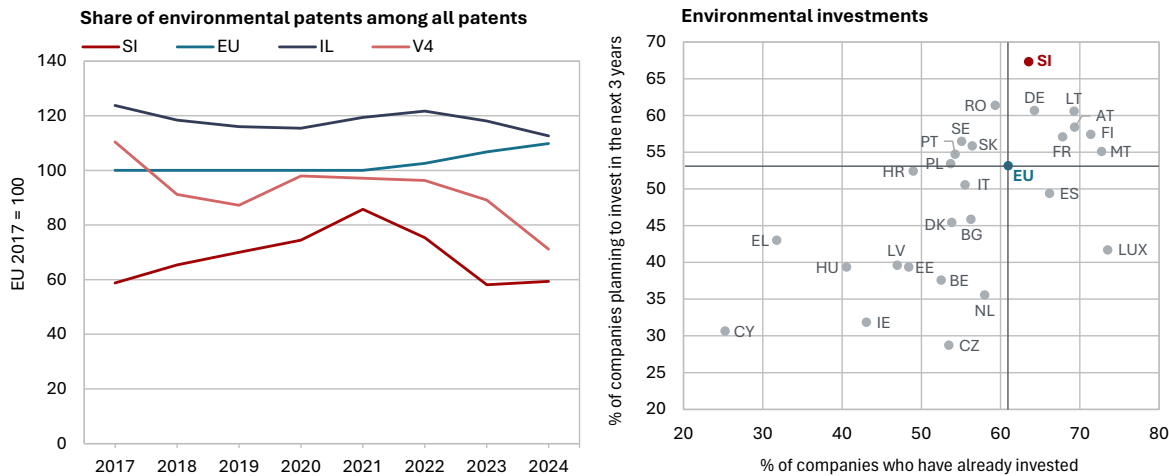
3.2.5.3

Sustainability

Awareness of the impact of climate change among businesses has been improving, which is reflected in significantly increased climate-related corporate investments as well as in very ambitious plans of Slovenian companies. In 2021, according to EIB data, as much as 51% of companies in Slovenia estimated that climate change had no impact on their operations (compared to 42% of companies at the EU level). By 2024, this share had fallen to 32%, which was less than the EU average (34%). This was not just a matter of a general increase in awareness of the consequences, but since 2022 this has also been reflected in a significant increase in investments related to environmental events and the reduction of CO₂ emissions (EIB, 2024). Slovenia thus has an above-average share of companies that have already invested in environmentally related projects (64%), which is the ninth highest share in the EU. What is even more important is that Slovenian companies have the most ambitious investment plans in this area for the next three years among all EU Member States (Figure 128). On the other hand, companies most often quote high investment costs, the changing legislation, and uncertainty about the use of appropriate technologies as obstacles to investing in the green transition (BoS, 2025d).

²⁹⁶ It should also be considered that EU's total R&D expenditure (in current euros, not PPS) in 2000 exceeded 12 times that of China, in 2010 by further 3 times, in 2020 EU's R&D expenditure equalled that of China, while in 2022 (according to the latest available data) China invested in R&D 22% or EUR 77 billion more than the EU (IMAD calculation based on Eurostat data (2025)).

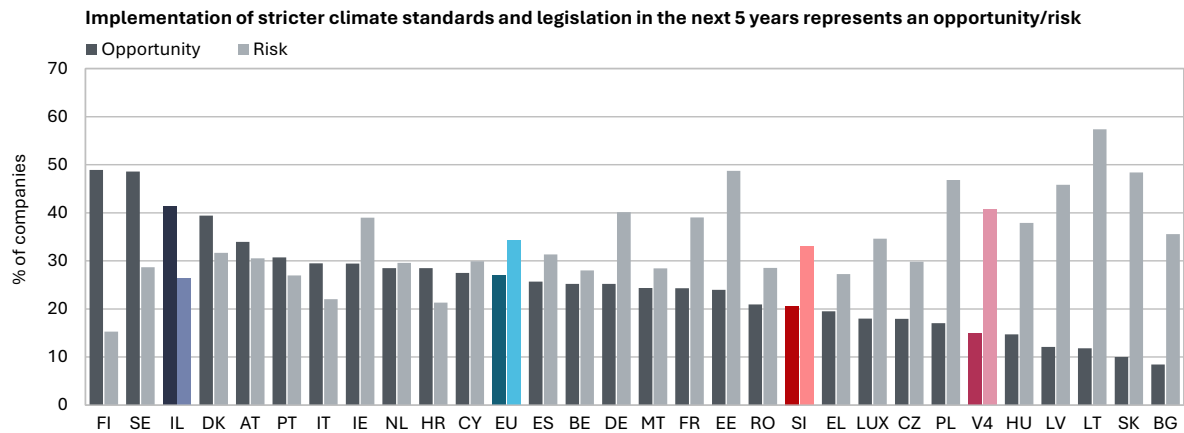
/ Figure 128: Slovenian companies are significantly increasing their environmentally-related investments (right), but they are more focused on adaptation and compliance than on technological development (left)



Sources: EIB (2024) and EC (2024i); calculation by IMAD.

Environmental investments focus primarily on adaptation and ensuring environmental compliance, and less on technological development and exploiting opportunities in this regard. EIB data show that in 2024 only 21% of companies in Slovenia perceived the introduction of stricter climate standards and legislation as an opportunity, which is more than in the V4 countries (15%), but significantly less than the EU average (27%) and also significantly less than the innovation leaders (41%) (Figure 129). It is positive that this share has been increasing in Slovenia (by 2 p.p. compared to 2022), while it has been decreasing on average in the EU and V4 (it is stable in the innovation leaders). Nevertheless, the pace of change should be further accelerated. The greater emphasis on ensuring environmental compliance is also shown by data on ISO14001 environmental certificates, which are more widespread in Slovenia not only compared to the EU average, but also to the innovation leaders, especially in manufacturing, trade and transport, while Slovenia lags behind in construction. On the other hand, data on the share of environment-related patents show (Figure 128, left) that Slovenia still has significant untapped opportunities in this area. As an example of good practice, it is worth mentioning the widespread use of the Ecolabel, the environmental daisy, which is used primarily as a distinguishing factor compared to the competition aimed at increasing value for the customer and consequently value added for the supplier. According to this indicator, Slovenia became the leading country in the EU in 2024, which we consider being primarily a result of activities in the field of tourist accommodation.

/ **Figure 129: Slovenian companies perceive the green transition primarily as a risk, and only half as many view it as an opportunity compared to firms in innovation leaders**

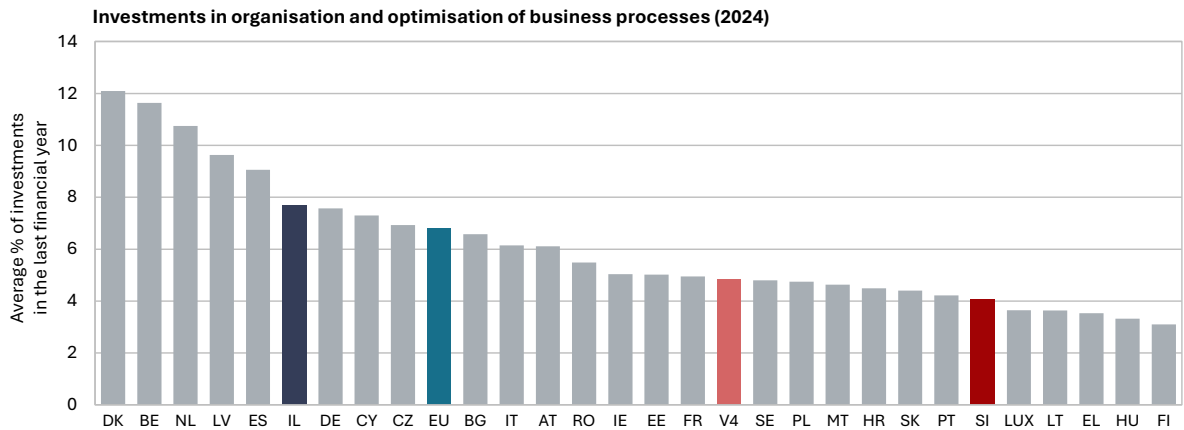


Source: EIB (2024); calculation by IMAD.

3.2.5.4 *Organisational and marketing aspect*

The transition to innovation-driven growth, as well as the digital transformation of companies, requires adapted, innovation-friendly processes, organisation and culture, to which Slovenian companies do not pay enough attention. According to the Chamber of Commerce and Industry of Slovenia survey (CCIS, 2023), 15% of companies and 46% of innovation-active companies have in place an internal innovation system. Comparable data for other countries are not available, but from the emphasis that Slovenian companies place on organisational innovation it can be inferred that this area does not receive sufficient attention. According to the European Innovation Survey, in 2020–2022, 30% of companies in Slovenia introduced new methods of work organisation, decision-making processes, or human resource management (23rd place in the EU), or 11 p.p. less than the average for EU Member States. A similar picture is revealed by EIB data (2024) on corporate investments in organisational capital and business process optimisation (Figure 130), according to which Slovenia, ranked 22nd, lags behind both the EU average and the V4 countries, and compared to innovation leaders, allocates almost half the funds necessary for these purposes.

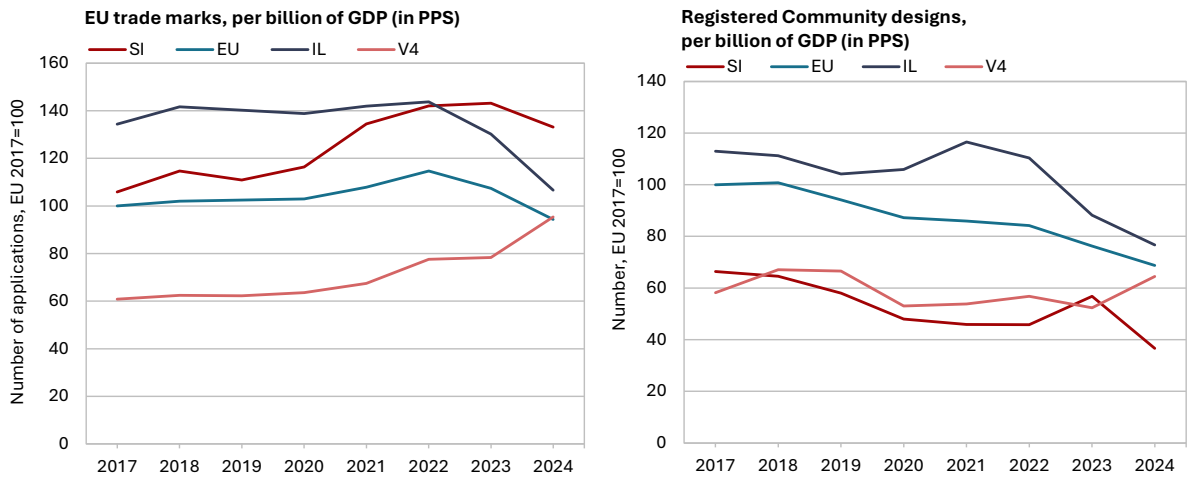
/ **Figure 130: Slovenian companies invest half as much as innovation leaders in terms of their share of all investments in organisational capital and also lag behind competing companies from the V4 countries**



Source: EIB (2024); calculation by IMAD.

Slovenian companies focus increasingly on developing their own trademarks, but they are neglecting the potential of design as a means of differentiating their products. The situation in the field of branding is very positive, where, according to the number of EU trademarks applications with EUIPO,²⁹⁷ Slovenia has significantly intensified its activities in recent years and, ranking eighth in the EU, has even overtaken the innovation leaders (Figure 131). This is also corroborated by data from the EUKlems&INTANProd database (Luiss, 2025) on the extent of companies' investments in branding in terms of their value added. On the other hand, the area of design, which is also crucial for differentiating products and consequently achieving higher value added, does not receive the same attention. In terms of Community designs registered with the EUIPO, Slovenia lags significantly behind the EU average and the innovation leaders, and is also regressing in absolute terms, despite only ranking 21st in the EU in terms of the number of applications per billion GDP. According to another source of data,²⁹⁸ the EUKlems&INTANProd database (Luiss, 2025), Slovenia performs significantly better in terms of investment in design; however, these investments have stagnated, while innovation leaders have recorded a strong increase.

/ Figure 131: In recent years, Slovenia has joined the group of countries whose products are most strongly supported by trademarks, but at the same time, companies underestimate the importance of design for their competitiveness



Sources: EUIPO (2025a, 2025b), EC (2024i), Eurostat (2025); calculations by IMAD. Note: Data for 2016–2023 were obtained from the European Innovation Scoreboard database (EC, 2024i), while the 2024 calculation is based on EUIPO data. For 2024, GDP in PPS for 2023 was used as the denominator.

3.2.5.5

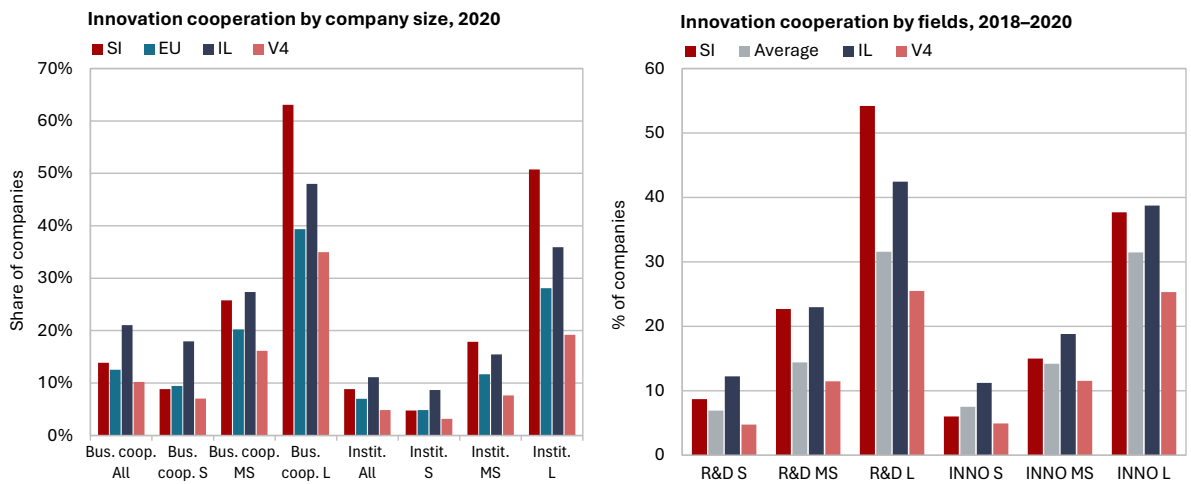
*Open innovation ecosystem:
coherence and stakeholder collaboration*

Large Slovenian companies are among the most open and innovation-linked in the EU, medium-sized companies are on par with innovation leaders, while such cooperation is relatively less prevalent among small companies. Coherence and stakeholder collaboration represents a strong competitive advantage for Slovenia, with the possibility of upgrading to innovation leaders (see Section 3.2.5.1). The gap between Slovenian companies in innovation cooperation and innovation leadership, both among companies and with other (knowledge) institutions, stems entirely from

²⁹⁷ European Union Intellectual Property Office.
²⁹⁸ The data from the EUKlems&INTANProd database represent an indirect estimate obtained on the basis of input-output tables, and are therefore considered less reliable than the EUIPO data.

the lag between small companies (Figure 132). Medium-sized companies achieve a roughly comparable level of cooperation as their peers in innovation leadership: 26% of them cooperate with other companies (7th place in the EU), and 18% with other institutions (knowledge) (5th place in the EU). Large companies are the most open and interconnected in the EU, with 63% of them cooperating with other companies (2nd place in the EU) and 51% of them cooperating with other (knowledge) institutions, which is the highest percentage among all EU Member States. Companies that cooperate on innovation are more than four times more likely to offer products that are new to the market, which is also associated with higher productivity (Wostner et al., forthcoming).

Figure 132: Innovation cooperation, especially between medium-sized and large companies, is one of Slovenia’s main comparative advantages, especially in the field of research and development



Source: EC (2024i); calculation by IMAD. Note: “Bus. coop.” means cooperation of companies with other companies within the business sector, and “Instit.” refers to innovation cooperation of companies with other organisations other than companies, i.e. mainly with knowledge institutions. “All” means all companies with more than 10 employees, and the other designations refer to small (S), medium-sized (M) or large (L) companies. “R&D” means innovation cooperation in research and development, and “INNO” refers to cooperation in areas other than research and development.

The intensity of cooperation is significantly greater in the field of research and development, but there is still considerable room for improvement in other areas, which is also important due to the comparable small size of Slovenian companies. The European Innovation Survey 2018–2020 shows that innovation cooperation is most intense in the field of research and development (7th place in the EU), while Slovenian companies cooperate less in other areas related to innovation. The latter does not apply to large companies, which also cooperate in this area on the same level as innovation leaders (5th place), medium-sized companies are at the level of the EU average (9th place), while small companies, with 13th place, achieve levels of cooperation between the EU average and the V4 countries. Cooperation and linkages between companies are particularly important for Slovenia, where companies are smaller compared to other EU Member States, and this is reflected on average in lower productivity (IMF, 2024), if possibility to exploit synergies is not exploited.

Untapped potentials exist, for example, in design applications and arise (also) from insufficient cooperation between business and the creative and cultural sectors²⁹⁹. In 2022 (CCIS, 2023), approximately one tenth of

²⁹⁹ The creative cultural sector, i.e. cultural and creative industries are defined as activities that combine creativity with the production and distribution of goods and services.

companies collaborated with the domestic creative cultural sector, and there were 29% such innovation-active companies (large companies contributed the most to this cooperation with 42%, medium-sized companies with 29%, and small innovative companies with 26%). The reasons for the considerable untapped potential on the supply side are to be found in the fragmentation and lack of transparency of the supply of creators, in the difficulties in providing constant and comprehensive services by micro-enterprises that dominate the sector, in violations of intellectual property rights and in the lack of business skills among creators (Murovec et al., 2022). On the demand side, the problem is mainly due to insufficient awareness of the importance of such services and the limited ability to assess their quality, as well as a lack of competent intermediaries, which means that appropriate value chains have not been established (ibid.).

The intensification of innovation collaboration between stakeholders, requires a top-notch supportive environment for innovation (including creativity) and (start-up) entrepreneurship:

- a) According to companies, **the supportive environment in the field of innovation** has improved since 2015: according to the evaluation conducted, this opinion is shared by 71% of surveyed companies (Cedars, 2024), which mainly results from the established strategic research and innovation partnerships in connection with the incentives granted from the Smart Specialisation Strategy. According to the same source, 93% of companies consider state incentives to be important for increasing cooperation with research organisations, and in their opinion, this leads to strategic (as opposed to ad hoc) cooperation in 57% of the cases. The fact that smart specialisation incentives have encouraged innovation cooperation is also confirmed by econometric studies using the counterfactual methods: recipients of incentives are 23–26% more likely to engage in innovation cooperation over the next four years than comparable companies (that did not receive incentives) (Burger et al., 2023). Improvements could also gradually occur in the area of the supporting environment for promoting the transition to a circular economy,³⁰⁰ but there have been no changes in the operation of technology parks, accelerators and similar institutions. As a result, the key challenges in all of the aforementioned areas continue to remain:
- too low intensity and unpredictability of support, which, due to the rarity of adequately financially supported multi-year calls for tenders, does not allow for strategic planning on the part of recipients, especially companies;
 - fragmentation and lack of coordination and consequently specialisation among various institutions, which therefore fail to develop sufficiently large capacities;
 - absence of (strategic) cooperation between the business sector and the state (source for all of the above: Bučar et al., 2022, Cedars, 2024);
 - Also, despite the institutional support provided up to 2029, some shortcomings in the area of knowledge transfer from research organisations have still not been eliminated (e.g. the absence of project funding for early development phases, i.e. “proof-of-concept” funding – see VVA et al. (2022)).

³⁰⁰ See <https://www.podjetniski-portal.si/programi/enotna-tocka-za-krozno-gospodarstvo/namen-enotne-tocke>.

A special part of the innovation ecosystem is the **supportive environment for creativity**, within which several important institutions and schemes have been developed in the past period (e.g. the Centre for Creativity or Contemporary Investigative art platforms), which face similar challenges to those mentioned above. In addition to stronger coordination, the creative part of the support environment needs strengthening of existing instruments and development of specialised support services tailored to the needs or characteristics of the creative cultural sector (e.g. creative incubator or specialised training) (Murovec and Kavaš, 2023). In this context, due to its strong impact on productivity, special attention is required to strengthening the cooperation between the creative and cultural sectors and the business sector throughout all stages of the production cycle (research and development of ideas, product realisation, promotion and sales) (Feguš et al., 2022). The Competence Centre for Design Management (CCDM) has been the most active in this area so far, and will continue to upgrade its activities in the future.³⁰¹ However, its scope is too limited to allow to expect an impact at a macro level.³⁰²

b) **The quality of the support environment for (start-up) entrepreneurship** has not yet kept pace with the progress of other countries. According to the third report of the Europe Startup Nations Alliance (ESNA, 2025), Slovenia ranked last among the participating countries in terms of achieving good practices in start-up entrepreneurship in 2023, achieving only 24% of good practice standards, which is significantly lower than the average of the participating countries (61%). It lags the most in terms of the possible use of stock options and innovations in the field of regulation, but it achieved the best results in rapid establishment of start-ups and ease of entering the market. The situation could improve in the future with the realisation of the baseline points of the Slovenian Startup Strategy until 2030 (MGTS, 2024). The amendment to the Personal Income Tax Act (ZDoh-2AB, 2024) already provides a solution to granting stock options to employees in innovative start-ups. The EU Blue Card can already be used to attract highly skilled foreign workers, but the procedures for obtaining it, or for obtaining a single permit that allows third-country nationals to reside and work in Slovenia, should be accelerated, following the example of foreign innovative ecosystems. Foreign investors and digital nomads should also be attracted to improve the functioning of the Slovenian startup community. Entrepreneurship is also encouraged by (regional) business incubators, both public and private, and other experimental environments, but a detailed overview of their operation is not available (TECOS, 2021; VVA et al., 2021).

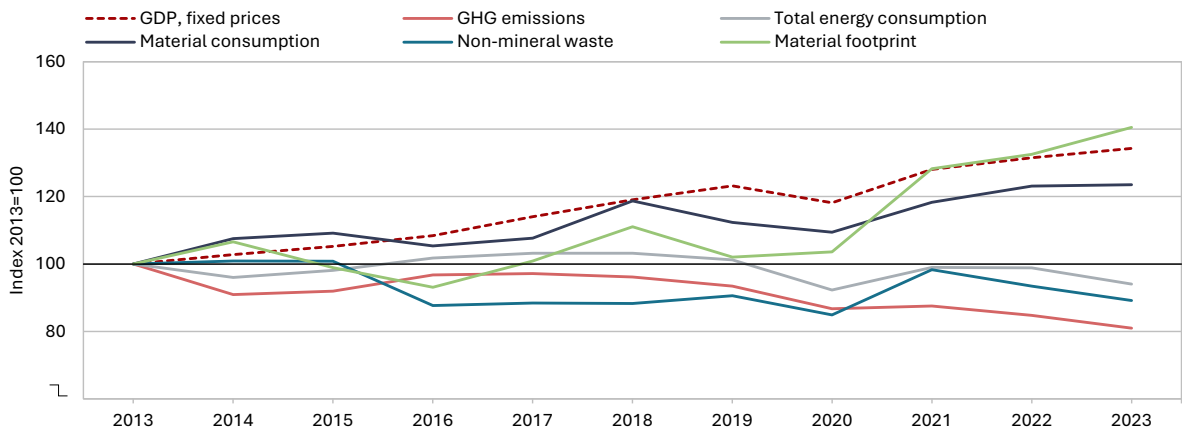
³⁰¹ In 2024, the development of the fourth generation of the Competence Centre for Design Management's project (CCDM, 2024) was launched, representing an important step toward product differentiation and consequently higher productivity. In design management, this refers to a set of approaches, tools and skills that enable companies to use design for achieving their business and strategic goals. It is a way of thinking, managing and leading that helps to better understand users, unlock the hidden potential of their business, and change technological innovation into useful and attractive products or services (CCDM, 2023).

³⁰² The Competence Centre for Design Management (CCDM 3.0) operated successfully in the period between 2020 and 2023, but strengthened the competencies of employees of only 57 Slovenian companies – see SPS (2024).

3.3 Transition to a low-carbon circular economy

The environmental dimensions of economic development, as reflected in productivity indicators for 2023, show continued growth in emission and energy productivity, while material productivity remains stagnant at a relatively low level. Sustainable development requires a decoupling of economic growth from greenhouse gas (GHG) emissions, energy use, material consumption and waste generation. The desired decoupling, which has been present in all observed areas with some fluctuations over the past decade, has largely continued in 2023 (latest data), although not uniformly. With continued GDP growth, GHG emissions, energy use and waste (excluding mineral waste) decreased again. Total waste generation also declined slightly, but remained at a high level after significant growth in the previous year. Domestic material consumption remained almost unchanged, but the growth in the material footprint, which includes hidden material flows across the supply chain and reflects the global impact of domestic consumption, exceeded GDP growth. Despite some positive trends, achieving sustainable growth and maintaining quality of life will require a faster and more ambitious shift toward systemic circular solutions and decarbonisation. Managing risks and enhancing resilience will depend on the ability to identify opportunities, foster innovation, reduce consumption, implement clean technologies, monitor progress, and adapt policies and resource allocation accordingly. The remarkable progress made so far will need to be accelerated. The green transition will become significantly more challenging due to changes that are too slow or delayed, and the relatively high quality of life could be at risk (IMAD, 2022a).³⁰³

/ Figure 133: In 2023, the desired decoupling of energy use, GHG emissions and non-mineral waste from economic growth continued; the increase in material consumption was only slightly less pronounced than GDP growth, while material footprint grew more rapidly than GDP



Sources: SURS (2025a), ARSO (2024a), Eurostat (2025); calculations by IMAD. Note: (i) Total waste (not shown in figure 133) decreased slightly after a significant increase in 2022, but was more than 2.4 times higher than in 2013. Total waste includes the majority of mineral waste generated by ore mining, which is largely related to construction activities and, due to its specific weight, dominates the overall waste structure. (ii) The Material Footprint (MF) refers to the consumption of materials embedded in final products within a country, taking into account materials used throughout the supply chain, regardless of their physical origin. The MF is calculated as the sum of materials obtained domestically and embedded in imported products, less materials contained in exported products.

³⁰³ Lower energy use and lower GHG emissions in recent years have also been reflected in a lower ecological footprint (Section 2.4), so we can expect that its reduction will continue in line with this trend. With current measures, the ecological footprint could be reduced by 7% by 2030 (to achieve the SDG2030 target, it needs to be reduced by 20%), while more ambitious measures in the areas of sustainable energy use, mobility and forest management could reduce it by 25% (Jernej Stritih et al., 2023).

3.3.1

A low-carbon economy

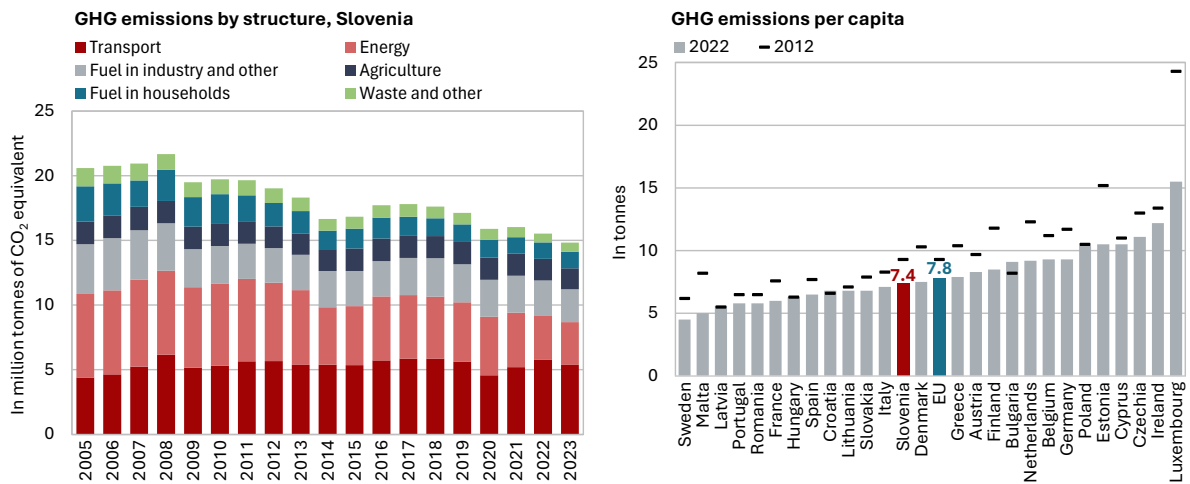
In 2023, greenhouse gas (GHG) emissions decreased for the second consecutive year, reaching their lowest level in the last two decades, largely due to lower emissions from transport, and previously from the energy sector. In total, GHG emissions amounted to 14.8 million tonnes of CO₂ equivalent (ARSO, 2025), which was 4.8% lower than the year before, 6.9% lower than in 2020 (when emissions decreased significantly due to reduced economic activity during the COVID-19 epidemic), about a third lower than their peak in 2008 and 28% lower than in 2005 (the reference year for the National Energy and Climate Plan (NECP) target). Whereas in previous years the largest contribution to overall reductions came from lower emissions in the energy sector (in 2022 due to lower coal consumption at the thermal power plant during the energy crisis), in 2023 the largest contribution came from the transport sector. Since transport is a sector not covered by the emissions trading system (non-ETS sector), emissions in the entire non-ETS sector were lower, by 4.4%. In the ETS sector, the reduction in emissions was, as usually, greater than in the non-ETS sector (by 1.3 p.p.), as entities in this group are additionally encouraged to reduce emissions due to the relatively high costs associated with the mandatory purchase of permits.

