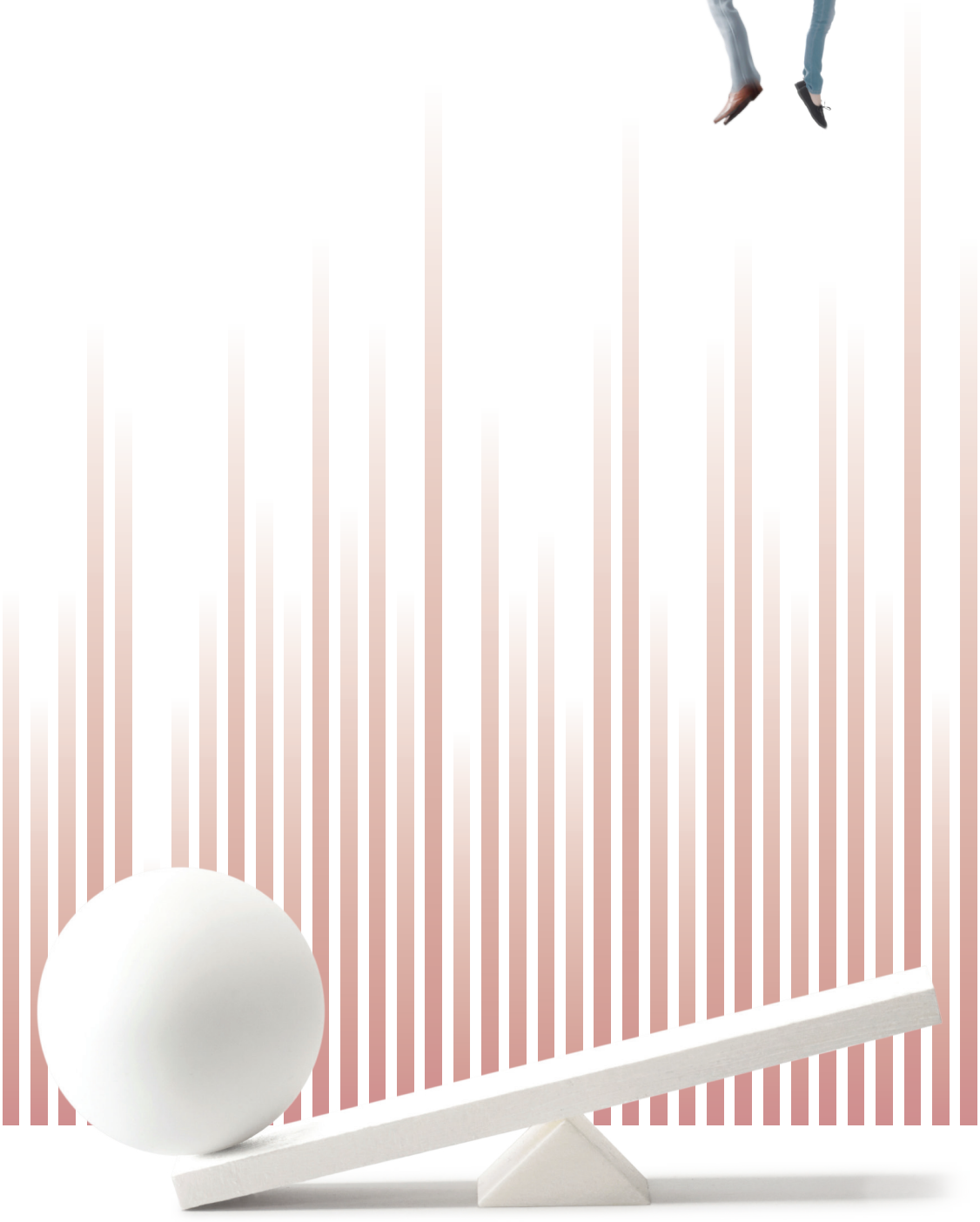
IMAD

development report 2024



Development Report 2024 (Poročilo o razvoju 2024)

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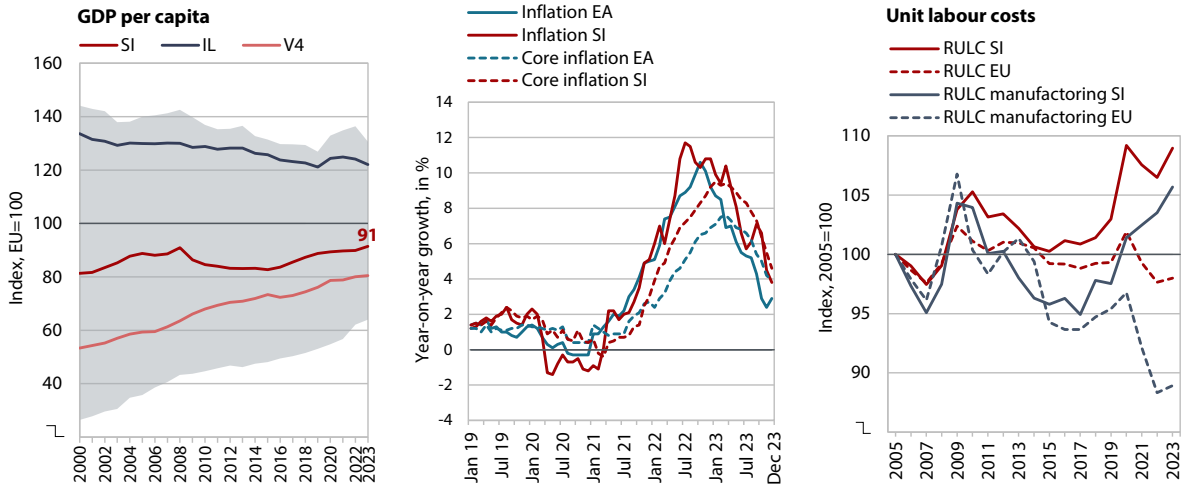
Summary with key recommendations

A highly productive economy that generates value added for all

Slovenia's real convergence process slowed during the epidemic and the energy crisis, and the impact of external cost shocks, extensive fiscal support and rising labour costs was reflected in high inflation. In 2023, GDP per capita (in purchasing power standards) was 91% of the EU average, which is only two percentage points above the 2019 level. The strong post-COVID-19 economic recovery, which was amply supported by fiscal policy measures amid an upturn in Slovenia's trading partners, was followed in 2022 and 2023 by a slowdown in economic growth and a rise in inflation in the context of the energy crisis. With the slowdown of activity in the international environment, increasing cost pressure on competitiveness and a decline in household purchasing power, export activity and private consumption in particular weakened significantly. The impact of these factors was cushioned by support measures for businesses and the population. After relatively weaker results in 2022, economic growth in 2023 was thus above the EU average again. Inflation in 2022 was mainly driven by rising commodity prices (especially energy), supply chain disruptions and several years of extensive fiscal support. It slowed significantly towards the end of 2023, while price pressures (especially in services) persist owing to rising labour costs and incomes. Nominal wage growth accelerated markedly in 2022 and 2023, driven by post-COVID-19 economic growth, inflation, extraordinary wage increases in the public sector and severe labour shortages (due to demographic change). Amid a cyclical slowdown in productivity growth, this has also led to a deterioration in the economy's cost and price competitiveness indicators. Due to the epidemic, the general government balance turned from a surplus to a large deficit in 2020. The deficit gradually decreased with the phasing-out of the temporary COVID-19 support measures for businesses and the population. In 2023, however, it was still significantly affected (-2.5% of GDP) by measures aimed at mitigating the energy crisis and addressing the consequences of floods. Ageing-related expenditure continues to exert pressure on the sustainability of public finances over the long term.

Figure 1: Slowdown in economic catching up in 2020–2023 (left); stabilisation of inflation at the end of 2023 (middle); increased labour cost pressures (right)

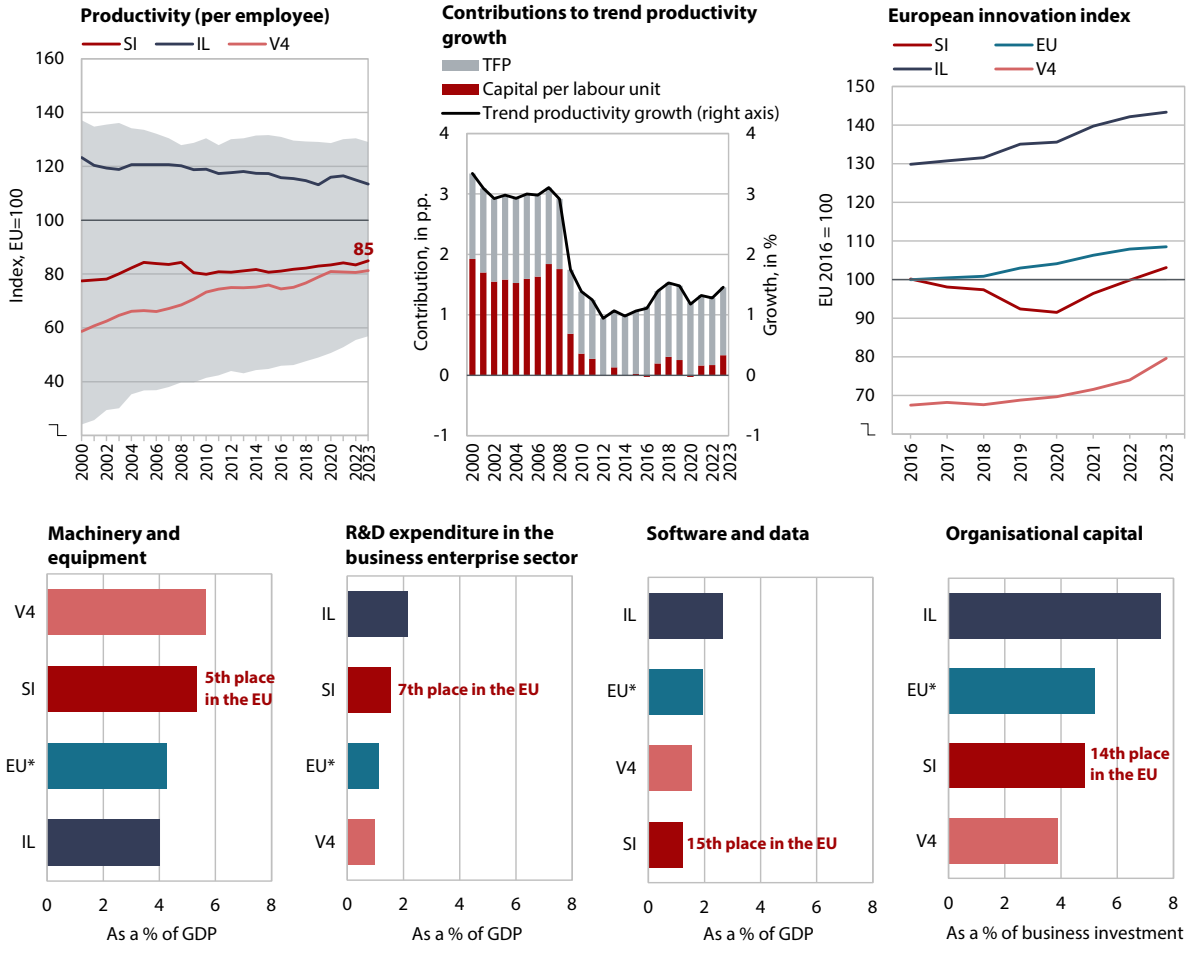


Source: Eurostat (2024). Note: RULC – Real unit labour costs (ratio of nominal productivity to nominal compensation per employee); SI – Slovenia; EA – Euro area; IL – innovation leaders (Belgium, Denmark, Finland, the Netherlands, Sweden); V4 – Visegrad countries (Czech Republic, Hungary, Poland, Slovakia).

Trend productivity growth remains weak, though some of its factors have been gradually improving for some years; however, to achieve a more significant productivity boost, we need to accelerate investment in the smart and green transition and broaden and deepen the business transformation processes. Slovenia still lags far behind the EU average in terms of productivity and is gradually losing the lead it had over the Visegrad Group. In fact, trend productivity growth has slowed considerably with the weakening of investment activity following the global financial crisis and has been at around half the pre-2008 level for several years, while it has also not been sufficiently structurally adjusted. Recently, a number of productivity factors have

improved, albeit from a low or average level that lags far behind that of the innovation leaders. Overall investment activity has picked up significantly since the middle of the last decade. Positive trends, especially in the post-COVID period, are also observed in some investment segments that are important for economic transformation (business investment in machinery and equipment, R&D, marketing and environmental projects, etc.). In addition, innovation activity of enterprises improved in the period 2018–2020 (latest available data) and was above the EU average. However, Slovenia is clearly lagging behind in the softer productivity factors, particularly in investments in software and data, organisational capital, and education and training. This contributes to a lack of depth in business transformation or insufficiently ambitious introduction of higher value-added products (which is reflected, for example, in companies' relatively low revenues from new product launches and the lag in the utilisation of some advanced technologies, e.g. CRM systems or big data analytics). The pace of business transformation is faster in large companies, while by international comparison, small and medium-sized enterprises are less successful, for example, in terms of innovation activity and digital intensity. With a high proportion of university graduates, human resources remain Slovenia's comparative development advantage, but the development and attraction of top professionals (researchers, PhDs), who are crucial for innovation, is too slow. In addition, economic transformation must be supported by the strategic development of human resources. Companies struggle most with finding professionals, technicians and other skilled workers, and Slovenia faces one of the greatest shortages of ICT specialists in the EU.

Figure 2: Modest productivity growth since the global financial crisis in relation to slower investment growth (left and top middle); positive developments in innovation (top right) and certain investments in the smart transformation in recent years, but significant delays in some softer factors (bottom)



Sources: Eurostat (2024), EC (2023b), EIB (2023); calculations by IMAD. Notes: * Unweighted EU average; TFP – total factor productivity, which measures the efficiency of inputs going into a production process. Data on investment in machinery and equipment and in software come from Eurostat's national accounts (2021), R&D expenditure in the business enterprise sector comes from Eurostat's Science, Technology and Digital Society database (2021) and refers to the R&D sector, and data on the share of business investment in organisational capital comes from the EIB Investment survey and refers to 2023. SI – Slovenia; IL – innovation leaders (Belgium, Denmark, Finland, the Netherlands, Sweden); V4 – Visegrad countries (Czech Republic, Hungary, Poland, Slovakia).

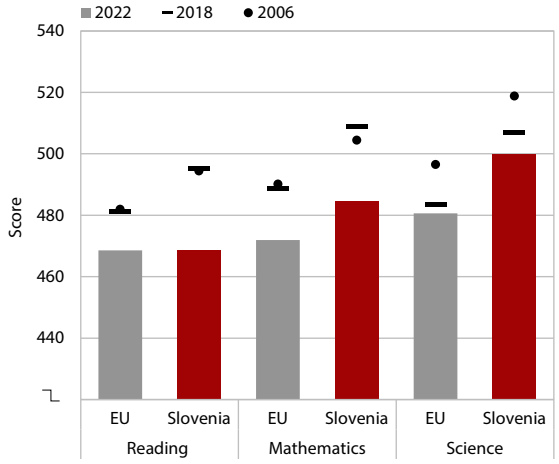
RECOMMENDATIONS

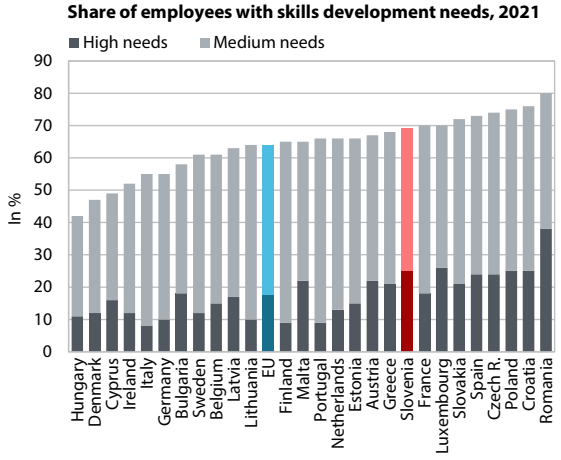
- Strengthen productive investment, especially in intangible capital and in the smart (especially digital and organisational) and green transformation of the economy. This objective should also be pursued in the prioritisation of state resources and the use of EU funds.
- Strengthen the development of human resources at all levels, including top experts (researchers, PhDs, etc.), and attract top talent from abroad.
- Deepen the innovation activity of companies (including by the fast-movers) by promoting more complex, high-risk and collaborative projects and by encouraging a comprehensive integration of technologies and new organisational approaches.
- Expand business transformation processes by promoting innovation, digital and green transformation, especially in small and medium-sized enterprises.
- Improve the business support environment (especially for start-ups) by increasing the availability of venture capital, strengthening the institutional support environment, and further strengthening of cooperation between companies and knowledge institutions.
- Accelerate the shift of production resources from less productive to more productive enterprises by focusing economic policy measures on the healthy cores of the economy, especially its development-oriented niche parts.
- Promote the restructuring of regions by transforming existing activities and developing new ones, taking into account the development potential of each region, which not only has a positive impact on the economy but also contributes to the realisation of the SDS targets in terms of the environment and the well-being of the population.
- In the medium term, further reduce the general government deficit through more sustainable economic policy measures based on the prioritisation of government spending and ensure more sustainable ageing-related government expenditure, especially pension expenditure, through the implementation of the pension reform.

Learning for and through life

Some indicators of the quality of basic and upper secondary education have deteriorated in recent years; the proportions of adults with upper secondary and tertiary education have been increasing for several years, but the pace of development of human resources to ensure the provision of quality public services and the green and smart transformation of the economy has been too slow. The share of adults who have completed at least upper secondary education has increased over the past decade, as has the share of adults with tertiary education, which has been above the SDS 2030 target (35%) for three years in a row, although it is still lower than in most economically developed countries. Some indicators of the quality of basic and upper secondary education show that the literacy rate of young people has deteriorated, that the percentage of primary school pupils who like school has fallen and that there is a shortage of teachers. In the period 2018–2022, the learning outcomes of children from vulnerable groups, which include certain minorities and disadvantaged groups, and of children of parents with low levels of education have deteriorated. After a long-standing negative trend, adult participation in lifelong learning increased in 2021 and reached the SDS 2030 target (19%) for the first time in 2022. However, almost half of adults do not want to participate in education. An analysis of the labour market situation shows that the supply of certain skills exceeds demand, resulting in people being overqualified for their jobs (vertical mismatch) or employed in jobs that do not match their field of study (horizontal mismatch), with Slovenia having one of the highest proportions of the latter in the EU. At the same time, there is a shortage of skilled labour in the fields of science, technology, healthcare, social security and education, increasingly limiting our ability to meet the current and future needs of a long-lived society and the smart transformation of the economy. In the field of culture, international activities are being stepped up and the range of cultural events and visitor numbers are increasing, while according to the Institute for Economic Research estimate, the visibility and exploitation of the potential of the cultural and creative sector remain insufficient.

Figure 3: The scores achieved by 15-year-olds in reading, mathematics and science literacy have deteriorated in Slovenia and the EU[1] (left); many employees believe they need additional training (right)





Sources: OECD (2023c) and CEDEFOP (2022). Note: 1 A higher score means higher literacy.

RECOMMENDATIONS

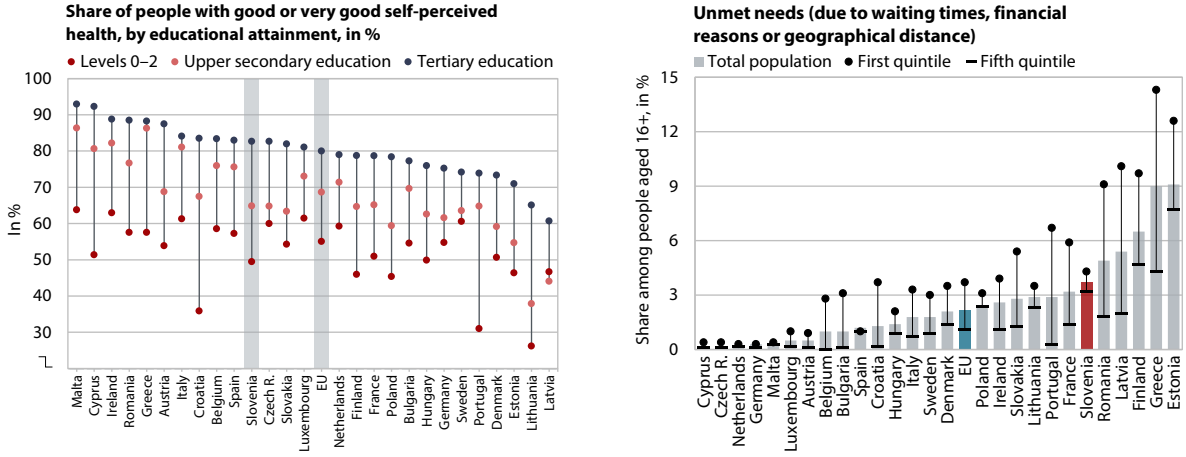
- Create a comprehensive system for identifying and forecasting human resource and skills needs to reduce labour market mismatches.
- Adapt (re)training programmes and promote up-skilling of employees.
- Better adapt upper secondary and tertiary education to the future needs of the labour market by adjusting the structure of enrolments.
- Adopt a comprehensive and inter-ministerial approach to improving the literacy and other skills of children and young, with a variety of approaches based on a culture of learning and understanding, including through greater inclusion of cultural and artistic content.
- Take care of the mental health of children and young people and foster their creativity by strengthening the values of cohesiveness, solidarity, reciprocity, tolerance, imagination and curiosity to help them cope with new and unpredictable climatic, social and other challenges and better prepare them for their life course.
- Strengthen the strategic development of teaching and counselling staff.
- Ensure inclusion and zero tolerance of discrimination for vulnerable groups of children with long-standing intergenerational transmission of disadvantages.
- Raise awareness of the benefits and necessity of lifelong learning in the face of demographic, social and technological change and the increasing frequency of crises and uncertainties, especially among people with a low level of education and the elderly. Pay more attention to adult literacy (functional, digital, financial, environmental, etc.), raising awareness of discrimination and the benefits of empowering vulnerable and marginalised groups.

An inclusive, healthy, safe and responsible society

While the quality of life has gradually improved and the health status of the population has almost reached the pre-epidemic level in the last two years, the accessibility of public health and long-term care systems is facing growing challenges. Trust in people, mutual assistance and social contacts have gradually improved in recent years and life satisfaction is higher than ever before. Key health indicators have improved after the epidemic, but the healthcare system faces growing challenges despite a series of measures taken and a significant increase in public funding. An ageing population, a higher prevalence of chronic diseases, a shortage of family doctors and longer waiting times have had an impact on the accessibility of healthcare in 2023. Unmet needs for healthcare have declined since 2021 but are still higher than before the epidemic. Total health expenditure as a share of GDP was in line with the EU average in 2022; the share of out-of-pocket expenditure, which was still very low in current expenditure, increased in household consumption, reflecting a deterioration in affordability. In 2024, the supplementary health insurance was abolished and a new

mandatory healthcare contribution was introduced. The shortfall in healthcare funds will be partly covered by the state budget. Remote consultations and the digitalisation of healthcare have accelerated with the epidemic, but they remain a challenge for older, less educated and socially disadvantaged people who do not have access to digital tools or skills to use them. Several measures were taken to improve the mental health of the population, which had deteriorated during the epidemic. A high-risk lifestyle is still a major problem, and the proportion of people who are less physically active is particularly high among people with a low level of education. Climate change is also a growing public health challenge. The new Long-Term Care Act creates a framework for the financing and development of long-term care services, the need for which is growing rapidly due to demographic change. However, staff shortages will pose a major challenge.

Figure 4: Self-perceived health is above the EU average only among people with tertiary education (left);[1] unmet needs for healthcare are due to long waiting times, which are well above the EU average (right), 2022



Sources: Eurostat (2024a), EU-SILC 2022. Note: [1] The share of persons aged 16 or over with very good or good self-perceived health.

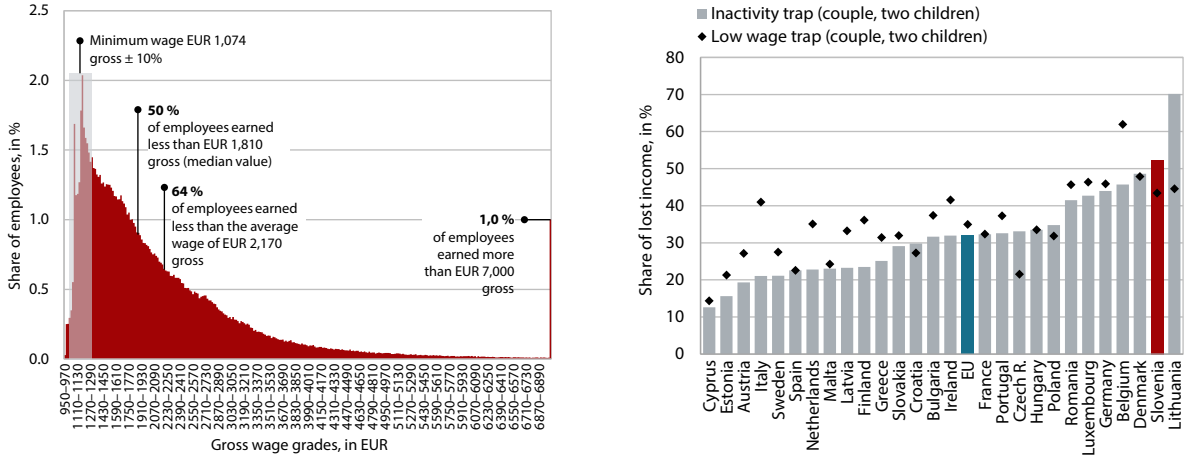
RECOMMENDATIONS

- Improve the accessibility of healthcare by taking measures to reduce the administrative burden on healthcare teams at the primary level and redistribute tasks within the teams; take measures for more efficient management of healthcare facilities and further digitalisation of healthcare.
- Redefine the relationships between healthcare funding sources and optimise the scope of publicly funded services; reform the models for funding individual health activities.
- Pursue a systematic and interdepartmental approach to the prevention of health inequalities, which are more pronounced in the most economically vulnerable social groups.
- Raise awareness among all generations of the need to take care of their physical and mental health and strengthen prevention programmes and programmes to prevent functional limitations among older people.

Despite a severe labour shortage due to demographic change and employment rates at an all-time high, access to quality jobs is still a challenge for some people. In 2023, the employment rate was higher than ever (77.9%) and only 1.6 p.p. below the European Pillar of Social Rights (EPSR) target. Slovenia has considerable scope to increase the employment rate of the older population (55–64 years), since this group has a relatively high proportion of the inactive population due to early retirement options, working conditions that do not meet the needs of older people, lack of appropriate skills, and the high inactivity and low wage traps (low work incentives). There is slightly less scope to increase the employment rate of young people (aged 15–24), as they are not in employment mainly due to high participation in education, while the apprenticeship system, which combines school-based and on-the-job training, remains underdeveloped. The integration of workers from abroad must be regulated by a migration and integration policy that eliminates unequal treatment, because for many years they have been paid

on average less than workers born in Slovenia for the same work and face discrimination and many other obstacles. The high wage density in Slovenia may prove to be a deterrent to attracting foreign skilled labour or retaining local ones. The gender pay gap is smaller than the EU average but remains constant and has not narrowed despite a number of measures being taken. According to the gender equality index, Slovenia ranks below the EU average. Since the COVID-19 crisis, employees have had less difficulty in reconciling work and family life, but women are more likely to take on care responsibilities than men, which is one of the reasons for the high absenteeism rate, along with the high intensity of work and the lack of adaptation of the workplace to an ageing workforce. Labour market segmentation has decreased over the last decade, while the in-work at-risk-of-poverty rate increased in 2023 (to 5.7%) and moved away from the SDS target (below 5%) after approaching it for four years.

Figure 5: The distribution of gross wages is highly concentrated around the minimum wage (left); the inactivity and low wage traps remain high (right)



Sources: SURS (2024b), IMAD estimates and Eurostat (2024). Notes: The "inactivity trap" indicator measures the proportion of net earnings that is lost due to higher taxes and lower social transfers when a person who is not in employment takes on a job. In the figure on the right, the calculation is made for a couple with two children where one parent already earns 100% of the average wage while the other, who was inactive and received financial social assistance, rent subsidy and child benefits, takes on a job that pays 67% of the average wage. For the same household, the "low wage trap" indicator shows the difference in net earnings of employed persons when moving to a higher-paid job (from 33% to 67% of the average gross wage) due to higher taxes and social contributions and lower social transfers than at the previous lower-paid job with lower taxes and social contributions and higher social transfers.

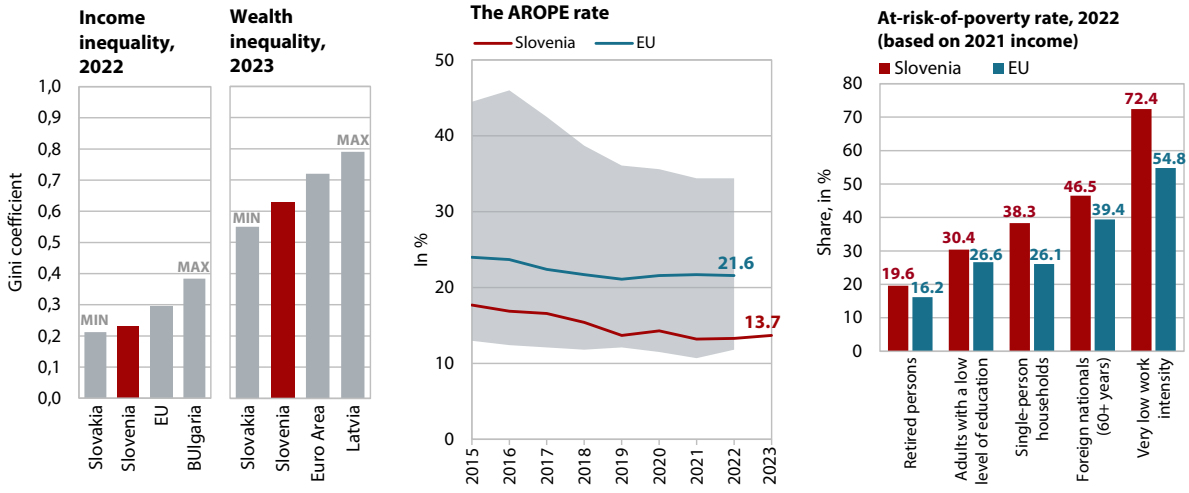
RECOMMENDATIONS

- Ensure more effective labour market integration of young people, older people and the inactive by improving the quality of jobs and providing more incentives to work, investing in education, training and retraining, and increasing the attractiveness of work.
- Improve the alignment of the minimum wage with the tax and social transfer system to reduce the low wage trap and increase the frequency of minimum cost of living calculations that form the basis for setting the minimum wage.
- Introduce a wage incentive system for the entire public sector to ensure the provision of quality public services.
- Strengthen migration and integration policies and enable a high quality of life for immigrants in Slovenia.
- Ensure a more equal distribution of unpaid or care work between men and women.
- Develop proposals to systematically eliminate pay inequalities and narrow the pay gap, as proposed in the EU Pay Transparency Directive, and strengthen women's efforts to be employed in gender-atypical occupations.

The at-risk-of-poverty or social exclusion (AROPE) rate, which is one of the lowest in the EU, has risen slightly in the last two years, while income inequality is still the second lowest in the EU despite a slight increase. The material well-being of the population, measured by actual individual consumption per capita (in PPS), has improved very slowly in recent years, reaching 87% of the EU average in 2022, putting Slovenia

in 16th place in the EU. Gross disposable household income increased in real terms in the period 2020–2023, largely due to government measures to mitigate the effects of the epidemic and rising prices. In 2022, the highest share in the structure of household expenditure was again spent on transport (the highest among all EU Member States), while the lowest income quintile spent the highest share on housing. Despite a slight deterioration, income inequality remained one of the lowest in the EU in 2023, while wealth inequality was the fourth lowest in the euro area. The AROPE rate rose slightly for the second year in a row (to 13.7% or 287,000 persons), moving away from the EPSR target (less than 270,000 persons) but remaining among the lowest in the EU. The at-risk-of-poverty rate has also increased, and for some vulnerable groups – including children of parents with low levels of education, pensioners, minorities, immigrants and tenants – it has been above the EU average for many years. In the absence of a housing policy, the housing shortage of certain population groups has been worsening for many years, and economically vulnerable households that are energy poor and live in poor-quality housing are facing housing deprivation. At the same time, the effectiveness of social transfers in preventing poverty was at a historic low in 2023 (35.5%). Therefore the approach to tackling poverty and deprivation among the most vulnerable groups must be robust and include systematic and targeted measures. Exposure to various forms of discrimination also increased in 2023 but still remained one of the lowest in the EU.

Figure 6: Income and wealth inequality and the AROPE rate are among the lowest in the EU, while the at-risk-of-poverty rate of certain vulnerable social groups has been above the EU average for several years



Sources: Eurostat (2024a), ECB (2024) and SURS (2024). Notes: The figure on the left shows the countries with the highest and the lowest inequality and the value of the Gini coefficient for Slovenia and the EU/euro area. The Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality). Figure in the centre: AROPE - The at-risk-of-poverty or social exclusion; the shaded area shows the range between the EU Member States with the lowest and the highest indicator values. The figure on the right includes the latest comparable international data.

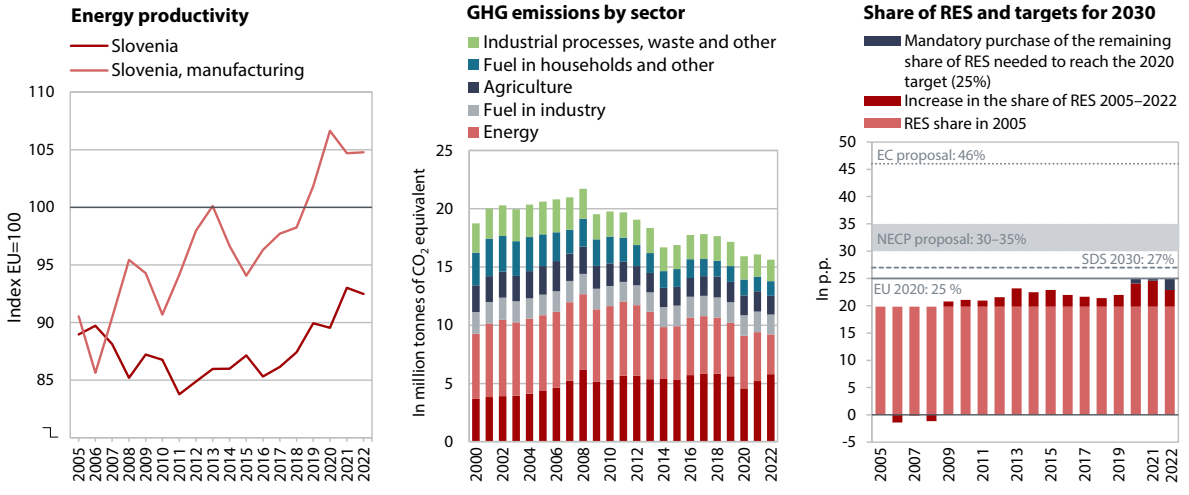
RECOMMENDATIONS

- Modernise and comprehensively reform the extremely complex social legislation (in particular the Social Assistance Payments Act and the Exercise of Rights to Public Funds Act). Ensure an appropriate social transfer floor through more frequent calculations of the minimum basic income (MBI).
- Comprehensively and definitively address the decades-old anomalies in the information system of the Centres for Social Work (ISCSD-2) for determining eligibility for social transfers.
- Increase ambition in eradicating poverty among the most vulnerable groups, especially children exposed to intergenerational transmission of disadvantages, through systematic and targeted action.
- Introduce an integrated housing policy to increase the supply of public rental housing, activate vacant housing and create sufficient housing facilities adapted to vulnerable groups (in particular sheltered housing for the elderly and people with disabilities and housing for young people, families, immigrants, migrants, etc.), including through a reform of the property tax system.

A well-preserved and healthy natural environment

Given the lack of progress in the transport sector and in the use of renewable energy sources, the pace of the transition to a low-carbon economy is too slow and the circular material use rate as a measure of the circular economy remains relatively low. On its path to decarbonising the economy, Slovenia has been partially successful in improving energy efficiency, with progress being made in the manufacturing sector in particular, while household energy consumption also declined. However, no progress has been made in the transport sector, which accounts for a relatively large proportion of energy consumption due to Slovenia's transit location and extensive road transport. GHG emissions from transport, which rose again after the epidemic, were among the highest in two decades in 2022. Since the global financial crisis, total GHG emissions have gradually decreased, mainly under the influence of improvements in the energy sector, and in 2022 this was additionally influenced by the energy crisis. In 2021 and 2022, Slovenia's gap with the EU average in energy and emissions productivity has narrowed to slightly less than one-tenth, which means that only small progress has been made in the last 15 years. The share of renewable energy sources (RES), which contribute to decarbonisation by replacing the use of fossil fuels, has remained largely unchanged for many years. Its increase since 2005 was the lowest in the EU and in 2022 was below the target of 25% for the third year in a row. In the area of the circular economy, we can see a downward trend in waste generation (excluding mineral waste), the per capita volume of which is relatively low and places Slovenia in the bottom third of EU countries. Over the last decade, the municipal waste recycling rate has increased significantly, but despite the increasing overall use of materials, the circular material use rate has not increased in recent years and remains below the EU average. The gap with the EU in terms of material productivity has also not narrowed. The large share of protected areas, high forest cover and moderate intensity of farming make a considerable contribution to the preservation of the natural environment. On average, soil and water are still relatively well-preserved natural resources, and Slovenia is one of the most biodiverse countries in the EU. Air quality is more of a concern, due to inadequate combustion of wood biomass in individual heating systems, extensive construction activity and road traffic.

Figure 7: Energy efficiency in manufacturing has been above the EU average since 2019; the improvement in overall energy efficiency and thus also the reduction in GHG emissions are slowing down, mainly due to the transport sector; the share of renewable energy remains below the 2020 target and far from the projected targets for 2030



Sources: Eurostat (2024), ARSO (2024); calculations by IMAD. Notes: RES – renewable energy sources; GHG – greenhouse gases. The figure in the middle shows GHG emissions excluding LULUCF (land use, land use change and forestry) and including international aviation (data for 2022 is preliminary). In the figure on the right, the EC proposal = 46% refers to the EC's technical calculation of by how much each Member State should increase the share of renewable energy by 2030 in order to achieve the EU-level target (at least 42.5% share of renewable energy) (EC, 2023a). The proposed National Energy and Climate Plan (NECP) refers to the target share of renewable energy for 2030 in the updated version of Slovenia's National Climate-Energy Plan of February 2024 (MOPE, 2024).

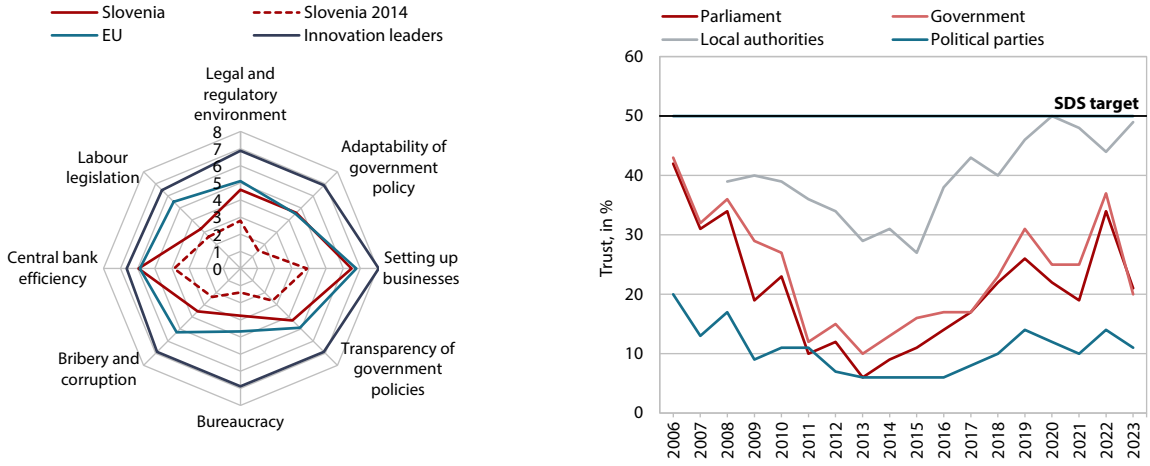
RECOMMENDATIONS

- Systematically promote low-carbon solutions to achieve legally binding climate and energy targets.
- Identify opportunities and innovate, reduce the consumption of primary resources, and introduce new clean technologies.
- Reduce the transport sector's reliance on fossil fuels and move to more sustainable forms of mobility, in particular through the renovation and construction of railway infrastructure, including in combination with the promotion of more coherent regional development.
- Accelerate the introduction of renewable energy sources through a more efficient finding of compromises when sitting the necessary facilities.
- Reduce resource consumption, increase resource use efficiency and strengthen sustainable circular practices by systematically investing in the development of new business and consumer models.
- Introduce products designed for circularity, high-quality recycling and the use of secondary material streams, thereby also reducing waste disposal.
- Promote sustainable consumption, i.e. lower consumption, longer lifetime and reuse of products.
- Improve the ambient air quality through measures to improve the efficiency of wood biomass combustion and reduce pollution from transport.
- Rationalise land use by shifting activities to abandoned and degraded areas.

A high level of cooperation, competence and governance efficiency

Certain areas of government efficiency have improved in recent years, although most of the challenges identified in recent years are still relevant today; the positive results in the areas of safety and global responsibility have been maintained. In the area of public administration, Slovenia has focused in recent years primarily on developing better and faster services based on digitalisation, enforcing quality standards, and improving the quality and efficiency of the justice system. Measures have also been taken to improve the business environment, in particular to reduce administrative barriers, simplify business processes and modernise public procurement. Institutional competitiveness has deteriorated in recent years compared to other countries. It is characterised by a lack of effective public sector management, a considerable regulatory burden, mistrust in the rule of law and the judiciary, and a relatively high perception of corruption. According to business executives, in addition to bureaucracy and lengthy procedures, tax policy, labour legislation, and the lack of predictability of the business environment and legislation remain the main problems in terms of government efficiency in supporting the business sector. As a result, trust in public institutions is very low, which is why the challenges lie in particular in increasing transparency and improving the participation of key stakeholders in the adoption, implementation and monitoring of measures, as well as the investigation and sanctioning of corruption offences. A strategic approach at the national, regional and local levels will only be possible through closer cooperation with stakeholders, especially in the framework of the development-innovation ecosystem, the interested public and social partners, which will enable a long-term stable, but also responsive, predictable and credible, development policy. Slovenia is one of the most peaceful countries in the world, and Slovenians feel safe in their country. Climate change-related natural disasters, which have occurred frequently throughout Slovenia in recent years, are a constant source of threat. Slovenia is also among the most successful countries in achieving the sustainable development goals (SDGs) of the 2030 Agenda, but the progress is too slow in certain areas. Expenditure on official development assistance has also increased but is still below internationally agreed commitments. By becoming a non-permanent member of the UN Security Council last year, Slovenia will be able to actively participate in decision-making to maintain international peace and security and thus increase its global visibility.

Figure 8: Lagging behind innovation leaders and the EU average on most institutional competitiveness indicators in 2023 (right); trust in most of the main state institutions is relatively low and significantly below the SDS targets (right)



Sources: IMD (2023), Eurobarometer (2024). Note: The figures on trust for individual years are the latest available data for that year (autumn measurements, 2020–2022: summer measurement, 2023: autumn measurement and summer measurement for local authorities and political parties).

RECOMMENDATIONS

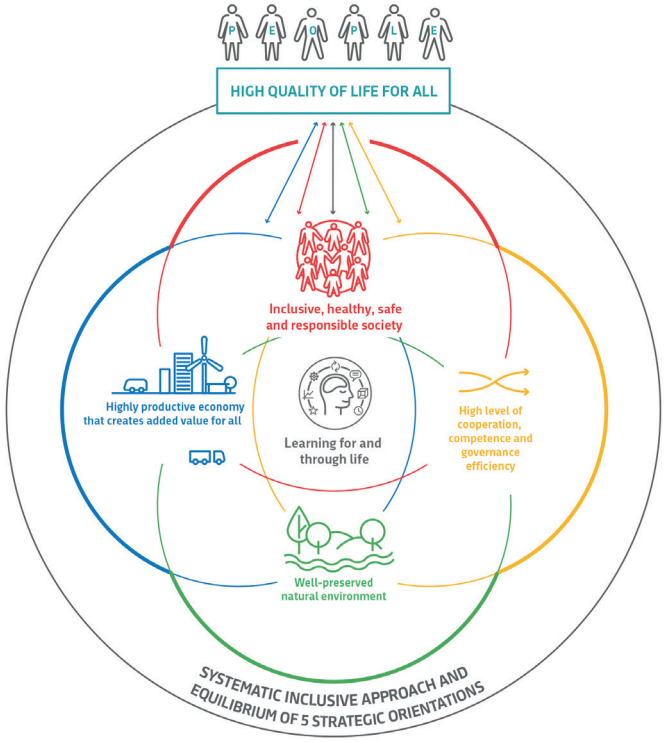
- Improve the strategic management of public institutions to identify and address development challenges in a timely, coordinated and effective manner, including through the identification of key strategic priorities and priority development areas.
- Improve cooperation among key stakeholders in the adoption, implementation and monitoring of policies and regulations, including by strengthening inter-institutional cooperation.
- Improve the business environment by supporting business activity and enabling predictable and responsive interactions with the public sector. Reduce excessive government regulation and further simplify interactions of companies and citizens with the public sector.
- Increase efforts for the prevention, early detection, effective investigation, prosecution and conviction of corruption cases.
- Pursue a systematic approach to prevent, respond to and manage the consequences of climate-related natural disasters, for example through the establishment of dedicated funds, various preventive measures in the field of land use and spatial planning, etc.

Introductory remarks

The Development Report is a document monitoring the implementation of the Slovenian Development Strategy (SDS). The basic structure of the report (the main chapters) follows the five strategic orientations that the SDS identified as crucial for achieving its primary goal, which is to ensure a high quality of life for all: (a) a highly productive economy that generates value added for all, (b) learning for and through life, (c) an inclusive, healthy, safe and responsible society, (d) a well-preserved natural environment, and (e) a high level of cooperation, competence and governance efficiency. The SDS also set 12 development goals in interconnected and interdependent areas identified as essential for the implementation of the strategic orientations. The report monitors the implementation of each development goal (subsections of the report) within the strategic orientation with which it is most strongly linked, although each individual goal can contribute to the realisation of several strategic orientations (Figure 9). The report also analyses the implementation of the objectives of the European Pillar of Social Rights 2030 Action Plan, which have replaced some SDS objectives when the methodology was changed (employment rate and AROPE rate). When the report was prepared, data for most indicators were available for 2022 and for some also for 2023.

The appendix to the report presents indicators for monitoring the implementation of the SDS in more detail. The 30 performance indicators for which the SDS set target values for 2030 are complemented by indicators that provide a detailed overview of progress in individual areas. The indicators represent the main analytical basis of the report, which is complemented by an overview of other data, studies and research reports, particularly in those areas where no appropriate indicators for comparisons between countries or over time are available. The report uses data sources released by 31 March 2024. When considering the SDS targets and guidelines, Slovenia is most often compared with the EU average and, where applicable, with different groups of EU countries, such as the innovation leaders (IL – this group comprises Sweden, Finland, Denmark, the Netherlands and Belgium), the V4 (the Czech Republic, Slovakia, Hungary and Poland) or the new EU Member States (EU13 – countries that joined the EU after 2013).

Figure 9: Primary objective and strategic orientations of the Slovenian Development Strategy 2030



Source: SVRK (2017).

1 A highly productive economy that creates added value for all

1.1 Economic stability

Economic stability (Development Goal 5)

The content of the goal is to ensure economic stability, which is a key condition for reducing the development gap with more developed countries and increasing the quality of life for all. The basis of economic stability is a well-performing economy which maintains key macroeconomic balances. The achievement and preservation thereof require appropriate economic policy action throughout the economic cycle, long-term sustainability of public finances, a stable and competitive financial sector, and balanced regional development. With regard to economic stability, SDS 2030 highlights competitiveness and innovation along with sustainable and inclusive aspects of economic development. These are dealt with in depth in other SDS development goals, namely goals 6 (competitiveness and innovation), 3 and 7 (inclusive development), and 8 and 9 (sustainable development).

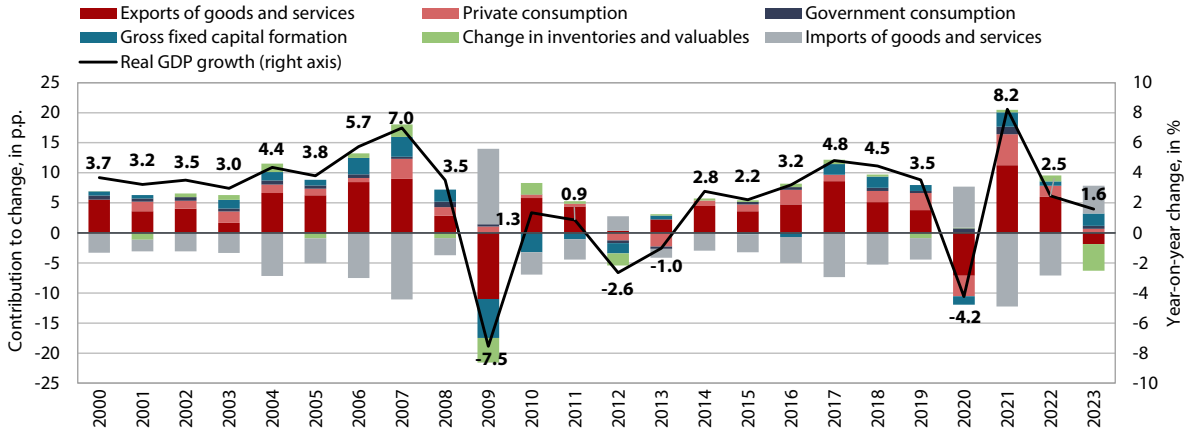
SDS 2030 performance indicators for Development Goal 5:

	Latest data		Target value for 2030
	Slovenia	EU average	
GDP per capita (at PPS), index EU-27=100	91 (2023)	100 (2023)	100
General government debt, In % of GDP	69.2 (2023)	83.1 (2023)*	60

Note: *The data for the EU are the EC forecast for 2023 (EC, 2023a).

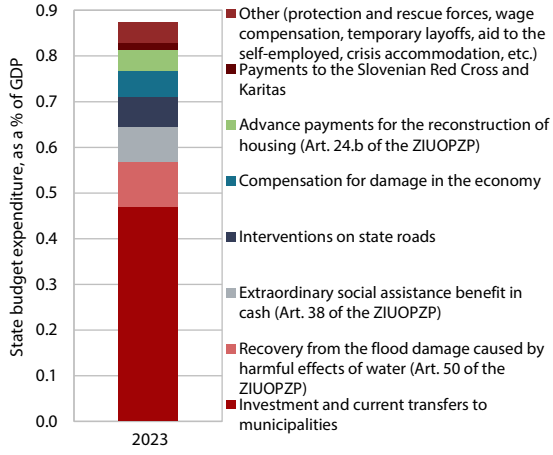
Economic growth moderated in 2022 and 2023 amid the energy crisis. After several years of GDP growth that followed the global financial crisis, GDP decreased considerably in 2020 as a result of the epidemic and associated restrictions. With a strong rebound, also supported by government measures to mitigate the impact of the epidemic, economic activity in 2021 exceeded the pre-epidemic level. The post-epidemic recovery continued in the first half of 2022, before economic activity moderated markedly in the second half of the year with the outbreak of the energy crisis due to the war in Ukraine and the strengthening of inflation, which eroded the purchasing power of the population. The negative impact of these factors persisted for most of 2023, when economic growth further moderated. The export-oriented part of the economy was the most affected, as a result of the economic slowdown of the main trading partners and the deterioration in cost and price competitiveness (see also Section 1.2.1). Private consumption growth also slowed in 2023. However, the growth of investment and construction activity remained relatively strong in both years, positively influenced by government investment, also stimulated by EU funding.

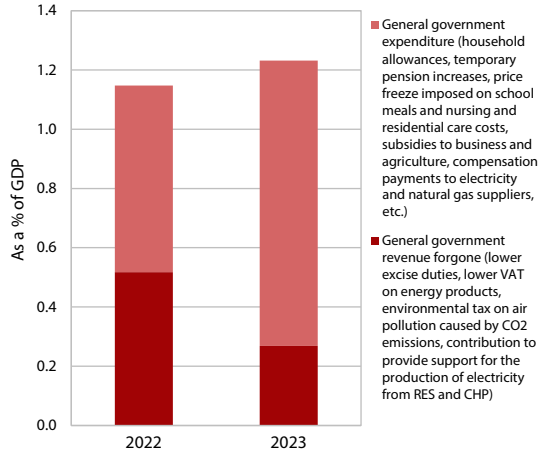
Figure 10: Following a strong rebound in 2021, economic growth in 2022 and 2023 moderated



Source: SURS (2024).

Figure 11: In 2023, the state budget disbursed EUR 551 million or 0.9% of GDP for flood recovery, mostly to municipalities for intervention works and investments (left), while measures to mitigate the effects of the energy crisis were at a similar level in 2023 as in 2022, with a slightly different structure (right)





Source: MF (2024a, 2024b); calculations by IMAD.

To mitigate the negative effects of the epidemic, the energy crisis and the post-flood recovery, Slovenia has taken comprehensive fiscal measures.[1] The good financial condition of the Slovenian economy before the epidemic and extensive incentive measures of economic policies provided by the activation of the general escape clause due to the exceptional economic circumstances during the epidemic prevented a deeper decline in economic activity and employment in 2020 and enabled a faster recovery in 2021.[2] Due to the scale of the crisis, fiscal assistance measures at the EU level were also taken: first a fiscal package aimed at mitigating the consequences of the crisis in the short run, followed by extensive assistance in the form of an extraordinary recovery instrument – NextGenerationEU. The European Commission also responded to growing energy prices, first in October 2021 with a recovery and support toolbox, then in May 2022 with the implementation of the REPowerEU Plan[3], which complemented the Recovery and Resilience Plan (Box 1). Slovenia also mitigated the energy crisis through other measures targeting households, businesses and the agricultural sector, amounting to 1.2% of GDP in 2022 (of which 1.1% of GDP with an impact on the general government sector), while the value of the measures in 2023, according to our estimate, was 1.2% of GDP (fully with an impact on the general government sector).[4] In 2023, a number of measures were also taken for immediate flood and landslide recovery and medium-term reconstruction. Last year, 0.9% of GDP was paid from the state budget for flood recovery, mainly for current and investment transfers to municipalities, rehabilitation of roads and watercourses, advances to the economy, advances to households for housing reconstruction, and emergency social assistance. For medium-term post-flood reconstruction, financial resources from the EU Solidarity Fund and new financial resources under the Act on Reconstruction, Development and Provision of Financial Resources are also foreseen (2023).[5]

In 2023, the current account balance of the balance of payments returned to a high surplus after a one-year deficit (EUR 2.8 billion or 4.5% of GDP). In 2020, the epidemic, which severely curbed domestic spending, pushed the current account surplus to its highest level ever (7.2% of GDP). The surplus declined substantially in 2021, before turning into a deficit in 2022, due to a faster recovery in domestic demand compared to foreign demand and a deterioration in the terms of trade amid sharp fluctuations in world commodity prices. The main reason for returning to surplus in 2023 is the merchandise trade balance, as real merchandise imports have declined even more than exports. However, the terms of trade improved in 2023 after two years of deterioration.[6]

1 The average value of measures to manage the epidemic in the euro area totalled 3.3% of GDP in 2020, 3.1% in 2021 and 0.7% in 2022, while in Slovenia it totalled 5.2% of GDP in 2020, 4.5% in 2021 and 1.2% in 2022. The value of measures to mitigate rising energy prices (including windfall taxes) totalled 1.4% of GDP in the euro area in 2022 and 1.2% in 2023, while in Slovenia it was estimated at 1.1% of GDP in 2022 and 1.2% in 2023.

2 According to IMAD estimates, in the absence of measures, the drop in economic activity in 2020 would have been at least 4 p.p. higher and the measures contributed at least 3.4 p.p. to the 2021 growth. (IMAD, 2022a).

3 Following the European Commission's guidance, EU countries have responded with tax cuts on energy, transfers to vulnerable groups and liquidity support for businesses. They have also diversified their natural gas supplies, strengthened their storage capacity and reduced their consumption of natural gas and electricity. For more information, see Spring Forecast of Economic Trends (IMAD, 2023c).

4 For more information on measures to mitigate the energy crisis in Slovenia, see Autumn Forecast of Economic Trends (IMAD, 2023b).

5 For more information on flood measures, see Autumn Forecast of Economic Trends (IMAD, 2023b).

6 The Slovenian economy has traditionally been very open; the share of trade in goods and services compared to GDP averaged 158% of GDP in the 2015–2023 period. External conditions therefore have a significant impact on trade with foreign countries and consequently on GDP. Given the relatively high share of imported energy, raw materials and food, their prices have a significant impact on the terms of trade. Accordingly, their improvement in the short term (over a period of one year) has a statistically significant positive effect

Box 1: Assessment of the macroeconomic effects of the Slovenian Recovery and Resilience Plan[1]

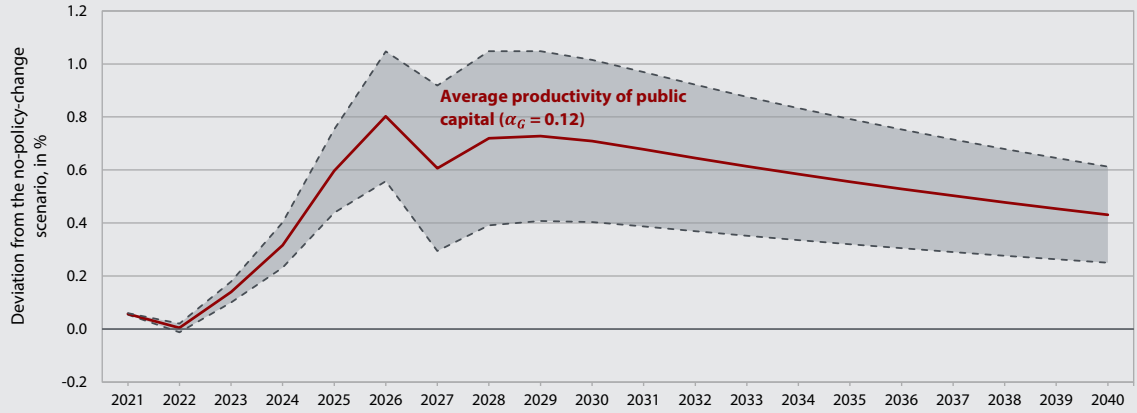
The revised Slovenian Recovery and Resilience Plan (hereinafter: the RRP) foresees the drawing of funds amounting to EUR 2.7 billion, of which EUR 1.61 billion in grants and EUR 1.07 billion in loans. Under the revised financial framework, the Republic of Slovenia is entitled to EUR 170 million less in grants and EUR 366.6 million more in loans than were approved in 2021 for the implementation of the original plan. The Russian military invasion of Ukraine has also had a significant impact on the set of recovery and resilience measures and the REPowerEU initiative to reduce dependence on Russian fossil fuels and accelerate the green transition has been adopted at the EU level and is included in the plan as an additional pillar of REPowerEU. A total of EUR 122.17 million in grants are foreseen for Slovenia in the 2024–2026 period. Additional loans will be used for flood risk reduction, reducing the risk of other climate-related disasters, sustainable renovation of buildings and increasing the capacity of rail infrastructure.

The macroeconomic effects of the RRP were assessed using the European Commission's QUEST III R&D model[2] calibrated for Slovenia. This is a dynamic stochastic general equilibrium (DSGE) model used by the European Commission to assess the effects of different economic measures on key macroeconomic variables. The most challenging aspect of RRP simulations is to match measures (spending categories) with model variables (shocks), which often requires conducting additional (microeconomic) analyses. However, as most of the RRP measures can be classified as public (infrastructure) investment according to the System of National Accounts, we made the simplifying assumption that the total amount of funds is spent as public investment. In assessing the RRP effects, we considered the disbursement dynamics of the funds by year as provided by the Recovery and Resilience Office.

The impact of public investment on GDP in the medium and long term depends crucially on the assumed value of the output elasticity of public capital. This is one of the most important parameters in this analysis, yet its estimates vary considerably in the empirical literature. In the simulations, we set the value of this parameter to 0.12, consistent with the average elasticity found by Bom and Ligthart (2014), which is often used in the calibration of DSGE models. Following the approach of comparable analyses, we ran simulations with varying productivity levels of public capital in addition to the baseline simulation with an average productivity of 0.12. Specifically, we performed simulations assuming low (0.07) and high (0.17) productivity of public capital.

In running the simulations, we made some other assumptions, particularly regarding fiscal and monetary policy. To ensure the sustainability of public finances, the model assumes a fiscal rule in the form of a lump-sum tax, which responds to deviations of the debt-to-GDP ratio from the target and to the current deficit. In running the simulations, the fiscal rule was completely switched off for grants, while for loans it was temporary excluded for a period of 10 years, as these are long-term loans.[3] The short- and medium-term effects therefore only reflect the

Figure 12: Estimated impact of the RRP measures on Slovenian GDP



Source: IMAD estimates with QUEST III R&D model. Note: the lower bound of the shaded area shows the impact estimate assuming low (α_G = 0.07) productivity of public capital and the upper bound the impact estimate assuming high (α_G = 0.17) productivity of public capital.

1 The RRP is the basis for the use of the Recovery and Resilience Facility, which is financially the largest part of Europe's recovery and resilience package NextGenerationEU, and of the funds to achieve the objectives of the REPowerEU plan. The assessment refers to the version of the RRP endorsed by the EC in autumn 2023.

2 A detailed description of the model and its calibration procedure can be found in Roeger et al. (2008)

3 The model estimates do not consider the possible introduction of new taxes at the EU level to repay the debt used to finance the grants. We have also not modelled Slovenia's contributions to the EU budget, which may be a perfectly acceptable assumption from the point of view of Slovenia's position.

effects of the RRP measures, while the long-term effects also include the impact of the operation of the fiscal rule thus defined. Additionally, we assumed that the ECB follows the Taylor rule in setting the interest rate.

Model estimates show that RRP could raise the level of Slovenian GDP by around 0.8% in 2026, when the effect would be greatest.[4] The simulations are based on the comparison of two scenarios, one taking into account RRP measures and the other not. The positive effects of RRP would be maintained even after the end of the implementation of the measures, as estimates show that Slovenian GDP could be higher by almost 0.6% per year on average in the years 2027–2040. The above long-term effects are mainly due to the assumed productivity of public capital.

Due to certain reasons, we can expect an even greater impact. Because we only have available a basic version of the QUEST model, we have only been able to estimate the effects of investment measures in insolation, but due to the Slovenia's significant dependence on international trade flows as a small open economy, we can expect that the implementation of other countries' plans will have significant positive spillover effects on the Slovenian economy.[5] We can also expect that the strengthening of economic growth (especially in the long term) will be further boosted by the proposed reform measures, the effects of which are not currently taken into account. Model estimates by Pfeiffer et al. (2023) suggest that the reform measures, by influencing the supply side of the economy, which is at the forefront of the European post-pandemic recovery plan, could increase Slovenian GDP by more than 10% in the long term compared to a no-policy-change scenario.[6] Positive effects on economic growth can also be expected from the implementation of other mechanisms, which, in addition to the central Recovery and Resilience Facility, form the "NextGenerationEU" instrument.

[4] In addition to the assumption about the productivity of public capital, the magnitude of the effects is also influenced by certain characteristics of the Slovenian economy. The multiplier of a small open economy, such as Slovenia's, is lower due to import dependency. The multiplier in the model also decreases as the initial share of public capital, which in Slovenia has in the past been strengthened mainly due to cohesion funds, increases. The magnitude of the effects is also influenced by the share of received funds in GDP and the dynamics of absorption by year, which are projected to strengthen towards the middle and end of the eligibility period, resulting in small short-term effects.

[5] This is illustrated by the analysis of Pfeiffer et al. (2022), using a more advanced version of the QUEST model. (2022).

[6] However, with simultaneous implementation of the reform measures in all EU Member States, Slovenia's GDP in the long term could be up to 20% higher than in the no-policy change scenario due to the spillover effects.

The growth in the services surplus continued, most notably in trade in transport and construction services. The primary income deficit narrowed, mainly due to lower net outflows of dividends and profits and higher inflows of labour income. The lower secondary income deficit resulted from lower net outflows of private sector transfers abroad. The excess of saving over investment for the economy as a whole reached around EUR 3 billion last year, mainly driven by a sharp decline in gross investment by non-financial corporations. Households increased saving as gross disposable income rose and private consumption moderated. The lower current account deficit of the general government was mainly due to an increase in saving, with a more pronounced increase in revenue relative to expenditure.

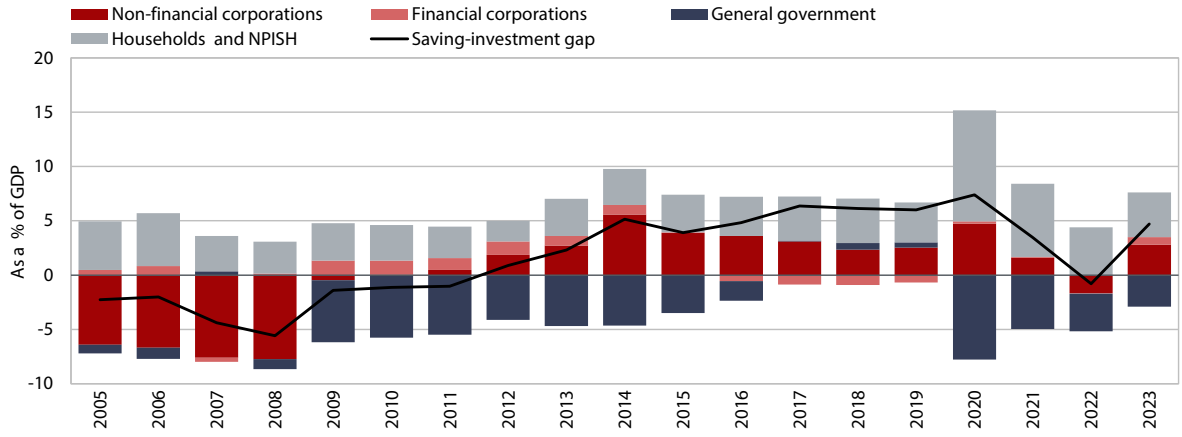
Inflation, which rose sharply[7] with the outbreak of the energy crisis in 2022, slowed in 2023 but was still relatively high at 4.2% at the end of 2023. The moderation in raw material market prices, slower growth in economic activity and the ECB's monetary policy, which raised key interest rates by a further 200 bps last year, significantly tightening borrowing conditions, had a significant impact on the downward trend in inflation in 2023. The contribution of all major consumer price groups was lower, with the most pronounced decline in energy prices, which appreciated by 2.3% year-on-year (15.6% more expensive in 2022) amid a moderation in the energy market and additional measures by the government to reduce high energy prices. The contribution of food prices was also much lower, with an almost 20% year-on-year increase from the end of 2022 dropping to the level of the inflation rate by the end of 2023. Year-on-year increases in energy prices have fluctuated significantly over the past year, reflecting government measures affecting both the base and the current prices of energy products, rather than international market conditions. As these are largely temporary measures, price fluctuations can be expected in the future when they expire.[8] As the situation in raw material markets has stabilised and supply chain problems have eased, price increases for non-energy industrial goods have also gradually slowed. The slowdown in services price growth has been the least pronounced, remaining above 8% for most of 2023 and

on the trade balance of goods and services with foreign countries. Foreign trade price shocks explain one-fifth of the variation in the foreign trade balance in the long run.

[7] The high inflation in 2022 was driven by a combination of factors, including the heightened geopolitical situation and the energy crisis, the post-COVID recovery, and climate change.

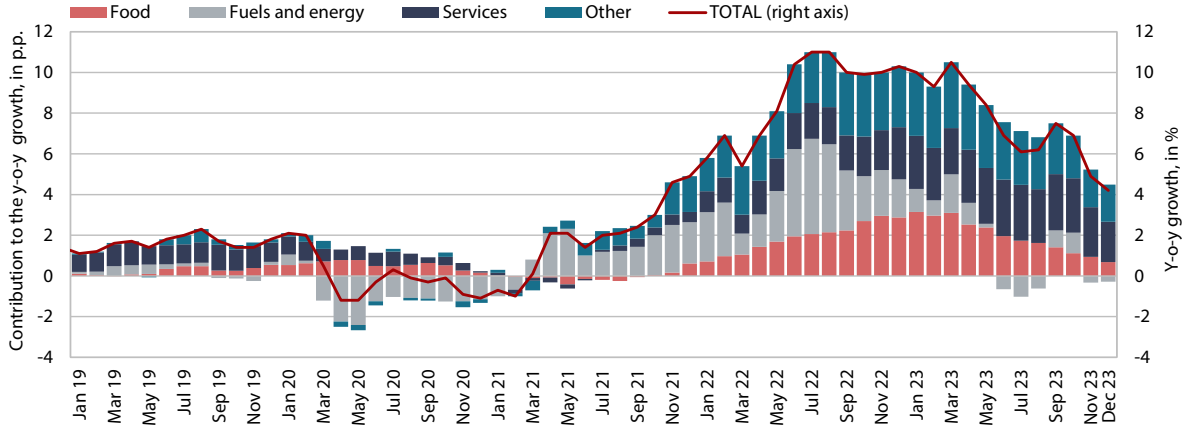
[8] Several measures to mitigate the effects of high prices of energy expire in 2024. At the end of March, the government had already extended a decree that maintains indefinitely the reduced margins on certain petroleum products. Natural gas price regulation expires at the end of April 2024, while price regulation for petroleum products expires in mid-2024. The electricity price regulation measure and the exemption from certain charges for household consumers also expire at the end of 2024. Unless the other measures are also extended, inflation is expected to increase, especially when the electricity price regulation measures expire.

Figure 13: The main contributor to the increase in the saving-over-investment surplus in 2023 was a sharp decline in gross investment by non-financial corporations



Source: SURS (2024b); calculations by IMAD.

Figure 14: Growth in consumer prices in Slovenia more than halved at the end of 2023 but was still relatively high, especially in services prices



Source: SURS (2024b); calculations by IMAD.

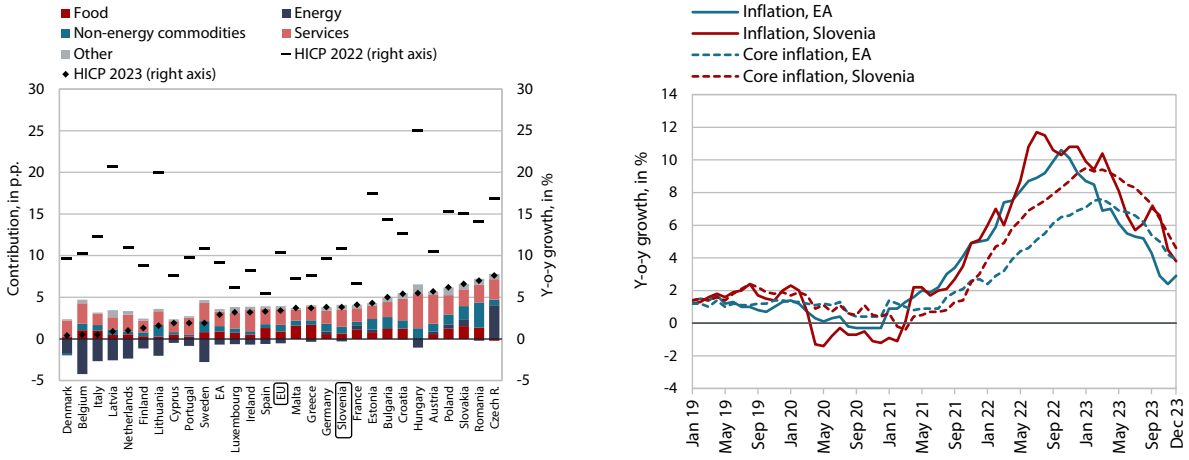
reaching 6% at the end of the year. Growth in services prices has been high in Slovenia since the post-COVID recovery. In addition to higher demand for services, certain service activities are facing labour shortages and cost pressures related to rising wages as well as commodity costs, which are adding to upward pressure on retail prices. The main contributors to growth are higher prices for recreation-related services,[9] while the contribution of prices for services in the housing and transport categories is also significant. For most of the year, prices of health services also stood out for their high growth. Inflation continued to moderate gradually in early 2024, with slower growth in most categories of goods and services, with the exception of energy, where prices increased again after year-on-year declines in the second half of the previous year, against a lower base and also current growth.

Growth in consumer prices[10] also moderated considerably in 2023 even in the EU average, with differences between EU Member States decreasing somewhat, and Slovenia's inflation divergence from the euro area average also decreasing at the end of 2023. The biggest divergences in inflation between EU countries over the last decade have occurred in the

[9] The main contributors to the growth in 2023 were higher prices in restaurants and canteens and for package holidays.

[10] Measured by the HICP. Two indices are commonly used to measure consumer price growth, namely the Consumer Price Index (CPI) and the Harmonised Index of Consumer Prices (HICP), which is also methodologically comparable with other EU Member States. The former measures changes in the retail prices of goods and services according to the structure of expenditures made by the domestic population on purchases of final consumption items at home and abroad (national consumption principle). The HICP, on the other hand, measures changes in the retail prices of goods and services according to the composition of expenditure by consumers (domestic and foreign) on purchases of final consumption items on the territory of Slovenia (domestic consumption principle). Due to the differences in methodologies, there are sometimes slightly larger discrepancies between the two, as well as between the individual subgroups. Since 2010, the average absolute difference between the two has been 0.2 p.p.

Figure 15: Lower energy prices and moderating food price growth (left) were the main contributors to the moderation in consumer price growth (HICP) in both Slovenia and the EU in 2023; core inflation also declined but remains relatively high (right)



Source: Eurostat (2024); calculations by IMAD. Notes: In the left figure, in addition to different growth in individual countries, the contributions also differ due to different weights. NeEIB – non-energy industrial goods; HICP – Harmonised Index of Consumer Prices.

most recent years, when countries have taken different measures, both in terms of content and duration, to curb the negative effects of the epidemic and of high energy and food prices. Thus lower inflation was mainly experienced by countries with a larger negative contribution from energy prices, while the contribution of prices of other groups remains in most cases a positive contributor to inflation. Core euro area inflation (excluding the impact of energy and unprocessed food prices) declined in 2023 but was still well above 2%. The average inflation trend in the euro area is largely influenced by the economic policies of the larger countries, but the HICP for the euro area average hardly detects these even in the case of very large price fluctuations in Slovenia.[11] A comparison of inflation trends between Slovenia and the euro area over a longer period of time shows that the divergences (both upward and downward) have never been long-lasting and have lasted at most as long as the measures in recent years. Slovenia still experienced the third highest price growth in the euro area (as measured by the HICP) in October 2023, at 6.6%, but the moderation in inflation continued in the last two months of the year (to 3.8% in December), which was also influenced by additional measures taken by the government to reduce high energy prices. The gap with the euro area has thus been reduced from 3.7 p.p. to 0.9 p.p.[12] A large part of the divergence stems from the different dynamics of energy price trends, while services price growth, which is still quite high relative to the euro area average, is also an important contributor to the divergence, but its moderation follows the slowdown in the euro area with time lag and at higher levels. Food price growth in Slovenia moderated rapidly in the final months of 2023 and at 4.1% in December was almost a third lower than in the euro area. Price growth for non-energy goods in Slovenia is not significantly below the euro area average, with only non-durable goods showing higher growth, while price growth for semi-durable goods and durable goods is lagging behind the euro area average. Durable goods prices in Slovenia were already lower in 2023 than a year earlier (by 1%), mainly due to the fall in car prices.

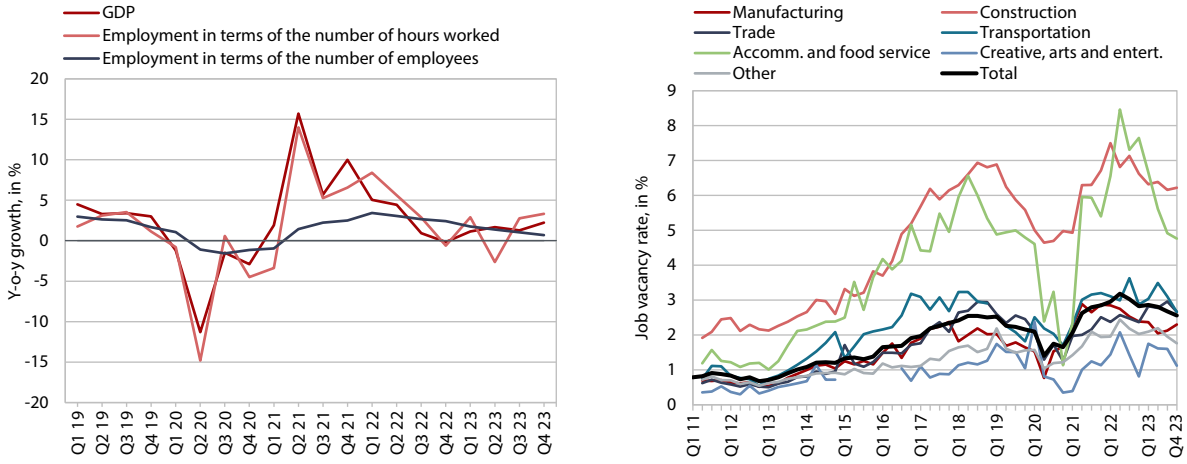
In 2023, as economic activity slowed, labour market growth also slowed, with employment at historic highs and unemployment at historic lows. The epidemic halted several years of labour market improvement in 2020, but with a post-epidemic rebound in economic activity and already severe labour shortages before the epidemic, the labour market recovered rapidly in 2021–2022. Employment growth then started to moderate as economic activity cooled in mid-2023, most notably in accommodation and food service activities, construction and manufacturing.[13] Despite the more modest dynamics, demand for workers remains strong, as reflected in the relatively high vacancy rate, which is a measure of unrealised labour demand. While this was lower than a year earlier, it remained high for a number of sectors (Figure 16, right). The share of companies reporting labour shortages as a limiting factor for their business also remained higher than in 2019. The recent shortage of domestic labour is reflected in the recruitment of foreign workers and their large contribution to overall employment growth, which was 93% in 2023. Thus, at the end of 2023, the number of people in employment was at an all-time high of 941,200 (up 0.6% year-on-year), while the number of registered unemployed was at an all-time low of 48,353 (or around one-tenth fewer than a year earlier).

[11] Slovenia's share in the HICP calculation is 0.46%, while in Germany it exceeds 25%.

[12] In February, the difference was 0.8 p.p.

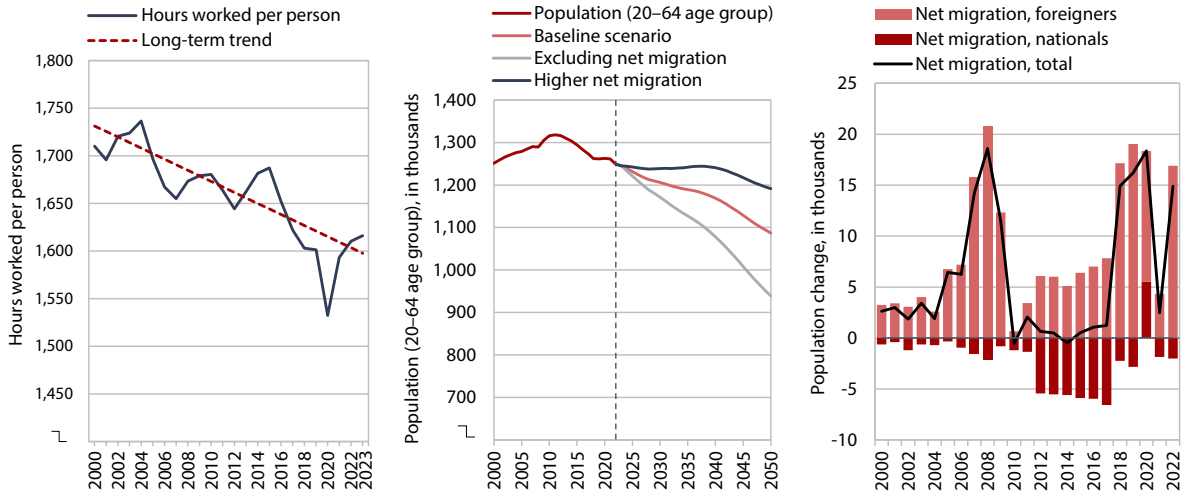
[13] These are also the sectors which, despite the moderation of growth, had the highest average annual employment growth and relatively high labour shortages.

Figure 16: As economic activity slowed, employment growth also slowed in 2023 (left), but labour shortages, as illustrated by the vacancy rate, were still present in most sectors (right)



Source: SURS (2024b).

Figure 17: In the long term, the volume of hours worked (left) and the population aged 20–64 (middle) have been declining, and the latter can only be mitigated by a continuation of the relatively high net migration* of the last few years (right)**

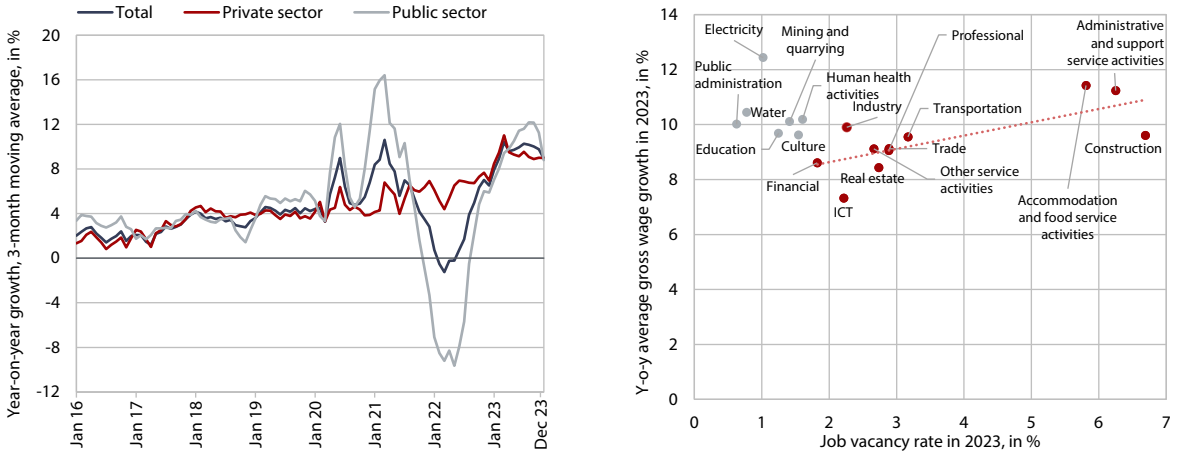


Sources: Eurostat (2024), SURS (2024b). Notes: *The EUROPOP2023 baseline scenario of population projections assumes that net migration increase would average 6,083 people per year over the 2024–2100 period, after a slightly higher increase in the initial years of the 2022 and 2023 projection (more than 11,000 people per year). The higher migration increase scenario assumes an average of 9,702 persons (with an average of 11,906 persons per year by 2030) and the lower migration increase scenario 2,583 persons per year. **The high number of immigrants (especially Slovenian citizens) in the third quarter of 2020 was mainly due to the administrative compilation of the register in accordance with the Residence Registration Act (Official Gazette of the Republic of Slovenia [Uradni list RS], No. 52/16). Based on various additional data sources, in particular those that determine the activity status of an individual and which provide information on the person's actual residence in Slovenia, SURS has classified just under 7,500 of these persons as residents of Slovenia (97% Slovenian citizens and 3% foreign nationals). Most of these residents most likely returned from abroad years or even decades ago but for various reasons did not declare this to the administrative unit. See also Razpotnik et al. (2021) and Razpotnik (2021).

Demographic trends are one of the main drivers of labour shortages. Cyclical and structural factors are influencing the large labour shortages, both in Slovenia and in other developed countries. Structural factors include, in particular, the ageing of the population and the consequent transition of a large number of employees to retirement and the entry of younger generations into the labour market. This has been intense over the last ten years, with the population aged 20–64, who are most likely to be in employment, and hence the potential labour supply, declining since 2012.[14] The number of hours worked by the average employee has also been on a long-term downward trend. It fell by around 6% over the 2000–2022 period (Figure 17, left). In the short term, this is influenced by the economic cycle and the number of working days in a year, while the long-term trend is

[14] Between 2012 and 2022, the population aged 20–64 declined by 67,000, which means that the size of the potential labour force fell by just under 7,000 each year, or just under 5,000 fewer people were in employment per year, assuming a labour force participation rate of 75%.

Figure 18: Nominal growth in average gross wages increased considerably in 2022 and 2023 (left), in the private sector especially in labour-intensive activities, where there is also the greatest staff shortage (right)



Source: SURS (2024b); calculations by IMAD. Note: In the graph on the right, those labour-intensive private sector activities are highlighted in red where we estimate that there is usually a close link between labour demand and wage growth (the so-called Phillips wage curve), while in the activities highlighted in grey there is not a direct link (e.g. in public service activities such as public administration, healthcare, etc., and where the share of public companies is relatively higher).

due to a change in the sectoral structure of the economy towards less labour-intensive activities, preferences between work and leisure time, new forms of work, greater participation of women, who do slightly fewer hours of paid work, etc. The EUROPOP2023 demographic projections show a continuation of demographic trends in the coming decades (Figure 17, middle), with only high net migration increase likely to moderate (but not halt) the decline in the population aged 20–64 in a more significant way, thus still allowing weak employment growth in the medium term (Figure 17, right).[15]

Nominal wage growth has strengthened markedly in the face of labour shortages, the tendency of employees to seek real income growth in a context of rising inflation and the increase in the minimum wage in 2023. Wage growth gradually increased in the boom period before the epidemic, driven by a general labour shortage and agreed increases in public sector and an increase in the minimum wage. After fluctuating during the epidemic,[16] it started to pick up again in mid-2022, especially in the private sector, as a result of the pick-up in economic activity in the post-COVID period, labour shortage pressures and the tendency of employees to maintain real income growth in a high inflation environment (Figure 18, left). In 2023, wage growth strengthened further (9.7% in nominal terms), in the private sector mainly in activities with relatively higher staff shortages and where there is a higher share of minimum wage earners (Figure 18, right). In the public sector, however, wages increased due to the effects of the agreement between the government and the public sector unions at the end of 2022;[17] real wage growth in the public sector was 2.7% last year, following a decline in 2022.

The general government deficit decreased slightly more in 2023, but it was still significantly affected by some temporary measures, i.e. those to mitigate the consequences of rising energy prices and the floods, the reduction of debt-to-GDP ratio also continued. The general government deficit, which increased sharply in 2020 in the wake of the epidemic, has been declining since 2021 due to the economic recovery and the withdrawal of one-off expenditure to mitigate the consequences of the COVID-19 pandemic, and stood at 2.5% of GDP in 2023, which is below the euro area average according to the European Commission's autumn forecast. The bulk of Slovenia's deficit last year came from measures to mitigate the consequences of rising energy prices and floods. The reduction in public debt also continued, due to the deficit reduction and the maintenance of high nominal GDP growth in a context of still high inflation (to 69.2% of GDP, down from 79.6% of GDP in 2020). However, the increase in the government debt-to-GDP ratio in Slovenia over the 2019–2023 period (3.8 p.p.), when countries were exposed to a number of economic shocks, was among the lowest in the EU and lower than the average for euro area countries (6.3 p.p.) and the EU (5.4 p.p.). Revenue growth in Slovenia last year was higher than in the previous year for all major revenue groups, both tax and non-tax, and outpaced expenditure growth. Expenditure growth, which had moderated in 2022 under the impact

[15] The high net migration increase is defined in the EUROPOP2023 projections as a continuation of the historically high migration increase of the last few years. Net migration increase was only around 600 persons per year in 2010–2017 and around 13,000 persons per year in 2019–2022.

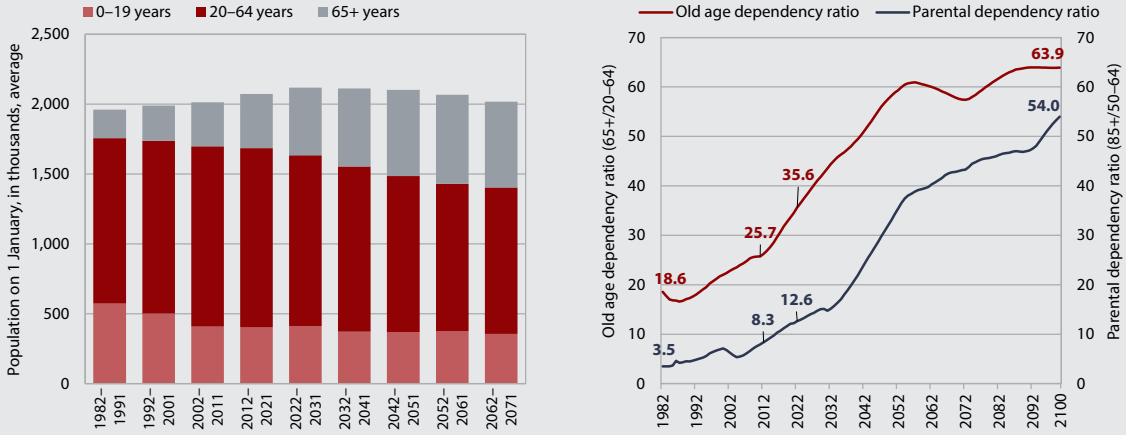
[16] In the private sector, this was due to job retention measures, business closures, teleworking and job losses, while in the public sector it was due to the payment of epidemic bonuses.

[17] In 2022, the public sector saw an increase in meal reimbursement during work in September, a 4.5% adjustment of the salary scale in October and the back payment of the 2022 holiday allowance in November. In April 2023, the classification of work posts, grades and functions was upgraded (by one grade).

Box 2: Demographic trends and their impact on age-related public expenditure

The age structure of the population has been changing since independence as a result of declining birth rates and longer life expectancy. However, it has been changing more intensively since 2012, when the large post-war generations started to turn 65 and the smaller generations born in the 1990s started to enter the working-age population, leading to a decline in the number of people of working age. This is reflected in the increasing ratio of those aged 65 and over to the working-age population aged 20–64 (i.e. the old-age dependency ratio). While the ratio has been rising since the 1990s, it will rise even faster over the next three decades, with implications for a number of societal systems that will require adjustments (labour market, functioning and financing of social protection systems, etc.).

Figure 19: The rapid change in the ratio of the elderly to the working-age population since 2012 will continue to intensify for three decades (left) and society will have to adapt to the needs of the elderly (right)



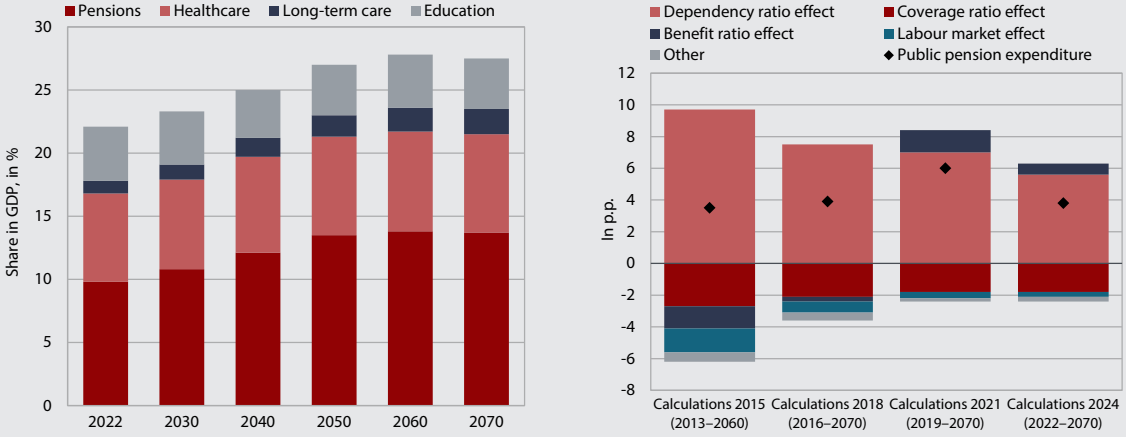
Sources: SURS (2024), Eurostat, (2024).

The pressure of the ageing population on social protection systems will intensify until around 2045, when the last large generations born in the late 1970s and 1980s would start to retire under current retirement conditions. The population is projected to start declining already in the coming years under the baseline scenario of the EUROPOP2023[1] population projections. Among all age groups, only the elderly (potential pensioners) will increase, while the working-age population (potential tax and contribution payers) will continue to decline. These demographic developments, which are currently reflected in all projection scenarios, will increase the pressure on public finances. Higher migration increase (assumed at almost 10,000 per year on average over the projection period) could only slightly mitigate the effects of ageing on the labour market and on social protection systems compared to the baseline scenario of the demographic projections (assumed at 6,000 persons per year). The ageing population will have an upward impact on pension, healthcare and long-term care expenditure under a no-policy-change assumption, but an excessive increase in these expenditures is not sustainable and would crowd out other government expenditures. Therefore changes are needed to address the sustainability of social protection systems, both in terms of measures to contain expenditure growth and by finding new sources of financing. In view of the need for timely age-related policy adjustments, the European Commission, in cooperation with Member States, has set up a process of a three-year cycle of updating long-term projections of age-related expenditure, which are also used in the process of debt sustainability analysis and the setting of medium-term fiscal consolidation.

Spending on pensions, healthcare, long-term care and education accounts for a large share of public spending and will increase as the population ages. In Slovenia, these expenditures amounted to 22.1% of GDP in 2022 and are projected to increase by 5.4 p.p. (in % of GDP) by 2070, which is lower than in previous projections (2021: 8.1 p.p.) (EC, 2024, forthcoming).[2] The baseline level of the new projections is lower than expected in the previous projections, but the increase over the 2022–2070 period is still high, with Slovenia ranking fourth in terms of the magnitude of the increase (in p.p.) and seventh in terms of the amount of expenditure as a share of GDP in 2070 in the EU.

1 For detailed analysis of the EUROPOP2023 projections, see Bratuž Ferk, B. (2023).
2 The Ageing Report 2024 is scheduled for release in the second half of April 2024.

Figure 20: Age-related expenditure is set to increase due to strong demographic pressures, in particular pension expenditure (left); the largest contributor to the increase in pension expenditure is the increase in the number of the elderly compared to the working-age population, i.e. the old-age dependency ratio (right)



Sources: EC (2024, forthcoming), MF (2023, forthcoming). Notes: Public expenditure on healthcare is according to the SHA methodology, but excluding expenditure on long-term care and including investment expenditure according to the COFOG methodology. The introduction of a new compulsory healthcare contribution of 1.07% of GDP is already taken into account in the base year 2022. Public expenditure on long-term care is the health and social part according to the SHA methodology. The dependency ratio effect: the impact of demographic change, the relative change in the number of elderly people versus the working age population. The coverage ratio effect: the proportion of pensioners in relation to the population over 65 years. Labour market effect: the effect of labour market behaviour on pension expenditure (employment rate, labour intensity, career prolongation).

Projections of pension expenditure, the largest category of age-related expenditure, show that current policies are unsustainable in the long term and that the realisation of such trends would significantly alter existing social relations. According to the modelling estimates prepared for the Ageing Report 2024 (MF, 2023, forthcoming), the share of pensions as a share of GDP will increase until the early 2050s, when demographic pressure on retirement will also be at its peak (and will remain at a similar level until 2070). Thus pension expenditure is projected to increase by 3.8 p.p. by 2070 (from 9.8% of GDP in 2022 to 13.7% of GDP in 2070), on a no-policy-change basis,[3] with the largest driver of the increase in expenditure being the growth in the number of older people relative to the working-age population, i.e. the dependency ratio (Figure 20, right). The latter, although lower than in the previous expenditure projections due to more favourable demographic projections, has contributed to a smaller increase in pension expenditure by 2070 than in the 2021 projections, in addition to more favourable labour market assumptions, in particular higher labour force participation rates. The smaller increase in pension expenditure also reflects the lower pension qualifying period of younger generations, including those entering the labour market later as a result of the global financial crisis after 2008. Data from the ZPIZ (the Pension and Disability Insurance Institute of Slovenia) show that insured persons aged 49 or younger in 2022 had less pension qualifying period than insured persons of the same age 20 years ago and are therefore 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. Such decisions may have an impact on the adequacy of pensions. In most developed countries that have already taken measures to make their pension systems more financially sustainable, and have thus somewhat contained the impact of demographic change, the measures have been to raise the retirement age or to link the increase in the retirement age to increases in life expectancy, to tighten the conditions for eligibility for pensions, and to make changes to indexation. In some places, they have also introduced a change in pension schemes (from defined benefit to defined contribution schemes) and increased the importance of additional saving for pensions (Spasova and Ward, 2019, p. 117; IMAD, 2019, pp. 45–48), which, in addition to raising the retirement age, can also improve the adequacy of pensions. Analyses suggest (IMAD, 2019a) that such a set of measures for the sustainability and adequacy of pensions is also crucial for Slovenia.

Projections of healthcare and long-term care expenditure point to increasing pressure from demographic factors, and to an even more substantial impact on public finances when non-demographic factors are taken into account (risk scenario).[4] Health expenditure rises with age, especially after age 60, and demographic

[3] In the 2018 projections, they were estimated at 14.9% of GDP for 2070 and 16.0% of GDP for 2021.

[4] The projections presented already include estimates of the effects of legislative changes in 2020 to 2022 that were not related to the COVID pandemic (e.g. increase in wages and expenditure on personal assistance). However, the significant increase in expenditure due to the epidemic only has a transitory effect on the healthcare and long-term care projections. For healthcare, the base-year 2022, due to technical reasons,

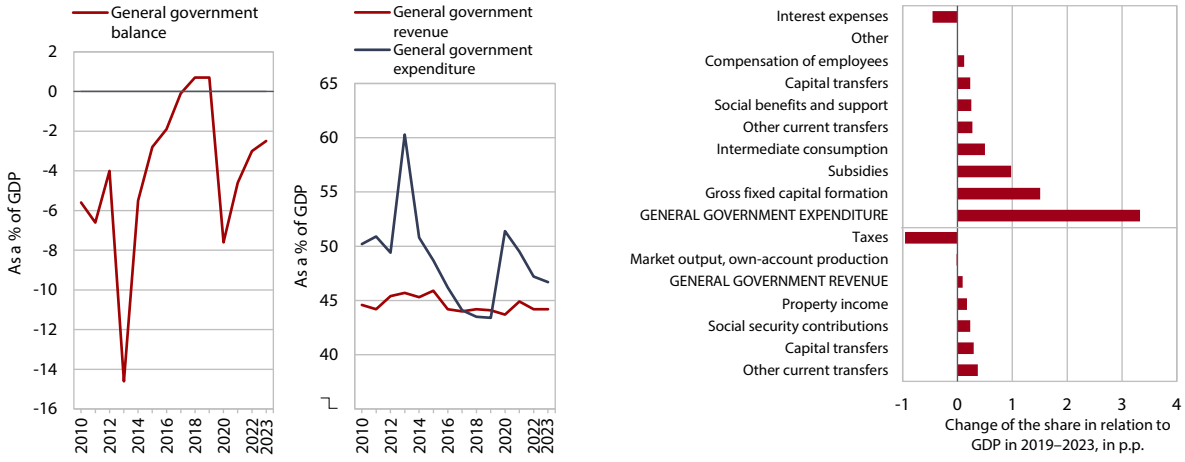
pressures on expenditure growth will be greater in the future due to the faster increase in the elderly share of the population (IMAD, 2019a). In the baseline scenario,5 public health expenditure is projected to increase by 0.8 p.p. to 7.8 p.p. of GDP by 2070. The projections for public expenditure on long-term care, which already include the Long-Term Care Act, would increase by 1.0 p.p. to 2% of GDP. Under the risk scenario, which takes into account non-demographic factors in the projections to an even greater extent than the baseline scenario,6 the growth in public expenditure in both areas would be substantially higher, rising by 2.2 p.p. of GDP in healthcare and by 3.2 p.p. in long-term care.

already includes an estimate of the effect of the new compulsory healthcare contribution (see Box 5), which will replace the complementary health insurance, which means a 1.07% higher level of public expenditure in 2022 than was actually realised. Projections for long-term care include estimates of the introduction of a new long-term care system (see Box 6).

5 In the baseline scenario, mainly demographic factors and the assumption of improving health status of the population are taken into account, whereas non-demographic factors are taken into account only to a lesser extent.

6 The main non-demographic factors taken into account in the risk scenario are, in addition to the increase in GDP per capita, which affects expectations regarding healthcare, in particular new health technologies that expand treatment options and increase the quality of services, as well as the Baumol effect on price growth.

Figure 21: The general government deficit is declining (left) with the expenditure-to-GDP ratio falling (middle), and compared to 2019, the investment, subsidy and intermediate spending ratios have increased the most, while the tax revenue-to-GDP ratio has fallen (right)



Source: SURS (2024b).

of the withdrawal of the COVID-19 mitigation measures, picked up considerably in 2023. This was mainly driven by increased subsidies in support of the economy to mitigate the consequences of rising energy prices and floods and by stronger wage growth in the general government sector, after both expenditure categories declined in 2022. Investment growth was lower than in the previous year, though still high, while growth in social transfers was also lower. While the share of subsidies and investment increased the most in 2019–2023, the increase in the shares of public sector wage bill and social transfers was smaller.

Withdrawing fiscal support and reducing the government deficit is important to reduce inflation and avoid other imbalances, and in the light of the new fiscal rules, deficit reduction in the future will require priority-based planning. Measures to mitigate the impact of crises (the COVID-19 epidemic and the energy crisis) and natural disasters in recent years have provided important support to the economy and households, increasing the general government deficit after 2019, which, however, has been declining as the measures are gradually phased out. However, it remains elevated relative to 2019, as measures taken during that period also permanently reduced government revenue[18] and increased government expenditure[19], and their impact

18 The Motor Vehicle Tax Act abolished the additional motor vehicle tax in 2021 and changed the tax assessment scale (the proposed act estimated the financial impact at EUR 29 million), and the Act Amending the Personal Income Tax Act was adopted (in the proposed act, the financial impact in 2022 was estimated at EUR 247 million; due to further increases in the general tax relief until 2025, however, this effect will increase), which was amended at the end of 2022, decreasing the rise in general tax relief in 2023 and eliminating any further increase by 2025 as well as increasing certain tax rates (e.g. raising the rate in the highest income tax bracket from 45% to 50%).

19 Adoption of the Scientific Research and Innovation Activity Act (the Act provides for an increase in state funding to 1% of GDP), the Act on the Provision of Funds for Investments in the Slovenian Armed Forces in the years 2021–2026 (the Act provides for an amount of EUR 780 million), the Act on the Provision of Funds for Investments in the Health Sector in the years 2021–2031 (the Act provides for an amount of EUR 2.1 billion), the agreement on the increase of salaries in the police (through the Act Amending the Police Work and Organisation Act, estimated at EUR 16 million in the proposed

will continue to be felt in the coming years. The deficit will also continue to be affected for some years by the flood recovery, for which some new resources have also been identified (ZORZFS, 2023), and the implementation of the Recovery and Resilience Plan. The establishment of a new economic governance framework, which foresees a medium-term fiscal path (4–7 years) and safeguards to support its implementation, will thus require a systematic and priority-based approach to medium-term (fiscal) planning. As in previous years, a review of past trends and development challenges based on this year's Development Report shows that among the key areas of development policy that should be prioritised in the public finance framework are accelerating productivity growth, accelerating the transition to a low-carbon circular economy, changes in social protection systems (health and pensions) to ensure an inclusive, healthy and active society, and improving the strategic management of public institutions (see also summary with key recommendations). Given the limited amount of public resources, achieving the objectives in a number of areas will also need to be combined with the mobilisation of private resources.

The financial system is stable, but all segments are developed below average, with the largest development gap in the capital market. The smallest development gap remains in the insurance sector, where an above-average share of non-life insurance stands out (relative to GDP and also in the structure of insurance), while the share of life insurance premiums lags behind many comparable EU Member States. The banking system remains stable, liquid and well capitalised. The balance sheet total of banks (relative to GDP) remains relatively low, falling to 86.4% of GDP in 2023, which is approximately 30% of the EU average. But in 2023, the banks' business results continued to improve. Profits have more than doubled in a high interest rate environment, despite the contraction in credit activity, largely due to the much faster growth of lending rates than deposit rates. This increased net interest revenue by more than 90% to approximately EUR 1.44 billion, the highest ever. The growth in credit volume to the domestic non-banking sector started to moderate rapidly with the normalisation of monetary policy in mid-2022, and the volume of such credit declined by 2.3% in 2023. This is mainly due to deleveraging by companies and non-monetary financial institutions, while growth in housing loans has also slowed significantly, whereas consumer loans growth (following the lowering of the creditworthiness threshold at the beginning of July 2023)[20] has strengthened. Capital adequacy, which is relatively high in relation to capital requirements, increased further as credit activity moderated and past profits were retained, thus being only slightly behind the EU average. The biggest development gap is in the capital market, which remains small and illiquid and still does not provide adequate support to finance the economy and strengthen long-term old-age saving. New issues of corporate securities on the Ljubljana Stock Exchange are almost non-existent, and bonds (largely government bonds) dominate, accounting for almost 80% of the total market capitalisation on the Ljubljana Stock Exchange. Last year, the Capital Market Development Strategy was adopted, which, as part of the pillar of creating additional supply on the capital market in the form of bonds, also envisaged the possibility of issuing government bonds[21] for the general public. The Republic of Slovenia issued three-year bonds for natural persons in 2024, with a value of EUR 258.4 million.