In recent years, more than one-third of GHG emissions have originated from the transport sector, almost entirely from road transport. In 2023, emissions from transport amounted to 5.4 million tons of CO₂ equivalent (ARSO, 2025), which was around 7% less than in the previous year and represents the first annual improvement since the COVID-affected year 2020. However, emissions remained at the 2013 level and were 22% higher than in 2005. As emissions in other categories have decreased over the long term, the share of transport in total emissions has been increasing: from 29% in 2013 to 36% in 2023 (in the EU this share is much lower, at around 5%). About two-thirds of these emissions are generated by road transport, about a quarter by heavy goods vehicles and buses, and about a tenth by light goods vehicles. The long-term reduction of emissions is hindered by increased motor activity of domestic vehicles, with an additional contributing factor being fuel sales to foreign drivers (which are included in national emissions calculations regardless of where the fuel is consumed). The share of emissions from this source varies from year to year, depending on the price differential between fuels in Slovenia and neighbouring countries. In 2023, emissions also decreased in industry, energy and all other categories, except for the category “other”, which contributes relatively little to total emissions. In the long term, emissions are decreasing in all categories except transport. In the 2013–2023 period, the largest share of overall reduction was accounted for by lower emissions from the energy sector (43%) and from households (27%). In industry, where more emissions arise from fuel use than from industrial processes, emissions declined by around 8% during this period. As total emissions fell more substantially (by 19%), industry’s share in total emissions increased slightly, from 15% to 17%, although this share remains lower than the EU average (21%).

Emission productivity is increasing, as greenhouse gas emissions are decreasing despite economic growth; in Slovenia it is lower than the EU average, but the gap has narrowed to its lowest level in 2023 (5.9%). Growth in emission productivity (the ratio of GDP to GHG emissions) accelerated after lagging during the global financial crisis and has since outpaced the EU average. While Slovenia’s emissions productivity still remains lower in this comparison, the gap has been narrowing in recent

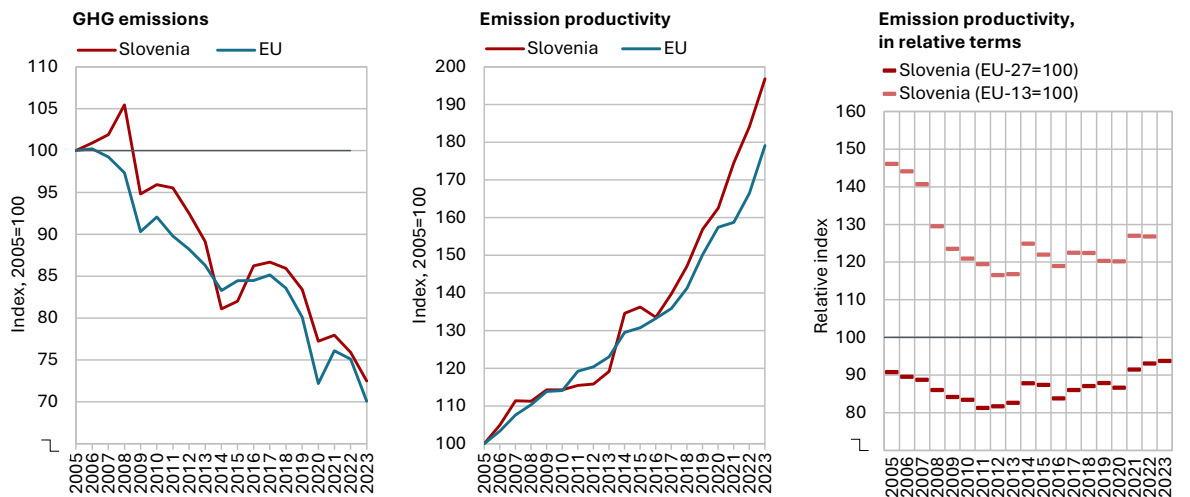
years. In 2023, Slovenia generated 5.9% less GDP per unit of GHG emissions compared to the EU average, which is the smallest gap recorded since 2005. Compared to productivity in the 13 Member States that joined the EU after 2004, Slovenia's emission productivity, despite declining after 2008, was still much higher, by 26.2% in 2023. To achieve the SDS target by 2030, i.e. to reach the EU average, it will be necessary to increase the use of renewable energy sources and improve energy efficiency. At the same time, financial incentives for climate-related investments should be systematically directed towards comprehensive and effective solutions. As transport accounts for the largest share of total emissions, particular attention must be given to measures targeting this sector. The use of fossil fuels is particularly problematic, as exemptions from excise duties and other measures to reduce fuel prices do not contribute to the green transition.

Figure 134: Total GHG emissions fell to their lowest level in the observed period in 2023; on a per capita basis, emissions were slightly lower than the EU average



Sources: ARSO (2025) and Eurostat (2025).

Figure 135: The long-term decline in GHG emissions has followed a broadly similar pattern to that of the EU; however, as emissions productivity has grown more rapidly in recent years, the gap with the EU average has narrowed slightly



Source: Eurostat (2025). The data for 2023 are preliminary; for Slovenia, emissions data are provided by ARSO, calculated by IMAD. Notes: (i) GHG emissions without LULUCF and including international aviation. (ii) Emission productivity is calculated as the ratio of GDP to GHG emissions. In the middle figure, productivity is calculated using GDP at constant prices, and in the figure on the right, GDP in PPS is used. Comparisons in PPS are meaningful across countries within a given year, but not over time; (iii) EU 13: countries that joined the EU after 2004.

Box 1

Updated Integrated National Energy and Climate Plan of the Republic of Slovenia (Government of the RS, 2024b)

The revision of the EU's climate and energy targets for 2030 has required all Member States to update their national energy and climate plans.

In search of a balance between economic development and environmental protection, more ambitious goals have been set for accelerating the green transition by 2030, with a view to 2040. In Slovenia, the main targets include the following:

- (i) Reduction of GHG emissions: a total reduction of at least 55% by 2033 compared with 2005 (and by 35–45% by 2030, depending on the scale of the phase-out of the Šoštanj Thermal Power Plant); including a reduction of 28% by 2030 in the non-ETS sector. Coal phase-out by 2033 at the latest and elimination of fossil fuel subsidies by 2030;
- (ii) Increase in the share of RES: overall to at least 33% in final energy consumption by 2030, including at least 55% in electricity generation, 45% in heating and cooling, and 26% in transport. Continued operation of the existing nuclear power plant and a decision on a new one no later than 2028;
- (iii) Efficient energy use: final energy consumption should not exceed 50.2 TWh; this requires a reduction in total use by 11.1% compared to the 2020 reference scenario, a reduction in final energy consumption in buildings by 15%, in the public sector by 1.9%, and the renovation of 3% of the total floor area of public sector buildings annually.

According to estimates, achieving the energy and climate goals for the 2021–2030 period requires new investments totalling around EUR 22 billion. These will be financed through private sources, national public funds and European transition funds.* The largest share of investments will be used to finance measures intended for households, such as energy renovation of buildings and replacement of energy equipment (EUR 5.4 billion), electricity distribution and transmission networks (EUR 4.0 billion), decentralised electricity generation from RES (EUR 3.8 billion) and the industrial sector (EUR 1.6 billion). Total investments in the public sector in the 2021–2030 period is estimated at EUR 6.9 billion. Most of these are intended for railway infrastructure (EUR 3.5 billion), sustainable mobility (EUR 1.8 billion) and public buildings (EUR 1.5 billion). The effects of the planned policies are more reliably assessed up to 2030, while estimates for 2040 remain preliminary due to uncertainties in input assumptions – such as the cost of new RES technologies, storage systems, and the scale of investments in nuclear capacity. In this regard, it is important to transform existing CO₂ levies into earmarked instruments to support investments in more sustainable measures or to mitigate the effects of energy and transport poverty (see also Box 2 and IMAD, 2024).

* These investments are supported by cohesion funds, the Recovery and Resilience Facility, the Climate Change Fund, the Modernisation Fund, the Eco Fund, the Just Transition Fund, special-purpose contributions, etc.

Energy use, which is directly linked to GHG emissions primarily due to fossil fuel consumption, decreased by nearly 5% in 2023 – a reduction comparable to that in the EU; with higher GDP growth, the gap in energy productivity compared to the EU average continued to narrow. Primary energy consumption³⁰⁴ in 2020 was approximately 14% lower than in 2005, which is more favourable than the target consumption.³⁰⁵ This was also due to substantial reductions in consumption during the crisis years of 2009 and 2020. In 2021, energy consumption increased, but then decreased for two consecutive years during the energy crisis. Over a longer period, primary energy consumption was also reduced by changes in thermal power generation, including the modernisation of the Šoštanj Thermal Power Plant (TEŠ 6) and the closure of the Trbovlje Thermal Power Plant. In 2023, primary energy consumption amounted to 5.924 million toe, which is close to the target value by 2030³⁰⁶ (The Government of the RS, 2024b). Final energy consumption³⁰⁷ also declined, in line with the reduction in primary energy consumption, reaching 4,484 ktoe. To meet the targets set for 2030, it will need to decrease slightly further. With stronger GDP growth than in the EU (measured in PPS), energy productivity (the ratio of GDP to gross available energy) improved significantly and, with a remaining gap of around 5%, came the closest to the EU average in the observed period. At the same time, the intensity of final energy use in the economy (final use/GDP) also decreased.³⁰⁸

In 2023, final energy consumption decreased in all main energy users, most notably in manufacturing and transport. The sharpest decrease occurred in manufacturing, where final energy consumption fell by one tenth. Progress was primarily achieved through the reduction and eventual shutdown of energy-intensive primary aluminium production, which – due to the energy crisis – was replaced by imports of primary aluminium and more modern recycling-based production of secondary aluminium. This also impacted the growth of energy productivity in manufacturing, which has exceeded the EU average since 2019.³⁰⁹ Despite this, road transport remains the main barrier to a faster reduction in final energy use, accounting for the largest share of final energy consumption in Slovenia (40%), which is also high in comparison to the EU average (30%). In households, final energy consumption was the lowest ever, with the largest decrease observed in heating-related energy use. The main drivers of this long-term reduction include more economical energy use, energy renovation of buildings, improved efficiency of heating devices

³⁰⁴ Primary energy consumption (according to the Energy Efficiency Directive) means gross available energy, excluding international maritime bunkers, final non-energy consumption and ambient energy (heat pumps).

³⁰⁵ According to the set targets, energy use in Slovenia could increase by several percent in the 2005–2020 period, while it would have to decrease in most other Member States.

³⁰⁶ Eurostat, calculations made pursuant to Energy Efficiency Directive.

³⁰⁷ Final energy consumption (according to the Energy Efficiency Directive) means the primary energy consumption, excluding deliveries to the energy sector and losses due to transmission and distribution. It therefore covers the consumption of final users (in industry, transport, households, services, etc.).

³⁰⁸ Energy productivity and energy intensity both measure the ratio between energy and GDP but they move in opposite directions and differ in focus and interpretation (how much is created or how much is invested). Despite these differences, both indicators point to the same underlying trend: the decoupling of economic growth from resource use.

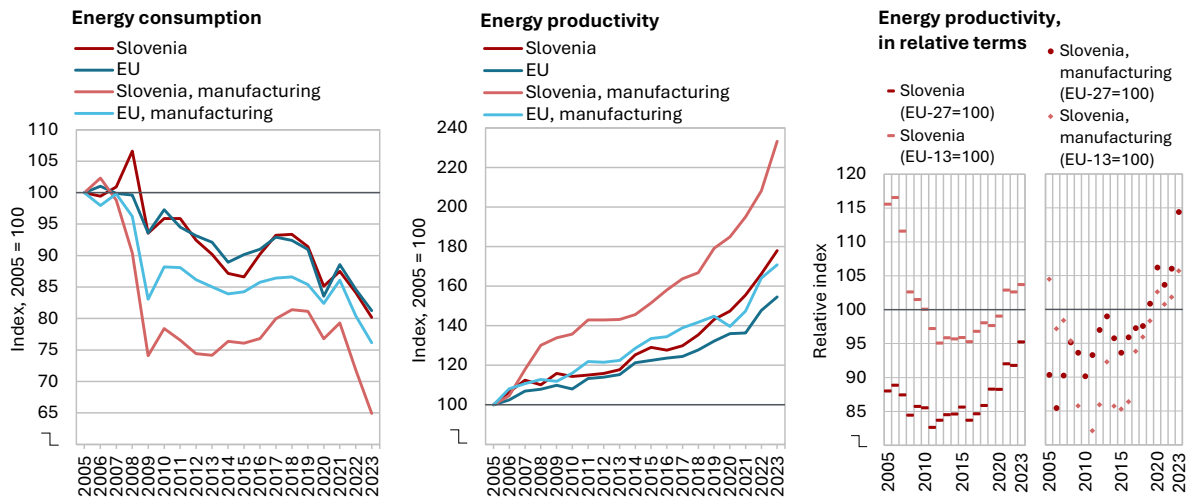
³⁰⁹ Companies in energy-intensive manufacturing activities (C 17 paper, C 20 chemical, C 23 non-metallic mineral product manufacturing, C 24 metal) reduced the share of energy costs in total operating revenues in the 2008–2021 period (from 8.4% to 5.8%). However, during the energy crisis in 2022, this share rose sharply due to high energy prices – particularly for natural gas and electricity – reaching 8.7%, and remained elevated in 2023 at 8.4%. In 2023, energy productivity of energy-intensive manufacturing activities was 4.5 times lower than the average for manufacturing activities and also grew much more slowly over a longer period. An exception within energy-intensive activities is the metal industry. Due to the aforementioned changes in aluminium production, energy productivity in the metal industry increased faster than the average in manufacturing over a longer period, thereby positively contributing to its growth (IMAD, 2023c).

and milder winters. In the structure of final consumption by households, the share of heating oil decreased, while the share of electricity and ambient heat increased. Reducing energy use and transitioning to more sustainable energy consumption are fundamental to the environmental dimension of ensuring quality of life.

Manufacturing activities, particularly energy-intensive industries (EII), face major challenges in the transition to low-carbon production. The transition is primarily driven by two objectives: (i) reducing energy consumption and/or increasing energy efficiency, which is also dictated by the relatively high energy costs, and (ii) introducing clean technologies, which involve lower use of fossil fuels and increased electrification (EC, 2025a), while ensuring fair competition in the global market.³¹⁰ This is of particular importance, especially for EII, which includes the production of metals, the production of other non-metallic mineral products, the chemical and paper industries, which are significantly integrated into numerous value chains. The volume of EII production in Slovenia (and in the EU) decreased during the energy crisis. In 2024, most EIIs in Slovenia increased production, but the 2021 levels have not yet been reached (IMAD, 2025). The share of EII in the value added of manufacturing has been decreasing; in Slovenia since 2015, and in the EU since 2008; in 2022 it was 15.0%, which was similar to the EU level. GHG emission reductions in the EII has been slower than in other sectors, as the processes are energy-intensive and more difficult to replace with low-carbon alternatives. Due to high energy costs and insufficient investment in clean technologies, the sector is struggling to remain competitive. The measures taken so far have focused mainly on energy use and less on production processes, are not sufficiently targeted and are not sufficiently harmonised (OECD, 2025f). The vast majority of subsidies to date have been directed towards the energy sector, while industry has received relatively limited support in the transition. The transition to the desired electrification will only be feasible if there is sufficient clean electricity available, which poses a particular challenge (OECD, 2025f).

³¹⁰ The key measure is the Carbon Border Adjustment Mechanism (CBAM) (Regulation (EU) 2023/956, 2023). Its purpose is to prevent the relocation of carbon-intensive production to countries with less stringent climate regulations. Upon the import of goods into the EU, emissions released during the production of goods are taken into account. This encourages countries and companies to pursue a green transition, ensures fair competition in the global market, and supports the achievement of the EU's climate goals.

/ Figure 136: Energy use in Slovenia has declined at a similar pace to that in the EU, and although energy productivity has been increasing more rapidly, it remains slightly below the EU average – with the exception of manufacturing, where it is higher



Source: Eurostat (2025); calculations by IMAD. Note: Energy productivity is calculated as the ratio of GDP to energy consumption. In the middle figure, productivity is calculated using GDP at constant prices; in the figure on the right, it is calculated using GDP in PPS. Comparisons in PPS are meaningful across countries within a given year, but not over time. EU-13 – countries that joined the EU after 2004.

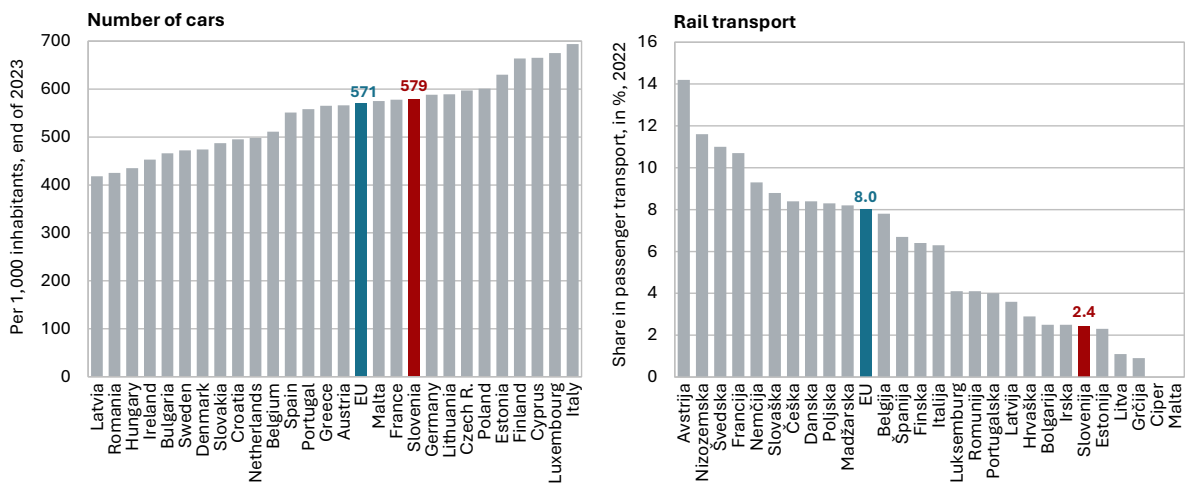
Since transport has a major impact on overall energy use and the share of renewable sources in final energy consumption, it also plays a major role in achieving energy and environmental policy goals. Due to its transit location, Slovenia has a fairly dense freight traffic, while the share of individual transport in passenger transport is among the highest in the EU. Most goods are transported by trucks and most passengers travel by private vehicles, which are the least environmentally acceptable modes of transport. The transition to more sustainable forms of mobility is essential, as it would not only make an important contribution to a low-carbon economy, energy efficiency, reduced dependence on fossil fuels, and increased disposable income, but also help reduce noise, traffic congestion and accidents, and improve air quality and the public health. However, there are many challenges in enabling this transition.

Due to its transit location, Slovenia faces a large volume of goods traffic; most of it is road transport, but the share of goods transported by rail has also been increasing over a long period and is relatively high in international comparison. In 2005–2022, goods traffic increased by 44% (in the EU by 12%), of which 40% by road and 50% by rail. With a relatively high share of goods transported by rail (33%), in 2022 the share of road freight transport was lower than in the EU (67% compared to 78% in the EU). Goods transport per unit of GDP increased by 3.7% during this period (it decreased by 9.5% in the EU), and per capita, one third more goods were transported than in the EU in 2022. Foreign carriers performed a high share of transport: around 18% of all freight transport on the Slovenian railway network and more than three quarters of freight transport by road. A large share of rail traffic is directed toward the Port of Koper and is expected to increase further with the modernisation of the Divača–Koper railway line and certain other sections in the future; however, a temporary decline in traffic is anticipated during the implementation of the construction works. It is estimated that the share of road freight transport will increase slightly in 2023 due to the lower volume

of rail transport,³¹¹ and remain at the same level in 2024 due to the modest increase in both types of transport.

Private vehicle transport is the predominant mode of passenger transport in all EU Member States, and in Slovenia its share is one of the highest compared to the rest of the EU. In 2022, the share of private transport in Slovenia was 86.1% (83.4% in the EU), which can be partly attributed to the rugged terrain and dispersed settlement pattern,³¹² which, despite subsidies, limit the greater diversification and profitability of public transport. Given this structure, where public transport by rail and bus is used to a significantly lesser extent than private cars, the share of transport expenditure in total household expenditure is also higher (19% in 2020, 11% in the EU; see Section 2.3.1). Slovenia’s transit position for tourist flows from Central Europe to the Adriatic contributes greatly to the higher volume of car traffic, particularly during the summer months.³¹³ During the COVID-19 containment measures, the share of public passenger transport in total passenger transport decreased, similar to the trend observed in the EU, but increased again in the following years, reaching 13.9% in 2022. With the strong growth in rail passenger transport, it is estimated that the decline in the share of car transport continued in 2023 and 2024. Nevertheless, considerable challenges remain, especially in promoting sustainable personal mobility, such as e-mobility, improving public transport and car-sharing schemes, accelerating the development of rail transport, and constructing additional infrastructure for pedestrians and cyclists.

/ **Figure 137: Slovenia is at the EU average in terms of the number of cars per capita, but ranks at the very bottom among Member States in terms of the share of rail passenger transport in total passenger transport**



Source: Eurostat (2025); calculations by IMAD. Note: left figure: Austria 2018; right figure: the indicator refers to travel within the country.

The share of renewable energy sources (RES) in final energy consumption in Slovenia increased modestly after 2005, but in 2023 it rose more significantly due to higher use of solar energy in electricity generation and liquid biofuels in transport, exceeding 25% for the first time. In 2023, the share of RES in final energy consumption increased by 2.2 p.p. compared to the previous year, reaching to 25.1%, thereby achieving the target set for

³¹¹ In 2023, rail freight transport decreased by 6%, while road freight transport (according to estimates) increased by 0.4%. As a result, the share of rail freight transport decreased as well.

³¹² In Slovenia, a relatively small share of the population lives in cities (19% in 2023, the lowest among all Member States; 39% in the EU) and a large share lives in rural areas (45%; 26% in the EU) (Eurostat, 2025).

³¹³ The sale of fuel to foreign drivers also affects energy consumption and GHG emissions.

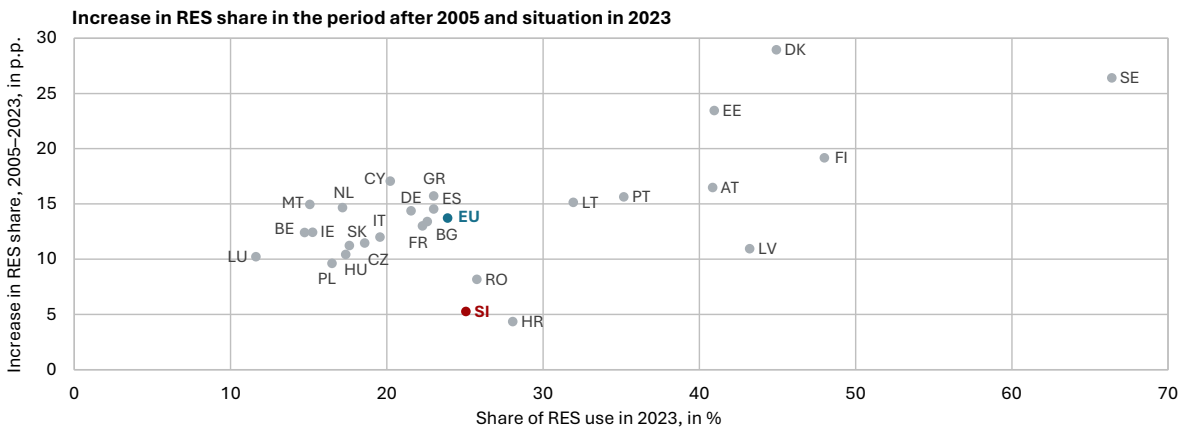
2020 with a delay.³¹⁴ The use of RES increased by 4%, due to increased use of solar energy in electricity generation (two-thirds of the increase) and biofuels (one-third of the increase). A notable contribution to the higher RES share also came from a reduction in final energy consumption. Between 2005 and 2023, the total RES consumption in Slovenia increased by 12%, while it doubled in the EU. The increase in the RES share in Slovenia was also relatively modest (5 p. p. in Slovenia compared to 14 p.p. in the EU), though it remained above the EU average (24.5%) in 2023. The structure of RES use in Slovenia continues to be dominated by traditional RES, i.e. the use of solid biofuels (43%; mainly wood) and hydropower (33%). In recent years, the shares of biofuels, solar energy and heat pumps have also increased significantly (to 8%, 7% and 5%, respectively). The use of other RES remains negligible, and wind energy remains largely untapped, despite accounting for nearly 18% of RES in the EU. Wind energy complements solar energy well, but local opposition continues to be a major obstacle to its utilisation.

The use of RES varies across sectors and its increase could be reached by the increase in green investments, awareness-raising, and decisive and well-argued communication with the local population. *In the electricity sector*, Slovenia had previously achieved a higher share of RES than the EU average due to its hydropower plants, but by 2023 this share had fallen below the EU average due to the faster growth of wind and solar energy use in other EU Member States (42% and 45%, respectively). *In the heating and cooling sector*, the RES share is high due to the use of wood and it also significantly exceeded the EU average in 2023 (34% vs. 26%). *In the transport sector*, the share of RES has only increased significantly in recent years and has become comparable to the EU average (10% vs. 11%). The targets for the coming years seems to be quite distant. According to the updated National Energy and Climate Plan (Government of the RS, 2024b), Slovenia aims to achieve a 33% share by 2030, while the EC has proposed a more ambitious goal of 46%.³¹⁵ Achieving such an acceleration in the use of RES will require increased investment in green energy. Given Slovenia's favourable natural conditions (abundant water resources and wind potential), the existing development gap will need to be closed, and acceptable solutions identified for the priority spatial siting of specific energy facilities (MOPE, 2023). It is estimated that, in 2024, the share of RES will at least be maintained, supported by increased use of hydropower and increased use of solar energy.

³¹⁴ The binding target of 25%, in accordance with Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (2009), was achieved by Slovenia for three years through the purchase of the missing share of energy from RES from another EU Member State via the mechanism of statistical transfer of renewable energy (MOPE, 2022b, 2022a). The agreements for the first two years were concluded with Czechia, for 2020 in the amount of approximately EUR 5 and for 2021 about EUR 2 million. For 2022, a share in the amount of almost EUR 11 million was purchased from Croatia. The administrative purchase did not result in the acquisition of additional energy, but it was a prerequisite for further drawdown of cohesion funds in the current period.

³¹⁵ Targets for 2030 for individual EU Member States have not yet been set. For Slovenia, the target considered in the Slovenian Development Strategy (SDS) was the one applicable to the EU as a whole at the time of its adoption. Since then, this target has been raised from 27% to 32%, and under the Fit for 55 and RePowerEU to at least 42.5% (with the aim of reaching 45%).

/ Figure 138: The EU has almost caught up with Slovenia in terms of the share of RES* use, as the RES share in Slovenia has only increased modestly in the past 18 years, while it has more than doubled in the EU



Source: Eurostat (2025); calculations by IMAD. Note: *The calculation does not take into account administrative transfers of shares between countries.

3.3.2 Circular economy

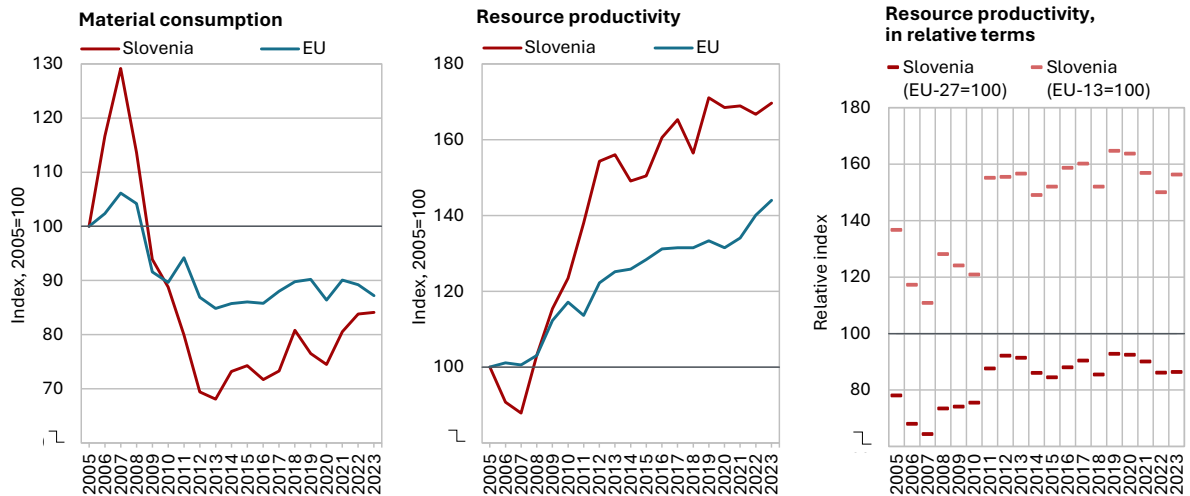
Resource productivity, one of the key indicators of a sustainable economy, improved during the global financial crisis due to lower material consumption in the construction sector, but in recent years there has been no progress and the lag behind the EU remains considerable (approximately 14%). In Slovenia, changes in resource productivity, calculated as the ratio of GDP to raw materials and materials used, were strongly impacted by the construction sector and the related consumption of non-metallic minerals.³¹⁶ In the structure of material consumption, the share of construction materials is high in international comparison.³¹⁷ Resource productivity, calculated as the ratio of GDP to raw materials and materials consumed, increased more rapidly than the EU average in the period 2007–2012, mainly due to a sharp decrease in construction activity after the completion of main motorway network and as a result of the global financial crisis. In the following years, the gap to the EU average remained roughly unchanged, with some fluctuations. In 2021 and 2022, there was again strong growth in the use of non-metallic minerals and, consequently, total resource consumption. However, in 2023 this growth slowed to 0.3%, mainly due to a slight increase in biomass use. In 2023, sand, gravel, limestone and gypsum accounted for the largest share of the material consumption structure (almost two-thirds). Around 16% of total resources consumed in Slovenia were net imports (similar to the EU). The largest imports were those of energy products (liquid fuels, natural gas), while the main exports was timber. Since 2013, when resource use reached its lowest level after the global financial crisis, it has increased by almost one quarter (around 3% in the EU). The lag behind the EU in resource productivity thus remains high, around 14%, which is one of the greatest lags in the last decade.

³¹⁶ The connection between the consumption of non-metallic minerals and construction activity is also confirmed by an analysis by the Geological Survey of Slovenia, conducted based on 2014 data, which showed that three quarters of non-metallic minerals were consumed as raw materials in construction, a further 17% as inputs for the building material industry, and only 7% in manufacturing.

³¹⁷ The consumption of sand and gravel, which in 2023 accounted for around half of total material consumption in Slovenia (37% in the EU), increased by almost 60% in the last decade (compared to 18% in the EU), while the use of other materials increased by 2%. In the EU, the use of other materials decreased by 4% during this period.

Strengthening measures to more comprehensively promote circularity, which will reduce the need for primary raw materials, including critical ones, is becoming increasingly urgent. Since the planned implementation of major construction projects is expected to slow down the growth of resource productivity, the use of recycled materials will need to be significantly increased in order to urgently improve performance and move closer to the EU average. The share of recycled materials in total resource consumption in Slovenia remained below the already relatively low EU level in 2023.³¹⁸ Special attention and support will need to be given to research on the use of critical raw materials, which are crucial for economies undergoing the green and digital transitions, but are associated with significant vulnerabilities due to their limited nature and increasingly uncertain supply. Since Slovenia has some reserves of these raw materials, this may contribute to improving self-sufficiency.³¹⁹ In accordance with the Regulation on the Supply of Critical Raw Materials (Regulation (EU) 2023/1252, 2024) the National Research Programme is being prepared, aiming to provide updated data on raw materials and their location (CCIS, 2025).

/ **Figure 139: Resource consumption in Slovenia has grown more rapidly than in the EU over the past decade, which, along with the slower growth of resource productivity, has stopped the narrowing of the gap between Slovenia and the EU, which has even widened in recent years**

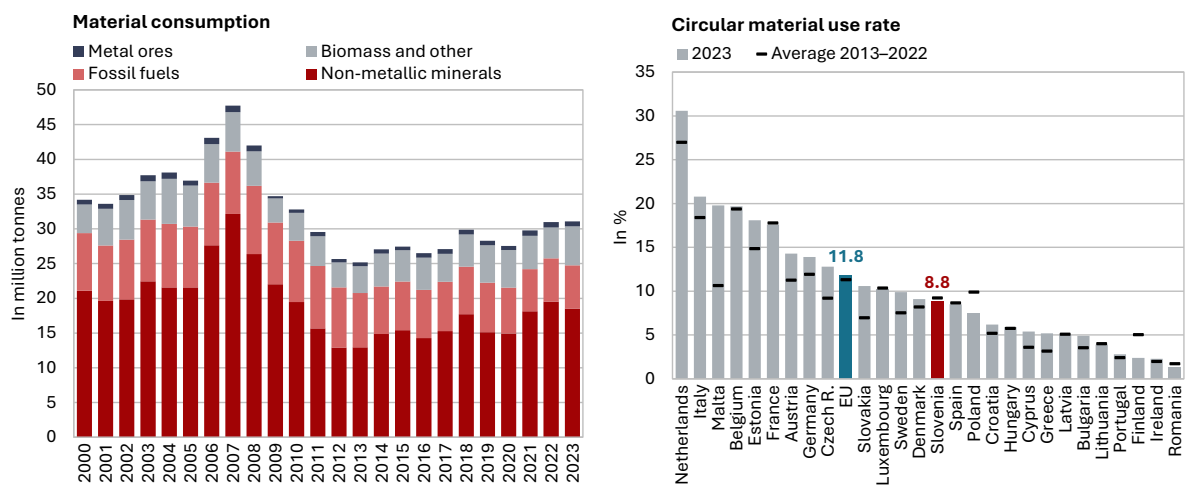


Source: Eurostat (2025); calculations by IMAD. Resource productivity is calculated as the ratio of GDP to resource consumption. In the middle figure, productivity is calculated using GDP in constant prices, and in the figure on the right, it is calculated using GDP in PPS. Comparisons in PPS are meaningful across countries within a given year, but not over time. EU-13 – the Member States that joined the EU after 2004.

³¹⁸ The circular economy goes beyond waste management – in addition to promoting greater use of recycled materials based on high-quality recycling, systemic solutions essential to support social (changes in consumer awareness, behaviour and habits) and economic transition (changes in business models; eco-design, transition to servitisation, extension of product's useful life and industrial symbiosis).

³¹⁹ The EU list of critical raw materials includes strategic and other critical raw materials that are of vital importance to the economy, while also posing a serious risk of supply disruption. The list comprises more than 30 materials, and its scope has been expanding over the years. The regulation, which aims to reduce geopolitical risks, promote European industrial independence and ensure the sustainable development of critical raw materials (Regulation (EU) 2023/1252, 2024), provides that the EU should extract at least 10% and produce at least 40% of strategic raw materials domestically, and cover at least 25% of their consumption through recycling.

/ Figure 140: The higher consumption of materials since 2013 has been due mainly to the higher consumption of non-metallic mineral materials, which decreased significantly after the completion of motorway network and during the global financial crisis in 2007–2012 (left); the share of recycled materials will need to increase significantly, as in most EU Member States (right)



Sources: SURS (2025a) and Eurostat (2025); calculations by IMAD. Note: (i) resource consumption is defined as domestic extraction plus net imports of resources; (ii) the share of recycled materials is the ratio between the amount of processed waste used and the total amount material and waste used.

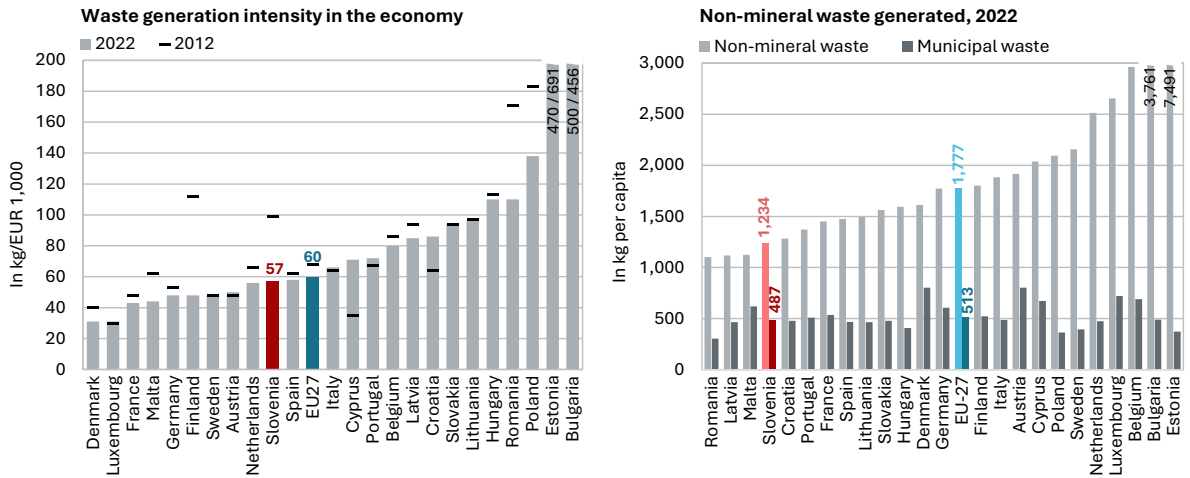
In 2023, the amount of non-mineral waste generated, which is among the lowest in the EU, decreased and reached the lowest per capita ever recorded, while the recycling rate also declined but remained among the highest in the EU. A total of approximately 11.4 million tonnes of waste was generated, which is 3% less than in the previous year when the largest amount of waste was generated. Both the amount of mineral³²⁰ and non-mineral waste declined, while the amount of hazardous waste generated reached its highest level on record as of 2023. In terms of the amount of non-mineral waste generated per capita, Slovenia ranked among the EU countries with the lowest levels (data for 2022). In 2023, 1,315 kg of such waste was generated per capita, the lowest amount recorded to date and nearly a quarter less than a decade ago. Although the recycling rate fell to its lowest in a decade in 2023, it remained among the highest in the EU at 74% (EU average: 56%). At the same time, the share of non-mineral waste disposed of increased to more than 5% of total waste management. The intensity of waste generation in the economy, measured as the amount of waste generated per unit of GDP, continued to decline. In 2023, non-mineral waste generation reached its lowest level in this respect, i.e. 49 kg/EUR 1000 of GDP, which is only a third of the amount generated a decade ago. Even at the EU level, Slovenia made relatively strong progress over the past decade and ranked in the top half of EU Member States in 2022 in terms of waste generation intensity in the economy.

In 2023, the volume of municipal waste increased mainly due to a larger amount of bulky waste. Municipal waste, which accounts for around a tenth of total waste generated and almost half of non-mineral waste, increased by 5% in 2023 to 518 kg per capita, despite a decrease in total waste generated. The increase was mainly due to the large amount of bulky waste generated in the aftermath of severe flooding. This is also reflected in the regional distribution: in the Savinjska and Koroška regions, municipal waste increased by around one fifth (Hotić et al., 2024). The volume of separately collected municipal waste rose in line with total municipal waste, while its recycling rate,

³²⁰ The share of mineral waste in total waste was relatively high, around 80%. It is mainly composed of construction waste.

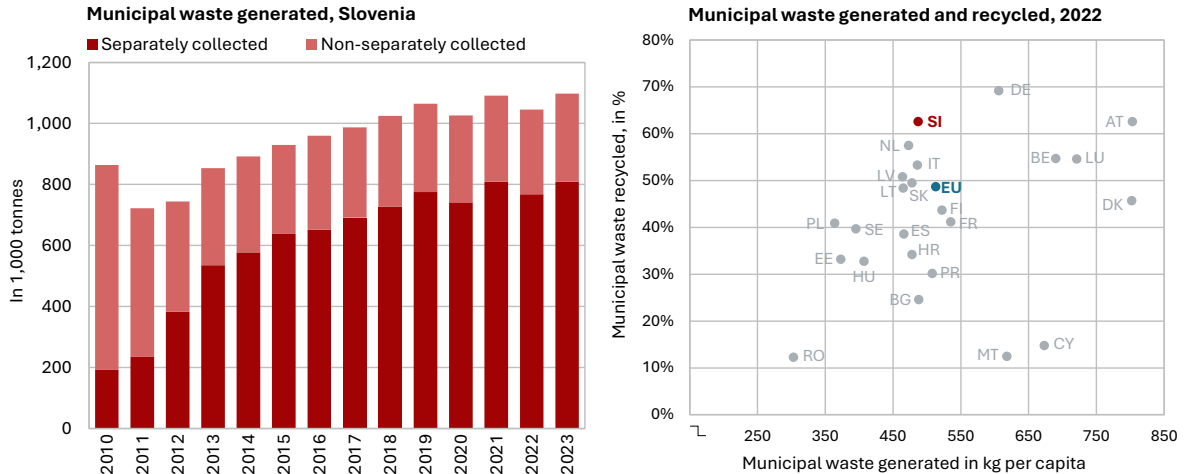
which is high by international comparison, declined for the first time in the last decade (by 3 p.p.). Half of municipal waste was disposed of, which is the highest share since 2015. One of the reasons is the lower recyclability of bulky waste; therefore, this is considered a temporary effect. In the long term, waste disposal, which is the least desirable option, continues to decline. Despite a 16% increase in the amount of waste disposed of, in 2023 this represented less than 2% of total waste management (see Statistical Appendix). Reduced landfilling contributes to higher use of recycled materials; however, due to the overall increase in total material consumption, their share has not improved in recent years and remains below the EU's relatively low average (Figure 140). To increase the use of recycled materials, it will be necessary to accelerate the development of high-quality recycling technologies and establish a well-functioning market for secondary raw materials.³²¹

/ Figure 141: In the past decade, the intensity of waste generation (waste generated/GDP) has improved and is close to the EU average (left), while the amount of non-mineral waste generated – including municipal waste – is lower in per capita terms in this comparison (right)



Source: Eurostat (2025); calculations by IMAD. Note to the figure on the right: No data available for Czechia, Ireland and Greece.

/ Figure 142: About three-quarters of municipal waste is collected separately (left), and its recycling rate is among the highest in the EU (right)

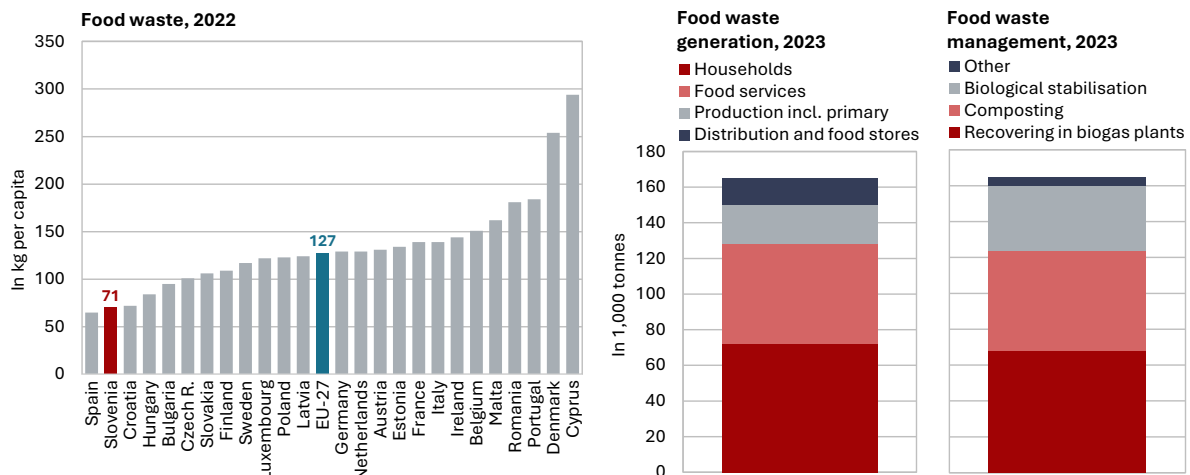


Sources: Eurostat (2025) and SURS (2025a). Note to the figure on the right: No data available for Czechia, Ireland and Greece.

³²¹ Markets for recycled materials such as aluminium, paper and glass are functioning well, while markets for waste wood, plastics, bio-waste and textiles are still poorly developed. Improving these markets requires greater standardisation, increased trust in recycled materials, and high-quality recycling processes (EEA, 2024a).

The amount of food waste, which is among the lowest in the EU in Slovenia, increased in 2023, mainly due to a rise in food production waste. Food waste in Slovenia accounts for approximately 17% of all separately collected biodegradable waste (MOPE, 2024). In 2022, the amount of per capita food waste in Slovenia was about half the EU average and, along with Spain, the lowest among Member States. However, in 2023, it increased by a tenth, reaching 78 kg per capita – the highest since 2020, when methodologically comparable measurement began.³²² The increase in food waste occurred throughout the food supply chain, with a particularly sharp rise in primary production and food processing, where the volume of food waste doubled. In 2023, for the first time, the combined amount of food waste generated in these stages, together with accommodation and food service activities, exceeded the amount generated by households³²³, where 34 kg of food waste was generated per capita in 2023, or 6 kg more than the year before. Food waste management has seen a growing share of processing in biogas plants, which accounted for 40% of food waste treatment in 2023. By contrast, composting is on the decline, representing 36% of treatment, while the remaining quarter is managed through biological stabilisation.³²⁴ Food waste burdens the environment, as it leads to the unnecessary disposal of scarce natural resources and the release of emissions generated throughout the entire food life cycle, including final waste treatment. Preventing food surpluses and reducing food losses is therefore a priority. A better attitude towards food and the natural resources needed for its production yields positive economic effects throughout the food chain and contributes to greater food security and more sustainable development. While not all food waste can be avoided, a certain portion can serve as a valuable input for the bioeconomy.

/ **Figure 143: Relatively little food is wasted per capita in Slovenia (left); the largest amounts of food waste are generated in households and accommodation and service activities, and most of it is treated in biogas plants and composting plants (right)**



Sources: Eurostat (2025) and SURS (2025a).

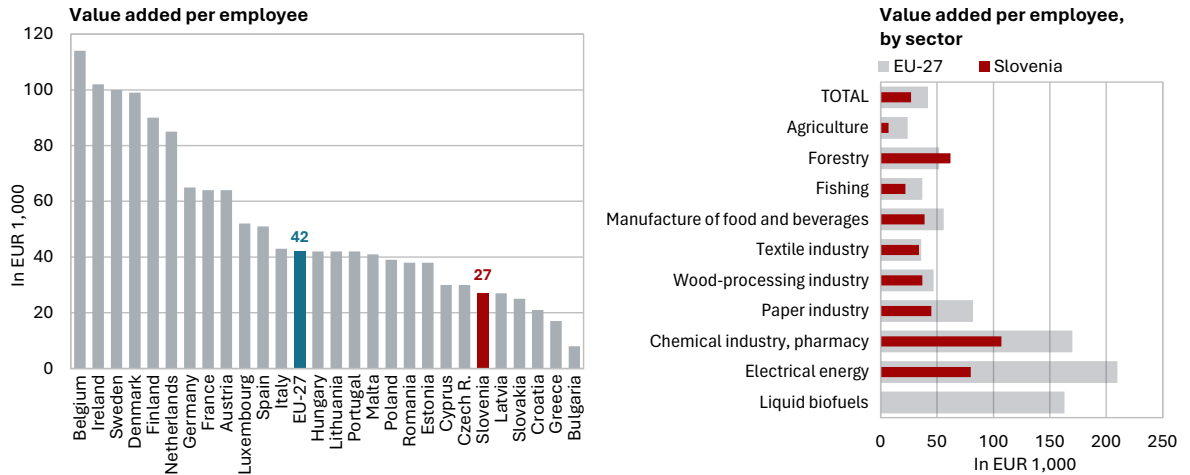
³²² Data before and after 2020 are not comparable due to changes in measurement methodology. According to SURS estimates, the share of edible parts in food waste in 2023 was 37% or 3 p.p. less than the year before. The rest are inedible parts, such as bones, pits, peels, shells, husks, etc.

³²³ In 2023, as much as 44% of food waste was generated in primary production and households, 34% in accommodation and food service activities, 13% in food production, and 9% in distribution and trade. In 2022, as much as 55% of food waste was generated in primary production and households, 27% in accommodation and food service activities, 11% in food production, and 8% in distribution and trade.

³²⁴ Biological stabilisation refers to food waste that was collected as part of mixed waste fractions and that was biologically stabilised prior to landfilling in mechanical-biological treatment (MBT) plants (MBO) (Kalin and Žitnik, 2024).

The bioeconomy, which supports the sustainable use of resources through the use of biomass, has significant development potential, although labour productivity remains low compared to international levels. The bioeconomy³²⁵ encompasses the production and processing of biomass and the substitution of less sustainable materials with bio-based products that are more biodegradable and recyclable. This reduces waste and supports the closing of material loops, while also fostering innovation and creating opportunities for new green jobs. In Slovenia, the bioeconomy employed 11% of the total workforce in 2021, primarily in agriculture (54%), followed by the food processing and wood processing industries (16% and 11% respectively). The bioeconomy’s contribution to total gross value added (7.8%) is above the EU average (6.3%), but its growth is slower and labour productivity (value added per employee) is remarkably low compared to more successful EU Member States (López et al., 2022) (see Statistical Appendix). Slovenia is rich in biomass, yet its potential remains poorly exploited. In addition to optimising production processes to improve productivity, it is essential to understand the molecular mechanisms of biomass conversion into high-value products and energy. Achieving more significant progress in this area will require the use of digital solutions and advanced technologies. The development of a strong bioeconomy that creates synergies between economic, social and ecological goals³²⁶ requires inter-ministerial coordination, stakeholder integration, and support for innovative projects. This would also be facilitated by creating a national bioeconomy strategy, harmonised with other strategic documents, and the improvement of databases for monitoring progress³²⁷ (CCIS, 2024b).

/ Figure 144: Value added per employee was extremely low in the bioeconomy (left) compared to the EU average, especially in agriculture and electricity production (right)



Source: López et al., 2022.

³²⁵ In accordance with the definition of the bioeconomy (EC, 2012) and the statistical classification of economic activities of the European Community NACE rev. 2, the bioeconomy includes all primary and processing activities that produce or use biomass (or its components) in their economic processes. These are agriculture, forestry and fisheries, food, beverage and tobacco production, wood processing industry, textile production, paper industry, chemical industry and pharmacy, production of liquid biofuels and biobased electricity (López et al., 2022).

³²⁶ In its role of addressing new challenges (climate and energy crises, geopolitical pressures), the EU recognises the development of the (circular) bioeconomy as a strategic priority and a fundamental axis of the green transition, which contributes to achieving goals such as ensuring food security, sustainable resource management, mitigating climate change, reducing dependence on non-renewable resources, strengthening competitiveness and creating jobs (EC, 2018).

³²⁷ Slovenia is one of seven Member States without a dedicated national strategy that would clearly set goals and performance benchmarks in this area. Elements of the circular bioeconomy are included in various strategic documents, and interdepartmental coordination of solving problems related to the development of the bioeconomy is underway. In 2023, expert baselines for a bioeconomy development strategy were prepared in the framework of the BIOEast project (Juvančič et al., 2023), along with the establishment of the Slovenian Bioeconomy Hub (»Slovenian National HUB – Bioeconomy Hub«, 2025).

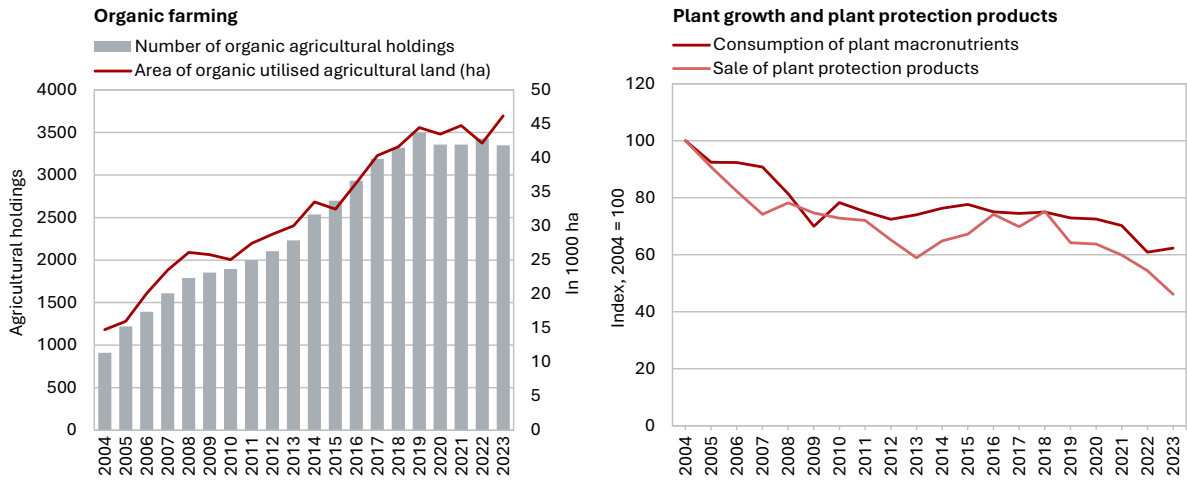
Agriculture faces a major challenge in balancing the economic, ecological and social aspects of development, namely ensuring reliable and stable food production, preserving natural resources and strengthening rural areas. Structural changes have been underway in the sector for some time, including a decline in the number of agricultural holdings (by 7% between 2020 and 2023 according to census data, to around 50,400) and an increase in their average size (by 10%, i.e. to 8.9 ha in the same period), which is indicating a process of concentration. At the same time, farm specialisation and environmental protection are increasing, including through a greater share of organic farming. In 2023, 11% of all agricultural land was under organic control, and the number of holdings in the process of conversion increased by 45% that year, supported by stronger policy incentives. The share of agricultural land under organic farming is close to the EU average, but to achieve the ambitious targets set for 2027, the pace of development will need to accelerate significantly (see Statistical Appendix).³²⁸ Organic farming is also one of the key instruments for achieving the green transition, as organically based processes operate in close harmony with nature and exert the lowest environmental pressures. As a result, the use of mineral fertilisers and plant protection products is decreasing, a trend further supported in recent years by high input prices.³²⁹ This reduces the burden on soil and water from farming, measured by the balance surplus of nitrogen and phosphorus.³³⁰ Agricultural production in Slovenia is not among the most intensive ones, but due to natural conditions, livestock density – measured in livestock units (LSU) per hectare – is higher than the EU average. Given the generally more challenging natural conditions for production, small farm sizes and fragmented land, it is necessary to find ways to increase productivity, which is among the lowest in the EU, and improve food self-sufficiency, particularly in crop production, which remains low and has shown no improvement (see Statistical Appendix). A key priority is to enhance the motivation and skills of younger generations in particular, while placing a strong focus on entrepreneurship and the introduction of new technologies and approaches. The challenge is to reconcile the growing demands of (i) producers for more stable and encouraging conditions for production, including less regulation and fewer administrative burdens, and (ii) society's expectations for a reliable supply of healthy food and greater environmental protection (EC, 2025d).

³²⁸ By 2027, the share of agricultural land under organic farming is expected to increase to 18%. This target is set ambitiously in order to move closer to the EU goal of having 25% of agricultural land under organic farming by 2030 (MKGP, 2021).

³²⁹ Following exceptionally high growth in agricultural input prices during the 2021–2023 period, price trends have stabilised in the subsequent years. The long-term decline in the use of mineral fertilisers is primarily the result of the requirements of the Nitrates Directive and the mandatory application of good agricultural practice in fertilisation. Special attention is paid to the use of livestock manure and its consideration in the planning of fertilisation alongside mineral fertilisers. Holdings are required to prepare fertilisation plans with nutrient evaluations, which contributes to the reduced use of mineral fertilisers (ARSO, 2024b).

³³⁰ The balance surplus of the element is defined as the positive difference between the input into the soil and crop uptake, which also depends on the weather conditions.

/ Figure 145: The ecological orientation of farming is increasing; with more environmentally sustainable production, the use of mineral fertilisers and plant protection products is decreasing



Source: SURS (2025); calculations by IMAD.

3.3.3 Financing the transition

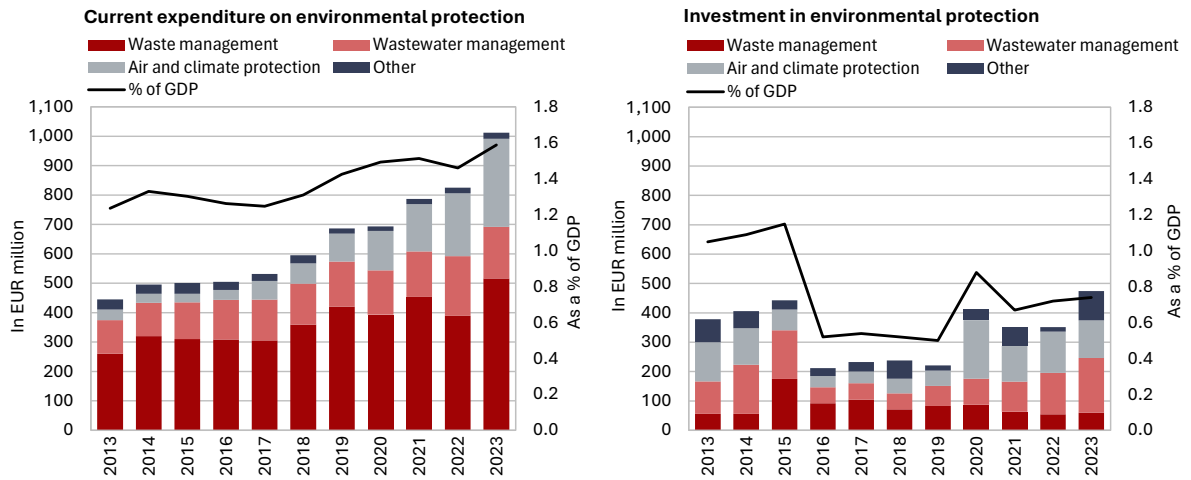
The overall growth of environmental protection expenditure (expenditure and investment), which since 2016 has predominantly been driven by increases in waste management spending, was also pronounced in 2023 due to higher expenditure on air and climate protection and investments in other environmental areas.³³¹ Current environmental protection expenditure, which has been rising more noticeably since 2016, increased by 22% in 2023, reaching EUR 1,015 million, the highest level ever. Its share in GDP also reached a record high of 1.6%. More than half of current expenditure was allocated to waste management (51%), which has been gradually increasing in recent years. Expenditure on air and climate protection has been growing even faster, increasing by 30% in 2023. More than a quarter of current expenditures (28%) occurred in Osrednjeslovenska statistical region, while in relation to regional GDP, the highest share was recorded in the Savinjska statistical region (4.4%). In 2023, a total of EUR 474 million was allocated to environmental protection investments. This is a 16% increase on the previous year; in terms of GDP, this represents an increase of 0.02 p.p., to 0.74% of GDP – still below the 2015 level, when the share of environmental protection investment in GDP was at its highest (1.15% of GDP). Investment in wastewater management increased by one third, and investment in other environmental areas – such as the protection and improvement of soil, groundwater and surface water, noise and vibration abatement, and the protection of biodiversity and landscapes – also rose significantly, accounting for one fifth of total environmental protection investment in 2023.³³² The share of investment in air and climate protection

³³¹ SURS publishes all financial resources earmarked for the environmental protection of due to pollution, broken down by environmental purposes: air and climate protection (i.e. climate), wastewater management, waste management, protection and improvement of soil, groundwater and surface water, protection against noise and vibration, protection of biodiversity and landscape, radiation protection, research and development, and other. The research involves companies and organisations that are registered to carry out an activity and employ at least ten persons. The data cover funds from own resources, the national budget and EU funds, as well as loans and other sources of financing.