The overall financial situation of the corporate sector remained relatively favourable during the COVID and energy crises (2020–2022); after a moderate increase in 2022, the indebtedness of non-financial corporations remained at the level reached in the first half of 2023. In the period before the outbreak of the global financial crisis, the increase in sources of financing in non-financial corporations was mainly based on corporate borrowing, but after the rehabilitation of the banking system and the deleveraging of the economy, the importance of equity gradually increased. The share of equity at the end of the third quarter of 2023 represented about 54% of corporate financial liabilities, which is only slightly less than the EU average (57.7%).[22] The increase in corporate financial assets in the first three quarters of last year was more than a fifth lower than a year earlier, which, in our opinion, is mainly due to a lower increase in other accounts receivable in the context of a moderation in economic activity. However, the volume of deposits of non-financial corporations with domestic banks strengthened even more markedly

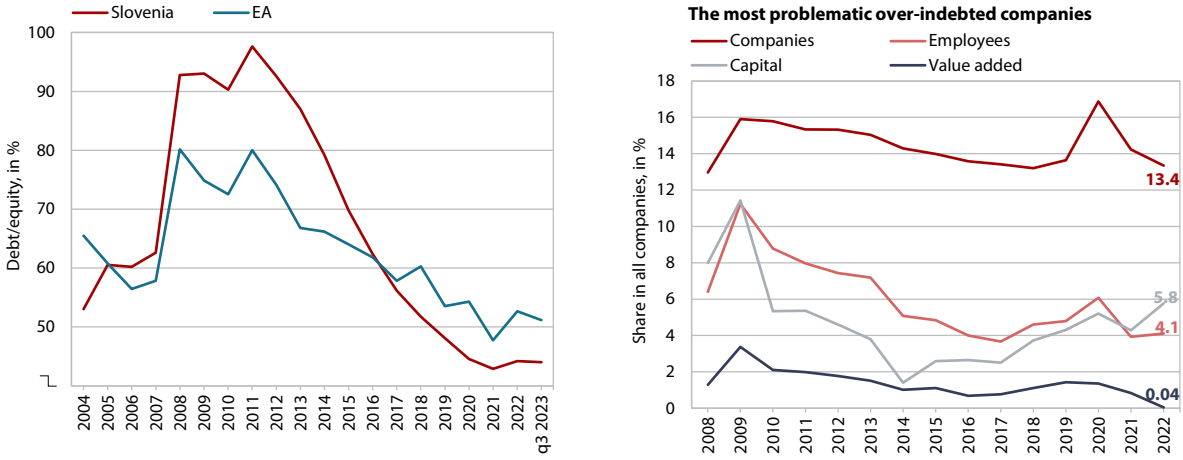
act), the Agreement on urgent measures in the field of salaries in the health and social care sector and continuing negotiations (estimated at EUR 100 million by the Health Insurance Institute of Slovenia). At the same time, the Strategic Plan of the Common Agricultural Policy 2023–2027, adopted in December 2021 and approved by the EC in October 2022, envisages that Slovenia will add additional funds (EUR 310 million) to the mandatory minimum share for the rural development programme from national funds. At the beginning of 2022, there was also an extraordinary indexation of pensions (according to the ZPIZ estimate amounting to EUR 145 million) and at the end of 2022, the Agreement on measures relating to salaries and other labour costs in the public sector for 2022 and 2023 was adopted (estimated by the Ministry of Public Administration at EUR 611 million). In 2023, a new Long-Term Care Act was adopted, which also provides for new financial sources to finance services (a long-term care contribution for employers, employees and pensioners, funding from the state budget capped at EUR 190 million, and the possibility of introducing private co-payments in the event of a shortfall in public resources (the Ministry of Solidarity-Based Future estimates the financial impact of the full implementation of the Act in 2026 at EUR 797 million and the revenue from social contributions in that year at EUR 607 million)). A public sector wage adjustment of 3.36% for 2024 was also agreed in 2023 (the financial impact of the agreement is estimated by the Ministry of Administration at around EUR 110 million in 2024 and EUR 220 million in 2025). The Act Amending the School Meals Act, adopted in 2023, foresees a gradual extension of the right to the school meal subsidy by 2027.

[20] The lower limit for determining creditworthiness, which was set at 76% of the gross minimum wage (EUR 914), was lowered to the level of the minimum cost of living (EUR 745) in July 2023, and banks will also be able to take into account certain additional benefits (e.g. child benefits).

[21] Digitisation and increasing SMEs' participation in the capital market and the promotion of financial education are further pillars on which the strategy focuses.

[22] The gap is much wider for the share of listed shares, as they represent around 5% of liabilities to assets and reach only a third of the euro area average.

Figure 22: Indebtedness of companies in Slovenia is lower than in the euro area (left); the share of companies with a high exposure to insolvency risk was lower in 2022 than in the period of the global financial crisis (right)



Sources: Eurostat (2024), calculations by IMAD (left); AJPES (n.d.-b), calculations by IMAD (right). Note: Indebtedness is measured as the debt-to-equity ratio. The most problematic over-indebted companies are those with net financial debt and negative EBITDA; C – companies; 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), slightly negative in 2008, 2015, 2016, 2020 and 2022.

in 2023 than in 2022, reaching almost EUR 11 billion. The indebtedness of the corporate sector,[23] which reached historical highs during the global financial crisis, more than halved after the rehabilitation of the banking system and the economy. Owing to extensive measures to mitigate the consequences of the epidemic and energy crises, it remained relatively low in the 2020–2022 period. In 2022, companies' debt recorded a slight increase, but indebtedness in the first three quarters of 2023 still remained lower than the euro area average (Figure 22, left). The share of financial and thus also bank debt in total debt in 2022 was the lowest since 2006, while the contributions of all other liabilities[24] increased, making the increase in total debt slightly more pronounced. With indebtedness and over-indebtedness still low and most liquidity and profitability indicators at persistently high levels, the ability of companies to repay their debts remained close to its best levels since 2006, despite higher interest rates. The share of more financially vulnerable companies, where risks are more likely to spill over into the financial system, fell after a spike in the first year of the epidemic to 13.4% in 2022 (latest data available), which is lower than during the global financial crisis (15.1% in the 2008–2013 period), while the shares of employees, capital and value added of these companies were even lower than in 2008 (Figure 22, right).[25]

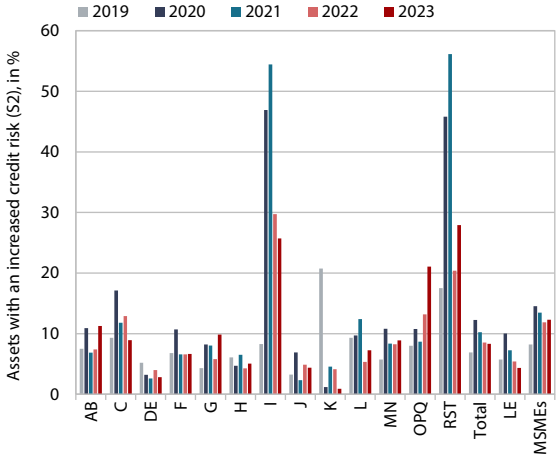
The quality of banks' claims on companies improved further in 2023, while the number of insolvencies initiated did not increase, despite the withdrawal of most of the measures to mitigate the effects of the coronavirus crisis, the energy crisis, cost pressures, high interest rates and weather-related disasters. The share of non-performing loans is at its lowest level (December 2023: 1.8%) and below the EU average. Only slightly higher as in 2019 is in transport and storage (1.4%). Despite a marked decrease in the second half of 2023, it is still the highest in accommodation and food service activities (6.6%; peak reached at the end of 2022: 15%). Also the share of claims against companies whose credit risk has increased significantly since their loans were granted (S2) mostly decreased during 2023 but is still higher than in 2019. Compared to 2019, it is still higher by size in the micro, small and medium-sized companies and by activity in the accommodation and food service activities, arts, entertainment, recreation and other service activities (in both groups of activities the shares are still the highest, despite a significant improvement, at 25.7% and 27.9% respectively), in the public services, trade, agricultural and fishing activities, mining and quarrying, professional and other business activities, and in information and communication. The number of insolvency proceedings initiated against business entities has been declining since 2019, which may indicate, among other things, that business entities in Slovenia have responded well to the coronavirus and energy crises, with the support of the state. The number of insolvency proceedings initiated against companies was lower in 2023 compared to 2019 for most activities, except for education, human health and social work activities, which are characterised by a lower number of insolvency proceedings. The number of bankruptcy proceedings initiated against sole proprietors was also lower for most activities, except manufacturing. In 2023, the largest numbers of insolvency proceedings were

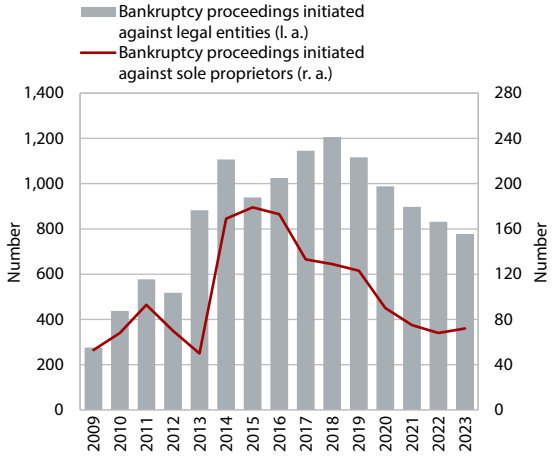
[23] Measured as a debt-to-equity ratio based on data from financial accounts. Figure 22 shows the indicators on the basis of data from the AJPES database of individual data for companies (balance sheets and income statements).

[24] Other liabilities: provisions and long-term accrued costs and deferred revenue, short-term accrued expenses and deferred revenue, deferred liabilities for tax and liabilities included in the disposal groups.

[25] For more information about the financial performance of companies, see IMAD (2023d).

Figure 23: Credit risks are significantly higher in accommodation and food service activities and certain other services (left); the number of bankruptcy proceedings initiated against legal entities has been decreasing since 2019 and the trend for sole proprietors reversed in 2023 (right)





Sources: BoS (2023a), AJPES (n.d.-a). Note: LE – large enterprises, MSMEs – micro, small and medium-sized enterprises.

initiated against companies engaged in construction (22%), trade (21%) and accommodation and food service activities (13%) and in the case of sole proprietors in construction (25%), transport (17%), manufacturing (14%) and trade (13%).

1.1.1 The territorial aspect of economic development

Regional disparities in economic development have increased slightly since 2020, and for a more harmonised development of regions in the long term, it is reasonable to accelerate the business transformation of existing activities and to encourage the development of new ones, taking into account the development potentials of each region. Due to the modest growth of the Osrednjeslovenska region in the year of the energy crisis (2022), differences in GDP per capita have narrowed slightly after rising[26] the year before, but they remain larger than before the epidemic (Indicator 1.8).[27] Growth in the Osrednjeslovenska region, similarly as in the longer period (2014–2019; Figure 24, right), mostly resulted from a high share and growth in sectors that were either connected to the function of the country's capital or were services that have a natural tendency towards concentration (e.g. financial and insurance services), while the contribution of other market activities (A–I)[28] to value added growth was the second smallest of all regions (Figure 24, left). Over the longer period analysed from 2014 to 2019, there are significant differences in the contribution of A to I activities to gross value added growth,[29] pointing to still relatively large untapped potentials for more coherent regional development and for boosting Slovenia's overall economic growth. A more harmonised regional development should be promoted through the development of the existing and new business activities, taking into account the development potentials of individual regions rather than dispersing service activities that have a natural tendency towards concentration in the central region.[30]

EU funds and national public funds intended for more harmonised development should be channelled more effectively to accelerate business and digital transformation processes, the introduction of new business models and the green transition, including through a territorial approach. In eastern Slovenia (KRVS), the regions are less competitive (ESPON, 2020b) and have on average lower knowledge capital but are included by the ESPON applied research project (ESPON,

[26] During the economic boom between 2014 and 2019, the fastest growth was recorded in the Jugovzhodna Slovenija, Obalno-kraška and Gorenjska regions.

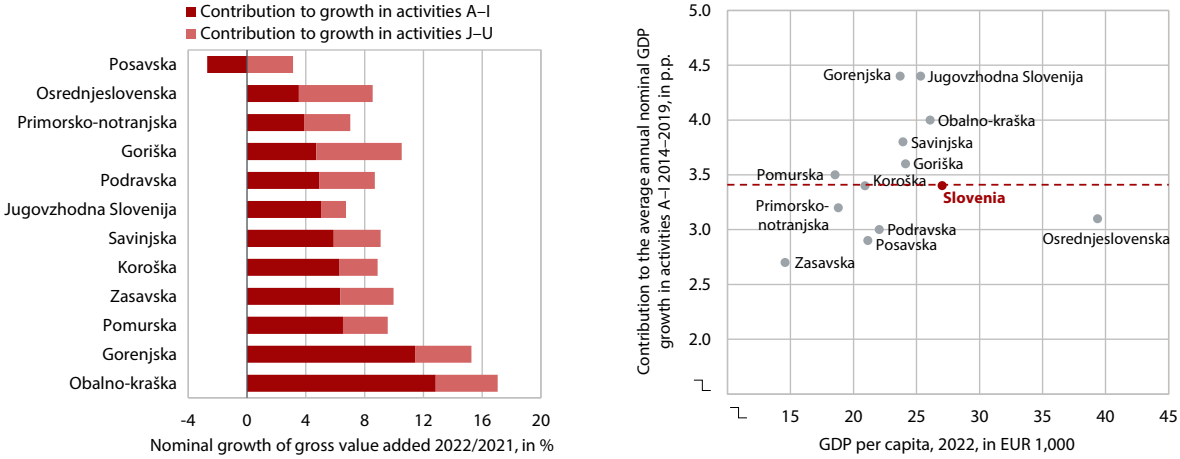
[27] At the same time, differences in net disposable income per capita between regions remain at one of the lowest levels in the last two decades and are considerably smaller than the GDP gap per capita. In 2022, the regions with the highest outperformance of the Slovenian average were the Jugovzhodna Slovenija (by 4 index points) and Osrednjeslovenska regions (by 3 index points). The Pomurska region was the region most lagging behind the average (by 8 index points) (see also Section 3).

[28] According to the OECD (2018d), certain market services such as business, healthcare, higher education, IT, financial and insurance services, but also professional, scientific and technological services, have a tendency towards concentration in bigger metropolitan areas. Consequently the analysis relied on the indicative division into A–I and J–U activities, which should not be understood consistently, as it is possible or reasonable for some J–U activities to be carried out also in non-metropolitan areas.

[29] E.g. between the industrially oriented Jugovzhodna Slovenija and the Podravska regions (1.4 p.p.) and between the Jugovzhodna Slovenija and Zasavska regions (1.7 p.p.).

[30] The dispersion of service activities with a natural tendency towards concentration could technically contribute to a more harmonised regional development, but mainly on account of reducing growth in stronger regions and, due to unexploited agglomeration economies, growth in Slovenia as a whole. In the 1980s, Slovenia already recorded such negative trends – a period that Stanka Kukar (1996) termed as »equality in poverty«. More recently, this is the case in the London metropolitan region (Rodrigues and Bridgett, 2023). It is therefore better to focus on stimulating growth in other regions, i.e. in areas that, based on the activities described above, are complementary.

Figure 24: The gross value added growth in the Osrednjeslovenska region in 2022 is mainly driven by the growth of service activities, which are predominantly connected to the function of the capital city or have a natural tendency towards concentration (J–U) (left); between 2014 and 2019, with the exception of the Zasavska, Posavska and Podravska regions, all other regions had a higher contribution of other market activities (A–I) to value added growth than the Osrednjeslovenska region (right)



Source: SURS (2024); calculations by IMAD. Note: GVA – gross value added. For a description of activities, see abbreviations. For an explanation of the division of activities into A–I and J–U, see footnote 28.

2020a) among the regions with the possibility of shifting to the robotisation of traditional production and creative innovation, which in terms of digital transformation and modernisation is key to harmonious regional development (IMAD, 2020). Fast-growing companies were also located in all statistical regions (IMAD, 2022b), with the Primorsko-notranjska region having the largest share of all companies in the region. Positive shifts in the restructuring of regions can be stimulated by investments in new industries,[31] shortening of supply chains, logistical reorganisations and digitalisation of companies, taking into account the sustainable transformation to a low-carbon circular economy. The above can contribute to making rural areas more attractive and thus promote a better balance between urban and rural areas, in particular by applying territorial approaches, i.e. promoting development at the level of functional regions through enhanced coordination of development policies and taking into account the specific objectives of the different areas (in line with the Resolution on the Spatial Strategy of the Republic of Slovenia (ReSPR50, 2023), the Territorial Agenda 2030 (TA, 2020) and the recommendations of the OECD (2020b)).[32]

Positive effects on the development of regions and on slowing depopulation of rural areas can also be produced in some places by remote and hybrid work, in conjunction with comprehensive measures for more coherent regional development. The epidemic-driven increased use of remote and hybrid work (which can also produce certain negative effects), when the nature of work and good access to high-speed broadband networks[33] allow this, could have a number of positive effects in the regions (OECD, 2021g) for the environment, transport,[34] infrastructure building, housing and the population of rural areas.[35] Remote work, including hybrid work, could slow these negative trends in combination with other comprehensive measures designed to promote more coherent regional and rural development, especially in relation to the opportunities offered by digitalisation and new technologies, or even reverse them.[36] The existing scattered settlement model in Slovenia can be a potential advantage if the appropriate policy response strengthens the international attractiveness of non-central regions and exploits their development potentials. Reversal of trends in doing so is possible at least in some rural areas,[37] but this requires strategic reflection on the desired and achievable spatial development.

31 In the field of digital technology, activities that support remote work, health and other services, boutique, safe and sustainable tourism in connection with self-sufficient agriculture, etc.

32 The territorial approach promotes a comprehensive local and regional approach to problem-solving. It is a long-term strategy aimed at eliminating the underutilisation of local potentials and reducing social exclusion in specific areas through external interventions and multilevel governance (Barca, 2009).

33 Poorer accessibility in some areas indicates the need to invest in digital transformation (see also IMAD (2022)).

34 The daily number of journeys to and from work was lower by 2.6% in 2021 compared to 2017, and the number of car journeys was lower by 0.5%. In 2021, 20.1% of employees worked from home at least some of the time (14.2% in 2019).

35 Between 2008 and 2018, the depopulation areas covered about 57% of Slovenia (Nared et al., 2019).

36 The OECD (2021a) estimates that the medium-term or long-term perspective of regional development after the COVID-19 pandemic can go in different directions. The following scenarios have been identified: (i) continuing the current development based on large cities with greater use of the hybrid working model, (ii) strengthening suburbanisation, (iii) the rise of medium-sized towns, and (iv) migration from urban to rural areas.

37 Efforts to date to reverse this trend have had modest results. Such efforts have improved infrastructure in particular and the employment and economic structure to a lesser extent.

1.2 A competitive and socially responsible entrepreneurial and research sector

A competitive and socially responsible entrepreneurial and research sector (Development Goal 6)

The aim is to raise competitiveness of the economy by creating products and services with high value added and to strengthen the social responsibility of companies and research organisations. The creation of high value added will be supported by innovation, basic and applied research, promotion of creativity, and the exploitation of digital opportunities and every opportunity afforded by the fourth industrial revolution. Other factors listed in SDS 2030 as relevant in efforts to increase value added include internationalisation of companies and research institutions, the provision of a supportive and predictable environment for business and investments, and accommodating the needs of small enterprises. Achievement of the goal will also be contingent on human resources, which the SDS deals with in Development Goal 2.

SDS 2030 performance indicators for Development Goal 6[1]:

	Latest data		Target value for 2030
	Slovenia	Povprečje EU	
Labour productivity, index EU=100	85 (2023)	100 (2023)	95
European innovation index, index EU 2016 = 100	103.1 (2023)	108.5 (2023)	> 120, i.e. ranking among innovation leaders

[1] Among the performance indicators of the 2030 SDS for Development Goal 6, the SDS also sets a target value for the Digital Economy and Society Index (DESI), i.e. a ranking in the top third of EU countries in all five components of the index by 2030. As data on the ranking of countries according to the DESI and its components are no longer available as of 2023, it is no longer possible to monitor the achievement of this numerical target. However, Slovenia's progress in digitalisation is still looked at in Section 1.2.2 on the basis of a number of other data.

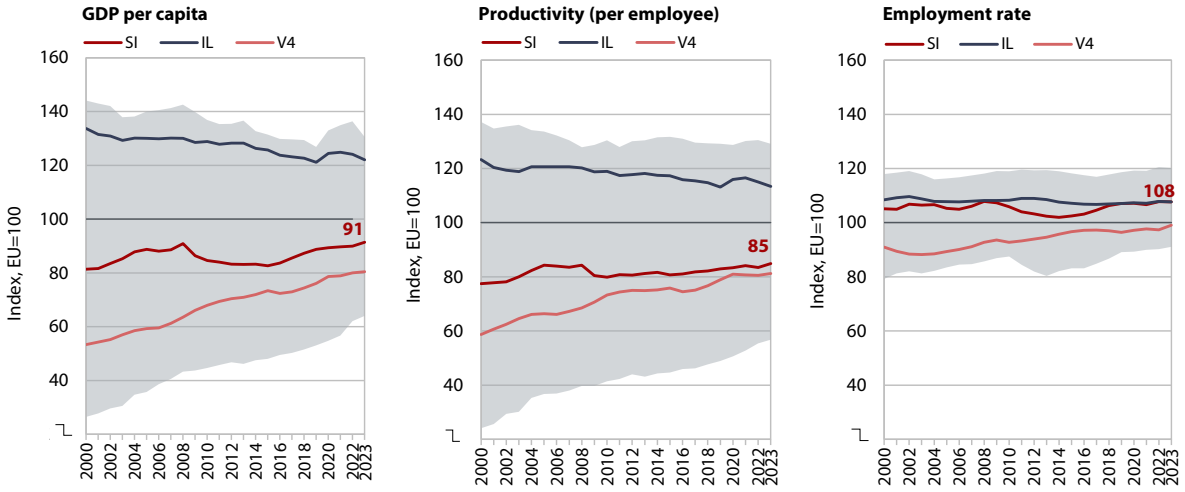
1.2.1 Competitiveness

Slovenia's economic convergence towards the EU average has slowed since 2019. The Slovenian economy generates less gross domestic product per capita than the EU average due to lower productivity, i.e. GDP per employee. The gap widened during the global financial crisis, narrowing relatively rapidly between 2015 and 2019 (by 6 p.p.), but economic catch-up slowed during the COVID-19 epidemic and the energy crisis (2020–2023). GDP per capita (in purchasing power standards) reached 91% of the EU average in 2023, equalling the all-time high of 2008. The lag stems from a low level of productivity, which was 85% of the EU average in 2023, i.e. a percentage point higher than in 2008 and well short of the 2030 SDS target (95%). In contrast, Slovenia has a much higher employment rate, exceeding the EU average by 8%, which is on a par with the average of the innovation leaders.

The modest productivity growth since the global financial crisis is due to the low contribution of capital deepening, which did not significantly strengthen even during the economic upturn. Productivity growth picked up somewhat in the economic upturn (2014–2019) after the global financial crisis, but remained much lower than before it, while the outbreak of the COVID-19 epidemic (in 2020) and the energy crisis (in 2022 and 2023) brought productivity growth back to a sharp moderation. After the global financial crisis, trend productivity growth, net of the impact of the business cycle, mainly stemmed from a more efficient use of productive resources (i.e. total factor productivity) and an improved composition of the labour force (i.e. a higher share of employees with a presumed higher productivity, e.g. those with a higher level of education). However, the contribution of capital (per unit of labour) declined sharply relative to the pre-2008 period and was among the lowest in the EU.[38] Slovenia experienced one of the largest falls in investment in the 2007–2012 period and one of the lowest growth rates among EU countries in the years following the global financial crisis (2012–2017), linked to problems in the banking sector, corporate deleveraging, worsening expectations, as well as to the end of a major investment cycle in road infrastructure construction. Investment growth accelerated in 2017–2022 and was among the highest in the EU, but the contribution of capital deepening (capital per unit of labour) to productivity growth did not increase significantly as employment growth was high, too. In addition to general government investment (also linked to the absorption of EU funds), business investment also picked up over the period. In terms of purpose, investment in machinery and equipment and investment in intellectual property increased the most. In 2023, investment growth remained relatively high, also boosted by government investment and EU funds. However, the low indebtedness of enterprises indicates

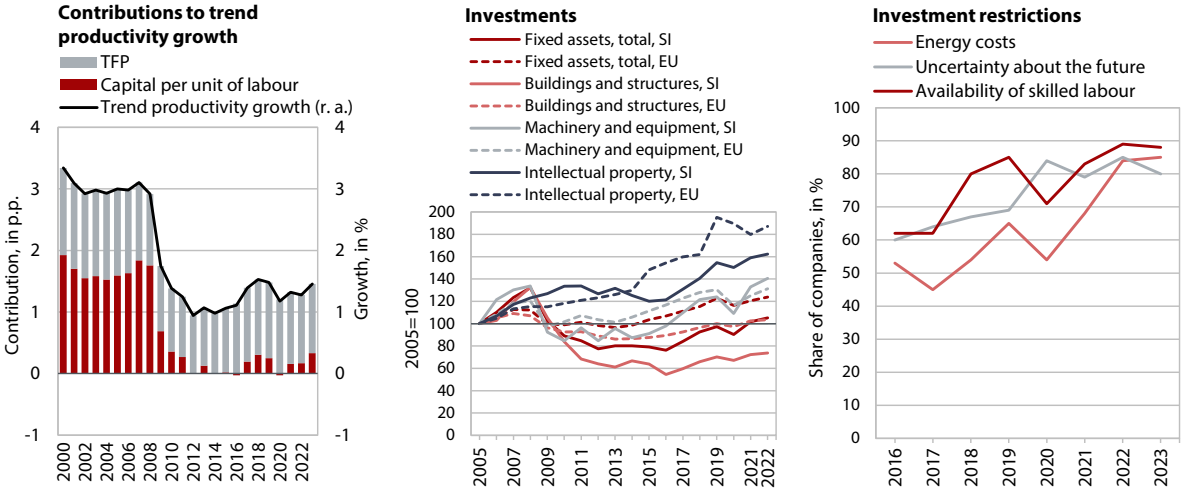
[38] The contribution of tangible capital was extremely low, while the contribution of intangible capital, in particular computer software and databases, was below average compared to the EU (IMAD, 2023d).

Figure 25: Slower economic catching-up with the EU average during the epidemic and the energy crisis



Source: Eurostat (2024); calculations by IMAD.

Figure 26: Low capital deepening contribution has constrained productivity growth for more than a decade (left), investment only surpassed 2005 levels in 2022 (middle), key constraints on investment remain the same, but much more severe than a few years ago (right)



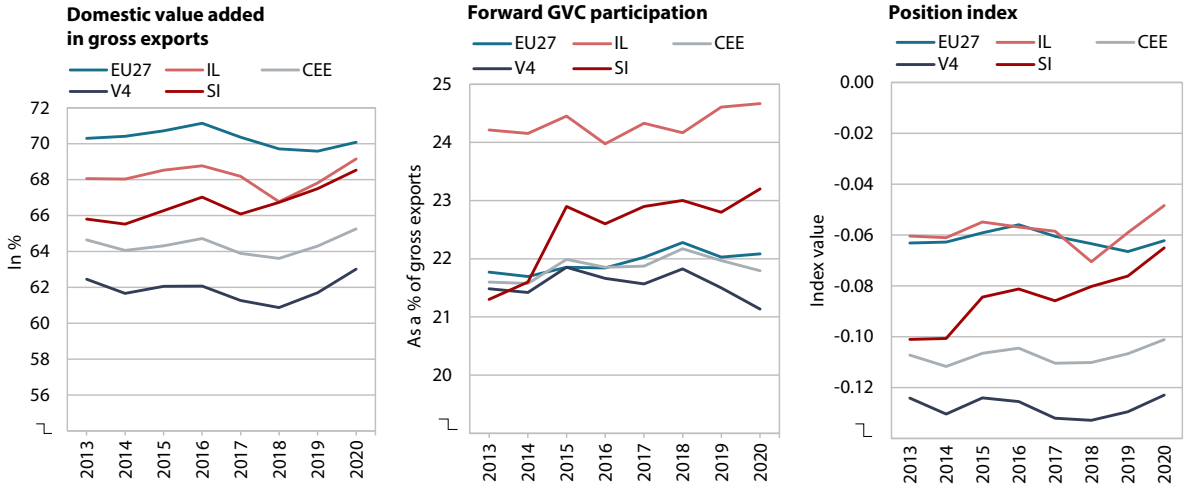
Sources: SURS (2024b), Eurostat (2024), EIB (2023); calculations by IMAD.

a certain reticence on the part of enterprises to invest. In particular, corporate indebtedness to banks is low[39] and the capital market is underused as a source of investment finance (see also Section 1.1). Companies have long cited difficulties in finding adequate labour (see also Section 1.1) and uncertainty about the future as the main long-term constraints to investment. Since the energy crisis, energy costs have also become a significant concern (Figure 26, right).

The cyclical moderation in productivity at the outbreak of the energy crisis hit hardest the export-oriented parts of the economy, which have been the main contributors to productivity growth and catching-up with more developed countries over a longer period. Following the global financial crisis, productivity growth has slowed in all business sector activities, mostly due to a lower contribution from capital deepening (IMAD, 2023d). In this context, growth was highest in more export-oriented activities such as manufacturing and traditional market services (trade, transport and accommodation and food service activities), while productivity growth in other market service activities and construction largely recovered only in the second half of the last decade. A more detailed analysis for manufacturing shows that the productivity gap with the average of the 11 EU countries analysed has

[39] Banks cite the rise in interest rates as one of the factors behind the lower demand for loans by companies in 2023, as well as the increased importance of internal financing of companies (BoS, 2023b).

Figure 27: Over the 2013–2020 period, Slovenia significantly improved its indicators of participation in global value chains (GVCs)



Source: OECD (2023k); calculations by IMAD. Notes: Forward GVC participation is defined as the domestic value added embodied in other countries' exports in gross domestic exports. The position index is calculated using the formula PI = ln(1 + FP/100) - ln(1 + BP/100), where FP indicates forward GVC participation and BP indicates backward GVC participation. Backward GVC participation is defined as the foreign value added embodied in domestic exports. IL – innovation leaders according to the European Innovation Index (Denmark, the Netherlands, Finland, Belgium and Sweden), CEE – Central and Eastern European countries (Czech Republic, Hungary, Poland, Slovakia, Slovenia, Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania), V4 – Visegrad group countries (Czech Republic, Hungary, Poland, Slovakia).

been narrowing fastest on the part of the less productive companies, mainly as a result of the exit of less efficient companies from the market. Among medium- and high-productivity companies, the gap has narrowed more visibly only for large companies (Box 3). Since the global financial crisis, Slovenia has also significantly increased its export integration in global value chains (measured by the share of domestic value added contained in foreign exports) and the share of domestic value added in gross exports, thus improving its position in global value chains.[40] In the 2013–2020 period, Slovenia advanced significantly more than the Visegrad group countries on all three indicators and also significantly faster than the EU average (Figure 27). The COVID-19 crisis mainly affected some high-contact services (accommodation and food service activities, arts, entertainment and recreation), while the energy crisis had a negative impact mainly on export-oriented manufacturing industries, especially energy-intensive ones, but also on some traditional and more export-oriented market services.

Box 3: Productivity of manufacturing industries in international comparison

We assessed the gaps between more and less productive manufacturing companies and the productivity gaps between Slovenia and EU countries, using the CompNet database (2022).[1] The database allows for an international comparison of the performance of EU companies classified by activity (NACE Rev. 2), company size (number of employees) and a number of other business indicators (profitability, productivity, trade, financial stability, asset structure, etc.). Given the methodological constraints (availability of data and consistency of the CompNet database with Eurostat), the review focused on the analysis of labour productivity in manufacturing in Slovenia and in the 11 EU countries[2] for which relevant data are available in the CompNet database over the 2008–2020 period. Labour productivity is defined in terms of (real) value added per employee.[3]

1 CompNet is a database of aggregated values of business performance indicators based on a cleaned database of micro-data on business performance (annual accounts), from which extreme values are removed by statistical methods. The analysis includes companies with positive value added and at least one employee.

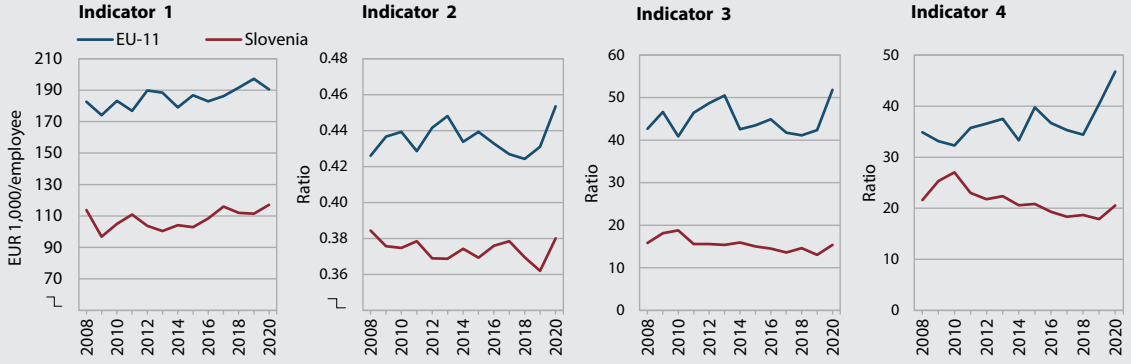
2 The countries included in the analysis are Croatia, the Czech Republic, Denmark, Finland, Hungary, Italy, Lithuania, the Netherlands, Portugal, Slovenia, Spain and Sweden.

3 In the CompNet database, real value added is defined as nominal value added deflated at sector level (NACE Rev. 2). Nominal value added is gross operating income less the cost of goods, materials and services (or the difference between gross income and intermediate consumption costs).

40 Measured by the position index, which shows how much domestic value added is exported relative to imports of value added from abroad.

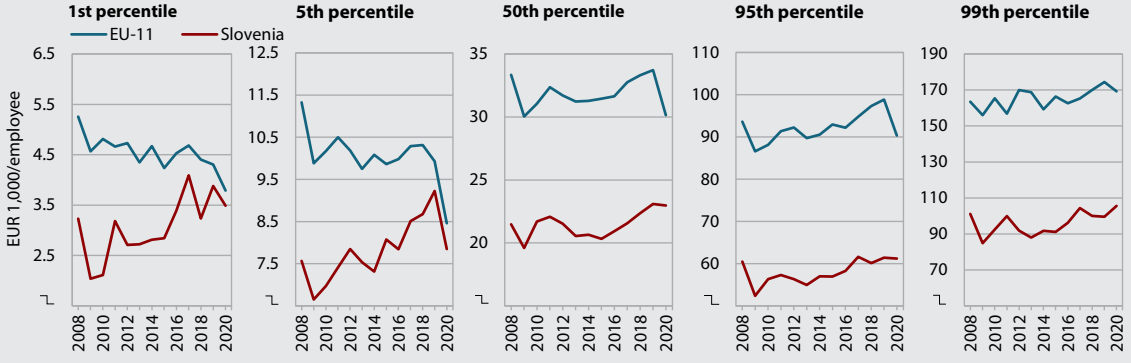
Compared to the EU-11 countries, the gap between more and less productive manufacturing companies in Slovenia is smaller, and in the 10-year period between the two crises (2009–2019) it declined faster in normalised form. From the global financial crisis to the coronavirus crisis (2009–2019), the productivity gap in Slovenia declined across most of the indicators calculated (indicators 2, 3 and 4, Figure 28), with a larger decline than in most EU-11 countries. Over the same period, the gap increased more markedly in Denmark, Sweden, Finland, Hungary and the Netherlands. In Slovenia, the narrowing of the gap over that period was driven by faster productivity growth of less productive companies compared to more productive companies, mainly driven by an increase in the volume of exits of less efficient companies from the market (IMAD, 2019b). The gap narrowed in all size classes of companies. However, the trends during the crisis years were the opposite. As in the global financial crisis (2008–2009), the sharp decline in the productivity of less productive companies also during the coronavirus crisis (2020) led to a widening of the gap in almost all countries analysed, and in many countries, including Slovenia, the more successful performance (productivity growth) of the most productive companies contributed to this.

Figure 28: Gap indicators between more and less productive manufacturing companies



Source: IMAD calculations based on the CompNet database (2022). Notes: indicator 1: Euclidean distance between high (90th, 95th, 99th percentile) and low productivity vectors (1st, 5th, 10th percentiles); indicator 2 is indicator 1 calculated on l1-normalised values; indicator 3: ratio of high to low productivity, where "high" is the geometric mean of the 95th and 99th percentiles and "low" the geometric mean of the 1st and 5th percentiles; indicator 4 is indicator 3 weighted by the inverse of the coefficient of variation. The EU-11 area indicator represents the (unweighted) arithmetic mean of the corresponding EU-11 country indicators.

Figure 29: Labour productivity in manufacturing by percentile of the distribution curve



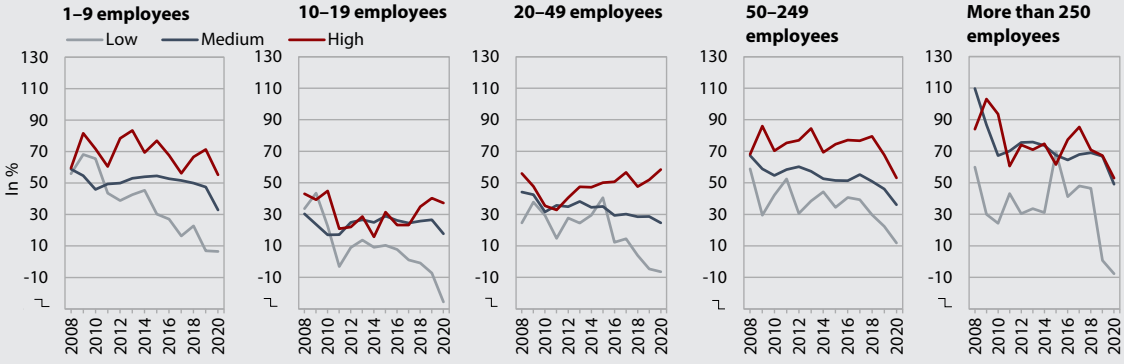
Source: IMAD calculations based on the CompNet database (2022).

Average manufacturing productivity in Slovenia is lower than in most of the countries analysed but is increasing faster, mainly due to the faster growth of less productive companies.[4] The productivity gap between the EU-11 and Slovenia, expressed as the simple or relative difference between the average productivity of the EU-11 and Slovenia, is largest in the group of large companies and is decreasing fastest among the less productive companies over the period analysed (2008–2020). Since the global financial crisis, employment

[4] The productivity comparison between the EU-11 and Slovenia is based on aggregated and unconditional distributions of manufacturing productivity for each country in a given year and company size class. The calculation of the distribution curves includes structurally non-homogeneous groups of enterprises (all enterprises belonging to an industry and size class that submitted a final report in a given year), without distinguishing between enterprises entering, exiting or evolving within the industry – changing position on the distribution curve.

dynamics have had a strong impact on the narrowing of the productivity gap between the EU-11 and Slovenia, but with different effects on productivity along its distribution curve. The narrowing of the gap in the group of less productive companies is the result of faster productivity growth in Slovenia, driven by a more intense decline in the number of employed persons and exits of less efficient companies. In contrast, in the group of more productive companies, employment in Slovenia is growing faster than in the EU-11, which is why the productivity gap between Slovenia and the EU-11 is narrowing more slowly than in the group of low-productivity companies despite the better performance of Slovenian companies (higher growth in value added). The breakdown of companies by size class shows a decline in the gap between less productive companies in all size classes. The lowest productivity in Slovenia is already at the same or higher level than the EU-11 average. However, the trend of the gap among highly productive companies is less consistent, with the gap not changing significantly for small and medium-sized companies, while it is decreasing for large companies, mainly due to the higher growth of value added in Slovenia compared to the EU-11 (Figure 30).

Figure 30: Relative productivity gap between the EU-11 group and Slovenia by size class



Source: IMAD calculations based on the CompNet database (2022). Note: Low indicates the arithmetic mean of the 1st and 5th percentiles; medium indicates the arithmetic mean of the 25th, 50th and 75th percentiles; high indicates the arithmetic mean of the 95th and 99th percentiles. The percentile of the EU-11 group is the simple arithmetic mean of the corresponding percentiles of the individual EU-11 countries. The values in the graphs represent the relative deviation of the average productivity of the EU-11 group from that of Slovenia. More specifically, a value of 50 means that the average productivity of the EU-11 group of countries is 50% higher than Slovenia's productivity; a value of -10 means that the average productivity of the EU-11 group of countries is 10% lower than Slovenia's productivity.

The negative impact of the health and energy crises on productivity growth in knowledge-intensive services (ICT, professional, scientific and technical activities) was much more limited.

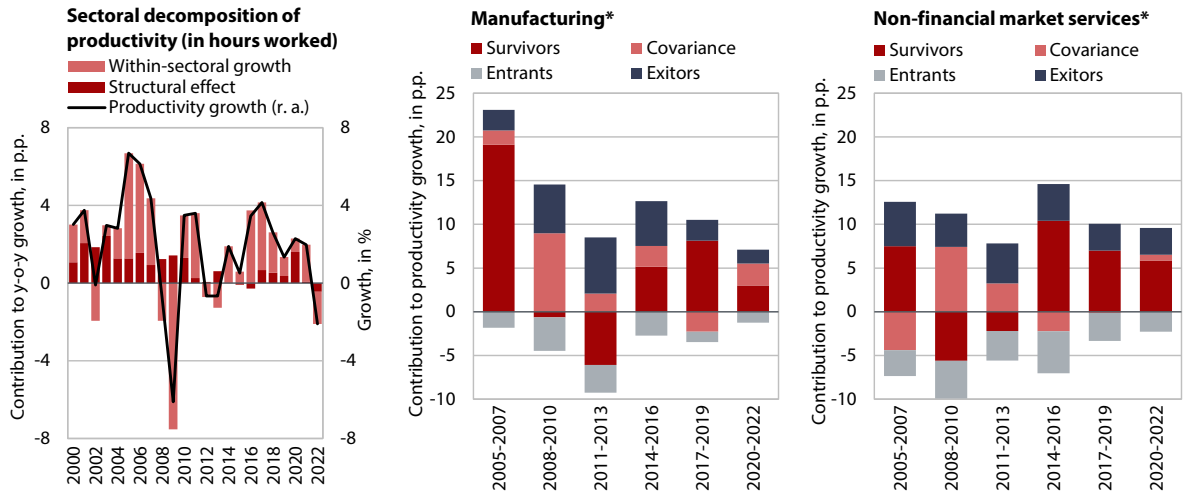
The effect of allocative efficiency on productivity growth was positive during the epidemic and the energy crisis (2020–2022) but significantly lower than during the global financial crisis and the first years after (2008–2013). Allocative efficiency, i.e. the effect of the transition of employees from less to more productive sectors or companies, tends to improve during crises due to the tightening of conditions. In the 2020–2022 period, marked by the health and energy crises, the contribution of reallocation of employees (both between sectors and between companies) to productivity growth was positive, but it was much lower than during the global financial crisis (Figure 31), which was also much deeper. The relatively small improvement in allocative efficiency over the 2020–2022 period can also be explained, in the context of the diversity of crises, by large-scale state aid to companies, as well as by the much better financial situation of companies at the outbreak of the epidemic (2020) compared to 2008. Allocative efficiency at sectoral level improved especially in 2020, when some service activities with on average lower productivity (accommodation and food service activities, arts, entertainment and recreation) were more severely affected than others due to the nature of work at the outbreak of the epidemic (Figure 31, left). Also in this year, the positive effect on productivity due to the transition of employees between existing companies (from less to more productive companies) increased significantly, but it was already slightly negative in the following two years.[41] However, the impact on productivity of exits by companies (the so-called "cleansing effect" due to the closure of less productive companies) was relatively low over the years 2020–2022 (especially in manufacturing, Figure 31, middle and right), and the data on the number of company bankruptcies for 2023 do not indicate a significant change in this area either.[42]

The creation of new companies has been gradually increasing in recent years, the challenge is to improve the support environment for start-ups. New

[41] Over the three-year period 2020–2022, in total, the reallocation of employees between existing companies contributed just over 40% to productivity growth in manufacturing and just under 10% in non-financial market services.

[42] The number of bankruptcies among companies in 2023 was slightly lower than in the individual years of the 2020–2022 analysis period (see Section 1.1).

Figure 31: Allocation efficiency slightly improved over the 2020–2022 period



Sources: SURS (2024b), AJPES (n.d.-b); calculations by IMAD. Notes: *Calculations based on the dynamic Olley–Pakes decomposition of productivity growth (Melitz and Polanec, 2015). Companies with at least one employee and positive added value are included. Productivity is defined as real value added (excluding subsidies) per employee (in full-time equivalents).

companies creation is also important for the efficient reallocation of resources and thus the transformation of the economy towards higher value added, allowing the replacement of less productive companies by those with a higher capacity for growth. The number of newly created companies has been rising again since the epidemic and was at a historically relatively high level in 2023. In 2023, the share of young companies (under five years) also increased slightly after several years of decline (Figure 32). The enterprise birth rate [43]in Slovenia is roughly the same as the average in the EU according to data for 2021; it is slightly higher in services and slightly lower in manufacturing. According to GEM[44] data, the results on early-stage entrepreneurial activity,[45] are weaker. Since 2016 it has been fluctuating close to the level reached and which places Slovenia in the second half of the EU countries surveyed. There is also a significant gap in the area of innovative start-ups (see Section 1.2.2.4 for more details), which can have a significant impact on the creation of high value added and new jobs[46] through breakthrough high-tech solutions with global growth potential. In order to improve accessibility to the venture capital market in Slovenia, which was among the worst according to the European Innovation Index until the last measurement in 2023, the VESNA Venture Capital Fund was established in 2023 and the Slovenian Enterprise Fund has prepared a new proposal for equity financing in the form of a Fund of Funds for the 2024–2029 period (IMAD, 2023d). In addition to financial resources, intangible resources such as business connections and networks, as well as skilled human resources with specific skills, including from outside existing companies, are also crucial for the growth of start-ups in the later stages of development. The lack of and need for the latter was highlighted by a significant proportion of Slovenian start-ups surveyed in the 2022 survey (need for the former 76% and need for the latter 63%) (Rus et al., 2023).

The energy crisis has significantly worsened the cost and price competitiveness of the Slovenian economy. 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). During the energy crisis, there was a cyclical decline in productivity growth, while at the same time nominal labour cost growth continued in 2022 and especially in 2023 (as a result of labour shortages and increased inflation, see also Section 1.1), leading to a renewed strengthening of (nominal) unit labour costs and thus to a deterioration in the cost and price competitiveness of the Slovenian economy, which peaked in the middle of 2023 (measured by REER ppi) or in the second half of 2023 ((REER ulc, REER hicp) respectively.[47] High nominal unit labour costs have also contributed significantly to domestic price growth, as measured by the GDP deflator (IMAD, 2023d). With costs spilling over into product prices, the business sector on average maintained favourable performance in 2022, while the data for 2023 show a significant increase in

[43] The enterprise birth rate (or the rate of entry or creation of new enterprises) is the ratio of the number of new companies to the number of active companies (in a given year), expressed as a percentage.

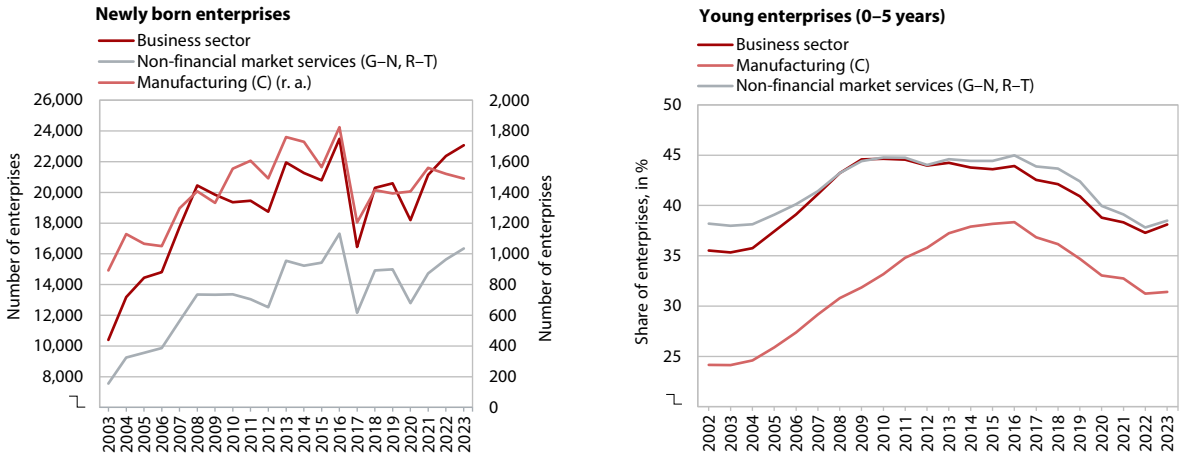
[44] Early-stage entrepreneurial activity represents the share of adults aged 18–64 who have started new businesses or new business activities, including self-employment. It also includes individuals who are owners/managers of new companies that have been operating for less than 42 months.

[45] It refers to the Global Entrepreneurship Monitor international survey, in which Slovenia has participated since 2002. In 2023, 17 EU countries were included in the survey (GEM, 2024).

[46] Slovenian start-ups create more than 50 jobs per EUR 1 million of capital invested, ranking Slovenia fourth among all European countries (dealroom.co et al., 2022).

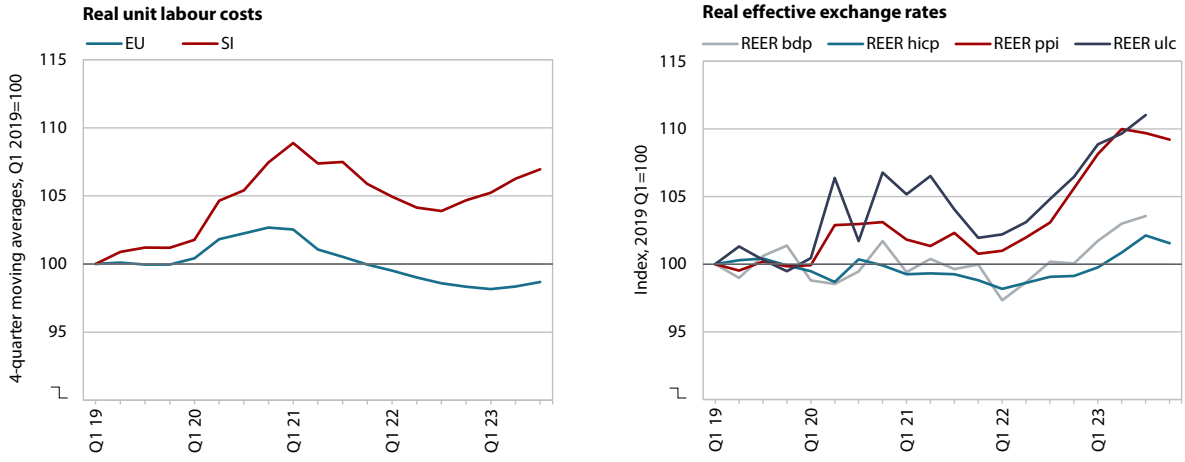
[47] Real effective exchange rate deflated by unit labour costs (ulc), producer price index (ppi) or harmonised index of consumer prices (hicp) respectively.

Figure 32: New business creation has been strengthened in recent years (left); the decline in the share of young enterprises came to a halt in 2023 (right)



Source: IMAD calculations based on AJPES data (n.d.-b).

Figure 33: Cost and price competitiveness deteriorated significantly during the energy crisis



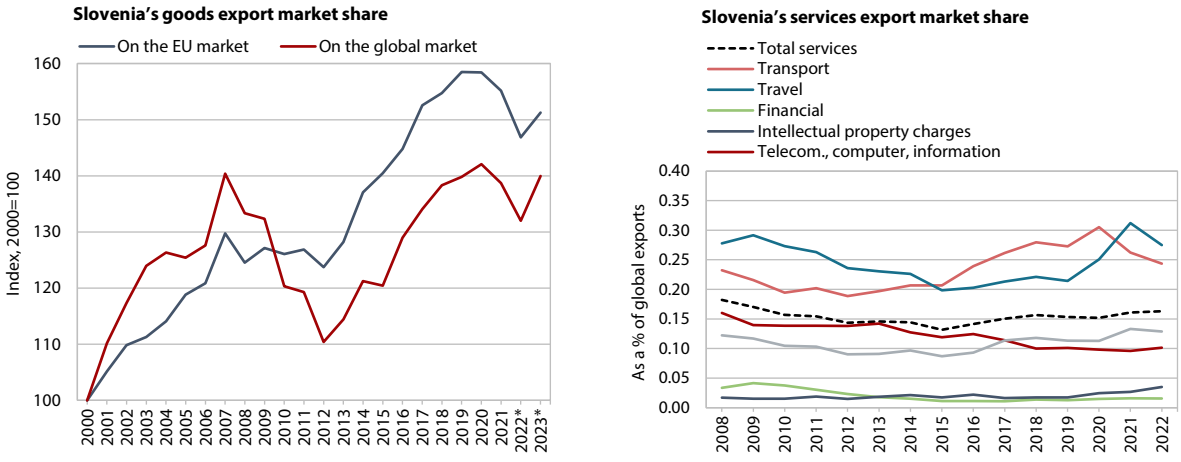
Sources: Eurostat (2024), ECB (2024); calculations by IMAD. Notes: NEER – nominal effective exchange rate, REER hicp (ppi, ulc, gdp) – real effective exchange rate, defl. by hicp (ppi – producer price index, ulc – nominal unit labour costs, gdp – GDP deflator).

the labour cost share of value added (i.e. real unit labour costs, Figure 33 left), implying a decrease in the share of profits.

The export market share in the world commodity market declined in 2021 and 2022, while the first data for 2023 show a significant rebound; the growth of services export market share was maintained also in the 2020–2022 period. The decline in the *commodity export market share* in 2021 (by 2.4%), following its multi-year recovery from the global financial crisis, was mainly due to the composition effect of Slovenian exports.[48] In 2022, however, the 4.8% decline was significantly driven by the actual loss of competitiveness of Slovenian exporters, largely due to the deterioration of their cost-price position (see above). Thus the stagnation in energy-intensive products (metal, non-metallic mineral products, paper and chemical products) in 2022, when the energy crisis broke out, had a significant impact on the decline in market share in the EU commodity market, which is Slovenia's most important export market, while the market share of most other product groups also declined. However, data for the first three quarters of 2023 show a renewed increase in market share on the EU market, including for energy-intensive products. This could suggest that the drop in 2022 was to some extent temporary, as a result of production rationalisation due to high energy prices and the general uncertainty about energy supply at the onset of the energy crisis. In the whole period since the epidemic, however, the main contributor to the loss of commodity export market share has been road vehicles, where Slovenia has lost a third of its EU market share. In addition to the impact of domestic (cost) factors, these trends are also the result of problems (including disruptions in supply chains) and

[48] In the composition of Slovenian commodity exports, the share of raw materials, for which world demand grew strongly in 2021, is below average, while on the other hand, the share of exports of road vehicles, for which import demand was low, is above average.

Figure 34: The commodity export market share strengthened again after a two-year decline in 2023 (left); the services market share gradually strengthened but has not yet fully compensated for the decline in 2008–2015 (right)



Sources: UNCTAD (2024), UN Comtrade (2024), Eurostat (2024), SURS (2024b), WTO (2024); calculations by IMAD. Note: Slovenian commodity exports exclude exports of pharmaceuticals to Switzerland, which represent an approximation of the sharply increased exports of previously imported pharmaceuticals, which do not reflect a change in the competitive position; their impact on economic activity is insignificant and they are not included in the national accounts export data.

the restructuring of the European automotive industry towards the production of vehicles with a lower carbon footprint. Trends in *the services export market share* during the health and energy crises (2020–2022) were influenced by sharp fluctuations in the value of global foreign trade in travel and transport, which account for the largest share of services exports in Slovenia. While some knowledge-intensive services (other business services[49] and compensation for the use of intellectual property) have been the main contributors to the growth of the total services market share, the potential of the fast-growing global trade in knowledge-intensive services remains under-exploited, especially in telecommunication, computing and information services (IMAD, 2023d).

Cost pressures due to the lack of labour force, as well as in connection with the green transition could, in the case of insufficiently ambitious changes to raise productivity and restructure the economy, remain a limit to export competitiveness in the future as well. Given the significant lack of adequate labour resulting from the ageing of the population and also the rapid changes in the demand for knowledge and skills in connection with the digital and green transformation of the economy, we can expect further pressures on the growth of labour costs, which, in order to maintain competitiveness, will have to be balanced with higher productivity. In addition, cost pressures will also come from efforts to achieve carbon neutrality, which will be a challenge especially for energy-intensive activities, which have a relatively high share in Slovenian manufacturing industries. It is, however, encouraging that manufacturing industries significantly improved their energy productivity over the past decade, which as of 2019 also exceeds the EU average (see Section 4), and a more detailed analysis showed that the most energy-intensive companies achieved the greatest progress on average.[50] Until the energy crisis, energy-intensive activities were also improving their export competitive position (growth in the export market share on the world market). Export performance will continue to depend significantly on the competitiveness of the European automotive industry and the ability to maintain and improve its position in the global value chains of this industry. The key answer to mitigating the impact of all the mentioned factors is to raise productivity by increasing the so-called productive investments, especially in the digital and green transformation of the economy. The use of funds from the Recovery and Resilience Fund and other EU funds must also pursue the goals of green and digital transformation and support productivity growth as much as possible. In order to support greater investment activity of the business sector, in addition to a stimulating and predictable business environment, it is particularly necessary to ensure a sufficient volume of suitably qualified workforce, as according to companies, its shortage is one of the major obstacles to investment (EIB, 2023).

In the recent period, the area of introducing socially and environmentally responsible practices in the business operations of companies has been regulated in an accelerated manner, as such practices should contribute to the well-being of society and the green transition and at the same time can be a source of competitive advantages for companies. Companies with various internationally recognised certificates and standards demonstrate the sustainable

[49] Other business services include research and development, professional and business consultancy, and technical trade-related services.

[50] Companies that operated in the entire 2008–2021 period and were ranked among the 25% of the largest energy consumers in the initial year on average reduced the burdening of business income with energy costs the most (IMAD, 2022c).

impact of their operations (products, services and processes) on the environment and society. Due to the multitude of mainly environmental standards and certificates[51] with different management regimes, which affect the ability to make sustainable consumer and business decisions, the EC has prepared a proposal for a Directive on green claims. Its purpose is to limit green deception (or misleading green advertising and marketing) and its negative impact on the green transition (Indicator 1.16). In addition, the temporary agreement on the European standard for green bonds will also contribute to the green transition and the reduction of green deception.[52] ESG criteria, which in addition to environmental ones also include social and management-related criteria, are becoming the dominant standard for measuring the impact of the operations of companies and their products and services on the environment and society. European ESRS sustainability standards, which are based on ESG criteria, have also been transposed into Slovenian legislation. The amendments to the Companies Act (ZGD-1) expand the range of companies (all large companies and medium and small companies listed on the stock exchange) that will have to include non-financial reporting in their annual reports or information related to environmental protection and employees.[53] A public interest entity with at least 500 employees will also have to prepare a statement on non-financial operations. Companies subject to audit will also have to prepare a statement on company management. At the end of 2023, an agreement was also reached on the Sustainability Due Diligence Directive (CSDDD), which aims to promote sustainable and responsible business behaviour in all global value chains (from the perspective of the environment and human rights), which contributes to the green transition and protection of human rights (both inside and outside the EU).[54]

[51] Slovenia ranks better than the EU average in the uptake of environmental certifications such as ISO 14001 and the ecolabel, while the uptake of the slightly more demanding EMAS environmental management system is relatively more modest (Indicator 1.16).

[52] The money raised will have to be invested in activities that are aligned with the EU's Taxonomy for Sustainable Activities. The bonds will be verified by professional and independent auditors.

[53] Reporting according to the European Sustainability Reporting Standards (two general and ten environmental, social and governance standards) will be mandatory in the 2025 annual report for the 2024 financial year for companies already reporting according to the NFRD standards (companies, banks and insurance companies with more than 500 employees). At the latest, in the 2027 annual report for the 2026 financial year, SMEs listed on the stock exchange and small and uncomplicated credit institutions and captive insurance companies will report.

[54] The Directive will apply to large EU companies and companies with a turnover of EUR 40 million in the EU market. SMEs are not obliged to carry out due diligence on the sustainability of their business, but as links in the chain, they will be obliged to report to the companies in the value chain that are obliged to do so.

1.2.2 The transition to a smart, green economy

1.2.2.1 Innovative transformation

Slovenia made significant progress in terms of the European Innovation Index for 2021–2023,[55] but after a strong prior deterioration, so more radical shifts are needed to move towards becoming an innovation leader. Slovenia regressed the most among all EU countries regard the European Innovation Index between 2016 and 2020, though it has since made some of the fastest progress (Figure 35, top right). However, it remains in the third group of countries (out of four), i.e. among the moderate innovators. Therefore the transition to be among the innovation leaders, which is the objective of the Slovenian Development Strategy 2030, requires an even more ambitious approach, as shown by the case of Estonia, or a consistent development policy over a longer period, as shown by the case of the Czech Republic (Figure 35, top left).

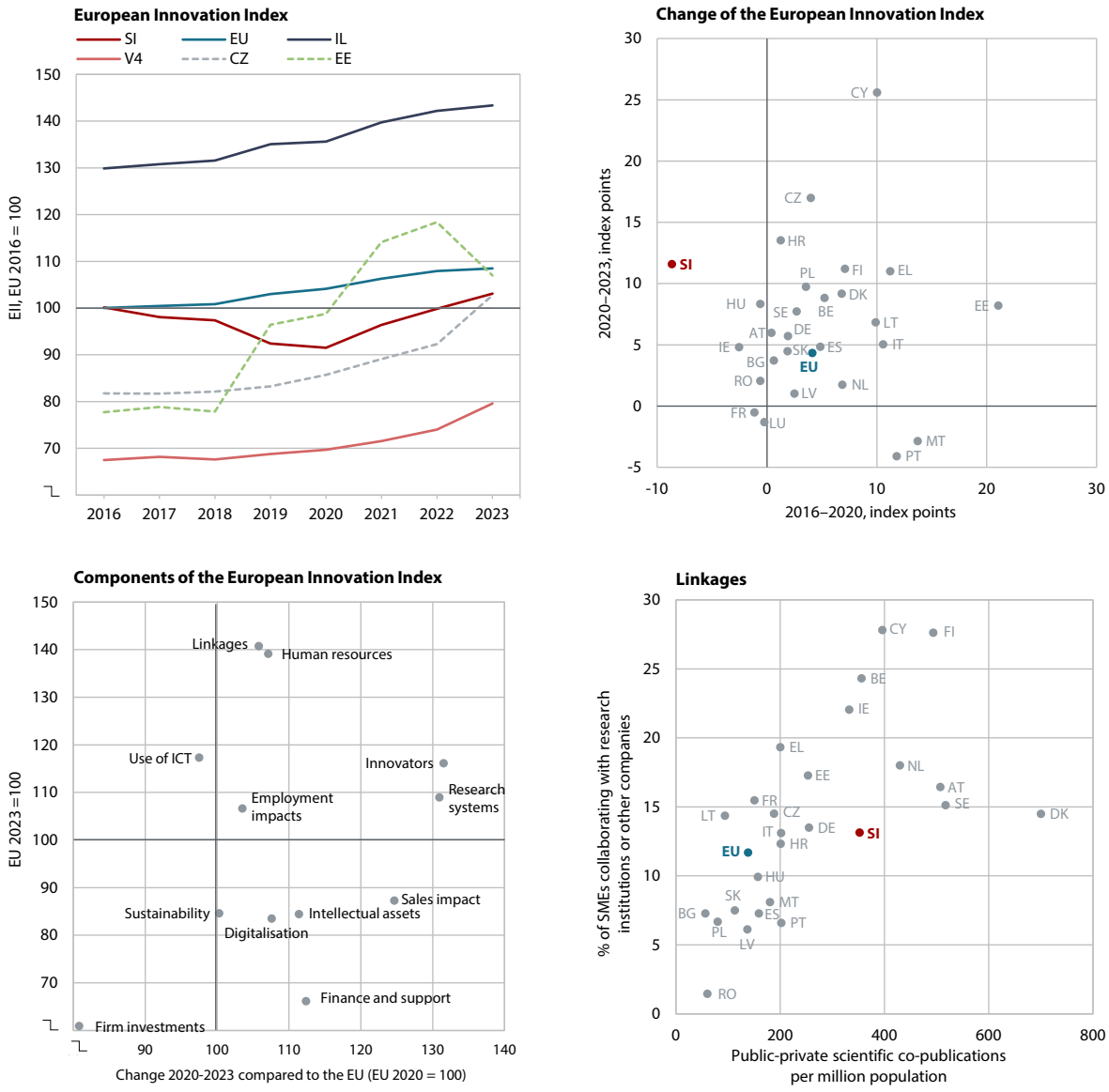
The innovation ecosystem in Slovenia is of a relatively high quality and its efficiency is gradually improving; while there is still considerable untapped potential, especially regarding acceleration of the smart and green transformation, not enough is being invested in it. The analysis of the individual components of the European Innovation Index (Figure 35) shows:

a) The strongest comparative advantage of the Slovenian innovation ecosystem is human resources and cooperation between actors in the innovation process. Slovenia performs slightly worse, but still better than the EU average, in terms of the innovation activity of companies (especially large ones) and the quality of the science and research system, especially in relation to its international integration. In terms of the latter two, Slovenia is, at least in certain aspects, strongly improving its competitiveness relative to the EU average (see Section 1.2.2.4), a positive trend that should be further accelerated.

b) The index of the three EII components, measuring the effects of the innovation ecosystem, is around the EU average, but with positive dynamics, especially in the case of sales impacts. For example, Slovenia has the fifth highest share of medium- and high-tech products in exports in the EU and the eighth highest share of employment in knowledge-intensive activities, and the share of exports of knowledge-intensive services has also started to improve – though still ranking 25th, thus remaining at the tail of the EU countries. The share of revenues from new products, especially new products on the market, where Slovenia is only 18th in the EU, also shows significant untapped potential

[55] For the calculation of the European Innovation Index for year n, the data available at that time will be used, generally from the t-3 period, but also older data for the data from the 12th European Innovation Survey.

Figure 35: Despite positive trends after 2020, Slovenia is for the fifth year in a row only in the third group of innovators according to the European Innovation Index (EII), i.e. the group of moderate innovators



Source: EC (2023h); calculations by IMAD. Note: The figure below right presents the indicators from the EII component linkages, which refers to the year 2023. IL – innovation leaders, V4 – Visegrad countries.

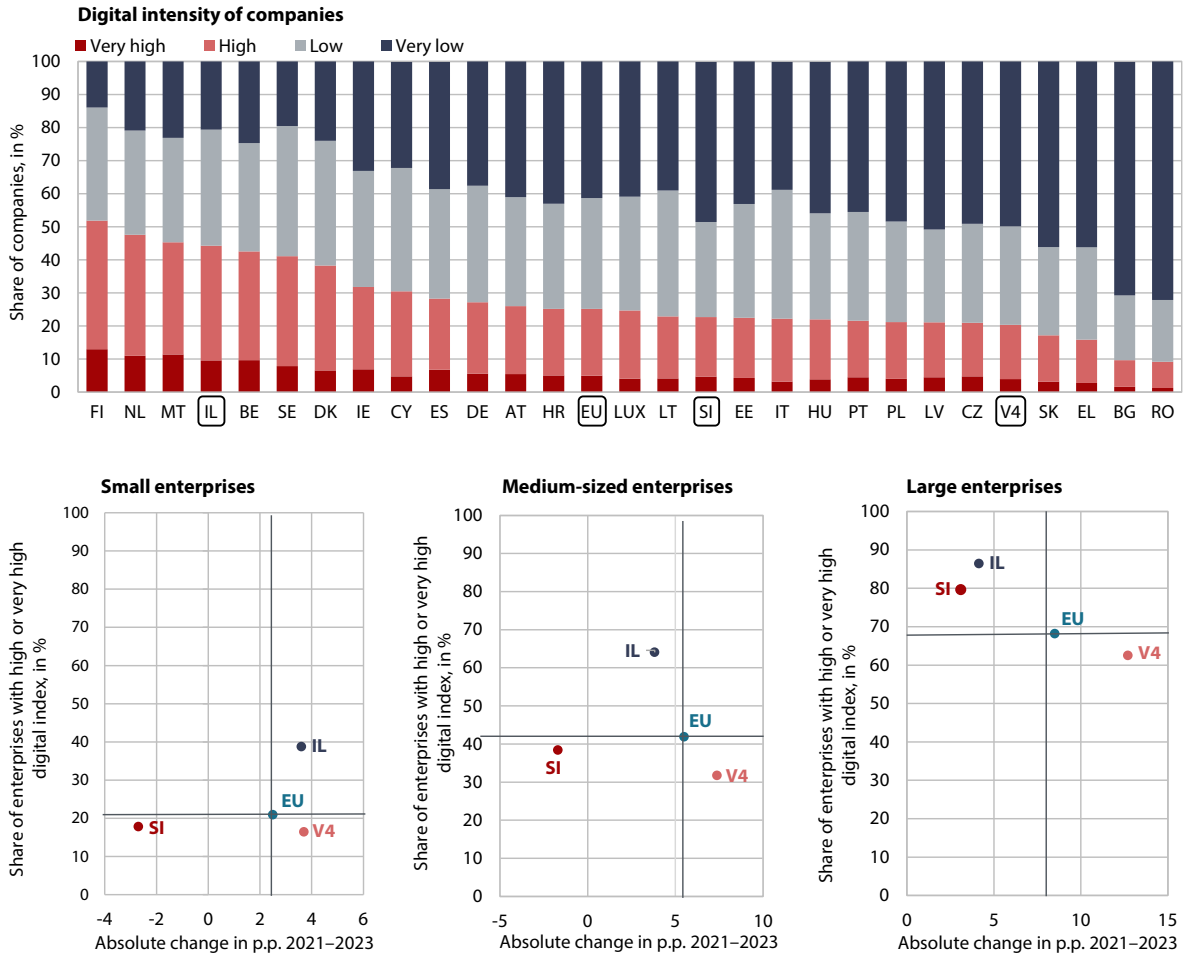
in terms of lack of disruptive innovation and ambition (IMAD, 2023d).

c) To become an innovation leader, Slovenia will need to build a world-class innovation ecosystem, i.e. not only to address existing gaps, but also to achieve excellence in all other EII innovation components, where it is above the EU average but well behind the innovation leaders. This will require significantly increased investment from both, the business enterprise and public sectors, where Slovenia is lagging behind the EU average the most among all EII components (Figure 35).[56] There is also a need to take greater advantage of the opportunities arising from the smart and green transition, where Slovenia is still lacking decisiveness. This is the case in the area of digitalisation, both for businesses (especially SMEs, see Figure 36, and in segments where Slovenia has traditionally underperformed[57]) and for the digital skills of individuals, which is the main reason for the significant lagging behind in the digitalisation component (Figure 35, bottom left). Greater use will also need to be made of the opportunities in

[56] Slovenia ranks 17th in the EU for the EII component "Firm investment" and 18th for the EII component "Finance and support".

[57] E.g. in data integration in terms of increased use of cloud databases and big-data processing, which also has a direct impact on the number of data-driven companies (IMAD, 2023d). For a more comprehensive analysis, see also the Development Report 2023 (IMAD, 2023e).

Figure 36: The business sector, especially SMEs, is lagging far behind in digital intensity with a high share of very poorly prepared companies, and progress over the 2021–2023 period is slower than in other countries for all company size groups



Source: Eurostat (2024); calculations by IMAD. Note: IL – innovation leaders, V4 – Visegrad countries.

the development of green technologies, where Slovenia is only 18th in the EU in terms of the share of environmental patents, while at the same time being too slow and too weak in exploiting environmentally related market opportunities (IMAD, 2023d).

1.2.2.2 Human Resources

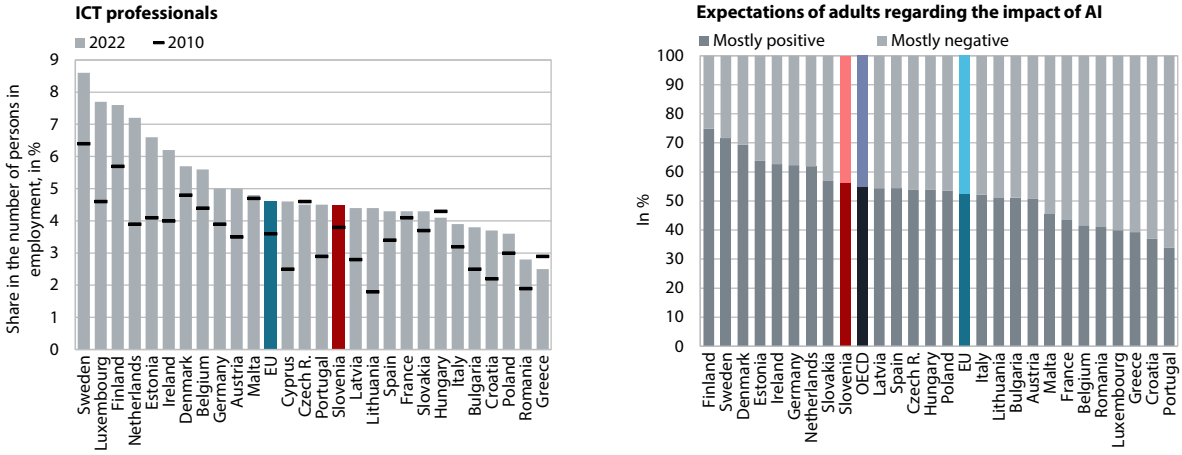
To accelerate the innovation transformation needed to break through as an innovation leader, the development of world-class professionals needs to be stepped up. Empirical estimates for Slovenia show the importance of education in achieving higher productivity and confirm the positive correlation between the share of tertiary educated employees in a company and its productivity (IMAD, 2023d). Top professionals, such as researchers or PhDs, are particularly important from a productivity perspective, as they are key to developing the innovation needed to leapfrog among the most advanced economies. The number of researchers in 2022 increased to its highest level in ten years, but the gap with the innovation leaders in terms of researchers per 1,000 of the working age population widened further (although their number was higher than the EU average).[58] It is encouraging that the number of researchers in the public[59] sector has increased again in the last two years, in contrast to the previous period. In the business sector, however, the number of researchers has remained at a relatively high[60] level. The development of (future) top talent is also too slow: the number of new PhDs per 1,000 inhabitants (25–34 years) in 2021 fell just below the EU average and the gap with the innovation leaders widened further. In the structure of new PhDs, 45.4% were in natural sciences and engineering in 2022, with a share that fluctuates between years (at levels ranging from 40% to 45%), similar to the EU average (43.4% in

[58] The number of researchers in full-time equivalent per 1,000 working population was 11.80 in Slovenia in 2022 (EU: 10.60; IL: 16.83) (Eurostat, 2024).

[59] The public sector includes the higher education and the government sector.

[60] The number of researchers in the business sector per 1,000 working-age population in Slovenia in 2022 was 6.9 (EU: 6.0).

Figure 37: The large gap in the share of ICT professionals in the total number of employed persons for most of the more economically developed countries (left) and the relatively positive expectations of adults about the impact of AI in the next 20 years (right)



Sources: Eurostat (2024), OECD (2023i).

2021). The number of students enrolled in PhD studies has not increased over the last two years and is lagging behind the levels already achieved (Indicator 2.3), but the number of young researchers supported by the state has been increasing since 2018 (ARIS, 2024).

Human resources development is not yet doing enough to ambitiously support the transition to a smart, green economy ... The share of ICT professionals in the total number of persons in employment[61] in 2022 was the highest in ten years, but with one of the smallest increases among EU countries in the last decade, it was still below the EU average (Figure 37, left). Although small companies are the most likely to face a shortage of ICT professionals in new employment, at the aggregate level such companies accounted for 78% in 2022, the highest share among EU countries. This shortage, which hinders the digitalisation of business operations,[62] is linked to the insufficient number of ICT graduates. Although enrolments have been increasing since the 2017/2018 academic year, this does not ensure a sufficiently high number of graduates to meet the estimated growing needs of businesses due to smaller generations (DIH, 2023). The development of advanced digital skills of employees is also too slow, not only in relation to the EU average but also in relation to Visegrad countries.[63] The lack of relevant skills is particularly pronounced in the field of AI technologies, which limits their wider use. In 2023, 53.8% of companies that wanted to introduce AI technologies did not decide to do so due to a lack of relevant skills (SURS, 2024b). It is encouraging to note that adults in Slovenia have relatively positive expectations about the impact of generative AI (Figure 37, right), which could facilitate the introduction of such technologies, which are crucial for productivity (IMAD, 2023d).

... challenges will only intensify in the future, which calls for the creation of appropriate working and career development conditions for the highly productive, as well as strengthening measures to attract professionals from abroad. The need for professionals, which is already high, is only set to increase in the future. This is shown, among other things, by the first results of the "Labour Market Platform"[64] prepared by the Ministry of Labour, Family, Social Affairs and Equal Opportunities to assess the needs for occupations and competences. The first results of the medium-term labour market needs forecast for the 2023–2027 period, based on past trends, show the highest demand for professionals,[65] who are also the only occupational group for which new jobs are expected to be available in addition to substitute employment (due to retirements etc.). This points to the need to ensure a sufficiently large supply of these professionals, while the tax environment, which is an important factor in attracting professionals, remains disincentive. The tax burden on labour is high and Slovenia ranks above the OECD average on most indicators[66] of the tax wedge and similar to more

61 The share of ICT professionals in the total number of employed persons was 4.5% (EU: 4.6%, IL: 6.9%) in 2022 (Eurostat, 2024).

62 The lack of adequate digital professionals or skills was experienced by 35.9% of companies in 2022 (SURS, 2024b).

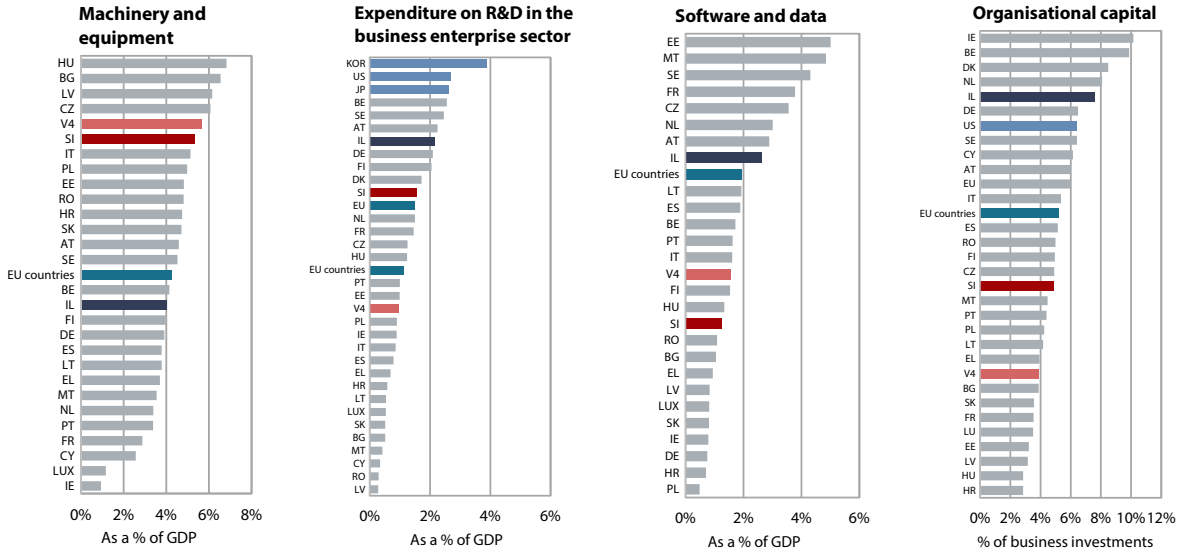
63 In 2023, the proportion of employees with advanced digital skills was 24% in Slovenia (EU: 34%, IL: 49%, V4: 32%), and with basic digital skills it was 33% (EU: 31%, IL: 30%, V4: 34%) (Eurostat, 2024).

64 Slovenia does not yet have an integrated mechanism for knowing and forecasting human resources needs or competences.

65 According to the International Standard Classification of Occupations (ISCO-08), professionals, through their work, increase the existing body of knowledge, develop scientific and artistic ideas and theories, teach them systematically, and may be employed in any combination of these three activities. Most jobs or professions require tertiary education. Examples of typical occupations are civil engineers, doctors, teachers, judges, systems engineers, software developers, process and plant control technicians, and stockbrokers (SURS, 2023c).

66 The tax wedge (according to the OECD methodology) indicates the total percentage share of income tax and employer and employee social contributions, less family benefits received as cash transfers, in the total labour costs that an employer has to pay for an employee.

Figure 38: For investment in innovation-led growth, the positive trends in R&D investment need to be further reinforced and the gaps in investment in other forms of intangible capital need to be narrowed, where Slovenia lags even behind the EU average



Sources: Eurostat (2024), EIB (2023); calculations by IMAD. Note: Data on investment in machinery and equipment and software and data are from Eurostat National Accounts (2021), R&D expenditure in the business enterprise sector is from Eurostat Science, Technology and the Digital Society Database (2021) and refers to the R&D performance sector, and data on the share of business investment in organisational capital are from the EIB Investment Survey and refer to 2023. "EU countries" shows the unweighted average of EU countries. V4 – Visegrad countries.

developed European countries (IMAD, 2023d). Also in terms of work and quality of life, Slovenia is less attractive for foreign professionals than many other OECD countries (OECD, 2023n).[67] Foreign researchers are also discouraged from coming to Slovenia by the relatively poor research infrastructure (EMN, 2022) and complicated procedures related to their employment (CCIS, 2022b). However, measures should also be aimed at reducing the brain drain, as opportunities for career development and promotion abroad (Valentinčič et al., 2022) also encourage the emigration of Slovenian professionals abroad.[68] It is also necessary to remove as soon as possible the obstacles that hinder the return of Slovenian professionals from abroad (bureaucracy, employment procedures, taxes, etc.) (ibid.).

1.2.2.3 Investment

Slovenia is successfully closing the gap in financing investment in innovation-led growth in segments where it has traditionally been strong, but it continues to lag behind in others, especially in some softer areas (e.g. data, organisational capital or human resources):

a) Slovenia is the fifth best performer in terms of investment in machinery and equipment (Figure 38), which, like investment in ICT equipment, has been gradually declining as a share of GDP in all countries (IMAD, 2023d), mainly as a result of the growing importance of investment in intangible capital (Bontadini et al., 2023).

b) In terms of total R&D investment, Slovenia is slightly behind the EU average but significantly behind the innovation leaders (Indicator 1.14). Notwithstanding the need for further accelerated R&D investment (Figure 39), especially in the high-risk innovation phase, i.e. from proof-of-concept to prototype (IMAD, 2023d), Slovenia's starting position, especially in the business enterprise sector, remains relatively strong, with the seventh highest R&D investment intensity[69] (Figure 38).

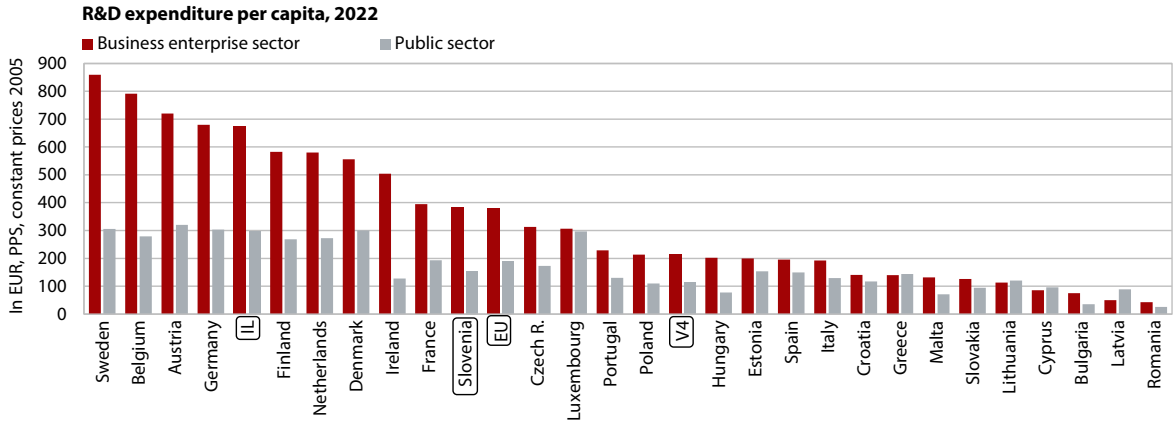
c) For the remaining investments in intangible capital, where Slovenia has not been among the best performers to date, the picture is mixed. As shown in the Productivity Report (IMAD, 2023), there has already been positive progress in business investment in environmental projects (weather-related or emission reduction-related), and positive trends can also be seen in marketing-related investment, i.e. design and branding. However, it continues to lag behind the innovation leaders and the EU average in investment in software and data and in organisational capital and in human capital, i.e. education and training, both on

67 Slovenia is ranked 19th out of 38 OECD countries in the attractiveness for highly educated professionals (OECD, 2023n) and 11th out of 22 EU countries that are also OECD members.

68 In the 2011–2021 period, the migration increase of Slovenian citizens with tertiary education was negative, with a net out-migration of 8,349 persons; if foreign nationals are also taken into account, the net migration increase was even slightly positive (553 persons) – see the Productivity Report 2023 for a more detailed presentation (2023d).

69 The intensity of R&D investment is presented according to the sector of R&D performance.

Figure 39: Per capita R&D expenditure in Slovenia is around the EU average and significantly lower than the average of the innovation leaders, regardless of the R&D performance sector, which is a barrier especially for breakthrough research and innovation



Source: Eurostat (2024); calculations by IMAD. Note: This expenditure is presented by research and development performance sector.

the business side and on the government side (formal education and active employment policies – see Section 2). All three areas are crucial for accelerating the smart and green transition.

1.2.2.4 The scientific research, innovation and entrepreneurship system

The Slovenian scientific research system is well integrated into the international environment, but more attention will be needed to focus on its excellence. In line with the methodology of the European Innovation Index (EII), the openness of the scientific research system improved significantly in the 2016–2023 period, as confirmed by the indicators on scientific publications co-authored with scientists from outside the EU and the share of foreign students in doctoral studies in Slovenia. On the former, Slovenia improved significantly over the period, reaching a relatively high 11th position in the EU in the latest measurement for 2023, outperforming some of the more innovative countries (e.g. Germany and France). At the same time, Slovenia has outperformed the EU average, but it still lags significantly behind the innovation leaders. According to the second indicator, Slovenia ranked 17th in the EU, behind the EU average and even further behind the innovation leaders, but it is positive that it has also made progress in this area and achieved its best ever result. On the other hand, the very modest improvement in scientific excellence, as measured by the share of scientific publications among the top 10% most cited publications worldwide, is worrying. At 18th place in the EU, Slovenia was already well behind the EU average, and even further behind the innovation leaders, and no qualitative shift took place in the 2016–2023 period. Weak scientific research excellence is also likely to be linked to underinvestment in R&D to date[70] (IMAD, 2023d), including on a per capita basis, which increased only modestly between 2013 and 2022 (from EUR 519 to EUR 544).[71] Relatively low funding constrains the acquisition of state-of-the-art equipment for researchers in Slovenia, which is priced on international markets. As a consequence, the depreciation or obsolescence of research equipment in the public sector is high,[72] making it difficult to test breakthrough scientific research results (IMAD, 2023e).

A successful transition to the innovation leaders also requires upgrading the innovation and entrepreneurship systems, which remain at the EU average in terms of performance. Cooperation **among stakeholders** in the research-development-innovation process is relatively good in Slovenia (Figure 35), especially in the area of scientific cooperation. For example, in 2022 Slovenia ranked 9th among EU countries in terms of the number of scientific publications co-authored with scientists from the public and business sectors per million inhabitants. Somewhat less convincing is the intensity of SMEs' innovation collaboration with other companies and/or research organisations, which is still above the EU average, but with a significant gap to the innovation leaders. In addition to accelerated investment, deepening cooperation between innovation stakeholders will be key to upgrading the innovation system in the future, which requires a long-term approach, including the strengthening of support environment institutions

[70] The new Scientific Research and Innovation Activity Act, adopted in 2021, foresees a significant increase in public funding for these purposes, to 1% of GDP by 2027 and 1.25% of GDP by 2030 (from 0.55% of GDP in 2022) (ZZrID, 2021), but the results of these investments will be delayed. However, total investment in R&D is expected to reach 3.5% of GDP by 2030.

[71] Expressed in 2005 constant prices in PPS. Over the 2013–2022 period, these investments increased by 0.5% in Slovenia, by 2.5% in the EU, by 2% in the innovation leaders and by 4.8% in V4.

[72] In 2019, the average was 84.1% in public research institutions and 87.5% in public higher education institutions.

(VVA et al., 2021) as well as continued efforts, e.g. by SPIRIT,[73] to coordinate them. Not only is this important from the point of view of companies and knowledge institutions, but the effective functioning of the whole innovation system is also essential for a more responsive national development policy (IMAD, 2023e). The quality of the support environment for entrepreneurship is also mediocre, as reflected in a) ranking only 18th among 23 EU Member States in terms of compliance with good practice standards in the area of start-up business operations[74] (ESNA, 2022); b) a below-average number of start-ups per million inhabitants[75]; c) a very low performance in financing business growth (Giordano et al., 2023); and d) one of the highest proportions of start-ups relocating their headquarters outside Central and Eastern Europe (dealroom.co et al., 2022).[76]

[73] See the "Strengthening the Innovation Ecosystem" and "Research, Development and Innovation Hub" programmes at https://www.podjetniski-portal.si/programi.

[74] Slovenia has achieved 61% of the good practice standards defined in the EU for the business conditions for start-ups. This refers to eight standards: (1) fast start-ups creation and smooth market entry, (2) attracting and retaining talent, (3) stock options, (4) regulatory innovation with a "Think Small First" approach, (5) public procurement of innovation, including technology transfer policy, (6) access to finance, (7) social inclusion, diversity and safeguarding democratic values, and (8) digital-first manner (EC, 2021a).

[75] The number of start-ups per million population in Slovenia (238) is significantly lower than the EU average (550), while Estonia and Lithuania are at the top (1,408 and 706 respectively) (Rus et al., 2023).

[76] For a more detailed presentation, see the Productivity Report (IMAD, 2023c).

2 Learning for and through life

2.1 Knowledge and skills for a high quality of life and work

Knowledge and skills for a high quality of life and work (Development Goal 2)

The aim is to promote high-quality and accessible learning for and through life to improve economic competitiveness and social well-being. This will be achieved by promoting lifelong learning for the entire population, by encouraging participation in education by people with low educational attainment and other marginalised groups, by improving functional literacy among young people and adults, by ensuring the efficiency and quality of education, by linking the education system to the economy, and by developing skills to improve employability. Achieving this goal is essential for a healthy and active life, which the SDS addresses in Development Goal 1, for an inclusive labour market and quality jobs, which are addressed in Development Goal 7, for a decent life for all, which is addressed in Development Goal 3, for the competitiveness and digital transformation of the economy, which is addressed in Development Goal 6, and for sustainable development, which is addressed in Development Goals 8 and 9.

SDS 2030 performance indicators for Development Goal 2:

	Latest data		Target value for 2030
	Slovenia	EU average	
Participation in lifelong learning in %	22.3 (2022)	11.9 (2022)	19
Share of population with tertiary education in %	40.1 (2022)	34.3 (2022)	35
PISA results (in points), ranking among EU Member States	Mathematical literacy: 9th place Scientific literacy: 4th place Reading literacy: 19th place (2022)		Ranked in the top quarter of EU Member States.

The educational structure of the population has improved over the years, with a high participation rate in education. The participation rate in basic education is higher than the EU average, while the participation rates in upper secondary and tertiary education are among the highest in the EU. Over the last decade, both the share of adults with at least upper secondary education, which is well above the EU average, and the share of adults with tertiary education, which for the third year has exceeded the SDS 2030 target and the EU average,[77] have increased, though lagging behind most of the more economically developed countries (see Indicator 2.1). Adequately skilled people have the potential to drive social development, accelerate the green and digital transition and create more added value, which requires creating jobs where they can use their skills. Considering a significant gender gap in tertiary education, which at 15.8 percentage points is one of the highest in the EU (5.7 percentage points),[78] it will be necessary to attract more men into tertiary education.

While indicators of the quality of education for pre-school children are good compared to the EU, there has been a deterioration in reading literacy among basic school pupils. The quality of *early childhood education* is of paramount importance, as it has a positive impact on children's personal and cognitive development, enabling them to socialise and prepare for basic school. Slovenia has for many years had a more favourable teacher-to-child ratio than the EU-25 average[79] (OECD, 2023b), and tertiary education is a prerequisite[80] for working as a preschool teacher, which allows for better quality pre-school education, while the 1999 reform of the kindergarten curriculum is still underway (EC, 2023d; National Education Institute, 2024). Pupils' performance in reading literacy, one of the indicators of the quality of education, deteriorated considerably between 2016 and 2021. Reading literacy results are poor[81] by international comparison, more so for boys than for girls. This is most likely due to the lack of resources for teaching (quality staff, teaching aids, library materials, etc.) and, in particular, the implementation of home schooling during the COVID-19 epidemic,[82] which

77 In 2022, 91.0% of adults aged 25–64 had at least upper secondary education (EU: 79.5%); 40.1% of adults aged 25–64 had tertiary education (EU: 34.3%) (Eurostat, 2024).

78 In 2022, 48.3% of women (EU: 37.1 %) and 32.5% of men (EU: 31.4 %) had tertiary education (Eurostat, 2024).

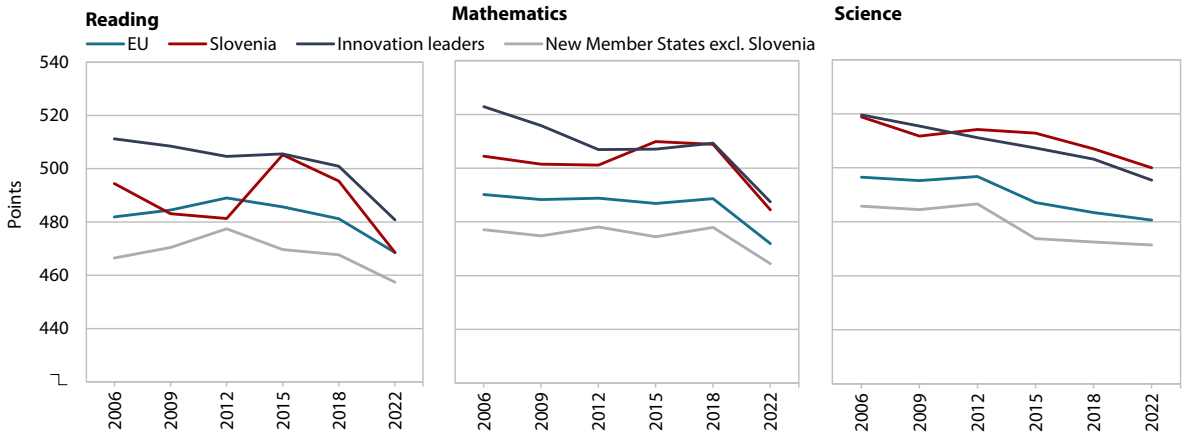
79 The EU-25 includes the 22 EU Member States that are members of the OECD, Croatia, Bulgaria and Romania.

80 Tertiary education is a prerequisite for working as a preschool teacher in ten other EU Member States (EC et al., 2022).

81 According to the Progress in International Reading Literacy Study 2021 (PIRLS 2021), fourth-graders scored an average of 520 points in reading literacy, compared to an average of 527 points in the 18 participating EU Member States, ranking 14th (PI, 2023a).

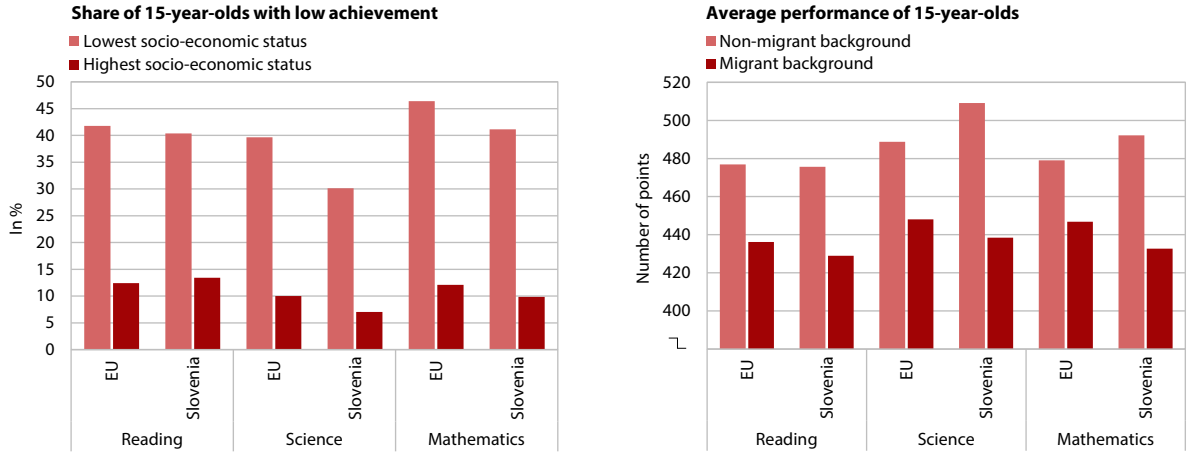
82 An evaluation of the implementation and impacts of distance education during the epidemic (PeF-UL et al., 2023) found a number of problems in the implementation of distance education, as pupils did not reach proficiency standards.

Figure 40: Mathematical, scientific and reading literacy rates have deteriorated in Slovenia and the EU



Source: OECD (2023l). Note: The higher the score, the better the literacy.

Figure 41: In 2022, young people with the lowest socioeconomic status performed poorly in various types of literacy, and young people with an immigrant background performed much worse than their peers with a non-immigrant background



Source: OECD (2023l).

has also been noted by pupils' parents.[83] Head teachers assessed that basic schools place less emphasis on children's academic performance than in most other EU Member States. Research shows a correlation between academic performance and the enjoyment of reading (OECD, 2010, 2019a), which is relatively low in Slovenia: 28% of basic school pupils in 2021 enjoyed reading very much (EU: 31%), while the highest proportion was observed in Portugal (60%).

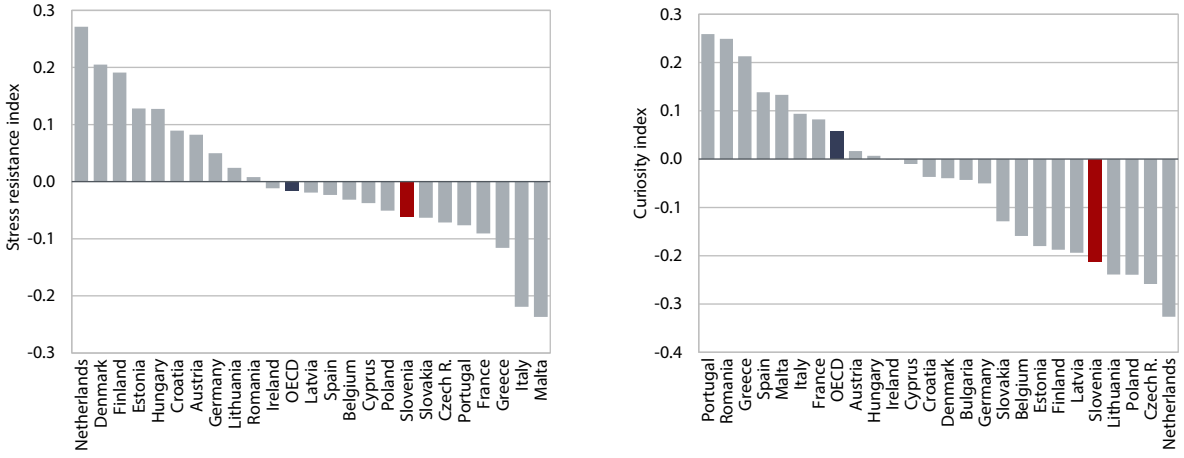
Literacy rates among upper secondary school students have worsened, with only scientific literacy rates still in the top quarter of EU Member States, and inequalities in learning achievement have widened. Similarly as in other EU Member States, the results of the PISA survey on reading, mathematical and scientific literacy of 15-year-olds,[84] which are indirect indicators of the quality of education, show a deterioration between 2018 and 2022 (Figure 40), with the most significant deterioration in reading literacy. The SDS target of ranking in the top quarter of EU Member States by 2030 is only achieved in scientific literacy. The shares of 15-year-olds with the best results (level 5 or above) decreased in reading and mathematical literacy, while the share of 15-year-olds with poor results (below level 2) increased in all three types of literacy (Indicator 2.4). Inequalities in learning achievement have also increased: girls outperformed boys in reading and scientific literacy; 15-year-olds with the highest socioeconomic status[85] outperformed their peers with the lowest

[83] 83% of parents in Slovenia (average of participating EU Member States: 67%) felt that home schooling during the epidemic had a (very) negative impact on their children's academic progress (IEA, TIMSS and PIRLS International Study Center, 2023).

[84] In Slovenia, more than 90% of 15-year-olds are enrolled in upper secondary education (PI, 2023c).

[85] PISA measures the socioeconomic status of 15-year-olds through an index of economic, social and cultural status, which includes indicators of parental education and occupation and family wealth. The 15-year-olds with the highest socioeconomic status are in the highest quartile, while the 15-year-olds with the lowest socioeconomic status are in the lowest quartile.

Figure 42: 15-year-olds are less resilient to stress (left) and less curious than in most EU Member States (right)



Source: OECD (2023m). Note: The value of the curiosity and stress index ranges from -1 (lowest curiosity/stress resilience) to 1 (highest curiosity/stress resilience). The stress resilience index consists of responses to a self-assessment questionnaire about nervousness, relaxedness, worry, panic, working under pressure, stress management and fear. The curiosity index includes the self-assessment of the ability to develop and test hypotheses, curiosity, interest, inquisitiveness, willingness to learn new things, the ability to explore and be informed, and the ability to learn in depth.

socioeconomic status in all three types of literacy (Figure 41, left); and immigrants underperformed their peers in reading literacy, the gap between them being larger than the EU average (Figure 41, right).

There are also shortcomings in the development of young people's skills. The share of young people (aged 16–19) with at least basic digital skills relevant for life in a digital society was seven percentage points higher than the EU average in 2023, while the share of those with advanced digital skills lagged behind significantly (by five percentage points).[86] It is encouraging, however, that activities to raise young people's digital skills are being stepped up.[87] On education for sustainable development, pupils' self-assessments[88] showed that only less than half of pupils expressed positive attitudes towards environmental protection, few saw climate change as a threat to the future of the world, and fewer pupils (79%) were learning about environmental protection than in most other EU Member States. On intercultural skills, which are a prerequisite for intercultural dialogue and important for living and working in multicultural societies, only half of the pupils expressed positive attitudes towards immigrants and supported equal rights for all ethnic groups. Pupils' performance in civic knowledge worsened between 2016 and 2022 and is also among the lowest in the EU (IEA et al., 2023). However, more pupils are participating in cultural activities (Section 2.2), which are important for fostering creativity. Self-assessments of 15-year-olds show that they are less resilient to stress than their peers in most other EU Member States (Figure 42, left), as well as less assertive (in their attitudes and behaviours), persistent and curious (Figure 42, right) (OECD, 2023m). Entrepreneurial content was relatively well represented in education in 2022 by international comparison, but more poorly than ten years ago (GEM, 2023).

Participation in education is good, but vulnerable groups of children and young people (those with special needs, low-educated parents, Roma and immigrants) have faced insurmountable barriers for many years. Various measures have been taken to increase the participation of pupils and students with special needs, who make up around 8% of the school population, in education, but there are shortcomings in the implementation of inclusion.[89] These are particularly pronounced for pupils and students with special needs who come from families with a low socioeconomic status. 15-year-olds with an immigrant background, as in other EU countries, underachieve in all three types of literacy compared to their peers, but in Slovenia the gap is larger than the EU average. Roma also face difficulties in participating in education due to the lack of knowledge of the Slovenian language and the lack of encouragement in their home environment; they are more likely to miss school and less likely to participate in school activities (Košak Babuder et al., 2023). These problems are particularly pronounced among Roma in south-eastern Slovenia, where only 11% of Roma complete basic education (Ombudsman, 2023a). Children of low-educated parents (who have completed basic education or less), who often also have a low socioeconomic status, face greater barriers to education

[86] 74% (EU: 67%) had at least basic digital skills, of whom 28% had advanced digital skills (EU: 33%, IL: 46%) (Eurostat, 2024).

[87] In 2023 and 2024, the Ministry of Digital Transformation is co-funding training in the development of digital competences for children and young people, which is delivered by various educational institutions (MDP, 2024b, 2024a).