³³² Data for 2022 are incomplete; however, compared to 2021, investments in the protection of biodiversity and landscapes were half as high in 2023, investments in the protection and improvement of soil, groundwater and surface water more than doubled, and investments in noise abatement tripled.

declined by 7 p.p. to 27% in 2023. In recent years, there has also been a decline in investments in waste management. When expressed as a share of regional GDP, total environmental protection investment was highest in the Osrednjeslovenska region (1.1% of GDP), while the national average (0.7%) was also exceeded in the Pomurska region this year (0.8% of GDP).

Figure 146: Current expenditures on environmental protection exceeded EUR 1 billion in 2023, which was the highest ever, investments in environmental protection also increased, especially in wastewater management and for other environmental purposes, i.e. soil protection and conservation and noise and biodiversity protection



Source: SURS (2025a); calculations by IMAD. Note: Movements in investment funds are related to the absorption of EU funds in individual programming periods.

By adopting more ambitious EU energy and climate targets for 2030 (see Box 1), the estimated energy-climate investment component has increased, highlighting a financing gap that will require private financial resources to the greatest extent possible. The new estimate for the energy-climate component of investments³³³ for 2021–2030 totals approximately EUR 22 billion, which is around EUR 7 billion higher than the estimate under the previous scenario with existing measures. This underscores the need for substantial financial resources to implement the planned investments. Private funds should be mobilised to the greatest extent possible, and the funding gap is to be covered primarily through the use of available EU funds and financing via EU and national public financial instruments (Government of the RS, 2024b).

Inclusion of private funds is crucial for achieving energy and climate goals, while the key issue remains how willing the private sector is to invest in the green transition. D’Amato et al. (2024) highlight differences among EU Member States regarding the ratio between national public funds and private funds in financing investments to achieve energy and climate goals. Projections by the EIB (2021) show that in Central and East European countries around 60% of such investments are expected to be financed through national public funds, compared to around 37% in Western and Northern European countries. An analysis by McKinsey and IIF (2023) suggests that in terms of risk/return ratio, about 40% of climate change mitigation projects and only 20% of climate change adaptation projects are considered appealing to private investors. In addition to other factors (e.g. regulatory framework, instruments,

³³³ These are investments that significantly affect the achievement of the NECP objectives (e.g. improving energy efficiency, promoting the use of RES, reducing GHG emissions, ensuring a reliable energy supply).

strategies), an increasingly important issue for attracting private investment in the green transition is whether the return on investment is sufficient to ensure economic viability. Polzin et al. (2021) find that the cost of capital³³⁴ is lower in Western and Northern European countries and higher in Southern and Eastern European countries,³³⁵ which is also due to the fragmentation of European capital markets, which, together with the relatively small size of these markets, hinders cross-border risk sharing (Letta, 2024). Reducing financial risks and the cost of capital to encourage private investment in the green transition plays a key role in providing a benchmark to assess the risk and return preferences of investors (IEA, 2021).³³⁶

Private investments in climate change mitigation were at their lowest level ever in 2023, as was their share in GDP, which has been declining in the long term, but remains relatively stable in the EU. Private business investments in climate change mitigation (CCM) (currently limited to investments in industry, construction and services),³³⁷ which aim to reduce GHG emissions, e.g. through the promotion of low-carbon technologies or the transition to renewable energy sources, totalled around EUR 190 million in real terms in 2023, which was the lowest since 2005 (the first year for which data are available). In the 2005–2014 period, investments in CCM were significantly higher compared to the 2015–2023 period, while their share in GDP has also decreased significantly in recent years, reaching a historic low of 0.37% in 2023. In the EU, their share of GDP remained relatively stable throughout this period, at around 0.5% of GDP. The largest share of CCM investments was recorded in the electricity, gas and steam supply sector (40%), followed by manufacturing (32%), where both the value of investments and their share have increased significantly (see Statistical Appendix). The same applies to CCM investments in primary activities, although these remain modest (3% of such investments). About a fifth of investments, EUR 38 million, were allocated to transport, similar to the previous year but lower than in the previous period.

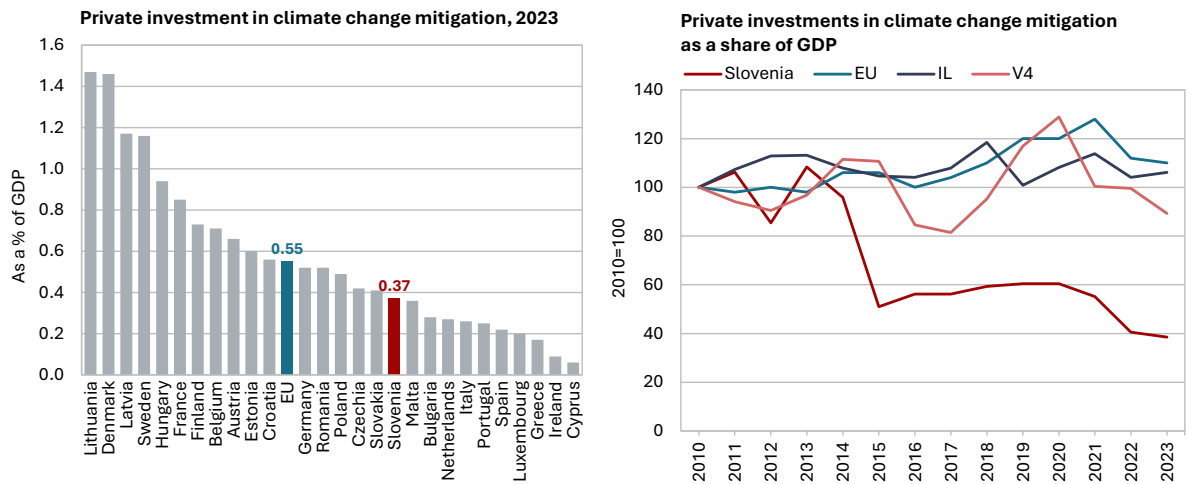
³³⁴ One of the key factors affecting the costs of green investments, determined by a risk-free interest rate (usually, long-term government bonds with a maturity of around ten years are taken as an approximation thereto) and a risk premium that is affected by a number of factors associated with, for example, the macroeconomic environment, technology, country risk, project terms and conditions (OECD, 2024b).

³³⁵ Based on the aforementioned analysis, the estimate for solar photovoltaics in Western and Northern European countries, for example, ranges between 2.7% and 6.7%, and between 5.7% and 12% in Southern and Eastern European countries (8.7% in Slovenia); the estimate for onshore wind energy in Western and Northern European countries ranges between 3.1% and 8.6%, and 6.1% and 22.9% in Southern and Eastern European countries (10.6% in Slovenia).

³³⁶ Many clean technologies are characterised by high upfront capital and low operating costs for wind and solar power generation, electric vehicles and building renovation (IEA, 2021).

³³⁷ The aforementioned values refer to private business investments in industry, construction and services, while other economic sectors and public administration are not included. More extensive data collection is planned for 2026 through Eurostat's environmental accounts, covering additional sectors and economic activities (Eurostat, 2024c).

/ Figure 147: Private investment in climate change mitigation as a percentage of GDP is relatively low (left) and the trend is negative (right)



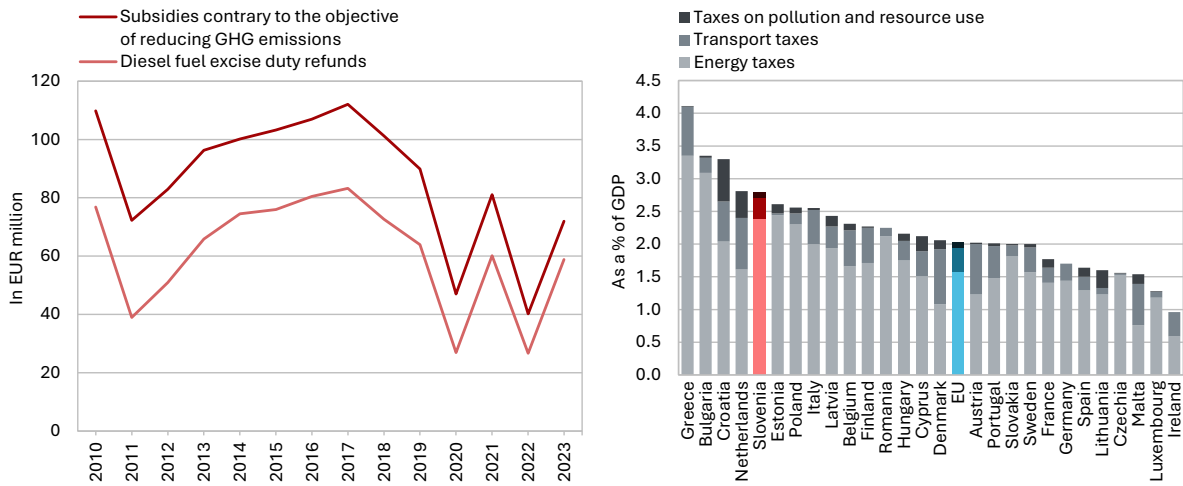
Source: Eurostat (2025).

In 2023, environmental taxes increased in nominal terms, while their share in GDP, which is among the highest in the EU, decreased. At the same time, incentives that are contrary to the goal of reducing GHG emissions increased. After a significant decrease in revenues from environmental taxes³³⁸ in 2020, which was caused by lower economic activity during the COVID-19 epidemic and a reduction in excise duties on petrol and diesel, these revenues increased nominally the following year and declined again slightly in 2022 due to measures to mitigate the consequences of rising energy prices (lower excise duties on energy products, temporarily abolished environmental tax for curbing air pollution with CO₂ emissions, reduced contribution for RES and CHP). Despite an increase in 2023, when the level of excise duties on energy products was mostly increasing, their share in GDP decreased again, but remained among the highest in the EU. In 2023, revenue from environmental taxes as a share of GDP was 2.8%, which was 0.8 p.p. above the EU average. The difference almost halved compared to 2016, when the gap was at its widest. The relatively high share results from high revenues from energy taxes, coupled with extensive use of motor fuels in road traffic and Slovenia's geographic position as a transit country, as well as the dispersed settlement pattern and the underdeveloped public transport. Fluctuations in excise duties on energy products (especially their reduction), which represent the largest share of environmental tax revenues, are not consistent with achieving climate goals. Incentives that are contrary to the goal of reducing GHG emissions increased again in 2023, also as a percentage of GDP. The largest share was accounted for by excise duty refunds for diesel fuel³³⁹ (82%), which in 2023 also had the highest share in the observed 2010–2023 period.

³³⁸ Environmental taxes include energy taxes, sales taxes, and taxes on pollution and the use of natural resources. Most of the revenues from environmental taxes are integral (unallocated source of funding the achievement of climate goals) revenues of the state budget, but their amount provides an important price signal. Only some environmental taxes are allocated, e.g. the proceeds from the sale of emission allowances that are channelled to climate change mitigation measures through the Climate Change Fund.

³³⁹ The largest amount of these taxes was intended for excise duty refunds for diesel fuel used as fuel for commercial purposes, as well as a partial refund of excise duty exemption for fuel used in agricultural and forestry machinery, and a partial refund of excise duty for fuel used in stationary work machinery.

/ Figure 148: Incentives that are contrary to the goal of reducing GHG emissions increased in 2023 (left), while revenues from environmental taxes, despite a decrease in the percentage of GDP, remained among the highest in the EU (right)



Sources: OECD (2025c) and Eurostat (2025).

Box 2

Macroeconomic effects of a carbon tax increase on the Slovenian economy under different tax revenue recycling options¹

This box builds upon the analysis² conducted last year, in which the Slovenian version of the GEM-E3³ model was used to assess the macroeconomic and environmental effects of a carbon tax increase as one of the possible measures to reduce greenhouse gas (GHG) emissions. The results showed that the positive environmental effects of such a measure would be accompanied by negative macroeconomic consequences. The analysis showed that, due to a carbon price increase from 83 EUR/tCO₂⁴ to 140 EUR/tCO₂⁵, Slovenian GDP would be 0.6% lower in the next five years compared to the baseline scenario, while GHG emissions would decline by approximately one tenth.

This year's box builds on last year's analysis by providing an overview of various tax revenue recycling options that can be used to mitigate the negative impacts of tax burdens. Following the example of the IMF (2022), the focus is placed on three recycling options: returning tax revenue to households in the form of transfers, reducing the tax burden on labour (specifically by lowering employers' social contributions), and production subsidies⁶.

From the perspective of minimising the negative impact on GDP, reducing the tax burden on labour appears to be the most effective measure. This measure has the broadest positive effects – it directly lowers employment costs, encourages companies to hire more workers, increases employees' net wages, influences labour supply, and strengthens the competitiveness of the economy. In addition, it reduces tax distortions in the labour market, which in the long term leads to higher economic growth and greater labour market resilience to shocks. When combined with this measure, the negative effects of a carbon price increase on GDP would be negligible (Figure 149).

The other two tax revenue recycling options also have certain advantages, but their macroeconomic benefits are more limited. Transfers to households increase disposable income and thereby stimulate private consumption. They affect employment only indirectly, through increased demand for goods resulting from higher incomes. Their impact

¹ The authors gratefully acknowledge the advice of Kostas Fragkiadakis (E3 Modelling) in the development of the simulation.

² Simulation details are available in IMAD (2024), Box 9.

³ The Slovenian version of the GEM-E3 model was developed for the Ministry of Finance by E3 Modelling within the framework of the European Commission's Technical Support Instrument. A short description of the model is available in Box 9 in IMAD (2024), while a more detailed explanation is available in the model documents, available on E3 Modelling (2025) website.

⁴ OECD estimates of (net) average effective carbon prices for Slovenia in 2021 were used to determine the initial carbon price (OECD, 2025b).

⁵ According to the findings of the International Energy Agency (IEA, 2022), this price, combined with other non-tax measures, should ensure the decarbonisation of developed economies by mid-century.

⁶ Tax revenues are distributed evenly across individual sectors and households.

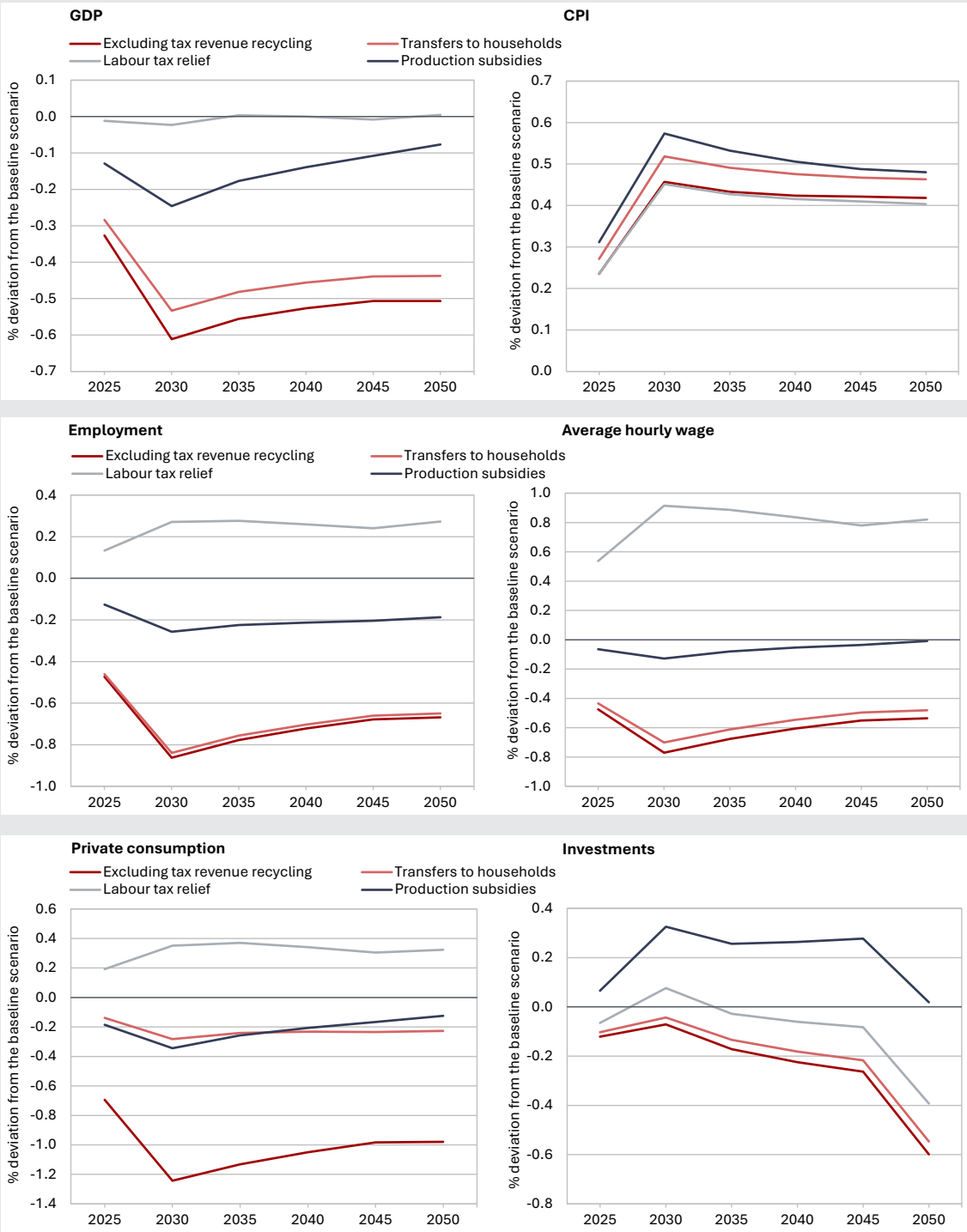
on Slovenia's economic activity depends on the share of imports in final demand. Given the openness of Slovenian economy, household demand is also directed towards imported goods, which reduces the positive effects of this measure. Similar to the reduction of social security contributions, production subsidies increase the competitiveness of the economy. However, their relatively less favourable effect stems from the fact that, in addition to generating labour income, they also generate capital income, which, according to the design of the model, is not intended exclusively for the domestic economy. Instead, it also contributes to global savings, which in turn stimulate global investment through lower interest rates. The effect of production subsidies on Slovenian GDP becomes more favourable only in the long run, mainly due to increased investment resulting from improved competitiveness. On the other hand, labour tax relief has both direct and indirect benefits. It directly leads to higher wages and thus indirectly increases demand and total income of the economy. The impact of different tax revenue recycling options on the CPI depends on their effect on costs and demand, with tax relief for labour having the smallest impact on the CPI.⁷

It would be sensible to combine labour tax relief, which delivers the best macroeconomic effects, with other targeted measures focused on the promotion of the green transition. Part of the revenue could be earmarked to subsidies for green technologies and the development of low-emission sectors, while the remaining portion could be used to reduce the tax burden on labour. This would contribute not only to economic growth, but also to the promotion of sustainable development and the reduction of emissions. Moreover, it would be reasonable to consider targeted support for vulnerable groups, such as low-income households or energy-intensive sectors, which would bear the brunt of higher carbon taxation. A combination of measures could, for instance, include transfers to households, subsidies for energy efficiency, and training for green jobs, thereby also strengthening the long-term competitiveness of the economy. A well-designed mix of different measures could enable a balanced approach, ensuring both economic growth and sustainable development.⁸

⁷ In the absence of recycling, an increase in the carbon price results in an increase in the relative price of fossil fuels and production costs, which, given the rigidity of other prices in the economy, leads to an increase in the general price level in the short and medium term. Transfers to households increase private consumption, thereby contributing to growth in aggregate demand and higher inflation. Labour tax relief reduces employment costs and stimulates labour supply, thereby limiting cost pressures and therefore having the smallest impact on price increases. Production subsidies, however, have the greatest impact on CPI growth, as they simultaneously stimulate both supply and demand, which further intensifies inflationary pressures, especially when the economy is operating close to its full capacity.

⁸ The next edition of the Development Report will include an assessment of the effects of a combination of measures, following the approach used by the IMF (2022, pp. 79–80).

Figure 149: Macroeconomic effects of different options for green tax revenue recycling



Source: Model GEM-E3-SI.

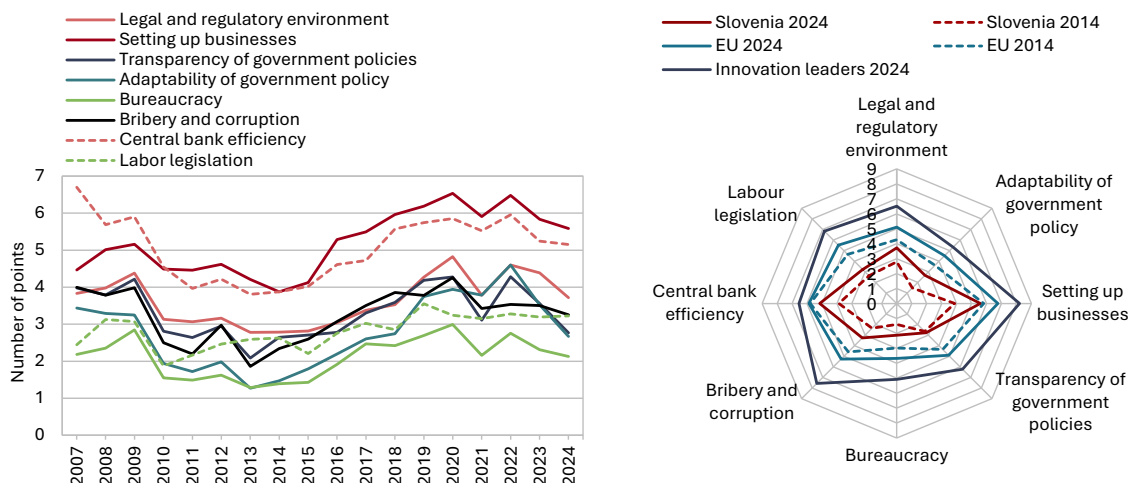
3.4

An accountable and efficient institutional environment

An accountable and efficient institutional environment forms the foundation of a thriving society and economy. It fosters long-term economic growth, attracts investment and strengthens trust in the system, all of which are essential for a stable and competitive economy. It is built on transparency, accountability and institutional integrity, which together ensure a level playing field for all market participants and members of society. Institutional competitiveness (or institutional efficiency) plays an important role in this context, as it enables the timely and fair resolution of disputes, encourages innovation and entrepreneurship, and creates a business-friendly environment. All this allows companies and individuals to compete successfully in the marketplace, free from unnecessary burdens and with guaranteed equal opportunities for all.

Institutional competitiveness has deteriorated over the past two years, although it remains above the level recorded a decade ago; however, the gap with the EU average has widened. Indicators of institutional competitiveness (IMD, WEF) are significantly shaped by survey-based indicators that capture business executives' perceptions across various dimensions of public sector performance. During the 2015–2019 period, Slovenia experienced one of the strongest improvements in institutional competitiveness among EU Member States, driven by favourable macroeconomic conditions and stable public finances. The onset of the pandemic led to a deterioration in business sentiment in Slovenia, mirroring trends across the EU, which in turn interrupted the previous positive trajectory in institutional competitiveness. In the most recent two surveys, most institutional competitiveness indicators further deteriorated, especially those measuring perceptions of transparency and adaptability of government policies. Although most of these indicators remain below pre-epidemic levels, they are still higher than a decade ago. The deterioration in the past two years – particularly in survey-based indicators – was also observed in other EU Member States and is largely attributable to a sharp drop in public trust in the functioning of public institutions (see Section 3.4.1). Developments in Slovenia were more pronounced than in the EU overall, which has further widened the gap with the EU average. Nevertheless, compared to 2014, the gap has narrowed (Slovenia ranked 22nd among EU Member States in 2014, 16th in 2022 and 19th in 2024) (IMD, 2024b). The weaknesses identified remain largely consistent with those observed in previous years; according to business executives, Slovenia continues to perform particularly poorly – relative to both the EU average and the group of innovation leaders – in the areas of labour legislation, administrative burden, and the transparency and adaptability of government policies. Slovenia also ranks in the lower half of EU Member States in terms of institutional quality, with the largest gaps recorded in indicators of voice and accountability (policy transparency, accountability of politicians and civil servants, state interference in business, etc.), as well as in the effectiveness of government support for entrepreneurial activity. Furthermore, Slovenia lags substantially behind the innovation leaders in the areas of bribery and corruption, highlighting persistently low levels of trust in the rule of law (Kaufmann and Kraay, 2024).

Figure 150: Indicators of institutional competitiveness have deteriorated over the past two years, although their values remain higher than in 2014 (left); Slovenia's gap relative to the EU and the innovation leaders further widened in 2024 for most indicators (right)



Source: IMD (2024b). Note: Higher scores are better. For the detailed indicators, the maximum possible score is 10; all indicators are survey-based. The surveys are conducted at the beginning of the second quarter of the year in which the results are published. The innovation leaders are Sweden, Finland, Denmark and the Netherlands.

3.4.1

Accountability, transparency and social dialogue

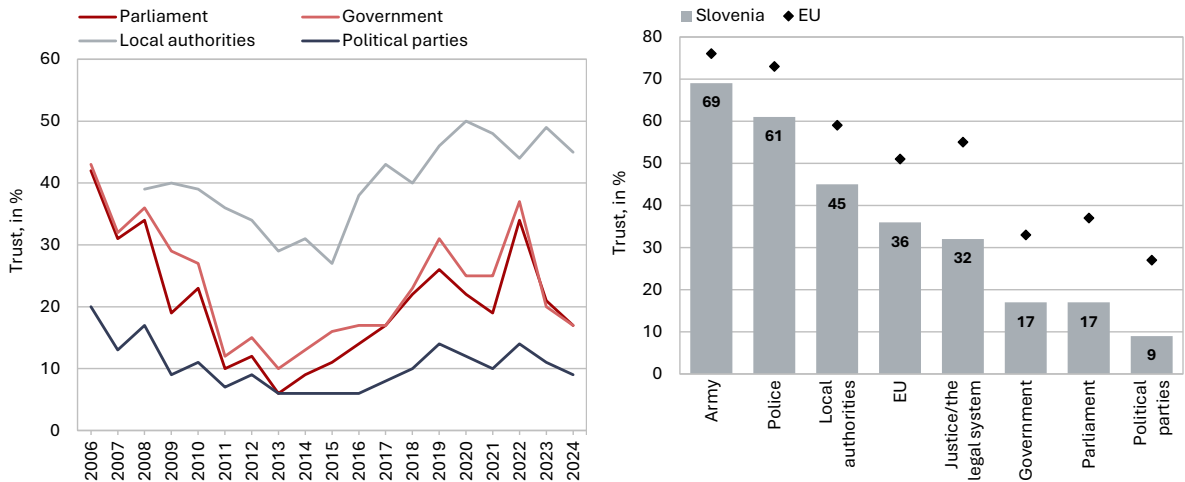
Trust in public institutions has remained relatively low over the past decade, well below the EU average; after an increase in 2022, it declined again over the past two years and remained below the SDS target. Trust in state institutions makes policy implementation easier and governance more efficient, as people who have confidence in institutions are more willing to comply with state authorities and the law, pay taxes and generally take part in collective action (Eurofound, 2018; Perry, 2021). After increasing between 2013 and 2019, trust in institutions (particularly political institutions) declined in 2020 and 2021. The COVID-19 epidemic had a significant impact on this trend, causing major changes in the economy and people's lives (see IMAD, 2022a). In the summer of 2022, trust in the government and parliament rose sharply and trust in political parties also increased slightly, which can be linked to political changes. However, trust declined again thereafter and, by autumn 2024, had returned to levels last recorded in 2017, ranking among the lowest in the EU. This decline was influenced by an increase in the share of respondents who believed that things were going in the wrong direction in the country (65%; EU: 59%). This trend is also reflected in satisfaction with the way democracy works, which, following a notable increase in 2022, declined in the last two years and remains below the EU average³⁴⁰ (Eurobarometer, 2025). Trust in the army and the police remained significantly higher than trust in other state institutions. According to the OECD (2024h) survey, trust in political and other state institutions in Slovenia also falls below the average of the participating countries.³⁴¹ The OECD analysis showed that trust in the government is most strongly influenced by citizens' confidence that decision-making is based on evidence and facts and that intergenerational interests

³⁴⁰ In the summer of 2022, 51% of respondents were satisfied with democracy in Slovenia (EU: 58%), which was 16 p.p. more than the previous year, while by the autumn of 2024, this share had declined to 41% (EU: 55%).

³⁴¹ The 2023 OECD survey on the drivers of trust in public institutions was conducted in 30 OECD countries (with Slovenia participating for the first time).

are appropriately balanced. Trust in parliament is linked to a belief that government decisions are evidence-based and that the needs of different societal groups are adequately balanced (OECD, 2024e).

/ **Figure 151: Trust in most political institutions in 2024 returned to the 2017 levels (left); the highest level of trust was expressed in the army and the lowest in political parties (right)**



Source: Eurobarometer (2025). Note: The figures for each year refer to the latest available measurement in that year (autumn measurements; 2020–2022: summer measurements; 2023: autumn measurement and summer measurement for local authorities and political parties).

Voter turnout in the most recent national, presidential and European elections was higher than in previous elections. Representative democracy can be an important factor of competitiveness, as it influences a country’s stability, innovation and economic performance (Williamson, 2024). Voter turnout in parliamentary and presidential elections peaked in 1992 but steadily declined thereafter until 2018.³⁴² In the 2022 parliamentary elections, turnout was again among the highest, placing Slovenia in the top half of EU Member States (see IMAD, 2023b). Turnout in the 2022 presidential elections was also higher, although it remained relatively low (IDEA, 2025). Turnout in local elections was below 50%, which is among the lowest levels ever recorded (DVK, 2023). Slovenia has also historically recorded low voter turnout in European Parliament elections, which reached a record high in 2024 (41.8%)³⁴³ but still remained below the EU average (EP, 2025). Public participation in referendums, which is the main mechanism of direct democracy, has increased in recent years but remains relatively low. According to the Democracy Index (EIU, 2024), Slovenia ranks 16th among EU Member States and is therefore not classified as a full democracy.³⁴⁴ The electoral process and pluralism are the most highly rated components, while political participation and the functioning of government score lower. The lowest ratings are observed in the area of political culture, reflected also in persistently low levels of trust in politics and political parties.

³⁴² The previous presidential elections were held in 2017, while the parliamentary and local elections took place in 2018.

³⁴³ Three consultative referendums were held concurrently with the European elections, which may have had a positive impact on overall turnout.

³⁴⁴ The composite Democracy Index calculated as the arithmetic mean of five sub-indices, with possible scores ranging from 0 to 10. Countries scoring between 8 and 10 are classified as “full democracies”, those scoring between 6 and 8 as “flawed democracies”, while lower scores correspond to “hybrid or authoritarian regimes”. The sub-indices assess the electoral process and pluralism, functioning of government, political participation, political culture and civil liberties (EIU, 2024).

Public participation in the design and monitoring of policies and regulations reveals certain shortcomings and untapped potential for more effective coordination of development policies. Stakeholder engagement is crucial for high-quality policy-making, especially given the need for greater complexity of measures for the transition to innovation-driven growth. It also increases public trust in policies and regulations, enhances the legitimacy of adopted regulations and facilitates policy implementation (OECD, 2021) budgeting practices, human resources management, regulatory governance, public procurement, governance of infrastructure, public sector integrity, open government and digital government. Outcome indicators cover core government results (e.g. trust, political efficacy, inequality reduction).³⁴⁵ Public participation in the legislative procedure is a process that runs through all phases of the drafting process. In this context, the OECD emphasises the importance of stakeholder engagement during the early stages of policymaking, when problems and potential solutions are being identified, as well as once regulations have been drafted. In Slovenia, however, most ministries tend to involve stakeholders only in the final stages of drafting legislation (OECD, 2021) budgeting practices, human resources management, regulatory governance, public procurement, governance of infrastructure, public sector integrity, open government and digital government. Outcome indicators cover core government results (e.g. trust, political efficacy, inequality reduction). Moreover, minimum standards for public participation³⁴⁶ are often ignored, as public consultations on draft legislation are often shorter than the recommended 30 days (CNVOS, 2025; EC, 2024k). Nevertheless, according to OECD data (OECD, 2022a), stakeholder engagement in the development of regulations (particularly primary legislation) in Slovenia is above the EU average, while their participation in the monitoring of implementation is much weaker. In 2023, the share of laws adopted under the urgency procedure, where public participation is not envisaged, declined but remained relatively high. At the same time, the number of civil society representatives attending the sessions of parliamentary working bodies and the number of documents submitted to the National Assembly by civil society increased significantly (EC, 2024k). The interested public may also participate in the preparation of regulations and other public policies through online platforms such as *Predlagam.vladi.si*, *STOP Birokracija* and *eDemokracija*. A valuable instrument for fostering closer cooperation between the state and stakeholders, while allowing for agile responses to changing needs and circumstances, is the Strategic Research and Innovation Partnerships (SRIP), which link businesses, knowledge institutions and the state (see Section 3.2.5.5). SRIPs are designed to support the implementation of the smart specialisation strategy and organise a comprehensive research and innovation ecosystem. Nevertheless, stronger dialogue among partners is needed, and SRIPs should be more actively engaged as strategic partners in the formulation of policies, strategies and specific measures (Bučar et al., 2022).

Social dialogue within the framework of the Economic and Social Council (ESC) has come to a complete standstill twice in recent years; however, in 2024, social partners signed a Declaration on the respect for and promotion of social dialogue. The involvement of social partners in the

³⁴⁵ Public participation may be spontaneous (arising from individual initiative) or organised through invitations to target groups and experts. Certain interest organisations have a defined role in the regulatory process, as specified by special regulations or agreements (ReNDej, 2009).

³⁴⁶ As a general rule, public consultations during the drafting of regulations should last between 30 and 60 days, except in cases where participation is not feasible due to the nature of the procedure (e.g. urgent procedures, the adoption of the state budget) (ReNDej, 2009).

formulation of economic policy measures has a long tradition in Slovenia and is primarily conducted through the Economic and Social Council (ESC), which addresses key economic and social areas. According to the Industrial Democracy Index,³⁴⁷ stakeholder engagement in social dialogue is relatively high in Slovenia, but cooperation between social partners has been stagnant for an extended period and could be improved, as evidenced by a visible decline in the index compared to the previous period (Eurofound, 2023b). Over the past five years, the ESC's operations were interrupted twice, each time for a period of one year. The most recent interruption occurred in the summer of 2023, triggered by dissatisfaction among employers regarding their exclusion from the drafting of certain legislative proposals³⁴⁸ (ESC, 2024). Following the signing of the Declaration on the respect for and promotion of social dialogue, the Economic and Social Council resumed its activities in the summer of 2024. At the EU level, representatives of civil society are actively involved in social dialogue within the frameworks of the European Commission (EC) and other EU institutions, whereas in Slovenia, non-governmental organisations and other professional bodies have not played a significant role in social dialogue for an extended period (IMAD, 2021a). In 2022, a dialogue between the government and non-governmental organisations was established across various policy domains (MJU, 2022b).

3.4.2

Rule of law

The state of the rule of law in Slovenia has improved; however, trust in the rule of law and the judiciary remains below the EU average and, as such, does not sufficiently support institutional competitiveness. Over the past two years, Slovenia has slightly improved its position in the Rule of Law Index,³⁴⁹ yet it continues to rank in the lower half of EU Member States and remains below its ranking from five years ago. Trust in the rule of law also remains low (Kaufmann and Kraay, 2024; World Justice Project, 2024). In its 2024 Rule of Law Report, the EC (2024k) noted progress in several areas, particularly in the implementation of past recommendations concerning the protection of judicial independence, the autonomy of prosecutors in parliamentary inquiries, the adjustment of judges' salaries and anti-corruption measures. Despite the measures taken, trust in the independence of courts and judges has declined slightly over the past year and remains below the EU average. Surveys point to the perceived political influence on court decisions and interference or pressure from economic or other special interests as the main contributing factors (Eurobarometer, 2024a, 2024b). The decline in trust in this area is linked to the broader erosion of public confidence in state institutions. The number of complaints filed with the European Court of Human Rights (ECHR) has increased slightly over the past two years. However, available data indicate that only a small share of these complaints were deemed admissible and proceeded to further deliberation. In 2024, the

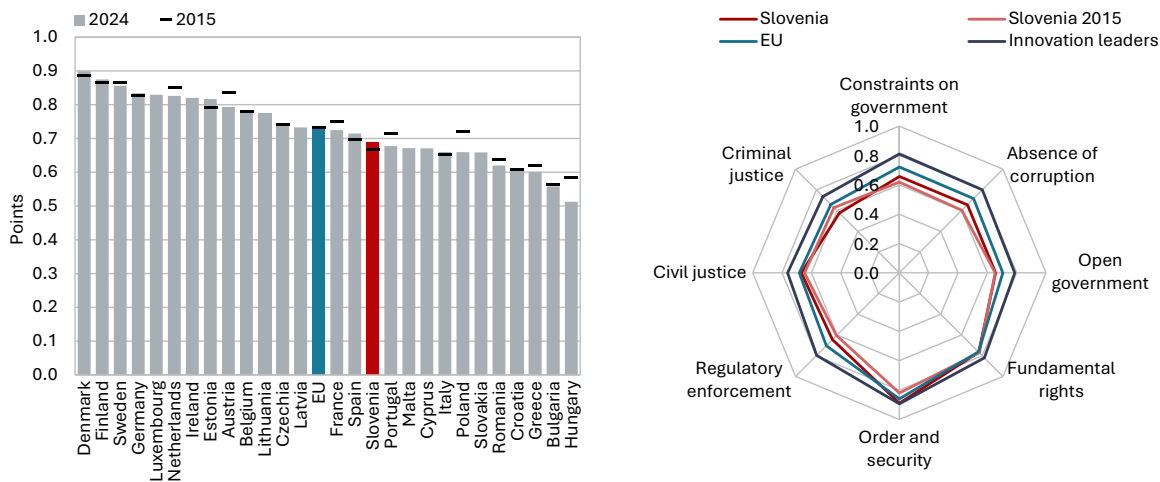
³⁴⁷ The Industrial Democracy Index comprises three subdimensions: governance of trade unions (organisational strength of trade unions, coordination and participation in collective bargaining and negotiations, representativeness), social dialogue at company level (employee involvement in company management decisions and the mutual influence of all parties in collective bargaining and management decisions) and workers' rights.

³⁴⁸ Employer representatives who are members of the ESC ceased attending ESC meetings at the beginning of July 2023, citing multiple violations of the ESC's Rules of Procedure (failure to discuss draft legislation within the ESC – e.g. the Long-Term Care Act).

³⁴⁹ Despite certain conceptual differences, the Slovenian terms *pravna država* (a state governed by the rule of law or *Rechtsstaat* in German) and *vladavina prava* (Rule of Law) are generally regarded as equivalent in Slovenia (Avbelj, 2016; Cerar, 2008a, 2008b).

ECHR delivered four judgments against Slovenia, in which violations were found concerning the right to a fair trial and the right to respect for private and family life (ECHR, 2025a, 2025b).

/ Figure 152: Slovenia ranks below the EU average according to the Rule of Law Index (left); it lags the most in the indicators of criminal justice, bureaucracy and government policies (right)



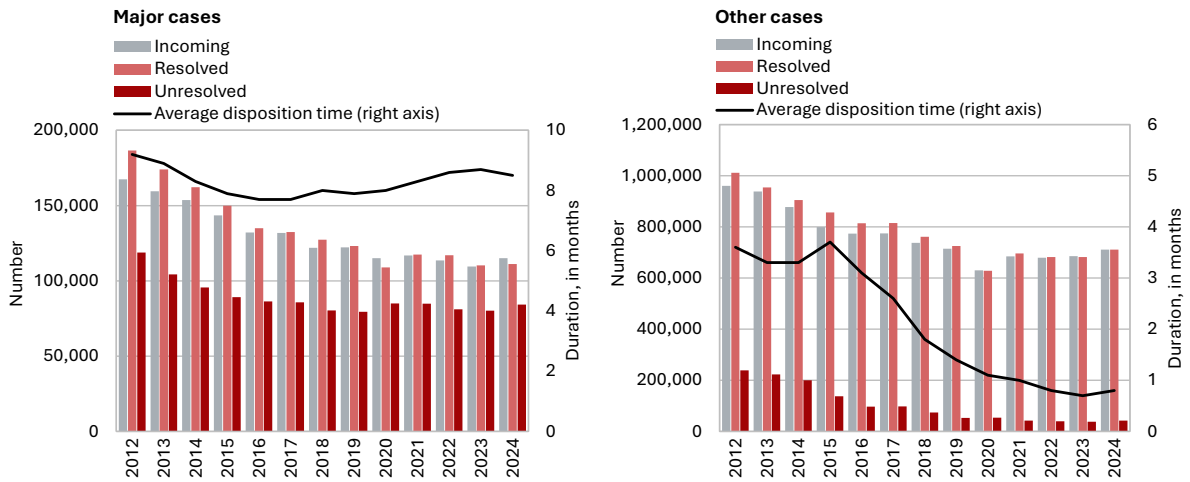
Source: WJP (2024); calculations by IMAD. Note: A higher score is better; the highest score being 1.

The quality of the Slovenian judiciary has improved in recent years and is comparable with other EU Member States. This progress has been driven primarily by the digitalisation of the justice system. In 2024, the multi-year process of establishing and upgrading information systems for managing judicial proceedings was completed, alongside the rollout of new online platforms for e-filing in civil and criminal cases, and the expansion of services available through the eJustice portal (eSodstvo). Courts have also started to use artificial intelligence, particularly speech-to-text systems, which help reduce transcription time and ease the administrative burden on court staff (Slovenian Supreme Court, 2025a). Despite these improvements, public trust in the judiciary remains relatively low (Eurobarometer, 2024a, 2024b). In addition to the need for clear, comprehensible, transparent and unambiguous legislation, trust in the judiciary also depends on the actual enforcement of rights, the duration of administrative and judicial proceedings, access to legal remedies, and the predictability and stability of legal norms. Human resources are also a critical determinant of judicial quality. Although the number of judges per 100,000 inhabitants has been decreasing since 2012, Slovenia still ranks among the EU Member States with the highest ratio. To alleviate judges' non-judicial workload, the judge-to-court staff ratio has improved during this period; however, the number of court staff has also declined.³⁵⁰ In 2024, the remuneration of judges and court staff improved with the introduction of a new salary system.

³⁵⁰ According to the Slovenian Supreme Court (2025a), the downward trend in the number of judges is expected to stabilise in the future. This is due in part to a shortage of court staff, which limits support for judges, as well as to the new competences assigned to courts through legislative amendments.

In recent years, courts have assumed new competences,³⁵¹ which has contributed to a slowdown in efficiency improvements, particularly in major cases. According to data on the operation and organisation of courts in Slovenia (Slovenian Supreme Court, 2025b), the number of incoming major cases increased again in 2024. At the same time, with the declining number of judges and court staff,³⁵² courts resolved slightly fewer cases than came in.³⁵³ After a period of increase, the time required to resolve major cases decreased slightly in the past year, although the average age of pending cases continued to rise. Other cases, which are far more numerous than major ones, are resolved quickly, on average within less than one month.³⁵⁴ Nevertheless, disposition times remain lengthy in certain courts (particularly the Administrative Court and the Labour and Social Court). In 2024, time standards were revised in line with a new methodology, which is expected to help shorten the duration of proceedings the coming years (Slovenian Supreme Court, 2025a). Compared with other EU Member States, the expected disposition time for first-instance proceedings is longer and has increased further in recent years (to 337 days in 2022), widening the gap with the SDS target of 200 days (see the Statistical Appendix). Data also show that the number of incoming cases (civil, commercial, administrative and other) was among the highest in the EU (EC, 2024o). The EC highlights the excessive duration of proceedings as an ongoing challenge, particularly in cases involving money laundering³⁵⁵ and corruption (EC, 2024o, 2024k).

/ Figure 153: The average disposition time for major cases has slightly shortened (left), while for other cases, where it is generally short, it has slightly increased (right)



Source: Slovenian Supreme Court (2025b). Note: Due to a noticeably larger volume of other cases, the values on the vertical axis are not directly comparable between the two charts. The scale differs in each chart to better highlight changes in major cases.

³⁵¹ For example, the adopted Act Implementing the Regulation (EU) on a Single Market for Digital Services (ZIUETDS) and the Act Implementing the Regulation (EU) on Addressing the Dissemination of Terrorist Content Online (ZIUORTSV) transferred the authority for issuing removal orders for online content to the courts. New competences also include cases that are designated as priority and thus take precedence over older cases.

³⁵² Compared to the EU average, Slovenia has more judges and court staff per capita (EC, 2024o).

³⁵³ In 2024, the number of incoming major cases increased by 5% compared to 2023.

³⁵⁴ An international comparison for 2022 shows that the number of incoming non-contentious cases and criminal cases per capita in Slovenia is considerably higher than the EU average (CEPEJ, 2024).

³⁵⁵ In addition to the complexity of cases, disposition time is significantly influenced by legal remedies available to the defence (such as appeals and objections).

The perception of corruption declined slightly in the past year, returning to the 2020 level, but remains above the EU average. The assessment of corruption perception reflects the functioning of the rule of law institutions, the integrity of the public sector and the overall quality of public governance. According to most recent international comparison by Transparency International (2025), the perception of corruption in Slovenia has improved slightly.³⁵⁶ Nonetheless, Slovenia continues to lag behind the EU average and remains well behind the innovation leaders. The Commission for the Prevention of Corruption (CPC, 2025) attributes this relative improvement in international rankings to the adoption of measures aimed at strengthening societal integrity, reducing corruption risks and implementing the Whistleblower Protection Act. In 2025, a revised Resolution on the Prevention of Corruption was adopted, setting out 77 strategic objectives in this field, which is expected to support the adoption of new anti-corruption measures (MP, 2025; RePKRS-1, 2025). Despite these positive developments, the Eurobarometer survey (2024c, 2024d) shows that the perception of corruption remains widespread among both the general population and the business executives. This is largely attributed to the corrupt intertwining of economic and political interests and to the lack of appropriate sanctions for high-profile and major corruption cases.³⁵⁷ The high level of perceived corruption is also linked to very low trust in public institutions and a lack of transparency, while in the business environment, corruption is most commonly perceived in connection with public procurement (Eurobarometer, 2024c; IMD, 2024b). According to GRECO (2024), of the 15 recommendations made to Slovenia in the areas of corruption prevention and integrity promotion, five have been satisfactorily implemented and six partly implemented in recent years. In line with these recommendations, internal mechanisms were developed to promote awareness-raising activities targeting top executive officials, and progress was also made in disclosing and cross-checking contacts between top executive officials and lobbyists. Four recommendations remain unimplemented, mainly related to the government integrity plan and mechanisms for managing conflicts of interest within the government and the police.

³⁵⁶ Transparency International Slovenia notes that the improvement in the index is partly due to methodological adjustments in the calculation of the index and an increase in the statistical margin of error, but also to tangible institutional changes.

³⁵⁷ 83% of respondents in Slovenia believed that corruption stems from overly close ties between business and politics, whereas this share was significantly lower in the EU on average (75%) and among innovation leaders (64%). A similar pattern is observed with regard to the lack of sanctions for high-profile and major corruption cases (Slovenia 79%, EU 65%, innovation leaders 47%) (Eurobarometer, 2024d).

3.4.3

The business environment

In recent years, the business environment in Slovenia has been shaped by multiple crises and heightened uncertainty in the international context, further reinforcing the need for proactive measures to strengthen it.

A favourable business environment is important not only for the establishment of new companies and the operation of existing ones, but also for attracting foreign investment, which contributes to job creation, economic growth and enhanced competitiveness of the economy. The state's ability to respond to emerging conditions is crucial and influences perceptions of the business climate, as rapid and effective adaptation of measures enables enterprises to better navigate crisis situations and capitalise on new opportunities. Between 2020 and 2022, companies received substantial support through expansionary fiscal policy, which – via broad-based aid schemes – helped preserve economic potential during the COVID-19 pandemic and amid the escalating energy crisis. In 2023, several measures were adopted to address the consequences of the floods. Uncertain conditions in the international environment are deteriorating the economic climate in Slovenia, thereby also restraining potential investment activity. In this context, stability in the business and regulatory environment is essential for companies and investors, as it affects the predictability of operations and the security of investments – both of which, according to various studies, lag behind those in other EU countries (IMD, 2024b; Jaklič and Koleša, 2024). Key elements of the business environment that foster investment and innovation include respect for the rule of law, particularly the independence, quality and efficiency of the judiciary. While these aspects have shown improvement in recent years, public trust in the rule of law remains low.

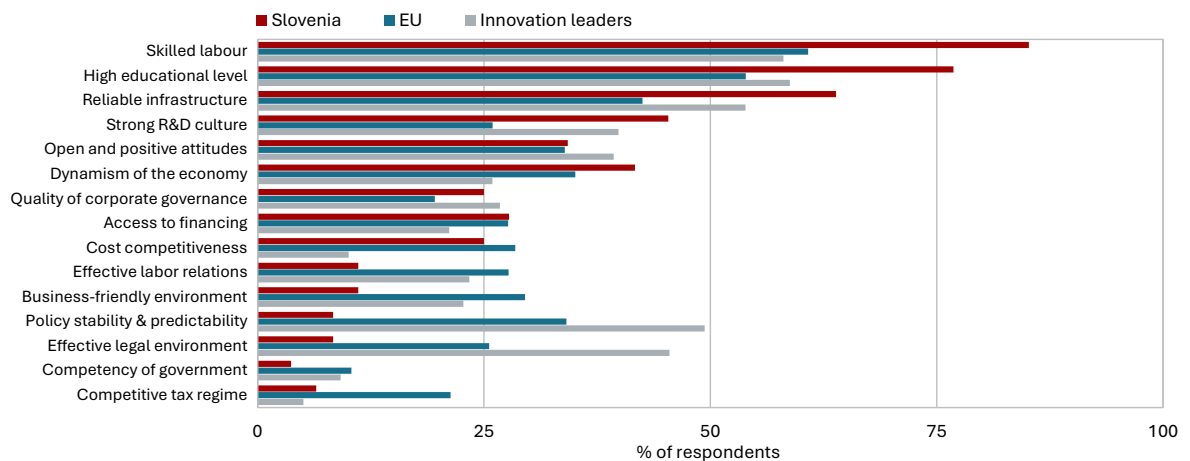
Slovenia's business environment benefits from strong human capital and good international infrastructure connectivity. International studies show that Slovenia's key strengths are its high-quality, highly skilled and well-educated workforce and robust infrastructure connectivity (IMD, 2024b). Companies often cite Slovenia's geographical location and access to additional markets as major advantages, given its position at the intersection of two major pan-European corridors.³⁵⁸ However, recent data indicate that Slovenia's location is becoming a less decisive factor for foreign companies than in previous years (Jaklič and Koleša, 2024). Membership in the European Union ensures free access to the EU single market and reduces administrative barriers to cross-border operations, which is particularly relevant for non-EU companies. A survey conducted by the Faculty of Social Sciences (FDV) also highlights the experience and expertise of Slovenian companies – as well as their innovativeness, adaptability and agility – as important advantages for foreign investment.

Obstacles to business operations in Slovenia are primarily associated with tax policy, a lack of legislative predictability and the functioning of public institutions – all of which, according to business executives, have been deteriorating. International comparisons show that excessive bureaucracy has long been among the main barriers to doing business. This is reflected in the high regulatory density and the lengthy procedures required for interactions with public services, which are partly due to extended

³⁵⁸ In 2024, minor adjustments were made to the trans-European corridors under a new EU regulation, which extended four TEN-T network corridors to Ukraine and Moldova, while reducing the relevance of cross-border links with Russia and Belarus. In Slovenia, major transport routes intersect between Spain (via northern Italy) and Ukraine (via the Adriatic Sea–Baltic Sea corridor), and between Germany and Turkey (via the Western Balkans–Eastern Mediterranean corridor) (EC, 2024q).

coordination processes among various stakeholders. Frequent changes to regulations and legislation also significantly affect business operations by undermining the predictability and stability of the business environment. In recent years, Slovenia has adopted several measures aimed at gradually reducing administrative burdens, which have had a tangible impact on the overall ease of doing business (see Section 3.4.4.2). Companies also cite tax policy (e.g. the burden of labour costs) and the relatively rigid labour legislation as major barriers to doing business (IMD, 2024b; Jaklič and Koleša, 2024; WEF, 2019). Compared with innovation leaders, Slovenia needs to enhance trust in the rule of law and improve the stability and predictability of policy and legislative changes.

Figure 154: Slovenia’s key strengths include a high-quality and well-educated labour force, while its main weaknesses are excessive bureaucracy and the tax system

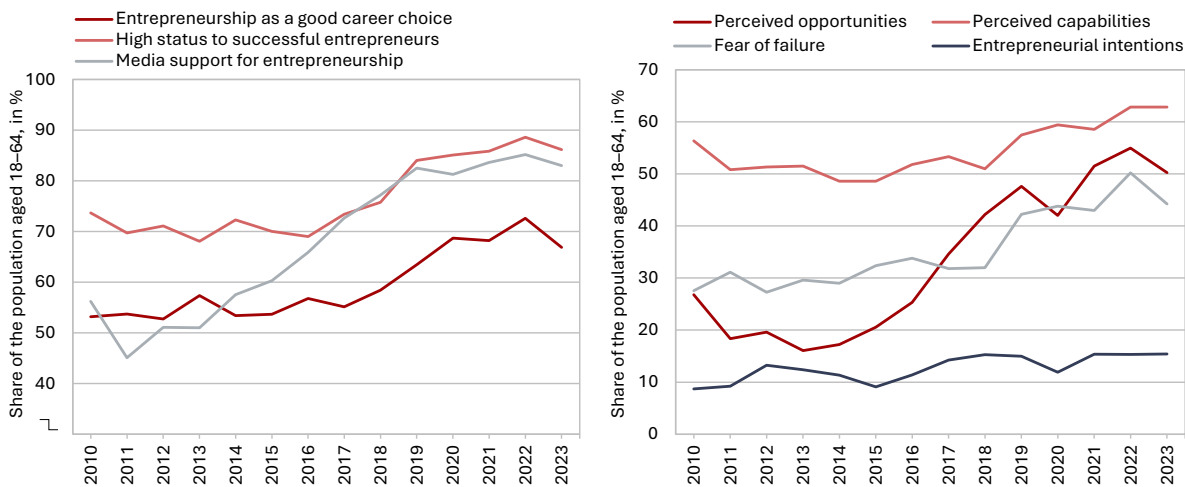


Source: IMD (2024b). Note: Business executives selected five out of fifteen factors that indicate a country’s attractiveness. An unweighted average was calculated for the EU and the group of innovation leaders. These are the responses of business executives; however, it should be noted that the share of tertiary-educated individuals in Slovenia declined due to a methodological revision and is now close to the EU average (see Section 3.1.2.2).

In terms of the development of management practices, Slovenia ranks in the lower half of EU Member States and lags significantly behind the innovation leaders; however, the use of agile methodologies has been increasing in recent years. Business executives report that companies are aware of changing conditions and generally able to adapt swiftly to new circumstances; however, persistent weaknesses include the credibility of managers and the effectiveness of supervisory boards. In recent years, the share of women in executive and senior management positions in companies has declined considerably (IMD, 2024b). An important factor supporting companies’ ability to adapt rapidly is the use of agile methodologies in business operations, an area where Slovenia lags behind the EU average and especially behind the innovation leaders. According to a survey by CorpoHub (2023), the use of agile methodologies in Slovenian companies has increased in recent years. The key positive effects of implementing agile methodologies in companies include increased team productivity, improved interdepartmental collaboration and greater transparency and prioritisation in managing company tasks. The main obstacles to the implementation of agility are inconsistent processes and a lack of agile competencies. In addition to agility, digitalisation is also a key factor in business adaptability, where especially small and medium-sized enterprises, in particular, still have significant untapped potential (see Section 3.2.5.2).

Societal attitudes toward entrepreneurship are mixed but have improved over the past decade. According to the GEM³⁵⁹ survey, societal support for entrepreneurship has increased in recent years. However, in 2023, compared to the previous year, there was a slight decline in societal respect for entrepreneurs, the perceived desirability of entrepreneurship as a career path and the prevalence of positive entrepreneurial stories in the media. Nonetheless, all three indicators remained above the average of EU countries included in the survey³⁶⁰ (GEM, 2024; Širec et al., 2024). Foreign-owned companies have expressed concern over the persistently negative societal attitudes toward businesses and entrepreneurship in Slovenia (Jaklič and Koleča, 2024). Such attitudes may hinder economic growth, innovation and competitiveness by reducing willingness to invest, restricting entrepreneurial activity and discouraging talented individuals from starting new ventures or entering the private sector. Slovenians assess their entrepreneurial capabilities³⁶¹ more positively than a decade ago, with the exception of their willingness to take risks. In the most recent 2023 measurement, the share of respondents who expressed fear of failure decreased (44.2%, EU: 45.3%). At the same time, the share of individuals who perceived business opportunities in their environment also declined, though it remained above the EU average.

/ Figure 155: In recent years, societal support for entrepreneurship in Slovenia has increased (left); some elements of the population's entrepreneurial capacity have improved (right)



Source: GEM (2024). Note: In the GEM survey, societal support for entrepreneurship is analysed through three dimensions of individual perception: entrepreneurship as a desirable career path, society's respect for successful entrepreneurs and media support for entrepreneurship.

Slovenian society is generally less receptive to change and new ideas, but the impact of digital transformation on the economy and society is perceived positively. According to expert assessments, Slovenian society is less open to new ideas, change and risk-taking than the EU average, and lags even further behind the innovation leaders (IMD, 2024b; Širec and Crnogaj, 2023). Slovenian cultural norms place insufficient emphasis on values such as innovativeness, creativity, individual autonomy and personal responsibility in

³⁵⁹ The Global Entrepreneurship Monitor (GEM) is the largest worldwide entrepreneurship survey. Slovenia has participated in GEM since 2002.

³⁶⁰ Slovenia ranked first among participating countries in societal respect for successful entrepreneurs and perceived media support for entrepreneurship and sixth in the perception of entrepreneurship as a good career choice.