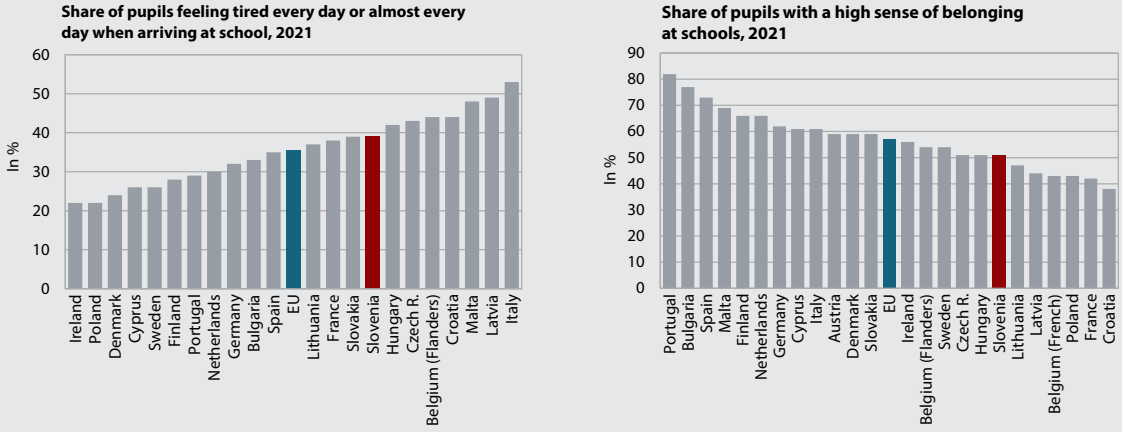
[88] The 2022 International Civic and Citizenship Education Study covered 8th graders. A total of 16 EU Member States took part in the survey (PI, 2023b).

[89] A study by Košak Babuder et al. (2023) found shortcomings in the architectural inaccessibility and inadequacy of schools to accommodate pupils with special needs and in the equitable access of schools to material resources (teaching and technical aids); the study also found inadequate training of professionals and a lack of acceptance of children with disabilities by their peers.

Box 4: School climate and school popularity among pupils and students

The school climate[1] among pupils in basic education is not encouraging, according to the latest data, and school popularity remains low. The 2021 International Reading Literacy Survey shows that school climate has a significant impact on children's academic achievement. In Slovenia, 38% of pupils came to school tired (almost) every day and 39% went to school hungry, which was higher than the EU average.[2] They were less likely to be absent from school than the EU average and rated classroom discipline and exposure to peer violence similar to the EU average. Teacher support was rated lower and peer support higher than in most other EU Member States in 2018 (the latest international data),[3] but there was a deterioration in both aspects in 2022.[4] School belonging among pupils was low and school popularity the lowest in the last ten years. About a quarter of 11-year-olds and just under a tenth of 13-year-olds liked school (NIJZ, 2023c).

Figure 43: By international comparison, more basic school pupils in Slovenia come to school tired; fewer feel a sense of belonging to school

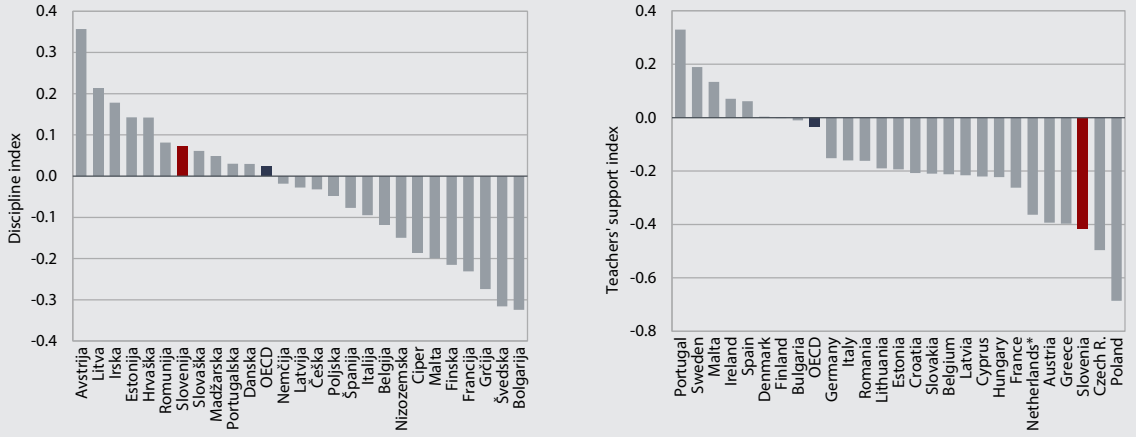


Source: TIMSS and PIRLS International Study Center (2023).

School climate was much higher rated among 15-year-olds; however, school popularity is also declining among them, and a higher share than the EU average restrict themselves from eating because of their families' income deprivation. According to PISA 2022, 15-year-olds in Slovenia, around 90% of whom attend upper secondary school, were less likely to have unexcused absences and late arrivals than their peers in most other EU Member States. They felt safer on the way to school and at home, as well as at school, where they were less likely to be exposed to peer violence. They felt more belonging to their school and perceived better classroom discipline than their peers in most other EU Member States (Figure 44, left). However, 4.8% said that they restricted themselves from eating every day or almost every day because of income deprivation (EU-19: 3.9%). Around 14% rated teachers' attitudes towards them as poor,[5] and they rated teachers' support in class lower than their peers in other EU Member States (Figure 44, right). They also perceived less support from parents, who were less likely to discuss their children's progress with teachers (OECD, 2023m). Upper secondary school students rated support from classmates better than support from teachers (NIJZ, 2023c) and better than their peers in most other EU Member states, according to the most recent international data for 2018. In 2022, school work was a major burden for a good third of students, which is the highest in the last ten years, and in 2018 for more students than in most other EU Member States. Nevertheless, the popularity of school[6] among both girls and boys was among the highest in the EU, though in 2022 it was one of the lowest in the last ten years (NIJZ, 2023c; WHO, 2020a).

1 School climate is measured by indicators such as: pupils' well-being when they arrive at school, school belonging, classroom discipline, peer violence, etc.
2 A quarter of 10-year-olds always arrived at school hungry in 2021, which is twice as many as in 2016 (PI, 2023a).
3 See in more detail the Health Behaviour in School-Aged Children study (WHO, 2020a).
4 In 2022, 13.5% of 11-year-olds and 35.8% of 13-year-olds said that school work was a heavy burden for them (NIJZ, 2023c).
5 13.6% reported that teachers were mean to them and 14.8% felt bullied (PI, 2023c).
6 In 2022, 36.3% of 15-year-olds said that they liked school (NIJZ, 2023c).

Figure 44: 15-year-olds rated classroom discipline quite high, but teacher support low



Source: OECD (2023m). Note: The index values range from -1 (worst discipline or least teacher support) to 1 (best discipline or highest teacher support). The classroom discipline index consists of the following indicators: students do not listen to what the teacher says; there is noise and disorder; the teacher has to wait a long time for students to "quieten down"; students do not start working for a long time after the lesson begins; students cannot work well; students are distracted by the use of digital resources; and students are distracted by the use of digital devices by other students. The index of perceived teacher support consists of the following indicators: the teacher shows an interest in every student's learning; the teacher gives extra help when students need it; the teacher helps students with their learning; and the teacher continues teaching until students understand.

and have low social mobility, which was strongly reflected during the epidemic (PeF-UL et al., 2023; IMAD, 2021b).

Young people who face barriers to education are more likely to leave education early and find it harder to enter the labour market, increasing their risk of social exclusion. The share of young early school leavers increased in 2022,[90] but still met the target (less than 5%) and remained below the EU average. However, some groups of young people (immigrants and Roma) often face greater difficulties in finding a job as a result of early school leaving. Exclusion from education and work is reflected in the share of young people neither in employment nor in education or training (NEET). This share also increased in 2022, though it remained below the EU average[91] and one of the lowest in the last ten years. It is encouraging that the share of NEETs among tertiary-educated people have fallen sharply since reaching a peak in 2014. By educational attainment, it remained highest among the low-educated, where it has further increased, and is also high among young people with disabilities.[92] It is higher for women than for men, with a high NEET rate for immigrant women. Young people who are neither in employment nor in education or training risk social exclusion, which is why programmes such as PUM-O Plus[93] need to be strengthened to keep them socially active and connected, and measures need to be tailored to the needs and characteristics of specific groups of young people.

Staff shortage in the education sector limits the provision of quality education and (in the long term) has a negative impact on the quality of knowledge, skills and psychosocial development of children and young people. In recent years, kindergarten head teachers have found it increasingly difficult to provide pre-school education in line with standards and norms due to staff shortages (ESS, 2023b). Basic and upper secondary schools are also facing increasing staff shortages; the teacher shortage indicator was just below the EU average in 2022 but deteriorated sharply compared to 2018 (Figure 45, left). The shortage of teaching staff is attributed to the increased retirement of older teachers, which is set to intensify in the coming years,[94] low starting salaries, prompting teachers to switch to other professions,[95] the low profile of the teaching profession,[96] the current increase in the generations of children and young people,[97] the general labour shortage, and the favourable economic situation, which allows for the recruitment of teaching staff in

[90] In 2022, 4.1% of young people (aged 18–24) with at most low education were not in education or training (Eurostat, 2024).

[91] In 2022, the share of NEETs (aged 15–29) in Slovenia was 8.4% (EU: 11.7%) (Eurostat, 2024).

[92] According to average data for the 2016–2019 period, the NEET rate in Slovenia for young people without disabilities was 7.3%, for young people with moderate disabilities 11.9% and for young people with severe disabilities 33.3% (OECD, 2022b).

[93] The programme targets young people (aged 15–29) without upper secondary education who have dropped out of school and are unemployed and students who are still in education but at risk of dropping out.

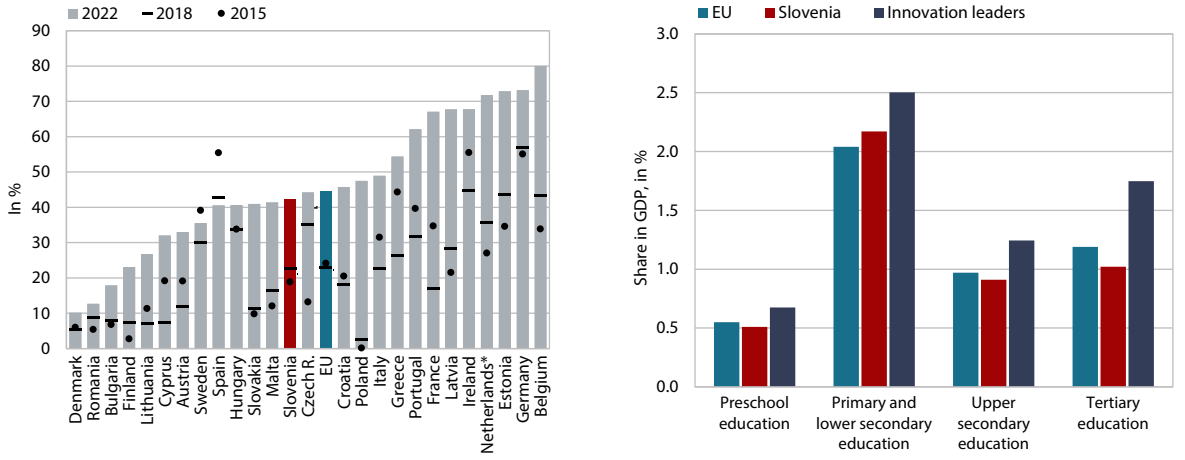
[94] In 2022, almost 9,000 or 35.7% of basic and upper secondary school teachers were over 50 years of age (SURS, 2024b).

[95] A beginner teacher is classified into 33rd pay grade (EUR 1,614.4 gross) (Ministry of Public Administration, 2024b) and receives a salary that is often lower than that of occupations requiring upper secondary education.

[96] In 2018, only 5.6% of teachers at lower-secondary level of education (third educational cycle of basic education in Slovenia) considered that the teaching profession is valued in society, the lowest share among EU Member States that are OECD member countries; the share was lower only in Slovakia (OECD, 2019b).

[97] The number of basic school pupils has been increasing since the 2011/2012 school year and the number of upper secondary school students has been increasing since the 2020/2021 school year (SURS, 2024b).

Figure 45: Staff shortages in the education sector* have worsened in almost all EU Member States since 2018 (left); in 2022, public spending on all levels of education, except primary and lower secondary education, lags behind the EU average (right)



Sources: OECD (2023m), PISA, Eurostat (2024). Notes: *The percentage of 15-year-olds whose head teacher reported that teaching is somewhat or very much hampered by a lack of teaching staff. **EU average calculated as an unweighted average of countries.

professions outside education. Staff shortage, leading to the increasing recruitment of inadequate or poorly qualified staff,[98] undermines the quality of education and (in the long term) has a negative impact on the skills development of children and young people. With a high share of older teachers, this problem could be exacerbated in the years to come, which is why it is important to improve measures to attract young people into the teaching profession.[99] Greater attention should be paid to the attractiveness of the teaching profession and to ensuring quality working conditions. This is suggested by the findings of the International Teachers Survey, according to which 46.4% of teachers have experienced considerable or high levels of stress and 27.7% have wondered whether they would be better off in a different profession (OECD, 2019c). To ensure adequate numbers of teaching staff, the strategic development of such staff needs to be strengthened, taking into account demographic and other factors (e.g. changes in the education system, migration trends, etc.).

Adult participation in lifelong learning was high in 2022 for the second year in a row, but many people do not want to be in education or are discouraged from being in education by various barriers. After years of decline, adult participation in lifelong learning increased sharply in 2021 and 2022, exceeding for the first time the SDS target for 2030 (Indicator 2.6). In terms of activity status (in employment, unemployed, inactive), it was highest among those in employment and lowest among those inactive, where it also increased the least. It is therefore important to increase access to education and improve the culture or attractiveness of lifelong learning, as 48.9% of adults (EU: 42.4%) did not want to be in education in 2022, while 19.8% of adults (EU: 15.7%) who were in education wanted more education and training. Some adults who are not in education and would like to be, however, are discouraged from learning by various barriers (Figure 46). As regards the accessibility and attractiveness of education, additional attention needs to be paid to groups of adults (low-educated, older, migrants and the inactive) who are less likely to participate in education. The participation in education of these groups of adults has increased since the epidemic but less than in other adults, and the gap has widened.

Investment in education lags behind that of more economically developed countries, especially in tertiary education, which could affect the success in meeting development challenges. Public expenditure on formal education as a share of GDP declined in 2022 after several years of fluctuation and was below peak levels. In 2020 (latest international data), it was similar to the EU average but lagged behind that of more economically developed countries (Indicator 2.7). It was higher than the EU average only for primary and lower secondary education, while it lagged behind the most for tertiary education (Figure 45, right). As regards public investment in the development of the (future) R&D workforce, progress has been made since 2018 with regard to expenditure on the programme for young researchers.[100] Public investment in adult education, which relies heavily on European Cohesion Policy funding, declined in nominal terms in 2022[101] and,

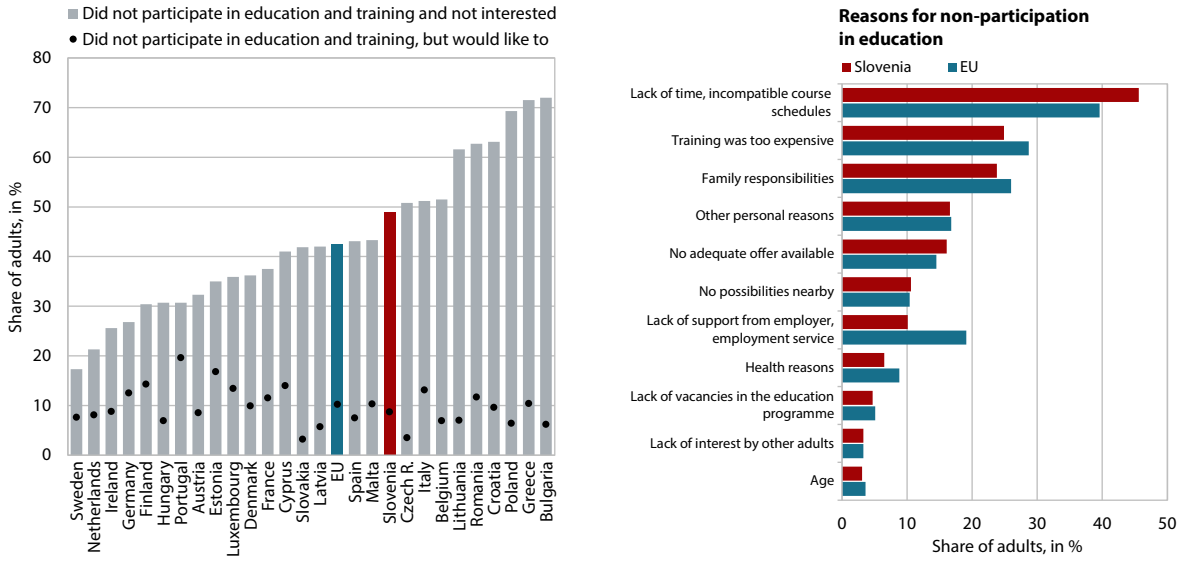
[98] According to the PISA 2022 survey, head teachers in Slovenia estimated that 22.9% (EU: 23.8%) of 15-year-olds attended a school with inadequately qualified teachers. The increase compared to 2018 was higher (11.6 percentage points) than the EU average (10.0 percentage points) (OECD, 2023m).

[99] In 2022 and 2023, the Ministry of Education offered scholarships for study programmes in education sciences but awarded only 39 out of 50 scholarships in 2022 and 48 out of 100 scholarships in 2023 (Lovšin, 2023).

[100] Expenditure on this programme amounted to EUR 31.45 million in 2022, 83.5% more than in 2017, when it was at its lowest level (ARIS, 2024).

[101] At that time, the previous financial perspective was coming to an end and the new one had not yet started.

Figure 46: Just under half of adults (aged 25–64) did not want to participate in education in 2022 (left), while lack of time and excessive costs were the main barriers to adult participation in education (right)



Source: Eurostat (2024).

as a share of GDP, was among the lowest in the last nine years.[102] Public expenditure on education and training for the unemployed and those employed under active employment policy continues to lag well behind the EU average and that of the innovation leaders (Section 3.2). It is negative in terms of promoting the employability of the unemployed and the re-employment of employees in other jobs or occupations. In 2020 (latest available data), investment by companies in education and training of employees to acquire such skills was below the EU average and that of the innovation leaders.[103]

2.1.1 Human resources and knowledge and skills mismatches

The availability of (adequate) human resources is limited by labour shortages and knowledge and skills mismatches. In the context of high economic activity and demographic change, more and more employers are facing a shortage of (suitable) staff to hire. In the second half of 2023, 53.1% of companies were short of staff, the proportion being the highest among large companies (80.3%) (Figure 47, left). According to internationally available data, 79% of SMEs (EU: 78%, IL: 68%) faced (moderate) difficulties in finding candidates with the right skills, most often when looking for professionals, technicians and other professional staff (Figure 47, right). There is a shortage of labour with upper secondary vocational and technical education[104] and tertiary education,[105] while the supply of certain kinds of labour is higher than the demand.[106]

Despite a gradual shift towards a demand-driven structure of enrolments, supply is lagging behind demand due to demographic trends. In the 2012/2013–2022/2023 period, the share of enrolments in upper vocational and technical education increased (Indicator 2.2), and there was a positive shift in the structure of enrolments in tertiary education (Indicator 2.3). The share of science and technology graduates also increased and was at an all-time high in 2022 (29.5%; in the EU in 2021: 25.5%), but their numbers have fallen behind the 2012 peak and are not sufficient to meet the needs of companies' innovation activity (ESS, 2023b). In terms of the supply of staff relevant to digital transformation, the share of ICT graduates was 4.5% in 2021 and was above the EU average (4.2%) but lower than in the innovation leaders. The share of health and welfare graduates mostly increased over the 2012–2022 period but was below the EU average in 2021 and does not meet the growing needs of a (long-lived) society. The share of graduates in education sciences is between 10 and 11%, but here too the staff shortage is increasing.

[102] In 2022, spending on adult education was 0.12% of GDP (ACS, 2021, 2022, 2023a).

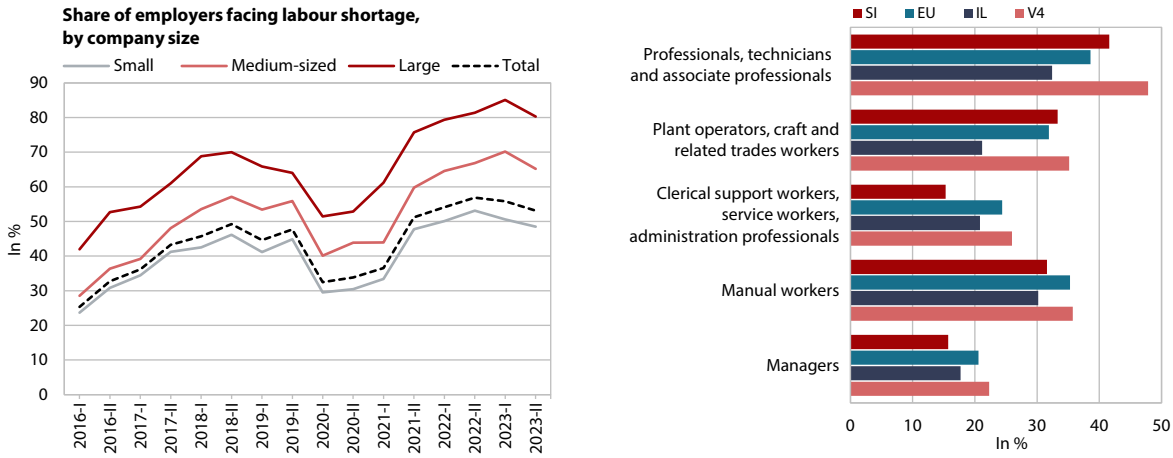
[103] In 2020 (latest data), business spending on education and training of employees in Slovenia was EUR 481 PPP per employee (EU: EUR 618 PPP, IL: EUR 603.6 PPP) (Eurostat, 2024).

[104] There is a shortage, for example, of heavy truck and lorry drivers, sales workers, cooks, waiters and toolmakers. (ESS, 2023a).

[105] There is a shortage of ICT professionals and other engineers, healthcare, social care and education professionals, and some social science professionals (ESS, 2023b).

[106] For workers with upper secondary vocational and professional education, such occupations are, for example, sales and purchasing occupations, administrative and executive secretaries, etc., and for workers with tertiary education, arts and humanities occupations and some social science occupations (ESS, 2023b).

Figure 47: Many employers face a shortage of (suitable) staff (left); in 2023, SMEs had the most difficulty finding professionals, technicians and other skilled workers (right)



Sources: ESS (2022), ESS (2024a), Eurobarometer (2023a).

However, while employment trends are favourable, young people with tertiary education face difficulties in finding suitable employment. The employment rate of young people with tertiary education has mostly increased since 2015.[107] The number of unemployed tertiary graduates (up to 39 years of age) has declined since reaching peak in 2013 (Figure 48, left), but in some social sciences and humanities fields of study, the average duration of unemployment is long, indicating difficulties in finding (suitable) employment. These problems are also reflected in the share of young people (aged 25–34) with tertiary education who are employed in occupations requiring no more than upper secondary education.[108] The share of young people in occupations that do not match their field of study is one of the highest among EU Member States (Figure 48, right). At the same time, 23.5% of students (EU: 15.5%) consider themselves (very) ill-prepared for the Slovenian labour market; most often these are students in the arts and humanities (DZHW, 2021). A little less than a tenth of them also think that they will not get a job in their field of study because they do not see job opportunities there, and around 30% think that they will get a job in their field but not immediately (PI, 2021). In addition to knowledge and skills mismatches, the labour market supply of graduates is also negatively affected by long periods of study and drop-out rates, which are reflected in low graduation rates (OECD, 2022b). In recent years, positive progress has been made in the internationalisation of tertiary education, which is reflected in the increasing share of international students. In addition, in order to ensure a sufficient supply of professionals, more attention needs to be paid to creating the right working conditions and to strengthening measures to attract professionals from abroad (Section 1.2.2).

Employees lack occupation-specific and transversal skills, which are increasingly important for the development of society and companies. Employees' self-assessments show a high need for upgrading skills (Figure 49, left), both technical or occupation-specific skills and basic skills (mathematical and reading literacy). But most of all, there is a need for social skills, which are classified as transversal skills[109] (Figure 49, right). The development of employees' digital skills is too slow,[110] and there is room for improvement in creativity and the use of (complex) problem-solving skills, especially in terms of testing new ideas.[111] In view of the need for continuous learning, it is important to develop competence in learning. With the growing number of immigrants and negative attitudes towards them in the workplace,[112] more attention needs to be paid to strengthening intercultural skills and also to preventing discrimination in the workplace and in society. The lack of appropriate skills and competences of employees hinders the successful response of companies to the challenges of the green and digital transition,[113] which is why greater attention needs to be given to the development of such competences, in view of both

[107] In 2022, the employment rate of young people (aged 20–34) within three years after leaving school was 82.4% (EU: 80.5%) (Eurostat, 2024).

[108] This share is not increasing and is lower than the EU average, but it is not negligible. In 2022, 21.4% (EU: 23.0%, IL: 15.9%) of young people aged 25–34 with tertiary education were employed in occupations requiring at most upper secondary education (Eurostat, 2024).

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

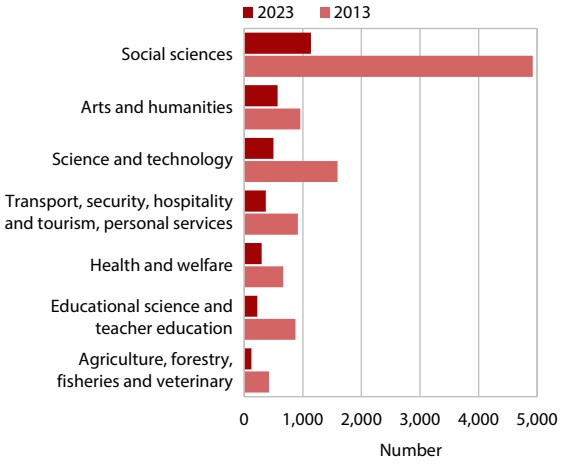
[110] In 2023, 56% (EU: 65%, IL: 79%) of employees had at least basic digital skills, of which only 24% had very good skills (EU: 34%, IL: 49%) (Eurostat, 2024).

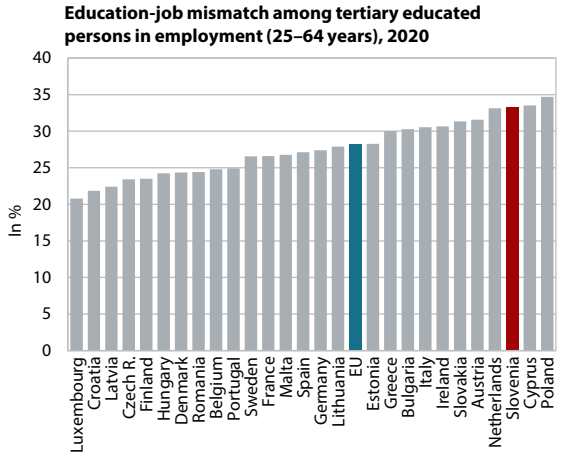
[111] 12% of employees always or very often try out new ideas to solve problems, ranking Slovenia 12th among the EU-25 (Cedefop, 2022).

[112] As many as 15% (EU: 12%) of respondents would feel very or somewhat uneasy if they had an immigrant as a co-worker, and 24% (EU: 19%) if they had an immigrant as a superior (Eurobarometer, 2022c).

[113] 16% of SMEs surveyed (EU: 11%) felt that a lack of skills among employees has a negative impact on a company's ability to reduce its negative impact on the environment and climate change, and 22% (EU: 17%) felt that it has a negative impact on introducing IT into business (Eurobarometer, 2023c).

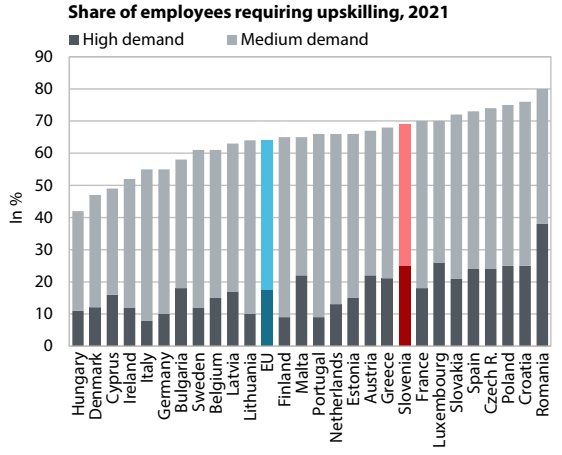
Figure 48: The number of unemployed graduates aged up to 39 has fallen sharply (left), while a large share of tertiary graduates are still in occupations that do not match their field of study (right)

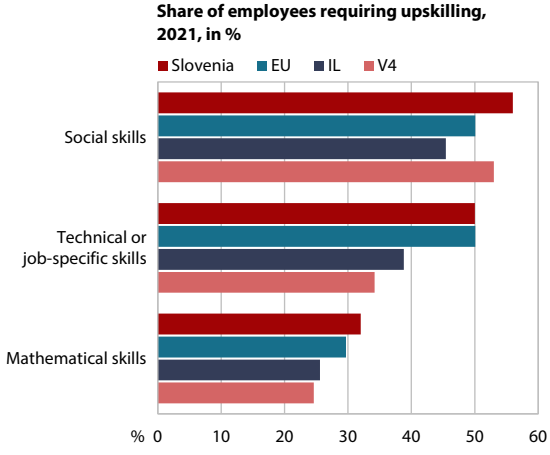




Sources: ESS (2024b), Eurostat (2024).

Figure 49: Many employees want to improve their skills, especially social skills





Source: CEDEFOP (2022).

current and estimated future needs.[114] For example, SMEs highlight the increased importance of occupation-specific skills, skills for the introduction and use of digital technologies and greening the economy, and in particular "transversal skills" (Eurobarometer, 2023c).

Given that many employees have a need for skills and are (re)employed in other jobs and occupations, there is a need to strengthen education and (re) training. The green and digital transition, technological trends and other societal development challenges have an impact on employees' need to acquire new skills and to (re)train for other jobs and occupations. The OECD estimates that jobs in Slovenia are at a high risk of automation[115] and that Slovenia has one of the lowest shares of "green jobs" among OECD countries.[116] Greater participation of employees in education and (re)training is also necessary in view of the shortage of suitable staff for recruitment.[117] However, companies face various obstacles to educating and (re)training employees. In 2023, SMEs for which data are available faced obstacles to identifying the training needs of their employees (26%, EU: 33%) and to selecting appropriate education and training programmes (26%, EU: 36%). In addition, they were deterred by the high cost of education and training, and many companies found it

[114] In a survey on the vocational education and training of employees in enterprises, the respondent enterprises in Slovenia listed technical, practical and vocational and transversal skills as the most important skills for their development (Eurostat, 2024).

[115] In terms of the impact of automation on job loss or job transformation, Slovenia ranks among the EU Member States with one of the highest shares of jobs expected to be at risk of automation (OECD, 2023h).

[116] In terms of green transition, Slovenia ranks among the OECD countries with one of the lowest shares of green jobs (Tyros et al., 2023).

[117] According to the Employment Forecast, in the second half of 2023, 21.7% of the companies surveyed were addressing the lack of (suitable) staff for recruitment by retraining existing employees (ESS, 2024a).

difficult to afford employees time off work.[118] Moreover, a survey conducted by Domadenik et al. (2023) in selected companies in Slovenia pointed to the need to develop an effective system for identifying competence gaps at the level of individuals and to introduce ongoing monitoring of the results of education and training. It also pointed to the need to raise awareness among company management of the importance of knowledge for productivity and to invest in skills development to strengthen employees' commitment to the company. There is also a need for employees to participate in the design of their own training plans and to identify competence gaps. Increasing the availability of training under active employment policy is important for both employees and the unemployed and inactive, as participation in these programmes is low[119] and consequently so is the use of funds (Section 3.2).

In order to meet the medium-term needs of social, environmental and economic development, more attention needs to be paid to medium-term planning for human resources development. This requires the development of a comprehensive system for identifying and forecasting needs for human resources and skills. Slovenia does not have such a system in place, but only individual elements are currently available, including a project to develop a "Labour Market Platform".[120] The first results of the project show that, by occupational group, the highest demand in the 2023–2037 period is expected to be for professionals,[121] who are also the only occupational group for which new jobs are expected to be available in addition to substitute employment.

[118] In Slovenia, 30% (EU: 36%) of SMEs find it very or medium difficult to finance training for employees and 39% (EU: 50%) find it very or medium difficult to afford employees time off work for training (Eurobarometer, 2023a).

[119] In 2021, 4.9 participants per 100 people wanting to work were enrolled in training programmes under active employment policy in Slovenia, which is lower than the EU average (8.4 participants in 2020) and in the innovation leaders (11.7 participants in 2021) (Eurostat, 2024).

[120] The »Labour Market Platform« is a project of the Ministry of Labour, Family, Social Affairs and Equal Opportunities to ensure the collection of data on occupational needs and competences (Caprirolo, 2023). For more details, see IMAD (2023d).

[121] According to the SKP-08 Standard Classification of Occupations, professionals work to increase the existing body of knowledge, to develop scientific and artistic ideas and theories and to teach these systematically, and may be employed in any combination of these three activities. Most jobs or occupations require knowledge at tertiary level. Examples of typical occupations are civil engineers, doctors, teachers, judges, systems engineers, software developers, process control technicians, and securities and finance dealers and brokers (SURS, 2023c).

2.2 Culture and language as fundamental factors of national identity

Culture and language as fundamental factors of national identity (Development Goal 4)

The goal is to preserve and develop the national culture and Slovenian language as factors of national identity, the country's visibility, and social and economic progress. The achievement of this goal will be supported by the promotion of participation in culture, the development and preservation of culture and cultural heritage, the protection of cultural diversity, the connection with Slovenians abroad, the strengthening of cooperation between businesses and culture, and promotion of creativity and creative sectors. In addition, the 2030 SRS identifies digitalisation as an important factor for the preservation and development of the Slovenian language and the accessibility of culture and international cultural cooperation as an important factor for increasing the country's visibility. Cultural participation also contributes to the development of functional literacy, which is addressed in Development Goal 2, and to the realisation of a healthy and active life, which is addressed in Development Goal 1.

SDS 2030 performance indicators for Development Goal 4:

	Latest data		Target value for 2030
	Slovenia	EU average	
Attendance at cultural events, number per capita	4.9 (2022)	no data available	8
Share of cultural events held abroad, in %	3.6 (2022)	no data available	3.5
Open-access language resources and tools, number	590 (2023)	no data available	153

Despite the increase, the number of cultural events in 2022 is still below the pre-epidemic level. The number of exhibitions and cultural events decreased sharply in 2020 due to the measures taken to contain the COVID-19 epidemic; it increased substantially in 2021 and 2022, when the containment measures were reduced or eliminated,[122] but was still below the pre-epidemic level. Of the performing arts events, film screenings accounted for the largest number (Figure 50, left), and half of all works performed were by Slovenian authors. Attendance at cultural events was also lower than before the epidemic (Indicator 2.7), while the supply of virtual exhibitions remained the same as in 2022. The supply of online events by performing arts institutions filled the gap in the supply of cultural events during the period when the measures to contain the epidemic were in place and attendance at these events declined sharply.[123] Museums and galleries further increased people's interest in and access to cultural products by organising free admission days (e.g. on the 8 February cultural holiday and on the June summer museum night and free visits for vulnerable groups).[124] Despite the significant increase in 2022, attendance was still below the pre-epidemic level. Similarly, performing arts institutions increased people's interest in and access to cultural events through free events. In 2022, they organised the most such events in the last six years for which data are available.[125] However, access to performing arts institutions and museums for physically and visually and hearing impaired persons remains poor.[126]

Attendance of educational programmes in cultural institutions has not yet returned to its pre-epidemic level, but the participation of pupils in cultural activities is high by international comparison. Cultural institutions in Slovenia play an important educational role: in 2022, performing arts institutions offered the most educational programmes since 2017, but attendance of these programmes was still below pre-epidemic levels. In museums and galleries, despite increases in 2021 and 2022, the supply and attendance of educational programmes, primarily attended by children and young people have not yet returned to pre-epidemic levels. Children's participation in cultural activities is also encouraged by schools in the context of cultural and arts education, and many pupils in Slovenia take part in such activities (Figure 50, right). In 2023, the National Strategy for Museums and Galleries 2024–2028 was drawn up with the aim of a comprehensive overhaul of museums and the system in which they operate (MK, 2023c). It is intended to encourage museums to take an active role in social development and in the integration of education, cultural tourism, cultural promotion and conservation of cultural heritage.

[122] In 2022, 39.6% of museums and galleries and 51% of performing arts institutions reduced their activity due to the epidemic (SURS, 2024b).

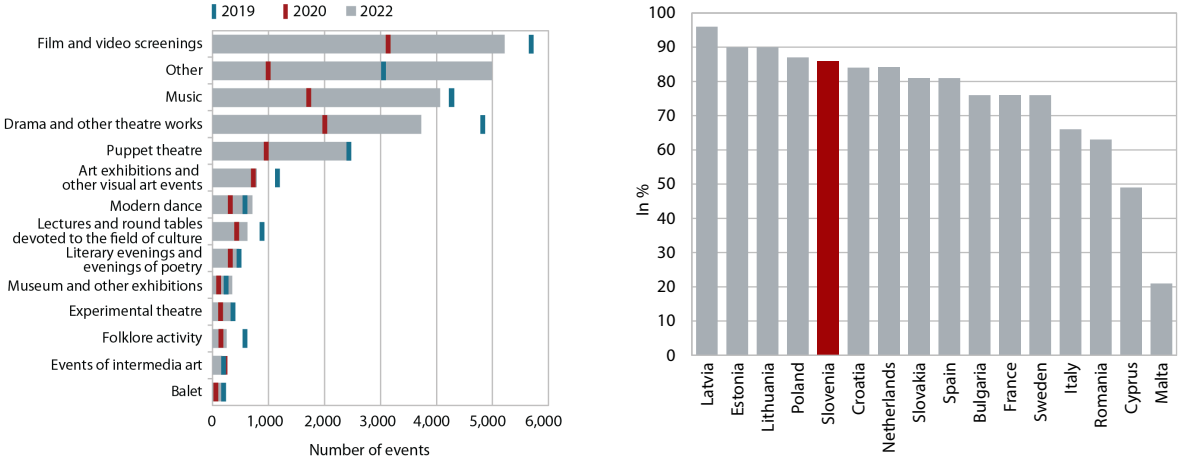
[123] In 2022, museums and galleries organised 123 virtual exhibitions with 211,951 virtual visits, while performing arts institutions organised 564 virtual events with 231,761 virtual visits (SURS, 2024b).

[124] In 2022, museums and galleries issued 526,731 free tickets, a decrease of 4.2% compared to 2019 (SURS, 2024b).

[125] In 2022, performing arts institutions held 17.9% more free events than in 2019 (SURS, 2024b).

[126] In 2022, 33.0% of museums and galleries and 57.6% of performing arts institutions had full access for physically impaired persons, while 7.2% of museums and galleries and 14.1% of performing arts institutions had full access for visually and hearing impaired persons (SURS, 2024b).

Figure 50: The number of events in 2022 in performing arts institutions lagged behind pre-epidemic levels (left), while participation of basic school pupils in cultural activities was high* (right)



Sources: SURS (2024b), PI (2023a). Note: *The figure on the right shows the participation of 8th grade pupils in cultural activities according to the 2022 International Civic and Citizenship Education Study (ICCS).

Despite some positive developments in recent years, the indicators for general libraries and publishing are lagging behind the levels previously achieved. General libraries enable people in the local environment to develop their personal culture, access information for work and everyday life, participate in a wide range of activities and spend their leisure time creatively. In 2022, general library membership, the number of visits to general libraries and the average number of items borrowed (in physical form)[127] increased, but it lagged behind pre-epidemic levels (NUK, 2024). Considering the low levels of reading literacy of adults and children (Section 2.1), it is important to strengthen the role of general libraries in promoting reading across generations, particularly among individuals with low reading literacy. In publishing, the number of book titles published (in physical form) in 2022 and their average print run increased for the second year in a row, but they were far from the peak of ten years ago. However, there is a positive trend in the number of e-book titles published, which has increased since 2015 (NUK, 2023).

In the field of language resources and technology development, activities are carried out to contribute to the development and preservation of the Slovenian language. A number of projects are underway in the field of language resources and technology development.[128] In 2023, several new or updated existing language resources and technologies were produced.[129] The number of open-access language resources and tools in the national CLARIN repository increased, reaching 590 at the end of 2023, which is well above the 2030 SDS target (153). Activities were also carried out to develop the communication skills in the Slovenian sign language and those of people with adapted methods of communication.[130]

International cultural activities strengthened in 2022, approaching their pre-epidemic level; Slovenia's participation as guest of honour at the Frankfurt Book Fair in 2023 was of paramount importance for the promotion of Slovenian literature. The promotion of culture abroad contributes to Slovenia's international visibility and cooperation, and culture plays an important role in diplomacy and international relations. International cultural activities, which were curtailed in 2020 due to the epidemic, resumed after the easing of containment measures and their subsequent lifting in 2021 and 2022 (MZEZ, 2023b). The share of cultural events staged abroad, which is an indicator of the promotion of culture abroad and an indirect indicator of its quality, increased for the second year in a row in 2022, approaching 2019 levels and exceeding the SDS target (Indicator 2.8). In 2023, Slovenia's participation as guest of honour at the Frankfurt International Book Fair was of great importance for publishing activity, the

[127] The borrowing of library materials (in physical form) is increasingly influenced by e-book lending.

[128] Language resources is a collective term for language manuals (dictionaries, grammars, spelling books, etc.) and language collections (corpora and language databases) that speakers use on a daily basis to communicate independently and effectively. In recent years, many language resources have either been created or digitalised, which has made them more widely available. Often invisible as part of complex computer systems, language technologies help to find information with online search engines, check spelling or grammar in word processors, check product reviews in online shops, listen to spoken instructions in car navigation systems or to the instructions of message readers in household appliances, translate web pages with online translators, and analyse and manage large amounts of textual data (MK, 2023a).

[129] New versions of the dictionary of synonyms and the dictionary of collocations, a concordance search tool for corpora of texts with linguistic corrections, a dictionary for foreigners at A1 level, the Korpusnik tool for simultaneous searching of multiple Slovenian text collections, and the SENTA tool for simplification and analysis of texts (CJVT, 2023).

[130] For more details, see the Report on the Implementation of the Resolution on the National Language Policy Programme 2021–2025 for 2022 (the Inter-Ministerial Working Group for Monitoring the Implementation of Slovenia's Language Policy, 2023).

Figure 51: For Slovenian literature, Slovenia's participation as guest of honour at the Frankfurt International Book Fair in 2023 was an extremely important international cultural event, resulting in significant achievements.

Source: JAK (2024).

promotion and visibility of Slovenian literature, authors and publishers abroad. Many Slovenian publishers and authors presented their works at various events at the fair, and numerous translations of Slovenian works into German contributed to their promotion and accessibility to German-speaking readers (Figure 51). The Ljubljana Manifesto on Reading at a Higher Level was also presented at the fair[131] (MK, 2023b). In 2024, the Bologna Book Fair, which is aimed at the professional public, will provide an opportunity for international promotion of Slovenian publishers in the field of children's and young people's literature. In addition, preparations are ongoing for Nova Gorica and Gorizia to share the title of European Capital of Culture 2025, which offers opportunities for cultural and tourism networking in the wider region and for strengthening economic cooperation.

Expenditure on culture fell in 2022 to one of the lowest levels in a decade, while the number of people employed in the cultural sector increased in 2023.[132] After a one-year transitory increase, government expenditure on culture declined in real terms in 2022, more notably on broadcasting and publishing services than on cultural services. With high nominal GDP growth, at 0.9% of GDP[133] in 2022, it was slightly lower than the previous year and one of the lowest in the last ten years, though higher than the EU average (0.7% of GDP) in 2021 (latest international data). Private spending on culture increased for the second year in a row, after a decline due to containment measures during the epidemic in 2022, with the average person spending EUR 218 per year on culture. The contribution of cultural activity[134] to economic activity, expressed as a share of value added in gross domestic product (GDP), was thus 1.1% in the 2014–2019 period, falling to 1.0% of GDP in the 2020–2022 period.[135]

There is a general lack of awareness of the importance of the cultural and creative sector for social and economic development, and creators face various difficulties in their work. The cultural and creative sector plays an important role in ensuring the quality of life of the population and in social development and (local) economic development. There are also many positive effects of integration with the business sector, as innovative practices in the cultural and creative sector are translated into new approaches, practices, services and products in other parts of the economy.

131 The Ljubljana Manifesto on Reading at a Higher Level, which has been written by four international researchers in reading and publishing, explains why we need to maintain the ability to read longer and complex literary texts even in the digital age. It highlights the lifelong importance of higher-level reading for critical thinking, which is a prerequisite for a thriving democratic society. The manifesto has been signed by several publishing and literary associations and a number of professionals and cultural creators (ACS, 2023b).

132 In 2023, there were 30,700 persons employed in the cultural sector, which is 12.4% more than ten years ago, mainly due to the increase in the number of self-employed (SURS, 2024b).

133 Expenditure on culture consists of expenditure on cultural services and expenditure on broadcasting and publishing. Expenditure on cultural services accounted for 0.7% of GDP in 2022, while expenditure on broadcasting and publishing accounted for 0.3% of GDP (Eurostat, 2024).

134 Cultural activities include publishing, film, video, etc., radio and television, cultural and entertainment activities, and libraries, museums, archives, etc. (SURS, 2024b).

135 In calculating the contribution of culture to GDP, "pure" cultural activities without indirect effects on other activities were taken into account (SURS, 2023d).

Research by Murovec et al. (2022) and Murovec and Kavaš (2023) has shown that there is a lack of awareness of the importance of the cultural and creative sector in Slovenia[136] and that there are a number of shortcomings in its functioning. The range of cultural and creative products or services offered by creators working for the market is diverse, but it is fragmented and non-transparent. The intellectual property rights of creators are violated. There is limited integration of creators from the cultural and creative sectors into other sectors of the economy. There is a lack of networking and cooperation between creators and other parts of the economy and a lack of cooperation between creators. Therefore existing instruments which are co-funded from public funds and aimed at fostering such cooperation (e.g. the Creativity Centre) should be maintained and further strengthened. In addition, the price of creators' work is under pressure from low-cost and low-quality competition, which leads to the undervaluation of their work. This in turn worsens the material situation of creators. Given the lack of competent distributors or intermediaries in the distribution or sale of cultural and creative products and services (e.g. film distribution, wholesale and retail, loan of recorded music, etc.), individual creators want to ensure that their products and services are marketed and sold. However, they lack the relevant (business) skills and experience. Public support for the international visibility of creators and artists is insufficient. Young creators find it difficult to access opportunities to showcase their work. Specialised support services (e.g. creative incubators, specialised training and financial instruments) tailored to the needs of creators need to be developed.

[136] According to the Standard Classification of Activities (SKD 2008), the cultural and creative sector includes the following activities: archives, libraries, cultural heritage; design and visual arts; advertising; architecture; music; arts and cultural education; performing arts and artistic crafts; radio and TV; software and games; video and film; architecture; and books and publishing (SURS, 2024b).

3 An inclusive, healthy, safe and responsible society

3.1 A healthy and active life

A healthy and active life (Development Goal 1)

The goal is to ensure a quality life for all generations by promoting a healthy and active life. Achieving the goal will require raising awareness of the importance of a healthy lifestyle and mental health, preventing risky behaviour, strengthening prevention, reducing health risks from environmental pollution and climate change, and promoting sustainable consumption, intergenerational cohesion and gender equality. In the face of demographic change, maintaining sustainable social protection systems that provide adequate pensions and high access to health and long-term care and contribute to reducing health inequalities will represent an even greater challenge. Creating the conditions for all generations to live in dignity is also important for achieving the goal, as addressed in Development Goal 3.

SDS 2030 performance indicators for Development Goal 1:

	Latest data		Target value for 2030
	Slovenia	EU average	
Healthy life expectancy at birth, number of years	Men: 63.7 years; 82.0% of life expectancy (2021)	Men: 63.1 years,81.7% of life expectancy (2021)	Men: 64.5 years(80% of life expectancy)
	Women: 67.3 years; 80.3% of life expectancy (2021)	Women: 64.2 years, 77.4% of life expectancy (2021)	Women: 64.5 years(75% of life expectancy)
Gender Equality Index, index	69.4 (0–100) (2023)	70.2 (0–100) (2023)	> 78

According to the latest available data, life satisfaction in Slovenia has increased and is at its highest level yet, while people's satisfaction with their health is below average, except for those with tertiary education. General life satisfaction in 2023 in the EU average remained the same as before the pandemic, while it improved in Slovenia, which ranked 8th in the EU (Eurobarometer, 2023f). Life satisfaction differences between Member States are decreasing: life satisfaction increased in Member States with fewer satisfied people before the epidemic and decreased in those with above-average shares of satisfied people. However, following the epidemic and numerous challenges faced by the healthcare system, self-perceived health in 2022 remained below the EU average, except for those with tertiary education (Figure 52, right). In Slovenia, people with secondary and notably lower-education have a poorer quality of life in many areas, which is also reflected in life satisfaction and self-perceived health. Better conditions for a healthy, active and decent life must therefore also be created for them (see Section 3.3).

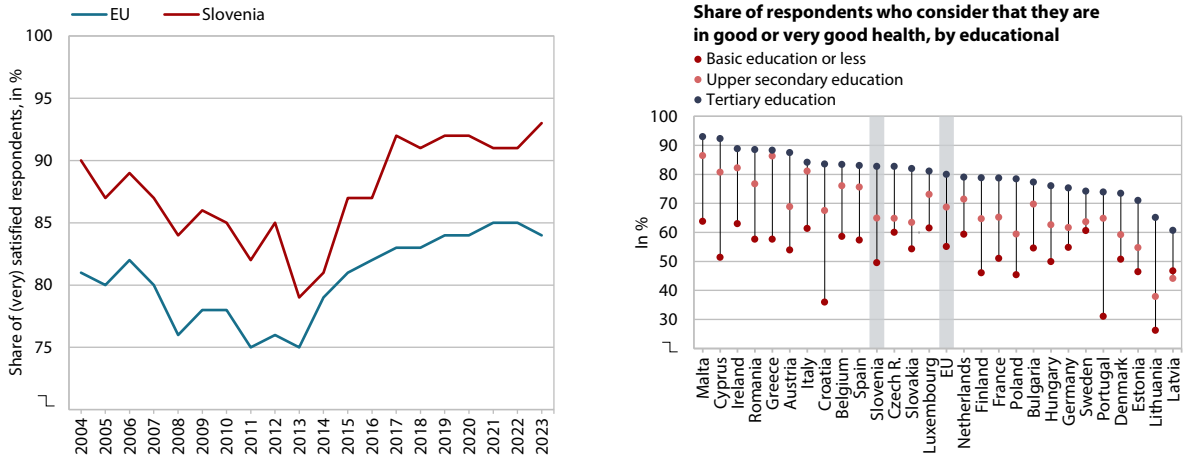
Furthermore, trust in people, mutual assistance and social contacts are improving gradually, and social capital will have to be boosted further, as crises and insecurities are becoming part of social reality, which can be overcome successfully by coming together, through solidarity and strong social ties. Since 2014, trust in people has been increasing, but according to the latest data, it is still slightly lower than the EU average.[137] In 2023, the average interpersonal trust was at its highest level to date, with a quarter of respondents feeling that they could trust most people. Trust in people's honesty and their readiness to help was also the highest yet. A vast majority of respondents (95%) had at least one person in their lives to talk to about personal matters, which is important with regard to social support and inclusion. Meanwhile 55% of respondents had frequent contacts with relatives, friends or colleagues (at least once a week), which is similar to previous years (CJMMK, 2024). Participation in social life is lower than the EU average. Volunteering makes an important contribution to improving the quality of people's lives, but such experiences also have an impact on volunteers and their social environment. In 2022, fewer people were involved in voluntary, charitable or political activities[138] than the EU average,[139] with persons aged 25–49 being the most active and the largest gap with the EU average recorded among young people (aged 16–24). A third of people were involved in informal volunteering and a fifth in formal volunteering (SURS, 2024b). In total,

[137] The results of the European Social Survey are displayed for 19 EU Member States (CJMMK, 2022).

[138] The results of the Survey of Gender Gaps in Unpaid Care, Individual and Social Activities (EIGE, 2024). Political activities refer to running or helping a political campaign, distributing campaign material, signing a petition, protesting, contacting officials, etc.

[139] In the last six months before the survey, 16.8% of respondents were involved in volunteering, charity or political activities in Slovenia (EU: 19.3%) – 16.1% for women (EU: 18.1%) and for 17.5% men (EU: 20.5%) (EIGE, 2024).

Figure 52: Life satisfaction is at its highest level yet* and self-perceived health is above the EU average only for people with tertiary education**



Sources: Eurobarometer (2023f), Eurostat (2024b). Notes: * last measurement in the year; **measurement from the EU-SILC 2022; the percentage of persons aged 16 or over with a very good or good self-perceived health.

they performed less volunteering (0.9 hours per week) than in other Member States (EU: 1.4 hours per week) (Eurofound, 2024b).

The accessibility of leisure activities is improving. The self-assessment of satisfaction with the length of leisure time improved in 2022. Satisfaction is the highest among pensioners and the lowest among the self-employed and the employed, with no differences between women and men. 72.1% of the population (EU: 67.8%) engaged in leisure activities at least once a week, more men than women, particularly for fun or relaxation and, more often than the EU average, to improve their health. Attendance of cultural and sporting events was lower than in 2015 (preliminary data), mainly due to lack of interest or desire. The share of people facing (financial and other) obstacles to accessing leisure activities decreased significantly in 2023, coming close to the pre-epidemic level.

Workers have less difficulty reconciling their work and family life than the EU average, with women assuming care responsibilities more often than men. A good work-life balance has a positive effect on workers' health and their satisfaction with work and life. In addition to the length of working time, the organisation of working time (regularity and predictability and atypical working hours) and working environment also have a significant impact on the work-life balance. In 2021, the share of workers in Slovenia who felt that their working hours fit well or very well with their family or social life was higher than the EU average (Eurofound, 2022). Since the epidemic, workers have faced fewer problems in their work due to family responsibilities but more often cited lack of family time (Eurofound, 2024b). In 2022, more women than men cited difficulty concentrating on work or inability to dedicate enough time to work due to family responsibilities, as well as being too tired to perform household chores after work. While they did almost the same amount of paid work per week as men, they spent more hours on care responsibilities and unpaid housework than men.[140] Conversely, more men than women reported that work prevented them from spending the time that they wanted with their family. Furthermore, more men than women had daily problems balancing their work and care responsibilities, though less often than the EU average (EIGE, 2024).[141]

According to the Gender Equality Index (GEI), Slovenia has ranked slightly below the EU average in the last three years. Following a decrease in previous years, the 2023 GEI score reached its highest level yet, but Slovenia still ranked 12th among EU countries (see Indicator 3.3).[142] Some progress has been made in achieving gender equality, mainly in the domains of knowledge and power, where the gap with the EU average has narrowed. Inequalities increased in the domains of time (social activities), where Slovenia lost its advantage over the EU average, and health (access to healthcare), where Slovenia remains below the EU average. Participation in lifelong learning, the share of people with tertiary education, with women still outnumbering men, and representation of women in politics all increased. The share of women in leading positions in business remains relatively small and below the EU average. In the domains of work and money, Slovenia is above the EU average, as the gender gap in employment rates is relatively small and the pay gap is lower, though constant (see Section 3.2). The gender gap in unpaid care and household chores decreased,[143]

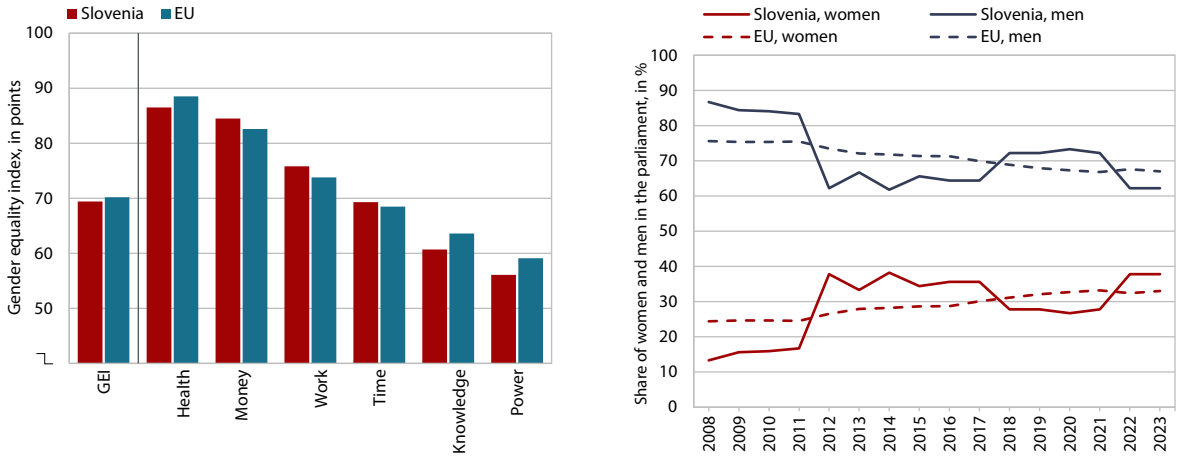
[140] In 2022, the Act Amending the Parental Protection and Family Benefits Act (ZSDP-1F, 2022) was adopted, enabling a fairer division of care responsibilities between parents (IMAD, 2023e).

[141] 11.4% of respondents (EU: 15.6%) had daily problems balancing paid work and care responsibilities – 13.7% for men (EU: 13.8%) and 7.9% for women (EU: 17.4%) (EIGE, 2024).

[142] The latest available data is used to calculate the index: for 2023, the data is mostly from 2021.

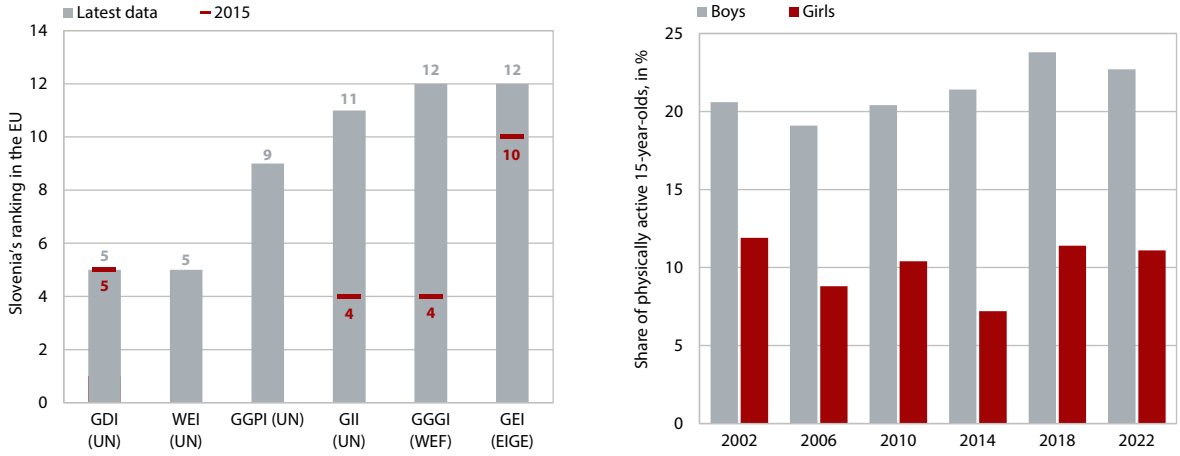
[143] In 2022, the gender gap in participation in unpaid care was 2 p.p. (EU: 9 p.p.) and 40 p.p. (EU: 27 p.p.) in household chores and cooking (EIGE, 2023a).

Figure 53: The Gender Equality Index* score in 2023 was slightly below the EU average (left), while women's political representation was above the EU average (right)**



Source: EIGE (2024). Notes: *A value of 1 means total inequality and 100 total equality. The data for calculating the 2023 index are mostly from 2021. **Annual data are for the 4th quarter.

Figure 54: Year-on-year GEI comparisons show that Slovenia's ranking among EU Member States deteriorated* (left); the physical activity of 15-year-old girls is much lower than that of their male peers (right)



Sources: UN (2022a), UNDP (2023), WEF (2023), EIGE (2024), NIJZ (2023). Note: *The last available data for synthesised indicators is predominantly from 2021.

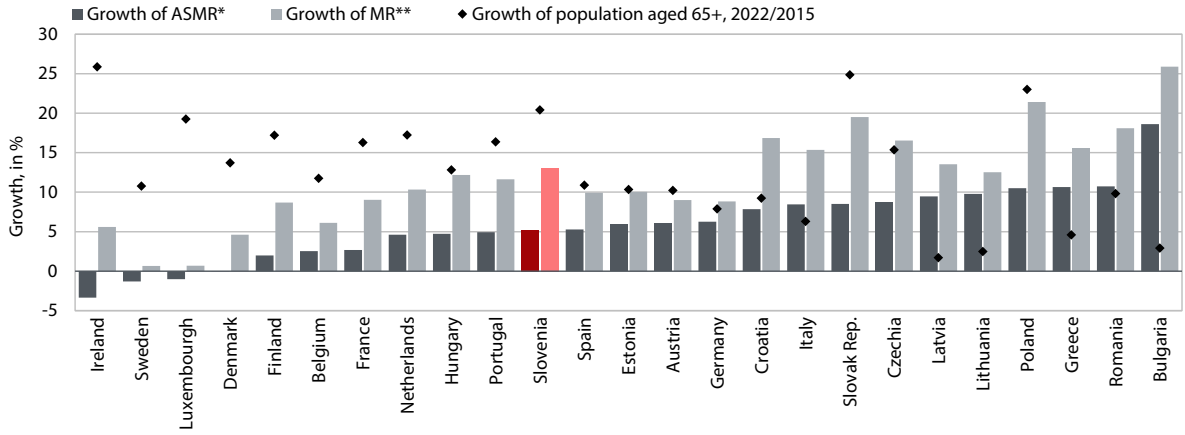
mostly due to women's lower participation rates and not because men took over more care and household responsibilities (EIGE, 2023b). Gender inequalities in terms of participation in social activities increased. More women than men cited unmet needs for medical and dental examination. Women's and men's lifestyle worsened over the 2014–2019 period, but health-related risk behaviours are more common among men. Similarly to the GEI, Slovenia did relatively well compared to other EU Member States according to synthesised indices.[144] Similarly to 2015, it ranked in the top five EU countries only according to the Gender Development Index (GDI), which measures three dimensions of development (knowledge, health and money), while it did worse in 2015 in five other indices. These measure a variety of gender (in)equality dimensions and/or include specific indicators for women.[145]

Medical advances and healthcare quality, income gains, improved educational structure and greater awareness are the main factors behind the improved health status of the population. Key population health indicators such as life expectancy, healthy life years, self-perceived health, premature mortality and others had been improving for many years until the outbreak

[144] The Global Gender Gap Index (GGGI) has been calculated by the World Economic Forum (WEF) since 2006. The Gender Development Index (GDI) and the Gender Inequality Index (GII) have been calculated by the UN since 1995 or 2010 respectively, while experimental calculations of the Global Gender Parity Index (GGPI) and the Women's Empowerment Index have been calculated since 2023.

[145] The GDI consists of three dimensions (4 indicators); the GGPI and the GGGI of four dimensions (8 or 14 indicators respectively), the GII and the WEI of five dimensions (5 or 10 indicators respectively), and the GEI of six dimensions (31 indicators).

Figure 55: Due to population ageing, the increase in the average standardised mortality rate in the 2020–2022 period was lower than the increase in the general mortality rate compared to the 2015–2019 period



Sources: Morgan et al. (2023), Eurostat (2024). Note: *ASMR – age-standardised mortality rate, **MR – general mortality rate. Showing EU countries that are members of the OECD.

of the epidemic and have been bouncing back in recent years after a decrease or standstill during it. Despite the epidemic and decreased access in 2021, healthy life years improved further and exceeded the EU average (see Indicator 3.1).[146] Premature mortality was on the rise during the epidemic but dropped to an average 14% of deaths before 65 years of age in 2022 (SURS, 2024b). About a third of all deaths were due to cardiovascular diseases, followed by cancer (27%) and COVID-19 with 14.4% of all deaths in 2020.

The standardised mortality rate during the epidemic was much lower than the general mortality rate; excess mortality would also have been lower if changes in population structure were taken into account. During the epidemic, the standardised mortality rate grew less than the general mortality rate, as it excluded the impact of the population's age structure.[147] Moreover, in countries with lower growth in the number of older people, the difference in growth between the standardised and general mortality rates (e.g. Lithuania and Latvia) was usually smaller than in countries with higher growth (e.g. Slovenia) (Morgan et al., 2023). Similarly to the general mortality rate, excess mortality may also be overestimated. Sambt et al. (2021) noted that the latter does not take into account the changing number and age structure of the population on the one hand and the decrease in mortality in individual age groups on the other. They established that the first trend was predominant in Slovenia – the growing number of older people – and the number of deaths would increase rapidly even in the absence of the epidemic. Based on demographic trends, they estimated the 2020 excess mortality at 14.9%, i.e. 3.9 p.p. lower. One of the reasons for the fact that the excess mortality indicator[148] was one of the highest in the EU in the 2020–2022 period (IMAD, 2023e) was the rapid increase in the number of older people.

Premature mortality[149] due to air pollution has decreased by 37% in ten years, with climate change posing growing health challenges. Health risk factors due to environmental pollution are improving, but air pollution, which poses the greatest health risk in developed countries (causing respiratory diseases, lung cancer and cardiovascular diseases), in Slovenia exceeds the limit of what is still acceptable according to WHO guidelines (see Indicator 4.13 and Section 4.2) (OECD, 2017). Premature mortality due to PM 2.5 air pollution decreased by 37% in the 2011–2021 period, which is more than the EU average.[150] Higher mortality, particularly among people over 65, is due partly to exposure to rising summer temperatures as a result of climate change. High temperatures cause dehydration and heat cramps and have an aggravating effect on cardiovascular and respiratory diseases,

[146] The analysis by SURS (2019) showed that the very low values of the healthy life years indicator and the self-perceived health indicator (according to the EU-SILC) in Slovenia in past years were mainly related to the inadequate translation and method of surveying, which was then partially corrected in 2019 and fully in 2020. The SDS target, which was set in 2017 on the basis of lower indicator values, was already exceeded in 2020, mainly for this reason.

[147] Due to differences between countries in the rate of population ageing and changes in the population's health status, the use of general mortality rates is inappropriate for comparing mortality rates between countries as, for example, the growing share of older people logically leads to a higher number of deaths (Morgan et al., 2023). The general mortality rate (e.g. the number of deaths per 1,000 or 100,000 inhabitants) should only be used if comparing shorter time periods, countries with similar age structures or longer time periods involving a demographic transition (Šircelj, 2020, pp. 221–223). The standardised mortality rate takes into account the standard population that is the same for all countries; it is an agreed upon population with a fictitious age structure. For more, see, for instance, EC, Eurostat, 2013.

[148] The excess mortality indicator only shows the number of deaths: the number of deaths in year x is compared to the annual average of deaths in the 2015–2019 period; due to the accessibility of data for all countries and comparability among them, Eurostat uses the 2016–2019 period.

[149] The age limit for premature death is set by agreement at 64.99 years. Deaths before the age of 65 are classified as avoidable (NIJZ, 2022).

[150] Deaths decreased from 95 to 56 per 100,000 inhabitants; the EU average was 28%, decreasing from 89 to 57 deaths (Eurostat, 2024).

mental health, and chronic conditions, resulting in more hospitalisations, infections, work accidents and poisonings (WHO, 2023b). According to the OECD (2023f), an average of 22% of people in Slovenia were exposed to hot summer days (over 35 degrees Celsius) in the 2017–2021 period, an increase of 3 p.p. (OECD: 29%, 7 p.p.) compared to the 2000–2004 period. Severe flooding in the summer of 2023 was also partly due to climate change. Mobile teams of psychosocial support experts were established to offer swift assistance on the field to those affected (MZ, 2023f), while recently established Mental Health Centres also played a key role in the quick and comprehensive response to the needs of the endangered population (MZ, 2023f).

The mortality rate that could be prevented with prevention and public health measures increased due to the epidemic, though less than the EU average; the mortality rate due to treatable causes was also lower. The total avoidable mortality[151] declined over the 2011–2019 period but rose sharply in 2020 due to the epidemic, though still less than the EU average. In 2020, there were 23 more avoidable deaths per 100,000 inhabitants than in 2019 in Slovenia and 28 more in the EU. The deterioration in 2020 in all EU countries was due to the direct consequences of deaths from COVID-19 and also to the indirect consequences caused by disruptions in the functioning of healthcare. However, for a number of years, there have been fewer deaths from causes that could be prevented through treatment or screening programmes in Slovenia compared to the EU average, reflecting the relatively effective healthcare in terms of medical treatment (see Indicator 3.6). Mortality still remains higher than the EU average in terms of causes related to the prevalence of unhealthy lifestyles that could have been prevented through primary prevention and public health measures. Obesity is becoming a serious problem, with more than one half of adults being overweight or obese, which is more than in the EU (see Indicator 3.7). In 2019, unhealthy diet was the cause of 16% of all deaths, followed by tobacco abuse with 15% and alcohol consumption with 5% (EU: diet 15%, tobacco 17%, alcohol 6%) (OECD, EC and WHO, 2023).[152]

More adults are physically active than before the epidemic, which is a factor in a healthy and active lifestyle and the prevention of chronic conditions. In 2022, a little over half of respondents engaged in sports at least once a week, which is similar to 2017, while significantly more engaged in other physical activity. There were more physically active people than the EU average[153] but less than in certain Northern European countries (Finland, Sweden, Denmark and the Netherlands). As physical activity is lacking mostly among people with lower education, women, the elderly and people with lower income, it is important to promote sport and recreation programmes for all age groups to prevent chronic conditions and encourage a healthy and active lifestyle, while actively targeting and including less active population groups.

Insufficient physical activity has a negative effect on children's motor fitness, which lags behind the pre-epidemic levels. Participation in sport is too low among children and young people: compared to 2018 (previous data), fewer children and young people were physically active (NIJZ, 2023c). In 2022, only a good quarter of 11-year-olds did at least an hour of moderate to vigorous physical activity on a daily basis, which is the WHO's recommendation on minimal physical activity for children. Only 17.2% of 15-year-olds achieved this target, the percentage of boys far exceeding that of girls (Figure 54, right). Insufficient physical activity during the COVID-19 epidemic had a negative effect on children's motor fitness and, despite improvements in 2022 and 2023, remains well below the pre-epidemic level. Obesity among children is approaching the pre-epidemic rate faster than motor fitness, which shows that an increasing number of children and young people are achieving weight loss through diet rather than movement (FŠ, 2023).

It is likely that the epidemic again increased health inequalities relating to the population's socioeconomic characteristics, although the gap in unmet needs for healthcare by income groups has narrowed in the last few years. Over the 2007–2019 period, health inequalities in Slovenia decreased for some indicators (e.g. life expectancy at age 20, premature mortality, men's self-perceived health, smoking prevalence and suicide mortality), while for others they increased further (e.g. lung cancer mortality and depressive disorders) or remained unchanged (NIJZ, 2021). The populations hit the hardest during the epidemic were people from socially deprived settings, those with lower income or education, and various other vulnerable groups who lived in poorer living conditions, had poorer basic health, were less responsive to testing and vaccination, and faced various barriers to accessing healthcare (OECD, 2021d). Remote consultations and other digital health tools are less widely used by the elderly, the less educated and the socially vulnerable, which reportedly widened the gap in access to health services between different population groups during the epidemic (OECD, 2023e). Nevertheless, the differences between income groups in unmet needs for healthcare in Slovenia decreased in 2022 and 2023 compared to the previous two years (see Indicator 3.5).

[151] Avoidable mortality includes diseases and conditions that can be prevented or successfully treated. It consists of two indicators: 1. mortality that can be avoided by preventive examinations (preventable mortality) and 2. mortality due to treatable causes (treatable or amenable mortality).

[152] 22% of adults over 16 years of age in Slovenia consume excessive amounts of alcohol (EU: 18.5%) (Eurostat, 2024). 57% of adults consume vegetables every day, which is the same as the EU average, while only 5% of people consume 5 or more servings of fruit or vegetable per day (WHO recommendation), which is well below the OECD average (15%).

[153] In 2022, 52% of respondents took part in sport at least once a week (EU: 38%) and 63% took part in other physical activities (EU: 50%) (Eurobarometer, 2018b, 2022d).

Poorer access to health services due to the epidemic hit patients with chronic conditions the hardest. Patients with chronic non-communicable diseases were the most affected by the impeded access to health services during the epidemic, as they could be at risk of complications if not treated in time and were also more likely to die from COVID-19 (OECD and EU, 2022; WHO, 2020b). Similarly to other EU Member States, the epidemic in Slovenia led to a decrease in the number of cancer diagnoses in the period 2020–2022,[154] and the consequences are expected to be felt in the coming years (Institute of Oncology, 2022), which is also addressed in the European Cancer Action Plan (ECAP). Long COVID-19, which most often causes fatigue, shortness of breath, memory and concentration problems, pain in various parts of the body, insomnia, and diarrhoea or nausea, is also a health concern for the population. A study on the impact of the pandemic on life in Slovenia – SI-PANDA – showed that, by March 2023, 57% of respondents had recovered from COVID-19, of whom 22% with a severe course of the disease. Approximately 70% of respondents still experienced some problems even after three months and 30% even after six months. The problems affected their leisure activities, relationships, work and jobs, and care of home and family (NIJZ, 2023b).

In recent years, several important steps have been taken to improve the mental health of the population, but the shortage of psychologists, psychotherapists and psychiatrists remains an acute problem. The prevalence of mental health problems had already increased in Slovenia and other developed countries in the last decade, even more so with the COVID-19 epidemic. According to the European Health Interview Survey (EHIS), 5.5% of the population reported symptoms of depressive disorders in 2014, rising to 7.5% in 2019.[155] According to the 2021 national survey, the population with symptoms of depressive disorders grew to 13.4%.[156] In 2019, 10.5% of young people aged 15–24 reported symptoms of depression in the last 12 months, which is significantly higher than the proportion of young people who received medical treatment (IMAD, 2023e). 2023 was declared the Year of Mental Health in Slovenia (MZ, 2023c), which was an added incentive to meet the targets set in the Resolution on the National Mental Health Programme – MIRA (NIJZ, 2019). Since 2020, this programme has been the basis for the gradual formation of the network of 20 Mental Health Centres for Children and Adolescents and 16 Mental Health Centres for Adults, which have introduced additional new services covered by compulsory health insurance. The severe shortage of psychiatrists and clinical psychologists to help people with major problems remains the biggest challenge for the implementation of the programme.[157] In 2023, the government introduced additional specialisations in the field of clinical psychology (MZ, 2023b) and adopted the Dementia Management Strategy by 2030 as a basis for the comprehensive approach of all stakeholders to solving the problem of dementia and similar conditions (MZ, 2023d). The amended Mental Health Act also envisages the creation and continuous development of a network of secure wards in psychiatric institutions and adequate treatment (MZ, 2023e).

At the primary level, access to healthcare has deteriorated in recent years due to the shortage of general practitioners (GPs); several measures have been adopted. Access to healthcare has been deteriorating in Slovenia for years, particularly due to its ageing population, the rise in chronic diseases and the related growing healthcare service needs. The number of outpatient examinations increased in the 2013–2023 period by 39% at the primary level and 31% at the specialist level. The number of examinations in the over 65 age group is increasing the fastest (ZZZS, 2024). At the primary level, the number of people without a GP has increased in recent years but slowly eased in 2023 compared to the previous two years (on 31 December 2023, 137,091 or 6.6% of all insured persons did not have a GP).[158] The situation improved particularly in Ljubljana, where the percentage of insured persons without a GP reduced (from 25% at the end of 2022 to 10% at the end of 2023). As a temporary solution to the problem, an intervention Act was adopted in October 2022, providing for the gradual establishment of 94 outpatient offices for people without a GP (ZNUNBZ, 2022).[159] According to the estimates of the Medical Chamber of Slovenia, there is a shortage of 450 family medicine outpatient offices to meet the norm of a maximum outpatient office workload of around 1,200 registered persons. According to international comparisons on the coverage of the population by GPs,[160] we would need 770 more (MZ, 2023g). Despite the guaranteed financial resources for the expansion of programmes in recent years,[161] they have only partly been carried out, due to the lack of suitable staff. To resolve the situation at the primary level, several measures[162] were adopted in 2020,

[154] The number of new cancer diagnoses in 2020 decreased by 11% year-on-year (Institute of Oncology, 2023).

[155] On average, 6.5% of the population had symptoms of depression in 2014 and 7.0% in 2019.

[156] The data for 2021 was obtained from the National Survey on Attitudes to Mental Health, which uses a slightly different methodology than the international EHIS (Vinko et al., 2022).

[157] According to the EHIS survey, 13.5% of respondents in 2019 in Slovenia had consulted a psychologist, psychotherapist or psychiatrist for what they considered to be serious mental health problems (EU: 16.2%), compared to only 6.9% in 2014 (Eurostat, 2024).

[158] The number of people without a GP increased by almost a quarter in 2022 (data as at 30 November 2022: 132,185 people or 6.3% of all insured persons).

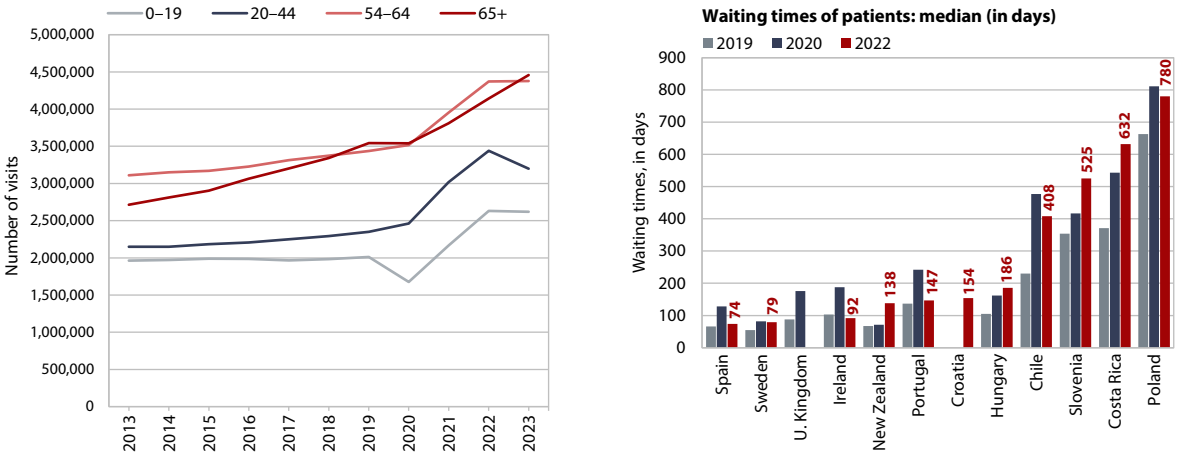
[159] By the end of 2023, healthcare centres that lacked the necessary number of GPs opened 17 clinics, most of them in Ljubljana, which is likely the main reason for the improved situation in 2023.

[160] In 2021, there were 1,460 GPs or 69 per 100,000 people, compared to the EU average of 107. However, in many Member States, the role of paediatricians and gynaecologists is performed by family doctors at the primary level, so such comparisons are not the most appropriate.

[161] A special government project for rewarding teams at clinics with a surplus of registered patients at the primary level (exceeding the weighted capitation of 1,895), extending the network of family medicine clinics to 64.6 teams, introducing healthcare administrators in family medicine teams, and facilitating faster employment of doctors from abroad (MZ, 2022).

[162] Salary supplements for specialty trainees for family medicine and more posts for specialisation, the expansion of competences of nurses, a three-month internship in family or emergency medicine, additional scholarships for medical and nursing students, increased

Figure 56: Population ageing is increasing pressure on the healthcare system* (left); at the secondary level, waiting times are among the highest in relation to countries with comparable data (right)**



Sources: ZZZS (2024), OECD (2023e). Notes: *Trend of examinations in GP clinics at the primary level (excluding gynaecological clinics). **The data for Poland is for 2021 instead of 2022.

2021 and 2022, followed by the introduction of a new standard in 2024 that connects the family medicine offices and the family medicine model practices and the establishment of new clinic for specialists in family medicine[163] (Government of the RS, 2023b).

At the secondary healthcare level, the intervention measures taken to reduce the waiting times in 2023 proved unsuccessful; the number of people waiting beyond the acceptable waiting time increased by an additional 20%. With the intervention Act Determining Emergency Measures to Ensure Stability of the Healthcare System (ZNUZSZ, 2022), under which the providers were paid based on the number of actual services performed[164] in the first half of 2023, the aim of reducing waiting times beyond the acceptable limit was not achieved. This was followed by amendments to legislation which changed the method of determining the list of services paid based on the number of services performed, expanding payment to new specialist clinic examinations (Box 5). Despite all these measures, the data of the National Institute of Public Health showed that, on 1 January 2024, nearly 140,000 people had been waiting beyond the acceptable waiting time, which is almost 20% more than the year before (117,000 people) and 58% more than at the beginning of 2022 (88,000 people). In 2022, the waiting time for a hip operation was the second longest among eight countries for which comparable data is available and had increased significantly since 2020 (Figure 56, right).

The epidemic and the related containment measures accelerated the digitalisation of healthcare and the use of e-health services. To mitigate the consequences of poor access to health, operators started receiving payment for remote consultations in the first months of the epidemic. At the primary level, remote consultations represented 20% of total consultations in 2021, gradually decreasing to 15% in the last two years.[165] In addition, during the epidemic, the availability of specialist reports in the Central Patient Data Register, set up within the framework of the eHealth project, was significantly improved, meaning that patients no longer have to physically bring their reports to outpatient clinics (MZ, 2023g), while the use of e-prescriptions and e-referrals has become common practice. However, as consultations, scheduling appointments by email and using various patient portals (zVEM[166], doZdravnika, etc.) require digital skills, the accessibility of healthcare for population groups with poor digital skills and those without digital devices has reduced. 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, 2023e).

During the epidemic, out-of-pocket health expenditure increased but remained very low compared to other countries. The main indicator of the affordability of healthcare is out-of-pocket health expenditure, measured as a share of total household

enrolment in medicine and stomatology programmes, and easing language conditions for employing foreign doctors (MZ, 2022). Salary supplements for young doctors to choose a specialisation in family medicine; the possibility of making appointments by telephone at the primary care level throughout the clinic's working hours, with a call-back service for the patient provided (ZNUNBZ, 2022).

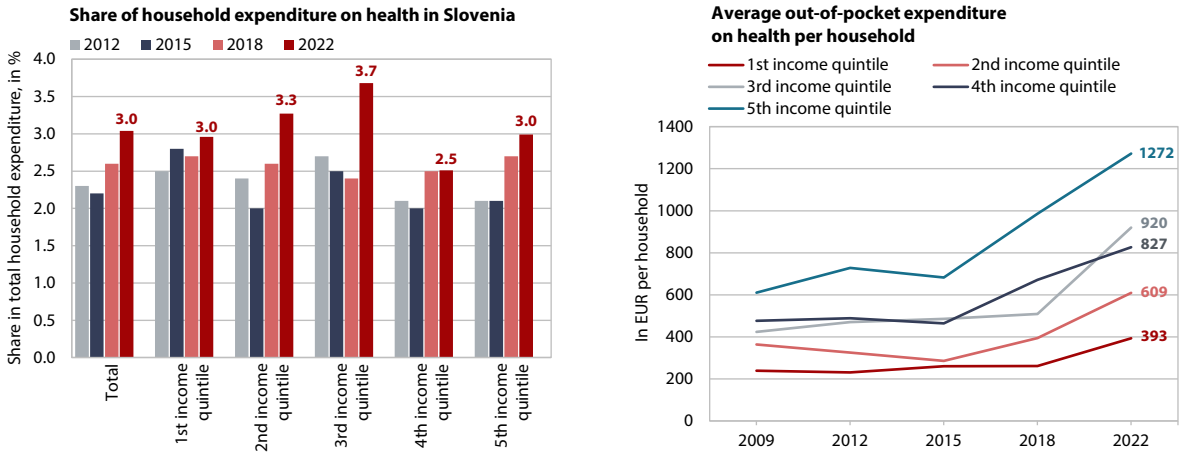
163 2024 is set to see 100 clinics under the new standard and 15 clinics for specialists in family medicine.

164 Public healthcare network providers also received payment for the services that used to be performed in excess of the contractually agreed plan of the Health Insurance Institute of Slovenia and had not been paid due to limited funds.

165 In 2021, remote consultations at the primary and secondary levels amounted to 13% (EU: 21%) (OECD, EC and WHO, 2023).

166 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).

Figure 57: During the epidemic, households' out-of-pocket expenditure devoted to health increased, the highest percentages being recorded in the second and third quintal income brackets



Source: SURS (2024b). Note: In 2022, the Household Finance and Consumption Survey was adjusted to the new version of the COICOP classification (the 2018 COICOP version) that, as part of the group 06-Health, also includes long-term care services, as a result of which it is not fully comparable with previous surveys. Price increases also contributed to higher expenditure in 2022.

consumption.[167] It may pose a significant financial burden on poorer households. In Slovenia, this expenditure has remained between 12 and 13% of current health expenditure for many years, which is well below the EU average of 22% in 2021 (see Indicator 3.8). In 2018 (latest international comparison), only 0.8% of the population had catastrophic[168] out-of-pocket expenditure, which is the least among EU (6.5%) and OECD (5.3%) countries. However, the share of households' final consumption[169] devoted to health increased during the epidemic from 1.9% in 2019 to 2.4% in 2021, while the EU average remained unchanged (3.3%) (OECD and EU, 2022). Data from the Household Budget Survey also shows that the share devoted to health increased to 3.0% in 2022 (2018: 2.6%) or an average of EUR 804 per household per year (EUR 336 per household member).[170] Households with the lowest income spent the same share of their income on health as households with the highest income (3.0%). In 2022, expenditure devoted to health increased significantly for households in the second and particularly third quintile income bracket (to 3.7%), which is likely related to longer waiting times in the public healthcare network.

Inclusion of older people in formal long-term care has increased in recent years and is close to the EU average, but the extent of unmet needs is still great. In 2022, 15% of the population aged 65 and over reported having serious long-term difficulties in carrying out daily activities, which is lower than the EU average (16%) and significantly lower than self-perceived limitations in previous surveys.[171] Inclusion of persons aged 65 and over in formal long-term care in 2021 was at 11%, around the EU and OECD averages.[172] At the same time, the share of public expenditure on long-term care in GDP in 2021 was still only 1.1%, significantly lower than the EU average (1.7%) and more than half lower than in the most developed European countries (see Indicator 3.9). A 2022 OECD study (2023g) showed that in Slovenia, persons aged 65 and over with high-level limitations and medium-level income were unable to cover co-payments for formal care at home by themselves, despite co-financing from public resources. The consequences are reflected in a high degree of unmet needs for long-term care: in 2019, 55% of persons over the age of 65 received no care, despite needing help with at least three basic or instrumental daily activities (EU-22: 32%).[173] In particular, the problem lies in poorly developed home care services: in 2021, 69% of persons aged 65 or over received home care, which is still below the OECD average, despite a

[167] Out-of-pocket expenditure relates to direct payments for services not included in the obligatory health benefit package. The greatest share of these (34%) is spent on non-prescription or »white prescription« medicinal products, followed by medical devices (glasses), self-pay outpatient services, including physiotherapy and alternative medicine, dental services, etc. According to WHO recommendations, direct out-of-pocket expenditure is still acceptable until it accounts for around 15% of health expenditure; in Slovenia, it accounted for 12.7% in 2021 (see Indicator 3.8).

[168] Out-of-pocket expenditure poses a risk to a household when it exceeds 40% of the household's ability to pay above the minimum cost of living, or above the basic necessities basket, which includes not only food but also other essential consumption items and housing costs (Thomson et al., 2019).

[169] This indicator is calculated by using direct out-of-pocket expenditure according to the methodology of the System of Health Accounts as a share in the Final Consumption of Households according to National Accounts and differs slightly from the share of household expenditure for health according to the Household Budget Survey.

[170] In 2022, the Household Finance and Consumption Survey was adjusted to the new version of the 2018 COICOP classification that, as part of the »Health« group, also includes LTC services, as a result of which it is not fully comparable with previous surveys.

[171] This indicator is also used in the calculation of healthy life years, see Indicator 3.1.

[172] In 2021, 11% of the population aged 65 and over participated in formal long-term care, according to internationally comparable data (OECD: 11.5%) (OECD, 2023e). In 2021, Slovenia had an average 72,222 recipients of long-term care: 21,981 recipients of institutional care, 27,286 recipients of home care, 659 in daily care and 22,296 recipients of cash benefits (SURS, 2023a).

[173] For more details, see SHARE 8 Val (Börsch-Supan, 2022); adapted from OECD (2023e).

Box 5: Elimination of co-payment and complementary health insurance and other healthcare intervention measures

High co-payments on health services and medicinal products covered by complementary health insurance were eliminated in 2023. In the 1992–2023 period, the health benefit package[1] was financed from compulsory and complementary health insurance. Complementary health insurance covered all co-payments to the full value of most health services and medication and was an additional source of funding for the public service, with the implementation of insurance left to private insurance companies. The coverage of the population with compulsory insurance was almost 100%. Additionally, due to high co-payments for health services 95% of persons liable for co-payment were included also in the complementary insurance scheme. For the poorest segment of the population (an average of 50,000 people in 2023), this insurance was covered by the state. However, the weakness of the complementary health insurance was the single premium for all income brackets and its regresiveness (IMAD, 2019). Moreover, complementary health insurance was criticised for the high costs of managing private insurance companies,[2] both of arguments had previously been cited as the main reasons for eliminating co-payments (MZ, 2003, n. d.). On the other hand, the share of co-payment from complementary health insurance rose during periods of crises, which restricted the affordability of healthcare: direct out-of-pocket expenditure remained very low for years (IMAD, 2021). The highest increases in co-payment, including up to the highest legally prescribed shares (up to 90%), were recorded during the global financial crisis (2008–2012). Along with the high increase of compulsory health insurance expenditure in recent years, premiums on complementary health insurance also rose quickly, amounting to an average EUR 35.67 at the beginning of 2023, with private insurance companies planning to increase them by an additional 30%. Due to high inflation, the Government responded in April 2023 by freezing the complementary health insurance premium (Government of the RS, 2023), followed by the elimination of co-payment and thus the complementary insurance itself (ZZVZZ-T, 2023).

A new compulsory healthcare contribution was introduced in 2024, partly compensating for the shortfall in resources due to the elimination of co-payments and complementary health insurance. Since the beginning of 2024, 100% of the benefit package has been covered from public resources. The compulsory healthcare contribution is flat levy (amounting to EUR 35 per month) and will be adjusted to the rise in the average gross salary of the previous year from March 2025 onwards. It is planned that the healthcare reform will also solve the issue of income solidarity concerning the contribution. The persons subject to the payment of the compulsory healthcare contribution are all categories under the mandatory health insurance who were subject to co-payments before 2024. These also include all pensioners, whose contributions are paid by the Pension and Disability Insurance Institute of Slovenia by withholding the amount from their net pension. The compulsory healthcare contribution of unemployment benefit recipients is paid by the Employment Service of Slovenia. The state budget covers the contribution for the recipients of the social assistance benefit in cash and the beneficiaries of supplementary allowance, war veterans, refugees, professional foster carers and certain other categories of people.

According to the 2024 financial plan of the Health Insurance Institute of Slovenia, the shortfall in complementary health insurance will be also covered from the state budget. The Institute's 2024 financial plan provides that the state budget shall provide funds of up to EUR 420 million for the current needs or sustainability of the compulsory health insurance system (ZZZS, 2024). The anticipated revenues from the new compulsory healthcare contribution are EUR 621 million. In 2023, the transfer from the state budget to cover current needs amounted to EUR 283 million and was intended to cover additional expenditure related to the mitigation of COVID-19, particularly sick pay costs, payments to providers for exceeding the service programme above the compulsory health insurance limit and the costs of establishing the long-term care system. In 2024, the transfer from the budget will partly be used to cover the shortfall in funds from complementary health insurance, estimated at EUR 140 million (ZIPRS2425, 2024). The compulsory health insurance expenditure is therefore expected to increase in 2024 to 7.9% of GDP (EUR 5.34 billion; 2023: EUR 4.32 billion or 6.8% of GDP).

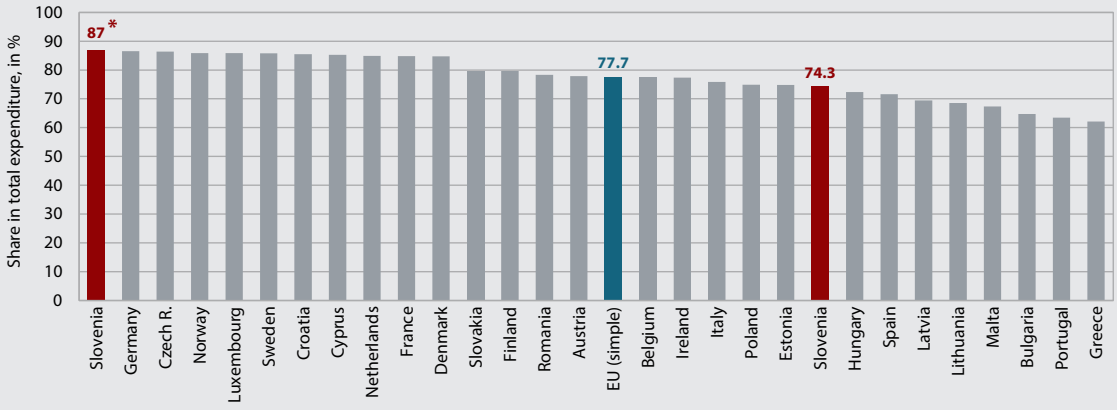
In light of these changes, Slovenia will have one of the highest shares of public expenditure in current healthcare expenditure in the EU. According to international methodology (OECD, Eurostat, WHO, 2017), public health expenditure also includes expenditure from the state and municipality budgets which, according to the preliminary 2022 assessment of the Statistical Office of the Republic of Slovenia, amounted to 9.2% out of a total of 74.3% of all current public health expenditure (Indicator 3.8). Private expenditure amounted to 25.7%, of which 13% for complementary health insurance expenditure and 12.7% for out-of-pocket expenditure. According to

[1] The benefit package includes services at the primary, secondary and tertiary levels, medicinal products, medical devices, sick pay for sick leave of over 30 days, and certain travel expenses (for more, see IMAD, 2021).

[2] As the administrative costs of managing complementary health insurance in 2022 amounted to EUR 65.3 million, this part of funds was not intended for the payment of healthcare services (MZ, 2024a).

the 2024 financial plan of the Health Insurance Institute of Slovenia and the breakdown of the 2022 healthcare expenditure, it is estimated that the share of all current public expenditure in 2024 will increase to approximately 87% of all current healthcare expenditure.

Figure 58: Public health expenditure in the EU in 2021 and 2022 and the estimate for Slovenia in 2024



Source: Eurostat (2024). Note: *estimate for Slovenia in 2024

The intervention legislation adopted in healthcare in 2022 and 2023 also affected the scope of health services, but it failed to increase accessibility to a desired degree. The intervention Act Determining Emergency Measures to Ensure Stability of the Healthcare System (ZNUZSZ, 2022)[3] did increase the scope of performed healthcare services by the end of June 2023, but not as much as expected, as a result of which the aim of reducing the waiting times beyond the acceptable limit was not achieved. The Act was then amended in 2023, providing that the list of services paid based on the number of actual services performed shall be determined by the government (ZNUZSZS-A, 2023). With the amendment to the 2023 Government Decree,[4] the payment based on the number of services performed was expanded to certain new specialist clinic examinations. The Health Care, Labour and Social Care Intervention Measures Act (ZIUZDS, 2023) was adopted in December 2023; in addition to compulsory healthcare contribution amendments,[5] this introduced the maximum amount of sick allowance to 2.5 times the average gross salary in the previous year and extended the period of paying sick allowance by employers from 20 to 30 days and decreased the burden on compulsory health insurance (see Indicator 3.14). According to the Intervention Act, the Health Insurance Institute of Slovenia is now also required to allocate part of the funds collected from contributions for occupational injuries and diseases for prevention projects aimed at maintaining occupational health and the promotion of health at the workplace.

[3] In the first half of 2023, providers received payment for all the services performed (public healthcare network providers also received payment for services that used to be performed in excess of the contractually agreed plan of the Health Insurance Institute of Slovenia and had not been paid due to limited funds) and a bonus for increased workload for special tasks and were offered the possibility to conclude a contract of service with their employees if the healthcare services were provided outside their regular working hours.

[4] The first Decree determining compulsory health insurance service programmes, defining the capacities required for its implementation and determining the scope of funds for 2022, was adopted in August 2022. It replaced the General Agreement that previously determined the annual programme and scope of services covered from compulsory health insurance. The Decree determining compulsory health insurance service programmes, the capacities required for its implementation and the amount of funding for 2023 was adopted in January 2023, followed by the Decree determining compulsory health insurance service programmes, the capacities required for its implementation and the amount of funding for 2024 in February 2024.

[5] The Health Care, Labour and Social Care Intervention Measures Act (ZIUZDS, 2023) was adopted in December 2023, providing certain details regarding the payment and collection of compulsory healthcare contributions by the Health Insurance Institute and the Tax Administration.

significant improvement in recent years, particularly the implementation of the Personal Assistance Act. Due to poorly developed home care or community-based care, waiting times for admission to institutional care are getting longer from year to year.

The staff shortage in long-term care has significantly worsened since the epidemic. Due to the staff shortage in long-term care, changes to staffing standards in residential care homes and special social care institutions were adopted in April 2022, with plans for gradual increases until 2030.[174] However, residential care homes and home care providers have difficulty acquiring new staff. At the end of 2022, more than 1,000

[174] By 2030, the number of employees is expected to increase by 46% in residential care homes and by 30% in special social care institutions compared to 2022 (one-fifth of additional personnel every two years). In total, this would amount to more than 2,200 posts (Government of the RS, 2024).

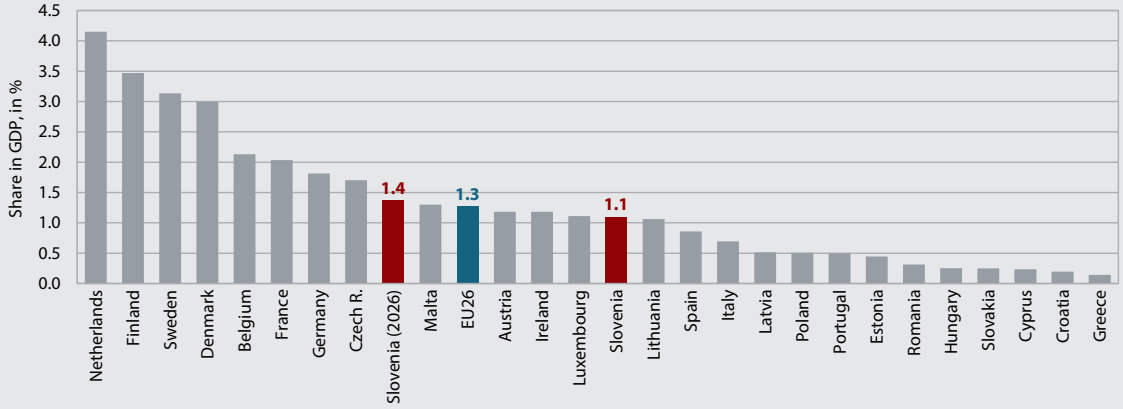
Box 6: Long-term care – Service development and funding for the new social security pillar

In July 2023, the ZDOsk-1 was adopted, introducing improvements to the Act adopted in 2021 in several areas and regulating the financing of long-term care as a new social security system. The 2021 ZDOsk provided a comprehensive outline of long-term care, previously regulated in various Acts and social security systems (healthcare, pension and social protection systems). The new ZDOsk-1 (ZDOsk, 2023) provided for the priority introduction of home care, the institution of the caregiver for a family member, the establishment of entry points at social work centres, implementation of cash benefits and e-care, the determination of institutional long-term care providers (only residential homes for the elderly), the expansion of the range of long-term care professions, and the simplified employment of foreigners. Its key systemic change was regulating the financing of long-term care and providing a new timeline for exercising rights[1] (MSP, 2024).

The ZDOsk-1 determines a compulsory long-term care contribution. All persons insured under compulsory healthcare insurance and their family members over the age of 18 have been included in compulsory long-term care insurance under the ZDOsk-1. As of 1 July 2025, compulsory contributions in the amount of 1% of gross salary will be paid by employers and workers, 2% of the gross pension base by sole traders, farmers and students over the age of 18, and 1% of net pension by pensioners. Similarly to the new compulsory healthcare contribution, students up to the age of 26 are not liable to pay the contribution, and the state will cover the contribution for the recipients of the social assistance benefit in cash and for the recipients of supplementary allowance and some other categories. By 2026, the contributions are estimated to bring in EUR 644 million (MSP, 2024). The ZDOsk-1 also provides that the state budget will allocate a maximum of EUR 190 million a year for long-term care. From 1 January 2028 onwards, the Act also allows for the possibility of introducing co-payments by users up to 10% of the service value if other funds are insufficient.

In 2026, estimates made upon the adoption of the ZDOsk-1 predict that 1.72% of GDP will be allocated for long-term care from public or private sources, with a ratio of 81:19 between public and private expenditure. According to estimates (MSP, 2023), public expenditure for the fully implemented long-term care system in 2026 will amount to EUR 785 million or 1.03% of GDP. Taking into account the international methodology (OECD, Eurostat, WHO, 2017), certain other long-term care expenditure, which will continue to be paid based on other Acts (the ZZVZZ, the ZOA and the ZSV), amounting to an estimated EUR 279 million or 0.37% of GDP, should be added to this amount. Public expenditure on long-term care is therefore expected to reach 1.40% of GDP in 2026 (2021: 1.1% of GDP; see Indicator 3.9). Private expenditure for accommodation and food in institutional care is expected to reach 0.29% of GDP in 2026, while around 0.03% of GDP for private expenditure on long-term care is expected to remain outside the new system (co-payments for social assistance at home). According to the international definition, the overall expenditure on long-term care will amount to 1.72% of GDP in 2026 (2021: 1.45% of GDP). In terms of the structure of expenditure on long-term care, the ratio between public and private expenditure is expected to increase, with public expenditure increasing, to 81:19 (2021: 77:23), thereby approaching the EU average (see Indicator 3.9).

Figure 59: Share of public expenditure on long-term care in GDP in Slovenia and EU countries, 2021 and assessment for Slovenia in 2026*



Sources: Eurostat (2024), for Slovenia in 2026, MSP (2023). Note: *The estimate for Slovenia in 2026 is based on the data of SURS, IER calculations, IMAD and MSP.

[1] Timeline for exercising rights: 1 January 2024 the status of caregiver for a family member enters into force; 1 July 2025 entry points open, long-term home care and e-care start to be provided; 1 December 2025 new institutional long-term care services and cash benefits start to be provided.

available positions in residential care homes were vacant (SSZ, 2024), and the Social Protection Institute of the Republic of Slovenia (the IRSSV) has called attention to staff shortages in home care services (2023). The draft Act Determining Urgent Measures to Improve the Staffing, Working Conditions and Capacities of Providers of Social Assistance and Long-term Care Services (the ZNURK) is currently under public consultation (MSP, 2024).[175] In terms of the number of institutional care beds per 100,000 inhabitants,[176] Slovenia is around the EU average. Scandinavian countries have the highest number of beds, having expanded their independent living unit capacities for older people and persons with disabilities. With the aim of expanding the residential care home network, additional concessions for 1,660 spots have been awarded in recent years and providers are supposed to start operating by the end of 2024 or in 2025. With the help of the REACT-EU fund, significant resources have been invested in the 2021–2023 period to improve the infrastructure of public residential care homes, and RRP funding will be used to increase capacities in institutional care for older people in the 2024–2026 period[177] (Government of the RS, 2024). In August 2023, the amended Long-Term Care Act (the ZDOsk) was adopted, providing the sources and modalities of public financing of long-term care, which were not regulated by the originally adopted act, while the key orientation remains the acceleration of the development of home care, deinstitutionalisation and a uniform assessment of eligibility for entry into the long-term care system.

For people with disabilities, the Personal Assistance Act (ZOA) has significantly improved the possibilities for independent living at home. The number of personal assistance users[178] has been increasing steeply since the enactment of the ZOA in 2019, with 43.5% more in 2023 compared to 2021, while public expenditure for this purpose has also been rising sharply (MDDSZ, 2024a).[179] In the middle of 2021, amendments to the ZOA were adopted, laying down additional conditions for assessing the eligibility to personal assistance and certain restrictions for service providers. Nevertheless, the number of eligible persons continued to rise. Improving the availability and accessibility of social protection services and programmes aimed at deinstitutionalisation remains one of the main objectives in the field of social protection. In 2020, the ratio between the users of community forms of social protection and users of institutional forms of social protection amounted to 1:1.17[180] (excluding personal assistance, as it is implemented under disability legislation), with a target ratio by 2030 of approximately 1:1 (ReNPSV22–30, 2022).

[175] The proposed ZURK contains eight key measures involving social assistance and long-term providers, including: 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).

[176] In 2021, Slovenia had 790 beds per 100,000 people, while the EU-25 (excluding Slovakia and Greece) had 793 (Eurostat, 2024).

[177] In the 2021–2023 period, a little over EUR 93 million was invested in 16 public residential care homes from the REACT-EU fund. In the 2024–2026 period, EUR 59 million was allocated from the RRP fund to invest in the construction of independent living units for the elderly (539 additional spots) (Government of the RS, 2024).

[178] Persons eligible for personal assistance must be 18–65 years old and in need of another person's assistance for at least 30 hours a week in performing activities associated with independent living and family life, inclusion in the social environment, education and employment.

[179] In 2020, an average 1,209 users of personal assistance were recorded; in 2023, the number was 4,082. Public expenditure on personal assistance has been increasing for the last five years: from EUR 3.8 million in 2018 to EUR 196.6 million in 2023 (MDDSZ, 2024a).

[180] The calculation used in 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).

3.2 An inclusive labour market and high-quality jobs

An inclusive labour market and high-quality jobs (Development Goal 7)

The goal is to create an inclusive labour market that will provide high-quality jobs with high value added (see also Development Goal 6). The introduction of the concept of sustainable working life and the adjustment of jobs to demographic changes will help increase the labour force participation of older workers and improve their health. Improving the system of flexicurity and promoting the employment of both genders in gender-atypical professions will contribute to the increased inclusion of under-represented groups in the labour market.

SDS 2030 performance indicators for Development Goal 7:

	Latest data		Target value for 2030
	Slovenia	EU	
Employment rate (20–64 age group), in %	77.9 (2022)	74.6 (2022)	> 75* (79.5**)
At-risk-of-poverty rate of persons in employment (aged 18 and over), in %	5.7 (2023)	8.5 (2022)	< 5

Notes: *The employment rate target of 75% is the target of the SDS 2030, which Slovenia has already exceeded. **The employment rate target of 79.5% was set in 2022 to align with the objectives outlined in the European Pillar of Social Rights Action Plan 2030.

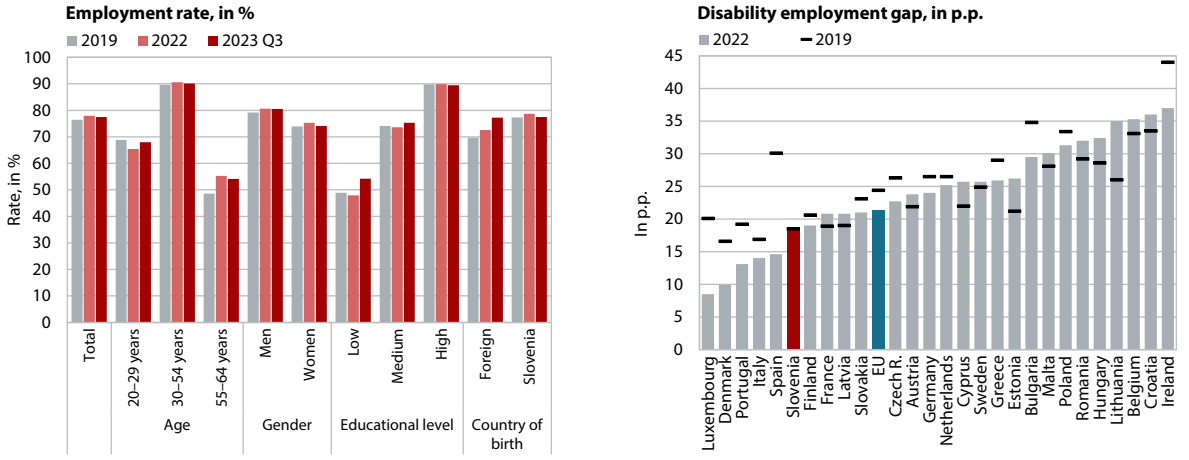
In 2023, as employment reached an all-time high, labour market participation also soared to unprecedented levels. Since the COVID-19 crisis, the situation on the labour market has improved rapidly, due to the recovery in economic activity and labour shortages, although these already existed to a large extent before 2020. By 2021, employment had already exceeded pre-COVID-19 levels, peaking in the fourth quarter of 2023 with 971,000 people employed, while the number of unemployed was one of the lowest recorded (47,600). At the same time, labour market participation, as measured by the employment rate, reached a historic high: it rose to 77.9% by 2022 (latest annual data), which is above the SDS target and close to the EPSR Action Plan target (see Indicator 3.1).[181] Despite significant improvements in employment opportunities, certain population groups continue to have lower labour market participation rates (Figure 60). These groups include, in particular, young people starting out in the labour market, older people, people with lower levels of education, foreign nationals, persons with disabilities and more frequently women than men. These groups often occupy lower-paying jobs, are caught in inactivity or low-wage traps, and have limited opportunities for career advancement, further hindering their social inclusion and economic independence. In this context, it is crucial to address the barriers faced by certain groups that may perpetuate their economic hardship, to increase incentives to prolong working life, and to increase funding for active labour market policies aimed at enhancing employment opportunities and working conditions for vulnerable groups through training, mentoring and subsidised employment programmes. Increasing their participation in the labour market is vital for ensuring a decent life (see Section 3.3) and mitigating labour shortages (see Section 1.1).

When entering the labour market, certain vulnerable groups often face multifaceted barriers, including lack of skills or education, their age, disability, poor health, social exclusion, and prejudice, which hinder their access to quality and secure employment. They are also more likely to earn lower wages and/or to become unemployed or inactive than other groups of employees, affecting their income security, social inclusion and quality of life. Young people (aged 20–29) experienced the highest levels of job insecurity during the COVID-19 pandemic, as many fixed-term contracts were cancelled or not renewed and the availability of student work, already among the most precarious forms of employment, declined. Their employment rate in 2023 was still below pre-COVID-19 levels (Figure 60), and around one-fifth of young workers were earning the minimum wage[182] (Figure 66, right). There is also considerable potential to increase the participation rate among older people (55–64) and people with a low level of education – two often overlapping groups where only half of all people are employed. The labour market participation is particularly low among 60–64-year-olds, where the employment rate remains one of the lowest in the EU despite a gradual increase. In the past, this was influenced, among other things, by retirement

[181] At the beginning of 2021, the activity and employment rates were also affected by a change in the methodology used in the Labour Force Survey, which provides internationally comparable data on the labour market situation. The change in the methodology is related in particular to a change in the definition of persons in employment in relation to temporary layoffs. According to the change in the methodology at the beginning of 2021, persons whose duration of layoff was longer than three months or is expected to be longer than three months are now excluded from the total number of employed persons. They are now included either in the category of unemployed (if they are actively seeking work) or in the group of inactive persons. The methodological change had an impact on the recorded number of persons in employment mainly in the first half of 2021, due to the increased participation of employed persons in the measures, and thus mainly on the activity and employment rates.

[182] The employment rate among young people (aged 20–29) was 68.9% in Q3 2023, 0.9 p.p. lower than in Q3 2019.

Figure 60: The employment rates show that some vulnerable groups in Slovenia are still relatively less integrated in the labour market (left); the disability employment gap* is among the smallest in the EU (right)



Sources: Eurostat (2024), EU-SILC, Global Activity Limitation Index (GALI). Note: *The gap refers to the difference in employment rates between people with and without disabilities, expressed in percentage points.

conditions that allowed for a relatively early exit from the labour market (including through unemployment status) and a tendency to leave the labour market as soon as possible, a lower propensity of employers to hire older workers,[183] and a relatively low willingness of employees to participate in lifelong learning, which can facilitate (re)integration or allow for an extension of working life. Therefore much more attention needs to be paid to creating conditions that allow people to extend their working lives, through measures such as adapting jobs to older workers, promoting lifelong learning and maintaining health of employees and through pension reform that can help improve the fiscal sustainability of the pension system and the adequacy of pensions.

Given the general labour shortage, the labour market participation of foreign-born people has been relatively high in recent years, standing at around 77%, similar to that of native-born workers. At the end of 2023, the share of foreign-born workers in the total number of persons in employment reached 14.4%, the highest level since 2010.[184] The increased demand for these workers is a consequence of the labour shortage resulting from high employment levels, low unemployment rates and growth in the industries that typically employ such workers.[185] However, foreign workers often face particular challenges, including language barriers that can limit access to information about job opportunities and communication in the workplace, cultural differences hindering integration into the local environment, and prejudice or discrimination. They are mainly engaged in heavy manual labour (especially in construction etc.), often receive lower wages than similarly qualified native workers due to difficulties in transferring skills to the host country (Cupak et al., 2023), and face obstacles in having their formal qualifications recognised.[186] More than one-third of foreign workers are paid the minimum wage, and they frequently experience limited career advancement opportunities and insecure forms of employment without formal employment contracts. The vast majority of foreign workers come from the Balkan countries, which continue to serve as a potential labour pool; however, the availability of workers from these regions is gradually decreasing. In addition, Slovenia competes for foreign labour with other countries, some of which may offer better working conditions and wages. This underscores the necessity for additional measures to enhance working conditions for foreign workers and promote their social integration, including through an appropriate migration and integration strategy to address the current and future challenges of attracting foreign nationals and facilitating their integration into society.

Disadvantaged groups include persons with disabilities, which is reflected in their significantly below-average labour market participation, their relatively higher share in total long-term unemployment and their less favourable educational structure. People with a disability status often have poorer employment prospects and, in most cases, a disadvantaged starting position when entering and staying in the labour market, due to their lower levels of education and physical and other disabilities. This is reflected in their employment rate, which is almost 20 p.p. lower than that of people without disabilities, although the gap in Slovenia is among the lowest in the

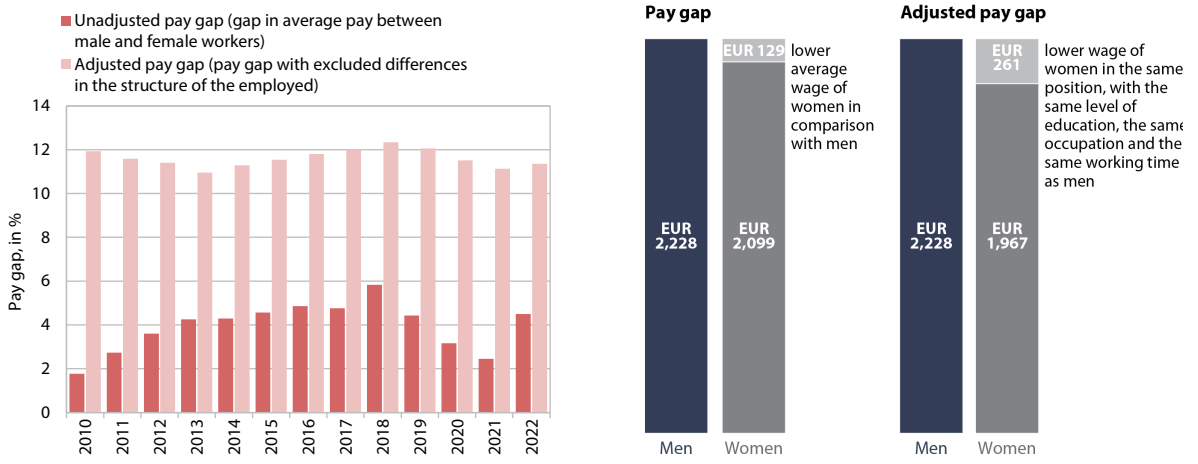
[183] The age of the jobseeker is often the most important factor for potential employers when making hiring decisions (Eurobarometer, 2023e). Therefore appropriate policies should be implemented to address barriers to hiring older workers or to retain them in employment, such as job adaptation, retraining, lifelong learning, age management in companies, promotion of active ageing, etc.

[184] Data from the Statistical Office of the Republic of Slovenia on the number of foreign nationals in employment has been available since 2010.

[185] Foreign workers are predominantly employed in construction, transportation, and accommodation and food services.

[186] It is worth noting that foreign nationals are often overqualified for their jobs.

Figure 61: The gender gap in the average wage (the unadjusted gap)* is small, but it is much larger and constant when comparing the wages of men and women with similar demographic and employment characteristics (the adjusted pay gap)**



Source: SURS (2024c); estimates by IMAD. Notes: *The unadjusted pay gap is the difference in the average pay between men and women, expressed as a share of men's pay. When the gap is positive (negative), the average pay among women is lower (higher) than among men. The values for the unadjusted gap and the level of the average wage in the figure differ slightly from the values published by SURS, which is due to slight differences in the sample used. In our case, we first logarithmically transform the wages and only then average them. **The adjusted pay gap is the gap excluding differences in the structure of the employees and is a regression estimate. The regression estimate was made 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 whole year and who received at least 90% of the annual minimum wage. The estimates in the figure on the right refer to 2022. It is worth noting that the regression estimates of the adjusted wage gap could be slightly different if additional explanatory factors were included in the model.

EU, with little change in recent years (Figure 60, right). Although the number of unemployed people with a recognised disability has gradually decreased in recent years in line with the general decline in unemployment and due to the high demand for labour, they still make up a significant proportion of the long-term unemployed, accounting for 26.9% at the end of 2023 (28.4% at the end of 2019). For individuals with disabilities, work and employment are not only vital economically, but also play a crucial role in bolstering self-esteem, fostering social integration and enabling greater independence. Consequently, efforts should focus on workplace adaptation, accessibility enhancements, provision of adequate training and support services tailored to the needs of individuals with disabilities.[187] The Personal Assistance Act has also been adopted to facilitate the social integration of people with disabilities, but the gap has remained unchanged since its adoption.

The gender gap in employment rates is relatively small, although women often earn less due to various factors. The gap has consistently been among the smallest in the EU, amounting to 6.9 p.p. in 2022 (EU: 10.7 p.p.). Slovenia's relatively small gap is driven by the high employment rate of women, particularly in the 30–54 age group, which is the highest in the EU (88.2% in 2022). In addition to high levels of formal education,[188] policies and measures that enable women to balance work and family life, such as access to early childhood education and care, maternity leave, and part-time work arrangements for parents, significantly contribute to women's high employment rate in Slovenia. Women's decision to enter the labour market is often influenced by the economic needs of the household. However, even when women participate in the labour market, they are more likely to be responsible for care and unpaid work, which means that the total time spent in work (paid and unpaid) is higher for women than for men. This disparity also explains why women are twice as likely as men to work part-time, more frequently leave and re-enter the labour market, interrupt their careers, and are underrepresented in management positions (see Section 3.1.). As a result, women are more likely to receive lower pay than men, even for comparable work. The gender pay gap often emerges early in careers and peaks in the 30–40 age group, coinciding with the onset of motherhood (see also Box 7).

Despite various measures, the gender pay gap in Slovenia persists and shows no signs of decreasing; according to EU legislation, much more ambitious mechanisms for preventing the gender pay gap need to be enacted by 2026. Differences in occupational

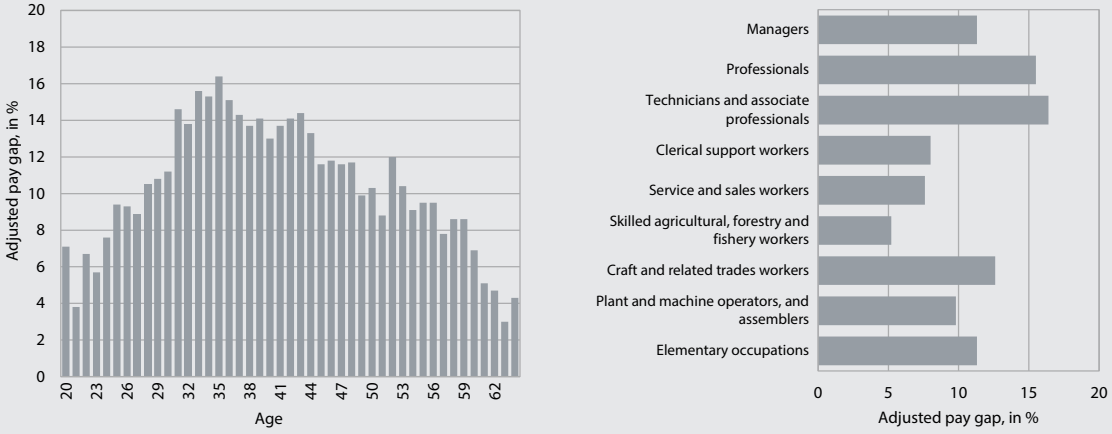
[187] The Council Directive establishing a general framework for equal treatment in employment and occupation for persons with and without disabilities prohibits discrimination on the grounds of disability; it aims to improve the employability of persons with disabilities, facilitate the transition from education to employment, and create a working and employment environment adapted to the abilities and capacities of persons with disabilities; for more information, see IMAD (2021a).

[188] The high participation of women in tertiary education could also be partly due to their poorer career prospects, i.e. to their trying to compensate for their disadvantages in the transition from school to working life, where they encounter greater obstacles than men.

Box 7: An in-depth overview of the estimated gender pay gap

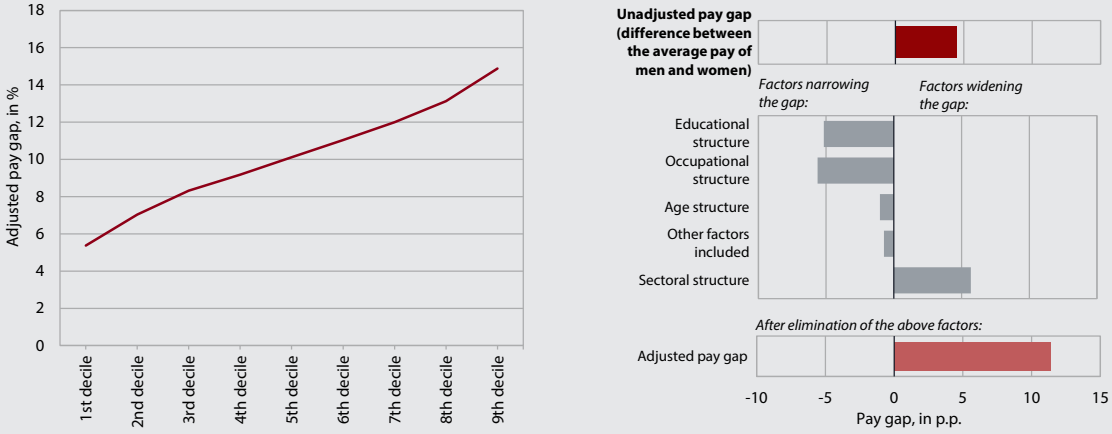
The gender pay gap emerges early in careers in a variety of occupations and is smaller in the public sector than in the private sector. The wages of men and women with the same education, age, working hours, organisation, etc. (i.e. the adjusted pay gap) show that the pay gap widens slightly shortly after the start of a career, which coincides with the period of the birth of a first child in Slovenia, while men's careers are generally uninterrupted during this period. The gap varies considerably between occupations and is generally slightly larger in the more demanding occupations. This is also reflected in the gap by deciles of income distribution, which increases with increasing deciles. The pay gap is smaller in the public sector than in the private sector, due to the standardised pay system. A decomposition of the gender pay gap shows that differences in education, occupation and age structure are in favour of women, while differences in employment by activity are in favour of men.

Figure 62: The gender pay gap emerges early in the careers of women and is greatest around the age of 35 in all occupational groups, especially in the more demanding occupations (based on data for 2022)



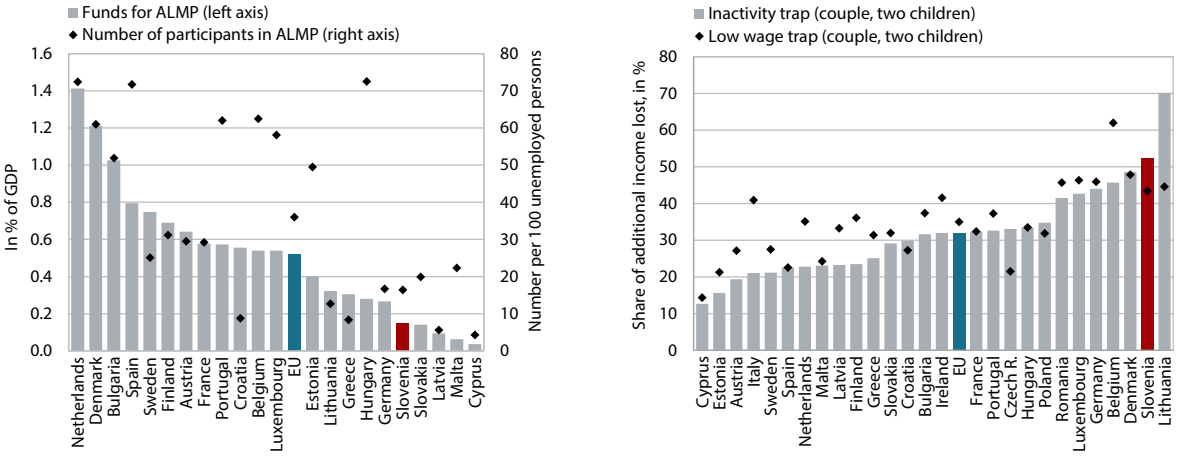
Source: SURS (2024c); estimates by IMAD. Note: Estimates refer to 2022. The estimates of the gaps by age group also use fixed effects at the level of organisations, meaning that the comparison is between men and women within the same organisation.

Figure 63: The pay gap widens as we move up the income deciles (left); differences in education, occupation and age, which favour women, contribute to narrowing the gap, while the sectoral structure of employment, which favours men, contributes to its widening (right)* (based on data from 2022)



Source: SURS (2024c); estimates by IMAD. Notes: Estimates refer to 2022. *The unadjusted pay gap, simply the difference between the average earnings of men and women, can be decomposed using a regression model (i.e. the Blinder–Oaxaca decomposition) into the contributions of average gender differences in education, occupation, age and sectoral structure, along with a residual that cannot be explained by these factors. This residual is the adjusted pay gap, comparing only the wages of women and men with the same education, occupation (according to the Standard Classification of Occupations), age, employment (according to the Standard Classification of Activities), etc., thus avoiding "apples and oranges" comparisons seen with the unadjusted pay gap.

Figure 64: In 2021, ALMP programmes received relatively limited funding, leading to low participation rates among the unemployed (left);* in 2022, the inactivity and low-wage traps remained high, which could discourage individuals from entering the labour market or increasing their working hours (right)



Source: Eurostat (2024). Note: *EU refers to the simple average of the countries included in the overview. For EU countries not included in the overview, no data on the number of ALMP funds or the number of persons participating in ALMP programmes was available for 2021.

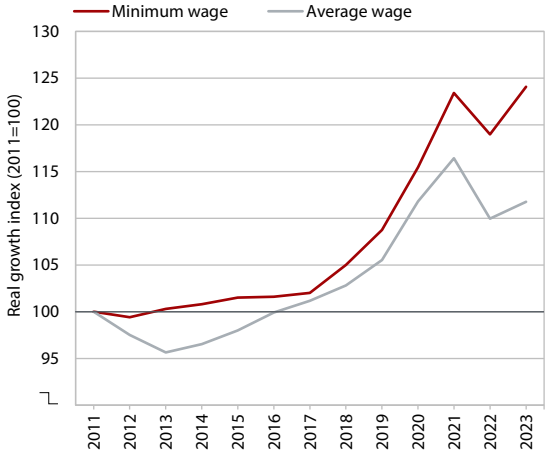
and educational structures between the genders can complicate wage comparisons. Therefore statistical methods are often employed to ensure a more accurate comparison of wages between men and women with similar education, occupation, length of service and other quantifiable demographic-occupational characteristics. Such a comparison shows an *adjusted* gender pay gap that is larger than would be suggested by looking at average wages alone (Figure 61, left), but also emphasises the significant impact of other, less quantifiable factors on the pay gap (in addition to the quantifiable demographic-employment differences), including various socio-cultural factors, temporary career interruptions due to childbirth and family responsibilities, workplace atmosphere, lack of pay transparency, motives, persistence and aspirations for career development, labour market dynamics, and discrimination. At the beginning of June 2023, the EU Directive to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms came into force. The Directive includes a number of measures for employers in both the public and private sectors and is to be transposed into national law within three years.

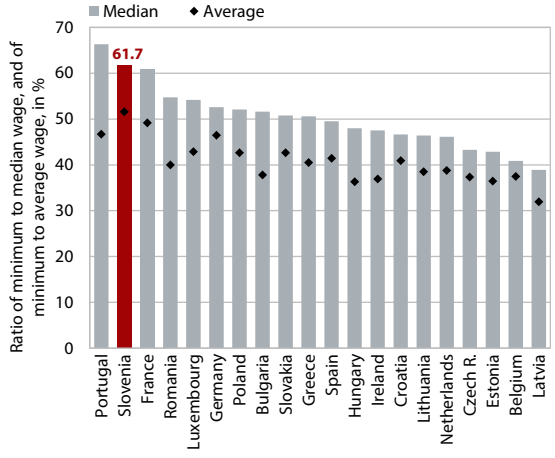
In Slovenia, the funding available for active labour market policy and the incentives for the transition from inactivity to employment or better-paid work are among the lowest in the EU. Empirical analyses show that active labour market policy (ALMP) programmes can facilitate quicker activation and transition to employment, although they have received relatively much less funding in Slovenia for many years compared to most EU Member States. As a result, the participation rate of the unemployed in such programmes remains low (only around 15% participate) (Figure 64, left). The volume of funding has been declining in recent years but was increased slightly for 2024.[189] Other factors that can influence a person's interest and decision to enter the labour market or increase working hours include taxation, contributions and transfers, and the potential loss of additional income when transitioning from inactivity to employment (the inactivity trap) or when increasing working hours (the low-wage trap), due to higher taxes and lower social transfers.[190] Both traps can act as a deterrent when it comes to deciding whether and to what extent to participate in the labour market, especially if the increase in income is relatively low. Those most affected are often individuals with lower levels of education, who are more likely to be inactive or employed in low-paying jobs. Slovenia is one of the EU countries most affected by both traps, impacting both single people and those living in multi-person households where they are not the main breadwinner, most often women (Figure 64, right). In 2022, such households lost 52.3% of their additional income when transitioning

[189] In 2022, following a revision of the ALMP plan, just over EUR 67.8 million was made available for the implementation of the programmes, while 17.1% less than the planned amount was actually spent (MDDSZ, 2023). Under the 2023–2024 ALMP plan, a total of EUR 47.7 million was made available for the implementation of the measures in 2023 and EUR 67.8 million in 2024. In addition to the general budget of the Republic of Slovenia, the financing of the ALMP in the period 2023–2024 also includes funds from the old financial perspective 2014–2020, the new financial perspective 2021–2027, the Recovery and Resilience Mechanism, and the Climate Fund (MDDSZ, 2022a).

[190] The "inactivity trap" indicator shows the difference in a person's net earnings when transitioning from inactivity to employment due to higher taxes and social contributions and lower social transfers. In our case, this pertains to a couple with two children, where one of the spouses already earns 100% of the average wage, while the other, previously inactive and receiving financial social assistance, rent subsidy and child benefit, takes on a job paying 67% of the average wage. For the same household, the "low wage trap" indicator shows the difference in net earnings of employed persons on moving to a higher paid job (from 33% to 67% of the average gross wage), due to higher taxes and social contributions and lower social transfers compared to the previous lower paid job with lower taxes and social contributions and higher social transfers.

Figure 65: Since 2011, the minimum wage has increased more than the average wage in real terms (left); the ratio between the minimum and average wage, or the median value, was therefore one of the highest of all EU countries with a statutory minimum wage in 2022 (right)





Sources: SURS (2024b), OECD (2024c).

from inactivity to employment (compared to only 32% in the EU). Similarly, when transitioning to higher-paid jobs or increasing working hours, 43.3% of the additional income was lost, which is around 12 p.p. less than in 2019 but still much more than the EU average (35%).[191] Both traps are primarily the result of higher taxes (personal income tax, higher social contributions) and, in some cases, lower social transfers.[192] More effective integration of vulnerable groups into the labour market in the future will require better allocation and use of ALMP resources, increased investment in education, training and reskilling, and increased alignment between social transfers and tax on wages.

The minimum wage has increased at a faster rate than the average wage for a prolonged period, resulting in slightly higher wage growth for workers with lower wages compared to other workers. In addition to high-quality jobs, an important aspect of an inclusive labour market is adequate pay, which prevents in-work poverty and ensures a decent standard of living. Between 2016 and 2021, amid a growing labour shortage, a number of agreements with public sector unions, and, during the epidemic, government measures to retain jobs and workers' incomes resulted in real wage increases (Figure 65, left). The rise in the minimum wage has made a significant contribution to the increase, while at the same time the wages of low-wage earners have risen relatively more than those of other workers. High inflation and the economic crisis led to a real decline in all wages in 2022. However, in 2023, this decline was offset by one of the largest increases in the minimum wage ever recorded (+12% in nominal terms), due to the adjustment for the previous year's inflation and the newly estimated minimum cost of living.[193] At the beginning of 2024, the minimum wage rose by 4.2% to EUR 1,253.90 gross, in line with the annual inflation rate as of December 2023. In the period 2019–2024, the minimum wage in Slovenia increased by 41.4% in nominal terms, placing the country in the middle of the 21 countries with a statutory minimum wage. According to the latest available data, Slovenia stood out as the only EU country with a minimum-to-average wage ratio above 50% and one of only three countries with a median above 60% (Figure 65, right). This indicates that Slovenia met the criterion for an adequate minimum wage, a point that was highlighted in the discussions surrounding the adoption of the EU Minimum Wage Directive.[194] Nevertheless, the problem of wages below the minimum wage remains. In the private sector, this mainly concerns basic salaries, which are often set below the minimum wage by collective agreements, and in the public sector, the value of salary grades (at the lower end of the wage scale), which remained largely unchanged between 2012 and 2022.[195]

[191] In households with children, this is mainly due to lower family benefits.

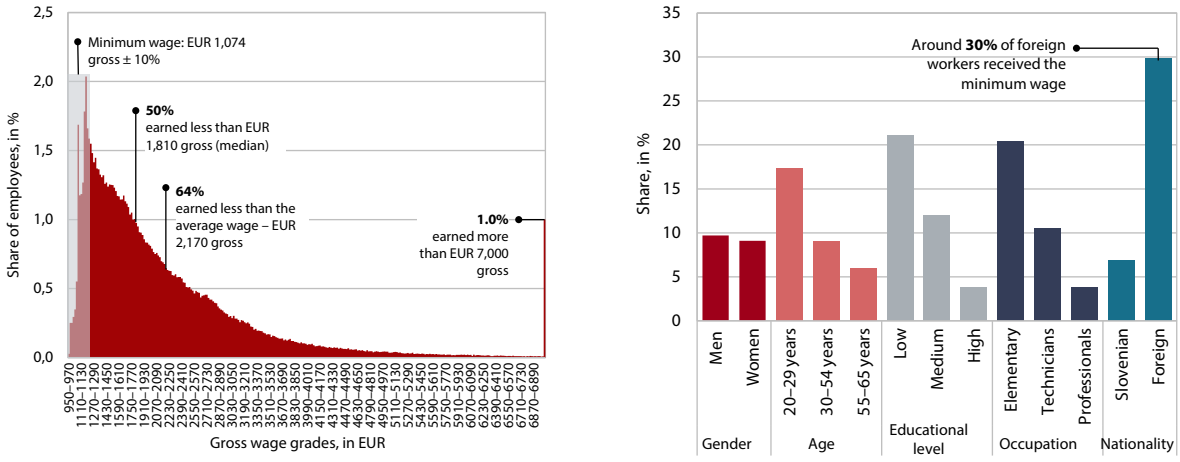
[192] Estimates are based on OECD TaxBEN calculations (OECD, 2023j).

[193] Amendments to the Minimum Wage Act, which were adopted in 2018, stipulate that the minimum wage must exceed the calculated minimum cost of living by at least 20% and not more than 40%. The minimum cost of living was estimated at EUR 669.83 in October 2022; the new calculated minimum cost of living required the net minimum wage to amount to at least EUR 803.80. At the same time, the gross minimum wage increases annually, every January, by at least the previous December's annual inflation rate.

[194] In October 2022, a directive was adopted establishing minimum requirements and procedural obligations at the EU level for ensuring the adequacy of statutory minimum wages and improving workers' effective access to minimum wage protection in the form of a statutory minimum wage.

[195] However, violations regarding the payment of the minimum wage also remain a problem. According to the Labour Inspectorate of the Republic of Slovenia, 1% of all inspections regarding payment violations concern violations of the minimum wage, the level of which has increased significantly, especially after 2020 (IRSD, 2019, 2020, 2021, 2022, 2023). As of 1 January 2020, all additional payments provided for by laws and regulations and collective agreements, the part of the salary for job performance, and remuneration for business performance agreed as per collective agreement or employment contract are to be excluded from the definition of the minimum wage. In terms of violations regarding remuneration for work, most breaches were found in relation to the annual leave allowance (50%) and in relation to the failure to pay salaries on time (25%).

Figure 66: The distribution of gross wages is highly concentrated around the minimum wage, which is most often paid to young people, people with low education and foreigners



Source: SURS (2024c); estimates by IMAD.

In Slovenia, the distribution of gross wages is highly concentrated around the minimum wage. From a decent pay for work perspective, it is undoubtedly appropriate to stipulate by law that the minimum wage should exceed the minimum cost of living. However, substantial increases in the minimum wage (relative to other wages) can lead to significant wage compression (egalitarian wage policy), which may serve as a disincentive for certain groups and, in conjunction with the tax burden, reduce the prospects of attracting highly skilled workers. Slovenia has one of the highest concentrations of workers paid close to the minimum wage.[196] Frequent and substantial increases in the minimum wage can cause spillover into other wage increases (to maintain wage ratios) and have a negative effect on competitiveness if wage increases are not accompanied by sufficient productivity gains.[197] The wage distribution shows that around 64% of employees were paid below the average wage in 2022 (Figure 66, left). Around 9.5% of all workers received the minimum wage in 2022,[198] a slightly higher proportion of men than women, almost one-fifth of young people and the same share of workers with a low level of education, and just over one-third of foreign workers (Figure 66, right). From a decent pay for work perspective, it would make sense to carry out calculations of the minimum cost of living more frequently than hitherto (Section 3.3), which could also avoid occasional very high minimum wage increases, and the alignment of the minimum wage with the tax and social transfer system should be improved in order to reduce the high low-wage trap.

Labour market segmentation declined over the last ten years and the in-work at-risk-of poverty rate, while rising to 5.7% in 2023, remains below the EU average. The lower segmentation of the labour market is reflected in a decline in the share of temporary and precarious employment, which according to the latest available data is lower than before the epidemic and ten years ago (see Indicator 3.13). The income differences between permanent and other types of employment contracts are also reflected in the at-risk-of-poverty rate of permanent and fixed-term employees. The at-risk-of-poverty rate was the highest among the self-employed in 2023, although it decreased from 27.9% in 2013 to 22.4% in 2023 (Figure 67, left). Despite the high prevalence of temporary employment among young people in Slovenia, the most significant decline in the in-work at-risk-of-poverty rate between 2013 and 2023 was observed in this population group (Figure 67, right). This could be related to (i) the higher increase in the minimum wage compared to the average wage, as the minimum wage earners are more often young people than other age groups, and (ii) the increase in the minimum hourly wage for student work.[199] The in-work at-risk-of-poverty rate has decreased over the last ten years, and, despite the increase in 2023, it is lower than a decade ago and

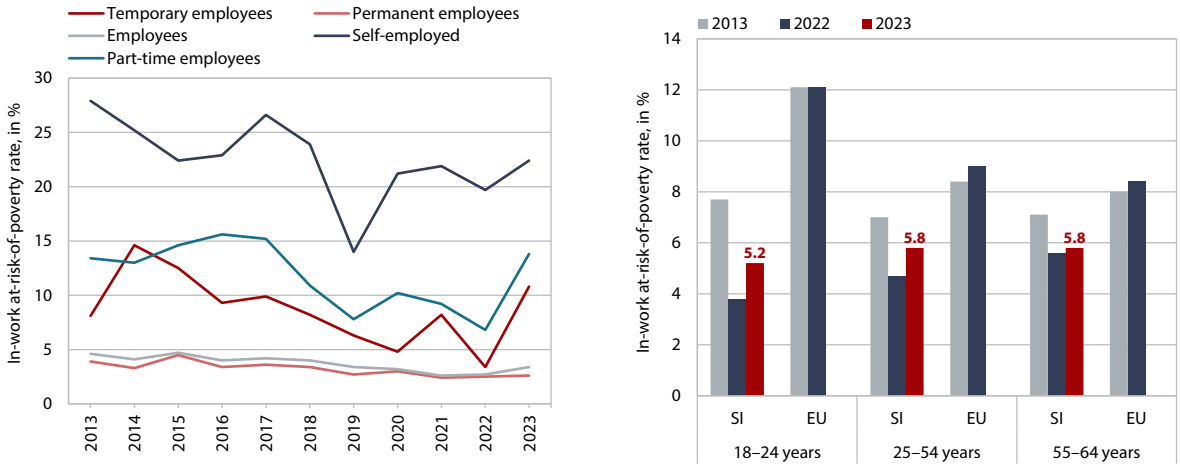
[196] According to internationally comparable data (Structure of Earnings Survey) for 2018, Slovenia had the highest proportion of employees earning up to 105% of the minimum wage (around 15% of all employees). The figure for the proportion of minimum wage earners differs slightly from other data, due to the different source (see Figure 66, right).

[197] The increase in the minimum wage has a direct effect on the wages of employees who receive less than the new minimum wage amount and an indirect effect on employees who earn more. This effect is often referred to as minimum wage *spillover*. The extent of the minimum wage spillover effect depends to a large extent on the level of minimum wage growth. An analysis by Perko and Rogan (forthcoming) uses a distributional regression to show the spillover effects of the minimum wage on other wages for the period 2009–2022 up to around the 30th percentile of the wage distribution.

[198] According to our estimate, the share of minimum wage earners has been gradually decreasing since 2013 (from 14.8% to 9.5% in 2022), which is a consequence of rising wages that are slightly above the minimum wage in the light of labour shortages and the exemption of various supplements from the minimum wage. This is also due to the implementation of the minimum contribution base (from 2015), which is higher than the minimum wage, thus allowing the employer to increase the employee's salary up to the minimum base without being subject to higher contributions.

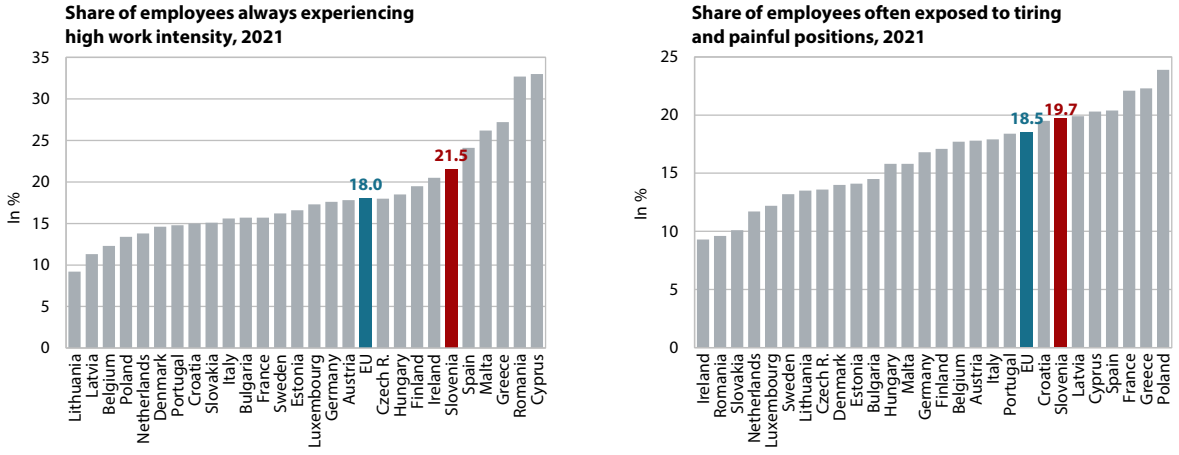
[199] The minimum gross hourly wage for student work in February 2021 was 30% higher than in February 2015, when the system of student work was reformed.

Figure 67: The in-work at-risk-of-poverty rate in 2013–2023 was the lowest among people in permanent employment (left); by age, it was highest among young people (right)



Sources: Eurostat (2024), EU-SILC 2023 (based on 2022 income).

Figure 68: An above-average share of employees experienced high work intensity and were exposed to tiring positions



Source: Eurofound (2024).

the EU average,[200] although it no longer meets the SDS 2030 target (see Indicator 3.13). Among the different forms of work, only employees with a temporary job had a higher in-work at-risk of poverty rate in 2023 than a decade ago, i.e. 10.3% in 2023 compared to 8.1% in 2013. In addition to working conditions, wages are a central element of job quality. Compared to other countries, fewer employees in Slovenia agree with the statement that they are adequately paid for their work.[201]

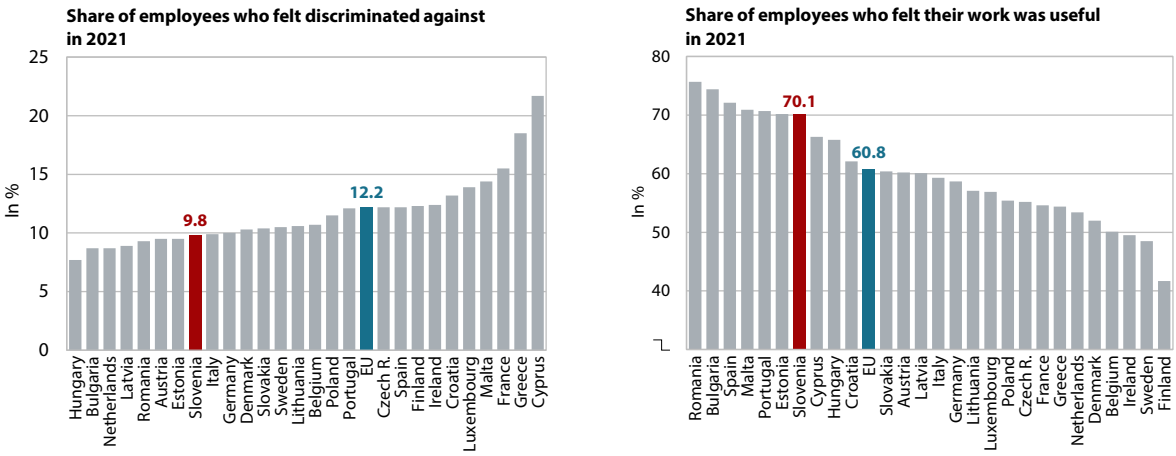
The Working Conditions Survey showed that, compared to the EU average, the Slovenian workforce experiences high levels of work intensity, less formal employee representation in company management and decision making, but greater trust and better cooperation between employees. In 2021, a higher proportion of employees in Slovenia than at the EU level experienced high work intensity and were more frequently exposed to tiring and painful positions (Figure 68) (Eurofound, 2024a). In terms of stressors,[202] only work intensity (42%; EU: 38%) and job insecurity (17%; EU: 14%) were above the average, while all other measured

[200] At 5.7% in 2023, the in-work at-risk-of-poverty rate (based on 2022 income) was a fifth lower than ten years ago, falling from 4.6% to 3.4% for employees and from 27.9% in 2013 to 22.4% for the self-employed.

[201] According to the Working Conditions Survey, 53.8% of employees in Slovenia always or most of the time agree with the statement that they are adequately paid for their work (EU: 57.9%), with the highest percentage recorded in Romania (74.3%) and the lowest in Greece (49.4%).

[202] The psychosocial risks encountered in the workplace have an impact on the employees' quality of life. The theoretical framework of the study on psychosocial risks (Eurofound, 2023b) emphasises 10 stressors and 14 stress buffers. An EU-wide analysis of the impact of each stressor on the health and well-being of employees revealed a strong negative impact of adverse social behaviour at work (including various forms of bullying, sexual harassment, and verbal or physical violence), discrimination and emotional distress at work, and feelings of anxiety and exhaustion among employees.

Figure 69: The level of discrimination at work was below the EU average, while employees' perception that their work was useful was above average



Source: Eurofound (2024).

stressors were mentioned less frequently by Slovenian employees than the EU average. Fewer employees (28%) than the EU average (32%) also reported working outside normal working hours, and the Labour Force Survey also indicates a sharp decline in work during weekends and public holidays (from 22.8% in 2011 to 13.6% in 2021). Among the stress buffers, training opportunities[203] and support from colleagues at work were rated above average by Slovenian employees. On the other hand, significantly fewer felt that their work was appropriately recognised. Trust between management and employees and formalised employee participation in decision-making were also rated significantly lower.[204]

In 2023, absence from work due to illness fell slightly in Slovenia, although it was still significantly above the pre-epidemic levels and was also above the average in an international comparison. In 2023, the proportion of working days lost due to illness fell to 5.9%, down from a high of 6.1% in 2022 (ZZZS, 2024). Absence from work due to illness has increased markedly in Slovenia in the last decade. According to internationally comparable data on the number of days lost due to illness per employee, the absence rate in 2021 was 18.1 days, well above the EU-23 average (12.8 days) in 2020 (latest data)[205] (see Indicator 3.14). Factors contributing to the above-average absenteeism include working conditions characterised by above-average work intensity, insufficient investment by companies in health and safety at work, long waiting times for healthcare, and the availability of unlimited sick leave. A study on psychosocial factors affecting employee well-being indicates that adverse social behaviour at work, discrimination, physical working conditions and challenges in work-life balance pose significant threats to employee health (Eurofound, 2023). Additionally, the growing proportion of older workers contributes to increased absenteeism, as the number of absences due to illness tends to rise with age. Systematic approaches to health and safety at work, along with the promotion of healthy lifestyles, are essential for reducing absenteeism. Mental well-being in the workplace is a shared responsibility between employers and employees, as emphasised by the MIRA National Mental Health Programme (MIRA, 2023). Good mental well-being in the workplace contributes to higher performance, safety at work, and the prevention of injury and illness. Although the Labour Force Survey indicated a deterioration in self-perceived worker health in Slovenia in the period 2000–2023, the 2021 European Working Conditions Survey revealed that 41% of workers felt well most of the time, which exceeds the EU average (37%).

[203] 57% of employees in Slovenia have received employer-paid education and training in the last 12 months (EU: 63%).

[204] 56% of respondents reported having a trade union, a works council or a similar committee representing employees in their company (EU: 73%).

[205] However, the international comparability of this indicator is limited due to methodological differences in data capture, variations in health and social care systems, and differences in eligibility criteria for sickness benefits.

3.3 A decent life for all

A decent life for all (Development Goal 3)

A decent life for all generations is based on creating the conditions in which all people will be able to realise their potential with dignity, equality and responsibility through activities in various areas. The main SDS guidelines to achieve this goal are aimed at (i) providing an appropriate level of income for a decent life and maintaining low income and wealth inequality; (ii) creating sustainable systems of social protection and child protection and security; (iii) ensuring a good quality of the living environment; (iv) strengthening cooperation, solidarity and volunteerism; and (v) eliminating all forms of discrimination. A decent life is linked to an inclusive and healthy society, which is described in Development Goal 1.

SDS 2030 performance indicators for Development Goal 3:

	Latest data		Target value for 2030
	Slovenia	EU average	
At-risk-of-poverty or social exclusion rate, in %	13.7% (2023), 287,000 persons	21.6% (2022)	< 270,000 persons*
Income distribution inequality, income quintile share (80/20)	3.3 (2023)	4.7 (2022)	< 3.5
Experience of discrimination, in %	13% (2023)	21% (2023)	< 10

Notes: *As of 2021, the national institutes for statistics, Eurostat and the European Commission apply a new methodology to calculate the risk of social exclusion in the context of the EU 2030 targets, which means that the SDS 2030 target can no longer be measured. The new methodology within the EU-SILC survey has been used since 2015 and the results were published for the first time in 2021. The new national target defined in ReNPSV22–30 (2022) is to reduce the number of people at risk of poverty or social exclusion by 9,000 people (including 3,000 children) from the 279,000 in 2019.

The material well-being of the population has improved very slowly in recent years and still lags behind the EU average. In terms of actual individual consumption (AIC) per capita in PPS,[206] Slovenia has consistently ranked in the bottom half of Member States over the last decade. In 2022, it remained 13% below the EU average, similar to Poland and Portugal. In terms of GDP per capita in PPS, it was 10% below the EU average, comparable to Lithuania and the Czech Republic (Figure 70, left). The gap between the two indicators remained small, which could suggest a more coherent social and economic development, as employment rates and gross disposable household income continued to increase, while the at-risk-of-poverty or social exclusion rate (AROPE rate) and income and wealth inequality were among the lowest in the EU, despite the increase in the last two years. Some other aspects in assessing quality of life have also gradually improved (see Section 3.1). However, the material and social situation of the most vulnerable groups and households, where various aspects of income, social and material deprivation overlap, remains a challenge that is inadequately addressed.

According to various composite indices[207] of development and quality of life, Slovenia has consistently ranked among the top 30 countries worldwide since the beginning of the measurements, typically placing in the top half of EU Member States. Slovenia ranks best among EU Member States in the Human Development Index (HDI), primarily due to its high scores in indicators related to social dimensions, longevity and formal education, followed by the World Happiness Index (WHI) and the Social Progress Index (SPI) (Figure 70, right). In the SPI, Slovenia holds a commendable 20th position globally, as the index measures social and environmental development, but not economic development. However, in the Prosperity Index (PI), Slovenia ranks below the EU average, occupying 27th position worldwide. It excels in environmental aspects (4th place) but has poor results in government efficiency (37th place).

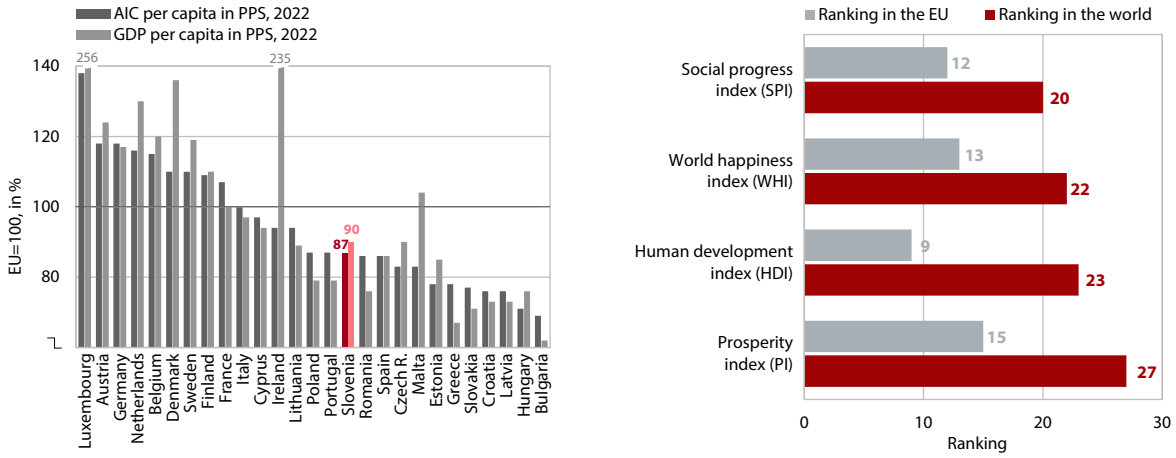
Growth in gross disposable household income,[208] strongly influenced by government measures to mitigate the consequences of the epidemic and rising prices, particularly in the period 2020–

[206] Actual individual consumption (AIC) per capita in PPS is a measure that not only reflects a country's economic development (GDP per capita in PPS), but also indicates material well-being by considering the prices of goods and services actually consumed by individuals, including public services and social protection services.

[207] The Human Development Index (HDI) comprises five indicators and three dimensions of development (UN, 2022a), the World Happiness Index (WHI) six indicators and three dimensions (Sustainable Development Solutions Network, 2023), the Social Progress Index (SPI) 50 indicators and 12 dimensions of progress (SPI, 2024), and the Prosperity Index (PI) 300 indicators and 12 dimensions of well-being (Legatum, 2023).

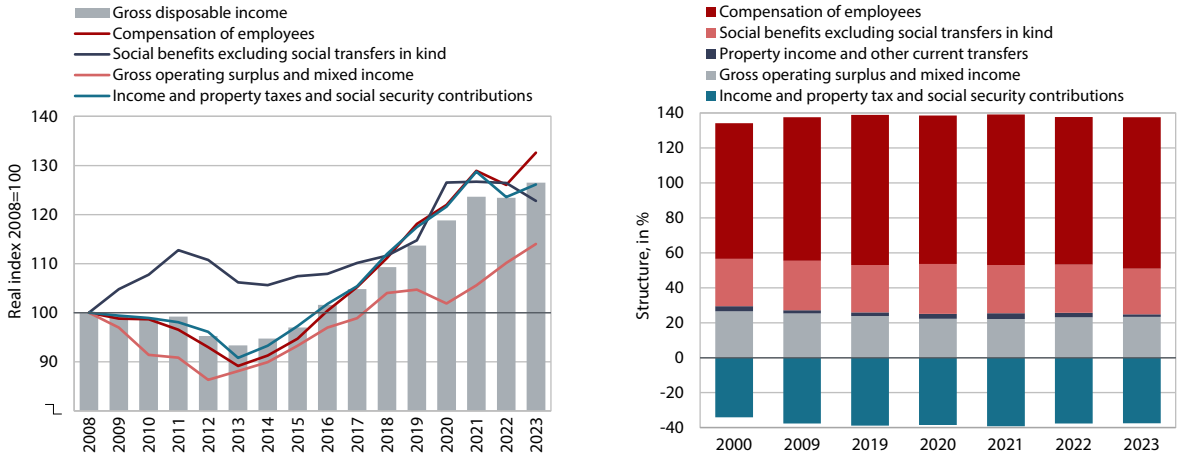
[208] Gross disposable income of households and non-profit institutions serving households comprises gross household income from employment, social benefits in cash, operating surplus, mixed income and property less contributions and taxes.

Figure 70: Despite a gradual improvement, actual individual consumption remains below the EU average (left); Slovenia ranks in the top half of EU Member States according to various synthetic development indices (right)



Sources: Eurostat (2024b), Stanojević and Čakarević (2023), UN (2022a), Sustainable Development Solutions Network (2023), Legatum (2023), SPI (2024).

Figure 71: Growth in gross disposable income continued in 2023 amid high growth in employee compensation



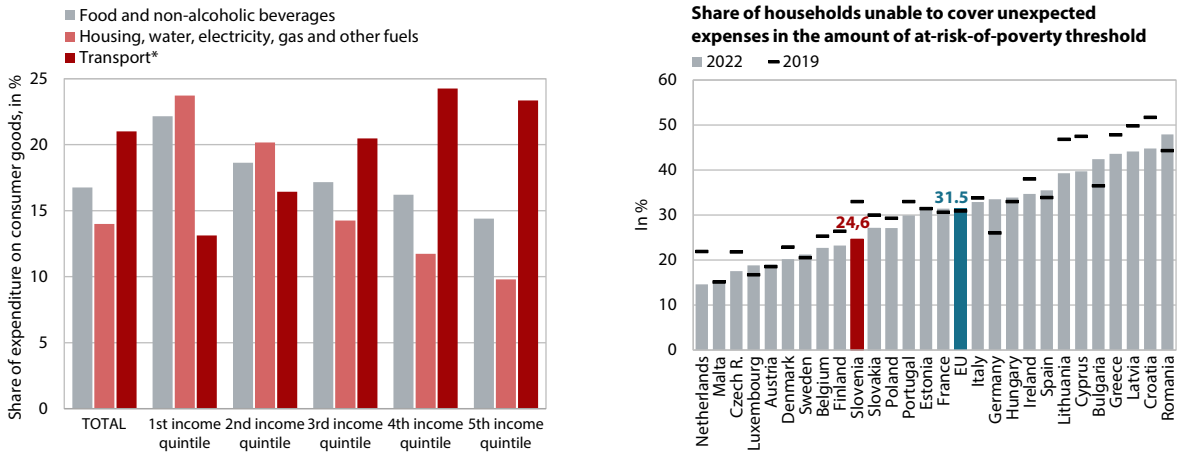
Source: SURS (2024b); calculations by IMAD.

2022, continued in 2023 with robust growth in compensation of employees. Following a decline during the global financial crisis, gross disposable income rose again after 2014, due to the recovery in economic activity, surpassing the 2008 level for the first time in 2016. Its growth continued during the epidemic, when the deterioration in the labour market situation was mitigated by the adoption of emergency job-retention measures and further growth was also supported by various other COVID-19 measures and measures to help the population (see IMAD, 2023b). With the economic recovery, labour market conditions improved in 2021 and 2022, which had a positive impact on nominal growth in compensation of employees (7.6%). However, amid high inflation, gross disposable income stagnated in real terms in 2022 (-0.2%). A decline was prevented by the government's measures to mitigate the consequences of the epidemic and rising prices.[209] In 2023, compensation of employees continued to rise[210] (to 5.2% in real terms), with continued moderate employment growth and relatively robust wage growth, while social transfers fell significantly from the high levels reached during the epidemic and maintained (in real terms) in 2022, despite measures to mitigate the impact of rising energy prices and the floods (see IMAD, 2023a). Total gross disposable income thus rose by 2.5% in real terms.

[209] The impact of government measures during the epidemic and the cost of living crisis was reflected in social benefits, which, after an increase of almost 10% in 2020, experienced significant nominal growth in the subsequent two years, resulting in a real increase of 10.2% in 2022 compared to 2019, which is the highest growth among all gross disposable income components. Gross operating surplus and mixed income also recorded a sharp increase in 2022, rebounding from a decline in 2020. This growth was influenced by substantial price hikes (in residential property, which affects the growth of imputed income from housing, and services provided by sole proprietors) and by some of the intervention measures still in force in 2022.

[210] After falling by 12.6% in 2021 and 23.8% in 2022, the number of unemployed decreased by an additional 14% in 2023, while the average gross wage increased by 9.7% in nominal terms in 2023, after rising by 6.1% in 2021 and 2.8% in 2022.

Figure 72: In 2022, households in the two lowest income quintiles spent most of their expenditure on housing, those in the other quintiles on transport (left); one-quarter of households were unable to cover unexpected expenses in the amount of at-risk-of-poverty threshold (right)



Sources: SURS (2024b); calculations by IMAD; Eurostat (2024). Notes: The expenditure for basic necessities does not include the expenditure that is not part of consumption expenditures (expenditure related to the purchase or renovation of a flat or house and various other expenditures). *Transport includes the purchase of vehicles, products and services for personal vehicles, and transport, postal and courier services.

In 2022, households still spent the largest share of their total expenditure on transport, with expenditure on food experiencing the most significant increase. As the material well-being of the population gradually improved in the period 2012–2018, the proportion of household expenditure spent on food and basic necessities fell, before rising again in 2022 amid surging prices.[211] On average, households spent 24% more of their disposable income in 2022 than in 2018, with spending on food and non-alcoholic beverages increasing by more than 40%.[212] The share of food expenditure increased in all income quintiles, but least in the first two, where households spent the largest share of their expenditure on housing. Households in the remaining three income quintiles and in total on average spent the largest share of their expenditure on transport (Figure 72, left). In 2020, households already spent an average of almost a fifth of their total consumption expenditure on transport, the highest share among EU Member States.[213] This share further increased in 2022 (to 21%, with the lowest share in the first income quintile). The long-standing high household expenditure on transport is related to dispersed settlements, an underdeveloped public transport system and, consequently, the prevalence of unsustainable modes of mobility.

Due to rising prices, the financial situation[214] of households continued to deteriorate in 2023, albeit to a lesser extent than in the EU; as inflation stabilised at the end of the year, this trend came to a halt. The financial situation of households in Slovenia worsened in 2022 and 2023 but remains above the EU average. In 2022, the share of households unable to cover unexpected expenses in the amount of the at-risk-of-poverty threshold was lower than the EU average (Figure 72, right), and the share of households facing financial distress was lower than before the epidemic. In 2023, due to rising prices, the proportion of households in the lowest income quartile facing financial distress approached the 2021 level, when the lowest level was recorded, but remained well below the EU average, where the situation of poor households has deteriorated the most in the last decade (see Indicator 3.18).

Despite a slight increase, income inequality remained among the lowest in the EU in 2023, while wealth inequality was the fourth lowest in the euro area, according to the ECB's experimental statistics. Slovenia has had the second-lowest income inequality in the EU for several years, trailing only behind Slovakia. The ratio between the lowest and highest income quintile population groups was 3.3 in 2023 (based on 2022 income) and thus within the SDS 2030 target for the seventh consecutive year. Low income inequality is ensured by low wage inequality, a system of progressive income taxation and, to some extent, social transfers. Low income inequality is also reflected in the Gini coefficient,[215] which, despite a slight increase, remained

[211] In 2022, prices for food and non-alcoholic beverages were on average 18% higher than in 2018 (while overall consumer prices rose by 13%).

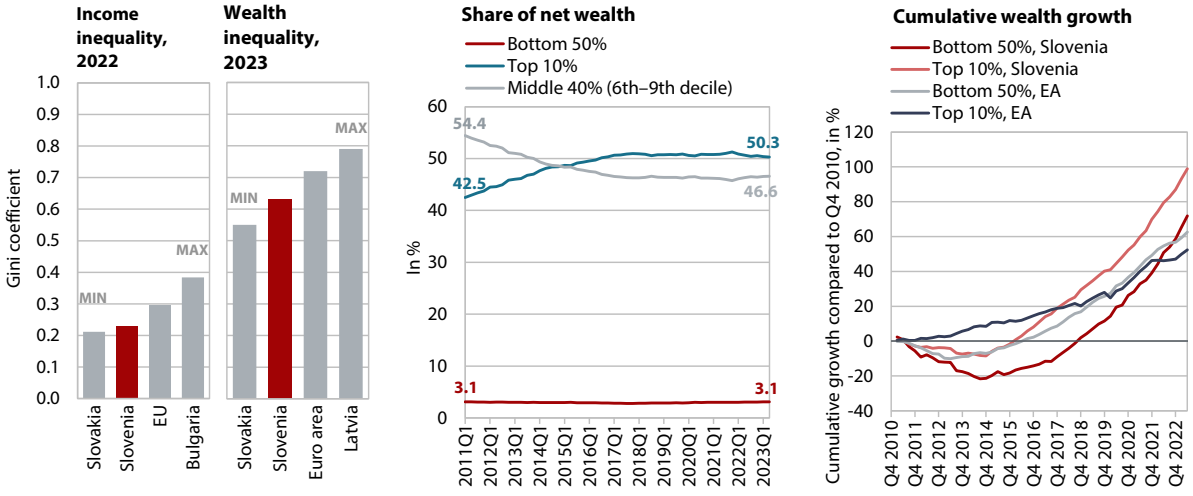
[212] In the Household Budget Survey in 2022, consumption expenditure was classified by goods and service groups according to the revised COICOP 2018 classification for the first time, affecting the comparability of data with previous periods. The main change is the split of "miscellaneous goods and services" into two groups ("insurance and financial services" and "miscellaneous goods and services"). There were also minor adjustments in other groups, except for "food and non-alcoholic beverages", which remained largely unchanged.

[213] In 2020, households in Slovenia spent 18.5% of their expenditure on transport, representing the largest share in the EU (10.8%), while households in the lowest income quintile spent 9.5% (EU: 7%) (Eurostat, 2024).

[214] In the Consumer Opinion Survey, financial distress is defined as households having to draw on savings or run into debt to cover current expenditures.

[215] The Gini coefficient is a measure of statistical dispersion based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive; it ranges from 0 (perfect equality) to 1 (perfect inequality)

Figure 73: Income inequality has been the second lowest in the EU for many years, and wealth inequality the fourth lowest in the euro area* (left); the gap between household wealth widened after the global financial crisis but has not changed significantly since 2017 (middle and right)



Sources: Eurostat (2024b), ECB (2024). Notes: *The figure on the left shows the countries with the highest and the lowest inequality and the value of the Gini coefficient for Slovenia and the EU or euro area. The Gini coefficient is a measure of statistical dispersion based on the comparison of cumulative proportions of the population against cumulative proportions of income/wealth they have; it ranges from 0 (perfect equality) to 1 (perfect inequality).

the second lowest in the EU in 2023 (Indicator 3.15). In the euro area countries for which ECB experimental data are available, wealth inequality[216] is higher than income inequality, and the share of wealth held by higher income classes is much higher than the share of their income. In 2023, the richest 10% of households in Slovenia held half of the total wealth, while the bottom 50% held 3.1%. In 2013–2015, following the global financial crisis, the ratio between the top 10% and the middle 40% wealth deciles (Figure 73, middle) changed, while the ratios have remained stable in recent years.

The overall AROPE rate is among the lowest in the EU,[217] although it has long been above the EU average for some of the most vulnerable groups. According to the 2023 EU-SILC survey, which is based on 2022 income, the AROPE rate increased year-on-year (Figure 74, left): the at-risk-of-poverty rate[218] and the severe material and social deprivation rate[219] increased (by 0.6 p.p. each), while the very low work intensity rate[220] remained unchanged. Around 287,000 people were at risk of poverty or social exclusion (11,000 more than in the previous year and 17,000 more than the target by 2030). In 2019–2022, the AROPE rate for children in Slovenia was the lowest in the EU, while the risk for children of less educated parents has steadily increased over the last three years and is now above the EU average (Figure 75, right). The rate also increased for (single) households with severely disabled or sick children. This highlights the need for greater attention to be directed towards more vulnerable groups, where multiple layers of exclusion overlap, especially children of parents with low levels of education, immigrants, Roma children and children of other disadvantaged ethnic minorities, who are exposed to intergenerational transmission of disadvantages due to language barriers, discrimination, lower social and cultural capital, etc.[221] The AROPE rate for single-person households and the older population also remains above average, reinforcing the age-related risk gap.[222]

(OECD, 2021c)«publisher«:«Organizacija za gospodarsko sodelovanje in razvoj«,«publisher-place«:«Pariz«,«title«:«Income inequality«,«URL«:«https://data.oecd.org/inequality/income-inequality.htm«,«author«:[{»family«:«OECD«,«given«:««}],«issued«:{»date-parts«:[[»2021«]]}}],«schema«:«https://github.com/citation-style-language/schema/raw/master/csl-citation.json«} .

216 Wealth inequality is measured by the share of wealth held by the richest (10%) or by the Gini coefficient. We only have access to experimental statistics published by the ECB and other professional organisations (e.g. the World Inequality Lab 2024), whose data, like other such surveys, exclude the richest and poorest population groups. For methodology, see ECB (2024).

217 The EU-SILC survey is flawed in that it does not adequately cover the most vulnerable and often marginalised groups, as well as the richest groups (Guio et al., 2021; Stiglitz et al., 2018; IMAD, 2021a; UN, 2021). This is why we also include in our analyses the findings of the line ministry and other relevant bodies, in particular the Ombudsman, the Court of Auditors of the Republic of Slovenia, research institutions and the non-governmental sector.

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

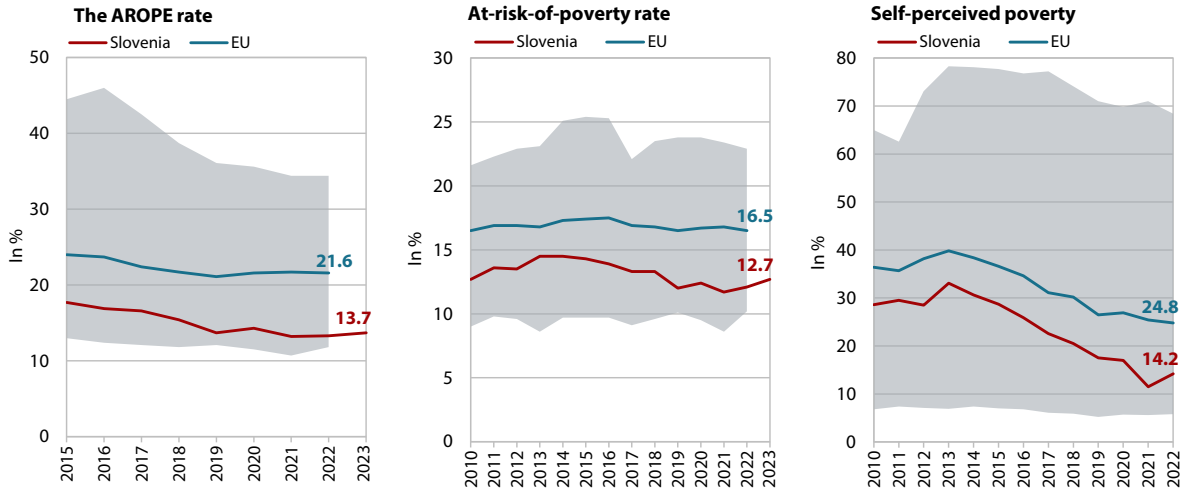
219 The share of persons living in a household that cannot afford at least 7 out of 13 deprivation items; see Stare et al. (2024).

220 The share of persons aged up to 64 living in households where the adults (aged 18–64) worked less than 20% of their total work potential during the reference year.

221 They are more likely to underachieve, drop out of school early, and be trapped in a cycle of poverty and dependency on benefits from an early age. Some of these problems are addressed in the National Action Plan for Child Guarantee 2022–2030 (Government of the RS, 2023a).

222 The AROPE rate for older women is twice the national average, although it is gradually decreasing due to the decline of generations of pensioners with very low pensions and newer generations of pensioners receiving higher pensions. Older women face the greatest difficulties, with various aspects of risk, disadvantage and deprivation overlapping.

Figure 74: Despite the increase in the last two years, the AROPE rate and the perceived poverty rate remain among the lowest in the EU



Sources: Eurostat (2024b), SURS (2024), EU-SILC 2023 research (based on 2022 income). Notes: The EU average is Eurostat's estimate. The shaded area shows the range between the EU Member States with the lowest and the highest indicator values.

The at-risk-of-poverty rate increased slightly in 2022 and 2023, with a high share of households and individuals hovering just above the poverty threshold. In 2016–2021, the at-risk-of-poverty rate gradually decreased and was among the lowest in the EU. According to the latest EU-SILC data for 2023 (based on 2022 income) it slightly increased: 264,000 persons lived below the at-risk-of-poverty threshold,[223] of whom 123,000 were exposed to persistent risk of poverty.[224] In Slovenia, single-person households, pensioners, individuals with lower education levels, foreigners, tenants and other vulnerable groups are at a higher risk of poverty compared to the EU average (Figure 75, left). The share of households living below the at-risk-of-poverty threshold and caring for children with severe physical disabilities or illnesses is also above the EU average.[225] Single-person households and households without dependent children have been in a worse position than the EU average for many years. Expert institutions also point to the intergenerational transmission of deprivation, hidden poverty (homeless, Roma, non-citizens), energy poverty, and insufficient monitoring and targeted measures by the state.[226] The last three years have seen an increasing concentration of people with incomes only 10% above the at-risk-of-poverty threshold[227] (around 138,000 people), so 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. This scenario unfolded during the COVID-19 containment measures, which especially impacted tourism, accommodation and food service activities, and transportation, severely affecting the quality of life of workers in these sectors and their families. As a result, the Obalno-Kraška region had the highest at-risk-of-poverty rate ever measured in a Slovenian region in 2022 (based on 2021 income) (Figure 76), which has since improved by 6.3 p.p., according to the latest data, and also the highest serious material and social deprivation rate.

The sharp decline in severe material and social deprivation[228] over the last seven years has not been mirrored in absolute poverty rates.[229] Since 2016, the decline in severe material and social deprivation rate in Slovenia outpaced the EU average, significantly improving the country's position compared to other Member States (Indicator 3.18). Recent data for 2023 (based on 2022 income) shows that the rate has risen slightly (by 0.6 p.p.). Many people have long lived below the subsistence level (absolute poverty), which the state alleviates through financial and material aid: in 2023, an average of around 101,000 people were entitled to financial social assistance (FSA) and income support

[223] In 2023, people living below the at-risk-of-poverty threshold (based on 2022 income) were those whose net disposable income per adult equivalent was below EUR 903 per month.

[224] The percentage of people living below the at-risk-of-poverty threshold in the current year and in at least two of the previous three years.

[225] According to the latest comparable data, in 2021, 1.5% of households in Slovenia with seriously ill children aged 16 and under were poor (EU: 1.1%) and 3.2% of single mothers with seriously ill children aged 16 and under (EU: 1.5%).

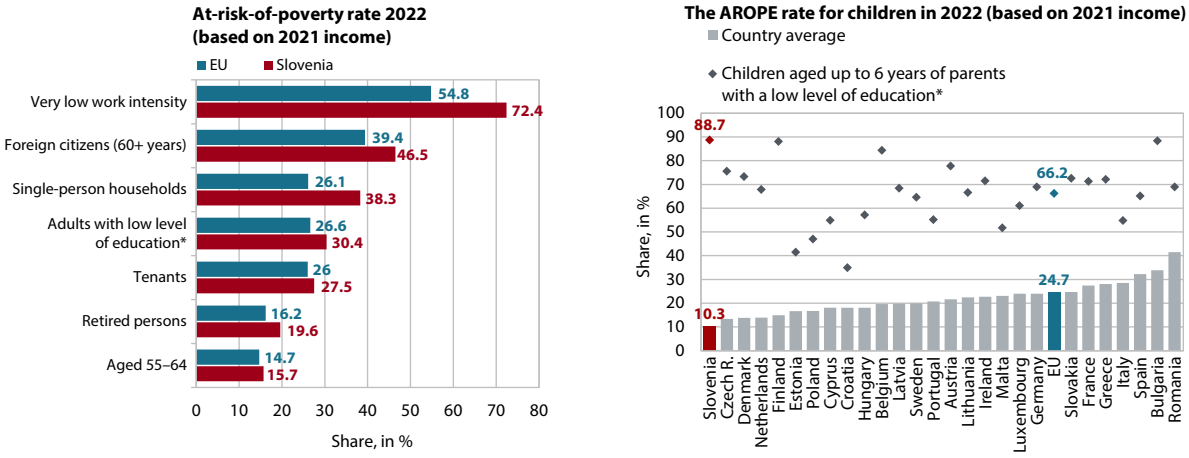
[226] The Court of Auditors of the Republic of Slovenia (2021b), the Ombudsman (2021), the IRSSV (2021) and various expert analyses (EAPN, 2022; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022) point to the high risk of poverty for people with disabilities and other impairments, older women, single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

[227] 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.

[228] The severe material and social deprivation rate is the percentage of people living in a household facing at least 7 out of the 13 deprivation items; see Stare et al. (2024).

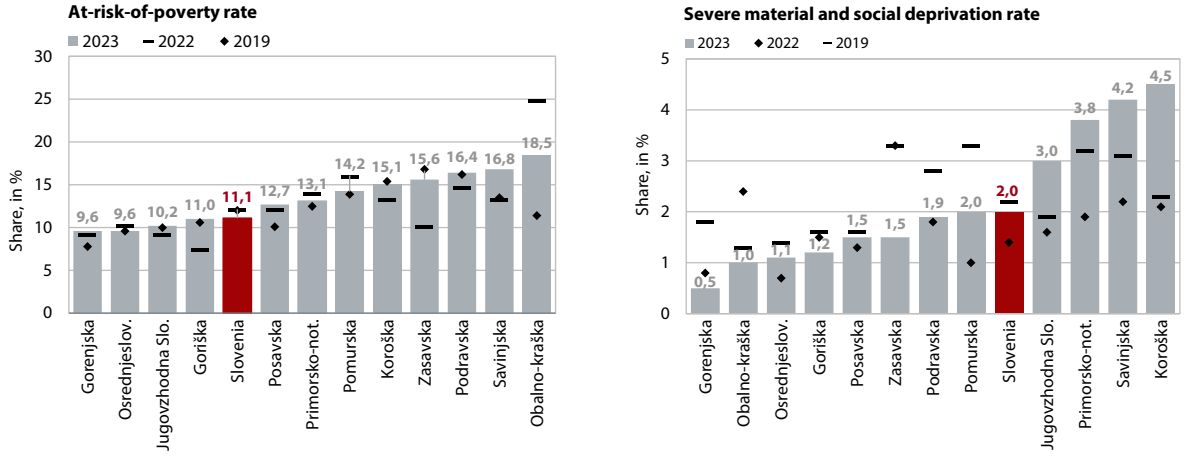
[229] Absolute poverty means living below the minimum level of subsistence, determined on the basis of nutritional needs and other basic necessities for basic survival. It is prevented by curative policies (cash social assistance programmes, pension support, etc., food and clothing aid distributions, social assistance services, etc.) (ReNPSV22–30, 2022).

Figure 75: Some vulnerable groups in Slovenia have consistently faced a higher risk of poverty compared to the EU average (left); the AROPE rate for children is the lowest in the EU, but not for all children (right)



Sources: Eurostat (2024b), EU-SILC 2022. Notes: *With less than primary, primary and lower secondary education (levels 0–2). The figures present the latest internationally comparable data.

Figure 76: The COVID-19 crisis from 2020 to 2022 had a profound impact on tourism, accommodation and food service activities, and transport, particularly affecting the Obalno-Kraška region, where the risk of poverty and severe material and social deprivation increased significantly, followed by a notable improvement in the latter regard in 2023



Sources: SURS (2024b), EU-SILC 2023 (based on 2022 income).

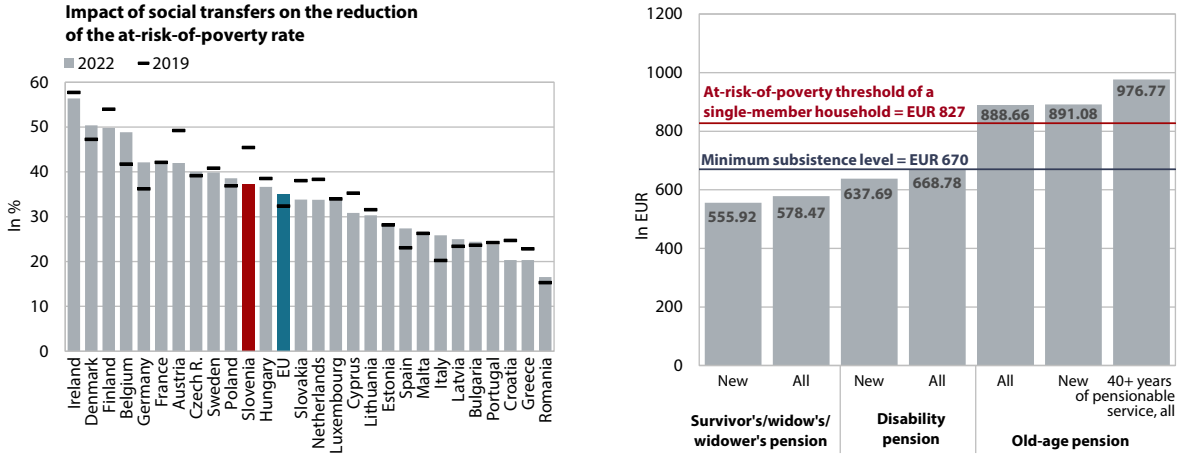
(MDDSZ, 2024a), and around 150,000 people, mainly women and children up to the age of 15, receive material assistance in the form of food and clothing every year (MDDSZ, 2022b).[230] The eligibility for FSA and income support and the level of support provided (and the threshold) depend on the amounts stipulated by law every six years, determined based on the basic amount of minimum income (BAMI).[231] Maintaining adequate levels of social transfers aimed at supporting individuals who, due to various circumstances, are unable to sustain themselves is crucial for averting absolute poverty and upholding human dignity. The gap between the BAMI and the minimum subsistence level as well as the at-risk-of-poverty threshold was one of the widest ever at the beginning of 2023 against the backdrop of high inflation and rising costs, but it has significantly narrowed with the adjustment of 10.3% in March.[232]

[230] The new Programme for the Elimination of Material Deprivation 2021–2027 provides annual continuous assistance in food to around 164,000 people with the highest at-risk-of-poverty rate.

[231] The appropriate level of the BAMI is important, as it determines eligibility for the FSA and income support and the amount of assistance. According to the latest calculation performed by the Institute for Economic Research for the MDDSZ in October 2022, the BAMI was estimated at EUR 488.58 per month, but EUR 421.89 per month was paid until March 2023 and EUR 465.34 from 1 April.

[232] In 2023, the BAMI (including the housing transfer) only reached 30% of median EDI in the case of single non-working persons, which is less than the EU and OECD average, and 46% of median EDI in the case of families with two dependent children and two non-working adults, which is slightly below the OECD and EU average (OECD, 2023j).

Figure 77: In 2022, the influence of social transfers on reducing the risk of poverty has declined sharply (left); the length of pensionable service has a significant impact on the level of pensions (right)



Sources: Eurostat (2024b), ZPIZ (2023), ZPIZ (2024). Note to the figure on the right: The *minimum cost of living* level was redefined in October 2022. *New pension recipients* include all new retirees in a given calendar year. This also includes pensions *without pro rata parts* (e.g. partial payment from abroad or with respect to pro-rata working time) and *partial pensions* (paid to insured persons who became entitled to an early retirement pension or an old-age pension and have remained in compulsory insurance to the extent of the pro rata part of full-time work).

Social transfers proved effective in reducing poverty in the period 2010–2021, although their efficacy has waned in recent years. Without these transfers to the poorest households, the at-risk-of-poverty rate would have been 19.3% in 2022 (EU: 25.4%). While social transfers reduced poverty by an average of 44.2% in the period 2010–2021 (compared to the EU average of 33.4%), their impact fell to 37.3% in 2022 (Figure 77, left) and 35.5% in 2023. Notably, their effectiveness in reducing poverty was lowest among older individuals (65+), with the AROPE rate among women aged 75+ being almost twice as high as that of the general population. Despite the substantial impact of social transfers in preventing marginalisation, disadvantage and poverty in Slovenia, many experts and institutions conclude that (i) social legislation is extremely complex, outdated and in need of comprehensive reform; (ii) despite upgrades, the information system of the social work centres (ISCSD-2) functions poorly and is not targeted, potentially leading to discrimination;[233] (iii) social work centres (SWCs) have been understaffed for a decade; and (iv) SWC staff have systematically incomplete and even contradictory tasks (MDDSZ, 2021). In addition to the legal, procedural and technical anomalies of the social system, all of the above calls into question equality before the law, proportionality, personal dignity, and the effective coverage of beneficiaries with financial and material benefits (the enabling principle). All this has been emphasised by various expert institutions[234] and in our reports for several years. A more effective approach to tackling severe material and social deprivation and long-term poverty could be achieved through more frequent and transparent calculations of the BAMI level and the use of this instrument of redistribution and solidarity to tackle deprivation more effectively, as it is the only one that takes into account the income and material situation of households. In this regard, it is imperative to promptly rectify the anomalies in the information system (ISCSD-2), which have persisted for many years. A comprehensive reform of social policy should be supplemented by measures aimed at enhancing intra- and intergenerational mobility[235] and policies focused on desegregation, deinstitutionalisation and/or reintegration of the most vulnerable groups.[236]

After the implementation of the new Pension and Disability Insurance Act (ZPIZ-2) in 2013, the situation of new pensioners, particularly women, has gradually improved; a number of measures and pension indexations have contributed to real pension growth, although certain groups of pensioners still receive very low pensions. The ZPIZ-2 brought changes to pension conditions for women, raising the minimum pension contribution period for women to 40 years in 2018 after the transition periods ended.[237] In 2022,

[233] It often does not reflect the actual material situation of the beneficiaries, leaving many in need without assistance or too late to receive it (MDDSZ, 2021).

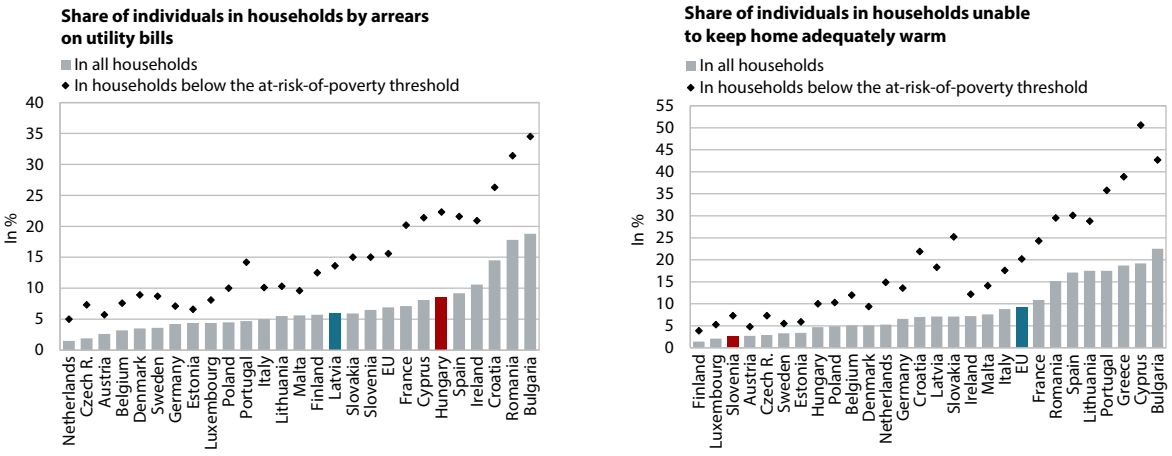
[234] This has been pointed out by the Court of Auditors of the Republic of Slovenia (2021b), the MDDZS (2021), the Ombudsman (2023a), the IRSSV (2021) and various expert analyses (EAPN, 2022; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022).

[235] Intragenerational mobility is the ability of a person to move between socioeconomic classes within their lifetime, while intergenerational mobility is the ability of families to move up or down the socioeconomic ladder across generations (Eurofound, 2021; OECD, 2018a).

[236] In particular, the desegregation of Roma children in settlements where the proportion of children who have completed primary school is still negligible in some regions. Deinstitutionalisation of care and protection for the elderly, the disabled and other persons with impairments, refugees, and asylum seekers and international protection seekers and their immediate integration into all aspects of economic, social, cultural and social life; reintegration of the erased, homeless, addicts, etc., who remain on the margins of society.

[237] For men, the condition of having 40 years of pensionable service has always been applicable.

Figure 78: Arrears with utility bills were relatively high in 2022; the share of individuals in households unable to afford adequate heating was among the lowest in the EU



Source: Eurostat (2024b).

among all retired persons, 64.7% of men had at least 40 years of pensionable service compared to only 20.2% of women (as this condition did not yet apply to them; 69.1% of all female pensioners retired at the minimum age for entitlement to an old-age pension). Among those newly retired in 2022, 68% of men and 78% of women had at least 40 years of pensionable service (ZPIZ, 2023). Since 2015, the average old-age pension of newly retired women in a given year has surpassed the average old-age pension of newly retired men, which is attributed to the higher accrual rates for women until the end of 2022 and longer working lives at retirement. While various measures[238] and pension indexation have contributed to real pension growth, in the period 2016–2022, the average pension increased by 11.6% in real terms, while the average pension for new pensioners increased by 17.5% in real terms (pensions without pro-rata parts and partial pensions). However, certain vulnerable segments of older populations still experience very low income levels. In 2022, a significant proportion of recipients of disability, survivors', and widows' or widowers' pensions received a pension of EUR 600 or less, while among old-age pensioners this mainly affected those with fewer years of pensionable service.[239]

Housing cost overburden and housing deprivation are prevalent in economically weaker households living in poor quality housing and households that are energy-poor. Compared to the EU, housing cost overburden is less prevalent in Slovenia due to the high proportion of owner-occupied housing and the high proportion of tenants who benefit from reduced price-rent or rent-free arrangements. People in households below the poverty threshold and pensioners who are often faced with higher costs because they own dwellings that are too large and/or in poor condition were the most overburdened with housing costs. Slovenia still has a worrying level of housing deprivation compared to other EU countries, primarily due to the prevalence of old and poorly maintained dwellings. However, the situation has improved from year to year (see Indicator 3.20). Household energy poverty[240] remained unchanged in 2023 compared to a year earlier (7.2%).[241] The highest year-on-year increase was recorded among multi-person households with dependent children, while by region, the highest increase was recorded in the Zasavska region, which exceeded the average by 4.2 p.p.[242]

Housing affordability can be improved by increasing the supply of public rental housing and renovating and activating unoccupied and under-occupied housing. Housing affordability is poor in Slovenia due to the insufficient supply of public rental housing and the housing market shortage, resulting in high prices of dwellings. The share of rented housing is growing slowly, standing at 9% in 2021.[243] Housing is less affordable to households with low income and young people, who therefore leave their parents' household quite late.[244] In addition to building new housing, the

238 Two significant changes occurred: the introduction of a guaranteed pension for individuals with 40 years of pensionable service (in 2017) and the gradual equalisation of accrual rates for men and women (in 2020; initially, men had lower accrual rates, but after a transitional period these were harmonised with women's rates in 2023).

239 On average, old-age pensions are above the poverty line. However, 12.4% of old-age pensioners receive a pension of less than EUR 600, 43.6% of recipients of disability pensions, 64.8% of recipients of survivors' pensions and 46.4% of recipients of widows'/widowers' pensions.

240 In Slovenia, energy-poor households are those below the at-risk-of-poverty threshold who are at the same time (i) in arrears with their housing costs and energy services bills, (ii) unable to afford adequately heated housing, or (iii) living in inadequate housing conditions (Decree on the criteria to define and assess the number of households in energy poverty, 2022).

241 It was experienced by around 109,000 persons, i.e. 7,000 more than in 2022.

242 There are major differences between the regions. Energy poverty was lowest in the Gorenjska region, where it was 3.7 times lower than in the Primorsko-Notranjska region (14%).

243 The actual share of rental housing is probably higher than official statistics due to unregistered renting.

244 In 2022, the average age of young people leaving their parental home was 29.4 years (EU: 26.5 years) (Eurostat, 2024).

supply could be increased by renovating and activating unoccupied housing,[245] which in 2021 comprised almost one-fifth of the entire housing stock; half of it was either old, built before 1945, or lacking a basic infrastructure element. An untapped source of housing supply and higher housing mobility are under-occupied dwellings. In 2022, more than one-third of the population lived in such dwellings, which is above the EU average. Five thousand new public rental dwellings are planned to be built by 2026[246] and their positioning requires strategic consideration in line with the long-term development orientations of the regions and the country (see Chapter 4). However, given the low residential mobility that characterises Slovenian residential culture, it would be worth considering lifetime housing (Šeme and Kerbler, 2022) in the construction of new dwellings, which should take into account changing housing needs over the life course.

Poor affordability, lack of skills and inadequate infrastructure in certain rural areas impede access to essential services such as water supply, sanitation, energy, transport, financial services and digital communications.[247] In 2020, households below the poverty line spent around 76% more of their disposable income on essential services compared to other households. The surge in inflation that followed the outbreak of the energy crisis has therefore disproportionately affected the financial situation of poor households (IMAD, 2023a), undermining their purchasing power and access to energy, despite government measures to mitigate rising costs and provide support to the poorest. In addition to low-income households, older people, people with disabilities, marginalised groups (including the homeless, Roma, addicts, people with mental health problems, migrants, etc.), people with low levels of education and limited skills, and the rural population have the most limited access to essential services. The current climate and energy crises and high household expenditure on transport also emphasise the problem of transport poverty.[248]

Access to healthcare has been declining in Slovenia for several years, and some vulnerable groups still face barriers to accessing education. Access to healthcare has been deteriorating in Slovenia for several years, and the epidemic has further exacerbated the situation, especially at the primary level due to a shortage of healthcare staff and at the secondary level due to a shortage of nurses and long waiting times (Section 3.1). Access to education is better than the EU average for all levels of education. Participation in *early childhood education and care* increased in 2022, reaching its highest level in a decade. However, its costs are high, posing a greater financial burden on parents compared to the EU average, particularly for single parents (Rastrigina and Pearsal, 2023) and parents of socially marginalised children who are not eligible for free education and care.[249] The participation in *basic and upper secondary education* is also high, but some children are unable to afford various curriculum activities (school camps, sports and cultural activities, etc.).[250] Although *tertiary education participation rates* are generally high, they are low among young people whose parents do not hold a university degree, as these children are less likely to attend tertiary education, which exacerbates the low intragenerational mobility. *Adult participation in education* increased for the second year in a row in 2022, although certain socially disadvantaged groups still faced obstacles (see Chapter 2).

Exposure to various forms of discrimination in Slovenia was higher in 2023 than in previous years, although it remained among the lowest in the EU. Long-term exposure to discrimination has a negative impact on the discriminated person or group and can lead to social exclusion; it increases the costs of healthcare services, contributes to the neglect of available resources, and reduces productivity and social well-being (Kogovšek and Petković, 2007). In 2023, 13% of respondents in Slovenia had experienced discrimination or harassment, one of the lowest rates in the EU (Eurobarometer, 2023e). The most often mentioned circumstances where respondents felt discriminated against were at work and in a public space, and the largest gap with the EU average was seen in access to healthcare services (see Indicator 3.21). However, domestic surveys, which are not comparable with international surveys, show that the proportion of the population experiencing discrimination is significantly higher and has increased in the period 2017–2022.[251] According to this data, the most mentioned circumstances where people felt discriminated against were at work or when looking for a job, followed by in

[245] In 2022, the Housing Fund of the Republic of Slovenia, as the sole provider of the public rental service and an intermediary between the owner of the apartment and the subtenant, published a public call for applications for the activation of unoccupied apartments.

[246] In 2023, 2024 and 2025, EUR 25.5 million was allocated in the state budget for the recapitalisation of the National Housing Fund, with an additional EUR 60 million sourced from the Recovery and Resilience Plan (RRP). The dedicated funding for the construction of public rental housing will be outlined in a separate law anticipated for 2025.

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

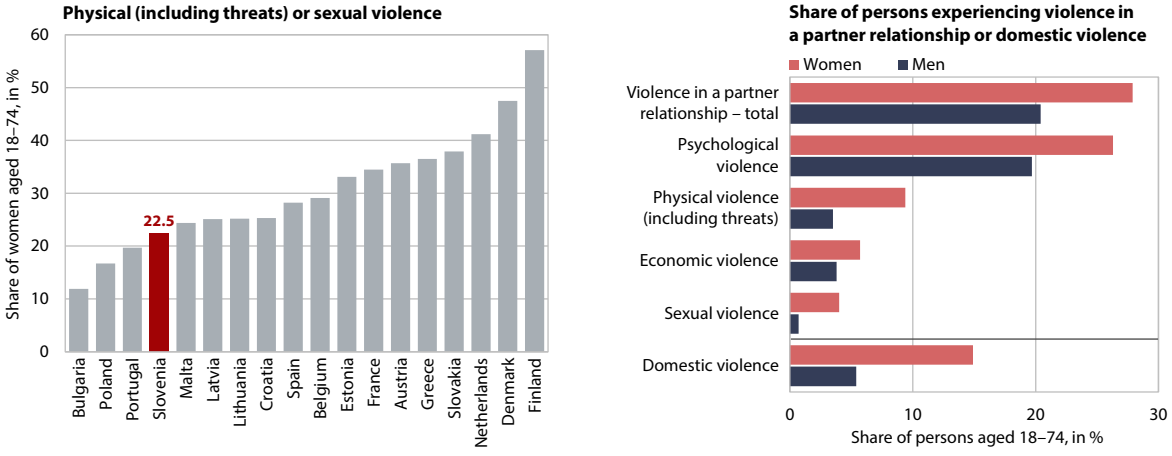
[248] There is no standardised definition of transport poverty at the European level. The Anton Melik Geographical Institute has defined transport poverty as a phenomenon where a person or household lacks or has difficulty in affording adequate transport services necessary to access essential services and activities (Nared, 2023).

[249] The cost of early childhood education and care (ECEC) for socially excluded children (if it is not provided free of charge) (typically) amounts to 10% or 20% of the programme price (Stropnik and Prevolnik Rupel, 2023).

[250] Extramural activities may be free for basic education pupils from low-income families, subject to conditions set by the school, while they are subject to a charge for upper secondary students (Stropnik and Prevolnik Rupel, 2023).

[251] In 2017, 17% of respondents felt discriminated against, compared to 23% in 2022 (Advocate of the Principle of Equality, 2017, 2023a). A survey conducted among employees of administrative units, social institutions, employment services and social work centres revealed that in 2023, 66% of employees were unaware of the Protection Against Discrimination Act and a third of those who had not experienced less favourable treatment were unaware of the personal circumstances that could lead to discrimination. Many respondents confused discrimination with injustice. Seventy-two percent of the respondents expressed a desire for knowledge and training in this area (Advocate of the Principle of Equality, 2023c).

Figure 79: According to the latest data, fewer women than in most other EU Member States have experienced physical or sexual violence (left); women are more likely than men to experience violence in a partner relationship and domestic violence (right)



Sources: Eurostat (2024b), SURS (2024). Notes: Data is based on the European study on gender-based violence against women conducted in 2020–2023. Eurostat data refers to 18 Member States.

healthcare services. The Ombudsman drew attention to the inequalities in the healthcare system, particularly in terms of access to care (2023b).[252]

Domestic and partner violence is more often experienced by women[253] and often remains unreported. Any violence, be it physical, sexual, psychological or/and economic, is a violation of the victim's human rights, dignity and, at worst, the right to life (EC, 2022a). In Slovenia, 22.5% of women (which is less than in most other EU Member States) (Figure 79, left) and 16.3% of men have experienced physical (including threats) or sexual violence since the age of 15.[254] Men most often experience violence in a public space and women at home (Figure 79, right), which has significant consequences for the victims, as incidents at home often occur without the presence of other people or solely in the presence of children, who are thus also made victims of the violence (see EC, 2022a; EP, 2021b; FRA, 2021). According to the latest data, 28% of women have experienced violence by an intimate partner (EU-18: 33%) and 15% domestic violence (EU-18: 20%) (Eurostat, 2024). Women are more likely than men to be victims of recurrent partner violence and to report physical injuries and psychological consequences as a result of the violence (Kontelj, 2022). Domestic violence is a serious and often continuing and hidden social problem and one which has a negative impact on the emotional, economic and social well-being of the entire family (EC, 2022a; EP, 2021b; IMAD, 2023e). Due to the changes in the way of life during the epidemic, many countries reported an increase in the number of domestic violence cases (EC, 2022a; EP, 2021b; IMAD, 2023e). In Slovenia, the number increased by 13% in 2023, and the number of victims of crime (domestic violence and sexual violence) was still significantly higher among women (Police, 2024a, 2024b). The rate of reporting violence to the police and other institutions is low in Slovenia, as the violence and its consequences are dealt with by the victims themselves or with the help of friends and family, so the official data often do not reflect the actual scale of violence in the country (EIGE, 2021). The rate of reporting violence to the police depends on the enforcement of a culture of zero tolerance towards violence, while the prevention of domestic violence and violence against women relies primarily on appropriate treatment of victims, strengthening their trust in support systems, and adopting a holistic approach with a well-functioning network of interconnected stakeholders (Prislan et al., 2022).[255]

[252] Digitalisation poses challenges for older people and individuals with disabilities or limitations (e.g. blindness, dementia, immobility or limited proficiency in the Slovenian language) or for patients who are unable or do not have the necessary knowledge to use digital means of communication (Advocate of the Principle of Equality, 2023b).

[253] It is a form of gender-based violence rooted in gender stereotypes, power imbalances, and structural and institutional inequalities. Members of the LGBTIQ+ community are also victims of violence based on gender, gender identity, gender expression and sex characteristics (EP, 2021b).

[254] Data based on the European study on gender-based violence against women conducted in 2020–2023. The data source for Slovenia is SURS (2024), which also contains data for men, and for the EU Eurostat (2024), which contains data for the EU-18 and only for women.

[255] This is also reflected in the motion for a Resolution on the national programme on preventing and combating domestic violence and violence against women 2023–2028 (MDDSZ, 2024b).

4 A well-preserved and healthy natural environment

4.1 A low-carbon circular economy

A low-carbon circular economy (Development Goal 8)

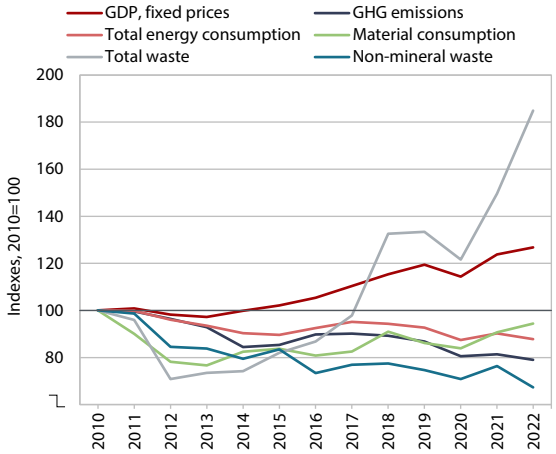
The goal of the SDS 2030 is to break the link between economic growth and the increasing consumption of raw materials and energy and the associated high burden on the environment. Sustainable growth will be achieved primarily through radical changes in consumption and production patterns, including more efficient exploitation of resources, waste management and energy use with a higher share of renewable energy sources. This will also help reduce GHG emissions. The planned changes will be supported by education and integration, the promotion of environmental innovation, and, above all, the phasing out of fossil fuels. In addition, the SDS 2030 underlines the urgency of changes in transport to accelerate the development of sustainable mobility.

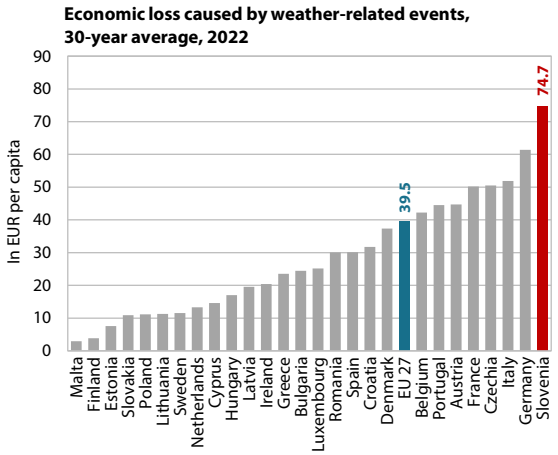
SDS 2030 performance indicators for Development Goal 8:

	Latest data		Target value for 2030
	Slovenia	EU average	
Resource productivity, in PPS/kg	2.1 (2022)	2.5 (2022)	3.5
Share of RES in final energy consumption, in %	22.9 (2022)	23.0 (2022)	27.0
Emission productivity, in PPS/million kg CO_2	4.2 (2022)	4.1 (2021)	EU average in 2030

Several years of discrepancy between the growth of GHG emissions, energy consumption and non-material waste and GDP growth continued in 2022, with a faster increase in material consumption and total waste. The environmental dimension of economic development is typically analysed using indicators that show the ratio between economic growth on the one hand and the growth of GHG emissions, energy and material consumption, and the resulting waste on the other. GHG emissions, energy consumption and non-mineral waste decreased in 2022, while material consumption increased under the influence of a significant growth in the consumption of non-metallic minerals. As the economy continued to grow, emissions and energy productivity improved, while material productivity deteriorated. The renewable energy target

Figure 80: In 2022, energy consumption, GHG emissions and (non-mineral) waste continued to lag behind economic growth, while material consumption and total waste increased more than GDP (left); adaptation to climate change is also necessary because of the losses caused by climate events (right)





Sources: SURS (2024b), ARSO (2024c), Eurostat (2024); calculations by IMAD. Notes: Mineral waste comes from the ore extraction process, particularly in relation to construction activities, and due to its specific weight, it strongly dominates the waste structure. The resulting non-mineral waste includes residual waste generated through incineration and treatment processes (Figure left, Eurostat methodology). The figure on the right illustrates economic damage caused by extreme meteorological, hydrological, and climatic conditions. It takes into account the number of fatalities and the general and insured economic losses resulting from weather and climate events.

Box 8: Climate change and the need for a more rapid response

Following the adoption of climate and energy legislation, the EU and its Member States are working towards meeting their ambitious goals, which will require at least a doubling of the efforts made so far. The European Environment Agency (2023b) notes that the EU has made significant progress in reducing emissions, promoting renewable energy sources and improving the energy efficiency of the economy over the past few years. According to the estimate for 2022, it reduced net emissions by 31% compared with 1990, amid a higher level of prosperity. According to these estimates, emissions fell by around 2% in 2022, mainly due to the reduced use of fossil fuels under the impact of their rapidly rising prices. The 2020 climate and energy targets have been largely achieved, but action needs to be stepped up to reduce net emissions by at least 55% by 2030 and achieve climate neutrality by 2050, as the current action will not be sufficient even in the light of the planned stricter policy in the future. In particular, the reduction of emissions from road transport, construction, agriculture, waste management and small-scale industry, which are covered by the Effort Sharing Regulation to reduce GHG emissions (non-ETS sector), must be accelerated. Energy consumption should be reduced and the share of renewable sources should be increased. However, significant progress has been made in some areas: Wind and solar power exceeded 20% of total consumption in 2022, and the sales of heat pumps and electric vehicles have increased significantly. To achieve the targets, CO_2 removal from the air must be increased, representing the contribution of the LULUCF sector, i.e. land use, land-use change and forestry. Now that the foundations for mitigating climate change have been laid in recent decades, the challenge remains to consistently implement the agreed policies and to make a more significant shift in the climate transition, including through more ambitious targets.[1]

Countries were also called to strengthen climate action in this decade at the 28th meeting of the United Nations Framework Convention on Climate Change (COP28), held in Dubai in December 2023. The main objective of COP28 was to send a strong political signal guiding global climate policies and measures. The conference reviewed the global state of play, measuring progress towards achieving the climate goals set out in the Paris Agreement. It has been concluded that the world is currently off track when it comes to achieving the emission reduction targets (UNFCCC, 2023). Close to 200 parties have committed to taking action to reduce emissions and achieve climate neutrality by 2050. Since most emissions come from the combustion of fossil fuels, the parties agreed to *triple the renewable energy capacity by 2030*. However, since increasing the use of renewable resources alone is not enough, they will also *double the energy efficiency improvements*. The phasing out of fossil fuels will also be accelerated by phasing out subsidies encouraging their use. In doing so, developed countries will continue to take the lead and financially support other countries. The next comprehensive national climate action plans for emission reductions (so-called nationally determined contributions) will be submitted by countries in 2025.