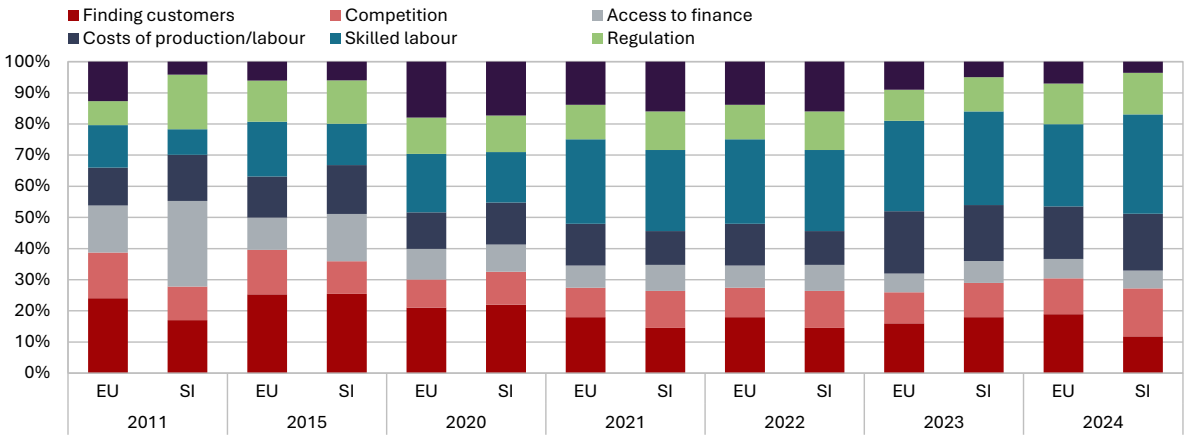
³⁶¹ The survey measures the perception of business opportunities, perceived knowledge, experience and skills for entrepreneurship, perception of fear of failure among those who perceive business opportunities and entrepreneurial intentions among those not involved in entrepreneurial activity.

shaping one’s life (Širec and Crnogaj, 2023). According to the Eurobarometer (2021) survey, the share of respondents who agreed that science is changing our way of life too rapidly (64%) was higher than the EU average (57%) and considerably higher than in the innovation leaders (39%). The share of respondents who positively assessed the impact of the digital transformation on the economy and society (73%) remained above the EU average (67%) in 2022, although it was slightly below the average of the innovation leaders (75%) (Eurobarometer, 2022d).

3.4.3.1 Access to financing

A European Commission survey (EC, 2025e) shows that access to finance – excluding venture capital – is among the less significant concerns for businesses in Slovenia. During the period of high inflation in 2022 and 2023, the ECB considerably raised key interest rates, which worsened borrowing conditions; however, according to companies this did not substantially affect their access to finance. The fact that access to bank financing does not appear to be problematic may, in IMAD’s assessment, reflect lower demand for such financial resources, partly due to the gradual shift in the corporate financing structure³⁶² (see Section 3.2.2). The survey further indicates that, in the recent period, the most commonly cited business constraints include the shortage of skilled labour and, amid challenges faced by Slovenia’s main trading partners and ongoing geopolitical uncertainty, the search for new customers and production costs – together accounting for two-thirds of the most frequently cited challenges. A particular challenge remains venture capital investment, especially in the earliest stages of start-ups, which is a vital component in fostering the high-tech sector and entrepreneurship. Slovenia has so far not succeeded in mobilising or attracting such investment to a sufficient degree; venture capital investment remains among the lowest in the EU (0.01% of nominal GDP in 2021) (EC, 2024b). According to business executives, Slovenia ranks at the bottom of EU countries in terms of venture capital availability (IMD, 2024b).

/ Figure 156: Companies in Slovenia and the euro area assess that access to finance is one of the less significant limiting factors



Source: EC (2025e).

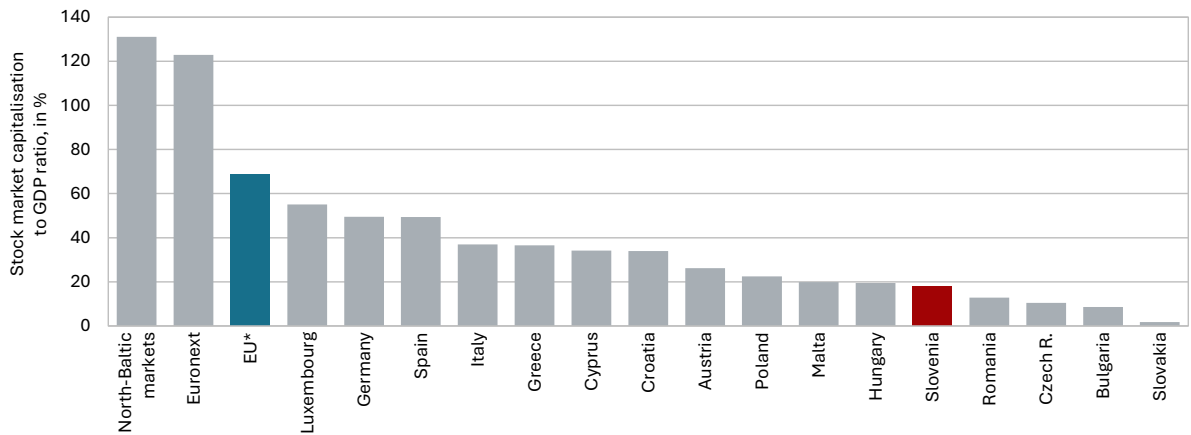
³⁶² The corporate financial structure is gradually shifting, with the share of debt financing (primarily through traditional loans) declining, while the role of equity financing is becoming increasingly important.

The financial structure of companies in Slovenia continues to be shaped by the underdeveloped capital market and the legacy of the past financial crisis, which triggered significant corporate deleveraging. Since the last financial crisis, the share of loans in the structure of funding sources has nearly halved from its peak in 2011, reaching just over one-fifth. IMAD assesses that companies have become significantly more cautious with respect to debt financing, largely due to negative experiences during the last financial crisis, when many companies faced severe liquidity pressures as a result of inappropriate debt levels (in terms of volume or maturity). Debt securities remain a relatively marginal source of corporate financing in Slovenia.³⁶³ The Slovenian capital market remains underdeveloped, characterised by a limited supply of securities and low trading volumes. Initial public offerings are virtually non-existent and, in the past, were primarily linked to bank privatisations. Bonds listed on the Ljubljana Stock Exchange account for approximately three-quarters of the total market capitalisation of all listed securities, while the market capitalisation of shares, standing at 17.8% of GDP, amounts to only one-quarter of the EU average. As a result, the capital market fails to provide an adequate alternative to bank financing (EC, 2024b), and the Association for Financial Markets in Europe (2023) ranks Slovenia among the weakest EU Member States on most capital market efficiency indicators. In response to the limited availability of suitable financial instruments for corporate financing, companies have increasingly turned to other financial liabilities (e.g. commercial credits), a form of intercompany financing. These now account for more than one-fifth of the financial liabilities of Slovenian non-financial corporations, compared to just over one-tenth in the euro area. In 2023, Slovenia adopted the Strategy for the Development of the Capital Market by 2030, aimed at increasing digitalisation and the participation of small and medium-sized enterprises in the capital market, expanding the supply of capital market instruments (such as bonds) and promoting financial education and literacy. The strategy's objective is to attain Emerging Market Status, which is expected to positively impact liquidity and overall trading volumes in the capital market (MF, 2023). In 2024, the first three-year retail bond was issued in the amount of EUR 261 million, followed by a second issuance in 2025 amounting to EUR 250 million.³⁶⁴ This marks progress toward one of the strategy's goals, namely to increase public interest in the capital market.

³⁶³ Compared to the period during the global financial crisis, the share of equity in the financial structure of companies has strengthened in recent years, rising from around 40% to 57% (compared to 58% in the euro area), representing a nominal increase of almost 90%. A large share of this growth stems from an increase in other equity components (such as owner contributions and retained earnings), while only a smaller portion reflects an increase in the volume of shares.

³⁶⁴ Of this, approximately EUR 223 million was subscribed by investors, with the remaining amount allocated to maintaining liquidity.

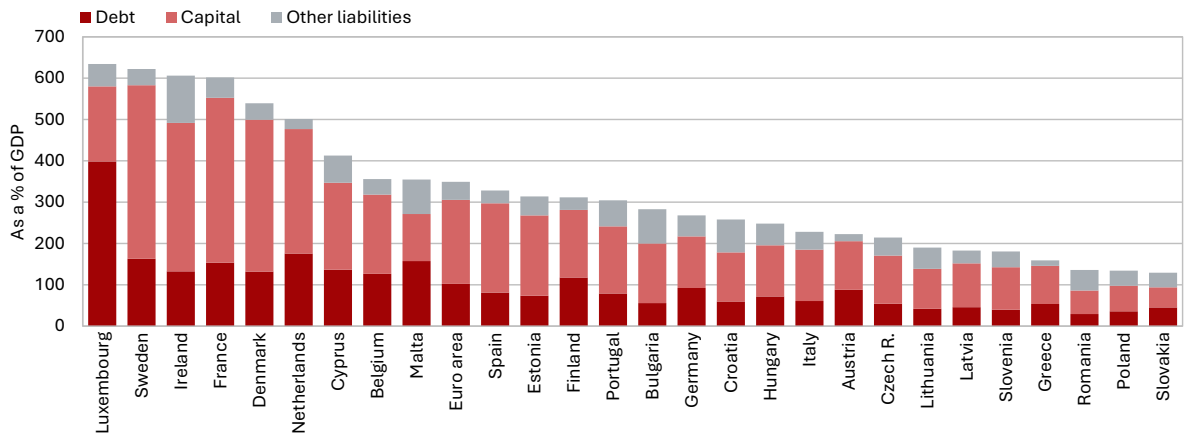
Figure 157: The Slovenian capital market is small, with stock market capitalisation to GDP ratio among the lowest in the EU



Sources: Eurostat (2025), FESE (2025), various stock exchanges. Note: * Includes Iceland, which is not an EU Member State but is part of Nasdaq Nordic, which – together with Nasdaq Baltic – forms the Northern-Baltic stock exchange markets.

The gap between Slovenian companies and the euro area average becomes particularly evident when comparing the volume of financing sources relative to the size of the economy. In Slovenia, corporate financial liabilities amount to approximately 180% of GDP – just over half the level observed in the euro area. The largest gap is in debt financing (loans and debt securities), where Slovenian companies reach less than 40% of the euro area average. Although funding via the issuance of debt securities is relatively limited across the euro area, in Slovenia it accounts for only 1% of GDP, less than one-tenth of the euro area average. The volume of loans is also considerably below average, at 40% of GDP (compared to over 90% in the euro area), having more than halved in just over a decade since its peak following the global financial crisis. Corporate lending remained subdued in 2024 as well. The volume of loans from domestic banks to domestic non-financial corporations declined by 1.7% in 2024, and new corporate lending remained weak, amounting to EUR 5.3 billion last year, about 40% less than in 2013 when the bank resolution process began. Since the financial crisis, companies have increasingly relied on equity as a source of financing; however, its volume relative to GDP has not increased significantly and remains at only about half the euro area average. Reducing the gap in all segments of corporate funding (both debt and equity) by channelling additional financial resources into digitalisation and the green transition would have positive effects on productivity and on the environmental aspects of economic activity.

/ Figure 158: The volume of financial liabilities of Slovenian non-financial corporations relative to GDP also lags behind that of some comparably developed countries

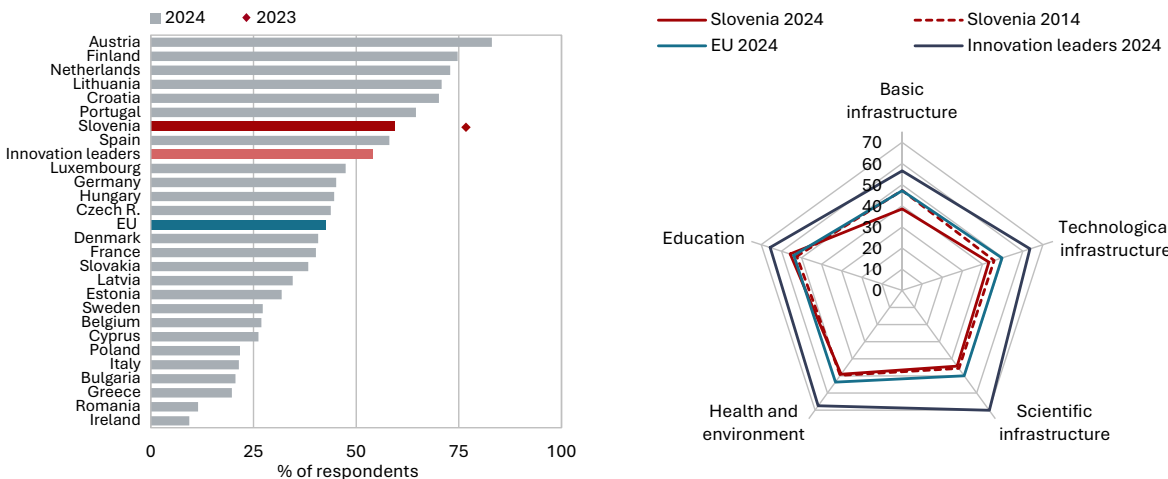


Source: Eurostat (2025).

3.4.3.2 Infrastructure

According to international comparisons, infrastructure in Slovenia is relatively well developed overall, although the country has been lagging behind other EU Member States in recent years and even more so behind the innovation leaders. The development and quality of infrastructure are a crucial factor in attracting investment. Infrastructure in the narrow sense plays a key role in shaping the business environment, as it facilitates efficient connectivity and accessibility through a well-developed transport network, ensures a stable energy supply for companies and provides reliable digital infrastructure for uninterrupted communication. In a broader sense, technological and scientific infrastructure is also important for competitiveness, as it fosters innovation, research and technological progress. Moreover, its high-quality social infrastructure, such as healthcare and education systems, attracts skilled labour and investment, thereby creating a favourable business environment and enhancing corporate competitiveness. In recent years, business executives' assessments have deteriorated compared to the EU average, particularly concerning basic infrastructure (transport, energy and communications), while the gap with innovation leaders is greatest in terms of technological and scientific infrastructure (IMD, 2024b).

/ Figure 159: While, according to business executives, infrastructure in Slovenia is assessed as highly reliable (left), their evaluation of basic infrastructure (transport, energy, communications) falls below the average of the EU and innovation leaders (right)

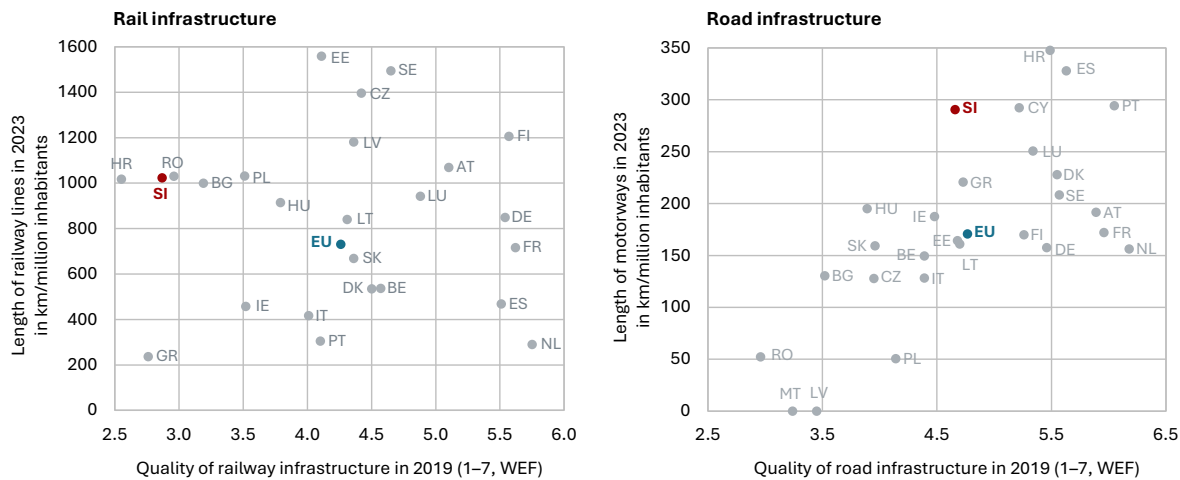


Source: IMD (2024b). Note: The data in the figure on the left refer to the current year only, except for Slovenia. The figure on the right shows composite indicators by infrastructure category. A higher value indicates better performance. The innovation leaders are Sweden, Finland, Denmark and the Netherlands.

Slovenia ranks among the leading EU countries in terms of length of road and rail infrastructure per capita;³⁶⁵ however, in terms of quality, particularly of rail infrastructure, it is among the lowest-rated in the EU. Slovenia has one of the most comprehensive motorway networks in the EU, which is an important factor for transport and logistics, while its quality is at the EU average. Port infrastructure, both in terms of the cargo throughput per capita and quality, is close to or slightly above the EU average. The quality of rail infrastructure (WEF, 2019) ranks at the bottom among EU countries, highlighting the need for accelerated development and modernisation. Although the density of the railway network exceeds the EU average, its overall quality remains among the lowest in the EU. Given that several major railway investment projects are currently underway in Slovenia,³⁶⁶ the quality of rail infrastructure is expected to improve. Enhanced connectivity with inland regions will have a positive impact on port operations. This should help moderate the growth of road traffic, thereby contributing to lower greenhouse gas emissions (see Section 3.3.1). Due to its small geographical size, Slovenia has a relatively underdeveloped airport infrastructure and also ranks low in terms of its quality assessment (WEF, 2019). Cargo throughput and the number of passengers have remained relatively low in recent years,³⁶⁷ with the very limited direct airport connectivity with other countries negatively affecting the overall quality and attractiveness of Slovenia’s business environment (ACI Europe, 2025).

³⁶⁵ In 2023, Slovenia had 291 kilometres of motorways per million inhabitants (EU: 171 kilometres) and more railway kilometres per capita than the EU average (SI: 1,023 km; EU: 730 km) (Eurostat, 2025).
³⁶⁶ The second track of the Divača–Koper railway line, Ljubljana railway and bus station and upgrades to rail tracks and stations along several routes (Korošec, 2023).
³⁶⁷ In airport transport, cargo throughput per capita in 2023 amounted to approximately 5 kilogrammes in Slovenia, compared to more than 29 kilogrammes per capita at EU airports – almost six times as much (Eurostat, 2025).

/ Figure 160: The quality of railway lines is assessed as among the lowest in the EU (left); the quality of road infrastructure is at the EU average (right)



Sources: Eurostat (2025) and WEF (2019); calculations by IMAD. Note: A detailed comparison of port and airport infrastructure is provided in the Appendix.

Slovenia’s electricity infrastructure is more developed than the EU average, while the level of development of its communication infrastructure lags behind. Electricity supply and consumption per capita are higher in Slovenia than the EU average, and in the past, the quality of electricity supply was also rated more favourably (WEF, 2019). However, according to business executives, the adequacy and efficiency of energy infrastructure have deteriorated in recent years (IMD, 2024b). Slovenia’s electricity grid is also very well interconnected with neighbouring countries, enabling relatively high levels of cross-border electricity exchange. It is worth noting that the quality of electricity supply shows relatively little variation across EU countries – less than in other infrastructure categories – indicating generally high level of reliability throughout the EU. The main challenges for further development of electricity infrastructure relate to the increasingly decentralised and growing generation from renewable energy sources (RES), the provision of electricity for electric vehicles and the associated need for higher investment. According to business executives, communication infrastructure lags behind the EU average in terms of suitability for business needs (IMD, 2024b), and even more so behind the innovation leaders, while the use of ICT in business transactions is comparable to the EU average. However, communication infrastructure falls somewhat behind the EU average in terms of connection speeds and the number of broadband internet subscriptions, particularly mobile ones (DESI, 2024).

Business and industrial zones play a key role in enhancing competitiveness and the attractiveness of the business environment, yet the strategic direction of their development remains a challenge. Such zones provide companies with appropriate infrastructure, logistical connectivity, easy access to raw materials, labour and markets, and enable faster business setup, as they offer developed land and dedicated transport infrastructure, thereby reducing administrative and time-related barriers for investors. Slovenia hosts a relatively large number of predominantly small business zones³⁶⁸ (under 10 hectares), often lacking proper management, a clear

³⁶⁸ According to the SPIRIT portal, there are currently 613 business zones in Slovenia, about one-third of which are manufacturing/industrial zones (SPIRIT Slovenija, 2025).

development orientation and the spatial capacity for expansion (Bizjak, 2019). Several business zones lack access to basic infrastructure³⁶⁹ (SPIRIT Slovenija, 2025). The current situation reflects years of government-driven promotion of business zones³⁷⁰ without a strategically guided policy that would support their long-term development through integrated measures focused in particular on zones with potential development impact on a broader (regional, national or cross-border) scale. Such a policy would strengthen the contribution of zones to competitiveness and more balanced territorial development, in line with the principles of a polycentric urban system (see Section 3.4.5). Moreover, the planning and establishment of business zones pursuant to spatial plans fall under the jurisdiction of municipalities. However, some municipalities lack the necessary spatial, infrastructural, financial, organisational and human resource capacities to effectively establish such zones (Bizjak, 2020). The absence of strategic zone planning in Slovenia, which would enable the coordinated and timely preparation of spatial requirements for their development, creates a non-transparent and unpredictable environment for investors, characterised by lengthy permitting procedures, a lack of adequately prepared land and high utility infrastructure costs. Regional spatial plans present an opportunity, as they define strategically important priority areas for economic development within individual regions, in line with the guidelines of the Spatial Development Strategy of Slovenia 2050. The planning of economic and commercial zones is increasingly influenced by changes in work practices, digitalisation and industrial automation (Industry 4.0). This requires appropriate strategic, architectural and urban planning of zones to ensure greater adaptability and resilience, as well as more efficient land use (Cafuta, 2021).

3.4.4

Strategic governance

Strategic governance is the process of long-term planning and steering of a country's development through clear objectives, policies and measures. Its importance is reflected in the state's ability to ensure sustainable economic growth, social stability and competitiveness in the global marketplace. In recent years, stakeholder participation in the development of strategies has gradually improved; however, in light of the transition to innovation-driven growth, it must be significantly enhanced – especially in terms of cooperation between the state and the business sector. The challenge remains to improve the strategic institutional management and to ensure the effective implementation and monitoring of measures aimed at addressing development challenges in a coordinated and efficient manner (IMAD, 2024). A new strategy is currently being drafted and undergoing public consultation in the field of public administration, highlighting user-oriented public services, competent civil servants, and an open and innovative administration. In addition to increasing the efficiency and adaptability of public administration, one of the key objectives is to strengthen trust in institutions (MJU, 2024b).

³⁶⁹ 10% of business zones lack access to a water supply, 20% to electricity and 23% to sewerage. Only six zones are fully equipped with access to electricity, water, sewerage, telephone, gas, district heating, process water and industrial heating (SPIRIT Slovenija, 2025).

³⁷⁰ Primarily within the framework of implementing regional policy measures in the 2007–2013 and 2014–2020 programme periods.

3.4.4.1

Slovenia's integration within a new geostrategic framework

Over the past few decades, the global economy has undergone significant transformation due to technological progress (particularly digitalisation), globalisation and increasing market integration; however, in recent years, this trend has stalled – if not reversed, marked by a shift toward a more multipolar, fragmented and regionalised structure of the international community and global trade. Amid this dynamic, the context of Slovenia's and the EU's integration into the global economy is also evolving, as are the conditions for responding to global changes. The period of intense globalisation was characterised above all by rapid growth of international trade (driven in particular by China's accession to the WTO), global value chains,³⁷¹ technological progress³⁷² and the reduction of trade barriers. Knowledge and services became an integral part of global production and trade, as digitalisation in particular enabled the surge in international trade in services such as IT, financial services and telecommunications. Global value chains have become increasingly complex over time, often involving numerous countries, which has led to greater interdependence between economies. This also means that in times of economic crisis or geopolitical tensions, disruptions in one region quickly affect other parts of the world. The period following the 2008 global financial crisis, and especially the more recent years marked by shocks such as the COVID-19 pandemic, supply chain disruptions, the war in Ukraine, the energy crisis in Europe and the imposition of tariffs by the United States, has been characterised by a shift toward a more multipolar, fragmented and regionalised structure of the international community and global trade. This erodes the importance of multilateralism, which refers to international cooperation in addressing global challenges through international institutions and agreements (Borell, 2023; MZEZ, 2024d). This process is driven by multiple factors, including geopolitical tensions among global powers, an active departure from the established norms and practices of multilateralism, rising protectionism and scepticism toward globalisation,³⁷³ the shift of economic power toward Asia, the digital transformation, the green transition and the restructuring of global value chains from a focus on efficiency to a focus on resilience.

The Draghi Report finds that, due to its traditional openness, reliance on NATO for defence, and its complex political system and governance structure, the EU is relatively poorly prepared to meet emerging challenges. In addition, it faces technological dependence and a lack of competitiveness in several of the fastest-growing economic sectors (lagging behind both the US and China), as well as mounting internal political pressures, including populism, demographic changes and disparities between Member States (Draghi, 2024; Martill and ten Brinke, 2020). A major challenge is the future of the transatlantic partnership with the US, as the US is implementing far-reaching changes to the international trade system (including the imposition or increase of tariffs), significantly reshaping the structure and dynamics of its relationships with key partners, including the EU (Belton and Gruenig, 2025; Leblond and Vannier, 2024).

³⁷¹ Global value chains have brought significant productivity gains through efficiency, economy of scale, and technology and know-how diffusion (Goldin et al., 2022).

³⁷² Innovation has been fostered through exposure to international competition and collaboration, while the availability of capital goods increased.

³⁷³ At least toward the »traditional« globalisation, which is based on the movement of goods. The »new« globalisation, by contrast, is based on digital services, research and development, data, ideas and other intangibles that are often not captured by traditional trade statistics (van der Marel, 2020).

Slovenia is a small and open economy; however, a major challenge lies in its exposure to global changes and the need to adapt to them. According to the Economic Complexity Index, Slovenia ranks ninth among the countries assessed, indicating a relatively advanced, export-oriented economy capable of producing and exporting a diverse and technologically sophisticated range of products³⁷⁴ (The Growth Lab at Harvard University, 2025). With exports accounting for approximately 81.5% of GDP in 2024 and strong integration into European supply chains, particularly through its dependence on the German economy, Slovenia must actively adapt its development model. The technological composition of goods exports has remained broadly unchanged over the past decade, as the share of medium- and high-technology products continues to account for slightly less than 60% (compared to 57% in the EU and 52% among innovation leaders³⁷⁵). Foreign-owned companies have played a particularly important role in this area, generating more than half of total goods exports (SURS, 2024d). In services exports, the share of knowledge-based services is growing only slowly, as travel, transport and construction still constitute the majority of services exports. Slovenia is also not fully exploiting its potential to attract foreign investment, consistently recording one of the lowest shares of foreign direct investment (FDI) relative to GDP among EU Member States. This is partly linked to barriers in the business environment and the approach to privatisation following the country's independence (see Section 3.2.4.1). In 2021, the Programme Promoting Investment and the Internationalisation of the Slovenian Economy until 2026 was adopted, focusing primarily on specialisation, niche orientation and priority industrial sectors for both exports and FDI (MGRT, 2021). In light of shifting geopolitical relations, the importance of this strategy for the business sector is growing, as a strategic approach to identifying new markets and opportunities – including risk-sharing with the state – may be crucial for Slovenia's future competitiveness. In this context, economic diplomacy has become one of the key external policy priorities.

3.4.4.2

Executive capacity and government efficiency

In recent years, efforts in the area of public administration in Slovenia have focused on the development of digital public services and on aligning the functioning of the public administration with user needs, and the human resource management system in the public sector is also being modernised. The key document guiding the digitalisation of public services is the Digital Public Services Strategy 2030, which defines three strategic priorities: by 2030, all key public services are to be provided online and accessible to all users; at least 80% of digitally accessible key public services should also be delivered digitally; and at least 80% of public service users should use their digital identity (MJU, 2022a). In recent years, several digital tools have been implemented to facilitate interaction with the state – for citizens (e.g. *eUprava* [eGovernment], *eDavki* [State tax portal], *zVem* [eHealth entry point], digital justice solutions) and businesses (SPOT platform [Slovenian business point]) – bringing the share of public services available online to around 90% (EU average: 88%). The transition to the SI-PASS system

³⁷⁴ The index is based on the premise that more complex products require broader knowledge, technology and specific skills. A higher ranking indicates that a country produces and exports more diverse and technologically sophisticated products, which often leads to greater global competitiveness. Slovenia's high ranking is primarily driven by its focus on the production of technologically advanced products, such as vehicles, various types of machinery and equipment and pharmaceuticals.

³⁷⁵ However, Slovenia lags noticeably behind the innovation leaders in the share of high-technology exports in 2024 (Slovenia and the EU: 17%; innovation leaders: 22%).

(single point for verifying identity of various entities) has simplified interaction with public administration through online authentication and electronic document signing (eID). Slovenia exceeds the EU average on most indicators of digital public services, but continues to lag behind on some indicators of cross-border services. Challenges persist in improving the basic digital skills of the population and addressing the relatively low digital intensity among small and medium-sized enterprises (EC, 2024l, 2024f). According to United Nations E-Government Development Index,³⁷⁶ Slovenia ranks 13th among EU Member States, although its position has slightly deteriorated in recent years mainly due to faster progress in other countries (UN, 2024b). The introduction of quality management models in public administration bodies has continued in recent years, accompanied by the implementation of an information system for the management and development of employees in the state administration, thereby modernising and digitally supporting human resource processes. In addition, the government has adopted a proposal to amend the Civil Servants Act, aiming to introduce a competency model into the public/state administration, strengthen the professionalism and independence of civil servants, and enable greater flexibility in human resource management.

In recent years, Slovenia has made progress in reducing administrative burdens, with the gap relative to the EU average gradually narrowing; however, regulatory impact assessment (RIA) remains a challenge.

According to the Ministry of Public Administration, by the end of 2024,³⁷⁷ over 370 measures to improve the regulatory and business environment had been implemented (86% of the total), most of them in the areas of finance, statistics, justice and agriculture. Over the past two years, several measures have been implemented in the areas of digitalisation of procedures (upgrading electronic services for citizens and business platforms), public administration (e.g. a training system for better regulation, the preparation of methodologies for preliminary regulatory assessments and evaluations, amendments to the Public Sector Salary System Act), the judiciary (e.g. changes to insolvency proceedings), the environment (e.g. revision of the Spatial Development Strategy and several measures related to water management) and healthcare (e.g. regulation of occupational diseases) (MJU, 2024a, 2025a). Based on surveys among business executives, excessive bureaucracy and lack of progress in reducing regulation and administrative burdens has been reported by several international surveys, while the gap with the EU average in the quality of the regulatory and legal framework has only slowly narrowed in recent years (IMD, 2024b; Kaufmann and Kraay, 2024). While there has been some progress in the area of Regulatory Impact Assessment (RIA) in recent years, the implementation of recommendations and actions remains crucial. The Court of Auditors of the RS (2021a) suggested, among other things, the development of additional tests to assess the impact of the proposed rules and further training of staff. In 2023, a methodology was adopted for assessing the impact of regulations on various societal domains (MJU, 2023). The EC (2024b) notes that impact assessments of legislative proposals are being conducted (although they still do not take into account the full range of effects), while the use of ex-post evaluations remains below the EU average.