Ambitious and accelerated action in line with the Paris Agreement (UNFCCC, 2016) and the target to limit global temperature rise to 1.5°C is not only necessary for climate change mitigation but also brings longer-term economic and social benefits. Climate Action Network Europe (2024) finds that the socio-economic benefits will far outweigh the costs. The transition to climate neutrality, which includes plans to reduce energy use, save energy and build energy infrastructure to allow a switch to purely renewable energy sources, protects against the effects of climate change while benefiting the economy and society. It prevents climate-related declines in people's well-being, has a positive impact on health, creates green jobs, and reduces raw material consumption and energy poverty. The direct benefits for the EU are expected to amount to at least one trillion euros by 2030. The benefits of the necessary climate action would outweigh the costs in the long term by a ratio of 1.4:1 compared to current measures, or 4:1 compared to inaction. As temperatures in Slovenia are rising faster than the global average, due to geographical conditions, the benefits of climate action for Slovenia would also be higher than the average: the financial benefits by 2030 are estimated to be EUR 3.7 billion, or around 7% of GDP in 2022.[2] More attention should be paid to reducing motorised road transport, particularly by focusing on the renovation and construction of rail infrastructure and accelerating the use of renewable energy sources, especially through community energy projects.

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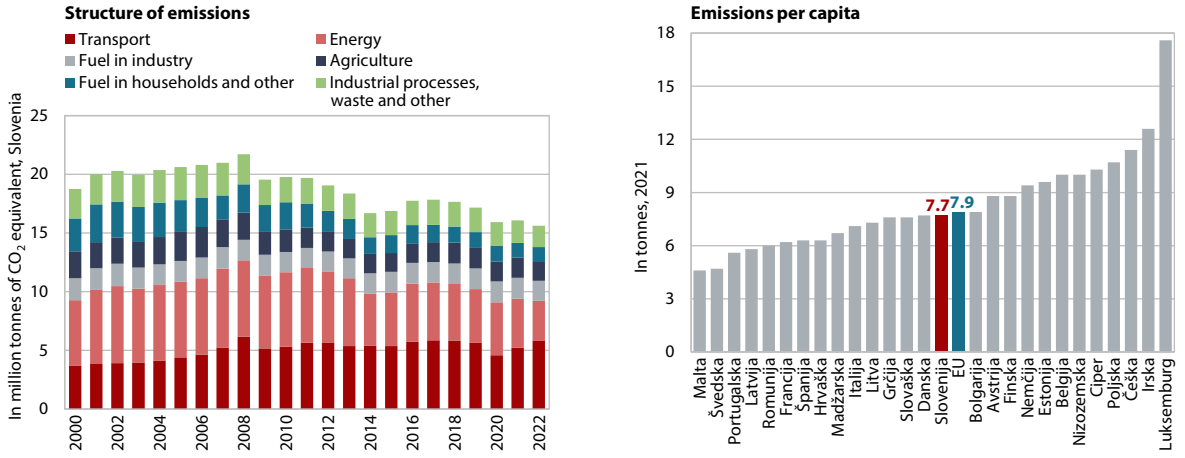
1 The UN International Panel on Climate Change (IPCC, 2023) warns that GHG emissions must be significantly reduced immediately, otherwise global temperature could rise significantly in the next two decades and trigger an environmental disaster. The year 2023 was the warmest on record in Slovenia and worldwide (ARSO, 2024e; C3S, 2024). The European Commission (2024c) has made a new recommendation that EU Member States reduce their emissions by 90% by 2040 compared to 1990 levels (country shares have not yet been determined). The European Scientific Advisory Board on Climate Change (2024) estimates that emission reductions of 90% to 95% are appropriate and feasible. In order to achieve this, we should, above all, significantly change Europe's energy mix, i.e. abandon the use of coal for electricity and reduce the use of fossil fuels by 80% and replace them with renewable resources and nuclear energy.

2 The calculation is made using the COMBI model, which is commonly used to analyse the relationship between corporate social responsibility and corporate performance.

Figure 81: Greenhouse gas emissions, which rose slightly in 2021 due to increased transport activity after the epidemic, before falling to their lowest level in a century in 2022, marked by the energy crisis, are close to the EU average in per capita terms in Slovenia



Sources: Eurostat (2024), ARSO (2024c). Note: GHG without LULUCF and with international aviation. The estimate for 2022 is preliminary.

was not met for the third year in a row, and the share of RES in total energy consumption even fell slightly. Due to the delays accumulated so far and the adoption of even more ambitious climate targets, we need to catch up (MOPE, 2023a) and significantly accelerate the transition to a low-carbon circular economy in the coming years. This is also important given the increasing economic damage caused by climate change, which, according to Eurostat estimates, has been the highest per capita on average among EU Member States in Slovenia over the last 30 years.[256] The key to building resilience and managing risks is to recognise opportunities, innovate, reduce consumption, introduce new clean technologies, monitor the success of their development and then adjust policies and reallocate resources. If change is too slow or delayed, the green transition will become a much more difficult task (IMAD, 2022c).

In the energy crisis year of 2022, greenhouse gas emissions, which are declining in the long term, were the lowest in the last two decades, narrowing the emissions productivity gap with the EU. Total *GHG emissions* in 2022 were about 3% lower than a year before, 2% lower than in 2020, when they declined markedly as economic activity cooled during the COVID-19 epidemic, and about one-quarter lower than their peak in 2005. In the EU-ETS sectors,[257] they decreased again (by 14%) under the influence of the high costs associated with the purchase of allowances, while in non-EU-ETS sectors they increased again (by 3.5%). The overall decline was primarily due to a significant drop in the energy sector (by 19%), which reached its lowest level in the two decades observed. The thermal power plant's electricity production was lower because it was difficult to secure sufficient quantities of coal in the uncertain environment[258] at the time and because electricity prices on the neighbouring markets were lower. However, emissions from the transport sector increased significantly again (by 11%) and were 3% higher than before the COVID-19 crisis. Almost all emissions from this sector come from road transport, and the increase was caused by an increase in car traffic. As emissions from the transport sector account for the largest share of total emissions, particular attention should be paid to the design of emission reduction measures. Particularly problematic is the use of fossil fuels, where excise duty exemptions and other price reduction measures are not conducive to a green transition. To achieve the more ambitious 2030 targets,[259] we need to increase the use of renewable energy and ensure more efficient energy use, while systemically directing financial incentives for climate investments towards integrated and effective solutions. *Emission productivity*, calculated as GDP per unit of GHG emissions, improved again in 2022, amid lower emissions and continued GDP growth. It was lower than the EU average, but in 2021 (the last year for which

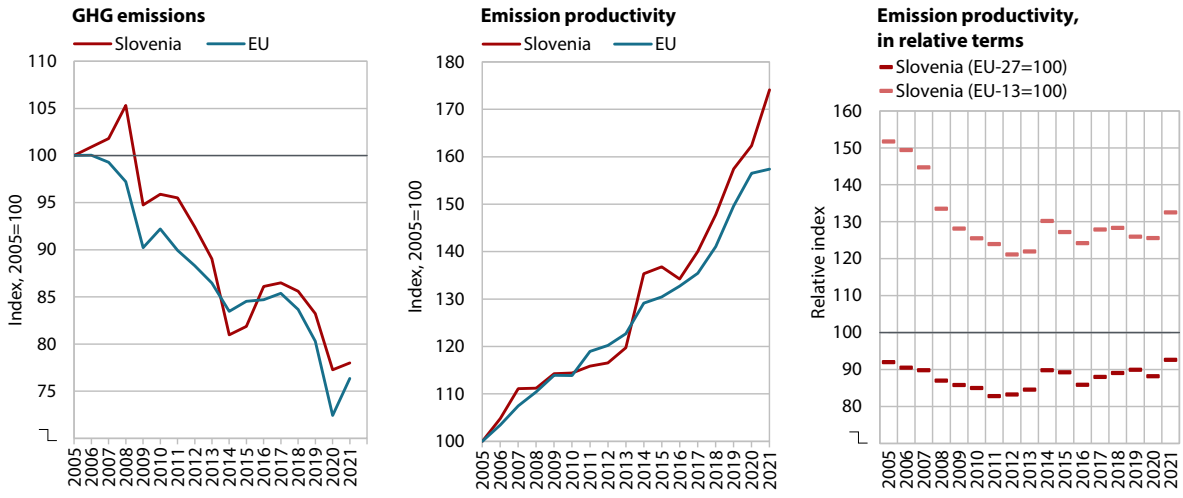
[256] Natural disasters with a significant impact on public finances are occurring more and more frequently in Slovenia, as in the EU and the rest of the world. The number and extent of weather and climate events and the estimated economic damage depend on the methodology, including the extent to which loss events are recorded. When using different indicators (per area, per capita or as a proportion of GDP), the damage estimates naturally vary in international comparison. For Slovenia, the long-term per capita damage had already been estimated to be high before the floods in 2023 (EEA, 2023a).

[257] The Emissions Trading Scheme, i.e. the EU ETS sectors, covers emissions mainly from energy, metals and non-metals activities. The companies involved receive or buy emissions allowances, which they can trade as needed. By assigning monetary value to carbon, businesses are encouraged to find the most cost-effective solutions to reduce emissions and invest in clean low-carbon technologies.

[258] Coal-fired power generation at the Šoštanj thermal power plant was suspended for almost two months in autumn 2022. The reason for this was coal shortage related to geomechanical problems at the Velenje coal mine and the expected inability to meet the higher demand in the winter. Annual electricity production from Šoštanj thermal power in 2022 was 18% lower than in the previous year (TEŠ, 2023).

[259] The NECP (Government of the RS, 2020) set targets for Slovenia to reduce total emissions by 36% by 2030 compared to 2005, with emissions in the non-ETS sector reduced by at least 20%, but these targets will be tightened in the new plan.

Figure 82: In the long term, the reduction in GHG emissions and the increase in emission productivity have been almost in line with the EU, while the gap in emission productivity with the EU average has narrowed only slightly in the last decade



Sources: Eurostat (2024), ARSO (2024c). Notes: GHG without LULUCF and with international aviation. Emission productivity is calculated as the ratio of GDP to GHG emissions. In the centre figure, productivity is calculated as GDP at constant prices, while in the figure on the right it is calculated as GDP in PPS. A meaningful comparison in PPS with other countries can only be made for individual years and not for a longer time period. EU-13 – countries that joined the EU after 2004. Data for 2022 are preliminary.

Box 9: Medium-term macroeconomic effects of decarbonising the Slovenian economy using the example of the green tax reform[1]

With the Green Deal, the EU has committed to becoming carbon neutral by 2050. Comprehensive measures, including to meet the intermediate target of reducing greenhouse gas (GHG) emissions by at least 55% by 2030 (compared with 1990 levels), are set out in the "Fit for 55" package. In order to achieve these targets, carbon price increases, regulatory measures and large-scale green investments are planned, among other things.

The carbon tax provides an economically effective method of reducing GHG emissions. Compared to other instruments, it is described in the literature as effective, easy to implement, and difficult to evade (for a comprehensive overview, see Timilsina, 2022). From an economic perspective, it is known as a Pigouvian tax, which corrects market distortions by taxing carbon emissions and making polluters pay for the social costs that are usually not included in the private costs of carbon-emitting economic activities. The advantage of this tax is that it allows for the creation of a double dividend. The government can use it to improve the environment while using tax revenues for other beneficial purposes. The carbon tax can be classified as one of the most basic instruments in the decarbonisation process, and its effects are often the subject of simulations.[2] Below, we present the effects for Slovenia.

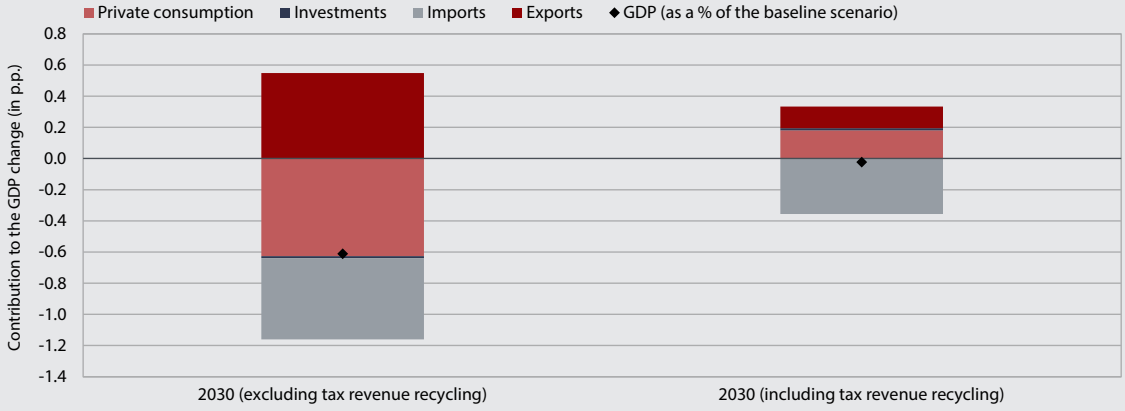
The macroeconomic effects of the carbon tax were assessed using the GEM-E3-SI model.[3] This is a multi-regional and multi-sectoral general equilibrium macroeconomic model designed for analysing energy, environmental and climate issues. The model was developed specifically for Slovenia, with two regions abroad included: the rest of the EU-27 Member States and the rest of the world. The model distinguishes between 50 production activities, including a detailed representation of energy production sectors. It incorporates four economic agents: households, firms, the government, and the rest of the world, which optimise their decisions, considering the relevant income constraints. Microeconomic decisions of the economic agents, macroeconomic flows, and links between them form the macroeconomic environment, which is further connected to the environmental and energy subsystems in the model.

In the simulation, we assumed a linear increase in the carbon price from the current 83 EUR/tCO_2 to 140 EUR/tCO_2 by 2030.[4] The initial carbon price is based on the latest available OECD estimates of (net) average effective carbon prices[5] for Slovenia in 2021 (OECD, 2024a), while we have set the target carbon price in 2030 at a level deemed necessary by the International Energy Agency (IEA, 2022) to achieve decarbonisation of developed economies by mid-century. It is worth noting that target carbon price values are highly uncertain, as their estimates vary considerably across institutions. Since the carbon price enters the model as a tax, the terms "carbon price" and "carbon tax" are used interchangeably.

An increase in the carbon price would reduce GHG emissions and have a relatively small negative impact on Slovenian GDP. It would be 0.6% lower in 2030 compared to the baseline scenario.[6] Private consumption and exports would contribute the most to the decrease. The increase in the carbon price would lead to higher production costs per unit of output, especially in emission-intensive sectors. Consequently, changes in relative prices among sectors would shift demand towards less emission-intensive sectors. The deterioration in the cost competitiveness of emissions-intensive export sectors would lead to a decline in exports. Lower private consumption would also lead to lower imports, which would make a positive contribution to the GDP change. As a result of the higher tax, GHG emissions in 2030 would be approximately 10% lower than in the baseline scenario.[7]

Fiscal policy can mitigate the negative effects of higher taxation through transparent and targeted use of tax revenues or redirecting them back into the economy. The model allows for the simulation of various types of tax revenue recycling.[8] For illustration, we present the effects of a fiscally neutral green tax reform, where carbon tax revenues are used to reduce employers' social contributions,[9] which would have a positive impact on both company costs and household incomes. In this case, the tax increase would have no negative impact on GDP, which would remain roughly the same as in the baseline scenario. Through the illustrative example of the simulation, we aimed to demonstrate that any future increases in carbon prices should be accompanied by the appropriate tax income recycling.[10]

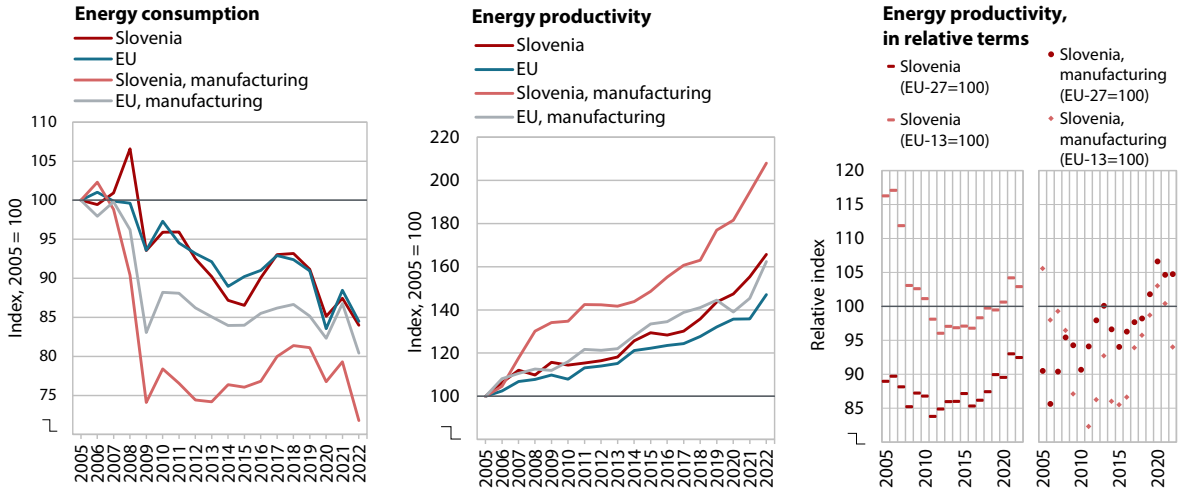
Figure 83: Effect on expenditure components of GDP in 2030



Source: GEM-E3-SI model.

1 We would like to thank Kostas Fragkiadakis, PhD (E3 Modelling) for the advice in preparing the simulation.
2 See, for example, Coenen et al., 2023; Brand et al., 2023; IMF, 2022.
3 The Slovenian version of the GEM-E3 model was developed for the Ministry of Finance of the Republic of Slovenia by E3 Modelling within the framework of the Technical Support Instrument (TSI) of the European Commission. The Box was prepared by: Andrej Kuštrin, PhD (IMAD), Ana Milanez, MSc (Ministry of Finance), and Nataša Vrh, PhD (Ministry of Finance), who also participated in the training process for working with the model. More detailed information about the model and its calibration is available at the E3 Modelling (n.d.) webpage.
4 The simulation assumes that after 2030, the carbon price remains at 140 EUR/tCO_2.
5 The measure includes excise duties on fuels and energy, direct taxes on carbon, and emissions trading schemes at country level for six economic sectors (road transport, off-road transport, industry, agriculture and fisheries, residential and commercial property, and electricity).
6 The baseline scenario assumes that the current carbon price (83 EUR/tCO_2) remains unchanged in the coming years.
7 The baseline scenario with an unchanged current carbon price assumes that GHG emissions in 2030 would amount to 16.7 Mt CO_2 eq.
8 Transfers to households, employers' social contributions, indirect taxes, and production subsidies.
9 Analyses by international and national institutions suggest the need for fiscal restructuring in Slovenia (see, for example, IMF, 2024; IMAD, 2023). The analysis by Guillemette and Château (2023) suggests, among other things, that revenue from carbon pricing could be used to reduce labour tax wedges.
10 In addition to reducing taxation on beneficial areas (such as labour), revenues could be directed to green investments, such as supporting renewable energy sources, promoting public transportation, renovating energy-consuming buildings, and numerous others. In the long term, higher prices for environmentally harmful practices could lead to increased investment in research and development and new, more environmentally friendly technologies. Consequently, this could lead to higher productivity and greater competitiveness.

Figure 84: The decline in energy consumption in Slovenia was similar to that in the EU, while energy productivity remains lower than in the EU despite faster growth, with manufacturing being the only sector where it was higher



Source: Eurostat (2024); calculations by IMAD. Notes: Energy productivity is calculated as the ratio of GDP to energy consumption. In the centre figure, productivity is calculated as GDP at constant prices, while in the figure on the right, it is calculated as GDP in PPS. A meaningful comparison in PPS with other countries can only be made for individual years and not for a longer time period. EU-13 – countries that joined the EU after 2004.

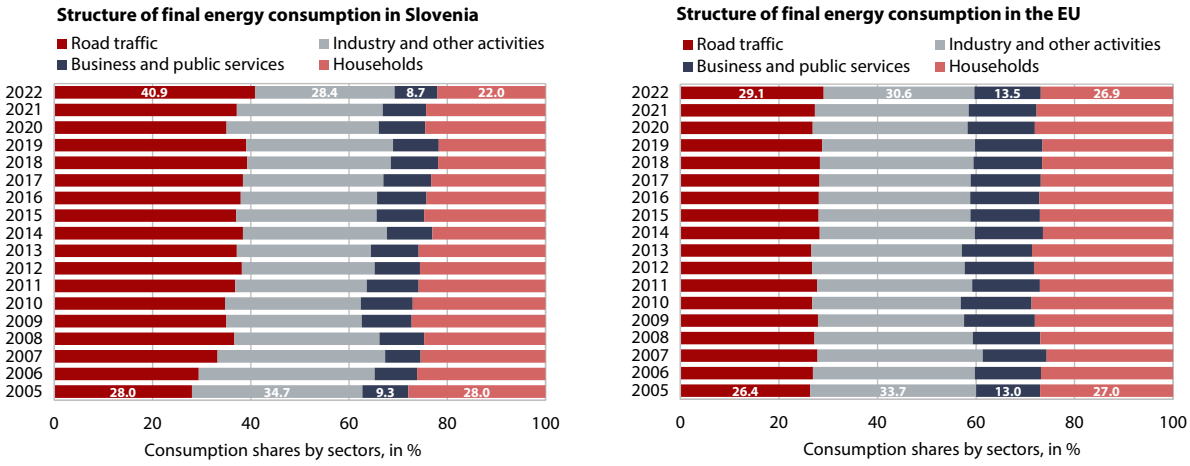
data is available), the strong economic recovery after the health crisis narrowed the gap from 11.8% to 7.4%, the smallest gap since 2005. Based on preliminary estimates, this gap remained roughly the same in 2022. In order to achieve the emissions productivity SDS target, i.e. to reach the EU average in 2030, the pace of narrowing the gap with the EU observed over the last ten years must be accelerated.

Total energy consumption fell slightly in 2022, by around 2%, meaning that energy productivity has improved significantly amid higher economic activity, albeit less markedly than at the EU level. In 2020, primary energy consumption was approximately 14% below the target value, which means that the target was fairly exceeded (Indicator 4.2). During the crisis years 2009 and 2020, it fell by 12% and 6% respectively year-on-year, thus contributing significantly to the achievement of the target. In 2021, the year after the epidemic outbreak, total energy consumption rose by more than 3%, before falling again in 2022 due to the energy crisis.[260] Energy consumption increased only in the transport sector, while it fell in industry and households due to the energy crisis (high prices and energy savings), while the drought also led to a significant decline in the use of hydropower. *Energy use for heating* has been reduced in the long term through more economical use, energy renovation of buildings, increased efficiency of combustion installations and other efficiency-enhancing measures and also because of milder winters. The share of heating oil in the household energy mix has decreased, while the share of electricity and district heating has increased. In 2022, household energy consumption fell by one-tenth, mainly due to lower consumption of wood (problems with pellet supply and relatively high price increases). As COVID-19 restrictions in 2020 had a particularly strong impact on transport, their easing in the following two years was reflected in a sharp increase in the consumption of liquid fuels. *Energy productivity* (measured by the ratio of GDP to total energy consumption) only improved after 2017 (including in 2022), as a result of the relatively lower GDP growth since the global financial crisis. Significant progress has been made in manufacturing in recent years. Here, energy productivity has been above the EU level since 2019.[261] The reduction in energy consumption would have been much more effective if *energy consumption in road transport* had not increased significantly in the years preceding the global financial crisis, due to Slovenia's transit position in the enlarged EU. This then fluctuated but remained at a high level, with a particular increase in 2021 and 2022 (which also contributed to the growth in GHG emissions from transport). In some years, this was further stimulated by the lower price of motor fuels compared to neighbouring countries. Slovenia's lag in energy productivity behind the EU average, which fell to less than one-tenth in 2021 and was the lowest since 1995, increased slightly in 2022. The decline in total energy consumption in the EU was around 2 p.p. higher than in Slovenia.

[260] For 2023, we estimate that energy consumption (especially diesel, electricity, lignite and gas) continued to fall, which means a further increase in energy productivity amid otherwise low economic growth (Indicator 4.2).

[261] In energy-intensive manufacturing companies, the burden of energy costs on business revenues, which rose sharply to 8.7% in 2022 as part of the energy crisis due to high energy prices, particularly for gas and electricity, also fell sharply in the period 2008–2021, from 8.4% to 5.8% (IMAD, 2022c).

Figure 85: The share of final energy consumption in road transport increased in 2022, while it decreased in households



Source: Eurostat (2024); calculations by IMAD.

Since 2005, the increase in the share of renewable energy sources (RES) in Slovenia has been the lowest of all EU Member States and, without more radical changes, will fall far below the EU average within a few years and is already falling short of the targets set. In 2022, the share of RES in final energy consumption fell to 22.9%. As this meant that the mandatory target to achieve a 25% share of energy from renewable sources in GDP for 2020 was not reached for the third year in a row, the missing share had to be made up by a statistical transfer from another EU Member State that had exceeded its target.[262] Over the period 2005–2022, the share of RES increased by 3 p.p., compared to an average increase of 13 p.p. in the EU as a whole. After being above 22% in 2013–2015, it remained roughly unchanged until 2019, before rising to around 24% in the first year of the epidemic (Indicator 4.3), which was related to lower consumption of liquid fuels during the epidemic rather than to increased use of RES. In Slovenia, the use of conventional RES, i.e. wood and hydropower, is most widespread, while the share of other RES use is the lowest among all EU Member States. Wind energy is hardly exploited in Slovenia at all, whereas in the EU as a whole, it already accounts for more than 16% of total RES consumption and even exceeds the use of hydropower. The increased consumption of solar and geothermal energy has been the main contributor to RES growth since 2009[263] (their shares each accounted for around 5% of total RES in 2022). Geothermal energy accounts for just over 1% of the energy mix, and a pilot project for the first geothermal power plant is underway, which could promote the use of geothermal energy in the future. The least progress has been made in the *electricity sector*, where the share of RES in Slovenia has increased by 8 p.p. (to 37% in 2022) since 2005, compared to 25 p.p. (to 41%) at the EU level. The share in the *heating and cooling sector*[264] in Slovenia is relatively high due to the high use of wood, which decreased significantly in 2022, by one-fifth, which contributed the most to the decline in the total share of RES. In the *transport sector*, the share of RES has only increased significantly in recent years and is now comparable to that of the EU. An immediate shift to green energy investment is urgently needed if we are to increase the use of RES and reach the SDS target. Since natural conditions are favourable, with extensive hydropower and wind power potential, for example, it is important to catch up on development and find acceptable solutions when prioritising the siting of individual energy facilities (MOPE, 2023b).

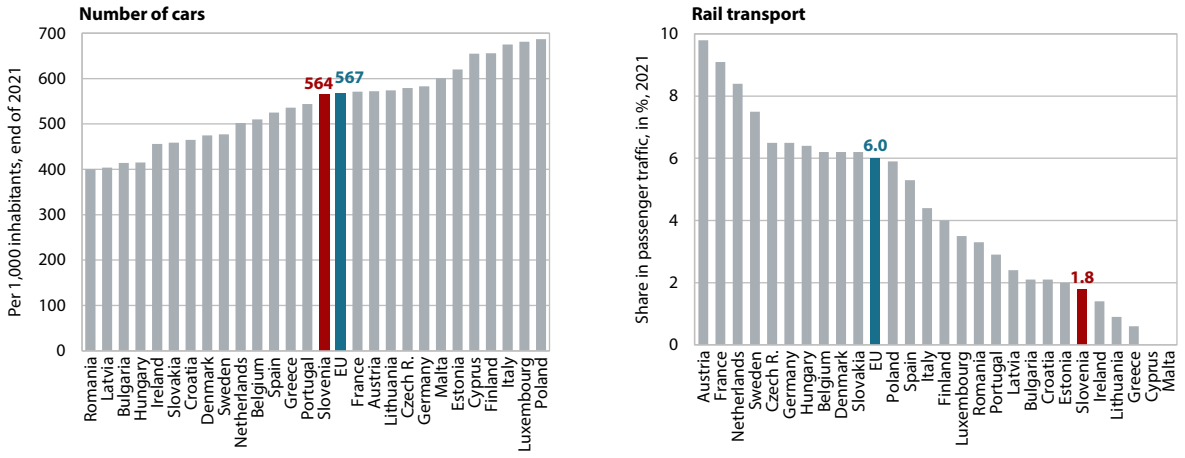
The volume of transport, which places a heavy burden on the environment, has again increased following the COVID-19 pandemic, emphasising the urgent need for systematic, long-term and sustainable solutions. In Slovenia and the EU, most goods are transported by lorry and most passengers travel by car, which are both the least environmentally friendly modes of transportation. Moreover, due to Slovenia's transit position, total *freight transport* is high and has even increased, in particular in the middle of the previous decade (Indicator 4.4). Per unit of GDP, it increased by 11% in 2010–2021 (it remained unchanged in the EU on average). In per capita terms, much more goods are transported in Slovenia than in the EU overall. Rail freight transport stands out in the structure with its relatively high share (34% in Slovenia in 2021, compared to 17% in the EU). In *passenger*

[262] To achieve the mandatory target, Slovenia had to provide the missing share of energy from RES through the mechanism of statistical transfer of renewable energy from another EU Member State (MOPE, 2022b, 2022a). For the first two years, agreements were concluded with the Czech Republic in the amount of approximately EUR 5 million in 2020 and EUR 2 million in 2021. For 2022, Slovenia bought the missing share from Croatia in the amount of almost EUR 11 million. The administrative purchase did not represent an additional energy gain, but was a prerequisite for the further absorption of cohesion funds in the current period.

[263] The highest increase in the share of RES was recorded in 2009, due to the crisis and lower overall energy consumption, while at the same time the decrease in RES consumption was not as marked.

[264] The use of RES for electric heating is included in electricity generated from RES and not in RES for heating.

Figure 86: Slovenia is around the EU average in terms of the number of cars per capita, but the share of rail passenger transport in total passenger transport is right at the tail end of the Member States



Source: Eurostat (2024); calculations by IMAD. Note: Figure to the left: data for Austria is from 2018; figure to the right: the indicator refers to travel within the country.

transport, the share of rail and other public transport is low (accounting for 10% in Slovenia in 2021 and 14% in the EU on average), while the share of transport by car is high. In 2020, as part of the efforts to contain the COVID-19 epidemic, public passenger transport was restricted much more than private car transport, which meant that the share of public passenger transport in total transport fell significantly (by about 5 p.p., to 9%). The low share is partly due to the lower degree of urbanisation and greater settlement dispersion and, in particular and increasingly, to the outdated and poor public passenger transport service.[265] In intercity transport, car sharing is on the rise and contributes to a lower environmental impact and at the same time to lower costs for households. As it is crucial to achieve sustainable, smart and resilient mobility (EC, 2020), significantly more attention needs to be paid to reducing greenhouse gas emissions from all modes of transport and achieving seamless, safe and efficient connectivity, which will have a positive impact on transport time and costs and the reliability and safety of transport. The vision for the development of Slovenia's rail network (MzI, 2021) envisages new high-speed lines to achieve higher standards and more competitive travel times to accelerate the shift of passengers from road to rail.

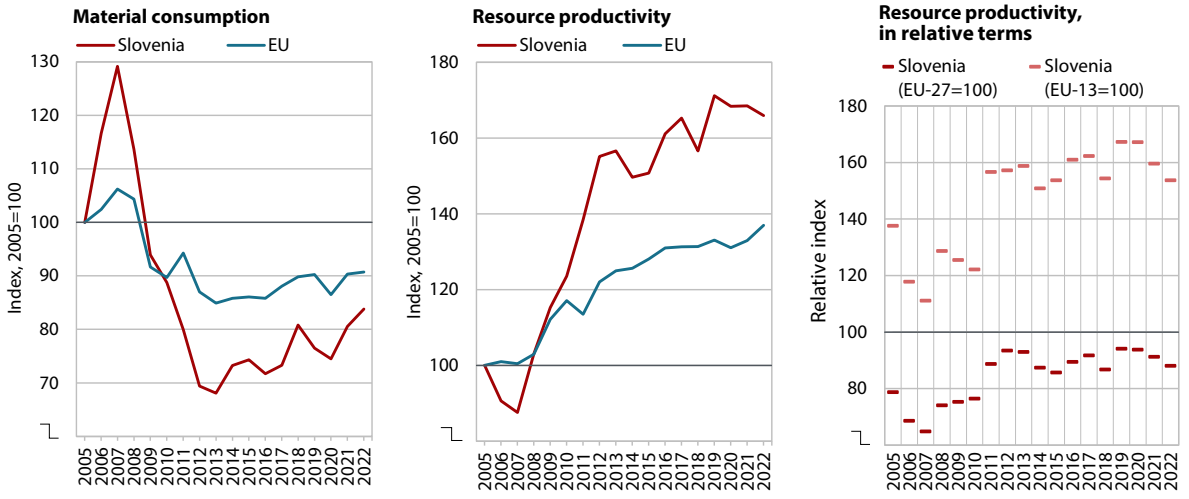
Resource productivity, one of the key indicators of a sustainable economy, improved during the global financial crisis due to lower resource consumption in construction but has been stagnating in recent years.

In Slovenia, changes in resource productivity, calculated as the ratio of GDP to raw materials and materials consumed, are strongly impacted by construction activities and the related consumption of non-metallic minerals. In the structure of resource consumption, the share of construction materials is relatively high by international comparison. In 2007–2012, resource productivity grew faster than in the EU on average, mainly due to a sharp decline in construction activity after the completion of the motorway cross and the global financial crisis. In the following years, the gap to the EU average has remained practically unchanged, albeit with fluctuations. In 2021 and 2022, however, the use of non-metallic minerals (especially sand and gravel) increased sharply, which significantly increased the total consumption of resources. Contrary to the situation in the EU, growth in material consumption exceeded GDP growth in 2022, so the gap with the EU widened slightly again, to around 13% (Indicator 4.5), one of the largest gaps in the last ten years. For 2023, we estimate that material productivity continued to deteriorate slightly, against the backdrop of increased construction activity and low GDP growth. It is expected that the planned implementation of major construction projects, such as the construction of railway infrastructure and the road connection of the third development axis, will weigh on resource productivity growth in the next few years. Much more attention therefore needs to be paid to the planned recycling measures to achieve the goal of bringing material productivity closer to the EU average (SDS 2030 target). Greater utilisation of secondary material streams will also contribute to waste reduction.

After the increase in 2021, the amount of non-mineral waste generated decreased in 2022; less municipal waste was generated and its relatively high recycling rate improved slightly. In total, about 12 million tonnes of waste was *generated*, which is about a quarter more than a year earlier and the most to date. Only the amount of mineral waste increased, due to increased

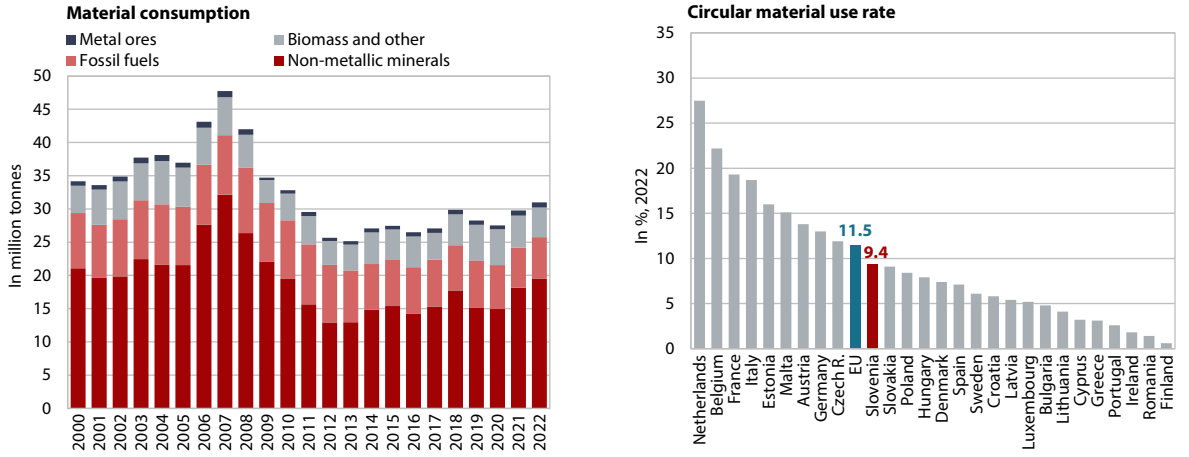
[265] According to an analysis by the International Consumer Research Institute (2022), bus connections in the 15 Slovenian towns and cities studied, with a total of around 100 lines, are poor and unsatisfactory. Public transport is not user-friendly, especially for new users. The lines run too infrequently and at irregular intervals and have complicated operating routes. Ljubljana and Maribor do not have a strong public transport backbone and there are only four city lines in Slovenia that run on average every 20 minutes or more often (two in Piran, one in Koper and one in Škofja Loka).

Figure 87: Material consumption has risen faster than in the EU over the last ten years, which, together with slower growth in material productivity, has meant that the gap with the EU has not narrowed but has actually widened in recent years



Source: Eurostat (2024); calculations by IMAD. Notes: Resource productivity is calculated as the ratio of GDP to material consumption. In the centre figure, productivity is calculated as GDP at constant prices, while in the right-hand figure it is calculated as GDP in PPS. A meaningful comparison in PPS with other countries can only be made for individual years and not for a longer time period. EU-13 – countries that joined the EU after 2004.

Figure 88: The main reason for the increase in material consumption since 2013 is the higher consumption of non-metallic minerals, which has fallen significantly since the completion of the motorways and as a result of the global financial crisis in 2007–2012 (left); the proportion of recycled material must be significantly increased, as in most EU Member States (right)



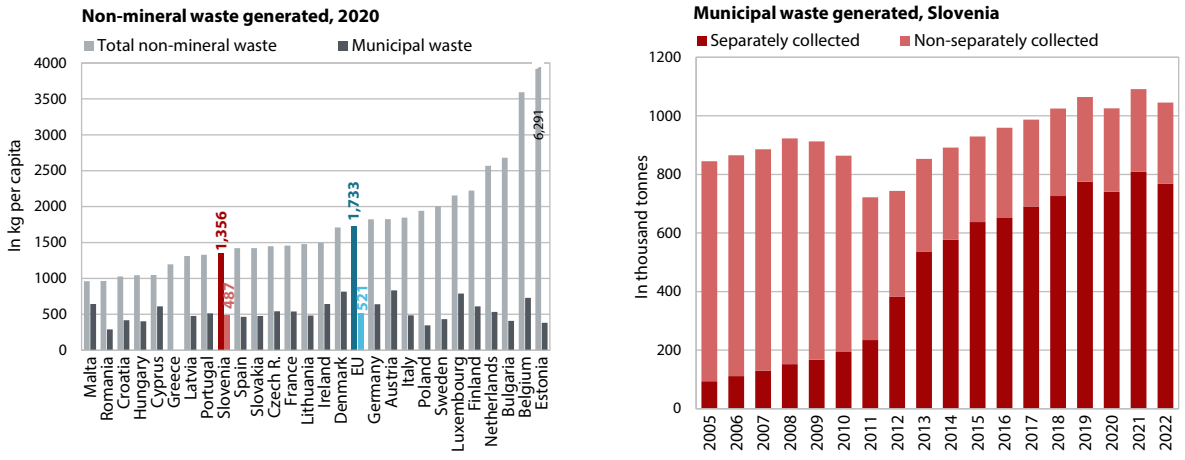
Sources: SURS (2024b), Eurostat (2024); calculations by IMAD. Notes: (i) material consumption is defined as domestic extraction plus net imports of materials; (ii) the share of recycled material is the ratio between the amount of processed waste used and the total amount of material and waste used.

activity in the construction sector.[266] Non-mineral waste decreased by 5% (Indicator 4.6). Calculated per unit of GDP, the lowest amount of non-mineral waste was generated to date (53 kg/EUR 1,000, which is 21% less than a decade ago). Slovenia is in the bottom third of EU countries in terms of the amount of non-mineral waste generated per capita. The same is suggested by the international comparison in the generation of municipal waste, including food waste. The amount of food waste per capita, which in Slovenia is about half lower than the EU average. In 2022, there was a slight decrease in overall food waste, but there was a 20% increase in food waste from accommodation and food service activities, which contribute about a third to the total quantity.[267] A better attitude towards food and natural resources needed for food production would contribute to greater food security and more sustainable development. With the long-term increase in the quantities of generated waste, waste *management* is improving, meaning that the proportion of landfilling, which is the least desirable form of waste treatment, has decreased. This contributes to the circular material use rate, but due to the higher overall material consumption, this rate has not improved in recent years and remains below the relatively low

[266] The share of mineral waste in total waste is relatively large, around 80%.

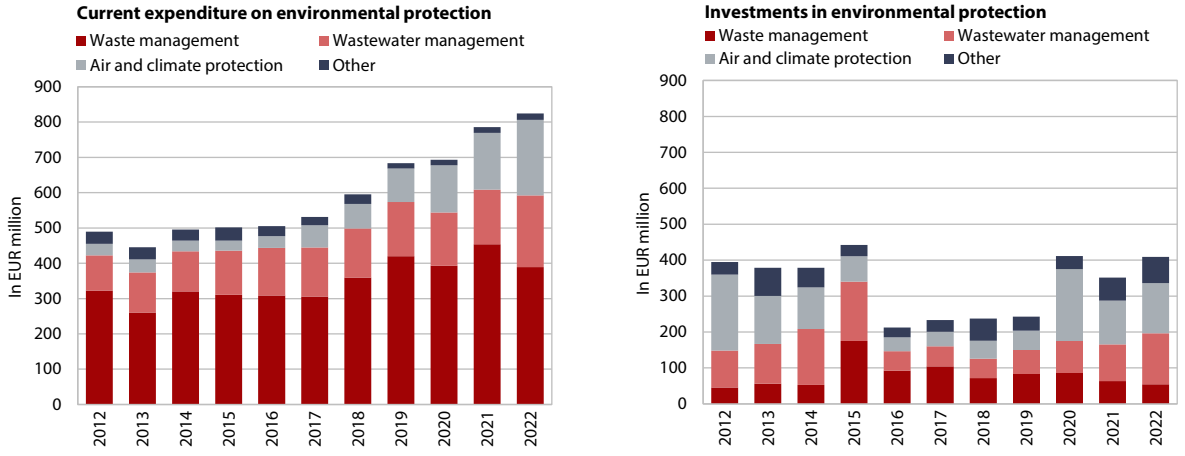
[267] The share of edible parts of food waste is around 40%. The rest are inedible parts, e.g. bones, stones, shells, peelings, husks, etc.

Figure 89: The amount of non-mineral waste and also municipal waste generated is lower per capita in Slovenia than the EU average; around three-quarters of municipal waste is collected separately



Sources: Eurostat (2024), SURS (2024); calculations by IMAD.

Figure 90: Current expenditure on environmental protection rose again in 2022; after a decrease in 2021, investments for environmental protection were also higher



Source: SURS (2024); calculations by IMAD. Note: The evolution of investments is linked to the absorption of EU funds in each programming period.

EU average (see Figure 88, right). Due to the limited availability of raw materials, particularly advanced and critical ones essential for the green digital transition,[268] economies are at increased risk of supply disruptions. In recent years, this has led to delays in transitioning production and consumption from linear to circular systems. As the transition is becoming urgent from the perspective of an economy's resilience, sustainable and circular practices must be systematically strengthened and fiscal policies adapted accordingly (Circle Economy Foundation, 2024).

Overall growth in resources allocated to environmental protection (expenditure and investment), which after 2016 was mostly the result of growth in expenditure on waste management, was again slightly more pronounced in 2022, due to the growth in expenditure on wastewater management and air and climate protection.[269] *Current expenditure on environmental protection*, which increased mainly after 2016, increased by 6% in 2022, reaching EUR 831 million. However, its share in GDP fell slightly,

[268] The EU List of Critical Raw Materials contains around 30 materials. The list grows longer every year: in 2020, lithium, which is essential for a shift to e-mobility, was added to the list. These raw materials are highly concentrated only in individual areas of the world, e.g. in China, Turkey and South Africa. Advanced materials are modern materials used in green technologies because they can replace some critical or hazardous substances, improve efficiency, and facilitate the circular economy.

[269] SURS publishes data on all financial resources earmarked for the protection of the environment from pollution by environmental purpose: air and climate protection, wastewater management, waste management, protection and remediation of soil, groundwater and surface water, protection against noise and vibration, protection of biodiversity and landscape, protection against radiation, research and development, and other. The research involves companies and organisations that are registered for performing their activities and having at least 10 persons in paid employment. It includes resources from own resources, the national budget and EU funds, credit, and other sources of financing.

from 1.51% in 2021 to 1.46% in 2022. About half was directed towards waste management, slightly less than a year earlier. Expenditure on air and climate protection and wastewater management increased markedly. The bulk of current expenditure was incurred in the Osrednjeslovenska region, around one-third of the total. In terms of the unit of regional GDP, expenditure was highest in the Savinjska region (3.6%). In 2022, EUR 409 million was earmarked for *investments in environmental protection*, exceeding the previous year's amount also when calculated per unit of GDP (by 0.05 p.p.). As in current expenditure, investments in air and climate protection and wastewater management increased, meaning that these two groups accounted for two-thirds of all investments in environmental protection. Investment in waste management has declined in recent years. Total investments for environmental protection were the highest in the Zasavska region (3.4% of GDP), with the Koroška and Osrednjeslovenska regions (about 1.2% of GDP) also standing out compared to the national average (0.8% of GDP) in 2022.

Due to measures to alleviate the effects of various crises, revenues from environmental taxes as a percentage of GDP have fallen to a historic low in recent years, which is not encouraging in terms of achieving long-term climate targets. In 2022, revenues from environmental taxes were similar in nominal terms to the previous year, but as a share of GDP they fell to 2.87%, the lowest level since the data became available in 1995. In nominal terms, environmental tax revenues in 2022 were therefore still significantly lower than in 2019 (by 9.1%). Growth was driven by higher revenues from energy taxes, which account for the largest share in the structure of environmental taxes. Also in 2022, excise duties on energy were reduced as part of the measures to mitigate the effects of rising energy prices. At the same time, the payment of the environmental tax on air pollution from CO_2 emissions and RES and CHP contributions[270] were also waived in certain months. Such developments are not encouraging from the perspective of achieving long-term climate goals, as the level of environmental taxes is an important price signal alongside various incentives, although the majority of them are not earmarked for the green transition. The proposed Climate Change Act[271] (2023c) creates a comprehensive framework for a more effective implementation of climate policy and the achievement of the climate neutrality target by 2050. Among other things, it provides for the complete abolition of tax[272] and budgetary expenditure that incentivises the use of fossil fuels after its entry into force in 2026. The proposed act makes the revenue from the environmental tax on air pollution caused by CO_2 emissions an earmarked source of funding for the Climate Change Fund. A review of known earmarked resources for the green transition (Fiscal Council, 2022) shows that more funding will be available for this purpose in the period 2021–2030 than in the period 2016–2020, especially from EU sources, but that this will not be sufficient to finance the needs estimated in the NECP from 2018. This gap will need to be closed with additional public funding and by tapping the investment potential of the private sector.

[270] Decree amending the Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources, 2022.

[271] The draft Climate Change Act also transposes updated European regulations in the area of climate policy and other areas into the Slovenian legal system, the regulation of which is essential for achieving the national climate targets. Public consultation on the draft act ended on 15 November 2023.

[272] Tax expenditure represents a reduction in tax liability in the form of tax refunds or (partial or full) tax exemptions.

4.2 Sustainable management of natural resources

Sustainable management of natural resources (Development Goal 9)

The goal of the SDS 2030 is to protect natural resources in a sustainable manner and plan their efficient use, as they are one of the key pillars of ensuring a healthy living environment, producing quality food and carrying out high value-added economic activities. The goal will be achieved by overcoming silo mentality, preserving biodiversity, sustainable soil management, preserving quality agricultural land, sustainable forest development and efficient water management. The SDS 2030 recognises the importance of responsible spatial management. Mitigation of, effective adaptation to and exploitation of the opportunities provided by climate change will be of particular importance.

SDS 2030 performance indicators for Development Goal 9:

	Latest data		Target value for 2030
	Slovenija	EU average	
Share of utilised agricultural area, in %	23.6 (2022)	38.9 (2022)	>24
Watercourse quality, mg O_2/l	0.8 (2021)	2.8 (2021)	< 1
Ecological footprint, gha/person	4.8 (2022)	4.7 (Evropa, 2022)	3.8

The burden on nature caused by production processes and people's lifestyles decreased in 2020–2022, although it remains higher in Slovenia than in most European countries, requiring further progress to meet the set targets. The ecological footprint, a comprehensive indicator of environmental burden (Indicator 4.8), increased during the recovery period following the global financial crisis until 2018. However, amid a decline in economic activity triggered by the COVID-19 and energy crises, it fell back to the level of ten years ago and stood at 4.8 gha per capita in 2022. While the gap to the EU average narrowed to 2.8%, the utilisation of natural resources in Slovenia remained more resource-intensive than in most other European countries.[273] An analysis of the relationship between the ecological footprint and economic growth shows that economic growth is achieved during periods of high resource consumption and higher pollution. As in other European countries, the carbon footprint accounts for more than half of the footprint, with the footprint of forest products also increasing and accounting for a quarter of the ecological footprint in 2019. The share of the cropland footprint has not changed significantly in recent years and is around 15%. The carbon footprint is mainly due to the use of fossil fuels in transportation and the high footprint of forest products, which reflects the relatively high consumption of wood in construction and heating. These factors make a strong contribution to the footprint of housing and personal transport, which together account for the largest share of the ecological footprint of consumption.[274] Slovenia's high forest cover ensures a high biocapacity of forest, which meets the demand for forest products and their increased exports,[275] but does not offset the carbon footprint. The latter is relatively high compared to the rest of Europe and neighbouring countries. The SDS 2030 target is getting harder to reach. Balancing society's needs with the planet's boundaries would require a systematic acceleration of low-carbon solutions, especially in transport, with a shift towards circular use of resources and reducing waste by producers and consumers.

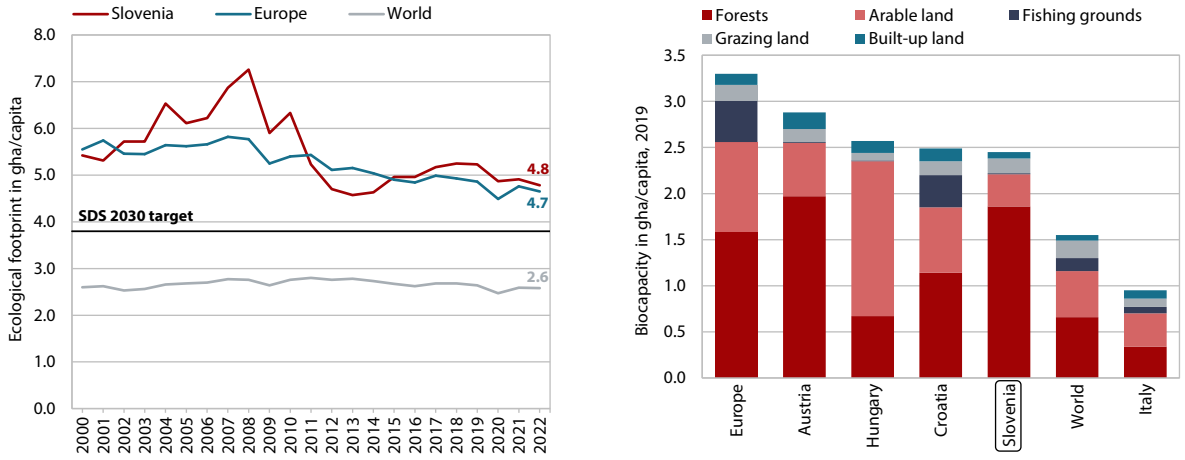
Slovenia is classified as an area of greatest biodiversity in Europe, and conserving it will help to maintain the production potential of agricultural land, support high-quality recreation activities and promote green tourism in the long term. High biodiversity is primarily a natural condition but also a result of the systematic protection of plant and animal species and sound ecosystem management. Measured by the share of protected areas which, due to their great biodiversity and landscape diversity, are key to

[273] The ecological footprint intensity, which indicates how much a country's ecological footprint exceeds the biocapacity of its territory, is around 2.0 (the ecological footprint to biocapacity ratio at the EU and global levels is around 1.5 and 1.1 respectively), which means that it would take two countries to meet the annual natural capital needs, or that Slovenia's entire biocapacity is depleted by the first half of the year. If everyone lived like Slovenians, global biocapacity would be exceeded by April, as the average Slovenian spends over 250 days annually with excessive and unsustainable use of natural capital. If everyone lived like a Slovenian, we would need 3.2 planets to achieve sustainable resource use. This puts Slovenia close to the EU-27 average, but at the same time, it is one of the most ecologically wasteful or least sustainable countries in the world. All EU-27 Member States reach their ecological overshoot day in the first half of the year and would need at least two planets to sustain the lifestyle of their inhabitants (Global Footprint Network, 2023).

[274] In contrast to the other consumption components, the carbon footprint of food is relatively low, with the largest contribution to the ecological footprint (half) coming from arable land. Food accounts for only one-fifth of the total ecological footprint, which is relatively small compared to other Mediterranean countries (Vintar Maly et al., 2022).

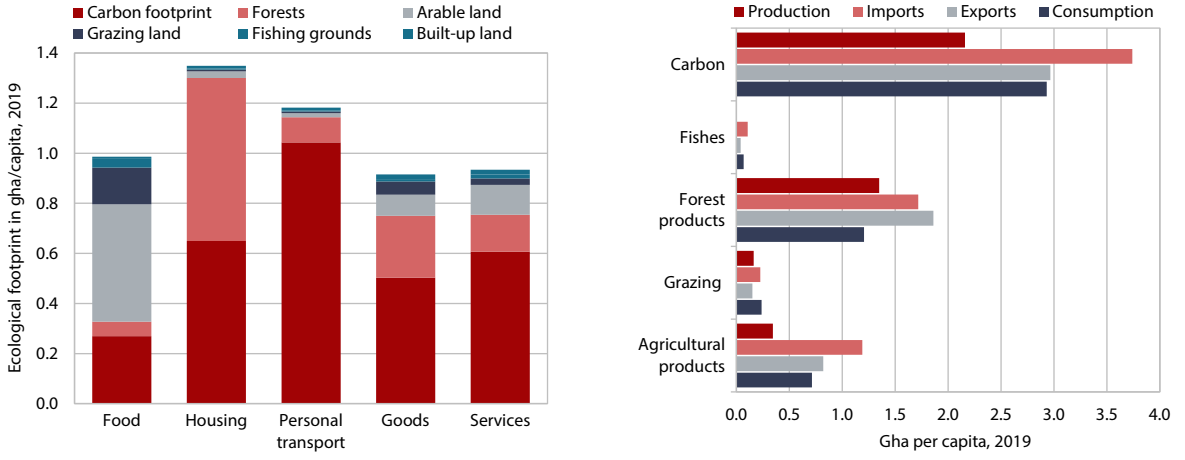
[275] The ecological footprint of production in Slovenia is lower than consumption on an annual basis, which is offset by net imports, which account for one-fifth of the ecological footprint of consumption. The only component where Slovenia is a net exporter of ecological footprint is forest products.

Figure 91: Slovenia's ecological footprint has decreased in the period 2018–2022 and has come very close to the European average (left); nature's biocapacity in Slovenia is much lower and depends mainly on its forests (right)



Source: Global Footprint Network (2023). Notes: The global hectare (gha) is the fertile area needed to meet human needs for food and maintain humans' lifestyle and dispose of the waste generated in the process; data for 2020, 2021 and 2022 are estimates.

Figure 92: Housing is the consumption component that contributes the most to the ecological footprint and, together with private transport, also to the carbon footprint (left); as production is lower than consumption, Slovenia is a net importer of ecological footprint (right)



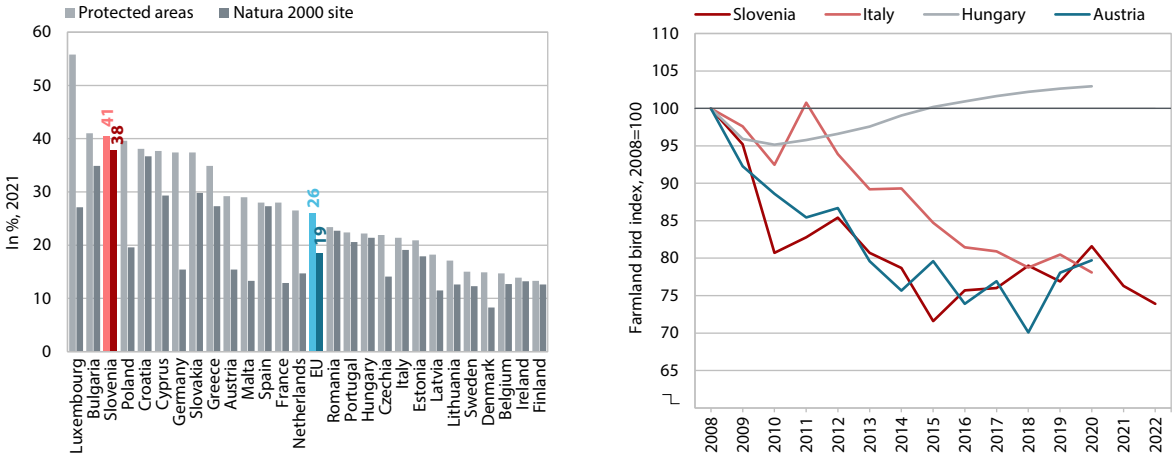
Source: Global Footprint Network (2023). Note: The classification of consumption corresponds to the internationally agreed system for reporting household expenditure by purpose (COICOP).

preserving the habitats of endangered species, Slovenia is at the top of the EU Member States, with a proportion of Natura 2000 areas twice the EU average. Yet despite numerous activities to protect it, biodiversity has been on the decline in Slovenia in the long term. The farmland bird index, which is one of the basic indicators of change, despite a relatively stable trend in recent years, indicates a long-term decline in farmland bird populations (mainly of grassland species), which was again more pronounced in 2022 (-26% compared to 2008).[276] The conservation status of habitats in Slovenia is also declining, although it is better in Slovenia than at the EU level. Requirements in this area are tightening,[277] and investment in nature conservation and restoration is becoming necessary to achieve the overall objectives of climate change

[276] The species-specific impact was likely to have also been caused by the adverse conditions for migration (strong winds) and prolonged drought in 2022, but their effect is difficult to assess (Kmecl, 2023). It is quite difficult to determine biodiversity, because of the large number of species and interactions between them and with the abiotic environment. Indicators that broadly show the general condition include population size of selected bird species, the farmland bird index, preservation of wildlife populations and forest conservation.

[277] More than half of the world's GDP depends on nature and its services, in particular construction, agriculture, the production of food and beverages, and tourism. The global biodiversity crisis and the climate crisis are intrinsically linked, as climate change accelerates the destruction of the natural world, while the loss of nature and its unsustainable use are key drivers of climate change. To achieve more ambitious objectives in nature conservation, i.e. the restoration of terrestrial and marine ecosystems, a provisional agreement was reached at the EU level in 2023 imposing an obligation on Member States to put measures in place to restore at least 30% of habitats in poor condition by 2030 (at least 60% by 2040 and 90% by 2050) (Council of the EU, 2023).

Figure 93: Slovenia has a high share of protected areas (left); the farmland bird index, an indicator of biodiversity changes, recorded a moderate decline (right)



Source: Eurostat (2024); calculations by IMAD. Figure to the right: Data for Croatia is not available.

mitigation and adaptation and to ensure greater food security. The challenges are to overcome silo mentality and seek a compromise between the interests of nature protection and economic activity. Recently, finding a compromise solution for the siting of power plants for the generation of energy from renewable sources has been extremely challenging.

Agriculture, which ensures reliable and stable food production and plays a key role in the conservation of natural resources, faces the need to adapt and undergo more radical technological changes in production in the face of more intense and destructive weather events. Slovenia ranks among the EU Member States where the conditions for agricultural production are on average more difficult: the share of agricultural land in the total area is relatively low, the land is fragmented and about three-quarters of it lies in less favoured areas. These conditions hamper production and reduce labour efficiency. The share of arable land per capita is low by international comparison, and, with a large proportion of grassland, activity is more focused on livestock farming (Indicator 4.9). In recent years, the relatively low yields per hectare have continued to fall due to climate change and extreme weather events.[278] The vast majority of food is imported, with only about a fifth produced locally (ARSO, 2024d). The food dependence, which is particularly high in the plant sector, highlights the need for technological modernisation, networking of producers, and the creation of efficient and competitive agri-food chains, especially in strategically important sectors.[279] The sector has long been undergoing significant structural changes, such as (i) a reduction in the number of farms and an increase in their size and specialisation and (ii) greater environmental protection and an increase in the area under organic farming. The latter is also one of the key mechanisms for realising the green transition, as organic farming takes place in close harmony with nature and has the least impact on the environment.[280] As a result, the use of mineral fertilisers and plant protection products is decreasing (Indicator 4.10), also due to high prices in recent years.[281] This reduces the impact of agriculture on soil and water, as measured by the gross nitrogen and phosphorous surpluses.[282] Adaptation of agriculture to climate change has not been systematically planned in recent years, and without an adequate strategy that prioritises adaptation, the likelihood of financially demanding responses to agricultural crises increases (Court of Audit of the RS, 2023). Agriculture faces the major challenge of finding a balance between the economic, environmental and social aspects of development, i.e. between reliable and stable food production, the preservation of natural resources, and the strengthening of rural areas (MKGP, 2021b).

[278] In 2021 there was a severe spring frost, in 2022 drought and fires, in 2023 hailstorms and widespread flooding.

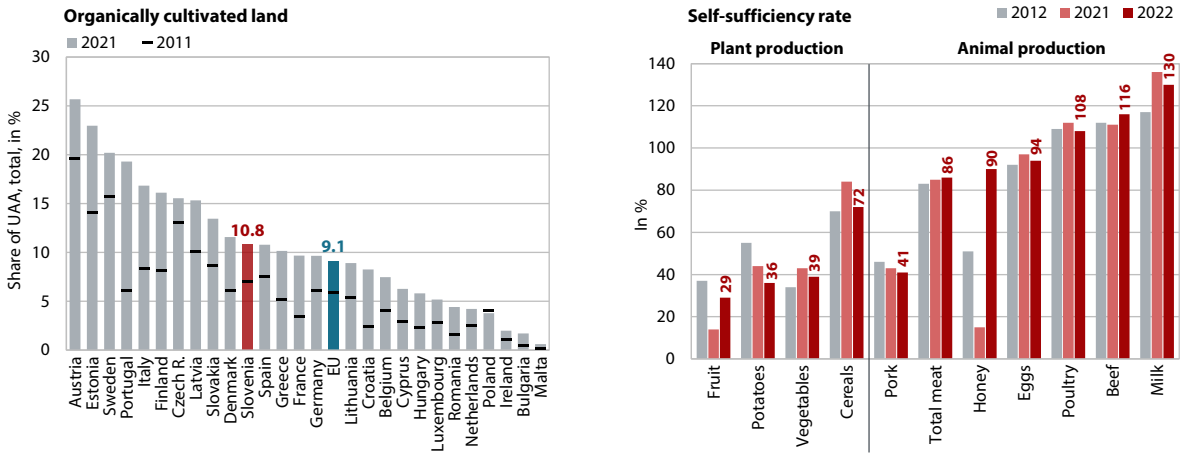
[279] The importance of a stable and resilient food supply chain was clearly demonstrated by the COVID-19 epidemic. During the closure of accommodation and food service activities, tourism, and public institutions, which had previously regularly purchased local agricultural products and foodstuffs, the producers and processors who had concluded prior purchase agreements and contracts were the least affected.

[280] By 2027, the share of organically cultivated agricultural land is expected to increase to 18%. The target has been set ambitiously to move closer to the EU target of 25% organically cultivated agricultural land by 2030 (MKGP, 2021a).

[281] After exceptionally high growth in the period 2021–2023, the price increases for agricultural inputs are expected to slow in the coming years (EC, 2023k). The long-term reduction in the consumption of mineral fertilisers is mainly due to the requirements of the Nitrates Directive and the principles of good agricultural practice in fertilisation to which all agricultural holdings are committed. Much attention is paid to the use of livestock manure and the consideration of plant nutrients in livestock manure in the planning of fertilisation with mineral fertilisers. Farms should have nutrient-weighted fertilising plans that help to reduce the use of mineral fertilisers (ARSO, 2024d).

[282] The balance surplus is defined as the positive difference between its input to the soil and crop uptake. In 2022, the gross nitrogen surplus was the highest in 15 years due to lower nitrogen output, while the phosphorus surplus was higher than in the last 5 years.

Figure 94: The area under organic farming is slightly above the EU average, but the level of self-sufficiency in basic agricultural commodities is low, especially for crops



Sources: Eurostat (2024), SURS (2024b), KIS and MKGP (2023b). Note to the figure on the left: data for Greece, Austria and the EU are for 2020.

The more intense and destructive weather events of the last decade have also had a strong impact on forests and their management and the timber market, and the purchase of timber from private forests has increased as a result of the reorganisation. Slovenia is one of the three most forested countries in Europe, with forests covering 63% of Slovenia's surface area (Eurostat, 2024). In the long term, the forest area has increased due to the overgrowing of agricultural land, but growth has stopped in recent years (Indicator 4.11). Forests are the best-preserved natural ecosystem and key to achieving various policy goals, e.g. carbon sink, fossil fuel substitution, biodiversity protection, rural development and green job creation (EC, 2021b). In recent years, more than two-thirds of Slovenia's forests have been severely damaged by natural disasters (ZGS, 2022): after large-scale glaze ice damage in 2014, forest damage escalated due to the rampant spread of the spruce bark beetle; in 2017, 2018 and 2020, trees were damaged by windthrow; and in 2022, there was an above-average number of forest fires, including the largest ever recorded in the Goriška Karst region.[283] Due to a high share of older and thicker trees, which provide high biocapacity and carbon storage with a high average growing stock, the resilience of Slovenia's forests to meteorological disasters decreased (Stritih, 2018). Total tree falling, raw wood production and net exports[284] increased with large-scale sanitary logging but declined again after 2018. The war in Ukraine and the energy crisis have also led to major changes in the market for forest wood products: with increased demand and export restrictions in some countries, timber prices in the world and Slovenia rose to record levels in 2022. However, as the intensity of tree felling has lagged far behind wood increment for years, this indicates a lack of sustainable management. Wood is still an underutilised raw material, and timber harvesting needs to be increased and brought up to the planned level. Increased tree felling would encourage more extensive use of wood in building construction but will have to be based on environmentally friendly technologies and efficient use.[285] With proper use of modern technology, wood is a raw material with a low ecological footprint, so the replacement of fossil materials and fuels with wood contributes to reducing greenhouse gas emissions and preserving the environment (Lin et al., 2020).

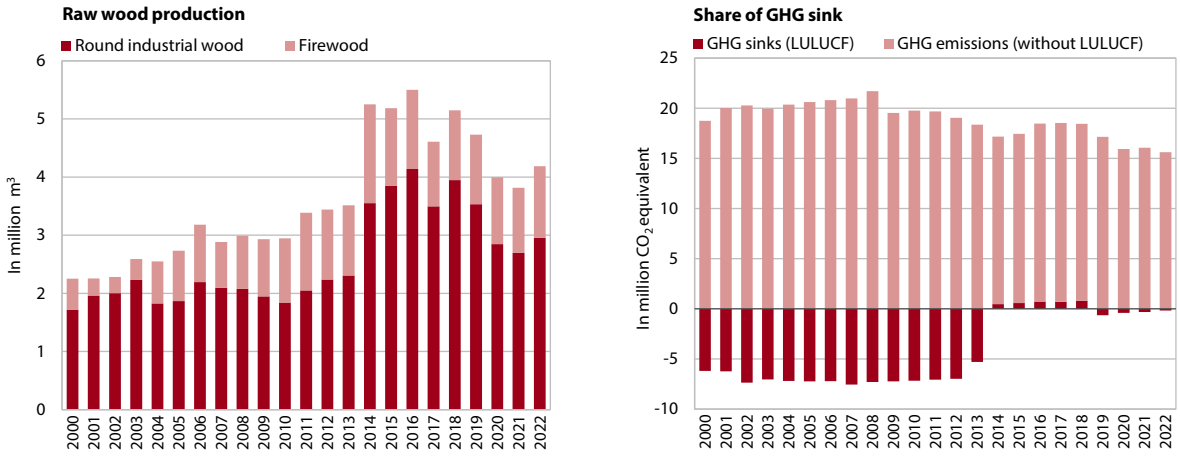
Slovenia has abundant water resources, which are among the most crucial limited natural resources, and the quality of river water is the highest among EU Member States with available data. The *abundance of water resources* is evident from the per capita availability of freshwater resources, which is almost at twice the EU average and the fifth highest among EU Member States. According to the water exploitation index, Slovenia is also ranked among the non-stressed countries. Generally, water supply is sufficient, as only half of the quantity of surface waters flowing into or falling on the Slovenian territory is utilised and only a fifth of groundwater. There are nevertheless occasional floods or water shortages, a consequence of weather and human intervention. The devastating floods of 2023

283 Fire in the Goriška Karst region in July 2022 engulfed 3,700 hectares of land, including 2,900 hectares of forest (ZGS, 2023). Most of the planned sanitary work was or will be carried out in 2023 and 2024. Forests are rejuvenated by planting tree species that are more resilient to climate change (MKGP, 2022).

284 The relatively high exports of unprocessed wood increased further in the first few years after the ice glaze damage, but they have declined since 2016, when the Slovenski državni gozdovi d.o.o. company (SiDG), which manages one-fifth of all forests in Slovenia, was founded. One of the objectives of the SiDG is to increase the processing and treatment of timber and support the development of the domestic wood industry. When selling wood, the company gives preference to wood processors over wood traders. In 2018, it entered into long-term sales contracts for the first time to ensure a stable supply of raw material for the next three years. This is one of the key measures to support the development of forest–wood chains and to create higher value added in this activity. The most important purchasers of unprocessed wood are sawmills, wood composite industries, and the cellulose and paper industries (SiDG, 2022).

285 Some financial incentives, e.g. from the Rural Development Programme and the Recovery and Resilience Plan, are also available for this purpose.

Figure 95: The high production of raw wood products as a result of sanitary felling after the glaze ice (2014) has decreased in recent years; GHG sinks in forests have also decreased



Sources: SURS (2024b), ARSO (2024c). Note: Forests contributed the major share to the GHG sink in the LULUCF sector (land use, land-use change and forestry) until the glaze ice damage, followed by a significant decline.

revealed a lack of preparedness, including insufficient investment in water infrastructure maintenance and settlement in areas of potential significant flood risk. In the face of climate change, more attention needs to be paid to preventing changes in water conditions, as these may adversely affect fundamental values and needs, such as human health, the health of ecosystems, food production and energy production. The proportion of water used for land irrigation is still almost negligible. *Water quality*, measured by biochemical oxygen demand in rivers, has improved to the highest level among EU Member States, due to the increasing and more efficient treatment of wastewater (Indicator 4.12). There has been a significant improvement in its chemical, biological and microbiological parameters.[286] Slovenian rivers are fairly oxygen-rich and contain low levels of nutrients, organic matter and pesticides, though in some areas their content is nevertheless excessive. The situation is worst in the Mura and Drava river basins, which are areas with more expansive and intensive agriculture,[287] while the Adriatic rivers and the Soča and Upper Sava basins have the best ecological status (Krivograd Klemenčič, 2023).

In Slovenia, ambient air quality, which is locally affected by inappropriate burning of wood biomass, traffic and poor ventilation in some areas, has improved, mainly due to the presence of more modern combustion plants and milder winters, and has remained relatively stable in recent years. *Particulate matter emissions*, which mainly come from small combustion plants, construction and road transport, fell by 3% in 2022 after increasing the year before, with the most harmful particles with a diameter of up to 10 µg falling to their lowest level in two decades. Under the influence of mild winters and higher prices, wood use declined, causing PM emissions from combustion plants to fall by a fifth. In contrast, emissions from road transport rose by 8%, to pre-COVID-19 levels. However, *particulate matter air pollution* did not decrease as a result but remained similar to 2021, due to slightly less favourable meteorological conditions for dilution (Indicator 4.13). Exposure of urban populations to the most harmful $PM_{2.5}$, which is locally highly dependent on basin location and wind conditions, was the same as in 2021, and the annual limit value for particulate matter was not exceeded at any measuring point (ARSO, 2023). Elevated levels of equally harmful *nitrogen dioxide* (NO_2) were detected in areas with high traffic congestion. In addressing problems with some other pollutants, for example, sulphur oxides, ammonia and carbon monoxide, which were highly problematic in the past, efficient solutions have been achieved over the long term, as legislation has been tightened and sectoral policy measures deployed (Ogrin, 2017).[288] Air pollution is recognised as the most significant environmental risk factor for health, because it causes high morbidity and premature mortality (see Section 3.1) and is harmful to the environment.[289] As premature mortality due to air pollution is high both in Slovenia and at the EU level (EEA, 2023a), policies in this area are being tightened.[290]

[286] Chemical pollution of surface waters poses a significant threat to the aquatic environment and leads to various adverse impacts. These include acute and chronic toxicity to aquatic organisms, the accumulation of hazardous substances in ecosystems, the loss of habitats and biodiversity, and risks to human health through diet. The chemical status of the waters is determined with reference to 45 priority substances, including plant protection products, mercury and cadmium. Their ecological status is assessed based on the condition of communities of water plants, algae, invertebrates and fish.

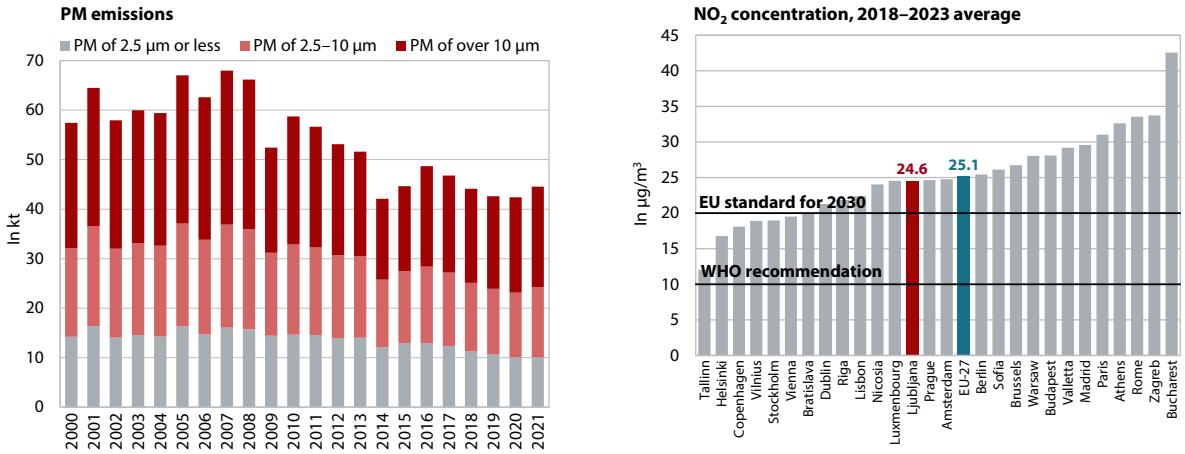
[287] The Common Agricultural Policy is increasingly paying attention to protection of the environment, including the protection of waters against pollution from agricultural sources.

[288] Recent efforts have been aimed at reducing emissions from small and medium-sized combustion plants.

[289] Air pollution is detrimental to crops and causes changes in the natural circulation of substances (ARSO, 2023).

[290] With the adoption of the revised Air Quality Directive (EC, 2022b), stricter limit values for $PM_{2.5}$, PM_{10} and NO_2 will apply (from 20 to 10 µg/m³, from 20 to 15 µg/m³ and from 40 to 20 µg/m³ by 2030), which are closer to the WHO recommendations (below 5, 15 and 10 µg/m³). The cost of complying with the new standards is estimated

Figure 96: Emissions of harmful particulate matter (PM) decreased slightly in 2022, due to a reduction in fine particles (left); nitrogen dioxide levels in European capitals, including Ljubljana, are also a cause for concern (right)



Sources: ARSO (2024), Eurostat (2024). Note: The EU is the average of EU capitals. Experimental statistics.

To reduce the social costs related to air quality, measures are needed to improve the combustion of wood biomass and to restructure transport towards sustainable forms of mobility. The latter will also have a positive impact on reducing noise pollution, which is an objective under the EU Zero Pollution Action Plan.[291]

Soil quality in Slovenia is satisfactory, and systemic monitoring of soil pollution is progressing, while poorly designed and overly extensive soil sealing remains a challenge. The content of organic matter in the soil is favourable compared to the EU and other Mediterranean countries, partly due to Slovenia's predominantly livestock-based agriculture. This indicates good physical, chemical and biotic properties of soils, such as soil structure, porosity and permeability, retention and cleaning capacity, drought tolerance, and the content of more stable forms of nitrogen in soils (Vrščaj et al., 2023). Average annual soil erosion is relatively low, due to the high forest coverage in Slovenia (Vrščaj et al., 2020), and soil pollution is generally low. As of 2023, the potentially contaminated sites inventory included 670 sites.[292] The main sources of pollution include areas of industrial activity, disposal and backfilling (urban environment) and areas with mining activity and intensive agriculture (rural) (Lampič and Rebernik, 2023b).[293] In monitoring the soil pollution situation, a particular challenge is dealing with abandoned industrial and mining areas which have never been properly rehabilitated and where new activities have been established in recent years. A particular threat to the soil is the sealing of the best soils, including those not used for agriculture. The care of soils and the functions and services thereof, which support life on Earth,[294] is often inadequate. Targeted efforts to stop the increase in built-up areas and to use space more rationally are necessary, focusing on the development of activities in abandoned, degraded or less valuable areas. To improve spatial management and reconcile conflicting interests, it is necessary to include soil impacts in the overall environmental impact assessment of human interventions and to establish an up-to-date inventory in a single database (Vrščaj, 2023).

The process of revitalising functionally degraded areas (FDAs) shows a positive trend, but also a lack of integrated regulation, including a legislative framework. The revitalisation of degraded areas is also a mechanism for introducing a circular economy in terms of preserving land as a natural resource, reducing the loss of fertile land and achieving the goal of net zero soil sealing (ReNPVO20–30, 2020).[295] In the seven years since the first census, the number of FDAs declined (FF UL, 2024). Activity has resumed in about a quarter

to be well below 0.1% of GDP, while the benefits will be at least seven times as high (EC, 2022d). On the emissions side, stricter limits for the five main pollutants are also set by the EU National Emission Ceilings Directive, which is a key element of the broader Clean Air for Europe programme (Official Gazette of the Republic of Slovenia [*Uradni list RS*], No. 48/18, 2018). Slovenia is expected to reduce $PM_{2.5}$ emissions by 25% after 2020 compared to 2005 and by 70% after 2030 (EU average by 22% and 51% respectively). Initiatives such as more stringent air pollutant emission standards for vehicles, revision of the Industrial Emissions Directive, and measures contributing to a climate-neutral and resource-neutral economy by 2050 will also contribute to reducing air pollution.

291 The EU aim is to reduce the number of people chronically disturbed by transport noise by 30% by 2030 (compared with 2017).

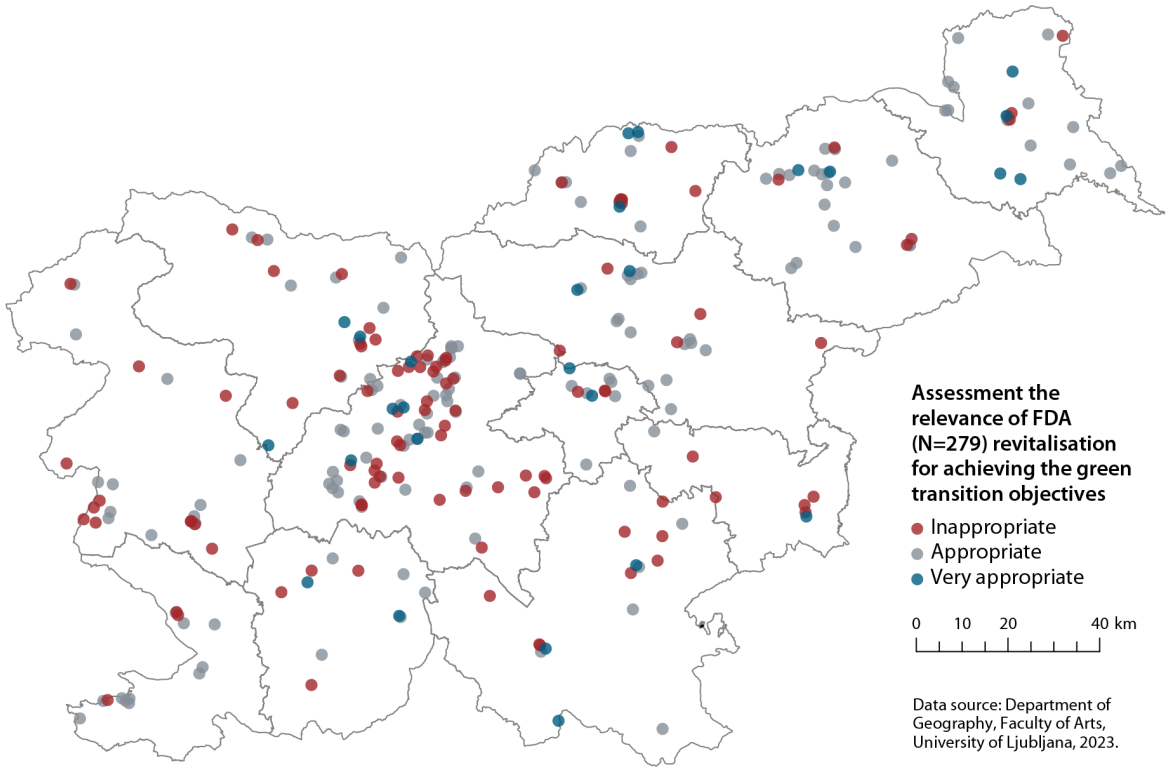
292 With the aim of systematic monitoring and management of contaminated sites, a national database of potentially contaminated sites was established in 2021; this will allow for more comprehensive management of these areas with further additions. Based on the level of environmental sensitivity and the threat to human health in the event of pollution, priority treatment is urgent or very urgent for one-third of these sites (Lampič et al., 2022, 2021).

293 The large Osrednjeslovenska and Podravska statistical regions stand out in terms of the number of potentially contaminated sites, while the areas potentially contaminated by organic pollutants are located in the Pomurska statistical region, due to intensive agriculture.

294 In addition to providing food and other biomass, soils play an important role in supplying drinking water, conversion and neutralisation of pollutants, acting as a carbon sink and atmospheric CO_2 sink, maintaining biodiversity, helping to shape natural and cultural landscapes, etc.

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

Map: Relevance of the revived FDAs in relation to the achievement of the green transition objectives, 2023



of the areas, with industrial, craft and storage activities and areas for housing predominating (Indicator 4.14). The resumption of activity at FDAs does not yet ensure a more rational use of resources, which should also be climate neutral in line with the European Green Deal (EC, 2019). Lampic and Rebernik (2023a) note that out of the 279 revived FDAs in 2023, one-tenth of them pursued these goals, and 55% were relatively successful in achieving them. In practice, the resumption of activity in FDAs is often planned in the short term and left to random investments that follow market demand. New activities are dispersed, and this reflects the lack of systematic spatial planning and the absence of a strategic approach to the siting of new activities. Sound and sustainable redevelopment or revitalisation, which is a time-consuming and financially demanding process with a high degree of uncertainty, brings many long-term economic, social and environmental benefits. When establishing new activities in FDAs, it is crucial to find compromises between national, regional and local needs to ensure their longer-term viability. The preparation of the first generation of new regional spatial plans (ZUreP-3, 2021) from 2023 onwards is therefore also an opportunity to regulate and integrate the revitalisation of FDAs into strategic spatial planning at the regional level. In support of a systematic sustainable process and more rational use of space, it would be necessary to develop a comprehensive legislative framework for the revitalisation of these areas (Rebernik et al., 2023).

5 A high level of cooperation, competence and governance efficiency

5.1 Efficient governance and high-quality public service

Efficient governance and high-quality public service (Development Goal 12)

To achieve this goal, it is necessary to ensure effective strategic governance of public institutions and the formulation of quality public policies that respond to changes effectively and quickly. Significant factors listed in the SDS 2030 as contributing to stronger governance of the public sector include framing goal-oriented policies, creating a highly developed culture of cooperation between citizens and institutions to strengthen trust in the latter, involving stakeholders at all levels of policy development and monitoring, nurturing social dialogue, and ensuring accessibility of information. It is also important to make governance of public systems and services efficient (and innovative), improve oversight of institutional and social structures, and ensure accountability for adopted decisions.

SDS 2030 performance indicators for Development Goal 12:

	Latest data		Target value for 2030
	Slovenia	EU average	
Trust in public institutions, in %	Parliament: 21 Government: 20 Local authorities: 49 (2023, spring and autumn survey)	Parliament: 39 Government: 36 Local authorities: 55 (2023, spring and autumn survey)	At least half the population trust public institutions (average of the latest three surveys)
Executive capacity, average score on a 1–10 scale	5.33 (2022)	6.05 (2022)	EU average in 2030

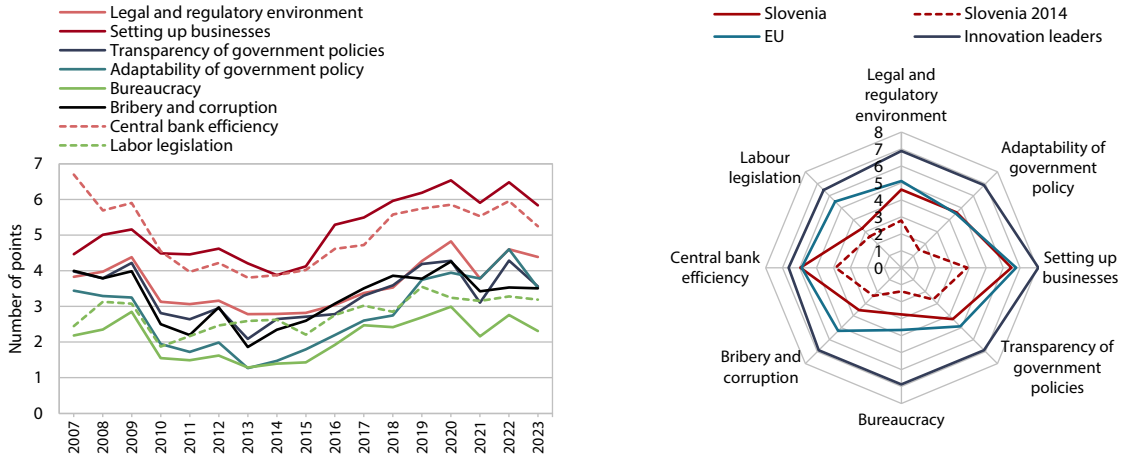
Slovenia's institutional competitiveness has deteriorated somewhat in recent years and continues to lag behind the EU average. Following a downturn during the global financial crisis, more favourable macroeconomic conditions and stable public finances in the mid-2010s contributed to an improvement in institutional competitiveness as measured by international competitiveness indicators (IMD, World Bank). The changed situation has contributed to the improvement of indicator values, including the IMD survey indicators which measure business executives' perceptions in various areas of the functioning of state institutions (IMD, 2023). The survey indicators peaked in 2019 and early 2020. This was followed by significant fluctuations related to various shocks (e.g. the COVID-19 epidemic, large-scale anti-crisis measures and the energy crisis following the outbreak of the war in Ukraine), which had a strong impact on business executives' sentiment. In the last measurement, in 2023, the indicators deteriorated again, especially the survey indicators.[296] Companies participating in the survey estimate that this decline was mainly due to the energy crisis, resulting cost increases and the country's response to the new situation. Most survey indicators related to institutional competitiveness are below the levels seen in early 2020 and fall short of the EU average. Compared to the EU and the innovation leaders, Slovenia's scores are particularly low in the areas of labour legislation and red tape (Figure 97, right). Slovenia's institutional quality[297] is roughly on a par with the EU average. It excels in indicators of political stability and absence of violence but falls notably behind in indicators of regulatory quality and voice and accountability (transparency of politics, accountability of politicians and civil servants, state interference in company operations, etc.) (Kaufmann and Kraay, 2023).

Trust in public institutions has remained relatively low over the past decade, well below the EU average, and although it increased in 2022, it declined again in 2023. Trust in 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). Following an increase in 2013–2019, trust in key institutions decreased in 2020 and 2021. This was to a great extent due to the COVID-19 epidemic,

[296] Similar trends can be observed in other EU countries, but they were more pronounced in Slovenia.

[297] The World Bank's Quality of Governance Indicators, consisting of various data sources, are the most commonly used in the specialised literature. These indicators are voice and accountability (political processes, rights and media freedom), political stability and absence of violence/terrorism (stability and speed of change of government, safety), regulatory quality, government effectiveness (functioning, efficiency, independence of the civil service, including the functioning of basic healthcare, education and infrastructure), rule of law (area of normative legal rules, respect for fundamental rights of the individual, independence and efficiency of the judiciary), and control of corruption.

Figure 97: The indicators of institutional competitiveness declined again last year due to the energy crisis and rising prices, with Slovenia lagging behind the EU and innovation leaders in most indicators



Source: IMD (2023). Notes: Higher scores are better. For the more detailed indicators, the maximum score is 10; all indicators are survey-based. The survey takes place at the beginning of the second quarter of the year in which the results are published. The innovation leaders are Sweden, Finland, Denmark, Belgium and the Netherlands.

which led to changes in the economy and people's lives. As the epidemic progressed, public satisfaction with government measures to contain it[298] declined, and satisfaction with democracy was the lowest among EU Member States in 2021 (see IMAD, 2022d). In summer 2022, trust in parliament and government increased significantly and trust in political parties was also slightly higher, but it declined sharply again in 2023. Trust in the parliament and political parties was still among the lowest in the EU, while trust in the government was the lowest among EU Member States (Indicator 5.1). This is also reflected in satisfaction with the way democracy works, which, following a significant increase in 2022, declined in 2023 and remains below the EU average.[299]

In 2022, voter turnout in the parliamentary and presidential elections was higher than in previous elections. Participation in elections allows voters to elect the political representatives they believe represent their interests (indirect democracy). Turnout in parliamentary and presidential elections peaked in 1992 and then declined until 2018.[300] In 2022, turnout in the parliamentary elections was again one of the highest ever recorded, placing Slovenia in the top half of EU Member States (see IMAD, 2023e). Turnout in the presidential elections was also higher, although it was still relatively low (IDEA, 2023). Turnout in the local elections was below 50% and one of the lowest ever (DVK, 2023). Slovenia historically has a low voter turnout for elections to the European Parliament: though in 2019 it was the highest ever recorded (28.9%), it was among the lowest in the EU. Public participation in referendums, which are one of the most important forms of direct democracy, has increased in the last two years, though it remains relatively low. According to the Democracy Index (EIU, 2023), Slovenia ranks 15th in the EU and is classified as a "flawed democracy".[301] Within this index, the category of electoral process and the right to participate in elections received the highest score, political participation and the functioning of government slightly lower ones, while the lowest score was recorded in the category of political culture, which is also reflected in a very low level of trust in politics and political parties (Indicator 5.1).

The participation of citizens at all stages of designing and monitoring policies and regulations is characterised by shortcomings and untapped potential for more effective development policy coordination. Engaging with stakeholders is instrumental for good policy design, as it increases public trust in policies and regulations, strengthens the legitimacy of adopted regulations, and facilitates policy implementation (OECD, 2021b)[302] Public participation in the legislative procedure is not a one-off event, but a process that runs through all phases of the drafting process. In Slovenia, the adopted minimum standards of participation[303] are often ignored (EC, 2023j), and most

298 During the epidemic, trust in government, which was responsible for the adoption of containment measures, was particularly volatile (OECD, 2020a).

299 In summer 2022, 51% of respondents were satisfied with democracy in Slovenia (EU: 58%), 16 p.p. more than in summer 2021. In autumn 2023, 42% of respondents were satisfied with democracy (EU: 55%) (Eurobarometer, 2024).

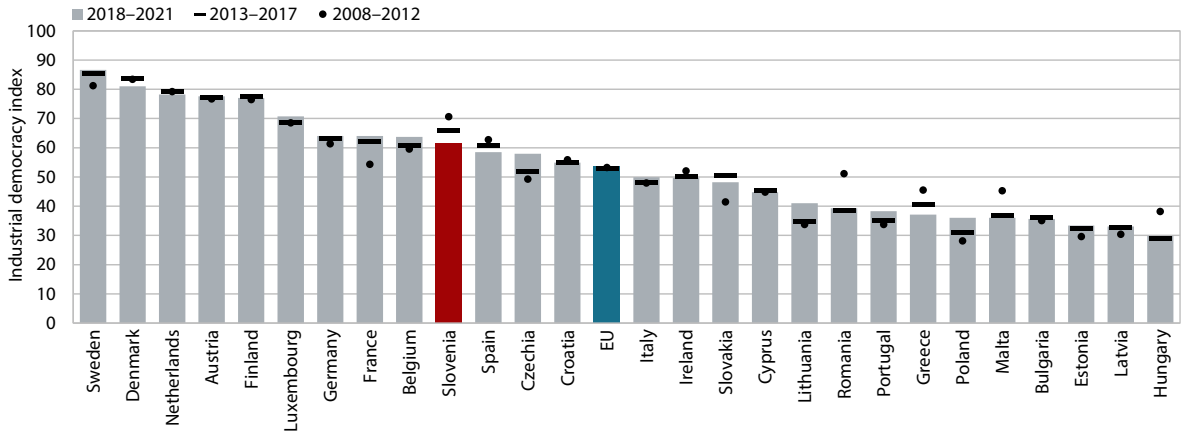
300 The previous presidential elections were held in 2017, national and local elections in 2018.

301 The umbrella index of democracy is the arithmetic mean of the five sub-indices, with a possible number of points between 0 and 10. Countries with scores between 8 and 10 are classified as "full democracies", those with scores between 6 and 8 as "flawed democracies" and those with lower scores as "hybrid or authoritarian regimes". Sub-indices consist of the areas of electoral process and the possibilities to participate in elections, the functioning of the government, political participation, political culture, and civil liberties (EIU, 2023).

302 Public participation can be spontaneous (based on an individual's interest) or organised by addressing target groups and experts. In this context, it should be borne in mind that certain interest organisations' role in the process of drafting regulations is defined by means of specific regulations or arrangements (ReNDej, 2009).

303 Public participation in the drafting of regulations should last from 30

Figure 98: The value of the Industrial Democracy Index, which measures stakeholders' involvement in social dialogue, is high but deteriorated significantly in the last measurement (2018–2021)



Source: Eurofound (2023a). Note: Scores range from 0 to 100, with higher being better.

ministries tend to only engage with stakeholders at the final stage of regulatory development[304] (Forbici et al., 2015; OECD, 2021b; Court of Audit of the RS, 2021a). The CNVOS (n.d.) pointed to a number of violations of the Resolution on Legislative Regulation, in particular numerous draft laws without public debate and public consultations on draft laws that are often shorter than the recommended 30 days. In 2022, there was also an increase in the proportion of laws passed under the urgency procedure, which does not provide for public participation (EC, 2023j).[305] On the other hand, the OECD data (OECD, 2022a) indicate that in Slovenia the involvement of stakeholders in drafting regulations (in particular primary legislation) is stronger than on average in the EU, though their participation in the monitoring of implementation is much weaker. The public can participate in policymaking through the e-Demokracija (eDemocracy) web portal, and citizens can also participate in the shaping of government policies and actions through the web portal for sending recommendations to the government (predlagam.vladi.si). Strategic Research and Innovation Partnerships (SRIPs), which bring together the business sector, institutions of knowledge and the state as part of the implementation of the smart specialisation strategy, are a good tool for strengthening the links between the state and stakeholders, including by ensuring an agile response to changing needs and circumstances (MGRT, n.d.). SRIPs help shape the implementation of this strategy and organise the entire ecosystem of development and innovation. It would be useful to improve dialogue between partners and involve SRIPs more as partners in the process of formulating policies, strategies and specific actions (Bučar et al., 2022).

Social dialogue has stagnated in recent years. Cooperation between social partners plays an important role in addressing issues and measures related to social and economic policies in Slovenia. The Industrial Democracy Index[306] shows that the participation of stakeholders in social dialogue is relatively high in Slovenia, but cooperation between the social partners has been stagnating for a long time and could still be improved, as the index value fell noticeably compared to the previous period (Eurofound, 2023a). In recent years in particular, the work of the Economic and Social Council (ESC) has been repeatedly disrupted, and the social dialogue has often stalled or been interrupted. This was most recently the case in summer 2023, due to employees' dissatisfaction with their participation in the drafting of certain laws[307] (ESC, 2024). Civil society representatives are also actively involved in social dialogue in the framework of the EC and other EU institutions. In Slovenia, however, the non-governmental sector and other professional organisations have not played a significant role in social dialogue for a long time (IMAD, 2021a). In 2022, a dialogue was established between the government and NGOs in various areas (MJU, 2022d).

to 60 days; an exception to this rule are the proposals of regulations where cooperation is not possible due to the nature of matters, such as urgent procedures, the state budget, etc. (ReNDej, 2009).

304 It is important to involve stakeholders during the early stages of policymaking, when problems and possible solutions are being identified, as well as once regulations have been drafted (OECD, 2021b).

305 2022: 35%; 2021: 17%; 2020: 32%; 2019: 18%.

306 The Industrial Democracy Index is made up of three dimensions: trade union leadership (organisational strength of trade unions, coordination and participation in collective agreements and bargaining, and representativeness), social dialogue at the company level (employee participation in management decisions and interaction of all parties in collective bargaining and management decisions) and workers' rights.

307 Employer representative members of the ESC ceased attending ESC meetings at the beginning of July 2023, due to perceived breaches of the ESC's rules of procedure (absence of discussion on pending legislation within the ESC, such as the legislation on long-term care, and disagreements over obligations relating to the Transnational Provision of Services Act).

5.1.1 Performance of public administration and the provision of public services

In the area of public administration, the country has focused over the past few years on developing better and quicker public services based on the digitalisation thereof. In 2023, most of the activities of the Ministry of Public Administration were focused on upgrading the public sector services – responding to the emergency situation in the context of weather disaster recovery (faster and more efficient response, adoption of intervention measures, and securing the procedural position of parties in administrative cases), expanding digital services and launching the process of reforming the civil servants' pay system in conjunction with the overhaul of the entire civil servants' system. The strategic governance of public institutions, as measured by the Executive Capacity Index, has improved in recent years, but it is still perceived as weaker than in most other EU Member States (19th place among EU Member States) (Indicator 5.2). The Index continues to score poorly on efficient strategic capacity (e.g. the coherence between development policies and national and other strategies) and reflects a lack of organisational reforms that hinders an effective implementation of strategies (Bertelsmann, 2022). Despite making progress, Slovenia is still below the SDS target, but the gap with the EU average is gradually, albeit slowly, narrowing. The Expert Council for the Sustainable Development of Public Administration was established at the end of 2022 with the aim of improving public trust in public institutions, strategic governance of public institutions and coordinated development of public administration (Kovač, 2023; MJU, 2022b). Last year, the Council worked as an expert body on selected sustainability-oriented areas (better regulation, reorganisation of administrative units and efficient administrative procedures)[308] and prepared several studies and proposals for improvement measures for the Slovenian public administration in the context of sustainable social development and EU-comparable public administration (Gnilšak et al., 2023).

The development of eGovernment services has improved in recent years and is above the EU average in certain fields. The digitalisation of public services and the creation of an environment for the use of e-services are important elements of the digital transformation of the public sector and public administration in the coming years (MDP, 2023b; SVRK, 2021). Several digital tools enable easier interactions with the government for citizens (eUprava [eGovernment], zVem [eHealth entry point] and the ZZZS portal in the area of healthcare, and eSamonaročanje [appointment booking at administrative units]) and businesses (SPOT portal [Slovenian business point][309]) and public participation in political and administrative decision-making (e-Demokracija [e-Democracy] and predlagam.vladi.si [web portal for sending proposals to the government]). Important progress was made during the epidemic, when some identification requirements were lifted or relaxed,[310] making digital public services more user-friendly. In 2022, the e-ID card was issued,[311] which enables login into e-services through the SI-PASS system. Slovenia also ranks very high in terms of open data (OECD, 2023a).[312] According to the EC (2023e) survey, the development of eGovernment services in Slovenia is below the EU average, however, which indicates that the quality of public digital services needs to be further improved. Slovenia outperforms the EU in terms of user-orientation (availability of digital services, user-friendliness) and transparency. However, improvements are needed in some key areas (e-identities, e-documents, registers, e-delivery) and cross-border mobility (how easy it is for citizens from abroad to access and use online services; what online support and feedback mechanisms are available for cross-border users). The EC data (EC, 2023b) shows that Slovenia has made progress on most indicators for digital public services in recent years but continues to lag behind the EU average in digital services for citizens and is close to the EU average in digital services for businesses. According to the e-government development index calculated by the United Nations, Slovenia ranks 10th among EU Member States and has made progress in all survey components (UN, 2022b).[313] In addition to the overarching strategy for digital transformation,[314] the

[308] The work was carried out in the areas of better regulation based on evidence and stakeholder participation, reorganisation of local administrative units in synergy with local self-government, and more modern and EU-comparable codification and efficient enforcement of administrative procedures, including digital transformation.

[309] In 2022, more than 2.8 million documents were submitted via the SPOT portal [Slovenian business point], almost 400,000 more than in 2021. The increase in electronic submissions is related to the introduction of new procedures and e-services, including the processing of claims for reimbursement of salary compensation.

[310] The spread of the epidemic also accelerated the transition to the SI-PASS service, which enables citizens, business users and public servants online registration and electronic signature of documents on several national and other portals and electronic commerce (eUprava [eGovernment], SPOT [Slovenian business point], zVem [eHealth entry point], eDavki [State tax portal], etc.) (Državni center za storitve zaupanja, n.d.).

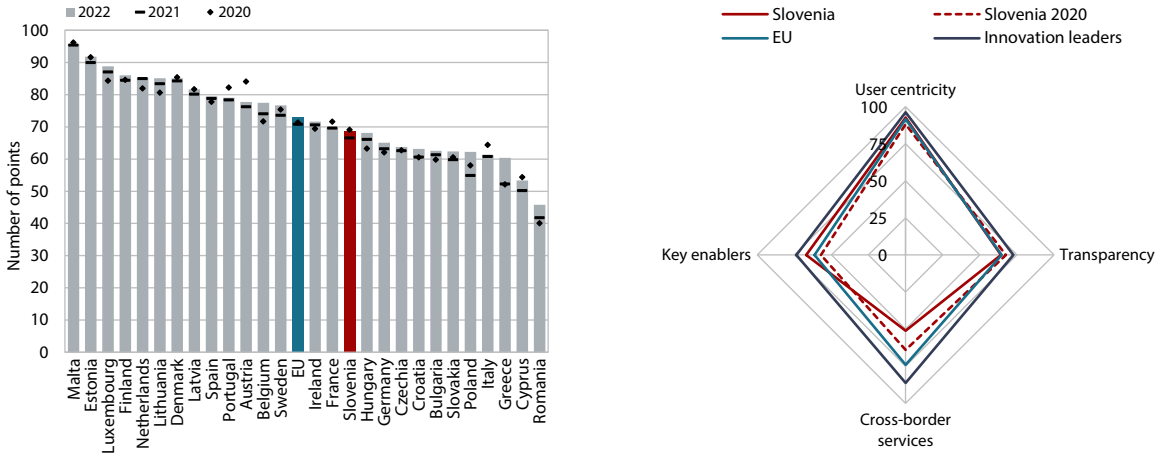
[311] The e-ID card contains a high-level digital certificate, a low-level digital certificate and a qualified digital signature certificate.

[312] Open data promote transparency, accountability and innovation by enabling better control over government action, fostering collaboration and enabling the development of new solutions. Slovenia has established a national Open Data Portal (OPSI) for this purpose. The amendment to the Public Information Access Act adopted in 2022, which is based on the EU Open Data Directive, established so-called high-value datasets that countries must make available to interested users free of charge (in the areas of: geospatial data, Earth and environmental observation, meteorological data, statistics, company and company ownership, and mobility). The law also requires open access to publicly funded research data.

[313] The most developed countries have achieved such a high level of digitalisation that this methodology cannot show the differences between them. Hence, for more relevant comparisons in such cases, analyses from the EU or OECD are preferred. The definition of eGovernment used in the United Nations measurements is based on the Sustainable Development Goals (e.g. economic development, infrastructure, education, etc.). The methodology is adapted annually to reflect current trends and needs, which makes it difficult to compare results across different years.

[314] The Digital Public Services Strategy 2030 was launched at the end of 2022 and set out three strategic priorities – by 2030, 100% of

Figure 99: Despite improvements in recent years, the development of eGovernment services continues to lag slightly behind the EU average (left), particularly concerning cross-border mobility (right)



Source: EC (2023e). Notes: Scores range from 0 to 100. Due to a change in methodology, the data is not comparable with the period before 2020.

Digital Decade Plan (MDP, 2023b) was adopted in 2023; this contains measures in the areas of digital skills, digital infrastructure, digital transformation of the economy and digital public services that are intended to further improve the development of e-government and contribute to the common European goals of the Digital Decade 2030.

The introduction of quality models in public authorities continues; systemic changes to promote better quality and efficiency are still pending. Quality in the public sector is examined using the Common Assessment Framework (CAF),[315] which was initially introduced in administrative units and later also in the state administration bodies. Being successful at work requires more than just formal education and training: it also requires other skills, attitudes, behaviours and characteristics that enable a person to give their best. In this context, a competency model for the civil service was developed back in 2019 (MJU, 2019b), on the basis of which corresponding manuals were created and core competencies for managers and job-specific tasks were defined.[316] Most of the additional training for civil servants in Slovenia is provided by the Administration Academy, which offers training in competences for the future and the establishment of an open knowledge network as part of the implementation of the cohesion policy (Multiannual Financial Framework 2021–2027). The OECD (2023c) notes that Slovenian civil servants do not have much incentive to participate in additional education and training (e.g. guaranteed time off, performance evaluations and training considered in promotion decisions) compared to other OECD countries and especially to the innovation leaders. The introduction of the IT system for management and development of civil servants (IS MUZA), which has modernised and digitally supported HR processes (MJU, 2023e), has also been implemented. However, the amendment to the Civil Servants Act, which would also introduce a competency model in the public/civil service, strengthen the professionalism and independence of civil servants, and enhance flexibility in personnel management, has not yet been adopted. As a step forward, guidelines were adopted in 2022 on hybrid work in public administration, which not only facilitates the work-life balance of employees, but also reduces certain costs and makes a positive contribution to the green transformation and digitalisation (MJU, 2022c).

In recent years, several measures have been taken to modernise and digitalise the public procurement system, although efficiency and competition remain a challenge. The e-JN information system was set up; this enables public tenders to be handled entirely electronically (including electronic auctions), thereby reducing costs for contractors, shortening procedures, increasing transparency (e.g. eRevizija, which enables greater transparency in requests for review and complaints) and improving control over the use of public funds. In 2023, a link was also established between the Central Criminal Register and e-JN (the e-Dosje application), which enables fast and secure electronic verification of all grounds for exclusion. This can significantly shorten public procurement procedures (MJU, 2023c). Public procurement in Slovenia is fragmented, with over 2,000 different contracting authorities, and accounted for over 14% of GDP in 2022.[317]

key public services should be available online and accessible to all users, at least 80% of key public services that are accessible online should also be delivered online, and at least 80% of citizens should use electronic identity solutions (MJU, 2022a). The measures are also included in the overarching digital transformation strategy Digital Slovenia 2030 (MDP, 2023a).

315 The Common Assessment Framework in the public sector is a tool for comprehensive quality control developed in the public sector and for the public sector; it is based on the business excellence model of the European Foundation for Quality Management (EFQM).

316 The interviews identified the most important management and job-specific competencies – 14 groups of related professions, known as clusters, 29 competencies and 280 behaviours (MJU, 2023b).

317 According to the statistics, the volume of public contracts awarded

The most frequently used procurement procedure in Slovenia is the low-value contracts procedure (54.7%), reflecting the frequent use of less complex and simple procedures. Despite the establishment of the IT system, electronic auctions were used in less than one per cent of all contracts awarded in terms of number and value. The lack of competition in public procurement remains a problem, as the share of contracts awarded where there was just a single bidder is relatively high and this could result in higher prices and increased risk of corruption (EC, 2023i). Joint procurement is also underutilised. It accounts for only a small proportion of the total number of contracts awarded (4.7%) and less than a tenth of the value (8.9%). The number of requests for review and other applications in legal protection procedures remains high; in 2022, the National Audit Commission decided on 171 review procedures (in the amount of EUR 4.5 billion), in which it agreed with applicants in around half of all requests. The structure of requests for review resolved was dominated by requests for review in the field of construction (41 requests, i.e. 23% of all requests). In terms of value, the most important category of requests for review concerned medical and pharmaceutical products (EUR 2.4 billion or 52% of the total value of requests) (DKOM, 2023).

In recent years, Slovenia has gradually reduced administrative burden, but the perception of these changes among business executives is still relatively low. Various programmes for the elimination of administrative barriers and better regulation have been systematically implemented in Slovenia for more than 15 years. A web-based tool, "Single set of measures for providing an improved legislative and business environment", which is constantly updated with new measures, provides an overview of the status of implementation of the measures. According to the MJU (2024a), by the end of 2023, more than 348 measures to improve the regulatory and business environment had been implemented (82% of the total), most of them in the areas of the economy, finance, statistics, justice and agriculture. A total of 60 evaluations were carried out on measures implemented between 2016 and 2023, aimed at reducing the regulatory burden by a total of EUR 150.4 million. In the last two years, several measures have been taken in the areas of finance (e.g. amendment of the Tax Procedure Act and measures to curb energy prices), justice (e.g. changes to bankruptcy procedures), digitalisation of procedures (upgrade of electronic services for citizens and business portals), consumer protection, activation of the unemployed, etc. (MJU, 2023a, 2024a). Based on surveys among business executives, progress in reducing regulation and administrative burden has been reported by several international surveys (IMD, 2023; Kaufmann and Kraay, 2023)). However, these surveys also show that the gap with the EU average in the quality of the regulatory and legal framework has narrowed only slowly in recent years. Slovenia thus continues to lag behind the EU average, which is also linked to the relatively high level of mistrust among respondents in the functioning of the government and state institutions (Indicator 5.1).

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. In particular, RIAs for subordinate regulations are less common in Slovenia compared to other OECD countries, while the frequency of RIAs for primary laws is similar. Informing and participation of stakeholders and the public could also be improved (OECD, 2021e, 2021f). The Court of Auditors of the RS (2021a) noted that the implementation of impact assessment is only partially effective and suggested, among other things, the development of additional tests to assess the impact of the proposed rules and further training of staff. A methodology for assessing the impact of regulations on different areas of society was adopted in 2023 and will be applied in the new regulatory information system (MOPED) (MJU, 2023d). This should make it easier for drafters to prepare impact assessments, while also increasing transparency.[318] It is worth noting that the adopted methodology is only one of the measures from the Action Plan to Improve the Process of Planning, Preparing, Adopting and Evaluating the Effects of Legislation 2019–2022 (MJU, 2019a).

5.1.2 Impact of public institutions on the business sector

Although numerous measures have been taken in recent years to improve the business environment, the obstacles for companies in Slovenia are still greater than the EU average. The IMD survey shows that Slovenia's key strengths are its high-quality, highly skilled and well-educated workforce and its infrastructural connectivity (related to its favourable geographical location). Respondents from the innovation leaders gave similar answers, but more than half of the respondents there also cited political stability and the predictability of the political and economic environment as strengths of their countries. Several measures have been taken in recent years to facilitate[319] and support[320] business activity. Agreement was reached with the social partners on a draft amendment to the Companies Act, which, among other things, aims to facilitate the

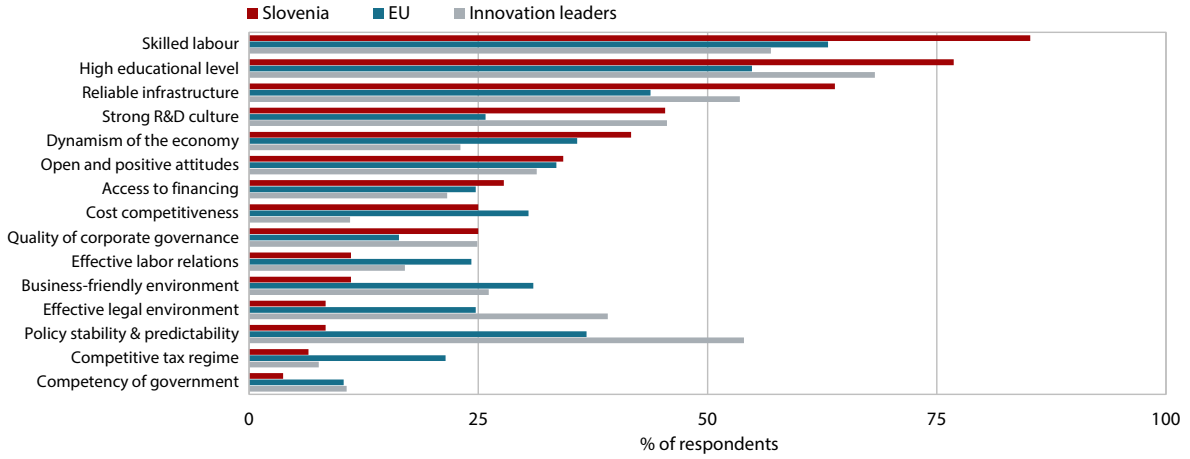
in 2022 amounted to EUR 8.05 billion or 14.11% of GDP. Public procurement accounts for a significant proportion of Slovenian budget expenditure (58.7% in 2022).

[318] For example comprehensive information on potential alternative proposals and their impacts in order to make well-informed policy decisions. The development of a methodology for assessing the impact of regulations on different areas of society is one of the actions foreseen in the Action Plan to Improve the Process of Planning, Preparing, Adopting and Evaluating the Effects of Legislation 2019–2022.

[319] Digitisation of public services and public procurement, one-stop shop, adoption of the Debureaucratisation Act.

[320] The amendment to the Investment Act (ZSInv-B, 2022) is intended to promote the allocation of investments in research, development and innovation tailored to the needs of the digital and green transition and to increase development funds to support start-ups and high-growth and innovative companies in 2023.

Figure 100: The main advantages of Slovenia are its high-quality workforce and reliable infrastructure



Source: IMD (2023). Notes: Business executives selected five factors from a list of 15 factors that indicate the attractiveness of a country. An unweighted average is calculated for the EU and the innovation leaders.

establishment of companies and branches of foreign companies through online registration procedures, make cross-border business more efficient, and improve corporate governance (MGTŠ, 2024). An amendment to the Supportive Environment for Entrepreneurship Act is also under public consultation; this would increase the efficiency of the allocation of funds by the Public Fund for Entrepreneurship (PFE) and change some of the restrictions on capital investment. In addition, a new credit fund amounting to EUR 100 million has been established to provide low-interest loans to Slovenian companies affected by the war in Ukraine or the energy crisis. However, international comparisons show that despite these measures, obstacles for companies in Slovenia remain greater than the EU average. In the surveys, companies most frequently cite excessive bureaucracy (regulatory density and lengthy procedures) and frequent unpredictable changes in legislation and tax policy, and last year also labour shortages and the overall economic situation (Eurobarometer, 2023b; Eurostat, 2024; IMD, 2023; Kaufmann in Kraay, 2023; WEF, 2019). This indicates not only the need for public institutions to become more efficient, but also for business conditions and legislation to become more predictable.

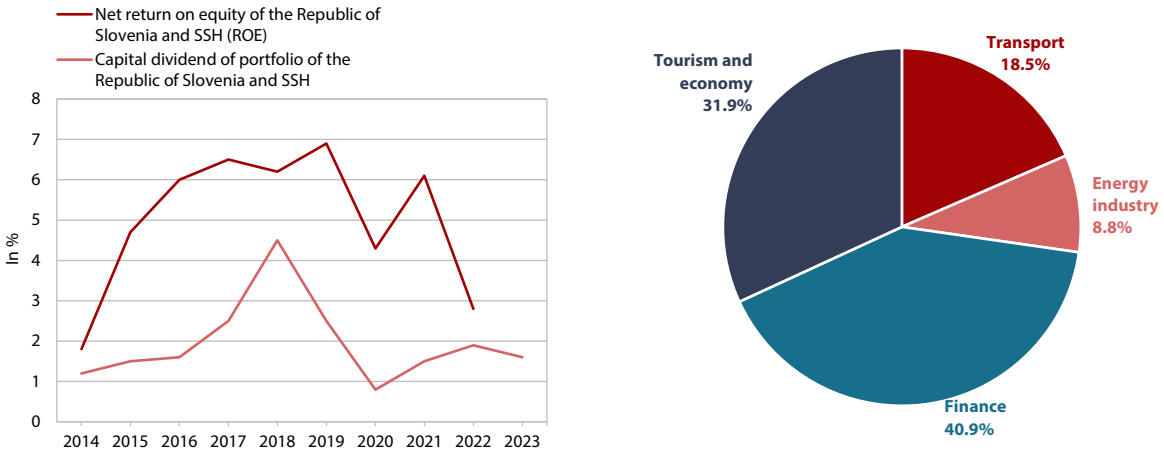
Corporate governance remains an important challenge in state-owned enterprises. It has gradually improved in the last decade with the accession to the OECD and the adoption of the Corporate Governance Code for Companies with State Capital Investments (Damijan and Damijan, 2019; OECD, 2018b). In 2021 and 2022, the Corporate Governance Code was revised (e.g. creation of a competence profile for members of executive boards prior to the selection process, incompatibility of political and management functions and sanctioning) (Ljubljana Stock Exchange and Slovenian Directors' Association, 2021; SSH, 2022). International research points to the interference of the state and politics in company operations and a lack of good corporate governance in state-owned companies (EC, 2022c, 2023i; OECD, 2018b). The EC (2022c, 2023i) points out that a lack of good corporate governance in state-owned companies can have a negative impact on competitiveness and reduces efficiency. In this context, supervisory boards should be strengthened and the practice of politically motivated replacement of board members should be abandoned.

The profitability of asset management of state-owned equity stakes was lower in 2022 compared to previous years. At the end of 2022, the total book value of the equity holdings managed by Slovenian Sovereign Holding (SSH), which has the largest portfolio of state capital assets in Slovenia, amounted to EUR 11.2 billion, and in total there were 88 active companies under its management. The increase in the portfolio value (by around EUR 1 billion) was due to the growth in the companies' capital as a result of their operating results, recapitalisations (HSE, Slovenske železnice) and the acquisition of new shareholdings. More than three-quarters of the portfolio consisted of strategic investments, the rest of important and portfolio investments.[321] According to the available data, the largest pillars (transport and the energy sector) comprise almost three-quarters of SSH's asset management portfolio, which remains highly concentrated, with the top 10 assets representing more than 77.9% of the portfolio's total book value (SSH, 2023b).[322] In the period before the epidemic, the net return on equity (ROE) in the portfolios of the Republic of Slovenia and SSH increased. This was followed by marked fluctuations in 2020 and 2021 due to the economic situation resulting from the epidemic (the companies in the tourism sector were worst struck by the crisis) and the recovery

[321] 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).

[322] In 2016, the top ten companies accounted for 61% of the portfolio's book value. This share increased to 77.9% in 2022. The largest company accounted for almost 29% of the portfolio value at the end of 2022.

Figure 101: Returns on equity in state ownership decreased in 2022 due to the tense situation in the energy sector (left); the highest dividend payments for the 2022 financial year were made by companies in the financial pillar (right)



Source: SSH (2023b). Notes: ROE – share of net profit/loss generated per monetary unit invested. Dividend-to-equity ratio of portfolio – the share of equity invested and generated that is returned to owners through the payment of dividends. The dividends distributed in the current year are based on the previous year's results.

from it. The decline in ROE (by 3.3 p.p. to 2.8%) in 2022 was mainly due to the poor performance of energy companies,[323] while profitability increased in all other pillars. The dividend payout in 2023 (for the 2022 financial year) was therefore lower in 2023 than in the previous year, amounting to EUR 175.5 million. The largest contributions came from the companies in the finance pillar (insurance and banking) and the economy and tourism pillar (pharmaceuticals). The six largest dividend payers paid over 86% of all dividends and their average ROE in 2022 was 10.5% (SSH, 2023b). At the end of 2022, the total assets of BAMC and all associated rights and obligations were transferred to SSH. This gave SSH new responsibilities, i.e. the administration of claims and the administration of tangible assets. Initial estimates for 2023 show that the profitability of the SDH portfolio increased (estimated ROE of 8.6%), which was mainly due to the stronger performance of the energy companies (SSH, 2023a).

[323] The low profitability of the energy companies, particularly in relation to electricity trading, was due to market conditions (high energy prices), generation outages (low river levels, shutdown of the Šoštanj thermal power plant and overhaul of the Krško nuclear power plant) and intervention measures to manage the energy price spike.

5.2 A trustworthy legal system

A trustworthy legal system (Development Goal 10)

The legal system is of significant national and strategic importance for the protection of the rights of citizens, economic development and prosperity, given the fact that all social systems and subsystems are highly dependent on it. The goal is to create a legal system that provides a high-quality and efficient legal framework. Key factors of trust in the legal system listed by the SDS 2030 include the protection of human rights, fundamental liberties and equal opportunities, clear procedural and substantive legislation, concern for the independence, efficiency and transparency of the judiciary, and the elimination of the causes of corruption.

SDS 2030 performance indicators for Development Goal 10:

	Latest data		Target value for 2030
	Slovenia	EU average	
Rule of law index, ranking among EU Member States	16th (2022)	–	Ranking in the top half of EU Member States
Estimated time needed to resolve civil and commercial court cases, number of days	309 (2021)	234 (2021)	200

Some progress has been made in the field of the rule of law in Slovenia, although certain shortcomings remain. Slovenia's ranking in the Rule of Law Index improved slightly last year, but the country is still in the bottom half of EU Member States (Indicator 5.3). The European Commission's Rule of Law Report 2023 (EC, 2023j) notes progress, particularly in the quality and efficiency of the judiciary. Slovenia has also implemented recommendations to remove obstacles to the investigation and prosecution of corruption cases and to ensure the budgetary autonomy of independent bodies. Weaknesses were identified in the areas of fighting corruption (implementation of the anti-corruption strategy and a low number of criminal investigations, indictments, and judgements in the fight against corruption) and judicial independence (creation of guarantees for the independence of judges and prosecutors in connection with parliamentary investigations, reform of appointments in connection with the protection of the independence of the judiciary). Trust in the rule of law and the judiciary is still low compared to other EU countries but has not changed noticeably in recent years (Eurobarometer, 2022a, 2022b; Kaufmann in Kraay, 2023; World Justice Project, 2023). The perceived political interference in court decisions and the interference with or pressures on the courts due to economic or other special interests remain low (Eurobarometer, 2022a, 2022b). In recent years, several measures have been taken to strengthen the independence of the judiciary, but the EC (2023j) also points to the lack of guarantees to ensure it. Legislative changes have abolished the power of the Minister of the Interior to give instructions to the police in individual cases, potentially affecting the independent work of prosecutors and the European Public Prosecutor's Office. A transfer of the power to appoint judges from the National Assembly to the President of the Republic and the Judicial Council is also in preparation, which should increase the independence of the judiciary from politics.

In recent years, the number of applications lodged before the European Court of Human Rights (ECHR) and violations found have no longer deviated from the EU average. The data for 2023 indicate a significant increase in the number of complaints lodged with the ECHR, yet the Court has only delivered two judgements in relation to Slovenia in which it found violations of the right to a fair trial (ECHR, 2024).[324]

In 2023, the trend of managing the incoming caseload continued, but, as in previous years, disposition time for major cases remains a challenge. The court statistics show a clear downward trend in the number of all cases received (major and other), which consequently affects the number of resolved and pending cases. Despite a decrease in the number of judges and court staff, courts have generally disposed of more cases than came in. The only exception was 2020, when court activities were restricted due to containment measures implemented during the epidemic. The average disposition time for all cases[325] has shortened significantly over the past few years, to less than one month in 2023. This was mainly due to the reduction in the disposition time for other cases and to computerisation and better organisation of workflow.[326] The disposition time for major cases has increased. This can be attributed, among other things, to new competences given to the courts by legislative amendments.[327] The number of solved major cases

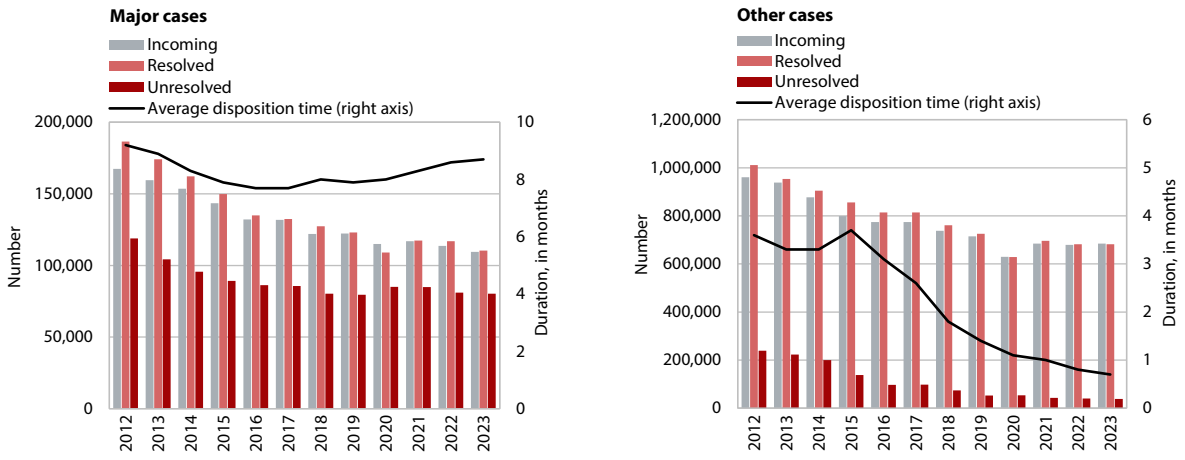
[324] There is no data on the content of complaints and the vast majority was still pending to be admitted or was declared inadmissible. Last year, only ten complaints were forwarded to Slovenia for a response and two of these cases ended in a judgement. 203 complaints were rejected or declared inadmissible by ECHR.

[325] Major cases account for 15% of all cases, and the rest are other cases.

[326] Other cases include formalised proceedings which are usually conducted at a lower level and only exceptionally require the involvement of a judge.

[327] The biggest challenge continues to be the Administrative Court, where the average disposition time for major cases is very long. In line with the measures taken (e.g. abolition of trial by panel of

Figure 102: With a lower new caseload, disposition time for major cases increased in recent years (left), while disposition time for other cases shortened* (right)



Source: Supreme Court of the Republic of Slovenia (2024a, 2024b). Note: *Land registry, execution and other matters.

in 2023 was 1% higher than the number of incoming cases. In 2023, time standards according to the new methodology were set for the vast majority of court proceedings, and in 2024 their implementation in the work of the courts will be included in the priorities of the judiciary (Supreme Court of the Republic of Slovenia, 2024a). The expected disposition time for first-instance civil and commercial cases is longer than in other EU countries and the gap with the EU average has even widened slightly. Legal proceedings related to money laundering are among the lengthiest in the EU (EC, 2023l) (Indicator 5.4).

The quality of the Slovenian judicial system[328] is comparable to that of other EU Member States and has improved slightly in recent years. In particular, progress has been made in recent years in the digitalisation of the judiciary and the adaptation of procedural rules with a view to enhancing the digitalisation of civil, commercial, administrative and criminal proceedings.[329] According to the EC (2023l, 2023j), information and communication technologies (ICT) for case management are advanced and widely used, and compared to other countries, Slovenia has very well-regulated monitoring and evaluation of court activities and transparent standards of efficiency. Slovenia is among the best-ranked EU Member States in terms of the use of digital tools in the courts.[330] As part of the Procedural Justice project and the broader project to improve the quality of justice, the judiciary has established a comprehensive communication system in recent years that enables its users to obtain the information they need in simple and comprehensible language; the system is intended for anyone who contacts the courts. The number of judges per 100,000 inhabitants has been declining since 2012. Although it further declined in 2023, it remains one of the highest in the EU. In order to relieve judges of non-judicial work, the ratio of judicial staff to judges also slightly increased during this period, but judges in Slovenia also perform tasks that in some countries are not the responsibility of the courts.[331] Regarding the quality and independence of the judiciary, the EC calls for the issue of increasing the salaries of judges and state prosecutors to be addressed (EC, 2023j). Government expenditure on the courts (per capita in EUR) was among the highest in the EU in 2021 (latest available internationally comparable data) (EC, 2023l).

The perception of corruption remains relatively high and has further increased in recent years. The evaluation of corruption perception reflects the performance of institutions of the rule of law, public sector integrity and the quality of public sector management. Efforts have been made in recent years to improve the integrity of institutions, public employees and holders of public office and increase the transparency of public sector operations. The new Whistleblower Protection Act extends the scope of protection and aims to enhance the detection of corruption. In line with this, a Centre for Whistleblowers' Protection was set up within the Corruption Prevention Commission (CPC) in 2023, and progress was also made in terms of awareness-raising

judges and new appointments), the disposition time for major cases decreased slightly in 2023.

328 This includes, in the strict sense, the quality of court decisions (e.g. the appropriate structure and procedures, the merits of judgements, and the legal bases used) and, in the broad sense, also the provision of judicial services. Quality is also influenced by various factors such as the use of ICT and financial and human resources.

329 Over the last two years, a measure to provide comprehensive smart digital justice solutions for citizens and businesses was being implemented; this will further digitalise the experience of dealing with courts (both in concrete proceedings and by providing online information on the justice system, procedures and the rule of law), notaries (digitisation of notarial services) and other judicial authorities.

330 Slovenia is among the best-ranked EU Member States in terms of the availability of online information about the judicial system for the general public and in terms of e-court proceedings in civil cases.

331 In Slovenia, judges also perform tasks in inheritance, land register and enforcement proceedings, which in some countries do not fall within the jurisdiction of the courts or are carried out by notaries.

and prevention (e.g. the Integrity Ambassadors project). International comparisons show that the perception of corruption as measured by the Corruption Perceptions Index has slightly increased in recent years, especially during the COVID-19 epidemic, and remained above the EU average (Transparency International, 2024) (Indicator 5.5). Since 2020, the number of reported cases of corruption and other irregularities has increased, exceeding the levels observed six years ago in 2023. In particular, during the epidemic, the number of reports of corruption related to suspected irregularities in the procurement of medical equipment increased, while in recent years most reports have been related to breaches of political integrity and transparency, as well as suspected corruption in the public sector (CPC, 2023, n.d.). The Eurobarometer (2023b, 2023d) survey also shows that the perception of corruption among the population and businesses is widespread in Slovenia and is estimated to have increased in the last three years. Respondents attribute this corruption to the close ties between business and politics and express concern that high-profile and large-scale corruption cases are not adequately sanctioned. The EC (2023j) observes that the number of criminal investigations, indictments and convictions in corruption cases, including in high-level corruption cases, remains relatively low. Furthermore, the protracted duration of judicial investigations and first-instance court trials related to corruption cases poses a significant challenge to effective prosecution. The Commission for the Prevention of Corruption (CPC, 2024) acknowledges that achieving meaningful progress requires substantial systemic reforms, a higher standard of political ethics (including accountability) and a shift in mindset.

5.3 A safe and globally responsible Slovenia

A safe and globally responsible Slovenia (Development Goal 11)

The aim is to address the global challenges that Slovenia is facing, such as migration flows, terrorism, climate change and lack of respect for human rights. Some of the challenges also pose threats and risks to national security. Factors listed by the SDS 2030 as instrumental to strengthening global responsibility and solidarity include providing a high level of security, which includes providing protection against terrorist and other supranational threats (cyber threats included), promoting prevention, and strengthening the capacity for managing natural and other disasters. The SDS 2030 also draws attention to increasing foreign policy cooperation at the bilateral and multilateral levels and defence capabilities. Through international development cooperation and humanitarian aid, Slovenia contributes to a more balanced and fair global development and the eradication of poverty and inequality.

SDS 2030 performance indicators for Development Goal 11:

	Latest data		Target value for 2030
	Slovenia	EU average	
Share of population that reported crime, vandalism or violence in their area, in %	6.8 (2023)	10.7 (2020)*	< 10
Global Peace Index, rank	5th place (in the EU) (2023) 8th place (of 163) (2023)	–	Ranking among the top five countries in the EU and top ten in the world.

* At the time of finalising the Development report, data for 2023 was only available for 12 EU Member States.

Since its independence, Slovenia has been a member of the most important international organisations, working to maintain a stable international environment, security and human rights. In 1992, Slovenia joined the United Nations (UN), which is a uniform system established for dealing with global challenges in international peace and security, sustainable development, and human rights. For over a decade, it has also been a member of the EU, its most important political and legal environment. The fundamental framework of institutional national security aside from the EU's common foreign and defence policy is NATO. Changes in the broader international environment affect both the EU and Slovenia, both grappling not just with important developmental, political and economic issues, but also with global security challenges. Geopolitical events in Europe's neighbourhood (Russia's attack on Ukraine in February 2022 and the outbreak of war in the Middle East in October 2023) have potentially major humanitarian, security and economic implications for the European region, and therefore also for Slovenia, due to their geographical proximity and strategic location. Slovenia has demonstrated commitment to enhancing global responsibility and solidarity through its participation in the EU (e.g. the EU Presidency in the second half of 2021) and the UN (participation in the UN Human Rights Committee and non-permanent membership of the UN Security Council). Additionally, Slovenia's participation in international operations and missions, where it stands out among allies by assuming an above-average operational burden, significantly strengthens its position on the global stage.

5.3.1 Safety

Slovenia is one of the world's most peaceful countries. The Global Peace Index shows that Slovenia has ranked among the most peaceful countries in the world over the past decade, which is an SDS 2030 target, with the EU being the most peaceful region (Indicator 5.6). In 2022, the number of criminal offences remained below the 10-year average, though it increased compared to 2021, when it reached its lowest level in ten years.[332] There was an increase in general, economic, juvenile and organised crime. Among general offences, property offences predominated.[333] Although the number of these offences increased compared to the preceding year, when the containment measures were still partially in place, it remained below the average of the last five years. Compared to 2020, when the number of domestic violence offences was higher than before the epidemic, the number fell in 2021 and 2022 and rose again in 2023 (see Section 3.3). In 2022, the number of homicides and murders increased, yet the figures remained consistent with the five-year average (Police, 2023a). In 2021 (the latest available data), the standardised death rate due to assault was slightly lower in Slovenia than in the EU (Slovenia: 0.55 persons per 100,000 inhabitants; EU: 0.65) (Eurostat, 2024). In the first half of 2023, the number of offences continued to rise but remained below the 10-year average (Police, 2023c).[334]

[332] Due to security emergencies, statistics can fluctuate significantly from one year to the next. The data for 2020 and 2021 was influenced by the COVID-19 epidemic (Police, 2023a).

[333] The share of general crime in total crime has not changed significantly in the last ten years, fluctuating at around 85% (Police, 2023a).

[334] Data for the first half of 2023 are compared with the data for the first half of previous years.

Slovenians have felt safe in the country over recent years. The sense of personal endangerment of people in their living environment has remained low at all times. The results of the European Social Survey show that in 2023, the share of respondents who felt safe when walking alone in their neighbourhood at night was the highest on record (95%) and, according to data for 2020, also significantly higher than the international average[335] (CJMMK, 2024). In 2023, the share of people who reported problems with crime, vandalism or violence in their living environment was the lowest ever (6.8%) and remained below EU average and within the SDS 2030 target (Eurostat, 2024). The number of respondents who have had a personal experience of burglary or physical assault was lower in 2023 than in previous years (CJMMK, 2024) (Indicator 5.7). The sense of safety also depends on people's trust in the police, which has been significantly higher over recent years than trust in most other institutions in the country. After falling in the previous two years, trust in the police rose significantly in spring 2023 and is now close to the EU average.[336]

Natural and other disasters are a constant threat; in 2022, the number of incidents was the highest in ten years, and in 2023, Slovenia suffered the worst flooding ever to hit the country. The goals, policies and strategy for protection against natural and other disasters in the country are set out in the national programme for the 2016–2022 period, which was adopted in 2016.[337] The number of incidents increased in 2013–2022 due to various circumstances. In 2022, 21,156 incidents took place in Slovenia[338] in which protection, rescue and relief personnel were engaged, in addition to other services (MO, 2023). Their number compared to a year earlier increased mainly due to an increase in the number of incidents requiring technical and other assistance, fires and explosions, other accidents, and traffic accidents. Among natural disasters, strong wind and floods again caused the most problems and triggered the most interventions, but there were far fewer of them in 2022 than before 2019.[339] Timely emergency response is ensured through emergency notification centres and public rescue services and by the preparedness of other rescue services, commissions and units and the Civil Protection Headquarters. The above-mentioned protection and rescue structures were also actively involved in the implementation of activities related to the containment of COVID-19 (see IMAD, 2022d). The spread of infectious diseases among people was identified as one of the major risks in Slovenia in the disaster risk assessment process in the period 2015–2018.[340] Other potential threats in Slovenia are earthquakes, aeroplane accidents, terrorism, frost and nuclear accidents, while the greatest threat comes from floods (URSZR, 2024). It is important to strengthen preparedness and response to climate-related disasters, because weather conditions influence the frequency and intensity of some disasters, especially natural disasters, such as the massive Karst fires in July 2022 and the floods in August 2023 (the worst ever natural disaster in Slovenia). The key challenge is to create a system that will facilitate effective coordinated action and contribute to the mitigation of damage and other consequences of natural disasters. Preventive measures are another important factor, in particular in spatial planning and management and in protection against fire and other natural disasters.[341]

Road safety improved in 2013–2022, but this was still not enough to meet the strategic goal of the National Road Safety Programme. Despite the increase in traffic volume (ITF, 2022), road safety has improved since 2008. There are several factors behind the improvement, including better transport infrastructure (e.g. motorway construction), safer cars and preventive measures (e.g. the reduction in the permitted blood alcohol level and education of young drivers). The number of road fatalities decreased by 32% in the 2013–2022 period (EU: 15%). Road safety improved significantly in 2020, when the volume of traffic and the number of road fatalities (80) were affected by the containment measures. It then deteriorated significantly in 2021 but improved again in 2022. In 2022, the number of road fatalities decreased by 25% compared to the previous year, marking the largest decline among the EU Member States. Eighty-five people died in road accidents, meaning that the target set in the Resolution on the National Road Safety Programme 2013–2022 was not met.[342] Slovenia recorded 40 road fatalities per million inhabitants, which is below the EU average (46). In 2023, the number of fatalities fell to 82, the second lowest figure since records began (AVP, 2024).

[335] The chart shows the total average result of the selected countries regardless of the size of the national samples or the size of the country (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal, Slovenia, Slovakia, Spain and Sweden).

[336] In summer 2023, 67% of Slovenians trusted the police (EU: 69%), which is 10 p.p. more than in summer 2022 and 16 p.p. more than in winter 2021, when trust in the police declined markedly (Eurobarometer, 2024). The lower confidence was also a consequence of the police controlling compliance with the containment measures, which caused general discontent among the population.

[337] Resolution on the national programme for protection against natural and other disasters 2016–2022.

[338] These are natural and other accidents, traffic accidents, fires and explosions, pollution incidents, incidents involving hazardous substances, nuclear and other incidents, finds of unexploded ordnance, supply disruptions, damage to buildings, and other events that required technical and other assistance and unnecessary or false interventions.

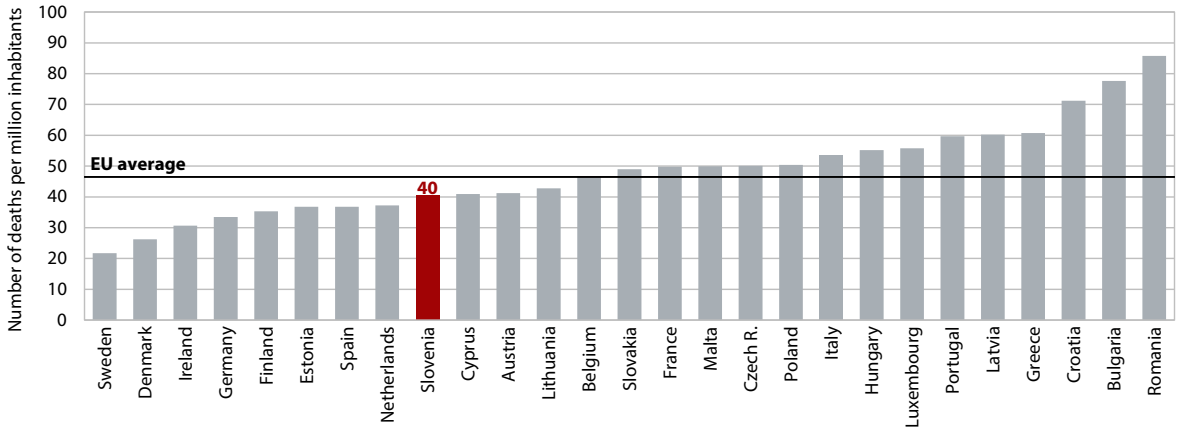
[339] Compared to previous years, the number of interventions in natural disasters fell sharply in 2019 (fewer incidences of flood and strong wind).

[340] In the light of the experience with COVID-19, an amended National Protection and Rescue Plan in the Event of an Infectious Disease Epidemic or Pandemic in Humans was adopted in July 2020 in order to better prevent the spread of infectious diseases.

[341] The measures are co-financed by EU funds under thematic area 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 ecosystem-based approaches).

[342] Fewer than 70 fatalities and 460 serious injuries on Slovenian roads by the end of 2022 (ReNPVCP13-22, 2013). 862 road users were seriously injured (AVP, 2023). At the end of 2023, a new resolution for 2023–2030 was adopted with the aim of having no more than 50 deaths per year on Slovenian roads by 2030.

Figure 103: In 2022,* Slovenia recorded fewer road fatalities per million inhabitants than the EU average



Source: EC (2024b). Note: *The latest data for EU Member States are available for 2022.

After a decline in 2020 and 2021, the number of irregular border crossings and organised crimes increased in 2022. National security efforts primarily focus on ensuring the security of the national border, preventing, detecting and investigating organised crime, crimes involving firearms and cybercrime, and combating terrorism. In recent years, the prevention of irregular border crossings has been a top priority for the police. The number of such crossings has been on the rise since 2015, mainly due to increased migration from crisis areas; it decreased in 2020 and 2021, due to restricted mobility caused by the containment measures, but this was followed by a sharp rise in 2022.[343] In 2023, more than 60,000 unlawful entries were detected at state borders.[344] In October 2023, Slovenia temporarily reintroduced border checks at its state borders with Hungary and Croatia due to heightened threats of terrorism, extremism and organised cross-border crime (Police, 2024a). After a decline during the epidemic, the number of organised crime offences increased in 2022, mainly related to illegal crossing of the state border or territory, which together with offences related to illicit drug trafficking and doping in sport are the most common organised crime offences.[345] The number of criminal offences of illicit manufacturing of and trafficking in firearms remained at the level of the previous three years in 2022, and these criminal offences were dealt with mostly in connection with other forms of organised crime. The investigation of cybercrime showed that also in 2022, the highest number of criminal offences consisted of attacks on information systems, and new forms of cybercrime such as malicious computer codes and cryptojacking remain at the forefront (Police, 2023a).

5.3.2 Global responsibility

Slovenia is among the leading countries in the world and better than the average among EU Member States in terms of the achievement of the Sustainable Development Goals (SDGs) of the 2030 Agenda. According to an international comparison (Sachs et al., 2023), Slovenia ranks 13th out of 166 countries on the Sustainable Development Index[346] and 11th among EU Member States, with both rankings improving in the last year. These figures show that Slovenia has made progress on achieving all of the SDGs over the last five years in line with EU-level priorities (the European Green Deal, Digital Strategy and Action Plan on the European Pillar of Social Rights). It also outperforms the EU average on most targets and indicators. According to the most recent measurement of the 17 SDGs, Slovenia achieved SDG 1 (end of extreme poverty), but major challenges remain regarding SDGs 2 (zero hunger – achieve food security and improved nutrition and promote sustainable agriculture), 12 (responsible consumption and production) and 13 (climate action) (Eurostat, 2023b; Sachs et al., 2023). Progress on SDG 2, where Slovenia lags behind the EU particularly on indicators for obesity and emissions from agriculture, is slow (SURS, 2024a). It should be noted that the latest available indicators (for 2023) show that progress on some goals is slowing, e.g. on SDG 5 (gender equality) (see Chapter 3). The data at the regional level show that the Zahodna Slovenija cohesion region performs better than the Vzhodna Slovenija cohesion region on most SDGs, but both regions perform better or about average on most SDGs among the OECD countries included in the analysis (OECD, 2024b).

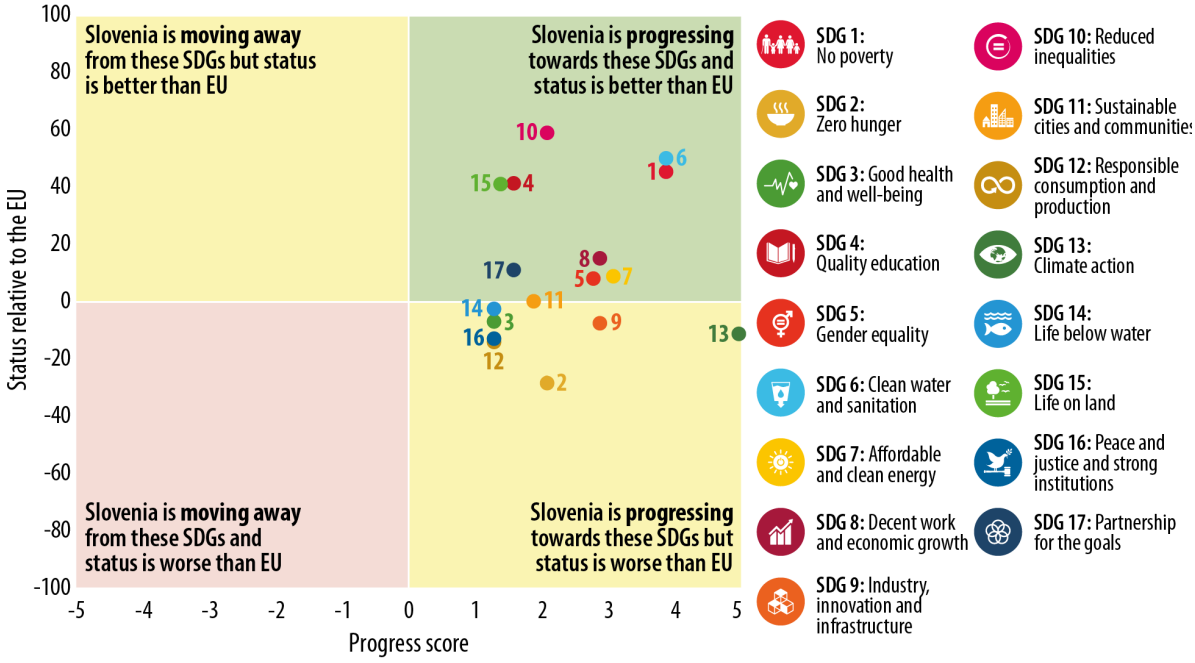
343 The data do not include foreigners who came to Slovenia as part of the 2015–2016 mass migration (about 360,000 people). In 2021, 10,197 irregular border crossings were recorded compared to 32,025 in 2022 (Police, 2023a).

344 The majority (96%) came from Croatia, most being nationals of Afghanistan, Morocco and Pakistan (Police, 2023b). As a result of Croatia's accession to the Schengen Area, state border checks at the Slovenian–Croatian land border were abolished and checks are now only carried out at five border crossing points (three air and two sea borders), so the data for 2023 are not comparable with those of previous years (Police, 2023c).

345 In 2022, 495 organised crime offences were recorded, which is below the 10-year average (511) (Police, 2023a).

346 Over 115 indicators are used in the index calculation, 85 of which are global and 30 specifically defined for the OECD countries.

Figure 104: Slovenia is advancing gradually on the global Sustainable Development Goals (SDGs) set out in the 2030 Agenda but still lags behind the EU average in some SDGs



Source: Eurostat (2023a). Notes: The progress score is based on the average annual growth rate of the indicator over the past five years (based on the gap with the threshold or the best EU country), while the status score calculation for the EU is based on a min-max normalisation, where 0 corresponds to the EU average. The calculation methodology is described in Eurostat (2022). It relies on data available up until autumn 2023, primarily referencing 2022 or earlier. Detailed and updated data are available on the Eurostat webpages (Eurostat, 2024) and updated indicators for Slovenia can be found on the SURS website (SURS, 2024a).

Expenditure on official development assistance (ODA) has increased over recent years but remains below internationally agreed commitments. In 2018, Slovenia adopted the Development Cooperation and Humanitarian Aid Strategy of the Republic of Slovenia until 2030, which provided the scope for enhanced bilateral development cooperation and determined guidelines for Slovenian activities at the multilateral level and was also aligned with the implementation of the 2030 Agenda (MZZ, 2018). The share of ODA expenditure increased from 0.13% to 0.29% of GNI in the 2010–2022 period and by around 250% in nominal terms, i.e. to EUR 159.66 million. Slovenia has seen moderate and steady growth in official development assistance (MZEZ, 2023c). Expenditure increased disproportionately in 2016 due to the migration trends caused by the situation in the Middle East and in 2021 to support partner countries in combating the COVID-19 pandemic. Expenditure on official development assistance increased markedly in 2022 (from 0.19 to 0.29% of GNI), when Slovenia almost met its international commitments,[347] according to which it should strive to increase the share of GNI for this purpose to 0.33% by 2030. This was influenced by the war in Ukraine, which has exacerbated the food, economic, health and climate crises in the least developed countries (MZEZ, 2023c). This has led to a significant increase in bilateral aid, which exceeded 50% of total ODA for the first time. Most of this aid was channelled into support for refugees and migrants in Slovenia, debt relief for some African countries, and the payment of school fees and scholarships (see Chapter 2). Humanitarian aid funding increased significantly. In 2022, Slovenia dedicated most of its bilateral aid to developing countries (geographically unallocated), in particular for the care of refugees and migrants from Ukraine (Indicator 5.8). For the fifth year in a row, expenditure on multilateral assistance also increased, of which the largest share was dedicated to EU development cooperation programmes.

Slovenia's recognition in the world increased last year with its successful campaign for a non-permanent seat on the UN Security Council. In line with the guidelines for strengthening the active role in the UN (MZZ, 2021), in early 2023, Slovenia became a member of the UN Economic and Social Council for the next two years. The Council coordinates the economic, social and environmental dimensions of sustainable development (MZEZ, 2023d). Activities were also intensified in connection with the successful Slovenian candidacy for non-permanent membership of the UN Security Council (UNSC) for the 2024–2025 period (MZZ, 2022), which has been a foreign policy priority in the last two years. In early 2024, Slovenia became a non-permanent member of the Security Council[348] for the second time

[347] The Resolution on international development cooperation and humanitarian assistance of the Republic of Slovenia, 2017.

[348] In 2024–2025, the Eastern European regional group, to which Slovenia belongs within the UN framework, is assigned one non-permanent seat. Slovenia was first elected a non-permanent member of the UN Security Council in 1998–1999.

and focused on four thematic priorities: prevention of conflicts; protection of populations in armed conflicts; women, peace and security; and climate, peace and security (MZEZ, 2024). In 2023, the Ljubljana–The Hague Convention was adopted at an international diplomatic conference, enabling better international cooperation in the investigation and prosecution of the crime of genocide, crimes against humanity, war crimes and other international crimes (MZEZ, 2023a).

Indicators of Slovenia's development

1 A highly productive economy that generates value added for all

Economic stability

A competitive and socially responsible business and research sector

Gross domestic product per capita in purchasing power standards 1.1

In 2023, Slovenia reached 91% of the EU average in terms of economic development, measured in GDP per capita in PPS (34,400 PPS), which is 1 p.p. more than in 2022 and the same as the 2008 peak. A decomposition of GDP per capita into productivity and employment rate shows that the gap in economic development with the EU average is now entirely the result of the relatively lower level of productivity, which, however, reached 85% of the EU average in 2023, the highest level ever achieved. The employment rate in Slovenia was above the EU average throughout the period analysed – by 7% in 2019–2021 and by 8% in 2022 and 2023.

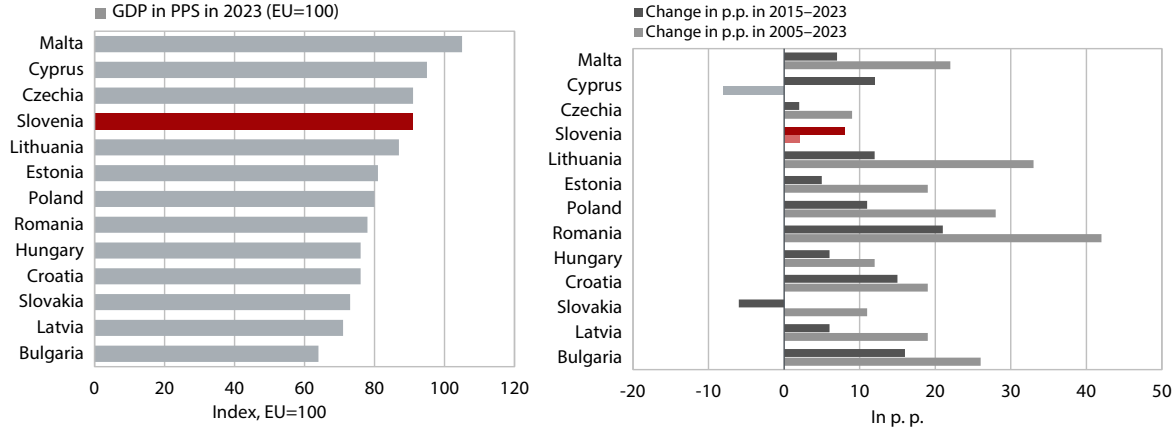
Slovenia's position relative to the average level of development in the EU was only 2 p.p. higher in 2023 than in 2005, while the majority of the new EU Member States have made considerable progress in this period. Compared to 2005, 14 Member States have improved their position relative to the EU average, led by Ireland (by 61 p.p.), while of the new Member States, all except Cyprus have improved their position. Thirteen Member States moved further away from the EU average during this period, most notably Greece (by 28 p.p.), Luxembourg (by 16 p.p.) and Italy (by 15 p.p.). From 2015 to 2019, Slovenia moved closer to the EU average (by 6 p.p.), but from the COVID-19 outbreak (in 2020) to 2023, Slovenia's progress was very modest (only 2 p.p.). In the period 2015–2023, the greatest progress was made by Ireland (31 p.p.), Romania (21 p.p.), Bulgaria (16 p.p.) and Croatia (15 p.p.), while the largest deterioration occurred in Luxembourg (42 p.p.), Sweden (11 p.p.), Germany (9 p.p.) and Austria (8 p.p.). Luxembourg and Ireland were most significantly above the EU average in 2023 (by 140% and 112% respectively). The spread in the GDP per capita indicator in PPS between the EU Member States, which in 2000 was at 1:9.3 (Romania/Luxembourg), has been narrowing over the years, falling to 1:3.7 in 2023 (Bulgaria/Luxembourg).

Table: GDP per capita in purchasing power standards (EU=100), in %

	2000	2005	2008	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Slovenia	81	89	91	83	84	86	87	89	89	90	90	91	100
Innovation leaders	134	130	130	126	124	123	123	121	124	125	124	122	
New EU Member States (data available since 2004)	46	54	61	68	68	70	72	74	76	77	78	82	
Visegrad countries	53	59	64	73	72	73	74	76	79	79	80	80	
Austria*	133	130	127	131	130	127	127	126	125	122	124	123	
Italy*	122	112	108	97	99	98	97	97	94	96	97	97	
Germany*	124	120	118	124	125	124	124	121	123	119	117	115	

Source: Eurostat (2024); calculations by IMAD. Notes: The innovation leaders are Sweden, Finland, Denmark, Belgium and the Netherlands. *Three economically developed countries that have strong economic ties with Slovenia. The Visegrad group comprises the Czech Republic, Slovakia, Poland and Hungary.

Figure: Comparison of convergence to the EU average in terms of GDP per capita in PPS in 2023, from 2005 to 2023 and 2015 to 2023 for new EU Member States, in percentage points (EU=100)



Source: Eurostat (2024); calculations by IMAD.

Real GDP growth 1.2

The strong post-COVID-19 economic recovery was followed by a slowdown in economic growth in 2022 and 2023 in the context of the energy crisis. After the recession during the global financial crisis, economic growth largely accelerated in 2014–2017, but it then slowed in 2018 and 2019, mainly due to a slowdown in foreign demand and uncertainty regarding international trade and geopolitical relations. In 2020, all GDP components, with the exception of government consumption, declined due to the epidemic and the related restrictions. With a strong upswing, economic activity in 2021 exceeded the pre-epidemic level. This was mainly due to private consumption, which was supported by government measures and a significant drop in the savings rate. In 2022, growth in the first half of the year stemmed mainly from the post-COVID-19 recovery, while the cooling of activity in the international economic environment due to the war in Ukraine and the energy crisis, together with the inflationary impact on purchasing power, contributed to a significant cooling of activity by the end of the year. Amid high employment, private consumption growth remained relatively strong. Growth in investment and construction activity was supported by public investment, which was also stimulated by EU funds. In 2023, economic growth weakened further, particularly in the export-oriented part of the economy due to the economic slowdown in Slovenia's main trading partners and a deterioration in cost and price competitiveness (see Section 1.2.1). Growth in private consumption also slowed, mainly due to the impact of inflation on household purchasing power. On the other hand, investment growth and construction activity remained strong.

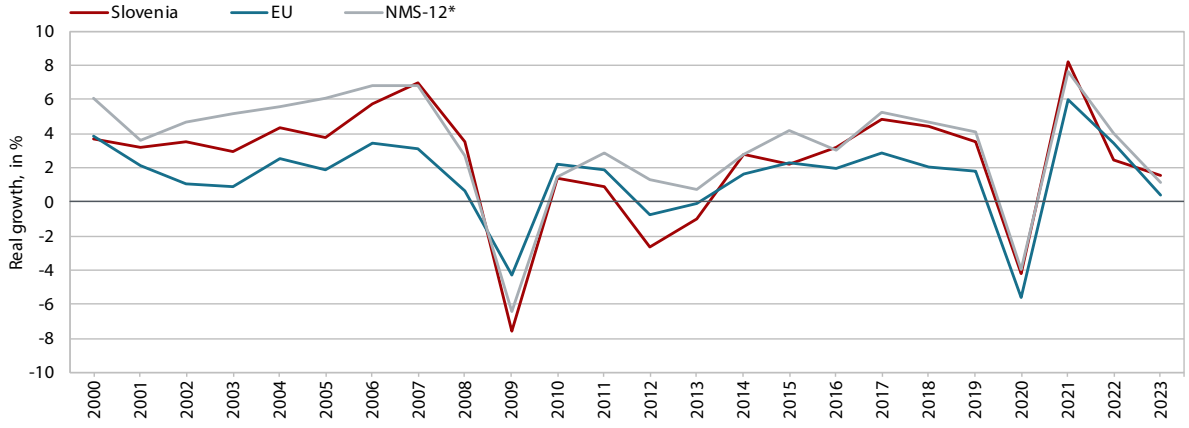
After several years of relatively high growth, the decline in real GDP in 2020 was lower than the EU average and the recovery in 2021–2023 was stronger on average. The only year with lower growth in the last three years was 2022, this mainly due to the above-average decline in manufacturing production in the context of the energy crisis.[1] The higher growth in 2023 (SI: 1.6%, EU: 0.4%) was a consequence of faster growth in almost all components of domestic consumption. The growth of economic activity in Slovenia was mostly lower than the (unweighted) average of the other new EU Member States before the pandemic year 2020 and mostly higher afterwards.

Table: Contribution of expenditure components to GDP change, Slovenia

	2000	2005	2008	2009	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Real GDP growth, in %	3.7	3.8	3.5	-7.5	-2.6	-1.0	2.8	2.2	3.2	4.8	4.5	3.5	-4.2	8.2	2.5	1.6
Domestic consumption	1.3	1.7	3.5	-9.1	-5.4	-1.8	1.2	1.6	2.8	3.6	4.6	3.3	-3.9	9.2	3.5	-1.2
Private consumption	-0.1	1.1	1.5	1.1	-1.2	-2.3	0.9	1.1	2.4	1.0	1.9	2.8	-3.4	5.2	1.9	0.7
Government consumption	0.7	0.5	0.9	0.4	-0.5	-0.4	0.0	0.4	0.5	0.1	0.5	0.3	0.8	1.3	-0.1	0.5
Gross fixed capital formation	0.7	0.9	2.0	-6.5	-1.7	0.7	0.0	-0.2	-0.7	1.8	1.9	1.0	-1.4	2.4	0.7	2.1
Change in inventories	0.1	-0.9	-0.8	-4.1	-2.0	0.2	0.3	0.3	0.6	0.7	0.4	-0.9	0.1	0.4	1.0	-4.4
External trade balance (goods and services)	2.3	2.1	0.0	1.6	2.8	0.8	1.6	0.6	0.4	1.2	-0.1	0.2	-0.3	-1.0	-1.0	2.8
Exports of goods and services	5.6	6.3	2.8	-11.0	0.3	2.2	4.5	3.6	4.8	8.6	5.1	3.8	-7.1	11.3	6.0	-1.9
Imports of goods and services	-3.2	-4.1	-2.8	12.6	2.4	-1.5	-2.9	-3.0	-4.3	-7.4	-5.3	-3.6	6.8	-12.2	-7.0	4.7

Source: SURS (2024).

Figure: GDP growth



Source: Eurostat (2024). Note: *Data for the NMS-12 represent an unweighted average for the new Member States (countries that have joined the EU since 2004), excluding Slovenia.

[1] For more information on the impact of rising energy costs on energy-intensive activities, see Productivity Report (IMAD, 2023d).

General government debt 1.3

Amid high nominal GDP growth, general government debt fell to 69.2% of GDP in 2023. In 2020, it rose by 14.2 p.p. to 79.6% of GDP due to the stimulus measures taken to mitigate the effects of COVID-19 and the economic downturn. With the strong economic recovery and the reduction in the country's cash reserves, it fell by 5.2 p.p. in 2021, followed by a slightly smaller decline in 2022 (by 1.9 p.p.). In 2023, the general government debt-to-GDP ratio further fell by 3.3 p.p. to 69.2%. The debt ratio fell due to the impact of nominal GDP growth and also the lower primary deficit.

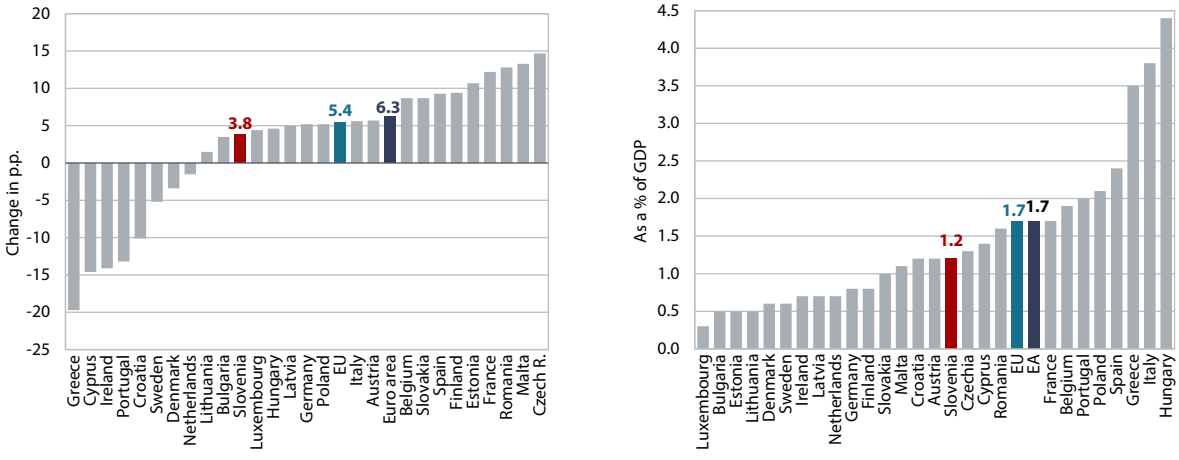
Interest expenditure increased slightly in 2023 (to 1.2% of GDP) due to rising government bond yields but was still well below the 2014–2015 peak (3.2% of GDP) and the 2019 level (1.7% of GDP). In the period 2019–2023, during which the countries were exposed to numerous economic shocks, the increase in public debt in Slovenia was among the lowest (3.8 p.p.) in the EU and was below the average for euro area countries (6.3 p.p.) and the EU as a whole (5.4 p.p.), while some countries managed to reduce their debt.

Table: General government debt, Slovenia

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
in EUR billion	8.3	12.5	13.9	17.2	19.4	25.5	30.2	32.1	31.8	31.9	32.2	31.8	37.4	38.9	41.3	43.7	
As a % of GDP	21.8	34.5	38.3	46.5	53.6	70.0	80.3	82.6	78.5	74.2	70.3	65.4	79.6	74.4	72.5	69.2	60.0
Debt change, in p.p., of which	-1.0	12.7	3.8	8.2	7.1	16.4	10.3	2.3	-4.1	-4.3	-3.9	-4.9	14.2	-5.2	-1.9	-3.3	
1. Primary balance	0.3	4.5	4.0	4.7	2.0	12.0	2.3	-0.4	-1.1	-2.5	-2.8	-2.4	6.1	3.3	1.9	1.3	
2. Snowball effect	-0.6	2.2	1.5	1.2	3.0	2.2	1.0	0.7	-0.2	-2.1	-2.6	-2.2	3.7	-6.6	-5.0	-5.6	
- Interest payments	1.1	1.3	1.6	1.9	2.0	2.5	3.2	3.2	3.0	2.5	2.0	1.7	1.6	1.2	1.1	1.2	
- Effect of GDP growth	-0.7	1.7	-0.4	-0.3	1.2	0.5	-1.9	-1.7	-2.5	-3.5	-3.1	-2.3	2.8	-5.9	-1.7	-1.0	
- Effect of inflation*	-1.0	-0.8	0.3	-0.4	-0.2	-0.9	-0.3	-0.8	-0.7	-1.1	-1.5	-1.5	-0.7	-1.9	-4.4	-5.8	
3. Stock-flow adjustments**	-0.7	5.9	-1.8	2.3	2.1	2.2	7.0	2.0	-2.7	0.3	1.5	-0.3	4.4	-1.8	1.3	1.2	

Source: SURS (2024). Notes: *Measured by the GDP deflator. **The change in the debt-to-GDP ratio that is not a consequence of the primary balance or the snowball effect (currency, deposits, loans and other liabilities). Some calculations do not add up to total due to rounding.

Figure: Change in the public debt-to-GDP ratio in 2019–2023 (left) and interest expenditure in 2023 (right) in EU Member States



Sources: For Slovenia SURS (2024), for EU Member States Autumn 2023 Economic Forecast (EC, 2023a).

Fiscal balance 1.4

The general government deficit continued to decline in 2023 and amounted to 2.5% of GDP. The improvement in the government's fiscal position in 2015–2019 was interrupted by the exceptional circumstances related to COVID-19, which led to a sharp deterioration in 2020 (deficit of 7.6% of GDP). With the post-COVID-19 recovery and lower expenditure on measures to mitigate the consequences of the epidemic, the deficit fell to 3% of GDP by 2022 and further declined to 2.5% of GDP in 2023. Revenue growth rose to 10.6% last year (from 7.4% in 2022), driven by all main revenue groups: taxes, social contributions,[1] revenue from state property and EU sources. Expenditure growth in 2023 was slightly lower than revenue growth (9.5%) but has accelerated significantly compared to the previous year (4%). This was mainly due to an increase in expenditure on subsidies to companies (due to rising energy prices and floods) and wage increases in the public sector, after expenditure on these two categories had been reduced in the previous year due to the discontinuation of measures to mitigate the consequences of the epidemic. Growth in general government investment was also high last year (9.3%) (end of the 2014–2020 financial perspective, including REACT-EU, Recovery and Resilience Facility funds, post-flood reconstruction), but lower than in 2021–2022, the period of post-COVID-19 recovery, when it was around 26%. Growth in expenditure on social benefits and transfers was also lower than in 2022.

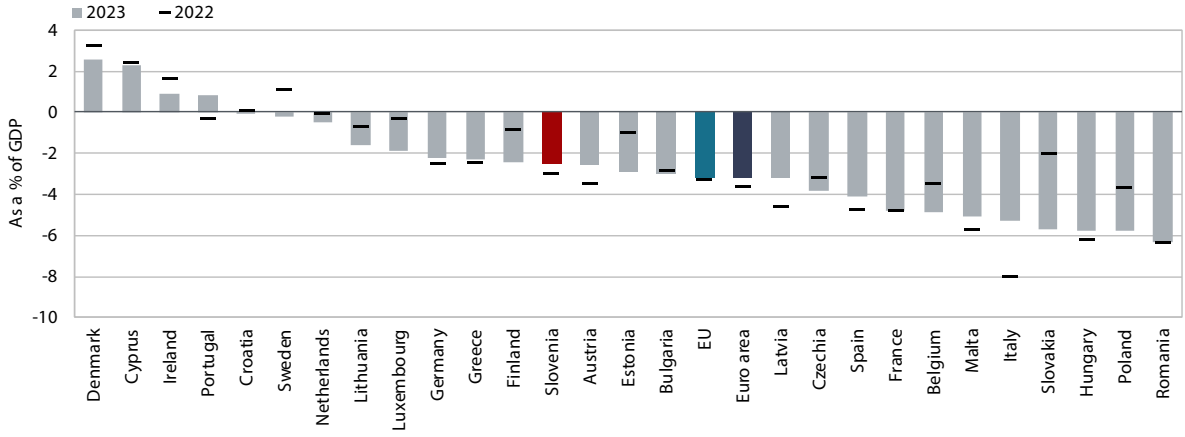
In its autumn forecast, the EC estimates that the deficit in the euro area fell from 3.6% of GDP in 2022 to 3.2% in 2023. These projections show that the deficit has remained above the reference value of 3% of GDP in a number of countries due to a significant slowdown in economic growth and measures to support the economy and population in the face of high energy and food prices. The impact of these measures, which include tax cuts, transfers to individuals, subsidies for energy and production, price caps on energy markets, and windfall taxes, on the general government deficit is estimated by the EC (2023a) at 1.2% of GDP in both the EU-27 (1.4% of GDP in 2022) and Slovenia (1.2% of GDP in 2023 and 1.1% in 2022). According to the EC estimate, the fiscal policy stance in the euro area was quite heterogeneous last year and restrictive on average (as in Slovenia).

Table: General government revenue, expenditure and balance, as a % of GDP

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	43.7	43.5	44.6	44.2	45.4	45.7	45.3	45.9	44.2	44.0	44.2	44.1	43.7	44.9	44.2	44.2
Expenditure	45.1	49.4	50.2	50.9	49.4	60.3	50.8	48.7	46.2	44.1	43.5	43.4	51.4	49.5	47.2	46.7
Balance	-1.4	-5.8	-5.6	-6.6	-4.0	-14.6	-5.5	-2.8	-1.9	-0.1	0.7	0.7	-7.6	-4.6	-3.0	-2.5
Primary balance	-0.3	-4.5	-4.0	-4.7	-2.0	-12.0	-2.3	0.4	1.1	2.5	2.8	2.4	-6.1	-3.3	-1.9	-1.3

Source: SURS (2024).

Figure: General government balance



Sources: For Slovenia SURS (2024), for EU Member States Autumn 2023 Economic Forecast (EC, 2023a).

[1] Revenue from taxes on income and property increased by 9.2% (4.1% in 2022), while revenue from taxes on production and imports increased by 8.6% (7.8% in 2022), due to higher growth in VAT revenue and an increase in excise duties on energy products and tobacco. Growth in revenue from social contributions increased to 9.3% (6.5% in 2022), driven by higher wage growth than in the previous year.

Current account of the balance of payments and net international investment position 1.5

After one year of deficit, the current account showed a large surplus again in 2023 (EUR 2.8 billion or 4.5% of GDP). In 2020, when the epidemic severely curtailed domestic spending, the current account surplus rose to its highest level ever (7.2% of GDP). The faster recovery of domestic demand compared to external demand and the deterioration in the terms of trade amid sharp fluctuations in commodity prices on the world markets led to a significant decline in the current account surplus in 2021, before turning to a deficit in 2022. The return to a surplus in 2023 was mainly due to the goods trade balance, as real goods imports fell even more sharply than exports. The sharp decline in imports was mainly caused by a fall in inventories and lower household consumption. In addition to the quantity fluctuations, which contributed EUR 1.5 billion to the annual change in the trade balance (EUR 2.6 billion), the improved terms of trade also had an impact of EUR 1.1 billion. The growth of the services surplus continued, especially in trade in transport and construction services.

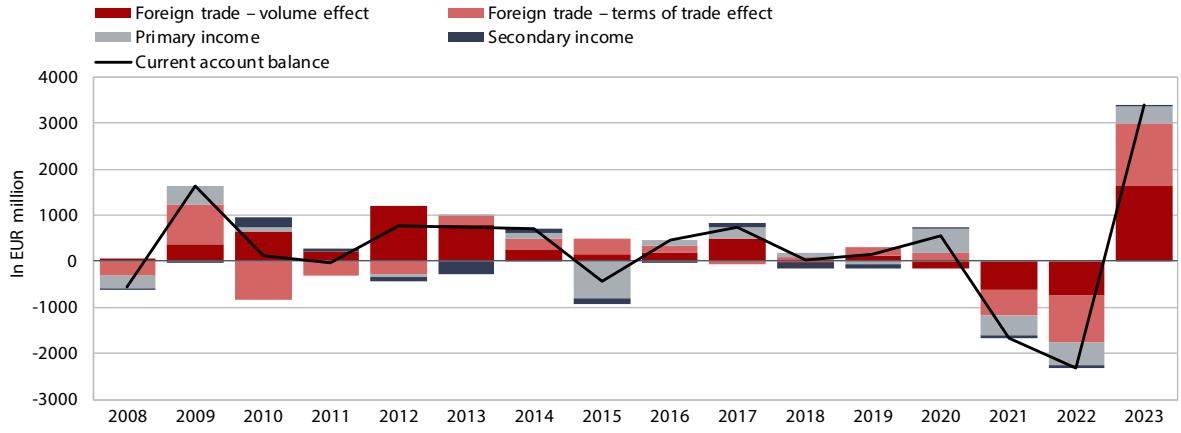
Slovenia's international investment position further improved in 2023 and was positive for the first time since 2002. Compared to 2022, total claims in relation to GDP increased, while total liabilities remained largely unchanged. The net outflows of the Bank of Slovenia (BoS) and the private sector were higher than the net inflow of government financial assets. The BoS increased its foreign liabilities and even more its currency and deposits in the framework of the TARGET settlement system, mainly in connection with the placement of money by domestic commercial banks abroad and the issuance of securities in Slovenia. In 2023, the general government sector increased its net foreign liabilities. The country has increased its debt to foreign portfolio investors and foreign lenders. Higher short-term interest rates on the international money markets have led to an increase in claims in the segment of financial derivatives. The private sector has increased its net external claims. Non-financial companies, domestic commercial banks and investment funds increased their investments in foreign equity and debt securities. Households increased their deposits in foreign accounts in view of rising interest rates and thus higher yields, while other financial intermediaries increased their debts to foreign lenders. Inward FDI flows have risen in recent years, on account of the sale of ownership stakes in domestic companies and recapitalisation, and exceeded the outward FDI flows.

Table: Slovenia's international investment position, as a % of GDP

	2010	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1 Debt claims	74.0	75.3	87.6	88.4	85.4	82.9	82.9	88.0	102.0	99.7	96.8	101.3
2 Equity claims	22.2	22.5	23.6	27.7	26.9	25.5	24.7	27.4	30.9	33.0	30.8	31.5
3 Total claims (1+2)	96.2	97.7	111.2	116.1	112.2	108.4	107.6	115.3	132.8	132.8	127.6	132.8
4 Gross external debt	115.6	112.9	124.3	118.8	109.6	100.5	91.8	91.6	102.1	97.4	90.9	91.8
5 Equity liabilities	23.8	24.2	25.2	28.4	31.4	32.1	34.7	40.0	46.4	43.0	38.3	37.2
6 Total liabilities (4+5)	139.3	137.1	149.6	147.2	141.0	132.6	126.5	131.6	148.6	140.4	129.2	129.0
7 Net external debt/claims (1–4)	-41.5	-37.6	-36.7	-30.4	-24.2	-17.6	-9.0	-3.6	-0.2	2.3	5.9	9.4
8 Net equity debt/claims (2–5)	-1.6	-1.7	-1.6	-0.7	-4.6	-6.6	-10.0	-12.7	-15.6	-10.0	-7.5	-5.7
9 Net financial position (7+8)*	-43.1	-39.3	-38.4	-31.2	-28.8	-24.2	-19.0	-16.3	-15.7	-7.7	-1.5	3.7

Source: BoS (2024b); calculations by IMAD. Note: *A negative (positive) sign in the balance concerned indicates a net debt (credit) external financial position.

Figure: Decomposition of changes in nominal current account balance



Source: BoS (2024b); calculations by IMAD.

Financial stability 1.6

The financial system has remained stable in recent times amid a slowdown in economic activity. The share of non-performing loans has fallen significantly in recent years and, according to the EBA, was even slightly below the euro area average in the third quarter of 2023. Data from the Bank of Slovenia show that the weather disaster in August had no negative impact on the non-performing loans ratio. Only in the sectors that were hit hardest by the epidemic (e.g. accommodation and food service activities) is the ratio still relatively high, but here too it has already fallen significantly. The ECB continued to normalise its monetary policy throughout 2023, while at the end of the year, as inflationary pressure eased, it stopped raising its key interest rates. In 2023, they rose by 200 basis points and reached a level comparable to 2008. As a result, credit conditions for companies, households and governments in Slovenia and elsewhere in the EU deteriorated. Although yields to maturity of government bonds and lending rates for companies fell slightly at the end of 2023, they were above the average for the EU and the euro area.[1]

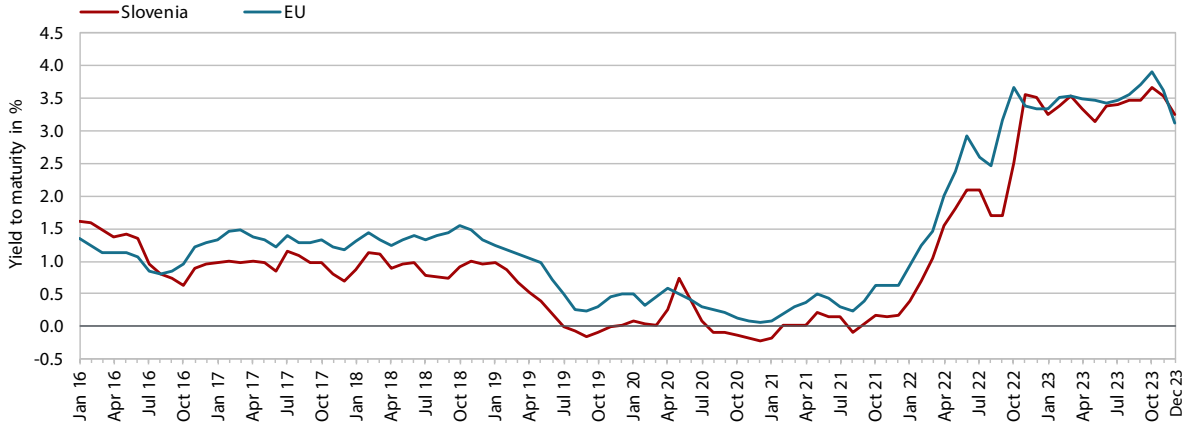
The banks maintained a high level of capital adequacy and liquidity in 2023. The capital adequacy of the banking system continued to improve with a reduction in risk-adjusted assets (sale of a leasing company, lower exposures to the state and slowdown in lending activity) and an increase in capital through retained earnings and was relatively high given the minimum capital requirements. Liquidity also increased and was among the highest in the euro area. This is indicative of the high capacity to cover net liquidity outflows over a short-term stress period (BoS, 2023a). Although the inflow of deposits from the domestic non-banking sectors at banks fell significantly in 2023 (by more than 60%, to EUR 1 billion after high inflows in 2020–2022), this does not mean that there is a need for other sources of funding, as the slowdown in the lending activity of banks was even more significant. The share of foreign sources of funding increased slightly but was still relatively low. In the second half of 2023, when deposit interest rates rose, the maturity structure of deposits in the non-banking sector also improved slightly. Overnight deposits still dominate the deposits structure (80%), but their share fell by about 5 p.p. compared to 2022.

Table: Financial system stability indicators*

	2015	2016	2017	2018	2019	2020	2021	2022	Q3 2023
Share of non-performing claims (in %)									
Slovenia	21.5	14.4	10.5	6.8	3.7	3.2	2.2	1.8	1.5
EU	5.8	5.1	4.1	3.2	2.7	2.6	2.0	1.8	1.8
TIER 1 capital adequacy ratio (in %)									
Slovenia	18.1	18.7	18.3	18.4	18.7	15.4	15.7	15.9	17.1
EU	14.8	15.5	16.3	16.3	16.7	17.2	17.1	16.3	17.3

Source: EBA (2024). Note: *Data refer to a sample of banks that changes annually. In 2023, 164 banks and bank branches were included, accounting for more than 80% of the EU banking system. According to the EBA definition, non-performing claims include not only arrears of more than 90 days, but also claims that meet the "unlikely to pay" criterion. Data up to 2019 also include the United Kingdom.

Figure: Yield to maturity of government bonds



Source: Eurostat (2024).

[1] Slovenia belongs to the group of peripheral countries that tend to react more quickly to a tightening of financial market conditions.

Financial system development 1.7

Slovenia's gap with the EU in the level of financial system development remains wide. In 2023, the banking system's total assets increased by 5.1% despite the decline in lending activity, while the indicator of total assets as a share of GDP further decreased slightly amid higher nominal GDP growth and reached about 30% of the EU average. On the investment side, the growth in the balance sheet total was primarily due to an increase of funds in central bank accounts, while the volume of debt securities of foreign financial institutions also increased. Looking at the sources of finance, the increase was mainly due to time deposits from domestic non-banking sectors and debt securities issued. Amid good business performance, the banks built up additional capital and reserves. The decline in the loan-to-deposit ratio, which was interrupted in 2022, continued in 2023 and reached 0.67, less than half of the 2008 peak. The gap with the EU average in terms of capital market development, measured by the stock market capitalisation-to-GDP ratio, narrowed slightly in 2023, but it was still only around one-fifth of the EU average. The market capitalisation of shares listed on the Ljubljana Stock Exchange increased by almost one-fifth in 2023, against a background of positive capital market developments. A large part of the Slovenian capital market is represented by government bonds, while corporate financing via issuance of shares and bonds is still negligible compared to other sources of financing, and the volume of trading in issued securities is low, which does not attract new investors.

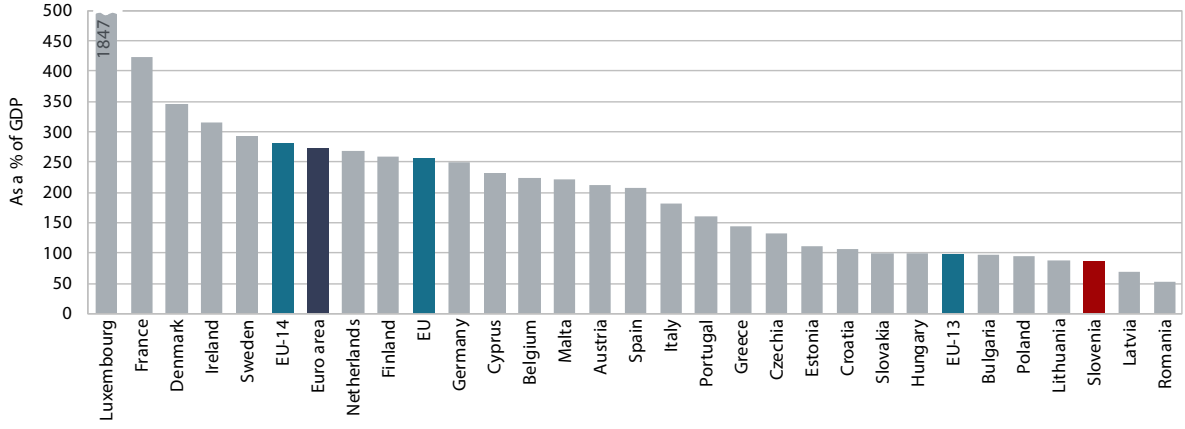
The development gap with the EU average in the insurance sector further narrowed in 2022 and remained smaller than in other segments of the financial system. The volume of insurance premiums in relation to GDP was over 70% of the EU average. Premiums increased by 7% in Slovenia, while they stagnated in the EU. At 8.5% (EU: 5%), growth in non-life insurance premiums matched the highest level in ten years, while life insurance premiums rose by 3.5% after two years of decline, compared with a fall of almost 5% in the EU. The gap in the life insurance sector has therefore narrowed, but Slovenia is still below two-fifths of the EU average. Interest rates on deposits rose slightly last year but were still below the euro area average. The large volume of household deposits in banks, which continues to grow, and low deposit interest rates and the supply of government securities for non-professional investors could accelerate a shift in household saving habits towards an increase in retirement savings, which could increase the share of life insurance and capital market investments in the future.

Table: Indicators of financial system development in Slovenia and the EU

In %	2000	2005	2008	2009	2010	2015	2017	2018	2019	2020	2021	2022	2023
Banks' total assets, as a % of GDP													
Slovenia	84.5	103.5	129.2	147.3	145.8	107.1	94.0	88.6	87.8	98.1	94.5	89.9	85.5
EU	219.8	267.4	312.1	320.3	321.4	277.7	259.2	253.5	257.6	291.1	278.9	272.9	257.0
Insurance premiums, as a % of GDP													
Slovenia	5.0	5.3	5.3	5.7	5.8	5.1	5.1	5.1	5.2	5.5	5.0	4.9	4.9
EU-24*		7.7	7.3	8.0	8.1	7.7	7.4	7.4	7.4	7.4	7.3	6.7	
Market capitalisation of shares, as a % of GDP													
Slovenia	17.7	23.0	22.3	23.3	19.3	14.2	12.3	13.8	14.6	14.7	18.2	13.4	15.3
EU	80.9	82.2	37.1	47.7	51.2	61.8	69.3	56.5	66.3	72.2	88.4	70.2	69.8

Sources: BoS (2024), ECB (2024), SURS (2024b), Eurostat (2024), Slovenian Insurance Association (2023), Swiss Re (2023), Ljubljana Stock Exchange (2024), FESE (2024).
Note: *The indicator of insurance premiums (as a % of GDP) does not include data for the Baltic states.

Figure: Balance sheet total relative to GDP in 2021



Sources: BoS (2024a), ECB (2024), SURS (2024b), Eurostat (2024). Notes: EU-14: Member States that joined the EU before 1 May 2004 (excluding the UK); EU-13: Member States that joined the EU after 1 May 2004.

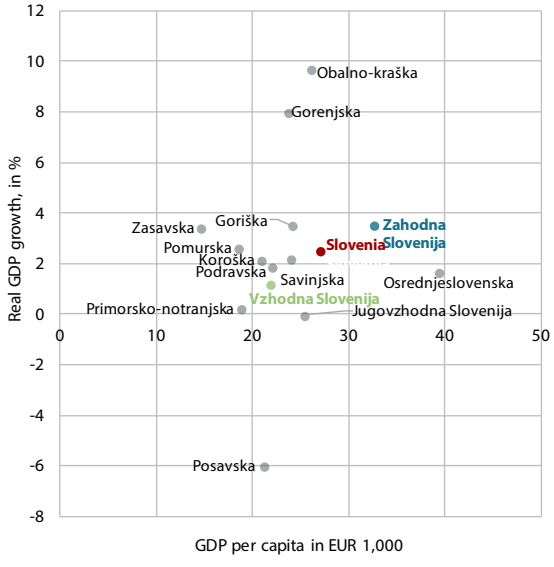
Regional variation in GDP per capita 1.8

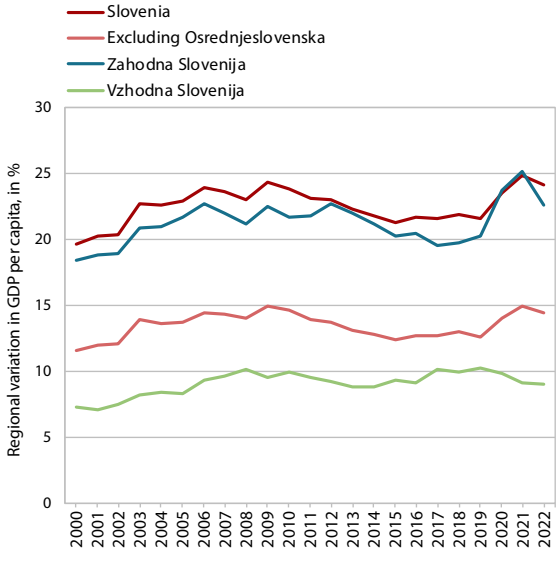
Amid a slowdown in economic growth in most regions, the gap in GDP per capita between the Osrednjeslovenska and other regions narrowed in 2022. Real GDP decline in all regions in the first year of the epidemic and the acceleration of growth in 2021 was followed by mostly modest economic growth in 2022. The Obalno-Kraška region, which has a high share of accommodation and food service and tourism activities in the structure of its economy and was most affected by the COVID-19 epidemic, recorded the highest economic growth (9.7% in real terms) among all regions in 2022. This led to the narrowing of the gap in GDP per capita and brought the region close to the national average, although it was still below the pre-COVID-19 level. The Gorenjska region, the only other region with higher GDP growth than in the previous year, also recorded high economic growth. In the Jugovzhodna Slovenija region, real GDP fell, most significantly in the Posavska region (-6%), widening the gap to the Slovenian average. In the Osrednjeslovenska region, which stood out for its particularly high economic growth in 2021, GDP only grew by 1.7% in real terms (SI: by 2.5%), which is also the main reason for the narrowing of the gap between Osrednjeslovenska and the other regions.

The relative dispersion of regional GDP per capita also points to a reduction in regional disparities in 2022. At 24.1%, it was 0.7 p.p. lower than in the previous year, but it did not yet reach the pre-epidemic level. The ratio between the two extreme statistical regions decreased slightly (1:2.7), due to lower growth in GDP per capita in the Osrednjeslovenska region and higher growth in the Zasavska region. The gap has also narrowed within the Zahodna Slovenija cohesion region.

Statistical regions, with the exception of the Osrednjeslovenska region, lag behind the European average in GDP per capita and also some neighbouring regions in other countries. In 2022, of Slovenia's statistical regions, only the Osrednjeslovenska region exceeded the European average (by 31 index points), while the Posavska region again widened the gap to the European average the most. The Zahodna Slovenija cohesion region was above the European average by 9 index points, while the Vzhodna Slovenija cohesion region remained one of the least developed regions, with 73 index points of the European average. The Obalno-Kraška region narrowed the gap to the European average the most (by 6 index points). Given the considerable lagging behind of the majority of the regions, the catching up with the European average seems to be an extremely complex long-term objective. Therefore we compared individual statistical regions with neighbouring regions in other countries that are at a similar stage of development. In 2021, the Osrednjeslovenska region performed 3 index points better in terms of GDP per capita than the Klagenfurt–Villach region, while the Goriška region lagged behind the Italian Gorizia region by 9 p.p. and the Pomurska region was at the same level as the Hungarian Vas region and was ahead of the Hungarian Zala region by 7 p.p.

Figure: Regional GDP per capita, 2022





Sources: SURS (2024b), Eurostat (2024); calculations by IMAD.

Productivity 1.9

The gradual narrowing of the productivity gap between Slovenia and the EU average continued during the epidemic and the energy crisis. Slovenia reached 85% of the EU average productivity level (in purchasing power standards) in 2023, which is 2 p.p. more than in 2019. Amid a sharp deterioration during the global financial crisis and a gradual catch-up after the crisis,[1] this was 1 p.p. above the 2008 peak and still far from the SDS 2030 target (95% of the EU average).

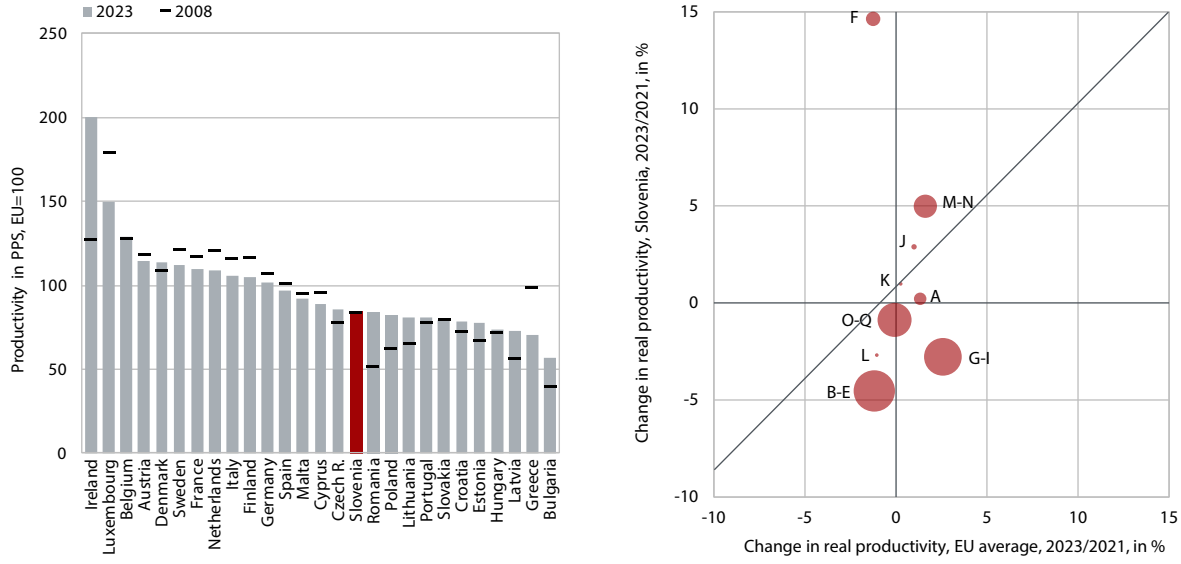
During the energy crisis, real productivity decreased most notably in export-oriented activities. In 2023, with the cyclical slowdown in GDP growth and further employment growth, overall economic productivity, measured in terms of real GDP per employee, remained at a similar level as before the energy crisis (a decline of 0.4% in 2022 and an increase of 0.4% in 2023). Under the influence of weaker foreign demand and unfavourable conditions on the energy markets, (energy-intensive) industry and the transport and trade sectors made a negative contribution to productivity growth in the period 2021–2023. These are the activities that have been an important driver of productivity growth and real convergence towards the more developed EU countries over the last ten years. In contrast, according to the data currently available, amid continued high activity in 2023, value added per employee increased sharply in construction. Productivity in knowledge-intensive services – ICT and professional, scientific and technical and administrative and support service activities – declined last year after strong growth in 2022, but this was due to increased employment, while value added actually increased slightly in 2023.

Table: Labour productivity, Slovenia

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Productivity level*, EU=100	80	81	81	81	82	81	81	82	82	83	83	84	83	85	95
Real productivity growth**, %	3.5	2.6	-1.7	0.1	2.3	0.9	1.3	1.9	1.2	1.1	-3.6	6.8	-0.4	0.4	

Source: Eurostat (2024); calculations by IMAD. Notes: N/A – data not available; *GDP (in purchasing power standards) per person employed; **GDP (at constant prices) per person employed.

Figure: Productivity level (left) and productivity change by activities (right)



Source: Eurostat (2024); calculations by IMAD. Notes: Productivity level (left) measured by GDP (in PPS) per person employed; productivity growth (right) measured by value added (at constant prices) per person employed. NACE classification: agriculture (A), mining and quarrying (B), manufacturing (C), energy supply (D), water supply, sewerage, waste management and remediation activities (E), construction (F), trade (G), transportation (H), accommodation and food service activities (I), information and communication activities (J), financial services (K), real estate (L), professional, scientific and technical activities (M), administrative and support service activities (N), public administration (O), education (P), human health and social work (Q). In the figure on the left, the figure for Croatia refers to 2022 (instead of 2023).

[1] For more details on the reasons for the slowdown and the catching-up with the EU average, see Section 1.2 and the Productivity Report (IMAD, 2023).

Unit labour costs 1.10

Unit labour cost, which measure the nominal wage/productivity ratio, rose sharply in 2023. They have been on an upward trend since 2019, with strong annual fluctuations that have characterised macroeconomic aggregates in the recent period.[1] In 2022, the increase in cost pressures was mainly mitigated by the pass-through to prices (as measured by the value added deflator), which was no longer sufficient to mitigate the strong growth in nominal wages, or more precisely in compensation of employees per employee (+11.8%) last year.[2] This exceeded nominal productivity growth by more than 2 p.p. (9.3%; 0.4% in real terms). As a result, real unit labour costs were also higher than during the global financial crisis, when the cost and therefore price competitiveness of the Slovenian economy deteriorated sharply, with profits also falling sharply during this period.

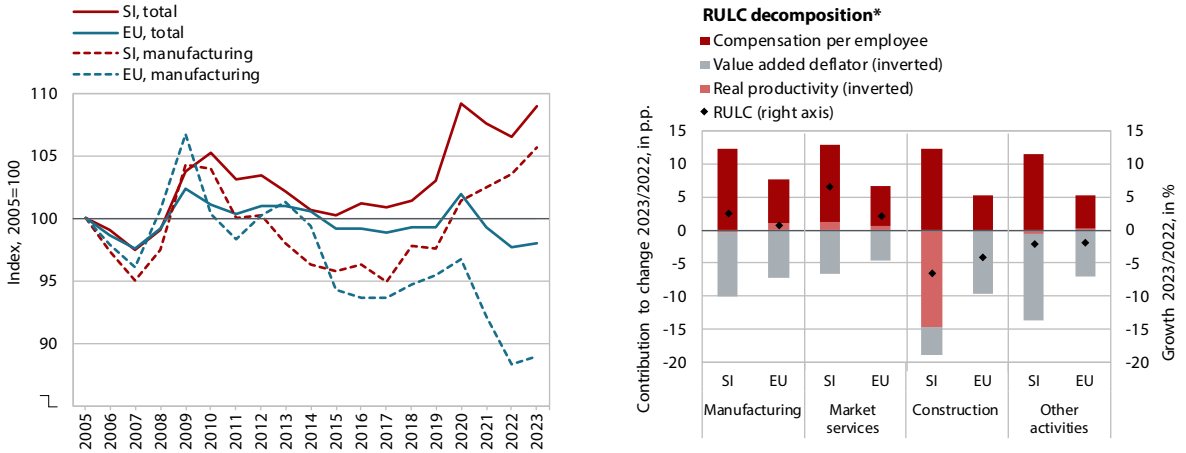
Growth in unit labour costs in 2023 was particularly high in market services and manufacturing, where the increases also diverged sharply from the EU average. Nominal wage growth in manufacturing (+12.3%) exceeded nominal productivity growth, measured in terms of value added per employee (10.0%), by more than 2 p.p. This also led to further widening of the gap with Slovenia's trading partners and the EU average, where wage growth (6.6%) was closer to the nominal productivity growth (5.9%). Similarly, the gap in unit labour costs with the EU average widened further also in services in 2023, and even more so in traditional market services (trade, transport, and accommodation and food service activities), where unit labour costs in Slovenia rose by 7.1%. In addition to strong employment, knowledge-intensive services, which include information and communication, professional, scientific and technical, and administrative and support service activities, also recorded an increase in unit labour costs (4.7%). In construction, cost pressure in 2023 was mitigated by high productivity growth, i.e. value added per employee, which led to a decline in unit labour costs in 2023 despite an above-average increase in wages.

Table: Growth in unit labour costs in Slovenia and the EU, in %

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Slovenia	1.6	4.8	1.4	-2.0	0.3	-1.2	-1.5	-0.4	0.9	-0.3	0.5	1.6	6.0	-1.5	-1.0	2.3
EU	1.7	3.2	-1.2	-0.8	0.7	0.0	-0.4	-1.3	0.0	-0.4	0.4	0.1	2.6	-2.6	-1.7	0.4

Source: Eurostat (2024); calculations by IMAD.

Figure: Real unit labour costs (left) and contributions to their change in 2023 (right)



Source: Eurostat (2024); calculations by IMAD. Notes: *The real unit labour costs (RULC) show the ratio between compensation of employees per employee (labour costs) and nominal productivity (value added at current prices per person in employment). Nominal productivity is further broken down into real productivity and the impact of prices (the value added deflator). In the figure, the changes of these two values are shown as an inverse value, i.e. with a negative sign. (Non-financial) market services include trade (NACE G), transportation (H), accommodation and food service activities (I), information and communication activities (J), professional, scientific and technical activities (M), and administrative and support service activities (N).

[1] High real unit labour costs (RULCs) were not a reliable indicator of cost-competitiveness in 2020 and 2021, due to large-scale government interventions to mitigate the consequences of COVID-19. The increase in the actual cost burden (and lower profits) for enterprises was overestimated by this indicator, since part of the compensation of employees (especially related to shorter working hours and temporary layoffs) was borne by the state budget and not by enterprises.

[2] Against the backdrop of labour shortages and high inflation, the growth in nominal wages, or, more precisely, in compensation of employees per employee more than doubled in 2023 (2022: 5%). See also Section 1.1.

Export market share 1.11

After two years of contraction, Slovenia's export market share in the global goods market increased by 6% in the first three quarters of 2023. In 2021 and 2022, it decreased by 2.4% and 4.8% respectively. The decline in 2021 was largely due to the *product specialisation* of Slovenian exports, i.e. modest foreign demand for some of Slovenia's most important product groups (e.g. vehicles) and a significant increase in the value of international trade in raw materials (reinforced by price increases), which account for a relatively small share of Slovenian exports. The decline in market share in 2022 was largely due to a deterioration in *competitiveness,* as the rise in global commodity prices was accompanied by high growth in labour costs and domestic prices. The negative impact of the deterioration in competitiveness is also confirmed by quantitative data, which point to slower growth (2022) or a sharper decline (Q1–Q3 2023) in Slovenia's real exports compared to quantitative trends in global demand. Despite the significant deterioration in cost and price competitiveness (see Section 1.2.1), which was comparable to that during the global financial crisis, the current data point to a smaller decline in export performance in 2022–2023 than in 2008–2012, measured in terms of both value and volume market share.

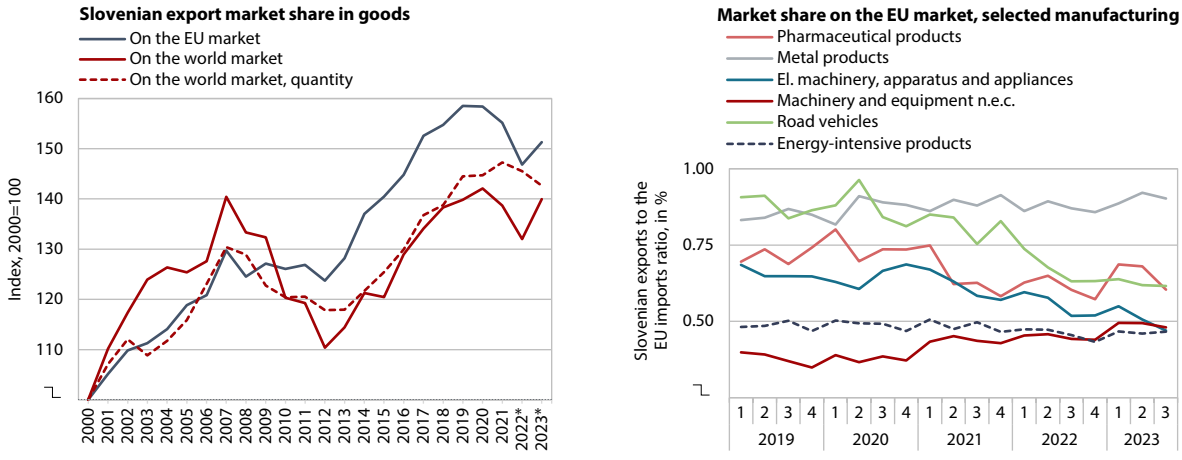
The EU market share grew by an average of 3% in the first three quarters of 2023, with significant differences in the main product groups. More detailed data on the export/import flows of EU Member States, to which Slovenia exports around three-quarters of all its goods exports,[1] show that the main drivers of market share growth in 2023 were industrial machinery and equipment, whose market shares also increased during the health and energy crises. After two years of decline, the market share of the pharmaceutical industry, where only slightly more than half of exports are destined to the EU market, also increased on average in the first three quarters of 2023. In energy-intensive products, Slovenia's market share in the EU market for chemical and non-metallic mineral products increased after a sharp decline in the previous year. However, the market shares of other energy-intensive products – paper and metals – declined in 2023. Among the main product groups, the market share on the EU market for electrical machinery and equipment[2] and road vehicles continued to fall in 2023. The latter was already around one-third lower than before the outbreak of the COVID-19 epidemic.

Table: Slovenia's market share in the world* and EU commodity markets

	Market share, in %			Average annual growth rates, in %			
	2000	2007	2023*	2001–2007	2008–2012	2013–2019	2020–2023*
World**	0.13	0.19	0.19	5.0	-4.7	3.4	0.0
EU	0.32	0.42	0.49	3.8	-0.9	3.6	-1.2

Sources: SURS (2024b), UN Comtrade (2024), UNCTAD (2024), WTO (2024), Eurostat (2024); calculations by IMAD. Notes: *Estimate. **Market share based on foreign trade data excluding the export of pharmaceutical products to Switzerland, which is a proxy for the greatly increased exports of previously imported pharmaceutical products (re-export), whose impact on GDP is negligible and is not included in exports based on the national accounts methodology.

Figure: Export market share of goods overall (left) and by selected product groups (right)



Sources: SURS (2024b), UN Comtrade (2024), UNCTAD (2024), WTO (2024), Eurostat (2024); calculations by IMAD. Notes: *Estimate. **Market share based on foreign trade data excluding the export of pharmaceutical products to Switzerland, which is a proxy for the greatly increased exports of previously imported pharmaceutical products (re-export), whose impact on GDP is negligible and is not included in exports based on the national accounts methodology.

[1] Excluding exports of pharmaceuticals to Switzerland (a proxy for the greatly increased exports of previously imported pharmaceutical products), which, according to foreign trade data, already accounted for around one-quarter of Slovenia's total exports of goods to the world in 2023.

[2] This was also due to a partial restructuring of production towards a stronger focus on telecommunications, whose (previously low) market share has more than doubled in the last three years.

Foreign direct investment 1.12

After increasing in the post-COVID-19 period (2021–2022), foreign direct investment (FDI) flows weakened in 2023 due to deteriorating financing conditions for international investment projects (driven by elevated inflation and interest rates). The value of inward FDI more than doubled in the last nine years (2015–2023), primarily owing to the inflow of equity capital, but also partly to debt instruments. Higher inward FDI was primarily due to the acceleration of the privatisation process and increased sales of equity stakes in Slovenian companies. There were also more expansions of the existing foreign-owned companies and new (greenfield) investment. EU Member States were the largest investors in Slovenia, with Slovenia's main trading partners (Austria, Germany, Italy, Croatia and Switzerland) contributing about three-fifths of the total value of direct investment. The average implicit rate of return on FDI was 7.8%,[1] the highest among the international investment components, reflecting foreign direct investors' long-term interest.[2] Outward FDI has been increasing since 2014 but at a relatively slow pace. In 2023, the stock of such investment was 48.2% higher than in 2010. Slovenian direct investors have the largest share of direct investment in the other countries of the former Yugoslavia. The declining share of goods exports to this region over the last eight years indicates that Slovenia is replacing part of its former exports with local production in these markets. The average implicit rate of return on foreign direct investment was 3.3%.

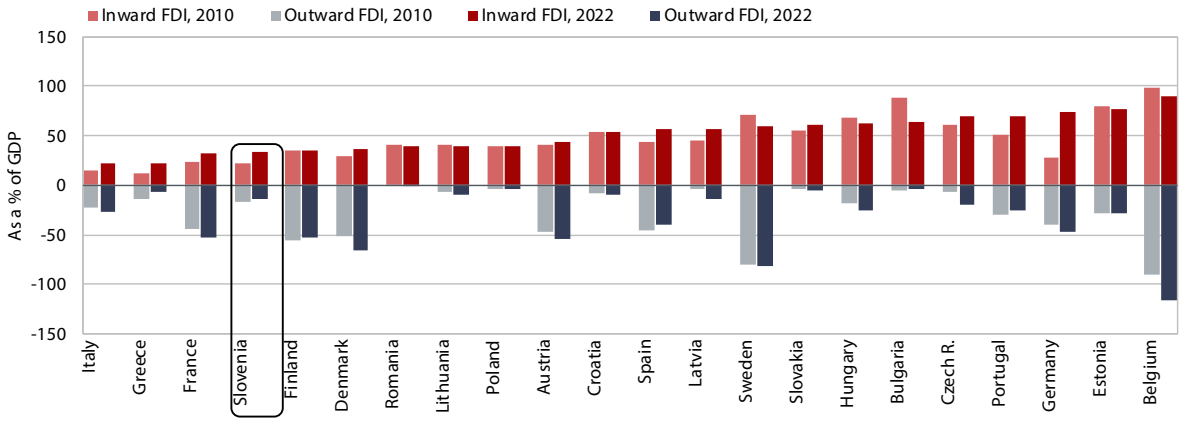
Slovenia is still one of the EU Member States with the lowest inward FDI-to-GDP ratio. Even though the inward FDI-to-GDP ratio had risen to 34.0% by 2023, it remains lower overall than in the other new EU Member States, although it recorded the highest growth among these countries in the period 2009–2022. In terms of its outward FDI-to-GDP ratio, Slovenia outperformed Romania, Bulgaria, Poland, Slovakia, Lithuania, Croatia and Latvia among the new EU Member States.