³⁷⁶ The E-Government Development Index (EGDI) consists of three components: the Online Service Index, the Telecommunication Infrastructure Index and the Human Capital Index. The survey is conducted biennially (UN, 2024b).

³⁷⁷ With the aim of fostering economic growth, increasing business competitiveness, and creating a stable and attractive business environment, the Single document was adopted in 2013 to enable better regulation and business environment and increase competitiveness. In 2024, 26 measures were implemented, while work has not yet begun on two measures. Additional measures were introduced based on the Demands of Slovenian Craft and Entrepreneurship 2024 (10 measures) and other submitted initiatives aimed at removing administrative barriers (5 measures). For more see MJU (2025b).

Public procurement is an important interface between the state and the business sector; the main challenges remain efficiency and competition, which also make the system susceptible to potential corruption. In recent years, several measures have been adopted to modernise and digitalise the public procurement system (e.g. the *e-JN* information system, *eRevizija*, *e-Dosje*), which help reduce costs for contractors, shorten procedures and increase transparency. The public procurement system in Slovenia is fragmented, with over 2,100 contracting authorities, and the total volume of public procurement amounted to 14.5% of GDP in 2023.³⁷⁸ More than half of all procurement procedures were low-value contracts, indicating frequent use of simpler and less complex procedures. Despite the establishment of the IT system, electronic auctions were used in less than 1% of all contracts awarded (by both number and value) and joint public procurement remains relatively underutilised. While it accounted for only 4.5% of all awarded contracts by number, its share by value rose to 14.6% in the latest reporting period. A persistent challenge is the lack of competition in public procurement, as the share of contracts awarded where there was just a single bidder (over half) is relatively high, which may result in higher prices and increased corruption risks (EC, 2023d). Procurement procedures are occasionally lengthy, as the number of requests for review and legal remedies remained high in 2023 (DKOM, 2024).

Corporate governance of state-owned enterprises (SOEs) is gradually improving, with a strong return on state capital investments recorded in 2023. Corporate governance of SOEs has improved over the past decade,³⁷⁹ placing Slovenia among the more successful EU Member States in terms of governance quality indicators (OECD, 2025d).³⁸⁰ However, Slovenia stands out in terms of the volume of SOEs (including in some non-strategic sectors), with the size of these enterprises potentially hampering investment, market entry and competition in some sectors (EC, 2024b; OECD, 2025d). At the end of 2023, the total book value of the portfolio managed by the Slovenian Sovereign Holding (SSH) – the umbrella manager of state capital investments – amounted to EUR 12.3 billion, with 84 active capital investments under its management.³⁸¹ The increase in portfolio value (by more than EUR 1 billion) was driven by capital growth stemming from strong corporate performance, and, to a lesser extent, by higher reported capital in insurance companies following the adoption of new accounting standards. Between 2020 and 2022, the net return on equity (ROE) of companies within the state and SSH portfolios fluctuated significantly due to economic conditions arising from the pandemic and the energy crisis. In 2023, profitability increased across all pillars, particularly in the energy sector (ROE rose by 7.3 p.p. to 10.1%). As a result, in 2024 (for the 2023 financial year), the total value of dividends distributed increased substantially (EUR 487.1 million), with more than half contributed by energy companies. The six largest dividend payers accounted

³⁷⁸ According to statistical data, the total volume of public contracts awarded in 2022 amounted to EUR 8.05 billion or 14.11% of GDP. Public procurement accounts for a significant proportion of budget expenditure in Slovenia (58.7% in 2022).

³⁷⁹ The governance of companies with state capital investments has gradually improved over the past decade, particularly following Slovenia's accession to the OECD and the adoption and subsequent revisions of the Corporate Governance Code for State-Owned Enterprises.

³⁸⁰ The indicators form part of the OECD's Product Market Regulation (PMR) measurement framework.

³⁸¹ More than three quarters of the portfolio consist of strategic investments, while the remainder are classified as important and portfolio investments. State-owned assets are classified into strategic, significant and portfolio assets on the basis of predefined criteria set out in the State Assets Management Strategy (OdSUKND, 2015). According to available data, two largest pillars (Transport and Energy Sector) account for nearly three-quarters of the managed portfolio. Investment concentration remains very high, with the ten largest investments representing more than 77.8% of the portfolio's total book value (SSH, 2024).

for 81.5% of all dividends distributed, with an average ROE of 10.5% in 2022 (SSH, 2024). In 2025, amendments to the Ordinance on State Assets Management Strategy were adopted, introducing additional provisions for the special treatment of companies employing persons with disabilities, thereby promoting socially responsible management practices (Government of the RS, 2025a).

3.4.4.3

Safety

In recent years, Slovenians have felt safe in the country. The sense of personal endangerment of people in their living environment has remained low at all times.³⁸² In 2023, the share of people who reported problems with crime, vandalism or violence in their neighbourhood was the lowest ever (6.8%) and remained below the EU average and within the SDS 2030 target (Eurostat, 2025).³⁸³ The sense of safety is also closely linked to public trust in the police, which in recent years has been significantly higher than trust in most other national institutions. In 2024, it decreased and remained below the EU average (Slovenia: 61%, EU: 73%) (Eurobarometer, 2025).³⁸⁴

The number of criminal offences increased in 2023 but remained below the ten-year average and lower than in the period before the COVID-19 pandemic. The number of general, economic, juvenile and organised crime offences increased. General offences, which account for approximately 85% of all reported crimes, were dominated by property-related offences (Police, 2024a). The number of organised crime offences reached its highest level in the past ten years. In particular, there was a notable rise in offences related to the illegal crossing of the state border or territory, which, along with illicit drug trafficking and doping in sport, are the most frequent types of organised crime. The prevention of illegal border crossings remains one of the police's key priorities, with such incidents increasing steadily since 2015.³⁸⁵ In 2023, more than 60,000 unlawful entries were detected.³⁸⁶ Due to heightened threats of terrorism, extremism and cross-border organised crime, Slovenia temporarily reintroduced border controls at its internal borders with Hungary and Croatia in October 2023. This measure has been extended until June 2025. In 2024, the number of unlawful entries into the country decreased to 46,192 (Police, 2025a), with Slovenia remaining a transit country. In the first half of 2024, the overall number of criminal offences continued to rise, although it remained below the 10-year average (Police, 2024b).³⁸⁷

Natural and other disasters are a constant source of risk; over the last decade, the number of incidents peaked in 2022, and in 2023, Slovenia experienced its worst floods on record. In 2024, a total of 17,564 incidents occurred in Slovenia³⁸⁸ in which protection, rescue and relief personnel, along

³⁸² According to the European Social Survey, the share of respondents in 2023 who felt safe when walking alone in their neighbourhood at night was the highest on record (95%) and also significantly above the EU average (based on data from 18 Member States participating in the survey) (ESS ERIC, 2024).

³⁸³ The proportion of respondents who have had a personal experience of burglary or physical assault was lower in 2023 compared to previous years (8%; EU: 11%) (ESS ERIC, 2024).

³⁸⁴ According to the OECD (2024e) data, trust in the police is higher than trust in other public institutions, but still below the average across the 30 participating countries.

³⁸⁵ In 2020 and 2021, it decreased due to mobility restrictions introduced to curb the pandemic, but increased sharply again in 2022.

³⁸⁶ Following Croatia's accession to the Schengen area, state border checks at the Slovenian-Croatian land border were abolished. Controls are now limited to five crossing points (three air and two sea borders), which renders post-2023 data not directly comparable with figures from earlier years (Police, 2024a).

³⁸⁷ Data for the first half of 2023 are compared with corresponding data from previous years.

³⁸⁸ These included: natural and other disasters, traffic accidents, fires and explosions, pollution incidents,

with other emergency services, were engaged (URSZR, 2025b). The number of natural disasters in 2024 was lower than in 2023, when catastrophic flooding caused widespread damage. According to risk assessments conducted between 2015 and 2024, floods and infectious disease outbreaks in humans represent the highest disaster risks in Slovenia. Other identified risks include earthquakes, aviation accidents, terrorism, ice storms and nuclear accidents (URSZR, 2025a). A timely emergency response is ensured through emergency notification centres, public rescue services and the operational readiness of other rescue services, commissions and units and the Civil Protection Headquarters. Strengthening preparedness and response to climate-related disasters is essential, as weather conditions influence the frequency and intensity of some disasters, especially natural disasters (such as the Karst fires in July 2022 and the floods in August 2023). A key challenge is to establish a system that will facilitate effective coordinated action, thereby mitigating the damage and broader consequences of natural disasters. An important factor in this regard is the implementation of preventive measures, particularly in spatial planning, land use management, fire protection and protection against other natural disasters.³⁸⁹

Slovenia's defence expenditure, which is among the lowest in the EU, is expected to increase more rapidly in the coming years in line with the country's NATO commitments. The medium-term development framework in this area is defined by the Medium-Term Defence Programme of the Republic of Slovenia 2023–2028, which serves as the basis for the establishment and development of both military and civilian defence capabilities (MO, 2023). Between 2014 and 2024, Slovenia's defence spending increased from 0.97% to 1.35% of GDP³⁹⁰ (MO, 2025), yet remained among the lowest in the EU and significantly below the NATO commitment, under which Slovenia should allocate 2% of GDP to defence. In March 2025, the European Commission unveiled the White Paper for European Defence and the reArm Europe Plan, which aim to strengthen defence cooperation among EU Member States and establish a new financial instrument and financing rules that allow deviations from the EU fiscal rules (EC, 2025c). In this context, Slovenia intends to use any increase in defence investment toward deeper integration into EU and NATO defence supply chains and to invest in dual-use capabilities (e.g. infrastructure used for both civilian and military purposes).

3.4.4.4

Global responsibility

Globally, Slovenia ranks among the most peaceful countries, which contributes positively to the country's attractiveness on the global market. According to the Global Peace Index,³⁹¹ Slovenia has consistently ranked among the world's most peaceful nations over the past decade,³⁹²

hazardous substance accidents, nuclear and other events, unexploded ordnance discoveries, supply disruptions, damage to infrastructure and other events that required technical and other assistance, as well as unnecessary or false interventions.

³⁸⁹ The measures are co-financed by EU funds under Thematic Objective 2 of the Operational Programme for the Implementation of the Cohesion Policy (promoting climate change adaptation and disaster risk prevention and resilience, taking into account eco-system based approaches).

³⁹⁰ In the years immediately following Slovenia's accession to NATO, the country allocated around 1.5% of GDP to defence, peaking at 1.6% in 2010. However, due to austerity measures during the global financial crisis, defence spending declined to below 1% of GDP by 2014.

³⁹¹ The Global Peace Index, published annually by the Institute for Economics and Peace, assesses the level of peace in individual countries using 23 qualitative and quantitative indicators on a scale from 1 to 5, grouped into three domains: militarisation, societal safety and security, and ongoing domestic and international conflict. The 2024 index was calculated based on data from 2018 to March 2024.

³⁹² In 2024, Slovenia ranked 9th among 163 countries worldwide and 5th among EU Member States,

which is one of the SDS 2030 targets. Seven of the ten most peaceful countries globally are located in Europe, five of which are EU Member States. Since 2014, the average level of peace worldwide has been declining and the gap between the most and the least peaceful countries has been widening.³⁹³ This trend is driven by various factors, most recently the wars in Ukraine and the Middle East, which – due to their geographical proximity and strategic significance – have potentially significant humanitarian, security and economic consequences for the EU and, consequently, for Slovenia. Conflicts are also escalating in other regions, with a rising number of conflict-related deaths and an increase in the number of countries engaged in a conflict beyond their borders, complicating negotiation processes for lasting peace and prolonging conflicts (IEP, 2024).

In recent years, Slovenia has strengthened its active engagement in international organisations, contributing to greater global recognition.

The country's international reputation was significantly supported by its role within the EU (such as its Presidency of the Council of the EU in the second half of 2021), as well as its efforts to promote greater global responsibility and solidarity and its active participation in international operations and missions, where it ranks among the allies that assume an above-average operational burden. In early 2023, Slovenia became a member of the UN Economic and Social Council for a two-year term. The Council coordinates the economic, social and environmental aspects of sustainable development (MZEZ, 2024a). In 2024, Slovenia became a non-permanent member of the UN Security Council for the second time. In this role, it acts in accordance with the UN Charter and international law and seeks to foster consensus among Security Council members (MZEZ, 2024c). In terms of progress toward the Sustainable Development Goals (SDGs) under the 2030 Agenda, Slovenia ranks among the more successful countries globally and performs above the EU average. Data show that over the past five years, Slovenia has made progress on most SDGs in line with the EU's priority areas (the European Green Deal, the Digital strategy and the Action Plan on the European Pillar of Social Rights) (Sachs et al., 2024).

Expenditure on official development assistance (ODA)³⁹⁴ has increased in recent years, but remains below internationally agreed commitments.

Between 2013 and 2023, the share of ODA in gross national income (GNI) rose from 0.13% to 0.24%, representing a nominal increase of approximately 230%, reaching EUR 152.71 million. Slovenia has recorded moderate yet consistent growth in ODA. In the past two years, the increase and structure of ODA expenditure were primarily influenced by the armed conflicts in Ukraine and Gaza (MZEZ, 2024b). Funding available for bilateral assistance declined,³⁹⁵ with the majority of resources allocated to the payment of school fees and scholarships, as well as to the provision of care for refugees and

although its position declined by two places compared to 2023. While Slovenia once again ranked among the ten best-performing countries globally in the areas of militarisation (5th) and societal safety and security (8th), it scored lower in the area of domestic and international conflict (40th). This was influenced by somewhat weaker scores in the areas of neighbouring countries relations and the intensity of organised internal conflicts, indicating certain shortcomings that, however, do not significantly affect the country's overall peace rating.

³⁹³ The overall index value has deteriorated. In 2024, the index value improved in 65 countries and deteriorated in 97 countries.

³⁹⁴ In 2018, Slovenia adopted the Development Cooperation and Humanitarian Aid Strategy of the Republic of Slovenia until 2030, which provides a framework for enhancing bilateral development cooperation and outlines guidelines for active engagement at the multilateral level. The strategy is aligned with the implementation of the 2030 Agenda (MZZ, 2018).

³⁹⁵ In 2023, expenditures for the care of refugees and migrants, and project-based assistance (such as donations of COVID-19 vaccines) declined, and no debt relief measures were granted in 2023.

migrants in Slovenia. Contributions to targeted programmes of international organisations and support for the functioning of non-governmental organisations increased significantly, as did allocations for humanitarian aid. In 2023, Slovenia directed the largest share of its bilateral assistance to countries in the Western Balkans. For the sixth year in a row, the volume of multilateral aid also increased, with the bulk of this support directed towards development cooperation within the EU.

3.4.5

Regional policy and spatial planning

The regional development policy implemented to date has not successfully activated the untapped development potential of Slovenia's regions.

The policy to promote balanced regional development in Slovenia has so far focused primarily on infrastructure enhancement at the municipal level,³⁹⁶ while significantly less attention has been devoted to the comprehensive and strategically coordinated strengthening of regional employment and economic structures based on coordinated public policies and a shared development vision.³⁹⁷ This has been reflected, among other things, in the following:

- I. Underutilisation of economic-development potential of other regions, which is also linked to the economic and demographic weakening of regionally important urban centres³⁹⁸ and their functional areas, and the growing trend of labour migration into the Osrednjeslovenska region (see Section 2.3.3);
- II. Spatially dispersed and uncoordinated development (see, for example, the issue of numerous fragmented business zones in Section 3.4.3.2), meaning that development has not followed the model of polycentric urban development with wider urban areas (ReSPR50, 2023b), despite this being a potential competitive advantage for Slovenia;
- III. Unfavourable demographic trends in border problem areas and certain other remote rural regions (Pečar, 2020; Nared et al., 2021; Kušar et al., 2023), where development prospects have worsened due to limited (accessible) employment opportunities;
- IV. Inefficient networks of services of general interest and services of general economic interest (Nared et al., 2016), particularly the reduction of services of general economic interest in remote rural areas (ReSPR50, 2023b), often carried out without strategic consideration (IMAD, 2024);
- V. The need for ongoing, ex-post and (ad hoc) adaptation of spatial planning documents in response to partial initiatives, which has significantly slowed

³⁹⁶ Under the Regional Development Agreement – the principal instrument for promoting balanced regional development – EUR 458.54 million has been allocated for the 2021–2027 period, primarily for environmental infrastructure, green infrastructure and sustainable mobility (mainly cycling infrastructure); only 6% of total funding is allocated to supporting entrepreneurship (business incubators and entrepreneurial training) (MKRR, 2023).

³⁹⁷ The lack of an integrated approach to regional development was also highlighted by the Court of Audit of the Republic of Slovenia in its audit report on regional development (Court of Audit of the Republic of Slovenia, 2020).

³⁹⁸ The weak competitiveness or limited economic power of settlements of a higher order of centrality (i.e. higher-order urban centres within Slovenia's polycentric urban system), relative to their hierarchical status, was identified in a study by the ZRC SAZU (Nared et al., 2016). According to demographic projections, by 2038, seven of Slovenia's eleven urban municipalities are expected to experience a population decline exceeding 5% (note: the Municipality of Krško, which was granted urban municipality status in 2021, was not included in the study) (Nared et al., 2023).

the spatial siting of investments – posing a major obstacle not only to more balanced regional development, but also to accelerating economic growth across Slovenia.

A key opportunity lies in the closer integration of spatial and development planning at the regional level, as part of the preparation of Regional Spatial Plans (RSPs). In 2025, under the provisions of the Spatial Planning Act (ZUreP-3, 2021), the process of drafting RSPs was initiated for Slovenia's development regions. These strategic spatial instruments, expected to be adopted by the end of 2026, will be the result of agreements between the state and municipalities concerning the long-term strategic spatial development of regions and are expected, among other things, to identify priority areas for the economic development of each region. This planning – combining bottom-up and top-down approach – aims to ensure that development solutions are tailored to local needs while aligned with national policy objectives, thereby enabling strategic guidance at the regional level and appropriate support through national policy measures. Early-stage cooperation and coordination of the interests of various development stakeholders at both the national and local levels could contribute to the more timely preparation of harmonised implementation instruments, potentially accelerating investment and development while enabling the more efficient use of available public and private resources.

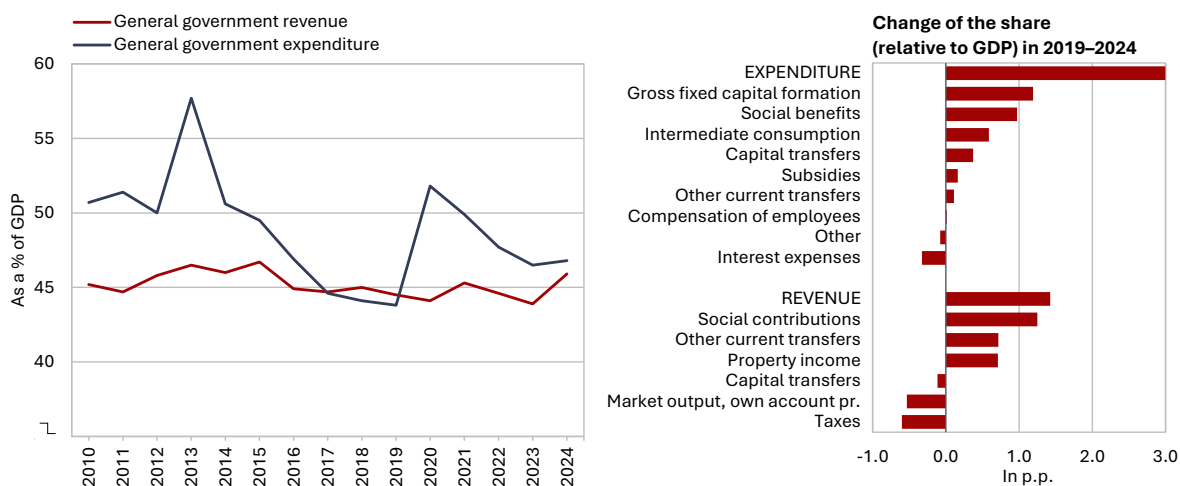
At the systemic level, development policies that would more effectively support balanced regional development – while simultaneously accelerating Slovenia's overall economic growth – should increasingly be based on a territorial approach.³⁹⁹ Unlocking regional potential requires comprehensive support from other policy domains, including industrial and innovation policy, employment policy, entrepreneurship promotion, human resources development, housing policy, rural development policy and others. In addition to ensuring appropriate land-use conditions, access to adequate infrastructure (e.g. research, energy and logistics infrastructure) is crucial for economic development, as is a critical mass of skilled personnel which is becoming increasingly specialised in the transition to innovation-driven growth. This, in turn, calls for gradual regional development specialisation. Achieving this requires strong collaboration not only between the state and municipalities, but also with other development actors (e.g. schools), working in close partnership with the business sector. Regions should assume a more prominent role in reinforcing and coordinating the support ecosystem (see Section 3.2.5.5). Particular attention must be devoted to promoting the development of border, rural and other remote areas. This effort must be strategically aligned – especially in light of broader demographic trends – with a well-considered vision of the desired and realistically achievable spatial development of these areas. Regional and rural development policies can improve the quality of life even in remote areas by strengthening connections with regional centres on the one hand and by leveraging local potential on the other – both in traditional sectors (e.g. supporting agriculture through diversification, tourism) and in emerging opportunities enabled by new technologies (e.g. renewable energy, digital nomadism, etc.).

³⁹⁹ This requires regionally and spatially coordinated policies and guidelines between the state, municipalities, the business sector and other stakeholders, aimed at supporting a comprehensive regional approach to addressing development challenges. It is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance (Barca, 2009).

3.4.6 Public finances and the tax system

Through its developmental role, fiscal policy influences long-term economic potential, resilience to shocks, long-term fiscal sustainability and the achievement of other policy objectives. Since 2020, both the deficit and debt have been declining rapidly. The reduction of the deficit has primarily been driven by a decrease in the expenditure-to-GDP ratio, while in 2024, the revenue-to-GDP ratio also increased significantly, following its lowest level on record in 2023. Insights into the orientation of fiscal policy towards the achievement of these objectives – which are also linked to the concept of quality of public finances – can be gained through a more detailed analysis of public revenue and expenditure and their changes over time.

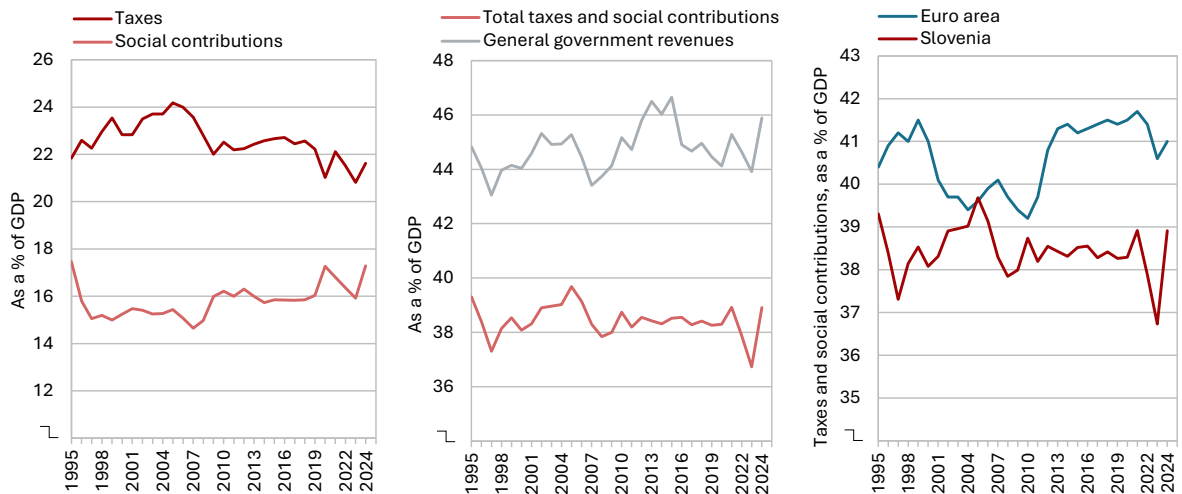
/ Figure 161: Since 2020, the general government deficit has been decreasing primarily due to a decline in the expenditure-to-GDP ratio, while last year the revenue-to-GDP ratio also increased (left); among expenditures, the largest increases compared to 2019 were recorded in investment spending and in expenditures related to the introduction of the mandatory health contribution; the latter also contributed to higher revenues from social transfers (right)



Source: SURS (2025a).

The share of taxes and social contributions in GDP – which represent the bulk of general government revenue – increased in 2024, following a historic low in 2023. In 2023, the tax revenue-to-GDP ratio fell to its lowest level since Slovenia’s independence, largely due to a range of tax exemptions and reductions introduced to mitigate various economic shocks. In 2024, this ratio rose again – although it remained below the 2019 level – driven by an increase in the corporate income tax rate and the introduction of the tax on banks’ total assets as a temporary earmarked revenue source to finance post-flood recovery following the August 2023 floods (applicable for the 2024–2028 period). The share of social contribution revenue in GDP has been rising over a longer period. In 2024, this increase was largely attributable to the transformation of voluntary health insurance into a mandatory health contribution (amounting to 0.9% of GDP). International comparisons show that the share of tax and social contribution revenue relative to GDP in Slovenia has long been below the euro area average, and it remained lower in 2024, despite the aforementioned increases in tax and contribution rates (Figure 162, right).

/ **Figure 162: Over a longer period, tax revenue-to-GDP ratio in Slovenia has been decreasing, while the social contribution revenue-to-GDP ratio has been increasing (left); the combined share is below previous peak levels (centre) and lower than the euro area average (right)**



Sources: For Slovenia, SURS (2025a); for euro area countries in 2024, European Commission Autumn Forecast (EC, 2024g).

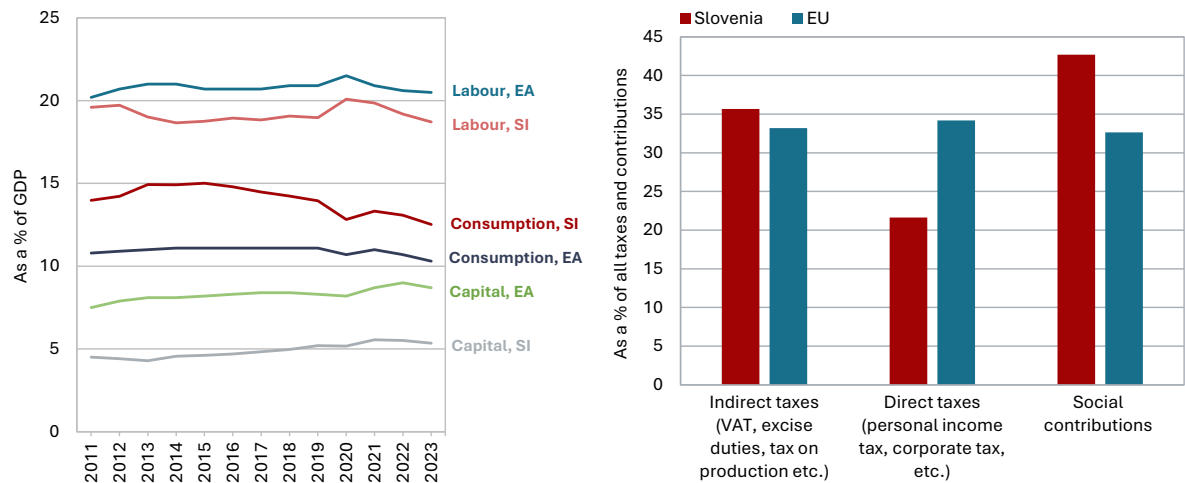
The structure of taxation has not shifted over the longer term in a direction that empirical analyses associate with favourable effects on economic potential, such as a greater emphasis on consumption taxes and other less distortionary taxes, or on taxes that incentivise more sustainable development (e.g. environmental taxes). According to the latest internationally comparable data (2023), in terms of economic function,⁴⁰⁰ the share of revenue from labour and consumption taxes (as a percentage of GDP) has declined in both Slovenia and the EU in recent years up to 2023, while revenues from capital taxes have increased slightly. Labour taxes account for the largest share of tax revenues relative to GDP in both Slovenia and the EU (Figure 163, left). However, in 2023, the share in Slovenia stood at 18.7% of GDP, below the euro area average (20.5% of GDP). Despite the declining share of labour taxes in GDP, the tax wedge indicator remains high.⁴⁰¹ The share of consumption tax revenues also declined in both Slovenia and the euro area up to 2023, although it was higher in Slovenia (12.5%) than the euro area average (10.3% of GDP). The decline in Slovenia was mainly due to reductions in environmental taxes (excise duties on energy, CO₂ charges,

⁴⁰⁰ In terms of economic function, taxes are classified into taxes on labour, consumption and capital. *Taxes on consumption* are defined as taxes levied on transactions between final consumers and producers and on the final consumption of goods. *Taxes on labour* comprise all taxes, directly linked to wages and mostly withheld at the source, paid by employers and employees, including mandatory social security contributions. Capital is defined in a broad sense, including physical capital, intangibles, financial investment and savings. *Taxes on capital* include taxes on corporate income in a broader sense. They include not only taxes on profits but also taxes and levies that could be regarded as a prerequisite to enter production or earn the profit, such as real estate tax. For further details, see *Data on Taxation Trends* (EC, 2025b).