Table: Flows and stocks* of inward and outward FDI in Slovenia**

In million EUR	2005	2008	2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Inward FDI															
Year-end stock	5,981	8,598	7,983	9,249	8,897	10,202	11,612	12,970	13,957	15,254	16,179	16,664	18,778	20,200	21,450
Inflow***	452	832	80	264	-114	791	1,510	1,126	795	1,172	1,307	193	1,561	1,937	1,020
Stock as a % of GDP	20.5	22.7	22.0	25.5	24.4	27.1	29.9	32.1	32.4	33.3	33.3	35.4	35.9	35.4	34.0
Outward FDI															
Year-end stock	2,777	6,085	6,097	5,710	5,179	5,335	5,508	5,741	5,969	6,108	6,840	7,016	7,868	8,589	9,034
Outflow***	505	961	-14	-201	-161	207	241	262	300	238	545	454	1,147	649	500
Stock as a % of GDP	9.5	16.0	16.8	15.8	14.2	14.2	14.2	14.2	13.9	13.3	14.1	14.9	15.1	15.1	14.3

Source: BoS (2024b). Notes: *Stocks are calculated using the new BPM6 methodology according to the directional principle used by the Bank of Slovenia since 2014. The stocks calculated according to the new methodology changed significantly owing to changes in the categories taken into account in the calculation. In the case of Slovenia, this applies primarily to inward FDI: at the end of 2013, the stock of inward FDI amounted to EUR 10,729 million according to the previous methodology, compared with EUR 8,897 million according to the new methodology; the stock of outward FDI totalled EUR 5,121 million according to the previous methodology and EUR 5,179 million according to the new methodology (BoS, 2014). **Companies in which an individual foreign investor holds a 10% or higher equity stake. ***According to the principle of investment direction.

Figure: Stocks of inward and outward FDI, as a % of GDP



Source: UNCTAD (2024). Note: The figure excludes Cyprus, Malta, Ireland, Luxembourg and the Netherlands, which stand out with their high FDI stocks.

[1] The rate of return is calculated by comparing the sum of direct investment expenditure flows (profits and interests) in the current year with the stock of direct investment liabilities in the previous year.

[2] The categories for which returns are calculated include direct investment, investment in securities and other investment.

The European Innovation Index 1.13

According to the European Innovation Index (EII), Slovenia was again classified in the group of moderate innovators in 2023 and the significant gap to the average of innovation leaders remained unchanged. The EII[1] measures the average research and innovation performance of EU Member States. Its value determines the classification of countries into four groups.[2] The assessment of countries' progress in the last EII measurement was based on the benchmark value of the EU average from 2016. Slovenia was classified as a moderate innovator for the fifth time in a row in 2023,[3] outperforming the average for its group. Prior to 2018, Slovenia was classified higher (among strong innovators), with an EII value close to the EU average. The performance of the innovation system, as measured by the EII, deteriorated in the period 2016–2020, but the negative trend was broken in 2021, leading to Slovenia's best result in relation to the EU average in 2023.[4] Nevertheless, Slovenia's overall progress in the period 2016–2023 was the fifth lowest in the EU. Slovenia therefore still lags far behind its SDS 2030 target of belonging to the group of innovation leaders (see Table).

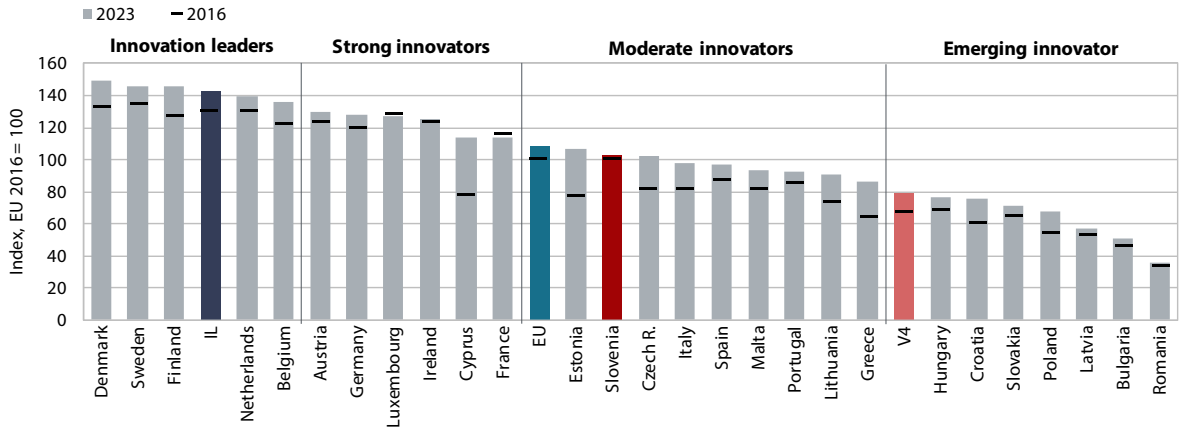
Insufficient investment in R&D during the period 2016–2023 significantly weakened Slovenia's EII ranking, while some indicators of innovation activity had the opposite effect. R&D investments were too low in both the public and business enterprise sectors, with the former already lagging well behind the EU average and both sectors lagging even further behind the innovation leaders. From 2019 onwards, public investment in R&D began to rise in some V4 countries (especially in Poland, while the Czech Republic constantly invested more than Slovenia). Business enterprise sector investment[5] remains above that of the V4 and it is encouraging that it has also been slightly above the EU average for the past three years. Amongst them, spending on non-R&D innovation investment was significantly lower.[6] The increased number of product and business process innovations introduced by SMEs in the 2018–2020 period has contributed to Slovenia performing better compared to the EU average and, for product innovation, also compared to the average of the innovation leaders.

Table: The European Innovation Index

	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Slovenia (EU index 2016=100)	100.2	98.1	97.4	92.4	91.5	96.4	99.8	103.1	>120 (ranking among innovation leaders)*
Slovenia (EU index=100)	100.2	97.6	96.6	89.7	87.9	90.7	92.5	95.1	
Slovenia (EII score)	0.506	0.495	0.492	0.466	0.462	0.487	0.504	0.521	
EU (EII score)	0.505	0.507	0.509	0.520	0.526	0.537	0.545	0.548	

Source: EC (2023h); calculations by IMAD. Note: *In 2023, innovation leaders reached EII values between 0.689 (Belgium) and 0.753 (Denmark).

Figure: The European Innovation Index



Source: EC (2023h); calculations by IMAD. Notes: IL – innovation leaders; V4 – Visegrad countries (Czech Republic, Hungary, Poland, Slovakia).

[1] The EII monitors research and innovation systems on 12 components. Its calculation covered 32 indicators (EC, 2023h).
[2] Innovation leaders achieved innovation performance above 125% of the EU average in 2016, strong innovators between 100% and 125%, moderate innovators between 70% and 100%, and emerging innovators below 70% (ibid.).
[3] The data for the indicators took into account the situation on 30 April 2023 and the EII value refers to the period from t to t-8. Data for most indicators are for 2020–2022, while data for two indicators refer to 2019, which should be taken into account in the interpretation (ibid.).
[4] The Slovenian EII score for 2023 corresponded to the EU's EII score for 2019.
[5] The sectoral data refer to sector of performance side, which is an important difference compared the data on R&D by source of funds by sectors in Indicator 1.15.
[6] This refers to the funding of activities that also contribute to the development of new or significantly improved products and/or processes (investments in machinery and equipment, training, marketing, etc.). Slovenian companies invested one of the lowest shares of GDP for these purposes in 2018–2020 (IMAD, 2023d).

R&D expenditure and the number of researchers 1.14

Expenditure on research and development (R&D) was increasing in nominal terms in 2018–2022, but relative to GDP it continues to lag behind the 2011–2015 period. In 2022, total R&D expenditure reached a record high in nominal terms (EUR 1,195 million), but in relative terms it stagnated for the third year in a row at around 2.1% of GDP, which is still slightly below the EU average and well below that of the innovation leaders.[1] In 2022, public sector investment in R&D was also higher than ever before in nominal terms, but at 0.55% of GDP it was well below the 2011 level, before showing a decline with the consolidation of public finances. It was also relatively low in an international comparison (2021 EU: 0.71; IL excluding Denmark: 0.73; V4: 0.58% of GDP). After a decline in 2015–2017,[2] business enterprise sector investment stagnated at around 1% of GDP (2021 EU: 1.30; IL excluding Denmark: 1.74; V4: 0.71% of GDP), while the business enterprise sector's R&D performance showed a modest upward trend[3] (as a share of GDP) over this period, though still remaining well below the 2013 peak.

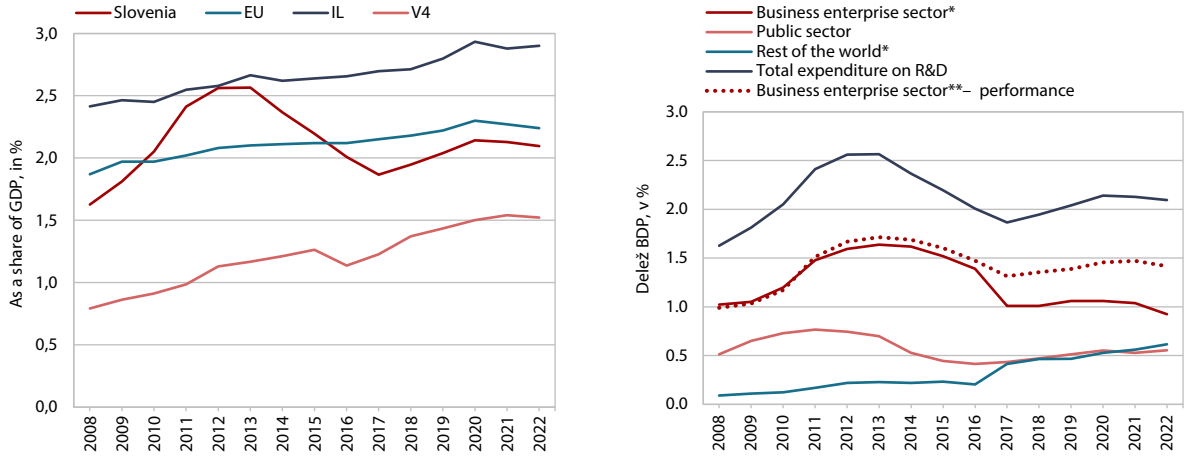
Growth in the number of researchers in the business enterprise sector was halted in 2021 and their number has stagnated, albeit at a high level, in the last two years. In 2008–2020, the number of researchers (in full-time equivalents) increased primarily in the business enterprise sector, which is also the largest employer. The business enterprise sector employed 54.3% of all researchers on average in 2008–2022 and 57.9% in 2022. While the share of the Slovenian business enterprise sector has been above the EU average since 2011, it remains well below the average of the innovation leaders, which requires further attention against the background of a steady increase of the share in the V4 group (2022 EU: 56.7%; IL: 68.1%; V4: 54.4%). The public sector faced a decline in the number of researchers in 2011–2017, but this trend has been halted since 2018, which together with increased funding also for young researchers (ARRS, 2023) indicates an improvement in the trend. However, significant challenges persist regarding the improvement of career conditions (IMAD, 2023d).

Table: R&D expenditure, as a % of GDP

	2000	2005	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Slovenia	1.36	1.42	1.63*	1.81	2.05	2.41	2.56	2.56	2.37	2.20	2.01	1.87*	1.95	2.04	2.14	2.13	2.10
EU	1.81	1.78	1.87	1.97	1.97	2.02	2.08	2.10	2.11	2.12	2.12	2.15	2.18	2.22	2.30	2.27	2.24

Sources: Eurostat (2024), SURS (2024b). Notes: The data for the EU is Eurostat estimate; data for 2022 is preliminary. *The breaks in the time series in 2008 and 2011 were due to the higher number of reporting units in the business enterprise sector, while in 2017 it was due to harmonisation of data with the revised OECD methodology (IMAD, 2018).

Figure: Total R&D expenditure (left) and R&D expenditure by source of funds, Slovenia (right)



Sources: Eurostat (2024), SURS (2024b); calculations by IMAD. Notes: *Due to a revision of data by source of funds in 2017–2019, data for the business enterprise sector and the rest of the world are not comparable to the period before 2017 (IMAD, 2023e). **Own or self-financed funds from the business enterprise sector and abroad. IL – innovation leaders, V4 – Visegrad countries (Czech Republic, Hungary, Poland, Slovakia).

[1] The definition of innovation leaders (Denmark, Sweden, Finland, the Netherlands and Belgium) is based on EC (2023h).

[2] In the period 2015–2017, these funds decreased in nominal terms, partly due to a decrease in the volume of EU funding (linked to the end of the 2007–2013 financial perspective and the late start of the next perspective) and partly due to the impact of the revision of the SURS data (for more, see IMAD, 2023e). This has also led to a break in the data series on business enterprise sector R&D expenditure by source of funds, so the dynamics of business enterprise sector R&D are better captured from the data by sector of performance.

[3] The bulk of the shortfall in own funds in the business enterprise sector was made up by funds from abroad, which accounted for an average of four-fifths of these funds in the period 2017–2021.

Intellectual property 1.15

In 2023, Slovenia has significantly narrowed its gap with the EU average in the number of patent applications filed with the European Patent Office (EPO), although the gap remains large, as does the gap with the innovation leaders. According to provisional EPO data, Slovenian applicants filed 72 patent applications per million inhabitants in 2023, which is almost one-fifth more than the average in the period 2008–2023. However, the gap remains wide.[1] In that period, the EU average was 2.4 times higher than in Slovenia and the average in the innovation leaders was 5.7 times higher. With regard to the level of patentability, as measured by the number of patent applications per million inhabitants, Slovenia ranked around 13th among EU Member States throughout the 2008–2023 period and took the leading position among the new EU Member States or was even ahead of some similarly developed countries (Spain and Portugal). In 2014–2023, Slovenian applicants filed about 20% of their applications in two technological fields[2] (electrical machinery, apparatus and energy and organic fine chemistry) and about 10% in medical-related technologies[3] (EPO, 2024).

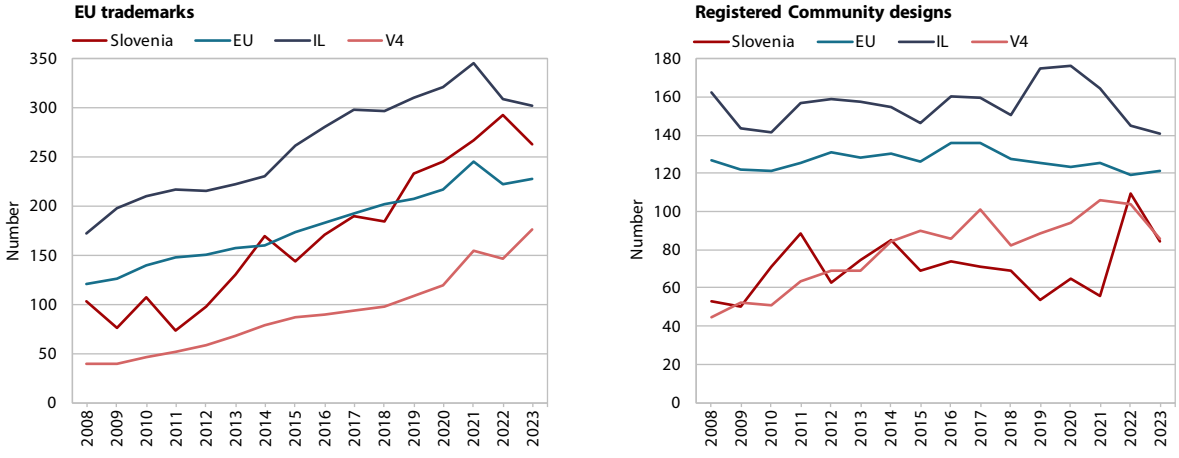
Slovenia has made considerable progress in the area of trademarks since 2011, but a notable gap remains in the area of designs, despite some advancements seen in 2022–2023. In terms of EU trademark[4] legal protection, the number of Slovenia's applications per million inhabitants was mostly rising in 2008–2023, surpassing the EU average since 2019. However, concerning the number of registered Community designs,[5] the gap with the EU average remained large throughout the 2008–2021 period. Although the situation has improved slightly in the last two years, this still indicates a lack of awareness of the importance of design in increasing value added. By filing a single application with the EU Intellectual Property Office (EUIPO), applicants can secure legal protection for either of the aforementioned intellectual property rights throughout the EU, leading to relatively lower costs and significantly faster legal protection procedures compared to patents,[6] which affects their attractiveness for companies of all sizes and activities.

Table: Patent applications filed with the EPO, per million inhabitants

	2004	2008	2009	2011	2013	2015	2016	2017	2018	2019	2020	2021	2022*	2023*
Slovenia	26	63	56	63	66	57	55	47	48	58	78	55	58	72
EU	119	137	130	135	138	141	139	143	148	149	147	152	151	153

Sources: Eurostat (2024), EPO (2024). Note: * provisional data.

Figure: Number of EU trademark applications and registered Community designs with the EUIPO, per million inhabitants



Sources: EUIPO (2024a), EUIPO (2024b); calculations by IMAD.

[1] In order to reduce the shortcomings in the protection of intellectual property (IP), the government of the Republic of Slovenia has committed to developing and adopting a national IP strategy in the first half of 2024 (Kavaš et al., 2023; URSIL, 2024).

[2] According to the International Patent Classification, which is based on the classification of technologies (Schmoch, 2008), the legal protection of patents is oriented towards the protection of technologies and related processes in which products are made and not towards the protection of sectors.

[3] Technologies related to the manufacture of instruments and pharmaceutical products/preparations (human and veterinary medicine).

[4] A trademark or service mark is a legally protected combination of signs which, by means of a graphic illustration, enables the distinction of identical or similar goods/services. The duration of the legal protection of a trademark is 10 years and is renewable.

[5] A design is a legally protected outward appearance of the product, which is new and has an individual character. The duration of the legal protection of a design is 5 years and is renewable.

[6] On 1 June 2023, a new unitary patent system entered into force, enabling the grant of a European patent with unitary effect for the entire territory of the 17 participating EU countries, including Slovenia. The new patent system means lower costs, less bureaucracy and less administrative burden for inventors and applicants, but also less transparency with regard to existing patents, since their number increased a lot. Therefore the risk of infringement, especially unintentional infringement, increases too (Kavaš et al., 2023).

Corporate environmental responsibility 1.16

The ISO 14001 standard is still the most widespread environmental certification[1] in Slovenia, followed by the Ecolabel, while the EMAS scheme is the least widespread. In an international comparison, Slovenia stands out the most for its high uptake of Ecolabels, ranking second among EU countries, behind only Austria. This is mainly due to accommodation establishments, which account for more than 70% of the Ecolabels awarded in Slovenia (compared to around 23% in the EU). The uptake of ISO 14001 certificates, the most widely used international standard for responsible environmental management, is also higher in Slovenia than the EU average,[1] but Slovenia still lags behind most of the new Member States. The growth in the uptake of EMAS certificates[1] is progressing at the slowest pace both in Slovenia and in the EU. Slovenia falls below the EU average in this regard but remains ahead of most of the new Member States.

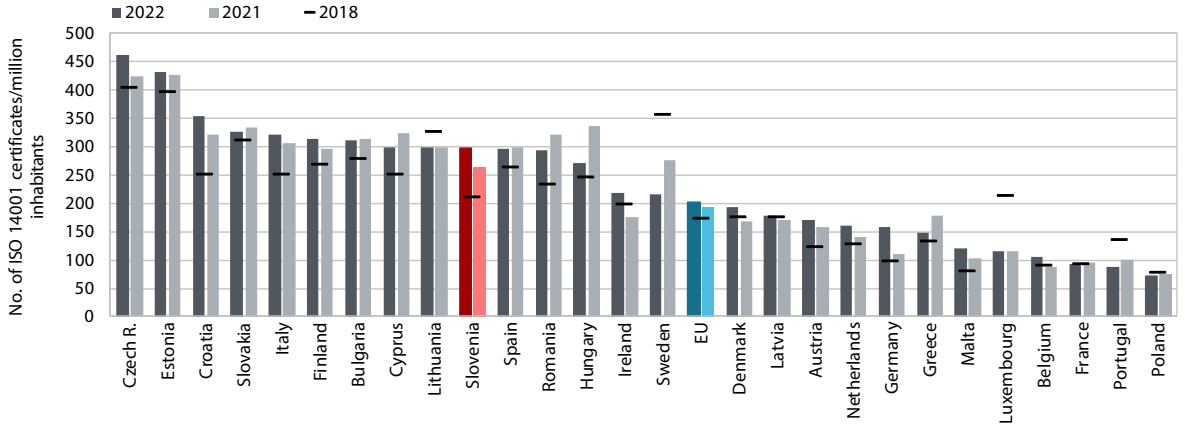
Given the high number and variety of ecolabels, standardised rules are being adopted at the EU level in order to limit greenwashing. Within the EU internal market, there exist numerous eco-labels with varying management models (offering different levels of safety, control and transparency), with their numbers continuing to rise. This has an impact on consumers' ability to make environmentally sustainable choices. In spring 2023, the European Commission therefore adopted a proposal for a directive on substantiation and communication of explicit environmental claims (the Green Claims Directive), in order to protect consumers from greenwashing, so that they can make more sustainable decisions. The proposal for a directive provides for common rules on environmental labels that go beyond existing legislation such as the EU Ecolabel Regulation, the Eco-Management and Audit Scheme (EMAS), Regulations on the organic farming label, energy efficiency labelling, and CE marking. The proposal for a directive is meant to act as a safety net for all sectors where environmental claims or labels are unregulated at the EU level (Rdeči karton zelenemu zavajanju, 2023; Green Claims Directive, 2023).

Table: Number of environmental certificates, per million inhabitants

		2005	2008	2010	2015	2018	2019	2020	2021	2022	2023
ISO 14001*	Slovenia	N/A	N/A	N/A	N/A	209.0	224.9	235.7	264.1	296.6	N/A
	EU	N/A	N/A	N/A	N/A	172.4	181.1	181.9	194.2	202.9	N/A
Ecolabel**	Slovenia	0.0	1.5	1.5	7.3	8.7	8.7	8.7	N/A	23.7	28.3
	EU	0.6	1.6	2.3	N/A	4.9	3.4	3.8	N/A	5.0	5.7
EMAS**	Slovenia	0.5	0.5	1.5	4.8	5.2	4.8	4.8	4.8	4.3	4.7
	EU	6.9	8.8	9.9	8.7	8.5	8.2	8.6	8.6	9.0	9.0

Sources: Eurostat (2024), ISO (2023), EC (2023a), EC (2023b), MOP (2023a), MOP (2023b); calculations by IMAD. Notes: Calculations using data on the population for the previous year. N/A – data not available. *Data for ISO 14001 since 2018 are not comparable with data for previous years due to changes in the reporting. **2023 data is based on the last available data from September 2023 (Ecolabel, the census is conducted twice a year, in March and September) or November 2023 (EMAS, the census is conducted twice a year, in June and November).

Figure: The number of ISO 14001 certificates



Sources: Eurostat (2024), ISO (2023); calculations by IMAD.

[1] We monitor the uptake of three ecolabels based on third-party certification systems: the ISO 14001 standard, the EU Eco-Management and Audit Scheme (EMAS), and the European Eco-label or EU Flower.

[2] Most ISO 14001 certificates are awarded to companies in manufacturing (especially in the energy-intensive metal and rubber industries), in some important service activities (trade, transportation and storage) and in construction (ISO, 2023).

[3] This is also due to the stricter requirements and a greater scope of activities required for participation in EMAS and to incentives in individual Member States or to possible facilitations in the implementation of environmental regulations (CCIS, 2022a).

2 Learning for and through life

Knowledge and skills for a high quality of life and work

Culture and language as main factors of national identity

Share of the population with tertiary education 2.1

The share of adults (25–64 years) with tertiary education has been above the SDS target since 2020, although it remains considerably lower than in most economically developed EU countries. The share of adults with tertiary education has risen in the long term due to the high participation of young people in tertiary education and the transition of younger, on average better-educated people to higher age groups (a demographic effect). This growth was interrupted in 2022, but at 40.1% it remained above the EU average (34.3%). It was above the SDS 2030 target (35%) for the third year in a row, although it was lower than in most developed Northern and Western European countries (41–53%). The highest increase in the share over the period 2012–2022 was seen in the 35–44 age group, where it was also most significantly above the EU average in 2022. Despite the high participation of young people in tertiary education, the share in the 20–24 age group was below the EU average, which could be due to the longer time spent in education. Due to their higher participation in tertiary education, the share of women with tertiary educational attainment was higher than the share of men, and the difference between tertiary-educated nationals and those born abroad was larger than the EU average. The share of people with tertiary education was highest in the most developed Osrednjeslovenska region (48.9%), while it was the lowest in the Posavska region (30.5%).

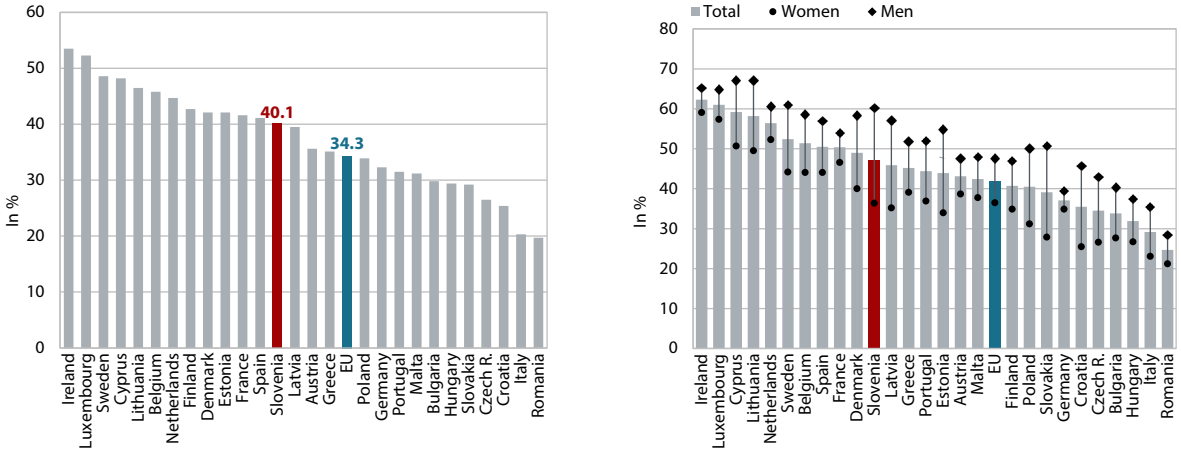
Despite a decline, Slovenia's share of employees with tertiary education was still above the EU average in 2022. The decline is attributed to the robust growth in the employment of people with low and upper secondary levels of education, which is linked to the increase in economic activity and employment in sectors that predominantly employ workers with low and upper secondary education (construction, manufacturing, and transportation and storage). In 2022, the share of employees with tertiary education was 46.6% (EU: 39.3%);[1] in most private sector activities, it was lower than in the public sector.[2]

Table: Share of the population with tertiary education, in %

	2005	2008	2010	2012	2015	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
Slovenia													
25–64 years	20.2	22.6	23.7	26.4	30.2	30.7	32.5	32.5	33.3	35.9	40.3	40.1	35.0
25–34 years	24.7	30.0	31.3	35.3	40.8	43.0	44.5	40.7	44.1	45.4	47.9	47.3	
EU													
25–64 years	21.5	23.1	24.6	26.2	28.5	29.1	29.9	30.7	31.6	32.8	33.6	34.3	
25–34 years	27.2	29.9	32.2	34.1	36.5	36.8	37.6	38.6	39.4	40.5	41.4	42.0	

Source: Eurostat (2024).

Figure: Share of the population aged 25–64 with tertiary education (left); share of the population aged 25–34 with tertiary education (right), 2022



Source: Eurostat (2024).

[1] In 2022, the share of employees with tertiary education in Slovenia was higher than the EU average in all activities except construction and administrative and support service activities.

[2] In 2022, it was highest in education and lowest in construction. It was also low in manufacturing (Eurostat, 2024).

Enrolment in upper secondary and tertiary education 2.2

The number of people enrolled in upper secondary education increased in the 2022/2023 academic year for the third year in a row. After declining for several years due to demographic reasons (smaller generations of young people), it has risen again in recent years with again a larger generation of young people and is now close to the level of ten years ago. The share of young people enrolled in general upper secondary schools fell in 2012–2022, while the share of those enrolled in vocational schools increased and has been above the EU average for several years. However, given the general labour shortage due to demographic reasons, the favourable economic developments and the high proportion of young people opting for tertiary education, employers are struggling to find workers with vocational education. According to demographic projections, the number of those enrolled in upper secondary education is likely to continue to rise in the future. In this context, it is crucial to equip future labour force with a range of skills to cope with the rapid transformations in the world of work brought about by the green and digital transition, technological change, a long-lived society, and other development trends.

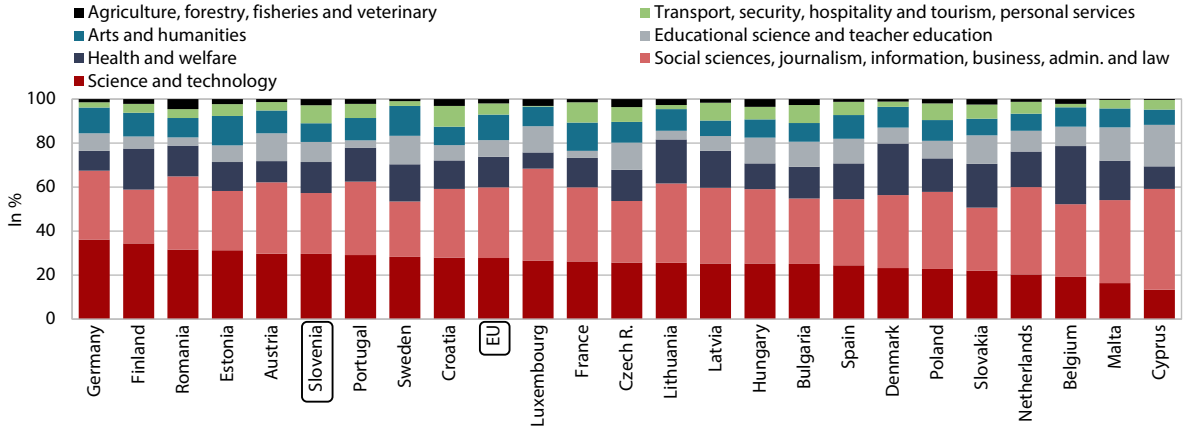
The number of students enrolled in tertiary education mostly declined in 2012–2022 due to smaller generations of young people. In the 2022/2023 academic year, it was 19.9% lower than ten years ago. The only field where the number of students increased is health and welfare, where the share in total enrolments also increased the most and was above the EU average in 2021. The share of students enrolled in science and technology has been between 29% and 30% since the 2013/2014 academic year and was the sixth highest among EU Member States in 2021. However, against the backdrop of negative demographic trends, their number declined, which has a negative impact in terms of the future supply of human resources for the transition to a smart economy. The share of students enrolled in social sciences, which was also below the EU average in 2021, declined. Demographic forecasts indicate that the number of students will increase in the coming years and thus also the supply of graduates on the labour market. In the 2022/2023 academic year, the share of female students (57.7%) was similar to previous years. As far as the internationalisation of tertiary education is concerned, the proportion of foreign students has increased over the last ten years (to 10.6% in the 2022/2023 academic year) and was above the EU average according to the latest international data.

Table: Structure of students enrolled full-time in upper secondary education by type of education programme, in %

	2005	2010	2015	2016	2017	2018	2019	2020	2021
Slovenia									
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General educational programmes	39.1	41.2	37.5	36.4	35.6	35.3	35.0	34.7	35.1
Vocational programmes	60.9	58.8	62.5	63.6	64.4	64.7	65.0	65.3	64.9
EU									
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
General educational programmes	44.1	46.8	51.0	51.6	53.6	53.0	52.8	51.5	51.6
Vocational programmes	55.9	53.2	49.0	48.4	46.4	47.0	47.2	46.4	48.4

Sources: SURS (2024b), Eurostat (2024).

Figure: Number of students enrolled in tertiary education, structure by field of education, 2021



Source: Eurostat (2024).

Tertiary education graduates 2.3

The number of tertiary education graduates decreased in 2022 due to the demographic trends and remained well below the 2012 peak. Due to the smaller generation of young people, the number of graduates mostly decreased over the last ten years and was 23.4% lower in 2022 than ten years ago. The most significant drop in the number of graduates was recorded in the social sciences, which account for a 28.2% share in the structure of graduates. The highest increase was seen in the share of health and welfare graduates, although it was still below the EU average in 2021 and is not sufficient to meet the needs of a long-lived society. From the perspective of the transition to a smart economy, the decrease in the number of graduates in science and technology (by 9.8% compared to 2012) has a negative impact, and although the share of these graduates is the sixth highest among EU Member States, it does not meet demand.[1] The number of graduates in education, who are in high demand (see Section 2.1), was one of the lowest in ten years in 2022. In 2022, 59.3% of tertiary education graduates were women. Their share has not changed significantly over the years and is higher than the share of men in all fields of education, with the exception of science and technology.

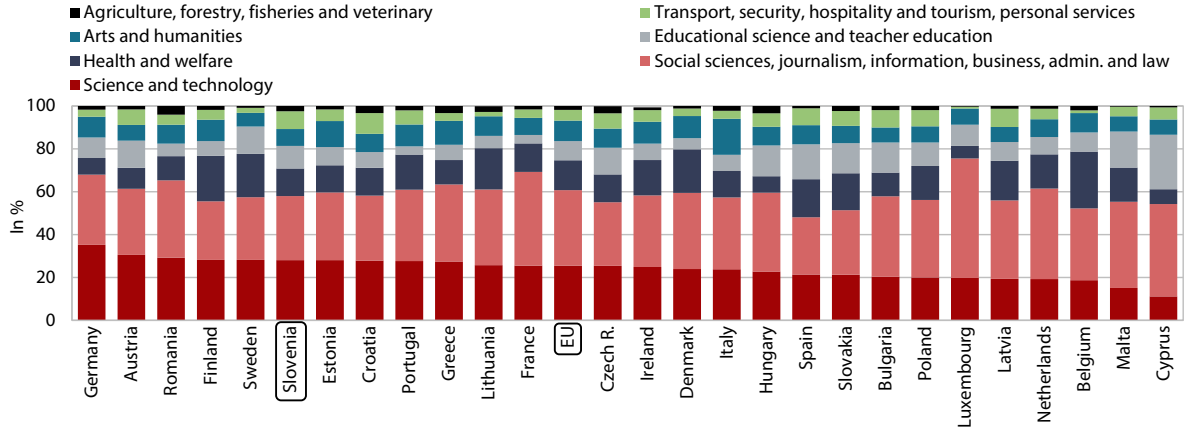
In 2022, the number of new PhDs increased but was among the lowest in the last decade. It peaked in 2015 and 2016[2] but has mostly declined since 2017. These trends are related to a decrease in the number of enrolled doctoral students between the academic years 2012/2013 and 2015/2016[3] and on average longer time spent in education (in 2020 compared to 2012). The number of new PhDs per 1,000 inhabitants aged 25–34 (in 2021) was below the average in the EU and innovation leaders. In this comparison, the number of new PhDs in science and technology (per 1,000 inhabitants aged 25–34) was also lower. Such trends are unfavourable from the perspective of strengthening the country's human resources in the fields of R&D and innovation. The number of those enrolled in doctoral studies in the 2022/2023 academic year was roughly the same as the previous year and was far from the 2011/2012 peak, which is unfavourable from the perspective of the future supply of professionals.

Table: Number of tertiary education graduates, per million inhabitants

	2005	2008	2010	2012	2013	2015	2017	2018	2019	2020	2021	2022
Slovenia	7,903	8,567	9,621	10,237	9,314	9,032	7,967	8,070	7,737	7,393	7,901	7,646
EU	5,920	8,187	8,418	7,635	8,932	8,908	8,957	8,932	8,749	9,478	9,629	N/A

Source: Eurostat (2024). Note: N/A – data not available.

Figure: Structure of tertiary education graduates, by field of education, 2021



Source: Eurostat (2024).

[1] According to the Occupational Barometer data, 2024 will be characterised by a significant shortage of engineers (ESS, 2023b).
[2] In 2016, the number of graduates was affected by the above-average number of graduates from pre-Bologna study programmes. The deadline for their completion expired on 30 September 2016.
[3] The decrease in the number of those enrolled in doctoral studies could be attributed to the temporary suspension of co-financing of doctoral studies from public sources, years of reduced funding under the Young Researchers Programme, the ending of the Young Researchers in Economics programme, less interest in enrolling in doctoral studies during the previous global financial crisis and demographic changes (declining generations).

Performance in reading, mathematics and science (PISA) 2.4

In 2022, 15-year-olds in Slovenia performed worse in mathematics, science and reading compared to 2018. According to the PISA 2022 survey,[1] the decline in the performance of 15-year-olds in Slovenia in mathematics, science and reading, which is an indirect indicator of the quality of the education system, was more pronounced compared to 2018 than the EU average. The deterioration was greatest in reading literacy (19th in the EU), while mathematical and scientific literacy are still above the EU average. In 2022, the SDS target (by 2030), which is to be ranked in the top quarter of EU Member States, was only achieved in science literacy, where Slovenia ranked a high fourth, behind only Estonia, Finland and Ireland. The share of 15-year-olds with low achievement (below proficiency level 2) increased across all literacy types between 2018 and 2022. One of the targets of the Strategic Framework for European Cooperation in Education and Training is that the share of 15-year-olds with low achievement (below proficiency level 2) in reading, mathematics and science should be less than 15% by 2030 on the respective literacy scale. Slovenia no longer meets this target in any of the literacy types. In 2022, the figures were 26.1% in reading, 24.6% in mathematics and 17.8% in science (OECD, 2023).

Inequalities in the learning achievements of 15-year-olds increased between 2018 and 2022. In 2022, girls achieved better results than boys in reading and science and the same as boys in mathematics. Fifteen-year-olds with the highest socio-economic status[2] performed better than their peers with the lowest socio-economic status in all three literacy types; the gap between the two groups was narrower than the EU average but widened between 2018 and 2022. Fifteen-year-olds with a migration background performed worse in reading than their native peers, the difference between them being larger than on average in the EU.

Table: Slovenia's ranking in science, mathematics and reading among EU Member States

	2006	2009	2012	2015	2018	2022	SDS 2030 target
Reading	10	15	19	6	8	19	Ranking in the top quarter of EU Member States
Mathematics	8	7	9	5	5	9	
Science	4	5	7	3	4	4	

Source: OECD (2023l). Note: In Slovenia the PISA survey has been carried out since 2006.

Figure: Average performance of 15-year-olds in reading, mathematics and science (left); share of 15-year-olds with a poor score* (right)**

Source: OECD (2023l). Note: *Results below proficiency level 2 are regarded as poor. **For the EU, non-weighted average.

[1] PISA (Programme for International Student Assessment) is an international survey of reading, mathematics and science literacy conducted under the auspices of the OECD. It looks at the performance of 15-year-old pupils regardless of the type of school they attend. Carried out in three-year cycles, the survey is aimed at capturing data on the competencies of pupils that are needed in professional or private life and are important for both individuals and society.

[2] Fifteen-year-olds with the highest socio-economic status come from the highest quintile of households and fifteen-year-olds with the lowest socio-economic status from the lowest quintile.

Education expenditure 2.5

In 2022, public expenditure on education[1] (as a % of GDP) fell and, similar to private expenditure, was comparable to the EU average. Public expenditure as a share of GDP declined between 2012 and 2017. In the first few years, the decline mainly resulted from austerity measures after the global financial crisis, changes in social legislation and demographic reasons. In 2018–2021, it rose again slightly, with annual fluctuations, and then declined in 2022, falling 0.6 p.p. short of the 2010 peak, with the gap being widest in upper secondary and tertiary education. In 2020 (latest international data), public expenditure on education was comparable to the EU average and the average of the 22 EU Member States that are also members of the OECD but much lower than in the economically developed countries (Sweden, Denmark, Belgium and Finland). Only expenditure on basic education was above the EU average, while expenditure on tertiary and upper secondary education lagged most significantly behind. Private expenditure on education amounted to 0.64% of GDP in 2022 and was higher than in 2021; according to data for 2020, it was about the same as the EU-22 average (0.56% of GDP).

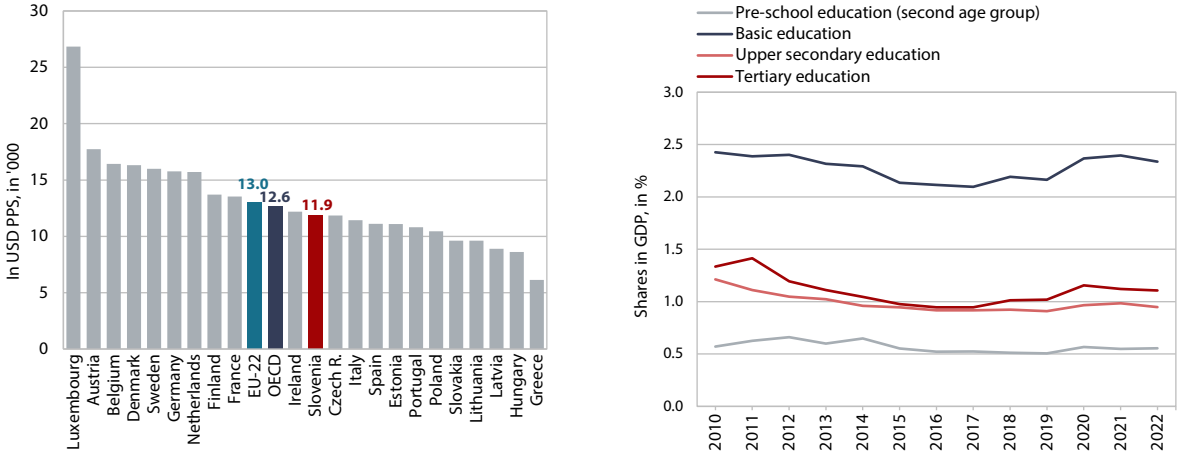
Although expenditure (both public[2] and private) per participant in education mostly increased in the last decade, it remained low by international comparison. In 2020, the last year for which internationally comparable data are available, expenditure on education per participant (in USD PPS) was below the EU-22 average at all levels of education. For several years, the largest gap has been recorded at the upper secondary school level (the gap was wider in vocational and technical education than in general upper secondary education), where the participation of young people in education is high, while public and private expenditures are low.

Table: Total public expenditure on education as a share of GDP, in %

	2005	2008	2010	2012	2013	2015	2017	2018	2019	2020	2021	2022
Slovenia	5.65	5.11	5.55	5.31	5.05	4.61	4.49	4.64	4.62	5.07	5.06	4.94
EU-22*	5.37	5.35	5.59	5.20	5.31	4.88	4.76	4.73	4.75	5.05	N/A	N/A
EU-27	N/A	N/A	N/A	N/A	N/A	4.81	4.67	4.70	4.70	5.02	N/A	N/A

Sources: OECD (2022c), SURS (2024b), Eurostat (2024); calculations by IMAD. Notes: N/A – data not available. *Until 2018, figures refer to the EU-23 including the UK, and from then to the EU-22.

Figure: Expenditure (public and private) on educational institutions per participant,* 2020 (left); public expenditure on education (as a share of GDP), by education levels, Slovenia, in % (right)



Sources: OECD (2023b), SURS (2024b). Notes: *Including basic, secondary, upper secondary and tertiary levels of education. **Data for the first age group of pre-school education is not available for 2010. In 2022, expenditure on this level of education amounted to 0.32% of GDP, which is the same as the previous year.

[1] Total public expenditure on education comprises the total budgetary expenditure on formal education of young people and adults at state and local levels. It includes direct public expenditure on educational institutions and transfers to households (scholarships, subsidised meals, travel tickets, accommodation, textbooks, etc.).

[2] Public expenditure does not include transfers to students/households.

Participation in lifelong learning 2.6

Participation of adults (aged 25–64) in lifelong learning[1] increased for the second year in a row in 2022, surpassing the SDS target for the first time. Participation has mostly declined since 2010, most sharply with the outbreak of COVID-19 epidemic in 2020. In 2021, it rose sharply, largely due to the increase in webinars, the increased availability of publicly funded training and the wide availability of free training; the data were also impacted by a change in methodology.[2] In 2022, participation in lifelong learning increased even further and, at 22.3%, for the first time exceeded the SRS 2030 target (19%), which is also the target of the Resolution on the national programme of adult education in the Republic of Slovenia 2022–2030. Participation in Slovenia was well above the EU average (11.9%) and behind only Sweden, Denmark, the Netherlands and Finland among all EU Member States. Participation in lifelong learning has increased in all age and education groups but is still the lowest among people with a low level of education and older people (55–64 years). The highest participation rate was recorded in the Osrednjeslovenska region, the lowest in the Koroška region. In 2022, participation increased in all regions except the Koroška and Primorsko-Notranjska regions.

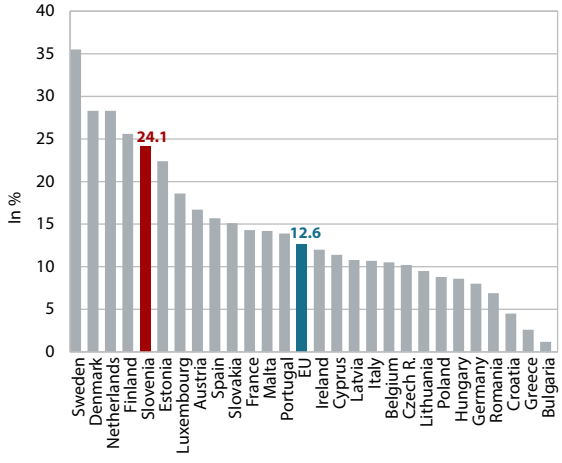
Broken down by activity status, the largest increase in participation in lifelong learning in 2022 was recorded among the unemployed, while the highest participation was still seen among persons in employment. The participation of persons in employment and the unemployed in lifelong learning was significantly above the EU average, while the participation of inactive persons was slightly above the EU average and also saw the smallest increase compared to 2020.[3] Differences in participation also exist among persons in employment. Participation is higher on average in activities with a higher share of tertiary-educated people. It is highest in finance and insurance and education and lowest in construction, accommodation and food service activities, and administrative and support service activities.

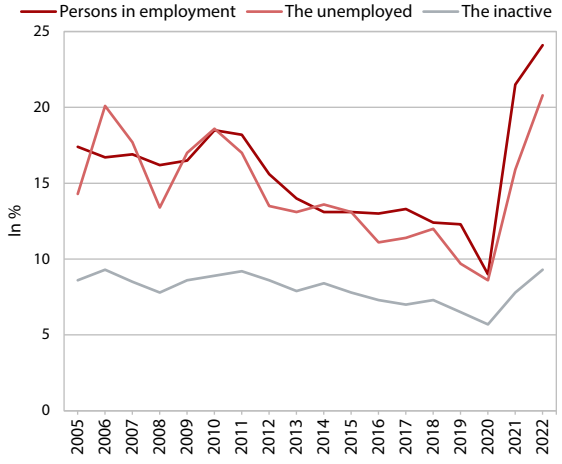
Table: Participation of the population aged 25–64 in lifelong learning, in %

	2005	2010	2011	2012	2015	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
Slovenia	15.3	16.4	16.0	13.8	11.9	11.6	12.0	11.4	11.2	8.4	18.9	22.3	19%
EU	7.7	7.8	8.1	8.2	10.1	10.3	10.4	10.6	10.8	9.1	10.8	11.9	

Source: Eurostat (2024).

Figure: Participation of persons in employment (25–64 years) in lifelong learning in 2022 (left); by activity status (right)





Source: Eurostat (2024).

[1] Lifelong learning includes formal and non-formal education.

[2] In the Slovenian Labour Force survey, which serves as the data source for calculating the indicator of adult participation in lifelong learning, the target population from the first quarter of 2021 consists of all residents of Slovenia living in private households, while until the end of 2020 the target population was all residents of Slovenia (SURS, 2024b).

[3] In 2022, 24.1% of the employed (EU: 12.6%), 20.8% of the unemployed (EU: 13.2%) and 9.3% of the inactive (EU: 8.6%) participated in lifelong learning (Eurostat, 2024).

Attendance at cultural events 2.7

In 2022, the attendance at cultural events increased, although it was still well below the 2019, i.e. pre-epidemic, levels and below the SDS target. The average attendance per inhabitant was highest in 2012, owing to the many events hosted by Maribor, the city that held the European Capital of Culture title that year. In the remaining years it was almost half lower (around 5–6 visits per inhabitant). In 2020, the average attendance at cultural events per inhabitant fell sharply due to COVID-19 containment measures. In the following years, when containment measures were less strict or were lifted, it gradually increased again but remained below the levels already reached and the SDS target. The highest number of visitors in 2022 was again recorded in houses of culture and cultural centres, but despite the higher number of events than before the epidemic, the number of visitors has not returned to previous levels. The largest increase in 2022 was recorded in visits to film screenings, with Slovenian film screenings recording a strong increase and accounting for 17.1% of all screenings, the highest figure in ten years. Of all the types of cultural institutions, only attendance at musical institutions in 2022 was above the level of the pre-epidemic period.

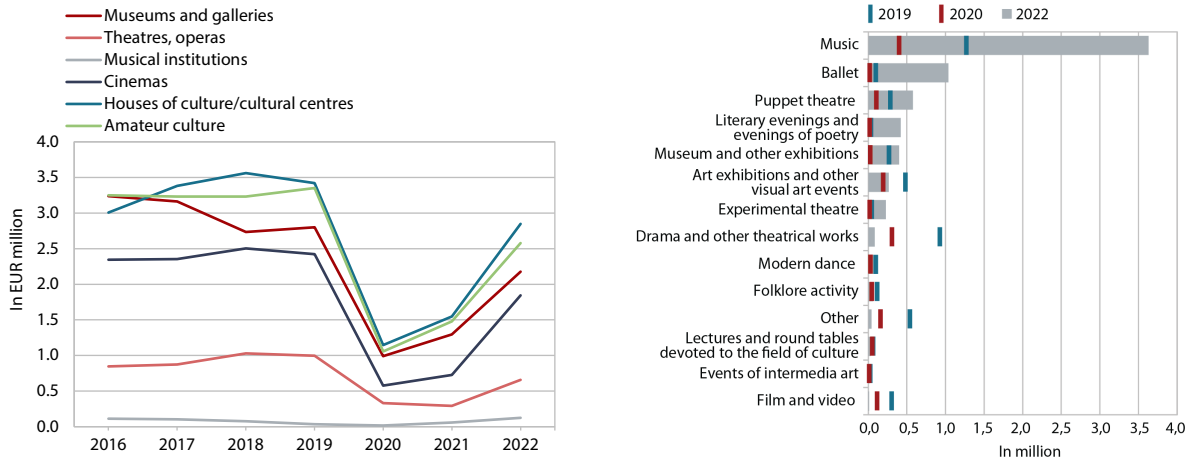
Cultural institutions carry out many activities enriching the cultural offer; in 2022, the number of these activities increased after falling temporarily, though it was still lower than before the epidemic. The number of events held by institutions with stage activity[1] fluctuated between 2016 and 2019, then dropped significantly in 2020 due to the epidemic, before rising in 2022 for the second year in a row, when it was only 2.3% lower than in 2019. By type of activity, the highest attendance was recorded for film screenings, musical events, and events showing dramatic and other theatre works, while the lowest attendance was recorded for ballet events (see Section 2.2). In 2022, institutions with stage activity performed the highest number of new works since 2016, 8.2% being co-productions with foreign co-producers and 56.2% with Slovenian co-producers. They organised fewer festivals than in 2021 but many more festival events. Museums and galleries organised fewer exhibitions in 2022 compared to 2021 (due to fewer temporary exhibitions). Film production, measured by the number of feature films produced, increased in 2022 after declining sharply in the previous two years.

Table: Average attendance at cultural events per inhabitant

	2005	2010	2015	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
Slovenia	5.0	6.0	6.3	6.2	6.3	6.3	6.2	2.0	2.6	4.9	8.0

Sources: SURS (2024b), JSKD (2023), SFC (2023); calculations by IMAD. Note: The indicator includes attendance at theatre events, museums and galleries, cinema screenings, and cultural events organised by cultural associations (amateur activity).

Figure: Attendance at cultural events, Slovenia (left); attendance at events held by institutions with stage activity by type of event (right)



Sources: SURS (2024b), JSKD (2023), SFC (2023), SURS (2024b); calculations by IMAD.

[1] This includes houses of culture and cultural centres, theatres, operas, and musical institutions.

Share of cultural events held abroad 2.8

In 2022, the share of cultural events held abroad[1] increased and came close to the pre-epidemic levels. Touring is an indirect indicator of the quality of cultural production in the country and signifies recognition of good work. The share of cultural events held abroad reached the SDS target in 2017–2019 but declined sharply in 2020 as a result of the COVID-19 epidemic. In 2021 and 2022, when containment measures were gradually lifted, it rose again and, according to the latest data, stood at 3.6%, once again exceeding the SDS 2030 target (3.5%). A stronger increase can be seen in the share of museum events, which came close to the 2016 peak, and a slight increase was also recorded in the share of the performing arts. In the structure of cultural events held abroad, the share of those held in other EU Member States was 82.8% in 2022, which indicates the geographical attachment of Slovenian culture to this area.

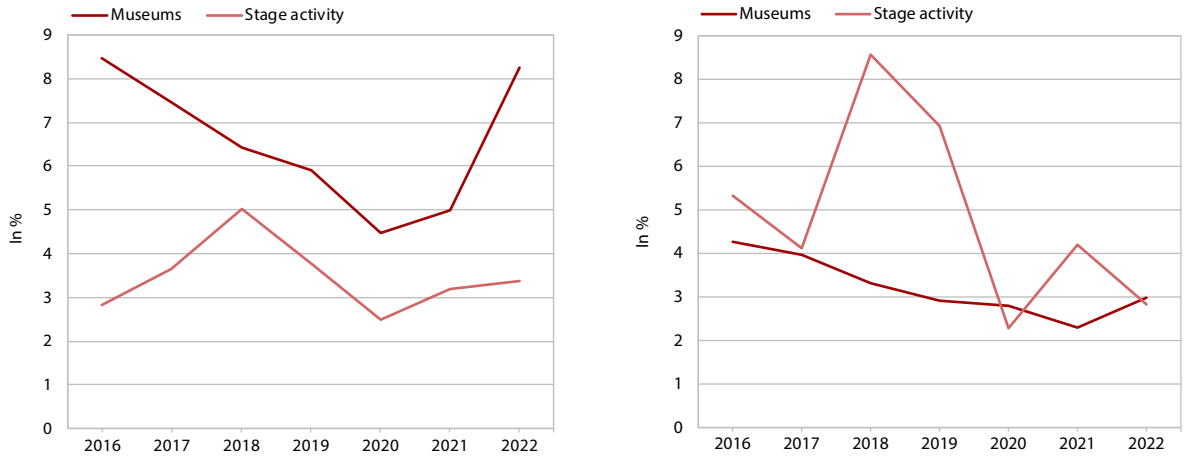
Although the number of visiting events from abroad increased in 2021, it remained lower than before the epidemic, especially in stage activity. Visiting events from abroad enrich the offer of cultural events in the country and show the extent of cooperation with cultural institutions from abroad. After a sharp decline in visiting events from abroad due to the epidemic and the containment measures, the number of visiting events from abroad increased in 2022 for the second year in a row, while the share of visiting cultural events from abroad fell (to 2.8%) due to the lower share of stage activity. Three-quarters of visiting events from abroad came from EU Member States – the largest share to date.

Table: Share of cultural events held abroad in the total number of cultural events, in %

	2015	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
Slovenia	2.8*	3.1	3.9	5.1	3.9	2.6	3.4	3.6	3.5

Source: SURS (2024b). Note: *SURS estimate.

Figure: Share of cultural events held abroad, Slovenia (left); share of visiting cultural events from abroad in Slovenia (right)



Source: SURS (2024b). Note: Theatrical activity includes (i) theatres, (ii) professional orchestras and choirs and opera, and (iii) houses of culture/cultural centres, cultural institutions and other organisers of cultural events.

[1] The indicator of events held on tours abroad out of the total number of events constitutes a ratio between the number of events held on tours in countries outside Slovenia and the number of all events in the mentioned cultural institutions. Data on cultural events include data for (i) museums, galleries and exhibition grounds, (ii) theatres, (iii) professional orchestras, choirs and opera, and (iv) houses of culture/cultural centres, cultural institutions and other cultural performers. In 2016, due to a significant change in the methodology, a break in the data series occurred. The sources of data are the surveys "Activity of cultural institutions, theatres, operas and professional orchestras and choirs" (KU-ODER) and "Activity of museums and galleries" (KU-MZ).

3 An inclusive, healthy, safe and responsible society

A healthy and active life

An inclusive labour market and high-quality jobs

A decent life for all

Healthy life years 3.1

Healthy life expectancy at birth[1] in Slovenia exceeds the EU average. The more years that a person on average spends healthy, the less pressure there is on social protection systems due to early retirement and demand for health and long-term care services. A SURS (2019) analysis showed that the very low value of this indicator in Slovenia in recent years was mainly related to inadequate translation and the method of surveying, which was already partially corrected in 2019 and fully corrected in 2020. The indicator improved slightly further in 2021 over 2020. On average, Slovenians can expect 65.4 years of healthy life or life free from any limitation (EU: 64.2 years), falling short of the SDS target only in the number of healthy life years for men. Healthy life expectancy at age 65 improved slightly, to 10.7 years (EU: 9.7 years). Moreover, since 2020, Slovenia no longer lags behind the EU in terms of the share of healthy life years in relation to life expectancy.[2] In 2021, healthy life years represented 81.2% of the total life expectancy in Slovenia (EU: 79.6%).

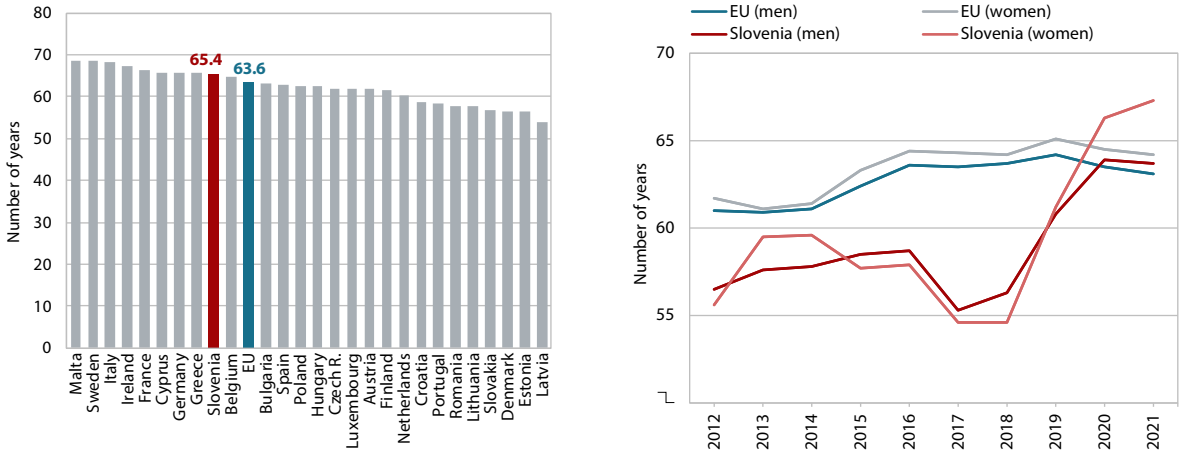
In 2021, healthy life expectancy at birth was the longest for men in the Primorsko-Notranjska region and for women in the Gorenjska region. Healthy life expectancy varies considerably among regions. The biggest difference is between men at birth. Men born in 2021 in the Primorsko-Notranjska region can expect to live 14.3 more years free from any limitation (67.3 years or 85.2% of life expectancy) than men in the Zasavska region, women in the Gorenjska region (74 years or 86.6% of life expectancy) 9.5 more than women in the Posavska region. In 2020, healthy life expectancy at birth increased the most for women in the Primorsko-Notranjska region (by 6.5 years) and for men in the Podravska region (by 2 years). Women can expect more healthy life years than men in all regions with the exception of the Posavska region, with the largest gap in the Zasavska region (11.5 years).

Table: Expected healthy life years at birth and the proportion of healthy life years in LE*

	Number of healthy life years at birth (years)								Share of healthy life years in LE,* in %					
	Women				Men				Women			Men		
	2010	2020	2021	SDS 2030 target	2010	2020	2021	SDS 2030 target	2020	2021	SDS 2030 target	2020	2021	SDS 2030 target
Slovenia**	54.6	66.3	67.3	64.5	53.4	63.9	63.7	64.5	79.6	80.3	75.0	82.1	82.0	80.0
EU	62.2	64.5	64.2		61.3	63.5	63.1		77.6	77.4		81.9	81.7	

Source: Eurostat (2024). Notes: *LE – life expectancy. **In 2019, there was a change in the EU-SILC survey approach, on the basis of which the healthy life expectancy indicator is calculated. In 2020, translation of the survey questions was changed.

Figure: Healthy life years expectancy at birth, 2021 (left);* healthy life years expectancy at birth, 2012–2021 (right)**



Source: Eurostat (2024). Notes: *Figure to the left: the countries are ranked according to the average number of years that men and women spend in a healthy state. **Figure to the right: since 2019, a revised translation of the questionnaire has been used in Slovenia and a different survey method; as a result, a break emerged in the data series in 2019.

[1] The indicator of healthy life years measures the number of remaining years that a person of a specific age is expected to live without any limitation to everyday activities (combines data on mortality and limitations). It is based on self-perceived limitations people have experienced, because of health problems, in carrying out their everyday activities for at least six months, as measured by the Global Activity Limitation Indicator (EU-SILC).

[2] A decline in the share of healthy life years in life expectancy means a deterioration; an increase signifies an improvement.

Life satisfaction 3.2

In 2023, life satisfaction[1] peaked in Slovenia and was well above the EU average, with 93% of satisfied respondents. It was 2 p.p. higher than in 2022, 1 p.p. higher than before the COVID-19 epidemic and 4 p.p. higher than before the global financial crisis. On average in the EU, overall life satisfaction remained at the same level as before the pandemic. In recent years, life satisfaction has risen in the Member States that had low satisfaction rates before the epidemic, such as Bulgaria and Greece, and fallen slightly in the Member States with above-average satisfaction rates. In 2019–2023 (last survey in the year), the largest increase in the share of those satisfied was seen in Poland (by 9 p.p.). In autumn 2023, Slovenia ranked 8th in the EU, for the first time behind Poland and ahead of Germany, where satisfaction has fallen by 5 p.p. points in the last four years.

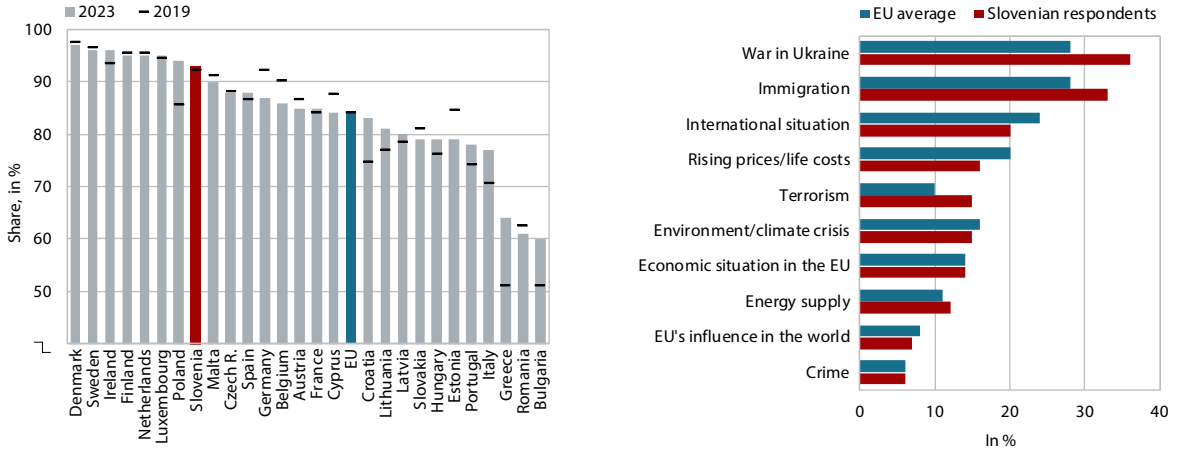
The shares of those citing problems of rising prices and energy supply decreased significantly[2] at the end of 2023 compared to the beginning of the year at all three levels: personal, national and the EU. According to the latest survey (October–November 2023), the main concerns of Slovenian respondents were no longer energy supply and rising prices, but the war in Ukraine, immigration and terrorism (higher than the EU average). Among the most important concerns at the national level, the proportion of Slovenian respondents citing the climate crisis and immigration increased compared to the previous survey (by 10 p.p. and 20 p.p. respectively), while the share of those citing health, pensions and energy supply fell, although the decline in Slovenia was less pronounced than the EU average. The percentage of those citing inflation and the cost of living, the financial situation of the household, and the economic situation in the country as the main concerns at the personal level was still high in Slovenia, although it was lower than in previous surveys and lower than the EU average. Satisfaction with the financial situation of the household and personal job satisfaction in Slovenia were at an all-time high in autumn 2023. Compared to the survey conducted in mid-2023, satisfaction with personal job situation increased by 4 p.p. in autumn 2023, and satisfaction with the financial situation of the household by 1 p.p. In our estimation, this was due to the high employment rate and government measures to mitigate the impact of rising (energy) prices on the financial situation of the population.

Table: Life satisfaction, in %

	2006	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Slovenia	88	85	83	85	82	83	84	89	92	91	92	90	91	91	93
EU	82	78	77	77	75	80	76	81	82	83	84	84	85	85	84

Source: Eurobarometer (2023f). Note: The annual data represents the average of two surveys, except for 2020, when only one survey was conducted, 2021, when the Standard Eurobarometer 94 is not taken into account due to a methodological error, and 2023, when three surveys were conducted.

Figure: Overall life satisfaction (left); top 10 main concerns at the EU level cited by Slovenian respondents and EU average in the latest survey in 2023 (right)



Source: Eurobarometer (2023f), latest survey.

[1] The Eurobarometer survey measures life satisfaction with the following question: "All things considered, how satisfied would you say you are with your life these days?" For the purpose of our analysis, the category of satisfied people includes satisfied and very satisfied people.

[2] See also IMAD (2024). Respondents are asked which two problems they consider to be of greatest concern at EU/national/personal level.

The Gender Equality Index 3.3

In the last three years, the Gender Equality Index (GEI)[1] for Slovenia was slightly below the EU average. Until 2017, the country had made faster progress in terms of gender equality than the majority of other EU Member States. Since then, however, progress has stalled, mainly due to a lower score in the area of power (lower political participation of women). After a period of decline in previous years, the GEI rose to an unprecedented high of 69.4 points in 2023. Nevertheless, Slovenia still ranks 12th among EU Member States. Progress in the areas of knowledge and power were the main drivers for the increase in the overall score. In order to meet the SDS 2030 target (> 78), Slovenia should improve its GEI score by more than eight points by 2030.

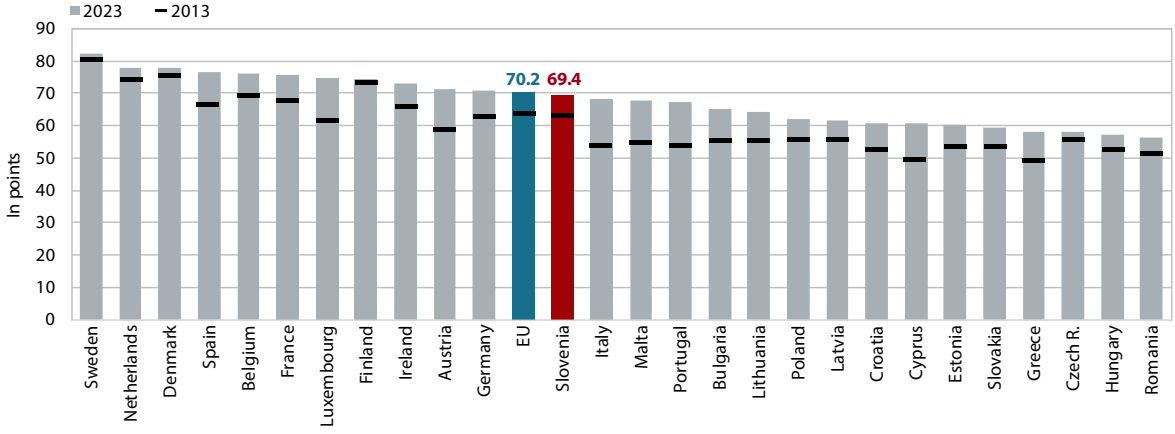
Since 2010, Slovenia has achieved the highest scores in the areas of health and money, while gender inequalities have been the most pronounced in the areas of knowledge and power. Men more often than women consider that they are in good or very good health, but health-related risk behaviours are more prevalent among men. In 2021, women were more likely to report that their needs for medical and dental examinations were not met than men. In the field of knowledge, the proportion of people participating in lifelong learning and the proportion of persons with tertiary education have increased, but the unequal distribution of women and men in different fields of study remains a challenge. Gender segregation is thus present in various labour market sectors.[2] In Slovenia, the gender gap in employment rates is relatively low and the gender pay gap is below the EU average (see Section 3.2). Women's representation in politics declined in 2018–2021, followed by an increase in 2022. According to the latest data for 2023, the share of women in the Slovenian Parliament was 37.8% (EU: 33%) and the share of women ministers was 33.3% (EU: 33.4%) (EIGE, 2024). The proportion of women in leadership positions in the largest listed companies remains relatively low and below the EU average. In 2022, slightly more women (26%, EU: 34%) than men (24%, EU: 25%) were responsible for the daily care of others. Greater inequalities were seen in unpaid housework, which was carried out daily by 69% of women (EU: 63%) and only 29% of men (EU: 36%).

Table: Gender Equality Index (GEI)

	Slovenia								EU						
Year of publication	2013	2015	2017	2020	2021	2022	2023	SDS 2030 target	2013	2015	2017	2020	2021	2022	2023
Reference year*	2010	2012	2015	2018	2019	2020	2021		2010	2012	2015	2018	2019	2020	2021
GEI	62.7	66.1	68.4	67.7	67.6	67.5	69.4	> 78	63.1	64.4	65.7	67.4	68.0	68.6	70.2
Health	86.8	87.3	87.7	86.9	87.8	86.9	86.5		86.7	86.7	87.1	87.8	87.8	88.7	88.5
Money	80.3	81.3	81.6	83.0	83.7	83.9	84.5		79.1	79.1	80.1	81.6	82.4	82.6	82.6
Work	71.9	71.3	71.8	73.1	73.0	73.4	75.8		69.7	70.2	70.6	71.4	71.6	71.7	73.8
Time	68.3	72.4	72.9	72.9	72.9	72.9	69.3		65.2	68.1	64.9	64.9	64.9	64.9	68.5
Knowledge	55.0	54.9	55.0	55.9	56.6	56.0	60.7		59.8	61.1	62.4	62.8	62.7	62.5	63.6
Power	41.1	51.5	60.6	55.0	53.0	53.3	56.1		41.9	43.6	48.4	53.1	55.0	57.2	59.1

Source: EIGE (2024). Notes: An index value of 1 means total inequality and 100 full equality. *The data for the calculation of the GEI include the latest available data (for 2023, the index was mostly calculated based on 2021 data).

Figure: The Gender Equality Index, 2013 and 2023



Source: EIGE (2024). Note: An index value of 1 means total inequality and 100 full equality. The data for calculating the index for 2023 are mostly from 2021 and for 2013 from 2010.

[1] The GEI, which is made up by 31 indicators, measures gender gaps and progress towards gender equality in six domains (see table). The calculation is based on the latest available data (for 2023 it is mostly from 2021). For more, see EIGE (2023b: 148–153).

[2] In 2021, 31% of women were employed in the fields of education, human health and social work activities, compared to only 7% of men (EIGE, 2023a).

Life expectancy 3.4

In 2022, life expectancy[1] at birth in Slovenia nearly returned to pre-epidemic levels. Overall, at 81.3 years, it was a good three months below the 2019 figure (the gap was greater at the EU level). Life expectancy at the age of 65 in 2022 (19.8 years) was only slightly more than three months lower than in 2019 (similar to the EU). Life expectancy at the age of 65 in 2022 was 17.8 years for men and 21.5 years for women. Excess mortality[2]was lower in 2022 and 2023 (11.2% and 6.2% respectively) than in the first two years of the epidemic (2020: 18.8%, 2021: 15%). Due to higher mortality with COVID-19 among the elderly, the average age at death was still higher (78.7 years) than before the epidemic, while the premature mortality rate[3] was lower (2022: 14.5%). In the decade prior to the epidemic, gains in life expectancy had been slowing down in many OECD countries. The main causes that have made it difficult for countries to maintain the previous progress in reducing deaths from circulatory diseases are slowing improvements in reducing death rates from heart disease and stroke, rising levels of obesity and diabetes, as well as population ageing (OECD, 2023d). When it comes to future trends in life expectancy, the number of indirect deaths related to the unavailability of preventive and emergency health services and psychosocial support during the epidemic remains unknown (OECD and EU, 2020).

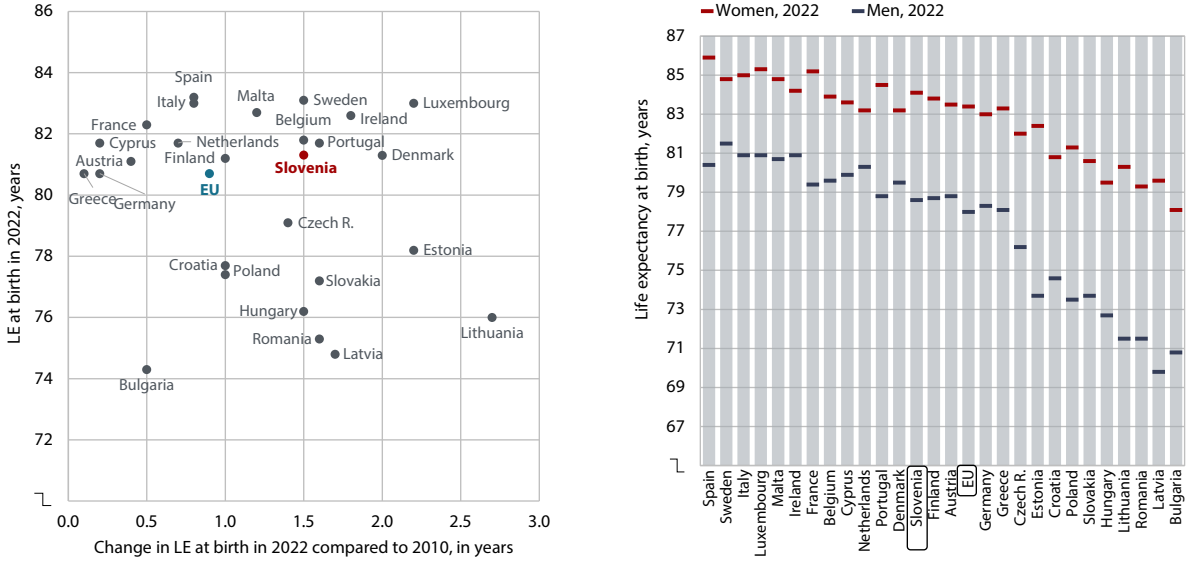
In 2022, life expectancy at the regional level was higher than before the epidemic, especially among men, and premature mortality decreased in most regions. Women in the Obalno-kraška region (84.7 years) and men in the Osrednjeslovenska region (79.6 years) had the longest life expectancy at birth. The difference between the two extreme regions was 2.7 years in men and 3.4 years in women. Compared to 2021 and 2019, life expectancy increased for men in particular, especially in the Podravska and Koroška regions (by around 1.6 years) and for women in the Pomurska region (by 1 year). Premature mortality decreased in most regions compared to 2021, with the largest decrease compared to other regions in the Zasavska and Posavska regions, where, as in Jugovzhodna Slovenija, the decrease was highest among men (23%). Among women, it was also highest in the Zasavska and Posavska regions, but only about half as high as among men. It was lowest in the Goriška region (5.9%).

Table: Life expectancy at birth, in years

		2000	2005	2008	2010	2012	2016	2018	2019	2020	2021	2022
Slovenia	Total	76.2	77.5	79.1	79.8	80.3	81.2	81.5	81.6	80.6	80.7	81.3
	Men	72.2	73.9	75.5	76.4	77.1	78.2	78.5	78.7	77.8	77.7	78.6
	Women	79.9	80.9	82.6	83.1	83.3	84.3	84.4	84.5	83.4	83.8	84.1
EU	Total	N/A	78.4	79.3	79.8	80.2	80.9	81.0	81.3	80.4	80.1	80.6
	Men	N/A	75.1	76.1	76.7	77.1	78.0	78.2	78.5	77.5	77.2	77.9
	Women	N/A	81.5	82.4	82.9	83.1	83.7	83.7	84.0	83.2	82.9	83.3

Source: Eurostat (2024). Note: N/A – data not available.

Figure: Life expectancy at birth in 2022 compared to 2010 (left); by sex (right)



Source: Eurostat (2024). Note: Countries are ranked according to their total life expectancy.

[1] 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, 2023). Due to different methodologies used, Eurostat data (for comparisons at the EU level) differ slightly from SURS data.

[2] Number of deaths in each year compared to the 2015–2019 average. Data on the number of deaths for 2022 is preliminary. Sambt et al. (2021) point out that such an approach does not take into account changes in the number and age structure of the population, nor the trend of declining mortality over time. We estimate that excess mortality would be 3.6 p.p. lower in 2020 and 1 p.p. lower in 2021 and 2022 (using the EUROPOP2019 mortality projections). See also Section 3.1. and Morgan et al. (2023).

[3] Premature mortality (the share of deaths under the age of 65 among all deaths in a calendar year).

Unmet needs for healthcare 3.5

In 2023, 3.8% of the Slovenian population reported unmet needs for healthcare,[1] which is lower than in 2021 but still significantly higher than before the COVID-19 epidemic and higher than the EU average. The main reason cited for the extremely high unmet needs in 2021 were the containment measures adopted in 2020, which led to doctor's appointments being postponed and waiting times being extended to 2021. In 2022, the epidemic situation improved, which was also reflected in lower unmet needs, compared to a slight increase in the EU on average. In 2023, unmet needs remained at roughly the same level as in 2022.

The main reason cited for unmet needs in Slovenia were long waiting times, while the percentage of respondents citing financial reasons was small. This is related to a broad healthcare benefits basket and very low out-of-pocket expenditure on healthcare (see Indicator 3.8). In practice, access to many services is limited by long waiting times, which has been the main reason for unmet needs in Slovenia for many years. The gap in unmet needs between the first and fifth income quintiles, which is relatively small compared to other EU countries, has narrowed slightly compared to 2021. One reason for this is the public healthcare system, which is accessible in terms of affordability. However, both the financially weak and the better off have to contend with long waiting times.

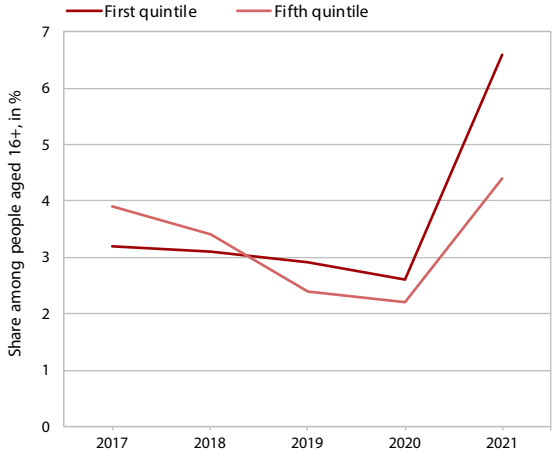
The unmet needs for dental examination in Slovenia are also linked to waiting times. In 2022, unmet needs for dental examination decreased significantly but remained above the EU average. In 2023, 4.0% of the population reported having such unmet needs; the main reason was long waiting times for dentists in the public health network.

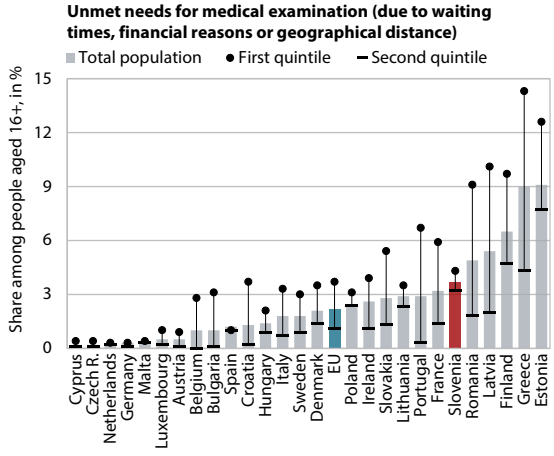
Table: Unmet needs for healthcare in the population aged 16 and over, share in total population, in %

Reasons for unmet needs		Waiting times, financial reasons, geographical distance					Waiting times only				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
For medical examination	Slovenia	2.9	2.7	4.8	3.7	3.8	2.9	2.6	4.7	3.6	3.7
	EU	1.7	1.9	2.0	2.2	N/A	0.7	0.7	0.9	0.9	N/A
For dental examination	Slovenia	3.7	3.1	6.1	3.7	4.0	3.4	2.7	5.6	3.6	3.6
	EU	2.8	3.3	3.1	3.4	N/A	0.2	0.3	0.4	0.4	N/A

Sources: Eurostat (2024), EU-SILC 2023 survey data. Notes: N/A– data not; the EU average is the Eurostat estimate.

Figure: Unmet needs for medical examination in 2022 (left); differences in Slovenia by income quintiles, 2017–2023 (right)





Source: Eurostat (2024). Note: The EU average is Eurostat's estimate.

[1] The main indicator of accessibility of health services under the European Pillar of Social Rights is the survey indicator of unmet needs for medical examination due to financial reasons, geographical distance or waiting times. One problem with this indicator is that the surveys do not cover certain population groups (homeless people, some migrants and people living in institutional care). In Slovenia, the previous translation of the EU-SILC survey question was inaccurate, so the data is only relevant from 2017.

Avoidable mortality 3.6

Avoidable mortality,[1] which declined in 2011–2019, increased in 2020 as a result of the epidemic, though less sharply than the EU average. The rate of avoidable mortality consists of (i) preventable mortality that can be avoided through effective public health and prevention interventions at the primary level and (ii) treatable mortality (avoidable by healthcare interventions). Avoidable mortality declined in 2011–2020 (to 268 deaths per 100,000 people, which is below the EU average) by almost twice as much as the EU average (by 64 deaths; EU: 38 deaths). In 2020, it deteriorated sharply due to the epidemic (by 23 deaths; EU: by 28 deaths). In addition to the direct deaths from COVID-19, the deterioration is also associated with indirect consequences caused by interruptions in preventive and curative healthcare.

Preventable mortality again decreased at a rate similar to the EU average in 2020 and remained above the EU average. In 2020, the number of deaths per 100,000 people that could have been avoided in Slovenia through effective public health and prevention interventions increased by 26 (the same as the EU average). Most preventable deaths are related to a high prevalence of unhealthy lifestyles, as the main causes of deaths are lung cancer (smoking) and alcohol-related diseases. The decrease in the death rate before the epidemic can be attributed to the strengthening of primary prevention interventions focusing on smoking, alcohol consumption, nutrition, physical activity, screening programmes and counselling (OECD/EOHSP, 2021).

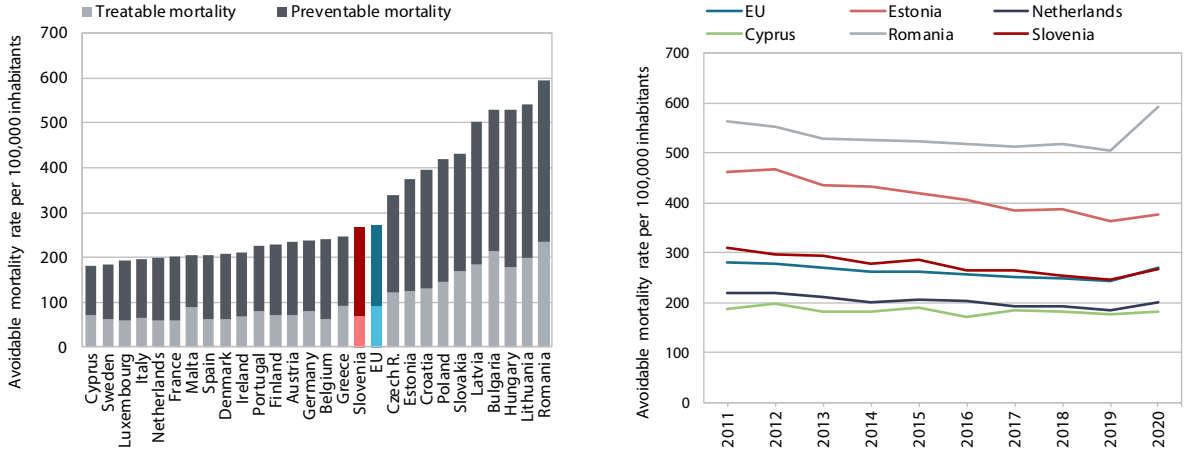
Treatable mortality also decreased in 2020, which indicates relatively effective healthcare from the aspect of treatment. In 2020, fewer people died from causes that could have been avoided through timely and effective healthcare interventions compared to 2019 (including through screening programmes and treatment) (the number increased in the EU on average). The indicator points to effective healthcare in terms of treatment, particularly with regard to the relatively lower expenditure on health than in countries that reach comparable results. The main causes of death were heart disease and colorectal cancer, followed by strokes and breast cancer.

Table: Avoidable mortality, age-standardised rates per 100,000 inhabitants

	1. Avoidable mortality (1=2+3)			2. Mortality that can be prevented at the primary level			3. Treatable mortality		
	2011	2019	2020	2011	2019	2020	2011	2019	2020
Slovenia	309	245	268	209	173	199	101	72	70
EU	281	243	271	178	154	180	103	89	92

Source: Eurostat (2024).

Figure: Avoidable mortality in EU Member States, 2020 (left) and among selected EU Member States (right)



Source: Eurostat (2024).

[1] In 2019, the methodology for calculating the avoidable mortality indicator was changed. The indicator is used to assess the performance of the healthcare system and consists of two indicators: 1. preventable mortality that could be avoided through prevention interventions at the primary level and 2. treatable mortality that could be avoided through healthcare interventions. Both indicators have undergone a change in the list of causes of death. The attribution of causes of death to the preventable or treatable mortality category is based on the criteria of whether these causes of death can be largely prevented through better prevention measures or more effective treatment. In addition, all deaths up to the age of 75 are now considered avoidable; previously the limit was 65 years. For both indicators, the data series from 2011 to 2020 is available in accordance with the new methodology.

Overweight and obesity 3.7

The share of overweight or obese[1] adults in Slovenia increased to 56.6% in 2019, surpassing the EU average. According to the EHIS survey, in 2019 (latest available data), the majority of EU Member States reported lower rates of overweight or obesity among individuals with higher education levels, while rates were higher among those with lower education levels and among women (Eurostat, 2024). Over the period analysed, the proportion of overweight or obese adults in Slovenia and the EU average rose by 1.6 p.p., while the proportion fell significantly among men with a low level of education, who were the largest risk group before the last survey. A high share of overweight or obese people can be associated with poor eating habits[2] and excessive alcohol consumption. In 2020, the average annual alcohol consumption per capita was 9.8 litres in Slovenia, which is in line with the EU average, but 23% of adults reported heavy episodic drinking (EU: 19%) (OECD, 2022d). Overweight and obesity are important risk factors for the development of chronic conditions and premature mortality. Cardiovascular diseases are the main cause of mortality in Slovenia and in most developed countries. Obesity can, moreover, have not only medical but also socio-economic consequences (social exclusion, lower income, higher unemployment, more working days lost and early retirement).

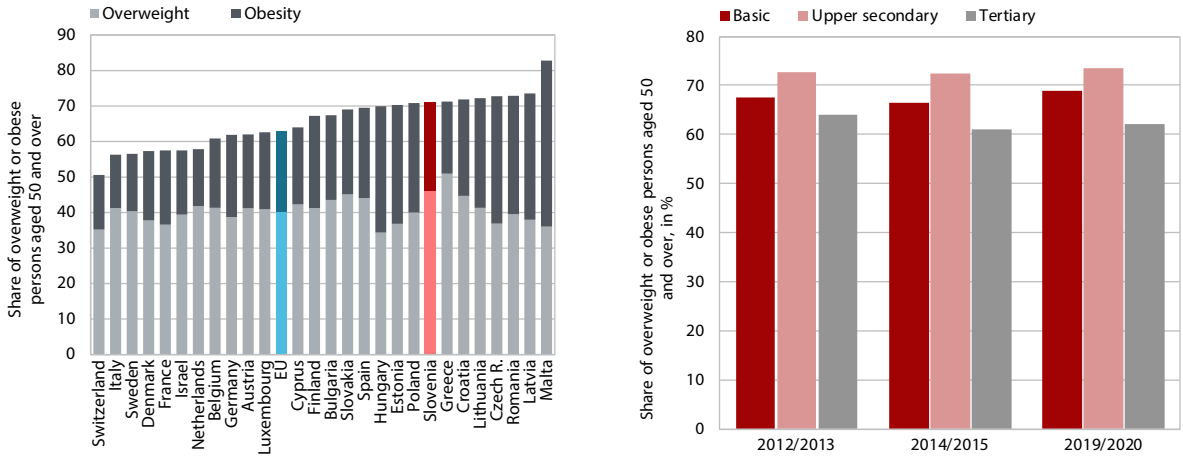
According to the SHARE survey, which is conducted among people over the age of 50, around 70% of people in Slovenia were overweight in the three periods observed from 2013 to 2020, which is significantly above the EU average. The most recent SHARE survey, conducted partly before the epidemic and partly in the summer of 2020, found almost the same proportion of overweight (71%) among those aged 50 and above as the previous two surveys (46% overweight and 25% obese people). Compared to Slovenia, the average share of overweight people in the EU-27[3] included in the last SHARE survey declined, to 63% (of whom 40% were overweight and 23% obese). Switzerland had the lowest proportion of overweight or obese people (51%), while Malta had the highest (83%). In Slovenia, the proportion of overweight or obese individuals in all observation periods was highest among those with upper secondary education, while the proportion was lowest among those with a high level of education. The gap by educational attainment has widened since 2013 among those above 50 years of age, due on the one hand to a decline in the share among those with a high level of education and on the other to an increase in the share among those with a low level of education.

Table: Overweight and obesity, by sex, 2014 and 2019

	Overweight and obesity		Overweight, in %						Obesity, in %					
	Total		Total		Women		Men		Total		Women		Men	
	2014	2019	2014	2019	2014	2019	2014	2019	2014	2019	2014	2019	2014	2019
Slovenia	55.0	56.6	36.5	37.3	30.3	30.8	42.7	43.7	18.6	20.3	17.0	18.0	20.3	20.7
EU	49.7	51.3	34.8	35.2	28.4	28.8	41.7	42.1	15.4	16.0	15.3	15.8	15.6	16.3

Source: Eurostat (2024), data according to the EHIS survey.

Figure: Share of overweight or obese people in 2019/2020 in the EU (left) and in Slovenia, by education level (right)



Sources: SHARE 4th wave (Börsch-Supan, 2013), 6th wave (Börsch-Supan, 2017) and 8th wave (Börsch-Supan, 2022); calculations by IER and IMAD. Note: *The EU-27 average includes all EU Member States, excluding Ireland and Portugal; Switzerland and Israel are also included.

[1] A body mass index (BMI) between 25.0 kg/m^2 and 29.9 kg/m^2 is considered overweight and a BMI of 30 kg/m^2 or higher is considered obese. The BMI is a ratio of an individual's weight to the square of his or her height (WHO, 2023a). Although the BMI is a good indicator of the amount of body fat, it can neither determine the distribution of body fat nor differentiate between fat and lean body mass.

[2] In 2019, only 5% of adults consumed at least 5 portions of fruit and vegetables daily compared to 13% on average in the EU (OECD, 2022d).

[3] In addition to the 25 EU Member States (all except Ireland and Portugal), Switzerland and Israel were also included in the SHARE survey.

Health expenditure 3.8

After stagnating in relation to GDP for several years, health expenditure has increased since the outbreak of the epidemic. Slovenia entered the epidemic with a severely underfunded and understaffed health system. Total health expenditure remained at around 8.5% of GDP between 2009 and 2019, although demand has risen rapidly due to the ageing population, the introduction of new health technologies and the population's increasing expectations in the area of healthcare. The problems have resulted in a rapid increase in waiting times and unmet needs for medical examinations, which were exacerbated by the epidemic (see Indicator 3.5). In 2020–2022, the high expenditure related to the COVID-19 containment measures was largely financed from the state budget, meaning that state and municipal budget expenditure as a share of current health expenditure increased from 4.2% in 2019 (EUR 173 million) to as much as 12.7% in 2021 (EUR 626 million), followed by, according to preliminary estimates, a decline to 9.2% in 2022 (EUR 482 million). The share of total current public expenditure in total expenditure increased from 72.8% in 2019 to 74.3% in 2022.

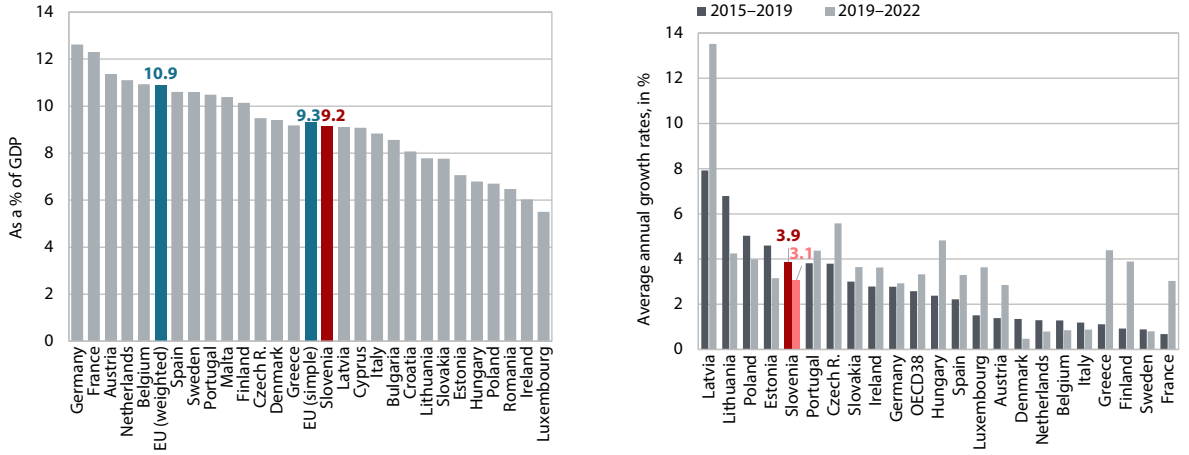
From 1 January 2024, a new mandatory healthcare contribution was introduced to compensate for the funds lost due to the abolition of complementary health insurance. Complementary health insurance (CHI) was to cover all co-payments for healthcare until the end of 2023. In 2022, the CHI contribution to total healthcare expenditure amounted to 12.1% or EUR 632.7 million, according to the preliminary estimates by SURS. From 1 January 2024, a new mandatory healthcare contribution of EUR 35 was introduced, which will be indexed to the growth in the average gross wage in 2024 for the first time in March 2025 (see Section 3.1, Box 5). This will lead to an increase in the proportion of public health expenditure to around 86% in 2024, one of the highest shares in the EU.

Table: Health expenditure[1]

	Health expenditure as a % of GDP				Public health expenditure as a % of GDP				Private health expenditure as a share of current health expenditure, in %			Out-of-pocket expenditure as a share of current health expenditure, in %		
	2015	2019	2021	2022	2015	2019	2021	2022	2015	2021	2022	2015	2021	2022
Slovenia*	8.5	8.5	9.5	9.2	6.1	6.2	7.0	6.8	28.2	26.2	25.7	13.0	12.9	12.7
EU (simple average)**	8.2	8.3	9.4	N/A	6.0	6.2	7.2	N/A	27.4	23.0	N/A	22.3	18.6	N/A
EU (weighted average)***	10.0	9.9	10.9	N/A	7.8	7.9	8.8	N/A	20.4	18.9	N/A	15.9	14.5	N/A

Sources: For Slovenia SURS (2024b) and Eurostat (2024) data; for the calculation of the EU average Eurostat (2024). Notes: N/A – data not available. *For Slovenia, the figure for 2022 is a preliminary estimate by SURS published in OECD (2024d). **Data for the EU is a usual arithmetic mean of EU Member States, calculation by IMAD; ***Eurostat and the EC publish a weighted EU average that mainly reflects data from large countries (Germany, France), so it differs significantly from the simple average.

Figure: Health expenditure as a % of GDP in 2022 (left); average annual real growth rates of health expenditure in Slovenia and EU Member States in 2015–2019 and 2019–2022 (right)



Sources: Eurostat (2024), OECD (2024d), OECD (2023d). Note: *Data for 2022 is preliminary. Data for Malta, Cyprus and Croatia refer to 2021; data for the EU average refers to 2021; EU (simple average) is the arithmetic average of EU Member States, calculated by IMAD; EU (weighted average) is based on the Eurostat figure that mainly reflects the data for large EU Member States.

[1] Health expenditure includes current expenditure according to the methodology of the system of health accounts (OECD, Eurostat, WHO, 2017); investments are not included.

Expenditure on long-term care 3.9

In 2021, the share of public expenditure on long-term care (LTC) increased significantly for the third year in a row, but as a share of GDP it was still below the EU average. Already in 2019, the share of public expenditure on LTC increased sharply in the structure broken down by financing schemes, mainly due to the adoption of the Personal Assistance Act (ZOA, 2017), which significantly increased public financing for LTC at home.[1] In 2020 and 2021, public expenditure on LTC further increased, partly due to the employment of additional staff in nursing homes and wage supplements related to the epidemic and partly to rising expenditure on personal assistance: the number of personal assistants and recipients of the communication allowance increased significantly (from around 1,000 at the beginning of 2019 to almost 6,000 at the end of 2023). International comparison shows that public expenditure on LTC in 2021 (latest data available) amounted to 1.8% of GDP on average in the EU, while in Slovenia it was 1.1%. There are large differences between countries, with the highest expenditure in 2021, between 2% and 4% of GDP, recorded by the Netherlands, Sweden, Germany, Denmark, Belgium, Finland and France. In addition to the different levels of economic development, these differences also reflect differences in LTC systems, demographic factors and life patterns, particularly regarding the role of family and informal care. In Slovenia, a new LTC act came into force in 2024, providing additional public funding and accelerating the development of LTC at home (see Box 6).

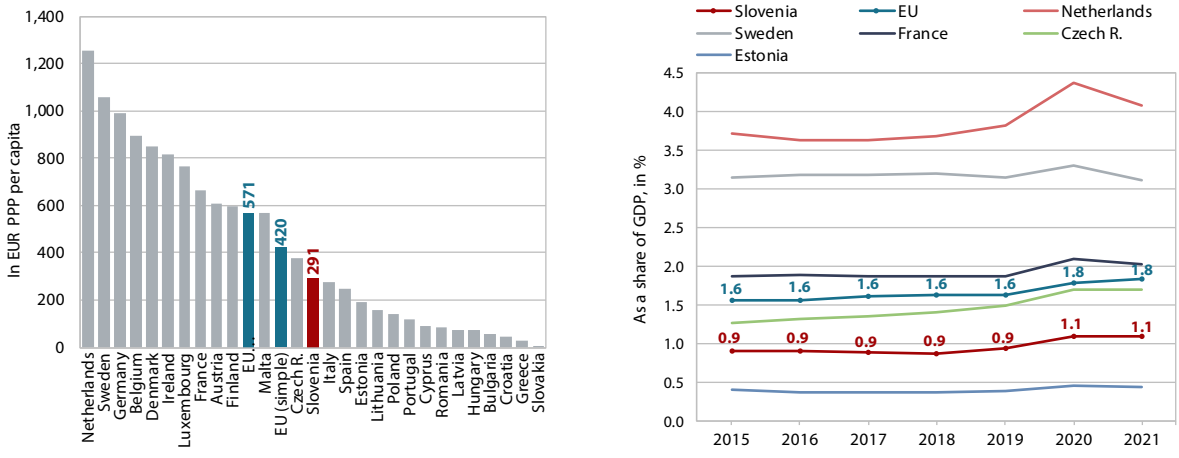
The share of the health component of LTC expenditure in the structure of health expenditure is only 70% of the EU average. Despite the very rapid increase in 2019–2021 (by 12% in real terms), expenditure on the health component of LTC is still much lower in terms of EUR PPP per capita than the EU average (2021: 70% of the simple average and only 50% of the weighted EU average[2]) and 3 to 4 times lower compared to more developed countries. These countries have increased their public funding for LTC at home in the last decade and for institutional LTC in 2020 and 2021 in connection with the epidemic.

Table: LTC expenditure by financing schemes and by function

	In EUR million			As a % of GDP			Breakdown, in %			Real growth, in %	Real growth, in %
	2015	2020	2021	2015	2020	2021	2015	2020	2021	2020–2021	2010–2021
Totale expenditure	489	682	741	1.26	1.27	1.45	100.0	100.0	100.0	4.6	3.4
Public expenditure	361	518	574	0.91	0.94	1.10	73.8	76.0	77.4	6.6	3.6
Private expenditure	128	164	168	0.37	0.33	0.35	26.1	24.0	22.6	-1.6	2.5
Health component of LTC*	327	489	540	0.84	1.04	1.03	66.8	71.7	72.9	6.3	3.7
Social component of LTC	162	193	201	0.42	0.41	0.38	33.1	28.3	27.1	0.2	2.5

Source: SURS (2024b). Notes: The calculation was made using the GDP deflator. For definitions of LTC, healthcare, social care, and public and private expenditure, see Nagode et al. (2014). *The health component of LTC is part of health expenditure.

Figure: LTC expenditure (health component) in 2021 (left); the share of total public LTC expenditure (health and social components) in Slovenia, EU-26 and by Member States (right)



Source: Eurostat (2024). Note: Data for the social component of LTC is not available for all EU countries, so the figure on the left only shows a comparison for the health component of LTC.

[1] Public expenditure on personal assistance has been growing sharply since the act came into force: from EUR 3.8 million on average in 2018 to EUR 84.4 million in 2020, EUR 127.5 in 2021, EUR 173.5 million in 2022 and EUR 196.6 million in 2023 (MDDSZ, 2024c). According to the international methodology, this expenditure is included in the health component of expenditure on LTC (at home). In 2021, an amendment to the Personal Assistance Act was passed that tightens the conditions for personal assistance providers and also provides for a reassessment of personal assistance beneficiaries.

[2] Large countries have a higher weight in the weighted EU average.

Employment rate 3.10

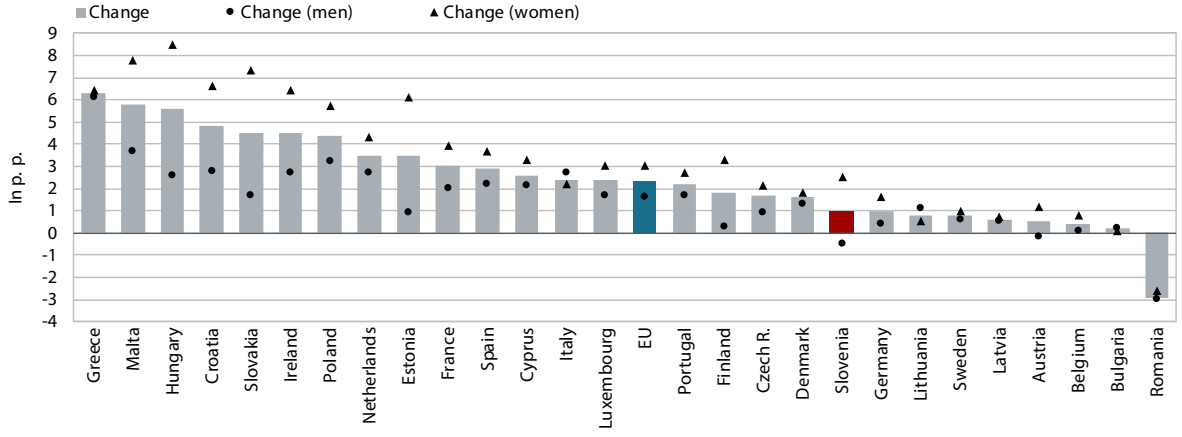
The employment rate[1] (in the 20–64 age group) peaked in the second quarter of 2023 amid persistent labour shortages, surpassing the SDS target for the third year in a row. Along with economic growth and increased demand for labour, demographic trends also contributed to the increase in the period 2013–2019.[2] The increase was halted in the second quarter of 2020 due to the COVID-19 epidemic. Thanks to rapid economic recovery, by the second quarter of 2022, the employment rate already exceeded the levels seen in the same period of 2019. In 2023, it reached an all-time high against the backdrop of persistent labour shortages, although growth decelerated as economic expansion slowed. In the second quarter of 2023, the employment rate of young people (aged 20–29) was still significantly lower than before the epidemic, with a sharp decline in the demand for student labour after the outbreak thereof. The employment rate among older workers (55–64 years) increased slightly in 2020–2022, followed by a slight decline in the second quarter of 2023,[3] widening the gap with the EU average (to 8.3 p.p. in the second quarter of 2023). After several years of increase, the employment rate of people with lower levels of education fell sharply in the wake of the COVID-19 crisis but was again above the 2019 level in 2023. The strong decline of the employment rate during the COVID-19 crisis was due to the high proportion of low-educated workers in the sectors that were most affected by the containment measures during the epidemic. The largest increase in the employment rate compared to the 2019 level was recorded by the Primorsko-Notranjska region and the largest decrease by the Goriška region. In 2023, only the Primorsko-Notranjska and Koroška regions failed to reach the national SDS 2030 target. The EPSR target for 2030 was reached by the Gorenjska (80.8%) and the Osrednjeslovenska regions (80%).