⁴⁰¹ The tax wedge measures the sum of personal income taxes and social security contributions (paid by both employers and employees), net of cash social transfers, as a proportion of the employer's total labour costs. It is calculated for different household types. For a single person without children earning an average wage, the tax wedge in 2023 was 43.3%. Among EU countries, only Belgium, Germany, Austria, France, Italy and Finland recorded higher tax wedges (OECD, 2024k). The tax wedge is similarly high for a two-earner couple with two children. These calculations are based on a harmonised methodology. However, wage systems vary considerably across countries. In Slovenia, reimbursements for commuting costs, meal allowances and the holiday allowance are not included in the gross wage paid under an employment contract and are therefore excluded from the OECD's tax wedge calculation. An indicative adjusted and theoretical calculation of the tax wedge, prepared by the Ministry of Finance, shows that for a single person without children earning an average wage, the tax wedge in Slovenia would be 3 p.p. points lower if reimbursements for commuting and meals were included in the calculation (MF, 2024).

etc.) introduced to mitigate the impact of the energy crisis. The share of capital tax revenue increased slightly in both Slovenia and the euro area in the period up to 2023, although it remained lower in Slovenia (5.3% of GDP) compared to the euro area average (8.7% of GDP). At the same time, social contributions, which also account for the bulk of labour tax revenues, have dominated the structure of total taxes and social contributions compared to European countries.

/ Figure 163: In 2023, Slovenia collected relatively less revenue from taxes on capital and labour as a share of GDP compared to the euro area average (left), while social contributions dominated the structure of total taxes and contributions (right)



Source: EC (2025b).

The tax changes implemented in 2024 and those adopted for the coming years indicate an increase in the share of taxes on labour and capital, with the increase in capital taxation being temporary. This trend reflects the introduction of a mandatory health contribution in 2024, which permanently increases general government revenue (and expenditure), and the temporary increase in the corporate income tax rate, introduced to finance post-flood recovery efforts following the August 2023 floods, applicable for the 2024–2028 period. Additionally, 2025 will see the introduction of a long-term care contribution to finance new long-term care services (see Section 3.1.3.3). In view of the several years of decline in tax revenues in relation to GDP combined with a persistently high level of expenditure, stabilising tax revenues in 2024 was unavoidable. Looking to the future, a reorganisation of the tax system will be necessary. Empirical analyses and recommendations for Slovenia (EC, 2020, 2022b; IMF, 2019; OECD, 2018, 2022c) suggest that tax restructuring aimed at supporting economic competitiveness and long-term fiscal sustainability should focus on reducing the burden of social security contributions on employees, while offsetting the resulting revenue loss through a broader tax base, increased reliance on less distortionary taxes (such as consumption taxes) and the introduction of a property tax.⁴⁰² The tax package adopted at the end of last year⁴⁰³ introduces several changes in this direction. The proposed restructuring, aligned with the above recommendations, would alter the

⁴⁰² The Ministry of Finance has prepared the starting points for the residential property tax and measures for tax restructuring and tax relief on labour costs (MF, 2024).

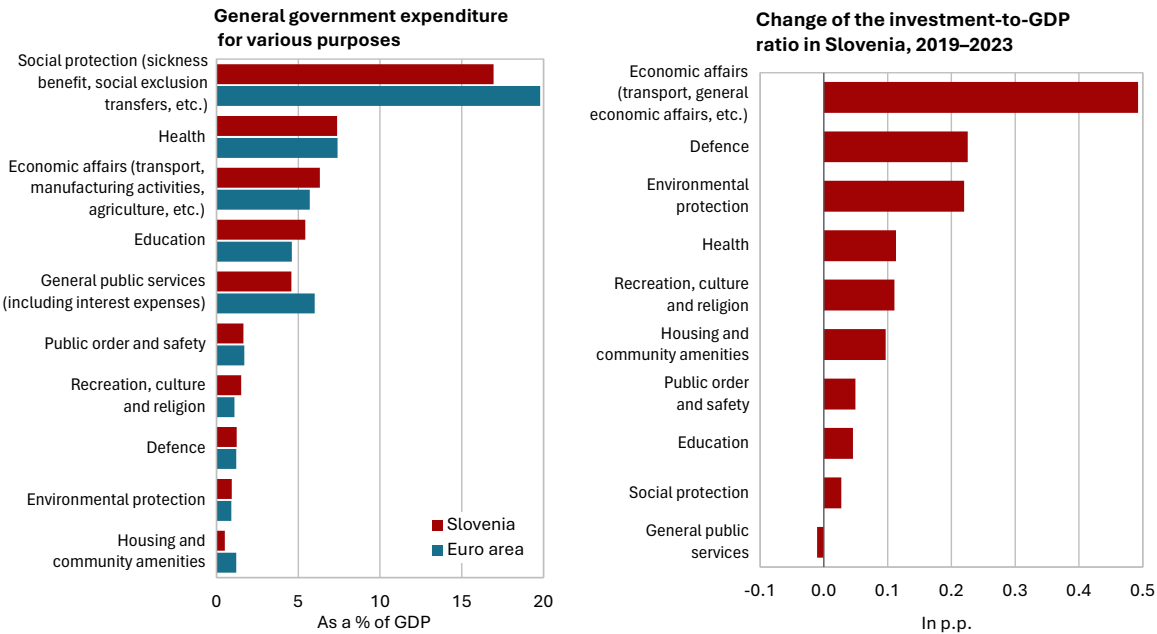
⁴⁰³ Several legislative amendments (to the Personal Income Tax Act, Corporate Income Tax Act, VAT Act, etc.) in the areas of attracting foreign talent, investment incentives for the green and digital transitions, taxation of sugar-sweetened beverages, tax loss carry-forwards and lump-sum expenses for sole proprietors, etc. The estimated effects on general government revenue are relatively small.

financing model of social protection systems. However, in addition to changes on the revenue side, reforms are also needed to ensure the expenditure-side sustainability of these systems (such as draft pension reform currently under public consultation, see Section 3.1.3.1 and IMAD, 2019a). To enhance work incentives (and reduce inactivity traps and low-wage traps), the combined impact of labour taxes and social transfers on household incomes should be taken into account (see Section 3.1.2.1 and MDDSZE, 2024c). In the context of achieving environmental objectives and reducing emissions, particularly in the transport sector, it is also necessary to reverse the downward trend in the share of environmental tax revenues.

The general government expenditure-to-GDP ratio has been mostly decreasing since 2020 and, for most expenditure categories, remains lower in Slovenia compared to the euro area average. Following the phase-out of extensive fiscal support measures introduced to mitigate the effects of the COVID-19 pandemic and the energy crisis, the general government expenditure-to-GDP ratio declined gradually from its 2020 peak to 2023 and remained largely unchanged in 2024 – 3 p.p. above the 2019 level. Compared to 2019 (Figure 161, right), the most notable increase was recorded in the share of investment expenditure, which has risen in recent years due to the conclusion of the 2014–2021 multiannual financial framework under the EU cohesion policy, initiatives for the recovery of the EU's economies (ReactEU and the Recovery and Resilience Plan), reconstruction efforts after the 2023 floods and increased nationally financed investment.⁴⁰⁴ The share of transport investment (in rail infrastructure) as well as investment in defence, environmental protection and healthcare rose significantly. Until 2023, subsidies to the business sector were also higher than in 2019 due to measures to mitigate the surge in energy prices. Following the withdrawal of these measures, subsidy levels in 2024 approached the levels recorded prior to the extensive economic shocks. In 2024, the shares of social transfers in kind and intermediate consumption increased, primarily due to the transformation of voluntary health insurance into a mandatory health contribution, whereby previously private health expenditure became publicly funded. The share of compensation of employees, which had increased markedly during the COVID-19 pandemic, returned to its 2019 level by 2024. Slovenia's general government expenditure-to-GDP ratio in 2024 remained below the euro area average. According to the European Commission's assessment (EC, 2024g), in 2024 Slovenia allocated a lower share of GDP to social benefits and transfers, subsidies and interest payments, while allocating higher shares to investment, compensation of employees and intermediate consumption.

⁴⁰⁴ This trend was also influenced by the adoption of the Act on Securing Funds for Investment in Healthcare (2021–2031) and the Act on Securing Investment in the Slovenian Armed Forces for the 2021–2026 period.

/ **Figure 164:** In Slovenia, a relatively larger share of expenditure in GDP is allocated to economic affairs, education and recreation, culture and religion compared to the euro area (left), while among investments, the strongest increases between 2019 and 2023 were recorded in transport infrastructure, defence, environmental protection and healthcare (right)

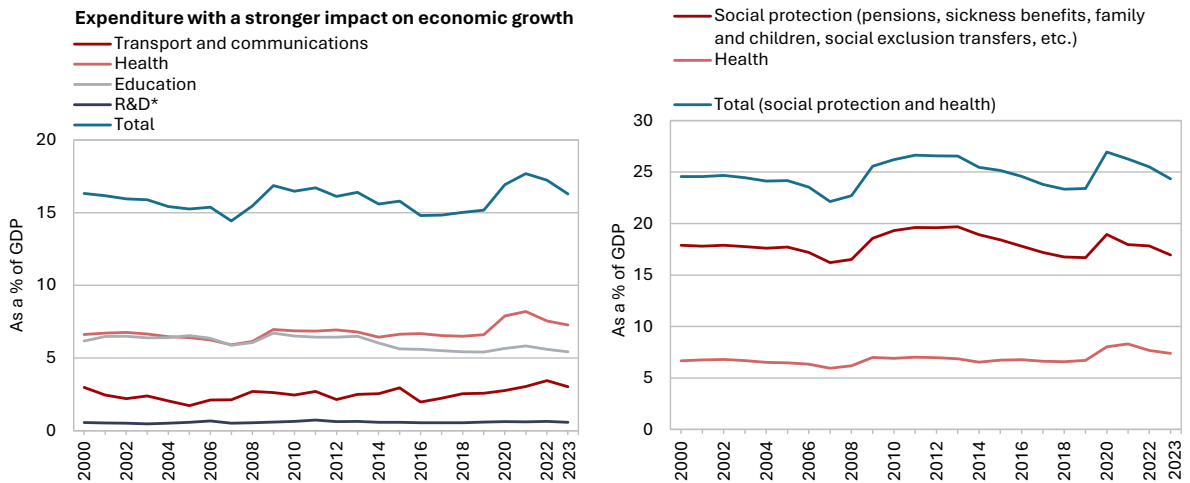


Sources: Eurostat (2025) and SURS (2025a).

General government expenditure associated with stronger impacts on economic growth has increased since 2019. General government expenditure that, according to the literature, has stronger effects on GDP growth (ECB, 2024b) includes spending on transport and communications, health, education and R&D across all ten COFOG (Classification of the Functions of Government) categories (data according to this classification are available up to 2023). These expenditures rose from 15.2% of GDP in 2019 to 17% of GDP on average in the 2020–2023 period (Figure 165, left). Data for the 2019–2022 period, for which international comparisons are also available (ECB, 2024b), show that the increase in such expenditure in Slovenia was among the highest compared to other euro area countries. Within these expenditures, the largest increases in Slovenia were observed in investment in transport infrastructure and healthcare – particularly during the pandemic – accompanied by a sharp rise in healthcare investment, which had stagnated over a longer period prior to 2019. Increases in expenditure on education and R&D were more modest. Maintaining elevated levels of expenditure with stronger effects on GDP growth and towards most productive purposes is crucial for the coming medium-term period.⁴⁰⁵ To the greatest extent possible, this should be supported by available EU funding, which – together with reforms under the Recovery and Resilience Plan – can enhance economic potential (see also Box 1; IMAD, 2024).

⁴⁰⁵ The recent policy changes that gradually increase resources for these purposes include the increased allocation for R&D (ZZrID, 2021) and the proposed rise in expenditure on education under the Draft Higher Education Act (Government of the RS, 2025b).

/ Figure 165: The share of general government expenditure (as a % of GDP) with stronger effects on GDP growth has increased since 2019 (left); expenditure on social protection, which rose during the pandemic, has declined in recent years, while expenditure on health remains above 2019 levels (right)



Source: IMAD calculations based on the methodology for identifying growth-enhancing public expenditure based on ECB (2024b), using data from SURS (2025a) on general government expenditure by function. Note: * Includes R&D expenditure across all ten COFOG categories (e.g. health, education and social protection). Transport and communication fall under the “economic affairs” category; a separate breakdown of R&D expenditure for these two functions is not available.

4

Achievement of target indicator values under the Slovenian Development Strategy 2030 (SDS 2030)

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 1:

Healthy life years at birth, number of years	Men: 65.0 years; 82.7% of LE ⁴⁰⁶ (2022)	Men: 62.4 years, 80.1% of LE (2022)	Men: 64.5 years (80% of LE)	Eurostat (2025)
	Women: 68.5 years; 81.5% of LE (2022)	Women: 62.8 years, 75.4% of LE (2022)	Women: 64.5 years (75% of LE)	
Gender equality index, index	70.1 (0–100) (2024)	71.0 (0–100) (2024)	<78 ⁴⁰⁷	EIGE (2024c)

SDS 2030 performance indicators for Development Goal 2:

Participation in lifelong learning, in %	19.9 (2023)	12.8 (2023)	19	Eurostat (2025)
Share of the population with tertiary education,⁴⁰⁸ in %	33.8 (2023)	35.1 (2023)	35	Eurostat (2025)
PISA results (in points), ranking among EU Member States	Mathematical literacy: 9th Science literacy: 4th Reading literacy: 19th (2022)		Ranking in the top quarter of EU Member States	OECD (2023c)

SDS 2030 performance indicators for Development Goal 3

AROPE rate,⁴⁰⁹ in %	14.4 (2024), 302,000 persons	21.3 (2023)	<270,000 persons ⁴¹⁰	Eurostat (2025), SURS (2025a), EU-SILC 2024 (based on 2023 income)
Income distribution inequality, income quintile share ratio (80/20)	3.4 (2024)	4.7 (2023)	<3.5	Eurostat (2025), SURS (2025a), EU-SILC 2024 (based on 2023 income)
Experience of discrimination, in %	13 (2023)	21 (2023)	<10	Eurobarometer (2009, 2012, 2015, 2018a, 2019, 2023b)

⁴⁰⁶ LE – life expectancy.

⁴⁰⁷ An index value of 1 means total inequality and 100 full equality. The calculation of the Gender Equality Index (GEI) is based on the most recent available data (for the 2024 edition, the index was mostly calculated using data from 2022).

⁴⁰⁸ In 2023, SURS revised the weighting of education levels in the Labour Force Survey data, calibrating it to education data from the population database (SURS, 2024c).

⁴⁰⁹ A new target was adopted in 2021 to monitor progress towards the objectives of the European Pillar of Social Rights, accompanied by a revised measurement methodology.

⁴¹⁰ As of 2021, the national statistical institutes, Eurostat and the European Commission have applied a new methodology for calculating the AROPE rate in the context of the EU 2030 targets, which means that the SDS 2030 target is no longer measurable. The new methodology, implemented within the EU-SILC survey, has been used since 2015, with results published for the first time in 2021. The new national target defined in ReNPSV22–30 (2022) aims to reduce the number of people at risk of poverty or social exclusion by 9,000 (of whom 3,000 are children), compared to 2019, when the number stood at 279,000.

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 4:

Attendance at cultural events , ⁴¹¹ number of visits per capita	4.0 (2023)	N/A	8	SURS (2025a) and SFC (2024); calculations by IMAD
Share of cultural events held abroad , ⁴¹² in %	3.7 (2023)	N/A	3.5	SURS (2025a)
Open source language resources and tools , number	644 (2024)	N/A	153	CLARIN (2024)

SDS 2030 performance indicators for Development Goal 5:

GDP per capita (in PPS) , index EU-27=100	91 (2024)	100 (2024) ⁴¹³	100	Eurostat (2025); calculations by IMAD
Government sector debt , as a % of GDP	67.0 (2024)	82.1 (2023)	60	SURS (2025a), Eurostat (2025)

SDS 2030 performance indicators for Development Goal 6:

Labour productivity , EU index = 100	85 (2024)	100 (2024)	95	Eurostat (2025); calculations by IMAD
European Innovation Index , EU 2017 index=100	100.1 (2024)	110.0 (2024)	>125, i.e. ranked among innovation leaders	EC (2024h); calculations by IMAD

SDS 2030 performance indicators for Development Goal 7:

Employment rate (20–64 age group) , in %	77.5 (2023)	75.3 (2023)	>75 (79.5) ⁴¹⁴	Eurostat (2025)
In-work at-risk-of-poverty rate (persons aged 18 and over) , in %	5.4 (2024)	8.3 (2023)	<5	Eurostat (2025), SURS (2025a), EU-SILC 2024 (based on 2023 income)

SDS 2030 performance indicators for Development Goal 8:

Resource productivity , in PPS/kg	2.4 (2023)	2.8 (2023)	3.5	Eurostat (2025), SURS (2025a); calculations by IMAD
Share of RES in gross final energy consumption , in %	25.1 (2023)	24.5 (2023)	27.0	Eurostat (2025)
Emission productivity , in PPS/million kg CO ₂	5.0 (2023)	5.3 (2023)	EU average in 2030	Eurostat (2025), ARSO (2024a); calculations by IMAD

⁴¹¹ This indicator measures attendance at theatre events, visits to museums and galleries, cinema screenings and cultural events organised by cultural associations (amateur cultural activity).

⁴¹² This indicator represents the ratio of cultural events held outside Slovenia to the total number of events organised by the respective cultural institutions. The data on cultural events cover the following types of institutions: (i) museums and galleries, (ii) theatres and operas, (iii) musical institutions, (iv) houses of culture and cultural centres.

⁴¹³ The data for the EU refer to the EC forecast for 2023 (EC, 2023a).

⁴¹⁴ The employment rate target of 75% is set under SDS 2030, a goal that the country has already surpassed. In 2022, a more ambitious target of 79.5% was adopted to align with the objectives of the European Pillar of Social Rights Action Plan 2030.

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 9:

Share of utilised agricultural area, in %	23.7 (2023)	39.0 (2023)	>24	Eurostat (2025)
Watercourse quality, mg O ₂ /l	0.8 (2022)	2.7 (2022)	<1	Eurostat (2025)
Ecological footprint, gha/person	4.8 (2022)	4.7 (Europe, 2022)	3.8	Global Footprint Network (2023)

SDS 2030 performance indicators for Development Goal 10:

Rule of law index, ranking among EU Member States	17th (2024)	–	Ranking in the top half of EU Member States	World Justice Project (2024)
Estimated time needed to resolve civil litigious and commercial cases, number of days	337 (2022)	282 (2022)	200	CEPEJ (2024)

SDS 2030 performance indicators for Development Goal 11:

Share of population that reported occurrences of crime, vandalism or violence in their area, in %	6.8 (2023)	10.0 (2023)	<10	Eurostat (2025)
Global Peace Index, rank ⁴¹⁵	5th (in the EU) (2024) 9th (163) (2024)	–	Ranking among the top five countries in the EU and top ten in the world	IEP (2024)

SDS 2030 performance indicators for Development Goal 12:

Trust in public institutions, %	Parliament: 17 Government: 17 Local authorities: 45 (2024, autumn survey)	Parliament: 37 Government: 33 Local authorities: 59 (2024, autumn survey)	At least half the population trusts public institutions (average of the most recent three surveys)	Eurobarometer (2025)
Executive capacity, average score on a 1–10 scale	5.33 (2022)	6.05 (2022)	EU average in 2030	Bertelsmann (2022); calculations by IMAD

⁴¹⁵ Scores range from 1 to 5, with a lower score being better.

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Abbreviations

AEP	active employment policy
AIC	actual individual consumption
AIS	Agricultural Institute of Slovenia
AJPES	Agency for Public Legal Records and Related Services
ARSO	Slovenian Environment Agency
BAMC	Bank Assets Management Company
BAMI	basic amount of minimum income
BMI	body mass index
BoS	Bank of Slovenia
CCIS	Chamber of Commerce and Industry of Slovenia
Cedefop	European Centre for the Development of Vocational Training
CEE	Central and Eastern Europe (Czechia, Hungary, Poland, Slovakia, Slovenia, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania)
CHP	combined heat and power
CIT	Corporate income tax
CJMMK	Public Opinion and Mass Communications Research Centre
CLARIN	Slovene national consortium in the European research infrastructure
CNVOS	Centre for Information Service, Co-operation and Development of NGOs
CO₂	carbon dioxide
COICOP	Classification of Individual Consumption According to Purpose
CPC	Commission for the Prevention of Corruption
CRM	Customer Relationship Management
DESI	Digital Economy and Society Index
EAPN	European Anti-Poverty Network
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission
ECB	European Central Bank
ECHR	European Court Human Rights
EEA	European Environment Agency
EHIS	European Health Interview Survey
EIB	European Investment Bank
EIGE	European Institute for Gender Equality
EII	European Innovation Index
EII	Energy Intensive Industries
EIPA	European Institute for Public Administration
EMU	Economic and Monetary Union
EPO	European Patent Office
EPSR	European Pillar of Social Rights
ESC	Economic and Social Council

ESG	environmental, social and governance risks
ESPON	European Spatial Planning Observation Network
ESNA	Europe Startup Nations Alliance
ESS	Employment Service of Slovenia
ESSPROS	European System of integrated Social PROtection Statistics
ETS	Emissions Trading System
EU	European Union
UIPO	European Union Intellectual Property Office
EUKLEMS	European Union levels of capital, labour, energy, material and service inputs
EUR	euro
Eurofound	European Foundation for the Improvement of Living and Working Conditions
EUROSTAT	The Statistical Office of the European Union
EU-SILC	EU Statistics on Income and Living Conditions
FAO	Food and Agriculture Organization of the United Nations
FDA	functionally derelict areas
FDI	foreign direct investment
FF UL	Faculty of Arts, University of Ljubljana
FRA	European Union agency for fundamental rights
FS	Faculty of Sport
FSA	financial social assistance
GALI	Global Activity Limitation Index
GDP	gross domestic product
GEI	The Gender Equality Index
GEM	Global Entrepreneurship Monitor
GEM-E3	General Equilibrium Model – Economy, Energy, Environment
GFN	Global Footprint Network
Gg	gigagram (1000 tonnes)
GHG	greenhouse gas
GNI	gross national income
GRECO	Group of States against Corruption
ha	hectare
HDI	Human Development Index
HICP	Harmonised Index of Consumer Prices
HSE	Holding Slovenske elektrarne
ICT	information and communication technology
IDEA	International Institute for Democracy and Electoral Assistance
IEA	International Energy Agency
IER	Institute for Economic Research.
IL	Innovation Leaders (Denmark, Finland, the Netherlands, Sweden)
INNOV	highly innovative countries (Belgium, Finland, Denmark, the Netherlands, Sweden)
INTANProd	Database for industry productivity accounts with intangibles

IMAD	Institute of Macroeconomic Analysis and Development
IMD	Institute for Management Development
IMF	International Monetary Fund
IRSSV	Social Protection Institute of the Republic of Slovenia
ISCO	International Standard Classification of Occupations
ISO	International Organisation for Standardisation
ISRIC	International Soil Reference and Information Centre
JAK	Slovenian Book Agency
JRC	Joint Research Centre
KCDM	Competence Centre for Design Management
KRVS	Vzhodna Slovenija cohesion region
KRZS	Zahodna Slovenija cohesion region
LE	life expectancy
LGBTIQ+	lesbian, gay, bisexual, transgender, queer or questioning, and intersex
LTC	long-term care
LULUCF	Land Use, Land-Use Change and Forestry
MDDSZ	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MDP	Ministry of Digital Transformation
MF	Ministry of Finance
MFF	multiannual financial framework
MGRT	Ministry of Economic Development and Technology
MGTŠ	Ministry of the Economy, Tourism and Sport
MIRA	Mental Health Programme
MJU	Ministry of Public Administration
MK	Ministry of Culture
MKGP	Ministry of Agriculture, Forestry and Food
MNZ	Ministry of the Interior
MO	Ministry of Defence
MOPE	Ministry of the Environment, Spatial Planning and Energy
MOPED	Modular Open Platform for Electronic Documents
MP	Ministry of Justice
MRA	Master Restructuring Agreement
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MSD	material and social deprivation
MSP	Ministry of a Solidarity-Based Future
MVI	Ministry of Education
MVZI	Ministry of Higher Education, Science and Innovation
MZ	Ministry of Health
MZEZ	Ministry of Foreign and European Affairs
MzI	Ministry of Infrastructure
N₂O	nitrous oxide

NATO	North Atlantic Treaty Organization
NEC	National Electoral Commission
NECP	National Energy and Climate Plan
NEET	neither in employment nor in education and training
NEIG	non-energy industrial goods
NIJZ	National Institute of Public Health
NMB95	95-octane unleaded petrol
non-MFI	non-monetary financial institution
NP fertilisers	mineral fertilisers containing nitrogen and phosphorus
NPK fertilisers	mineral fertilisers containing nitrogen, phosphorus and potassium
NUK	National and University Library
NULC	nominal unit labour costs
OECD	Organisation for Economic Cooperation and Development
OP TGP	Operational Programme for Reducing Greenhouse Gas Emissions
PA	personal assistance
PI	Prosperity Index
PIR	Price-to-Income Ratio
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment
PM	particulate matter
p.p.	percentage point
PPP	purchasing power parity
PPS	purchasing power standard
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
REER HICP	real effective exchange rate based on harmonised Index of consumer prices
REER PPI	real effective exchange rate based on producer price index
REER ULC	real effective exchange rate based on unit labour cost
ReNPVO20–30	Resolution on the National Environment Protection Programme for the 2020–2030 period
REPowerEU	plan for saving energy, producing clean energy, and diversifying our energy supplies
RES	renewable energy resources
ROA	return on assets
ROE	return on equity
RRP	Recovery and Resilience Plan
RS	The Republic of Slovenia
RSP	regional spatial plan
R&D	Research and Development
RULC	real unit labour costs
SDS	Slovenian Development Strategy
SES	Structure of Earnings Survey
SHARE	Survey on Health, Ageing and Retirement in Europe
SHD	severe housing deprivation

SILC	Survey on income and living conditions
SI-PASS	single point for verifying identity of various entities (citizens, business entities, public officials) and electronic signature of applications and other documents
SIWB	Sustainable and Inclusive Wellbeing index
SKD	Standard Classification of Activities
SKIS	Standard Classification of Institutional Sectors
SKP	Standard Classification of Occupations
SME	small and middle-sized enterprises
SPI	Social Progress Index
SPIRIT	Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology
SPOT	Slovenian Business Point
SPS	Slovene Enterprise Fund
SRDAP	Slovenian Statistical Register of Employment
SRIP	Strategic Research and Innovation Partnerships
SSH	Slovenian Sovereign Holding
SURE	Support to mitigate Unemployment Risks in an Emergency
SURS	Statistical Office of the Republic of Slovenia
SVRK	Government Office RS for Development and Cohesion Policy
SWC	Social Work Centre
SŽ	Slovenske železnice
TA	territorial agenda
TALIS	Teaching and Learning Survey
TEN-T	Trans-European Transport Network
TEŠ	Šoštanj Thermal Power Plant
TFP	total factor productivity
TIMSS	Trends in International Mathematics and Science Study
tkm	tonne-kilometre
TRL	Technology Readiness Level
UAA	utilised agricultural area
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNSC	United Nations Security Council
USD	US Dollar
V4	Visegrad Group (Czechia, Hungary, Poland, Slovakia)
WEF	World Economic Forum
WEI	Women Empowerment Index
WHI	World Happiness Index
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
ZDOsk	Long Term Care Act
ZGS	Slovenian Forest Service

ZIUZDS	Act on intervention measures in the field of health, labour and social affairs and health-related content
ZNUNBZ	Urgent measures to prevent the spread and mitigate the consequences of the infectious disease COVID-19 in healthcare Act
ZNURK	Act determining urgent measures to improve the staffing, working conditions and capacities of providers of social assistance and long-term care services
ZNUZSZ	Urgent Measures to Maintain the stability of the health system Act
ZOA	Personal Assistance Act
ZPIZ	Pensions and Disability Insurance Institute
ZRSŠ	National Education Institute Slovenia
ZSDP-1F	Act amending the parental protection and family benefits act
ZSV	Social Assistance Act
ZZVZZ	Health Care and Health Insurance Act
ZZZS	Health Insurance Institute of Slovenia

Abbreviations of the Standard Classification of Activities (SKD):

A – agriculture, forestry and fishing; **B** – mining and quarrying; **C** – manufacturing; **D** – electricity, gas, steam and air-conditioning supply; **E** – water supply, sewerage, waste management and remediation activities; **F** – construction; **G** – wholesale and retail trade, repair of motor vehicles and motorcycles; **H** – transportation and storage; **I** – accommodation and food service activities; **J** – information and communication; **K** – financial and insurance activities; **L** – real estate activities; **M** – professional, scientific and technical activities; **N** – administrative and support service activities; **O** – public administration and defence, compulsory social security; **P** – education; **Q** – human health and social work activities; **R** – arts, entertainment and recreation; **S** – other service activities; **T** – activities of households as employers; undifferentiated goods- and services-producing activities of households for own use, **U** – activities of extraterritorial organisations and bodies.

Country abbreviations:

AT – Austria, **HR** – Croatia, **CZ** – Czechia, **CY** – Cyprus, **DK** – Denmark, **DE** – Germany, **ES** – Spain, **EE** – Estonia, **GR** – Greece, **FR** – France, **FI** – Finland, **HU** – Hungary, **IE** – Ireland, **IL** – Israel, **IT** – Italy, **LU** – Luxembourg, **LT** – Lithuania, **LV** – Latvia, **MT** – Malta, **NL** – Netherlands, **PL** – Poland, **PT** – Portugal, **RO** – Romania, **SE** – Sweden, **SI** – Slovenia, **SK** – Slovakia.



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