Table: Employment rate of the population aged 20–64, in %

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Slovenia	68.6	68.1	67.1	68.4	69.4	70.6	73.4	75.5	77.1	74.9	76.8	78.0	78.1	> 75.0* (79.5)**
EU	68.1	67.8	67.6	68.2	69.0	70.1	71.4	72.4	73.2	71.5	72.9	74.8	75.5	

Source: Eurostat (2024). Notes: Data for individual years refer to the second quarter. *SDS 2030 target, which Slovenia has already exceeded. **The employment rate target of 79.5% is the EPSR target by 2030.

Figure: Change in employment rate by gender (20–64 years) in 2019–2023 (Q2)



Source: Eurostat (2024).

[1] This is the share of persons in employment (employees and self-employed) in a certain age group.

[2] Demographic trends had a mechanical effect on the increase in the employment rate: the number of employed persons aged 20–64 increased by 90,000 persons in the period 2013–2019 (calculation for the second quarter) (included as numerator in the calculation), while the number of persons in this age group decreased by 53,000 persons in the same period (included as denominator in the calculation). The mechanical effect of a lower denominator and a higher numerator increased the participation rate.

[3] The number of employed older people (55–64 years) increased year-on-year in the second quarter of 2023, but at the same time, the number of people in this age group also rose, resulting in a lower employment rate.

In-work at-risk-of-poverty rate 3.11

After a decline in the period 2015–2022, the in-work at-risk-of-poverty rate rose again in 2023. According to EU-SILC 2023 (based on 2022 income data), 5.7% of persons in employment aged 18 and over were at risk of poverty. The sharpest increase in the in-work at-risk-of-poverty rate was observed among men, from 5.4% to 6.5%, while among women, it rose from 4% to 4.8%. In the last decade, the in-work at-risk-of-poverty rate in Slovenia was lower than the EU average. In this period, it decreased more markedly in Slovenia compared to the EU average. In terms of age groups, the most significant decline in the in-work at-risk-of-poverty rate in 2013–2023 was observed among people aged 18–24 (from 7.5% to 5.2%). This could be related to the above-average increase in the minimum wage, which impacts a larger proportion of young people compared to other age groups, and the rise in the minimum hourly wage for student employment.[1]

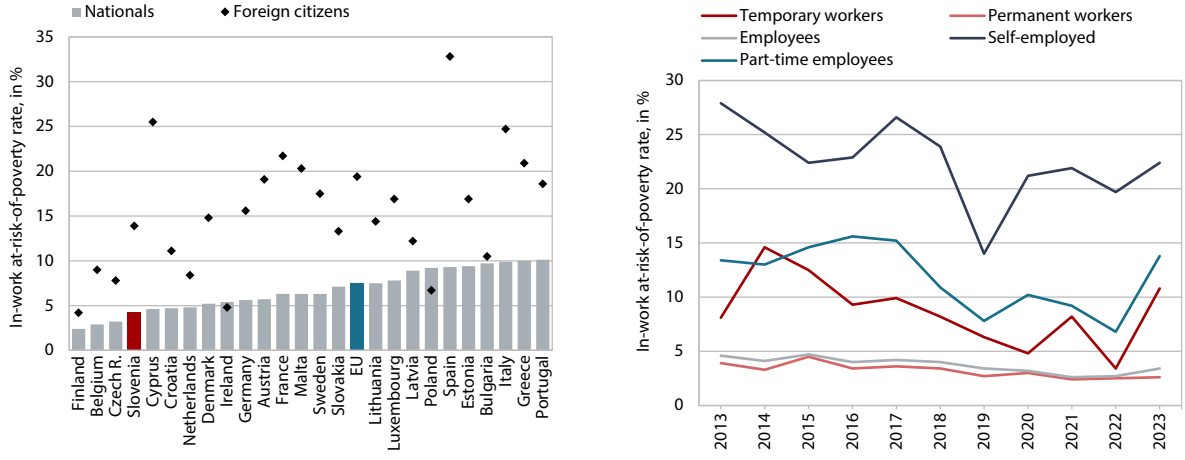
In most countries, the at-risk-of-poverty rate is higher among temporary workers, part-time employees and the self-employed. In 2014–2022, the risk of poverty among temporary workers in Slovenia saw a significant decline (from 14.6% in 2014 to 3.4% in 2022), but it surged to 10.3% in 2023, returning to the level seen in 2017. The at-risk-of-poverty rate for part-time workers reached its lowest level in 2022. However, in 2023, it rose to 13.8%, comparable to levels observed a decade ago. In most EU countries, the in-work at-risk-of-poverty is higher for foreigners than for nationals. In Slovenia, 4.2% of employed Slovenian citizens were at risk of poverty in 2022 (EU: 7.5% of nationals), compared to 13.9% of employed foreign nationals (EU: 19.4%). This means that in Slovenia, the at-risk-of-poverty rate among employed foreigners was 3.4 times higher than among nationals (compared to 2.3 times higher in the EU as a whole).[2]

Table: In-work at-risk-of-poverty rate for the age group 18 or older, in %

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Slovenia	6.5	7.1	6.4	6.7	6.1	6.6	6.0	4.5	5.0	5.0	4.8	5.7	< 5
EU	8.9	9.0	9.5	9.5	9.6	9.4	9.4	9.2	8.8	8.9	8.5	N/A	

Sources: Eurostat (2024), SURS (2024b), EU-SILC 2023 (based on 2022 income data). Note: N/A – data not available.

Figure: The in-work at-risk-of-poverty by citizenship in 2022 (left); rate by employment type (right)



Sources: Eurostat (2024), SURS (2024b), EU-SILC 2023 (based on 2022 income data).

[1] The minimum gross hourly wage in February 2021 was 30% higher than in February 2015, when the system of student labour was reformed.

[2] The higher difference is due to the educational structure of foreign nationals in employment, the proportion of people with a low level of education being significantly higher than among Slovenian nationals. They are also more likely to be employed in low-paid jobs and do heavy physical labour (especially in construction etc.) and earn less than natives with similar qualifications, encountering difficulties in transferring their skills to the host country (Cupak et al., 2023) and also facing challenges in the recognition of formal qualifications (see Section 3.2).

Unemployment and long-term unemployment rates 3.12

Amid a persistent labour shortage, the unemployment rate fell to 3.6% in the second quarter of 2023, marking an unprecedented low and significantly undershooting the EU average. In the period 2014–2019, it steadily decreased alongside rising employment levels. The sharpest decline was observed among people with lower levels of education, with similar declines for both men and women. Active labour market policies targeting young people, coupled with increased opportunities for student employment, contributed to a rapid drop in youth unemployment (15–24 years) by 2019.[1] The outbreak of the epidemic and subsequent economic downturn resulting from containment measures led to a surge in unemployment in 2020 (to 5%), albeit mitigated by job-retention measures. The largest increase was recorded among people with a low level of education and among women.[2] Broken down by age, the sharp decline in economic activity hit young people (15–24 years)[3] in the labour market the hardest, especially due to a sharp drop in student work. In the context of the economic recovery in the second half of 2020, unemployment fell again, nearly matching levels seen in the same period of 2019 by the second quarter of 2021 and substantially below the EU average, which had risen. Given the robust demand for labour, this downward trend persisted through 2022 and 2023, encompassing even those groups most affected in preceding years, ultimately reaching historic lows.

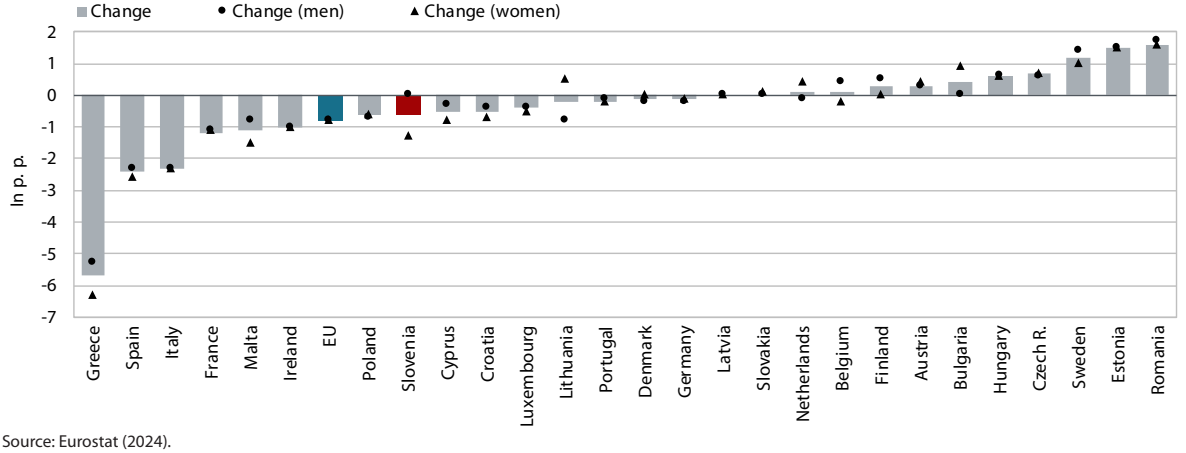
The severe labour shortage is also reflected in the decline in the long-term unemployment rate,[5] which reached a historic low in the second quarter of 2023, standing at 1.5%. During the period of economic growth (2014–2019), the situation in Slovenia initially improved solely for the unemployed with shorter periods of unemployment. However, against a background of increasing labour shortages, the number of long-term unemployed has also gradually decreased. Following the onset of the COVID-19 crisis, Slovenia initially experienced a slight increase in long-term unemployment rates. However, by the second quarter of 2023, it had reached its lowest level to date, falling below the EU average. The share of long-term unemployed in the total number of unemployed remained higher than the EU average, mainly due to the low level of overall unemployment in Slovenia.

Table: Unemployment and long-term unemployment rates (15–74 years), in %

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unemployment rate																
Slovenia	4.1	5.6	7.1	7.7	8.2	10.4	9.3	9.2	7.8	6.4	5.2	4.2	5.2	4.4	4.2	3.6
EU	7.1	9.0	9.8	9.6	10.6	11.3	10.8	10.1	9.2	8.1	7.3	6.6	6.7	7.2	6.0	5.8
Long-term unemployment rate																
Slovenia	N/A	1.7	3.2	3.6	3.9	5.1	5.3	4.7	4.3	3.3	2.3	1.7	2.0	1.9	1.6	1.5
EU	N/A	2.9	3.9	4.2	4.8	5.4	5.4	5.0	4.4	3.7	3.2	2.7	2.1	2.9	2.4	2.1

Source: Eurostat (2024). Note: N/A – data not available; data for individual years refer to the second quarter.

Figure: Change in unemployment rate (15–74 years) in 2019–2023 (Q2)



Source: Eurostat (2024).

[1] In the second quarter of 2019, the unemployment rate for the 15–24 age group was 6.5%.
[2] The unemployment rate among women, which was at a record low in the second quarter of 2019 (4.7%), rose to 5.9% in the same period of 2020.
[3] The third highest year-on-year increase among EU Member States in Q2 2020, but still below the EU average.
[4] This is the share of long-term unemployed (unemployed for one year or more) in the labour force in a given age group.

Temporary and precarious employment 3.13

The proportion of temporary employment, which fell during the epidemic year 2020, has risen slightly over the last three years, yet remaining lower than in 2019. Companies responded to the outbreak of the epidemic by not renewing fixed-term contracts and reducing the demand for student workers, leading to a significant drop in the number of temporary workers. With the heightened demand for labour in 2021 and 2022, the share of fixed-term contracts initially saw a slight increase, followed by a slight decrease in 2023 due to escalating labour shortages. Similar to trends observed in other EU countries, the prevalence of fixed-term contracts was highest among women. Despite a significant decline in recent years, temporary employment remains notably prevalent among young people (aged 15–24) and exceeds the EU average.

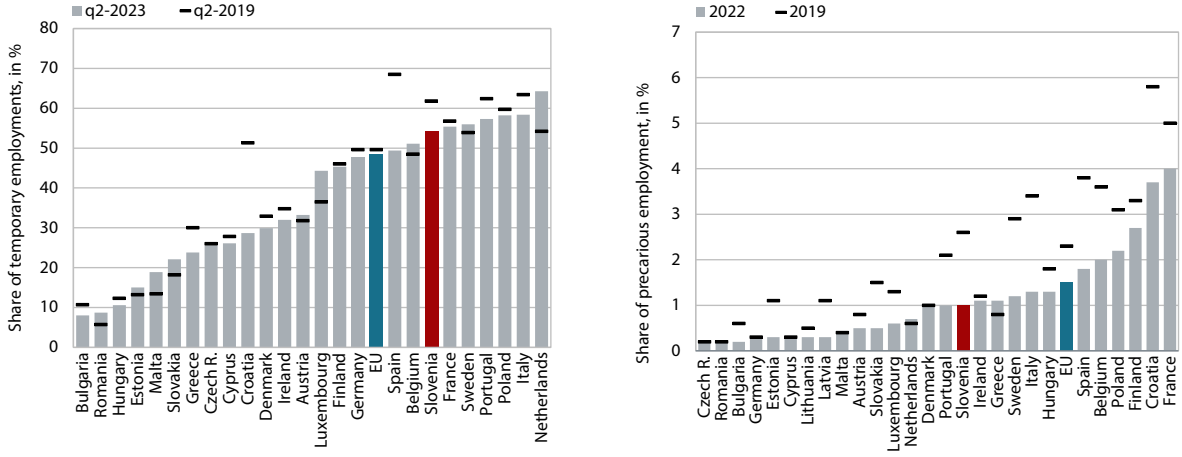
The proportion of precarious employment[1] has been declining since 2018, dropping below the EU average in 2022. This decline was particularly notable in 2021 across all EU Member States, partly due to a methodological change[2] in how persons in employment are recorded. In 2022, the share of precarious employment in Slovenia was the lowest on record (since the first calculation in 2008). The decline was less pronounced on average in the EU than in Slovenia. Despite the declining trend since 2018, precarious employment remains a significant concern, particularly for certain groups of workers (young people, the low-educated, foreign workers and others who do not have a worker representative). In an effort to address certain aspects of precarious work and labour exploitation, the Ministry of Labour, Family, Social Affairs and Equal Opportunities introduced the Working Time Records Act in 2023.

Table: Share of precarious and temporary employment in total employment (20–64 years), in %

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share of temporary employment*														
Slovenia	16.9	16.9	16.3	15.2	16.1	17.3	16.7	17.1	15.5	12.6	9.3	11.1	11.4	10.5
EU	14.1	14.4	14.1	14.0	14.3	14.8	14.7	14.9	14.7	14.1	12.1	13.1	13.4	12.5
Share of precarious employment														
Slovenia	4.3	4.8	4.4	3.9	4.1	4.6	4.2	4.5	3.7	2.4	2.5	1.4**	1.0	N/A
EU	2.3	2.4	2.3	2.3	2.4	2.5	2.5	2.5	2.4	2.6	2.3	1.5**	1.5	N/A

Sources: Eurostat (2024), SURS (2024). Notes: N/A – data not available; *Data refer to the second quarter of the year; **Break in the time series due to methodological changes.

Figure: Share of temporary employment among young people (15–24 years); share of precarious employment (20–64 years)*



Source: Eurostat (2024). Note: *2022 or latest data.

[1] The measurement of the extent of precarious work is insufficient due to the many dimensions of such work. Eurostat, for example, defines as precarious work only temporary work (with a contract of three months or less), thus highlighting only one dimension of precarity. These Eurostat data are used in our analysis because they are internationally comparable and available annually. However, elements of precarity can also be found in other forms of work.

[2] The change in methodology relates in particular to a change in the definition of persons in employment in relation to temporary layoffs. As a result of the change in methodology in early 2021, persons whose duration of the layoff was longer than three months or is expected to be longer than three months are now excluded from the total number of employed persons. They are now included either in the category of unemployed (if they are actively seeking work) or in the group of inactive persons. This has had an impact on the number of people in employment and therefore on the proportion of temporary and precarious employment.

Absence from work due to illness 3.14

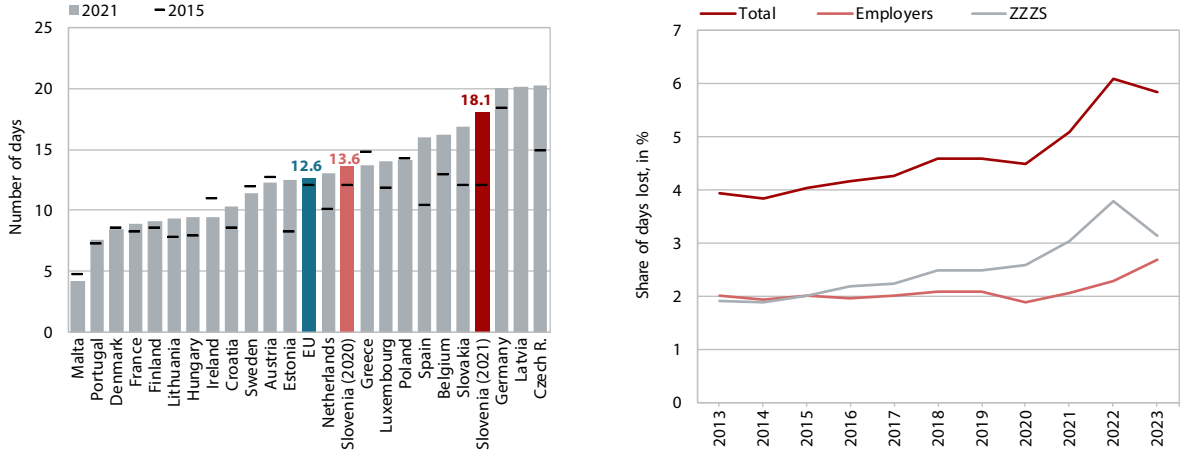
In 2023, absence from work due to illness[1] fell slightly, though it remained notably higher than pre-epidemic levels. In 2023, the proportion of working days lost due to illness fell to 5.9% (after reaching a peak in 2022 at 6.1%) (ZZZS, 2024). The share borne by the ZZZS decreased. The main reason for the decline was the lower number of COVID-19 isolations in 2023,[2] which were still the main factor behind a significant increase in absence from work in 2022. On the other hand, sickness benefits paid by the employer increased significantly in 2023, despite an amendment in force since 1 March, according to which the first 20 working days of benefit are paid by the employer (previously the first 30 days). Notably, there was a rise in the number of short-term absences from work, possibly attributable to the simplified process of obtaining a sick note via online portals or email, eliminating the need for in-person doctor visits. With the exception of 2020, absence from work due to illness has increased since 2014 due to rapid employment growth, later retirement, longer waiting times for medical examinations and an ageing workforce. Absence from work is significantly higher among women (26.7 calendar days) than among men (17.5 calendar days), with the gender gap widening from year to year. This is partly due to the high employment rate among women, who more likely to be absent from work to care for their children than men, and partly to poor regulation of long-term care (informal care is mostly provided by women). In order to improve the situation of informal carers, the possibility of taking up to five days of care leave per year was introduced (ZDR-1D, 2023). Slovenia is also above the EU average in an international comparison: in 2021 and 2022, the number of working days lost reported to international databases[3] increased significantly, to 18.1 compensated working days lost (EU-23: 12.8 years in 2020).[4] In Slovenia, the right to wage compensation for temporary absence from work is not limited in amount or duration, and the accrual rates for calculating the compensation are high compared to other countries (ZZZS, 2023).

Table: Absence from work due to illness

Indicators		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Number of days lost per employee (Internationally comparable indicator)	Slovenia	11.6	11.3	12.0	12.2	13.1	13.5	13.6	13.6	15.3	18.1
	EU*	11.7	11.7	12.0	12.2	12.2	12.6	12.6	12.8	N/A	N/A
Number of calendar days lost per employee (NIJZ)	Total	14.9	13.7	14.5	14.5	15.3	16.5	17.7	17.9	19.2	21.6
	Men	12.6	11.4	12.0	11.8	12.4	13.2	14.0	14.2	15.6	17.5
	Women	17.7	16.5	17.5	17.6	18.8	20.4	22.3	22.5	23.7	26.7
Absence rate (percentage of calendar days lost per full-time employee, in %) (NIJZ)	Total	4.1	3.8	4.0	4.0	4.2	4.5	4.9	4.9	5.3	5.9
	Men	3.5	3.1	3.3	3.2	3.4	3.6	3.8	3.9	4.3	4.8
	Women	4.8	4.5	4.8	4.8	5.2	5.6	6.1	6.2	6.5	7.3

Sources: NIJZ (2023), WHO (2023c). Notes: *Data for the 23 EU Member States is a WHO estimate; N/A – data not available.

Figure: Number of working days lost per worker;* share of working days lost**



Sources: OECD (2024d), WHO (2023c) for OECD members (Croatia, Poland, Malta, Greece and the EU average), ZZZS (2023). Notes: *Data for Portugal, Malta and Croatia refer to 2017 and data for France, Greece and the EU average refer to 2019; data for Finland and Greece is based on a survey, while data for all other countries is based on administrative data on paid absence from work due to illness. **The data in the figure on the right differs slightly from the data in the table, as the table shows the proportion of calendar days lost per employee, while the figure shows the proportion of working days lost according to the ZZZS calculation (based on NIJZ data).

[1] Absence from work due to illness, injury and other medically justified reasons is also described by the terms absenteeism, medical absenteeism, sick leave and sickness absence. The data includes all cases in which sick leave for a diagnosis was completed during the reporting year, regardless of when the sick leave began (NIJZ, 2023a).

[2] In accordance with Article 17 of the ZNUNBZ (2022), isolations due to COVID-19 were still in force until the end of March 2023.

[3] Excluding the first day of absence and absence to care for a family member.

[4] However, the international comparability of this indicator is limited because of methodological differences in data capture and differences in the health and social care systems and in eligibility criteria for sickness benefits.

Inequality of income distribution 3.15

The values of income inequality indicators (the Gini coefficient[1] and income quintile share ratio[2]) in Slovenia continue to be among the lowest in the EU. The low income inequality in Slovenia is mainly due to low wage inequality and, to some extent, redistribution through social transfers (cash benefits and subsidies). In 2023, the richest 20% of households had an income that exceeded by 3.3 times that of the poorest 20% (based on 2022 income data), which was within the SDS target for seven years in a row. Detailed data available for 2022 (based on 2021 income data) show that in most EU Member States, the income quintile share ratio (80/20) is higher for people under 65 and lower for people aged 65 and over, while the situation in Slovenia is exactly the opposite. As in Ireland, the differences between these two age groups are very small in Slovenia. However, inequality among people aged 65 and over was still higher in Slovenia than in six other EU Member States, while among people under 65 it was the lowest in the EU. The poorest fifth of households accounted for around a tenth of total disposable income, while the wealthiest fifth accounted for a third.

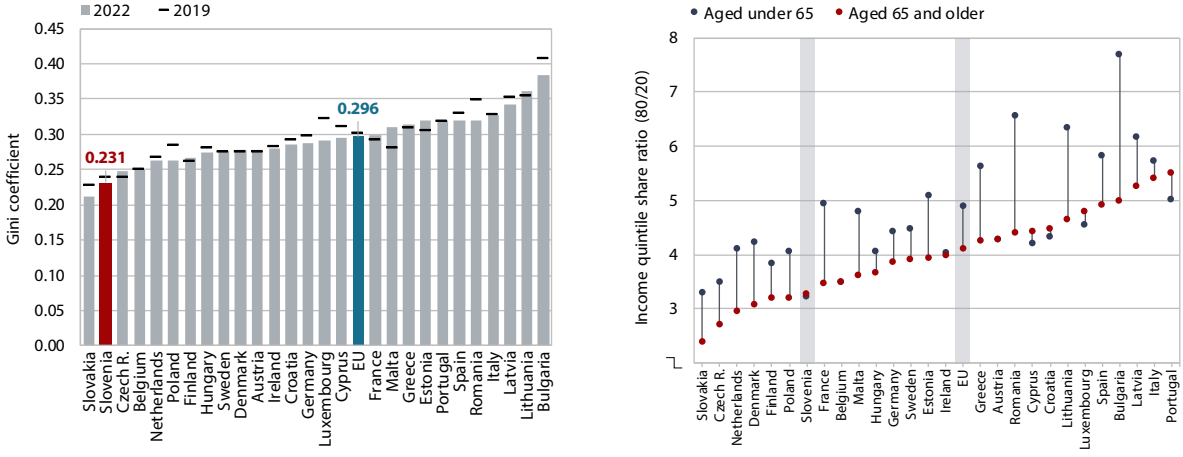
Despite various crises in 2008–2022, changes in inequality of income distribution were smaller in Slovenia than the EU average. Inequality of income distribution increased slightly in 2009–2014, due to the beginning of the global financial crisis and the subsequent adoption of austerity measures. In 2015, with the rapid growth in economic activity, the phasing out of austerity measures and the rapid increase in the minimum wage, income inequality began to fall again. Unlike the EU average, the first year of the COVID-19 crisis did not affect inequality in Slovenia. However, in 2022 (based on 2021 income data), inequalities saw a slight rise, while they decreased on average across the EU. Similar movements for Slovenia are also indicated by the most commonly used measure of economic inequality, the Gini coefficient, which increased slightly, reaching 0.234 in 2023 (based on 2022 income data) (SURS, 2024b).

Table: Inequalities of equivalised disposable income distribution, income quintile share ratio 80/20

	2005	2010	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Slovenia	3.4	3.4	3.6	3.6	3.4	3.4	3.4	3.3	3.2	3.3	3.3	< 3.5
EU	N/A	4.9	5.2	5.2	5.0	5.1	5.0	4.9	5.0	4.7	N/A	

Sources: Eurostat (2024), SURS (2024b), EU-SILC 2023 (based on 2022 income data). Note: N/A – data not available.

Figure: Inequalities of equivalised disposable income distribution, measured by the Gini coefficient (left) and the 80/20 income quintile share ratio by age, 2022 (right)



Source: Eurostat (2024).

[1] The Gini coefficient is a measure of statistical dispersion based on the 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, 2021c).

[2] The income quintile share ratio (80/20) is the ratio between the equivalent disposable incomes of the persons in the highest and the lowest income quintile classes (the ratio between the income of the fifth of the population with the highest income and the fifth of the population with the lowest income) (Intihar, 2020).

Median equivalised disposable income 3.16

In terms of median equivalised disposable income (EDI), Slovenia still ranks in the middle of the EU Member States. The strong growth in median EDI until 2009 was followed by a period of decline or low growth (2010–2014) as a result of reduced economic activity during the global financial crisis, austerity measures (the ZUJF and ZUPJS) and changes in the allocation of transfers (ZSVarPre), which reduced the equivalised disposable income and thus its median value. With the revival of economic activity (2014–2019) and gradual abandonment of austerity measures, the median EDI in Slovenia and the EU gradually increased, which contributed to the improvement in the living standard of the population. Supported by intervention measures, the growth of the median EDI in Slovenia continued during the COVID-19 crisis, and in 2022 (calculated on the basis of 2021 income) it exceeded the EU average in PPS per capita for the first time.

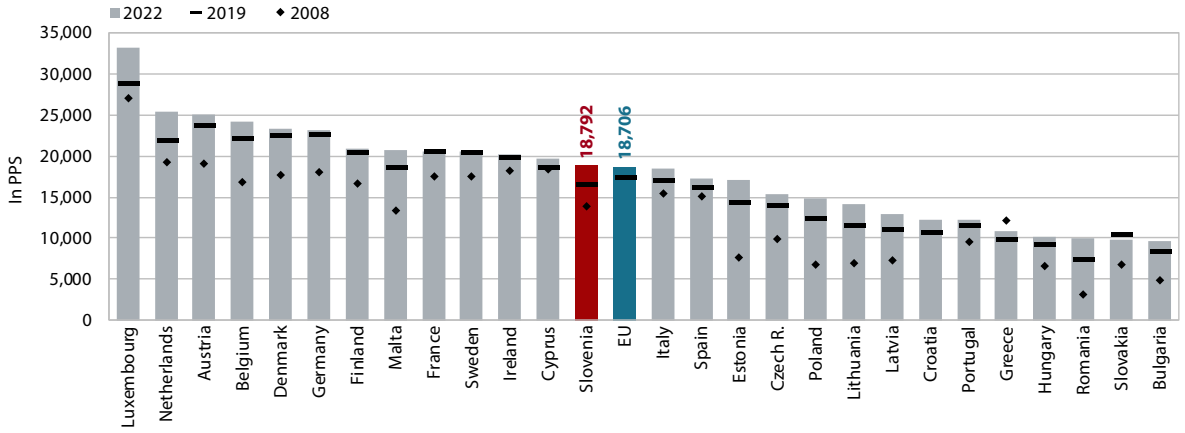
For people aged 65 and over, the median EDI still lags behind the national average, despite experiencing growth from 2019 to 2022, with slightly larger gender differences than on average in the EU. The increase in median EDI in euros in 2010–2022 was greater in Slovenia than the EU average. As expected, persons in employment in the 18–64 age group recorded the highest EDI in both Slovenia and the EU. The median EDI of the age group of 18 and under is similar to the total EDI, which is mainly a result of policies for protecting the material well-being of children and young people in Slovenia. The median EDI of those aged 65 and over was lowest up to and including 2018, mainly due to the modest increase in the average pension. However, following a significant increase in the average pension, the median EDI for this age group increased significantly in 2019–2022, although it was 16.6% below the overall national average, which is a larger gap than on average in the EU (8.9%). Over the period 2010–2022, the increase in median income for those with a high level of education was significantly lower than that for those with lower and upper secondary education. This was influenced by the progressive reduction in public sector wages during the fiscal consolidation period (2013) and by an increase in the share of young people with tertiary education employed in jobs requiring at most upper secondary or lower level education (see Section 2). The gender gap in Slovenia was slightly larger than the EU average (the median EDI for women was 4.3% lower than for men; EU: 3.6%).

Table: Median equivalised disposable income*

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Slovenia	Amount in EUR	11,736	11,999	12,122	11,852	11,909	12,332	12,327	12,713	13,244	14,067	14,774	15,415	16,544
	Real growth (in %)	-1.9	0.1	-1.1	-4.9	-1.4	3.1	0.8	3.3	2.5	4.2	3.3	4.7	5.2
EU	Amount in EUR	14,521	14,652	14,924	14,962	15,101	15,422	15,847	16,281	16,832	17,325	18,296	18,368	19,083
	Real growth (in %)	N/A	-0.9	-1.0	-2.3	-0.4	1.7	2.7	2.5	1.8	1.1	4.1	-0.3	1.0

Sources: Eurostat (2024), EU-SILC 2022 (based on 2021 income data); calculations by IMAD. Notes: *The median EDI of a given year is based on the income of the year preceding the year of publication, meaning that the growth for the year of publication is deflated by the price index of the previous year; N/A – data not available.

Figure: Median equivalised disposable income, in purchasing power standard (PPS)



Sources: Eurostat (2024), EU-SILC 2022 survey (based on 2021 income data). Notes: Data for 2008 for Croatia and the EU average is not available. Data for the EU average (in PPS) is available from 2018. Data for the EU is the Eurostat estimate of the average.

At-risk-of-poverty or social exclusion rate 3.17

The at-risk-of-poverty or social exclusion (AROPE) rate, which is among the lowest in the EU, increased slightly in the last two years and it remains significantly higher than the EU average for some vulnerable groups. According to the 2023 EU-SILC survey, which is based on 2022 income data, the AROPE rate increased by 0.4 p.p. and was the same as in 2019. The at-risk-of-poverty rate[1] and the severe material and social deprivation rate increased (by 0.6 p.p. each) (see Section 3.3), while the very low work intensity rate remained unchanged. In 2023, around 287,000 people were at-risk-of-poverty or social exclusion, meaning that Slovenia has moved away from the EPSR 2030 target (less than 270,000 people). The AROPE rate for children has been the lowest in the EU for the last four years, while it has been steadily increasing for children of less educated parents, especially for children up to the age of six, which according to the latest data in Slovenia was the highest of all EU Member States. The AROPE rate for the older population also remains above average, increasing the age-related risk gap. The COVID-19 crisis led to a sharp increase in social exclusion in the Obalno-Kraška statistical region in 2021 and 2022 (see Section 3.3.).

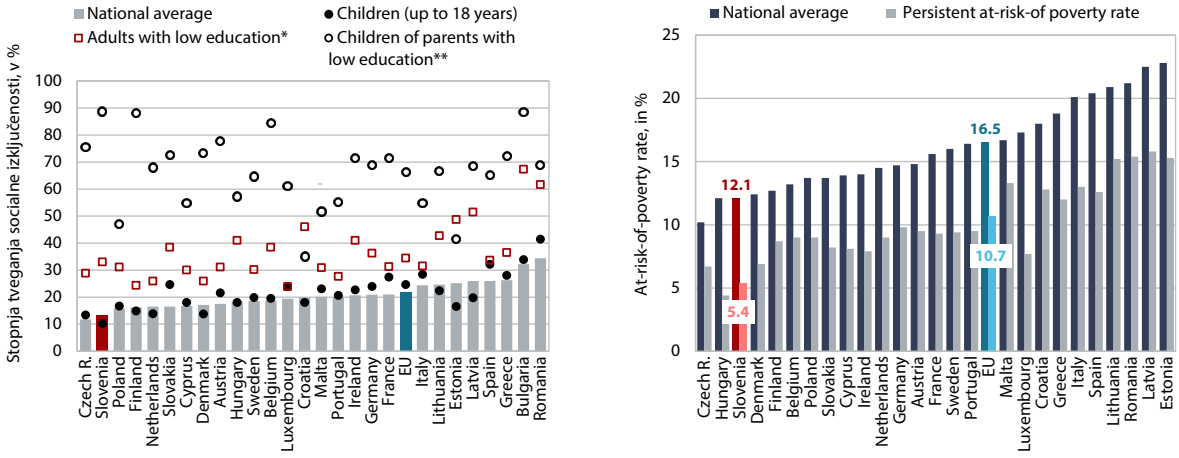
The at-risk-of-poverty rate in 2023 rose above the 2019 level, the risk of long-term poverty has risen sharply and the situation of vulnerable groups in society remains a pressing problem. In 2023 (based on 2022 income data), 264,000 people lived below the at-risk-of-poverty threshold.[2] The significant decrease in the long-term at-risk-of-poverty rate[3] in 2022 (by 23,000 persons) was followed by a marked increase in 2023 (to 123,000 persons). According to the latest internationally comparable data from 2022, certain population groups are still at higher risk of poverty than the EU average, in particular single-person households, pensioners, persons aged 55–64, people with low levels of education, tenants, households with low labour intensity, households with severely disabled children and others (see Section 3.3). However, due to the limitations of the EU-SILC survey (IMAD, 2021a), we assume that these statistics do not show the increase in poverty in certain social groups, in contrast to some other analyses: the number of homeless people has been rising for several years, while hardship for foreign workers and migrants is increasing, as highlighted by humanitarian and other organisations and national expert institutions, which also point to the risk of poverty for people with disabilities, the intergenerational transmission of poverty, hidden poverty, and the lack of monitoring and targeted action by the state (EAPN, 2022; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022; Court of audit of the RS, 2021b; Ombudsman, 2023a).

Table: The AROPE rate, in %

	2015	2016	2017	2018	2019	2020	2021	2022	2023	EPSR 2030 target*
Slovenia	17.7	16.9	16.6	15.4	13.7	14.3	13.2	13.3	13.7	< 270,000 persons
EU	24.0	23.7	22.4	21.7	21.1	21.6	21.7	21.6	N/A	A reduction by 15 million persons compared to 2019.

Sources: Eurostat (2024), SURS (2024b), EU-SILC 2023 (based on 2022 income data). Note: A new target was adopted in 2021 to monitor the achievement of ESSP objectives and the measurement methodology was changed.

Figure: The AROPE rate (left) and the at-risk-of poverty rate (right), 2022 (based on 2021 income)



Source: Eurostat (2024). Notes: *with less than primary, primary and lower secondary education (levels 0–2); **children up to the age of 6 whose parents have less than primary, primary or lower secondary education; Data on long-term poverty (figure on the right) for the EU average and Germany refer to 2020 and for Portugal to 2021.

[1] The share of persons living in households with an equivalised disposable income below 60% of the median equivalised disposable income of all households, taking into account the so-called adjusted OECD equivalence scale.

[2] In 2023, people living below the at-risk-of-poverty threshold were those whose net disposable income per adult equivalent was below EUR 903 per month (SURS, 2024b).

[3] The percentage of people living below the at-risk-of-poverty threshold in the current year and in at least two of the previous three years.

Material, social and income deprivation 3.18

The severe material and social deprivation rate,[1] which decreased rapidly in 2015–2022, increased in 2023; the prevention of absolute poverty[2] remains a challenge for Slovenia and other EU countries. Since the last revision of the methodology for measuring (severe) material and social deprivation (MSD), which makes the data comparable since 2015, the rates in Slovenia have fallen more sharply than the EU average and reached their lowest level in 2022. In 2023, however, the severe MSD increased (to 2.0%), although it remained lower than before 2020. Around 41,000 people were severely materially and socially deprived and around 10,000 people were exposed to all three forms of social exclusion. Households whose income does not cover the minimum cost of living (absolute poverty) are entitled to social and material assistance: in 2023, an average of 75,572 people were entitled to financial social assistance (FSA), 10,521 to extraordinary FSA[3] and 25,716 to the income supplement among older persons in need (MDDSZ, 2024a). Entitlement and the amount of support (the threshold) depend on the amount set by law every six years, based on the basic amount of minimum income (BAMI).[4] Adequate levels of these social transfers, which must be targeted at those that are unable to provide for themselves, are important to prevent absolute poverty and preserve human dignity (see Section 3.3). Around 150,825 people receive material aid in the form of food and clothing every year, mainly women and children up to the age of 15.

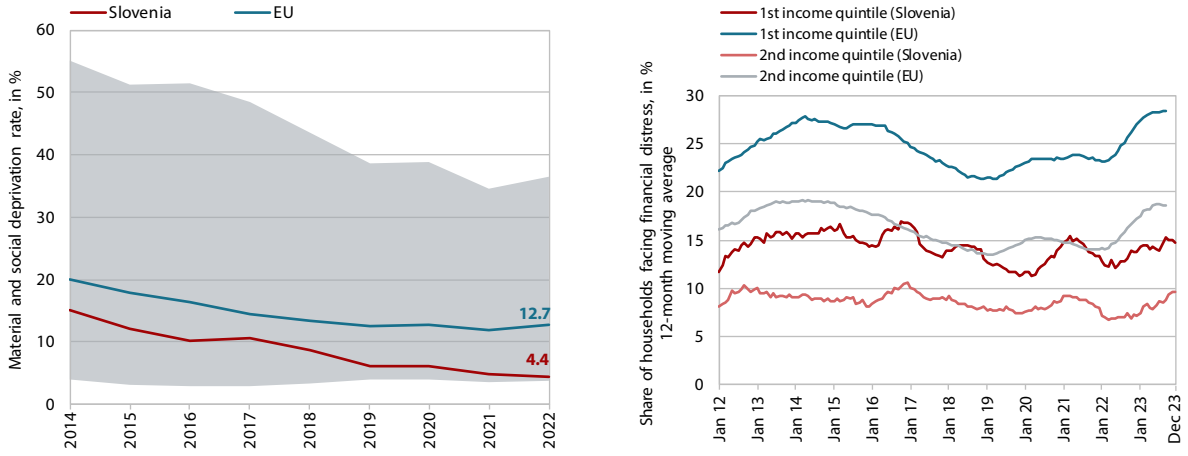
Due to rising prices, the proportion of households in the lowest income quartile facing financial distress in 2023 has approached the level of early 2021, but it remained well below the EU average, where the situation of poor households has deteriorated the most in the last decade. The epidemic and elevated inflation have also led to a deterioration in the financial situation of Slovenian households, which the state tried to contain with numerous measures.[5] As a result of rising prices, the proportion of households in the lowest income quartile that are running into debt or having to draw on savings increased in 2023, but it did not exceed the 2017 peak (see Section 3.3). In 2023, households facing financial distress continued to cover their financial needs to a greater extent by drawing on savings, and the proportion of households running into debt increased slightly.

Table: (Severe) material and social deprivation rate (MSD), in %

	Slovenia									EU								
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2015	2016	2017	2018	2019	2020	2021	2022	2023
MSD rate	12.1	10.1	10.6	8.8	6.1	6.1	4.8	4.4	N/A	17.9	16.4	14.5	13.5	12.8	12.8	11.9	12.7	N/A
Severe MSD rate	4.8	4.1	4.5	3.2	2.2	2.6	1.8	1.4	2.0	9.7	9.0	7.9	7.1	6.7	6.8	6.3	6.7	N/A

Sources: Eurostat (2024), SURS (2024b), EU-SILC 2023 (based on 2022 income data). Note: *N/A – data not available.

Figure: MSD rate (left); the financial situation of the poorest households (right)



Sources: Eurostat (2024), EU-SILC 2022 (based on 2021 income data), EC (2023g), SURS (2024), Consumer Opinion Survey. Note: The shaded area shows the range between the EU Member States with the lowest and the highest indicator values.

[1] The material and social deprivation rate is the percentage of people facing at least five out of 13 deprivation items and the severe material and social deprivation rate is the percentage of those facing at least seven out of 13 deprivation items according to the EU Statistics on Income and Living Conditions (see Section 3.3).

[2] Absolute poverty means the inability to meet the minimum basic requirements of living, determined on the basis of nutritional and other basic needs, which constitute the subsistence minimum. The government mitigates it through curative measures and programmes (social assistance benefit in cash, income support, in-kind benefits, food aid, and social assistance services and programmes) (for more information, see ReNPSV22–30, 2022).

[3] The year-on-year increase in the number of extraordinary FSA beneficiaries was around 22.9% in December 2023 due to the floods (MDDSZ, 2024a).

[4] According to the last calculation in October 2022, BAMI amounted to EUR 488.58 per month; EUR 421.89 was paid until March 2023 and EUR 465.34 for the rest of the year. The adjustment in March was thus 10.3% and, given the high inflation rate, also one of the highest ever.

[5] Measures during the epidemic, followed by an energy allowance for the poorest households (recipients of social assistance benefit in cash and income support and disabled people), a dearness allowance for families with children, an income supplement for pensioners, a cap on energy prices and aid to mitigate the consequences of the floods.

Social protection expenditure 3.19

Expenditure on social protection[1] in Slovenia increased in 2020 and 2021 as a result of the epidemic (by 14.2% and 6.5% respectively in nominal terms), with the increase being higher than the EU average (where it increased by 8.3% and 2.4% respectively). In Slovenia, it amounted to EUR 13.1 billion but still lagged behind the EU average, measured as a share of GDP and in purchasing power standards (PPS) per capita (in 2008–2020, it was on average 4.9 p.p. per year lower than the EU average). In PPS per capita, expenditure on social protection reached 72.1% of the EU average in 2021, the highest level since 2009. After the 2008 financial crisis, it fell in relation to the EU due to austerity measures and the introduction of new social legislation,[2] reaching its lowest level in 2016 (66.2% of the EU average in PPS per capita). In terms of individual expenditure areas, Slovenia's expenditure on the poorest (i.e. expenditure on social exclusion not elsewhere classified) was closest to the EU average, with the level of spending in the period 2008–2021 in Slovenia in PPS per capita almost matching the EU average. The expenditure group that came second closest to the EU average was expenditure on sickness and healthcare (2021: 85.6% of the EU average; 2008–2021: 81.6%).

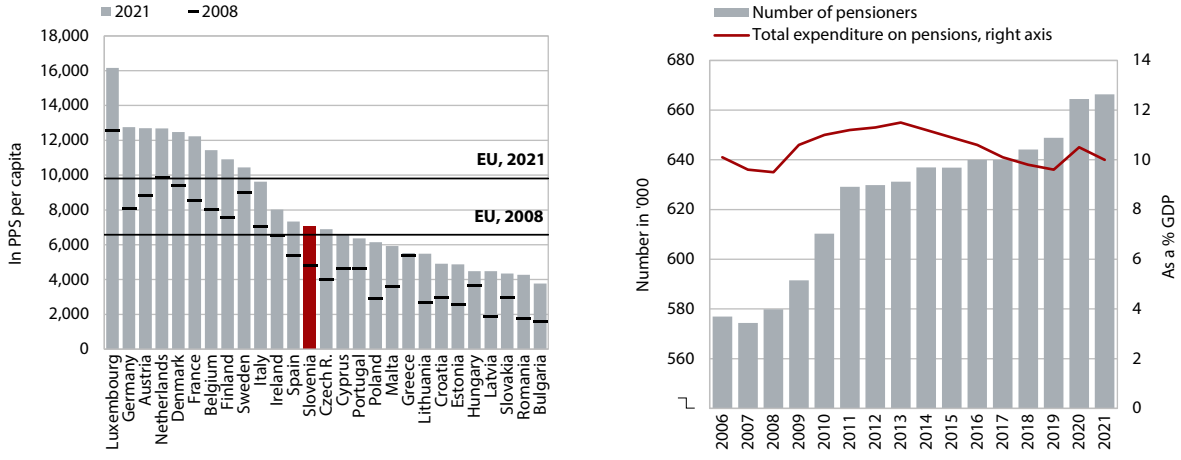
Old age and sickness/healthcare account for the largest share of social protection expenditure both in Slovenia and elsewhere in the EU, with expenditure on unemployment benefits increasing significantly during the epidemic. In 2021, Slovenia spent 37.9% (EU: 38.1%) on old age and 33.8% (EU: 28.5%) on sickness/healthcare. Expenditure on the former has risen in recent years due to increasing expenditure on pensions[3] (however, as a percentage of GDP, expenditure has not shown an upward trend). Expenditure on sickness/healthcare has increased due to higher expenditure on healthcare (see Indicator 3.8) and on sickness benefits (see Indicator 3.14). In 2020, family/children accounted for the third largest category in expenditure structure both in the EU (7.9%) and in Slovenia (7.4%). Due to the intervention measures taken during the epidemic (reimbursement of wage compensation – temporary lay-off, reimbursement of compensation for part-time work, temporary cash benefits, etc.), unemployment expenditure more than tripled in 2020 and further increased by 14% in 2021.[4] Its share was almost three times larger than in 2019 but remained lower than the EU average (6.3%, 2019: 2.3%; EU: 7.3%, 2019: 4.5%).

Table: Social protection expenditure, as a % of GDP

	2000	2005	2008	2010	2012	2014	2016	2018	2019	2020	2021
Slovenia	23.8	22.7	21.0	24.4	24.7	23.9	23.2	22.2	22.2	26.2	25.1
EU	N/A	N/A	26.0	29.6	28.7	28.9	28.5	27.9	28.0	31.6	29.9

Source: Eurostat (2024). Note: N/A – data not available.

Figure: Social protection expenditure, in PPS per capita (left); the number of pensioners and expenditure on old age as a share of GDP according to the ESSPROS methodology (right)



Source: Eurostat (2024).

[1] According to the ESSPROS methodology, expenditure covers the following categories: sickness/healthcare, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified (Černič, 2020). See also IMAD (2021b, 2022d).

[2] In particular the adoption of the ZUPJS (2010) and the ZUJF (2012).

[3] Indexation of the guaranteed pension introduced in 2017 and its increases, the law adopted in 2020 to gradually equalise the accrual rates for men and women and the payment of solidarity surcharges for pensioners in 2020 and 2021 (paid in January 2022 but booked in 2021), and the growth in the number of beneficiaries, which nevertheless has remained moderate since the last reform.

[4] The unemployment rate (registered and survey) has been declining since 2021.

Housing costs and housing deprivation rate 3.20

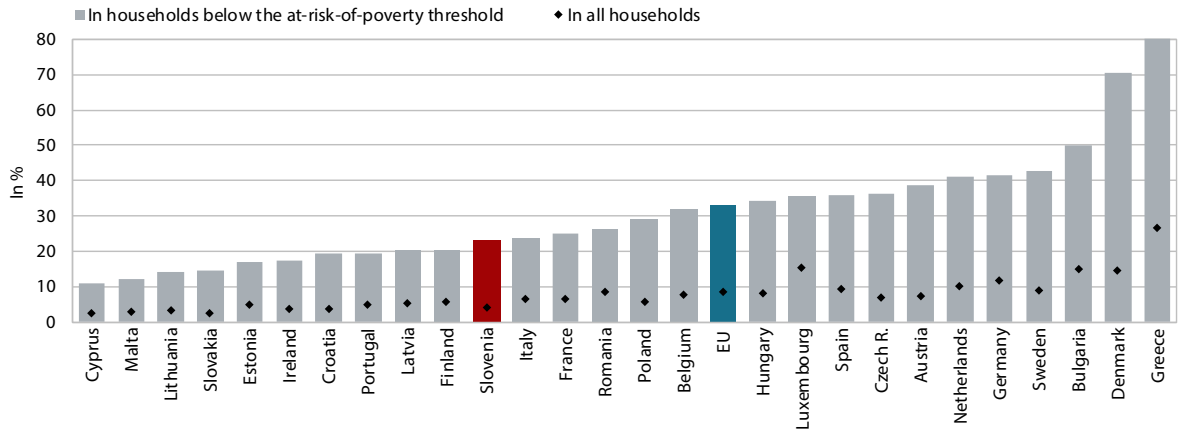
Housing costs in Slovenia are lower than the EU average due to a high share of owner-occupied flats; similar to the situation across the EU, the burden is highest for people in households below the at-risk-of-poverty threshold. After falling for several years, the housing cost overburden rate[1] remained unchanged at 4.1%[2] in 2022, which is less than half the EU average (8.7%). Nevertheless, in households below the at-risk-of-poverty threshold, it increased by 2.2 p.p. to 23.1%[3] (EU: 33.1%). In Slovenia, more than three-quarters of dwellings is owner-occupied (EU: 69.1% in 2022). As a result, housing costs tend to be lower. Tenants who pay rent at the market price were the most overburdened in 2022 (17.9%; EU: 20.8%), but their costs have fallen since 2016. Housing costs are also influenced by the quality and size of dwellings. Slovenia has a low level of severe housing deprivation (SHD)[4] compared to other EU countries, but one of the highest levels of housing deprivation (HD),[5] although this has decreased since 2014. In 2022, 18% of all households[6] and 27% of households in the lowest income quintile lived in poor housing conditions, with the highest proportion, almost a quarter of all households, in the Pomurska region and Jugovzhodna Slovenia. For several years, the situation has been most severe for pensioners. They often own homes that are too large and/or in poor condition, which can lead to excessive maintenance costs (Kump and Stropnik, 2022). One of the main reasons for poor housing condition is the old and poorly maintained housing stock. About 80% of dwellings were built before 1990 and only about 2% (17,232 dwellings) between 2016 and 2021, with the highest share in the Osrednjeslovenska region and the lowest in the Zasavska region.

Table: Housing deprivation (HD) rate and severe housing deprivation (SHD) rate, in %

	Slovenia								EU							
	2016	2017	2018	2019	2020	2021	2022	2023	2016	2017	2018	2019	2020	2021	2022	2023
HD	23.8	22.0	22.7	20.6	20.8	20.0	18.0	19.0	15.2	13.1	13.6	12.7	14.8	N/A	N/A	N/A
SHD	4.5	4.4	4.8	3.9	3.1	N/A	N/A	N/A	5.1	4.5	4.3	4.0	4.3	N/A	N/A	N/A

Sources: Eurostat (2024), SURS (2024), EU-SILC 2023 (based on 2022 income data). Notes: N/A – data not available. The data on severe housing deprivation for the EU is the Eurostat estimate.

Figure: Housing cost overburden rate, 2022, in %



Source: Eurostat (2024), EU-SILC 2022 (based on 2021 income data).

[1] The percentage of population living in a household where total housing costs represent more than 40% of the household's total disposable income. This includes the total annual housing costs of a household (interest on a loan or mortgage, rent, insurance, the costs of regular maintenance and repairs, utilities (water, electricity, gas and heating), sewerage removal, waste removal, etc.), net of housing allowances (Stare et al., 2023).

[2] The latest figure for 2023 is even lower for Slovenia (3.7%) (SURS, 2024b).

[3] The latest figure for 2023 for Slovenia is 20.6% (SURS, 2024b).

[4] The percentage of population living in the dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures, i.e. (i) poor housing conditions, (ii) lack of a bath or shower in the dwelling, (iii) lack of an indoor flushing toilet for the sole use of the household, and (iv) a dwelling considered too dark (Eurostat, 2024).

[5] The percentage of population living in poor housing conditions (leaking roof, damp walls/foundations/floors or rot in window frames/floors) (Eurostat, 2024). Data do not include homeless people, while Roma and other low-income groups often living in poor housing conditions are insufficiently included (IMAD, 2021a).

[6] New 2023 EU-SILC data point to a slight increase – by 1 p.p. (SURS, 2024b).

Experience of discrimination 3.21

Following a gradual decline from 2009 to 2019, the share of people who reported experiencing discrimination or harassment[1] moved away from the SDS target in 2023, yet it remained among the lowest in the EU. The most commonly cited reasons for discrimination were age (4%), gender (3%) and general physical appearance (3%).[2] Discrimination on the grounds of disability, religion or beliefs, political opinion, or socio-economic situation was reported by 2% of respondents, discrimination on the grounds of ethnic origin or skin colour by 1% of respondents.[3] In general, discrimination based on most of the aforementioned personal circumstances was below the EU average, while discrimination on the grounds of general physical appearance, disability, and religion or belief was as common as the EU average. Experience of discrimination was more frequently reported by individuals who considered themselves as being part of a minority group.[4] Notably, both in Slovenia and across the EU, the share of respondents who felt discriminated against based on age rose the most compared with 2019 (by 2 p.p.). This emphasises the urgent need to step up efforts to combat ageism, which is reflected in social norms, policies and practices of institutions that unfairly restrict opportunities and systematically disadvantage individuals because of their age (EESO, 2023; WHO, 2021).

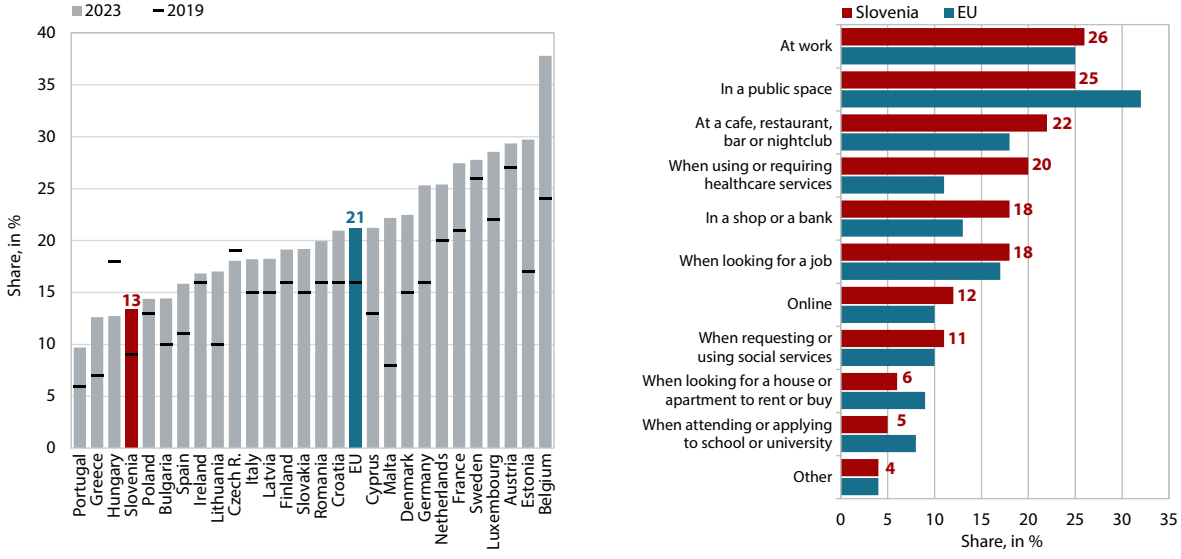
In Slovenia, the most mentioned circumstances where people felt discriminated against were at work and in a public space, with the largest disparity from the EU average observed in access to healthcare services. In 2023, 26% of respondents stated they had experienced discrimination at work, a decrease since 2019 (33%) and roughly in line with the EU average. Discrimination at work was experienced by 29% of men and 22% of women and was most frequently reported by the 25–34 age group. A lower proportion of respondents in Slovenia (25%) reported discrimination in a public space than the EU average (32%). In Slovenia, the proportion of the population who felt discriminated against when using or requiring healthcare services was 20%, one of the highest in the EU.[5] Significantly more women (27%) than men (12%) reported experiencing this type of discrimination, with respondents in the 65–74 age group being the most affected.

Table: Total share of those who have experienced some form of discrimination or harassment, in %

	2009	2012	2015	2017	2019	2023	SDS 2030 target
Slovenia	16	12	13	10	9	13	< 10
EU	16	16	21	16	16	21	

Sources: Eurobarometer (2009, 2012, 2015, 2018a, 2019, 2023e).

Figure: Total share of those who have experienced some type of discrimination or harassment (left); the most frequent time and place cited by persons who felt discriminated against,* 2023 (right)



Source: Eurobarometer (2023e). Note: *There were several possible answers.

[1] The source of the data is Eurobarometer, which is based on public opinion polls on the following question: "In the past 12 months, have you personally felt discriminated against or experienced harassment on one or more grounds?"

[2] In the EU, the most frequently given reasons for discrimination or harassment were age (6%) and gender (5%).

[3] No Slovenian respondents reported feeling discriminated against based on their sexual orientation or gender identity. However, this could stem from respondents' potential discomfort in discussing sexual orientation or gender identity with the interviewer (Eurobarometer, 2023e).

[4] Among those who reported experiencing discrimination (13% of respondents), only 12% stated that they did not belong to a minority group.

[5] Only in Estonia was the proportion higher (22%) than in Slovenia, while the proportion in Lithuania was the same as in Slovenia. The average proportion in the EU was 11%.

4 A well preserved and healthy natural environment

A low-carbon circular economy

Sustainable and efficient natural resource management

Emission productivity 4.1

Greenhouse gas (GHG) emissions fell as expected during the epidemic due to lower economic activity, then rose slightly with the economic recovery, and in 2022 fell to their lowest level in two decades due to lower coal consumption in the thermal power plant. They amounted to 15.6 million tonnes of CO_2 equivalent. This was 2.8% less than a year earlier, 1.9% less than in 2020 and 24.2% less than the peak in 2005. The main reasons for the overall annual decrease were lower emissions from the energy sector (by 19%), due to lower coal consumption in the thermal power plant during the energy crisis, and from industrial processes (by 7%). Emissions from most other sectors also decreased. Emissions from two sectors increased: transport, which accounts for about one-third of emissions (by 11%), to 5.8 million tonnes of CO_2 equivalent, and industrial fuels (by 2%). Emissions from the EU ETS sectors, which have been declining more sharply over the longer term, fell by 14%. In contrast, emissions from non-EU ETS sectors increased by 3.5%. According to Eurostat (2024) estimates, the overall decline continued in the first half of 2023. According to these estimates, emissions also fell in the EU, both in 2022 and in the first half of 2023.

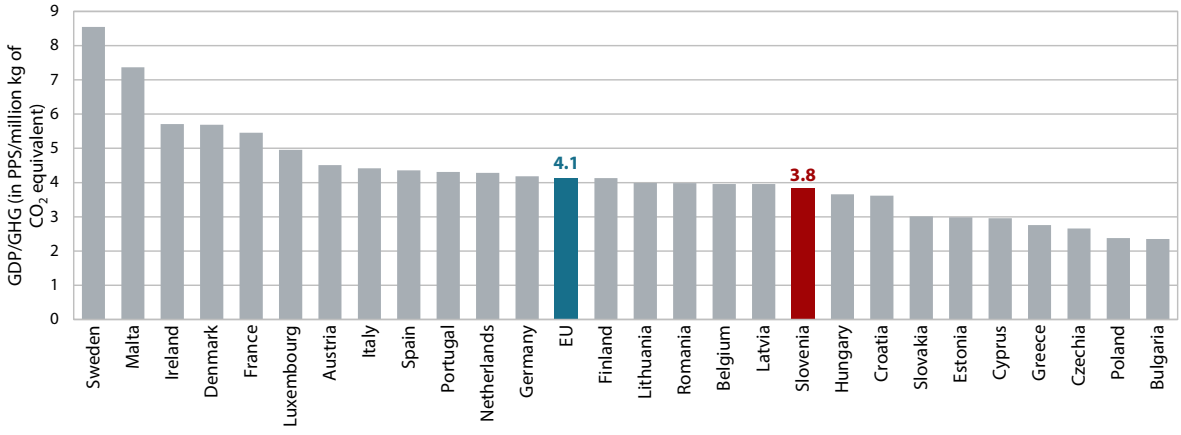
Due to lower emissions and due to economic growth, emissions productivity rose again in 2022 but was below the EU average, although the gap narrowed by 4.4 p.p. to 7.4% in 2021. Productivity growth, as measured by the ratio of GDP to GHG emissions, which had stalled in 2008–2014 with the global financial crisis, has since accelerated in Slovenia and at the EU level and was also higher in 2022. In 2021, the gap with the EU average narrowed (latest available data). In that year, Slovenia generated 7.4% less GDP per unit of GHG emissions than the EU average, which is the smallest gap in the period analysed since 2005. According to preliminary estimates, this gap persisted in 2022.

Table: GHG emissions and emission productivity

		2005	2008	2010	2014	2015	2017	2018	2019	2020	2021	2022	Targets
GHG emissions, index 2005=100													**EU 2020 target**
Total	Slovenia	100.0	105.3	95.9	81.0	81.9	86.5	85.6	83.2	77.3	78.0	75.8	-
	EU	100.0	97.2	92.2	83.5	84.5	85.4	83.7	80.3	72.4	76.3	N/A	80.0
ETS	Slovenia	100.0	101.6	93.2	70.1	70.1	75.3	74.4	71.7	69.9	65.1	55.7	-
	EU	100.0	95.4	87.1	78.7	79.1	78.2	76.0	69.4	59.2	63.6	N/A	
Non-ETS	Slovenia	100.0	108.1	97.8	88.9	90.5	94.7	93.8	91.7	82.7	87.4	90.5	< 104.0
	EU	100.0	98.8	96.7	87.7	89.4	91.8	90.5	90.0	84.2	87.7	N/A	
Emission productivity, in PPS/million kg of CO_2 equivalent													**SDS 2030 target**
Slovenia		1.9	2.1	2.2	2.7	2.7	2.9	3.1	3.4	3.5	3.8	4.2	average EU
EU		2.1	2.5	2.6	3.0	3.1	3.3	3.5	3.8	4.0	4.1	N/A	
Slovenia /EU, index		92.0	87.0	85.0	89.8	89.2	88.0	89.1	89.9	88.2	92.6	-	

Sources: Eurostat (2024), ARSO (2024c); calculations by IMAD. Notes: Data for 2022 is preliminary. A meaningful comparison in PPS with the EU average can only be made for individual years and not for a longer time period. N/A – data not available.

Figure: Emission productivity, 2021



Source: Eurostat (2024); calculations by IMAD.

Energy efficiency 4.2

Primary energy consumption, which had initially increased after falling during the epidemic, decreased again in 2022, due to the energy crisis. After a decline during a period of subdued economic activity in 2009–2013, changes in thermal power generation[1] and reduced demand for heating in certain years, the development was affected not only by rising energy consumption in transportation, but also by other factors. These include, in particular, the annual river level fluctuations and the schedule of regular overhauls at the nuclear power plant.[2] In 2019, energy consumption declined again as economic growth slowed, followed by an even sharper decline in 2020, when containment measures were in place, with the decline being most pronounced in transportation. *Energy efficiency* thus improved, also due to the lower activity during the two crises (the 2009 global financial crisis and the 2020 COVID-19 crisis), which made it easier for Slovenia to meet the targets for both primary and final energy consumption.[3] As the containment measures were gradually lifted, energy consumption in transportation increased sharply (by 14%) in 2021, contributing most to the increase in total energy consumption. In 2022, however, total energy consumption fell by more than 2% despite the continued strong growth in transport. Due to lower power plant output as a result of drought and coal savings, energy consumption for transformation (conversion of coal and hydropower into electricity) fell sharply. Industrial and household consumption were also lower, due to high energy prices (especially for gas and electricity).

The gap in energy productivity between Slovenia and the EU average widened by 2 p.p. to 9% in 2022. The growth in energy productivity (the ratio of GDP[4] to gross available energy) halted only briefly in the early years of the global financial crisis and was one-fifth below the EU average in 2011. Since then, it has mostly grown faster than the EU average, so Slovenia's gap has narrowed, especially in 2021, when GDP growth was higher (post-COVID recovery), while energy consumption growth was half that of the EU average. In 2021, the gap was around 7%, the lowest level since 1995, but it rose to 9% in 2022. We assume that amid GDP growth and lower energy consumption, energy productivity improved further in 2023.

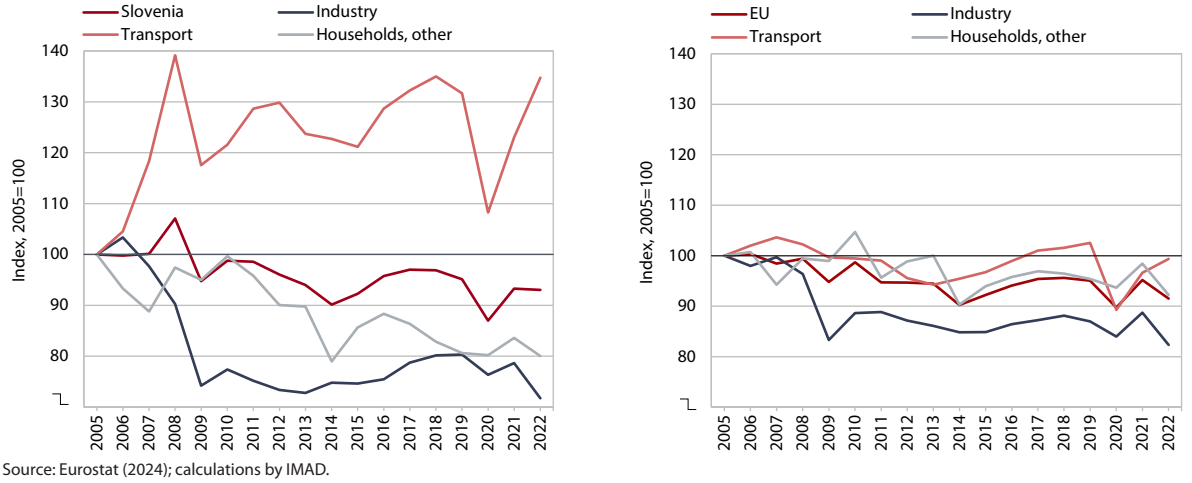
Final energy consumption,[5] which has been decreasing since 2005 at a rate similar to the EU average, also fell slightly in 2022, although the decline in Slovenia was less pronounced. In the industry sector, where it had been falling since 2008, mainly due to the modernisation of aluminium production, it had risen in recent years before falling in 2022 in the context of the energy crisis, reaching its lowest level in the analysed period. Household consumption also decreased, as a result of milder winters, energy renovation of buildings, installation of heat cost allocators and more efficient heating appliances. Consumption in the transport sector, which rose due to increased transit following EU enlargements, remained high despite fluctuations,[6] then declined during the epidemic, followed by an even sharper increase in 2021 and 2022.

Table: Primary energy consumption, index, 2005=100

	2000	2005	2008	2010	2015	2016	2017	2018	2019	2020	2021	2022	EU 2020 target
Slovenia	87.2	100.0	106.6	97.0	87.5	90.3	92.8	91.7	90.0	84.8	87.4	85.4	98.3
EU	93.2	100.0	99.4	97.4	90.4	91.1	92.5	92.0	90.4	82.5	87.5	83.9	87.6

Sources: Eurostat (2024), EC Energy Efficiency, Reporting Targets; calculations by IMAD.

Figure: Final energy consumption in Slovenia (left) and the EU (right) by sector of consumption



Source: Eurostat (2024); calculations by IMAD.

[1] The Šoštanj thermal power plant was technologically modernised (with TEŠ 6), while the Trbovlje thermal power plant was shut down.
[2] Every third year there is no regular (monthly) overhaul, which means 10% more nuclear power generated (and 2 p.p. higher primary consumption).
[3] One of the three environmental targets from the Europe 2020 strategy is to improve energy efficiency, i.e. to reduce energy consumption by 20% relative to business-as-usual projections. Most EU Member States thus had to reduce their energy consumption by 2020.
[4] For comparisons over time, GDP at fixed prices is used, while for comparisons between countries in individual years, GDP in PPS is used.
[5] Final energy consumption means primary energy consumption excluding energy used in transformations and in the energy sector and excluding losses.
[6] See also Indicator 4.5. In 2022, energy consumption in road transport contributed 41% to final energy consumption in Slovenia and only 29% in the EU.

Share of renewable energy sources 4.3

The share of renewable energy sources (RES) in final energy consumption, which had been rising only modestly in Slovenia after 2005, fell below the EU level for the first time in 2022, as the use of wood and biofuels declined. In the period 2005–2022, the strongest increase in the share of RES consumption was seen during the 2009 global financial crisis, when total final energy consumption fell sharply while RES consumption remained almost unchanged, which was also the case in 2020 during the epidemic. In both years, it increased by more than 2 p.p. Between the two crises, when wood consumption for heating and the use of hydropower fluctuated, did not increase significantly. In 2022, it decreased by 1.7 p.p., to 22.9%. Between 2005 and 2022, total RES consumption in Slovenia increased by only 8%, while the EU average recorded a much stronger increase of 108%. In 2022, Slovenia failed to reach its RES target for the third year in a row (at least 25% from 2020 onwards),[1] and this time it bought the remaining share from Croatia (previously from the Czech Republic). Besides Slovenia, also a few other countries had to buy their shares in 2022, but they have made significantly greater efforts to adopt RES since 2005, meaning that the RES consumption in these countries has increased several-fold. Due to the insufficient progress to date, Slovenia is still far from reaching the targets set for the coming years.[2] We estimate that the share of RES increased slightly in 2023 with the increased use of hydropower and the normalisation of the pellet market.

Slovenia has a high share of traditional and a low share of other renewable sources in total RES consumption. *Traditional RES* (wood and hydropower) still account for above 80% of total RES consumption in Slovenia, compared with below 60% in the EU overall. The extensive use of wood for heating is generally desirable, but if not properly used, it can also be unfavourable from the aspect of particle pollution. The share of *other RES* (wind, solar and geothermal energy, biofuels, heat pumps, and biogas), however, is among the lowest in the EU. The gap is the widest in the use of wind farms: their share in Slovenia is 0.05% compared to the EU average of 16.4%.

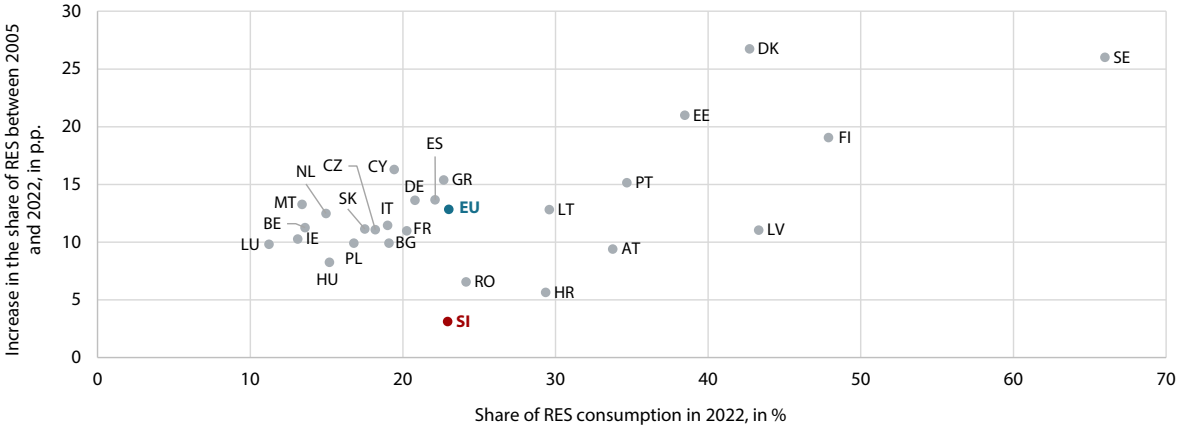
Support for electricity generation from RES[3] was further reduced in 2023, mainly due to high reference market prices of electricity. Total support amounted to around EUR 53 million, down by one-quarter year-on-year. Support for solar power plants accounted for 78%, support for biomass power plants for 12%, and support for biogas plants and all other power plants for 10% of all support.[4] The amount of support per unit of electricity generated by solar power plants was still more than twice as high as for other renewable sources.

Table: Share of RES consumption in gross final energy consumption, in %

		2005	2008	2010	2015	2017	2018	2019	2020	2021	2022	EU 2020 target	SDS 2030 target
RES, total	Slovenia*	19.8	18.7	21.1	22.9	21.7	21.4	22.0	24.1	24.6	22.9	25.0	27.0
	EU	10.2	12.6	14.4	17.8	18.4	19.1	19.9	22.0	21.9	23.0	20.0	
In electricity	Slovenia	28.7	30.0	32.2	32.7	32.4	32.3	32.6	35.1	35.0	37.0		
	EU	16.4	18.5	21.3	29.7	31.1	32.1	34.1	37.4	37.8	41.2		
In transport	Slovenia	0.8	1.8	3.1	2.2	2.6	5.5	8.0	10.9	10.6	7.8	10.0	
	EU	1.8	4.1	5.5	6.8	7.5	8.3	8.8	10.3	9.1	9.6	10.0	
In heating	Slovenia	26.4	27.5	29.5	36.2	34.6	32.3	32.1	32.1	35.2	34.0		
	EU	12.4	15.3	17.0	20.3	20.8	21.6	22.4	23.0	23.0	24.8		

Eurostat (2024). Note: *For 2020, 2021 and 2022, the statistical share purchased (from the Czech Republic and Croatia) to meet the target is not taken into account.

Figure: Share of RES* consumption in 2022 and increase in RES consumption over the period 2005–2022



Source: Eurostat (2024); calculations by IMAD. Note: *The calculation does not take into account administrative transfers of shares between countries.

[1] 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).
[2] Individual national RES targets for 2030 have yet to be determined. For Slovenia, the SDS took into account the target that at the time of the SDS adoption applied to the entire EU. Since then the EU target has been raised from 27% to 32%, and proposals such as the "fit for 55" package and RePowerEU suggest an increase to at least 45%.
[3] The system of RES support is an instrument of government aid, which, through higher purchase prices, enables investment in environmentally friendly sources of electricity production. The support scheme includes several thousand production facilities, to which the support is paid by Borzen's Centre for RES/CHP Support.
[4] IMAD's estimate on the basis of Borzen's nine-month and annual reports.

Modal split of transport 4.4

***Freight traffic* in Slovenia is quite dense, owing to the country's transit location, but since a lot of freight is also transported by rail, the road transport share is relatively small and much lower than the EU average.** Over time, Slovenia has seen a decline in the proportion of road freight transport, dropping to less than two-thirds, while the EU average has risen to over three-quarters.[1] In 2021 (latest available data), however, the trend shifted. The volume of road freight transport in Slovenia increased more than that of rail transport, while the increase in the EU average was slightly lower. In the period 2005–2021, road transport volumes in Slovenia increased by more than one-third (twice as much as the EU average), while rail transport volumes increased by more than 50% (compared to only a few percent in the EU as a whole). Since 2008, transport performed by Slovenia's main railway company faced increasing competition from foreign transport companies, which already accounted for around 17% of total freight transport on the Slovenian rail network in 2022. Road freight transport increased in Slovenia particularly due to the rising transit traffic – more than three-quarters of road transport in Slovenia is thus already accounted for by foreign hauliers due to the country's small size and transit location. The volume of total freight transport per inhabitant is relatively high in Slovenia (30% higher than the EU average in 2021, being higher only in six other EU Member States). Within that, transport by road per inhabitant is a good one-tenth higher and transport by rail 2.5 times higher than the EU average. A large part of the rail transport is linked to the Port of Koper and will be further strengthened in the future by the modernisation of the Divača–Koper railway line and some other sections, which will also be financed from RRP funds. However, the line's capacity has been or will be reduced during these works. We estimate that the share of road freight transport further increased slightly in 2022 and 2023, in 2023 mainly due to a decrease in railway transport volume.

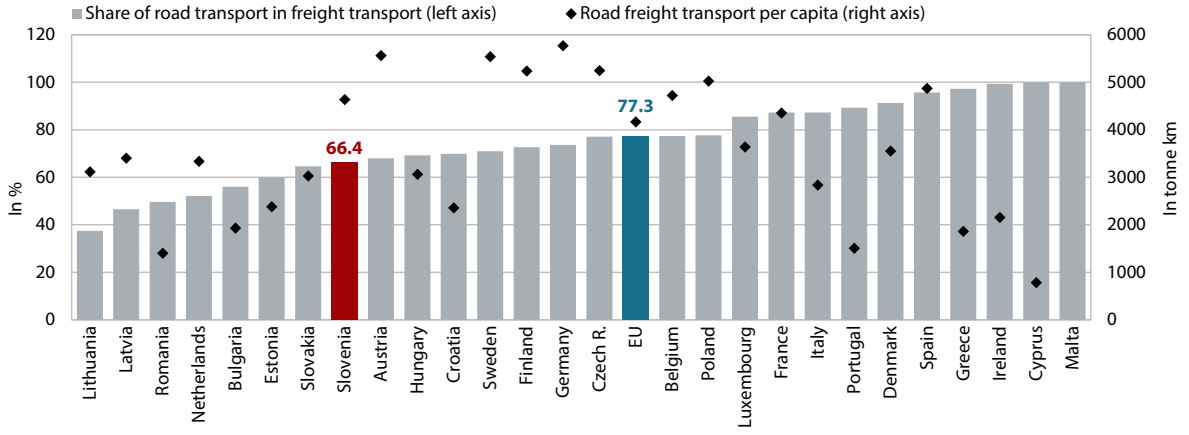
Transport by passenger car is the predominant mode of *passenger transport* in all EU Member States, but in Slovenia its share is among the highest. This can in part be attributed to the diversity of its landscape and its dispersed settlements,[2] which – in spite of subsidies – limit a greater extension of the public passenger transport network and its profitability. More people have difficulty in accessing public transport than in the EU overall (according to the latest survey in 2012, one-quarter in Slovenia against an average of one-fifth in the EU). With such a passenger transport structure (where public transport is used relatively little in comparison with transport by car), the share of transportation expenditure in total household expenditure is also higher than the EU average (2020 – SI: 18%, EU average: 11%). In 2020, Slovenia faced huge contraction of public passenger transport due to the epidemic-related restrictions, leading to a further decline in the already modest share of public transport in overall passenger transportation. With the normalisation of public transport, this share increased slightly in 2021 and then again in 2022 and 2023. These trends have also been present in the EU in recent years.

Table: Shares of road transport in freight transport and car transport in passenger transport,* in %

		2005	2008	2010	2014	2015	2016	2017	2018	2019	2020	2021
Share of road transport in total freight transport	Slovenia	68.9	70.3	68.2	64.0	65.0	66.1	64.5	64.7	64.5	65.5	66.4
	EU	74.4	74.3	74.6	73.9	74.1	74.5	75.4	75.6	76.3	77.4	77.3
Share of car transport in passenger transport	Slovenia	85.6	86.4	86.8	86.3	86.1	86.3	86.5	86.4	86.6	91.2	90.0
	EU	82.6	82.8	83.1	82.4	82.4	82.5	82.8	82.7	82.4	87.1	86.3

Source: Eurostat (2024). Note: *Freight transport comprises transport by road (lorries), rail and inland waterways (in tonne km); passenger transport includes transport by car, bus and train (in passenger km).

Figure: Road freight transport, 2021



Source: Eurostat (2024).

[1] Road transport performance is calculated according to the territoriality principle and is therefore comparable to rail and inland waterway transport.

[2] Slovenia has a relatively low share of the population living in cities (19% in 2022; EU: 39%) and a large share of the population living in rural areas (45%; EU: 26%) (Eurostat, 2024).

Resource productivity 4.5

Resource productivity has fluctuated considerably over the years, particularly in response to changes in the construction industry, with the gap to the EU average remaining largely unchanged over the past decade. The most notable increase in resource productivity, expressed as the ratio of GDP to material consumption, occurred in 2007–2012 amid a decline in construction activity. In that period, the decline in construction activity was related to the global financial crisis and the completion of the motorway network (mostly completed by 2009), while the consumption of non-metallic minerals,[1] which had previously accounted for more than two-thirds of total material consumption, dropped significantly. Amid lower consumption of non-metallic minerals, the decline in total material consumption after 2011 was also significantly influenced by changes in thermal power generation (lower coal consumption). In 2019, when growth in construction activity again slowed significantly, the consumption of non-metallic minerals fell by almost 15%, which led to a significant improvement in resource productivity. In 2020, containment measures primarily resulted in a significantly lower consumption of liquid fuels, while total material use declined less sharply than GDP, leading to a slight deterioration in resource productivity. In 2021 and 2022, consumption of non-metallic minerals again increased heavily (by 21% and 8% respectively), reaching its highest level since 2009 in 2022. The growth in total material consumption has exceeded GDP growth (calculated at constant prices), meaning that material productivity declined in 2022. Since resource productivity in Slovenia increased less than in the EU (calculated based on GDP in PPS), Slovenia's gap with the EU average widened to 13%. We estimate that resource productivity in 2023 further decreased slightly amid high activity in construction and low GDP growth.

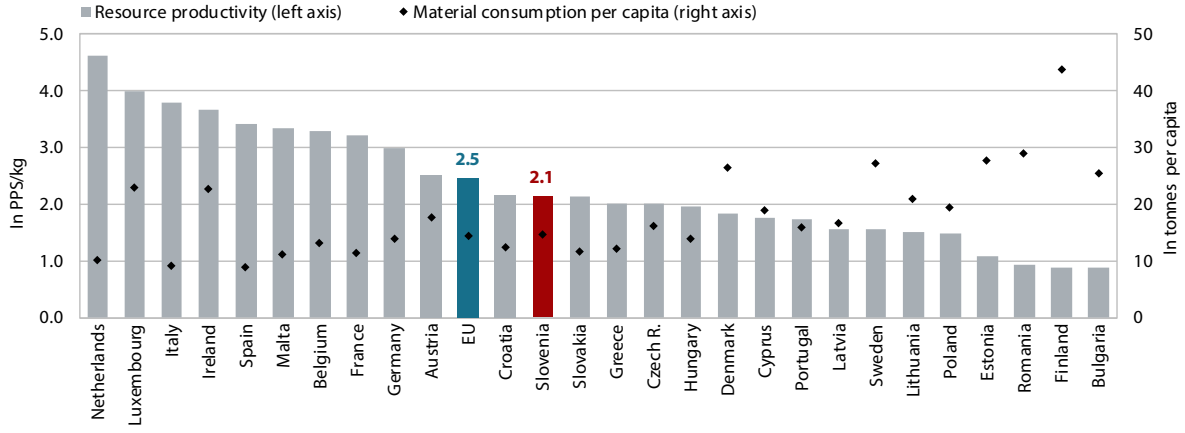
Slovenia's self-sufficiency in materials, which is usually slightly above the EU average, fell in 2022 and was below the EU average due to a sharp increase in net imports of sand and gravel. Slovenia is well supplied with certain resources. In the breakdown of domestic extracted resources, in 2022 more than 65% was sand, gravel, limestone and gypsum. Other important domestic resources were agricultural products, lignite and wood. *Net imports* accounted for around 15% of total material consumption, which is slightly more than a year earlier. The bulk of net imports are usually energy products, iron ore, non-ferrous metals and agricultural products, while the share of sand and gravel increased in 2022. In terms of total *net exports*, only net exports of wood, particularly logs, have been relatively strong since 2014, with an increase in sanitary felling due to the glaze ice damage, windthrows and forest pests. Sanitary felling declined significantly in 2018 and 2019 before increasing slightly again in 2022. High net exports of raw materials otherwise decrease domestic material consumption in the calculation, but from the point of view of efficient use of resources, they can create higher value added being used in the domestic manufacturing sector.[2]

Table: Resource productivity, in PPS/kg

	2000	2005	2008	2010	2015	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
Slovenia	0.87	1.06	1.11	1.31	1.71	1.84	1.91	1.84	2.05	2.05	2.07	2.14	3.5
EU	1.19	1.34	1.49	1.72	1.99	2.05	2.09	2.12	2.18	2.19	2.28	2.46	
Slovenia/EU, index	72.9	78.7	74.1	76.4	85.7	89.4	91.7	86.7	94.1	93.5	90.8	87.0	

Sources: Eurostat (2024), SURS (2024b); calculations by IMAD. Note: A meaningful comparison in PPS between countries or with the EU average can only be made for individual years and not over a longer time period.

Figure: Resource productivity and material consumption per capita, 2022



Source: Eurostat (2024).

[1] Among non-metallic minerals, sand and gravel accounted for 46%, one of the highest shares in the EU. A close relationship between the consumption of non-metallic minerals and construction activity is also corroborated by the analysis of the Geological Survey of Slovenia made on data for 2014, when three-quarters of non-metallic minerals were used as raw materials in construction, a further 17% as raw materials for the building materials sector and only 7% in manufacturing.

[2] See also Indicator 4.11.

Waste 4.6

In 2022, the total amount of waste generated increased, while non-mineral waste decreased and reached an all-time low per capita. The *total waste* generated in 2022 amounted to 11.6 million tonnes, marking an increase of almost one-quarter compared to the previous year. The increase was mainly due to a rise in the amount of excavated building materials, leading to a one-third increase in the amount of mineral (mainly construction) waste, which (due to its high specific weight) accounts for the largest share in the waste structure. In 2022, the amount of *non-mineral waste* generated totalled 2.4 million tonnes, which is a decrease of 5% compared to 2021.[1] On a per capita basis, 1.4 tonnes of waste were generated, 12% less than in the previous year and one-fifth less than a decade ago. The amount of *municipal waste*, which accounted for 9% of all waste and the per capita generation below the EU average, fell by 4% to 496 kg per capita. Households generated 307 kg of waste per capita, totalling almost 52,000 tonnes less than in 2021. The amount of *hazardous waste*, which has increased in the long-term, fell by 0.1% in 2022, with its share in total waste generation dropping to 1.2%. Food waste fell by 2% or 1 kg per capita compared to a year earlier.

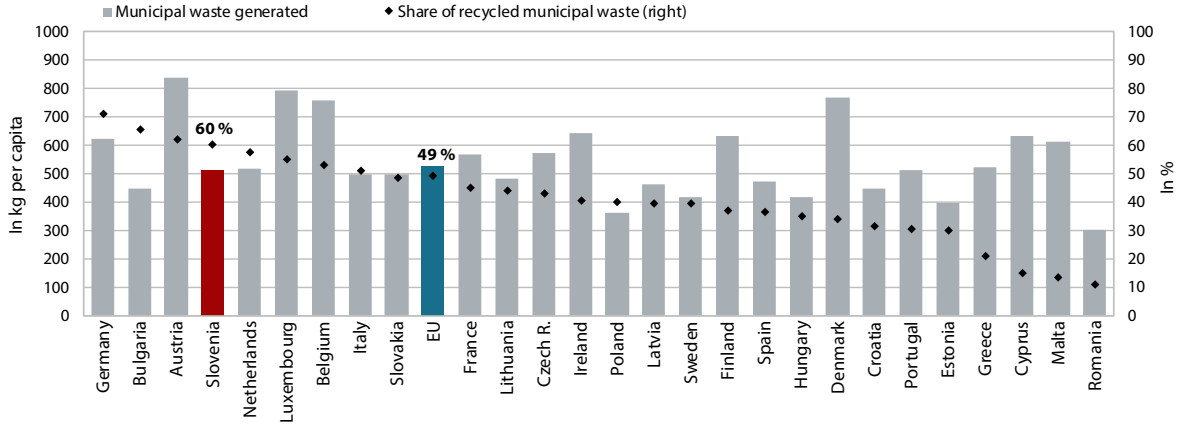
The increase in waste recovery was greater than the increase in waste generation. In 2021, 11 million tonnes of waste underwent final processing, marking a 36% increase compared to the previous year. Due to the large increase in mineral waste, backfilling emerged as the most favoured option in the waste management hierarchy (71%), while the shares of recycling (27%) and incineration for energy recovery (1%) decreased. The share of recycled non-mineral waste, which had risen rapidly since 2010, followed by a slight decline in 2022, is above the EU average. The same applies to the share of recycled *municipal waste*, which increased also in 2022. The amount of waste landfilled, which is the least preferred waste management option, is declining, and the amount of total waste landfilled in 2022 was the lowest since 2018. Landfilling of municipal waste, around three-quarters of which was collected separately, increased by one-fifth to 32 kg per capita in 2022.

Table: Waste generation and share of recycled waste

	2000	2010	2012	2014	2016	2017	2018	2019	2020	2021	2022
Total waste generation, excluding mineral waste, kg per capita											
Slovenia*	N/A	2,018	1,706	1,604	1,481	1,553	1,563	1,506	1,430	1,541	1,359
EU	N/A	1,720	1,719	1,735	1,763	N/A	1,820	N/A	1,745	N/A	N/A
Of which: municipal waste generation, kg per capita											
Slovenia*	513	422	362	433	465	478	495	509	489	518	496
EU	513	503	488	478	493	499	500	504	517	527	N/A
Waste recycled, total, excluding mineral waste, share in total waste treated, %											
Slovenia	N/A	52	74	75	80	84	82	85	80	86	79
EU	N/A	53	53	54	55	N/A	56	N/A	58	N/A	N/A
Municipal waste recycled, share of total municipal waste generated, %											
Slovenia	6	22	42	36	56	58	59	59	59	61	63
EU	27	38	41	43	46	46	46	47	49	50	49

Sources: Eurostat (2024), *SURS (2024). Notes: Recycled waste is waste sent for treatment, excluding energy recovery and backfilling. The exclusion of mineral waste improves international comparability across countries, as mineral waste usually accounts for the vast majority of waste due to its high specific weight and has a decisive impact on the total amount; N/A – data not available.

Figure: Municipal waste generated and the share of recycled waste, 2021



Source: Eurostat (2024).

[1] This is largely due to a significant decrease in waste generated by thermal processes (SURS, 2023b).

Environmental taxes 4.7

In 2022, environmental taxes were almost at the same level as in the previous year in nominal terms, but as a proportion of GDP they fell to their lowest level so far. Several years of growth in revenues from environmental taxes[1] was interrupted in 2018 (-1.2%). In 2020, revenues declined sharply (-14.3%) due to lower economic activity during the COVID-19 epidemic and the reduction in excise duties on petrol and diesel. Since then, revenue has increased slightly in nominal terms, but it has not yet reached the 2019 level. As part of the measures to mitigate the effects of rising energy prices, excise duties on energy products were further reduced in 2022, the environmental tax on air pollution from CO_2 emissions was temporarily waived, and the RES and CHP contributions were reduced. According to the preliminary state budget data for 2023, revenue from excise duties on energy was close to the 2019 level. Although excise duties (on diesel, heating oil and unleaded petrol) largely increased in 2023, they were still lower at the end of the year than at the end of 2018.

The long-term reduction in excise duties on energy products was primarily aimed at price reduction rather than addressing environmental policy or climate change-related objectives. Last year, the share of environmental taxes in GDP and in total tax and social security revenues reached a historic low (2.87% of GDP or 7.58% in terms of total taxes and contributions).

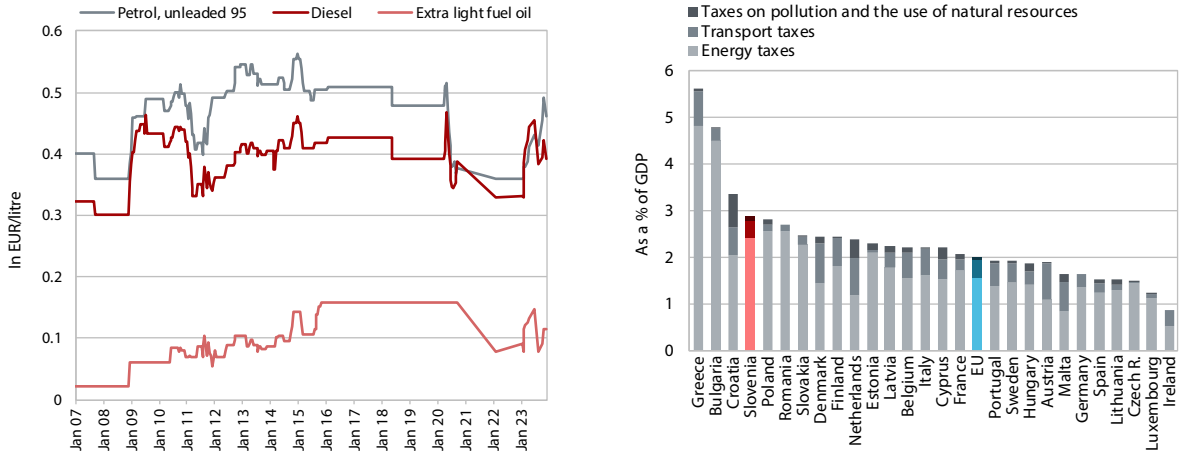
Slovenia is still in the top third of EU Member States in terms of the burden of environmental taxes as a share of GDP. In 2022, Slovenia's environmental tax revenues as a share of GDP were 0.85 p.p. higher than the EU average. The gap almost halved compared to 2013, when it was widest. The high share in Slovenia is due to high revenues from energy taxes, which is related not only to the extensive use of fuels for road transport and Slovenia's transit location, but also to dispersed settlement and the poorly developed public transport infrastructure.

Table: Revenue from environmental taxes

	2000	2005	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
In nominal terms, in EUR million																
Slovenia	632	920	1,261	1,312	1,277	1,389	1,428	1,453	1,509	1,569	1,578	1,560	1,796	1,539	1,634	1,635
As a share of GDP, in %																
Slovenia	2.89	3.16	3.48	3.61	3.45	3.83	3.92	3.86	3.88	3.88	3.67	3.40	3.70	3.27	3.13	2.87
EU	2.57	2.54	2.36	2.37	2.41	2.45	2.48	2.48	2.46	2.48	2.43	2.41	2.36	2.24	2.25	2.02
As a share of total revenue from taxes and social contributions, in %																
Slovenia	7.63	8.02	9.25	9.42	9.11	10.02	10.36	10.23	10.26	10.23	9.77	9.01	9.72	8.58	8.06	7.58
EU	6.24	6.38	6.02	6.06	6.09	6.06	6.04	6.04	6.01	6.05	5.92	5.85	5.76	5.45	5.43	4.90

Source: Eurostat (2024).

Figure: Amount of excise duties on energy (left); income from environmental taxes in 2022 (right)



Sources: Decree and amendment to the decree setting the amount of excise duty on energy products and electricity (several years), Eurostat (2024).

[1] Environmental taxes include energy taxes, transport taxes, and taxes on pollution and the use of natural resources.

Ecological footprint 4.8

The ecological footprint, a composite indicator of environmental development, remains relatively high in Slovenia despite a decline and exceeds the EU average. The ecological footprint is a quantitative measure of how much bioproductive area[1] a population would require to produce the resources it consumes and to absorb the waste it generates. It is expressed in global hectares (gha), a standardised unit of biologically productive area. Its dynamics show a strong correlation between economic growth and environmental pressures, and the bulk of its structure was carbon footprint, due to the high consumption of fossil fuels. The ecological footprint, which in Slovenia is about twice the global average and above the EU average, increased in the period 2014–2019, then decreased, as expected, during the COVID-19 epidemic and, despite economic growth, fell slightly in the following two years, to 4.8 gha/capita according to the latest estimate. As the European average has increased in recent years, the gap has narrowed. However, even after recent progress, which has slightly compensated for the slower progress in narrowing the gap in the period 2000–2019, Slovenia remains in the upper half of European countries in terms of ecological footprint, though it moved close to the EU average. As economic development and maintaining lifestyles still require relatively large amounts of natural resources and lead to significant pollution, this is not sustainable and is not in line with the relatively ambitious SDS 2030 target (3.8 gha/capita), which is becoming increasingly challenging due to the sluggish pace of progress.

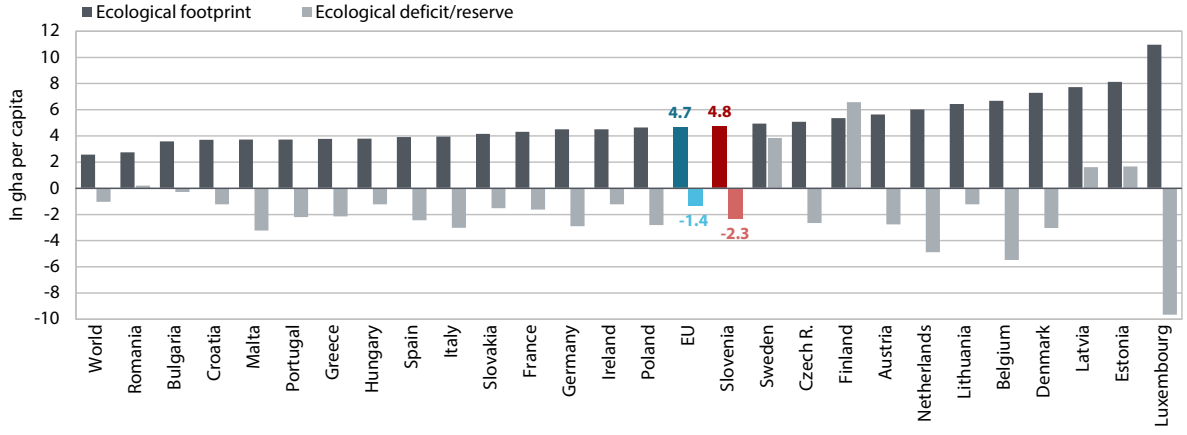
Since the ecological footprint is relatively high, so is the ecological deficit, i.e. the negative difference between the ecological footprint and biological capacity. Biological capacity, or biocapacity, refers to the biologically productive areas that are capable of self-regeneration. Like the ecological footprint, it is expressed in global hectares, with each global hectare producing the same amount of biological material. Slovenia's biocapacity is stable and does not change significantly from year to year. Three-quarters of it is accounted for by forests, which despite their large surface area cannot sufficiently absorb all carbon dioxide emissions. The share of other areas, particularly arable land and fishing ground, is modest compared with the EU average. According to the latest data, Slovenia's ecological footprint (4.8 gha/capita) is twice as large as its biocapacity to replenish resources. Slovenia's ecological deficit (of 2.3 gha/capita) is thus significantly higher than the world average (of 1.0 gha/capita) and the EU average (of 1.4 gha/capita).

Table: Ecological footprint in gha per capita

	2000	2005	2010	2015	2016	2017	2018	2019	2020	2021	SDS 2030 target
Slovenia	5.4	6.1	6.3	4.7	5.0	5.3	5.2	4.9	4.9	4.8	3.8
Europe	5.6	5.6	5.4	5.1	4.8	4.9	4.9	4.5	4.8	4.7	
World	2.6	2.7	2.8	2.8	2.7	2.7	2.6	2.5	2.6	2.6	
Slovenia/Europe, index	97.7	108.7	117.2	92.0	102.5	106.5	107.6	108.5	103.2	102.8	

Source: Global Footprint Network (2023); calculations by IMAD. Note: Data for the period 2020–2022 are an estimation (nowcasting methodology).

Figure: Ecological footprint and the ecological deficit/reserve, 2022



Source: Global Footprint Network (2023). Note: Ecological surplus is common only in some northern European countries with relatively extensive forest and fishing areas.

[1] Total bioproductive areas correspond to about one-quarter of the Earth's surface. They include all regenerative land – fields, pastures for animal products, marine areas for fisheries, built-up areas for housing and infrastructure, and forest areas for the production of wood products and the absorption of carbon dioxide emissions from energy use. Deep oceans, glaciers and deserts are excluded.

Utilised agricultural area 4.9

Utilised agricultural area (UAA),[1] which in Slovenia accounts for a significantly lower share of total land than in the EU, has been stable in the last decade after a long period of decline but is expected to increase slightly by 2030 according to the SDS target. UAA, which is crucial for ensuring food security, covered around 479,400 hectares in 2022, which is 23.6% of the total national territory. This is about the same as in 2021 and a decade ago. Before that, the decline was more pronounced, due to the abandonment of agriculture, overgrowth of land by trees, and conversion to built-up land, meaning that in 2022 it was 15% lower than at the time of the country's independence. Reducing overgrowth and fallow land and permanently protecting especially the best agricultural land from land conversion also remain priorities in efforts to achieve the SDS 2030 target of more than 24% of UAA in the country's total national territory.

In terms of ensuring conditions for local food production, the modest share of arable land is of particular concern. In terms of *arable land (fields),* the most important type of land from a food security perspective, Slovenia is one of the four EU Member States with the lowest amount per capita. Arable land in Slovenia covers about 36.9% of UAA or 8.4 ares per capita, while the EU average is 60.6% of UAA or 21.7 ares per capita. Less than 3% of this land is used for growing vegetables and almost one-third for growing fodder crops. The latter are also produced on *permanent grassland*, which covered the most, around 60%, of UAA. Six percent of UAA is accounted for by *permanent cropland*, where vineyards and orchards predominate. The UAA structure does not change significantly from year to year.

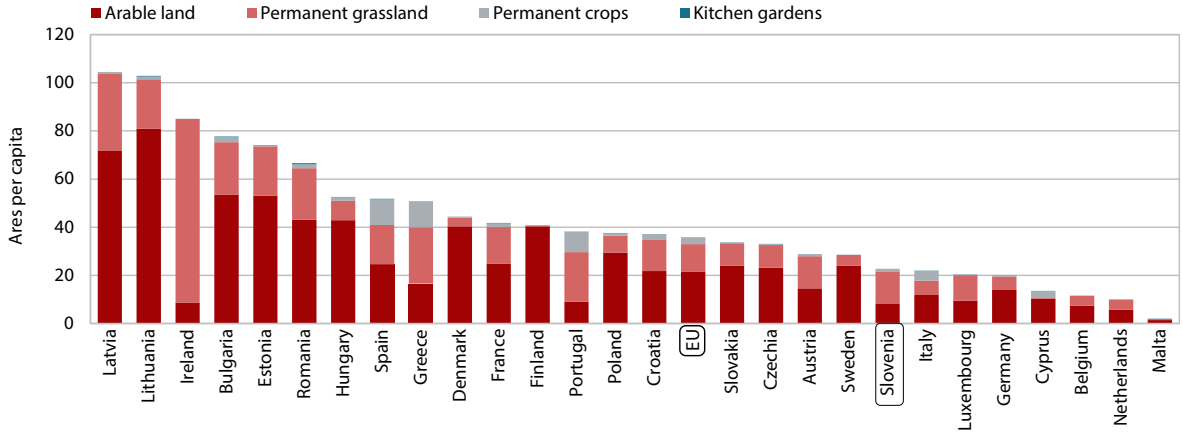
Organic farming, the most desirable form of agricultural production from an environmental perspective, is about equally widespread in Slovenia as on average in the EU, and its adoption is steadily rising. About 5% of all agricultural holdings were involved in controlled organic farming in 2022. They accounted for 11.1% of total UAA, which is 3% more than in 2021. Again, permanent pastures and meadows dedicated to fodder production account for the largest share (79%). However, this is not in line with demand, which is highest for organically produced fresh fruit and vegetables and processed vegetarian foods (KIS and MKGP, 2023a). Given Slovenia's natural conditions, i.e. the high proportion of farms in mountainous and other remote areas where intensive conventional farming is not possible, there remains considerable potential for further expansion of organic production in the country.

Table: Utilised agricultural area (UAA), total and under organic farming

	2005	2010	2012	2014	2016	2017	2018	2019	2020	2021	2022	SDS 2030 target
UAA, share in total area, in %												
Slovenia	25.1	23.8	23.7	23.8	23.6	23.7	23.6	23.7	23.9	23.7	23.6	> 24.0
EU	N/A	39.4	39.0	39.0	39.1	39.1	39.3	39.5	39.2	39.1	38.9	
UAA, share under organic farming, in %												
Slovenia	4.6	6.4	7.3	8.6	9.1	9.6	10.0	10.3	10.3	10.8	11.1	
EU	N/A	N/A	5.9	6.1	7.1	7.5	8.0	8.5	9.1	10.0	N/A	

Source: Eurostat (2024); calculations by IMAD. Notes: Land under organic farming includes land currently being converted to organic farming; N/A – data not available.

Figure: UAA per capita by categories, 2022



Source: Eurostat (2024); calculation by IMAD.

[1] UAA includes the following land categories: arable land, permanent grassland and permanent cropland. It also includes fallow land, areas under clover and lucerne, grassland ploughed after five years, and hop fields. Permanent grassland is land used for grazing or mown for hay that has not been ploughed for at least five years. Land under permanent crops includes orchards, olive plantations, vineyards, nurseries, and vine and root-stock nurseries.

Agricultural intensity 4.10

Agricultural production in Slovenia is not among the most intensive, while stocking density is higher than the EU average. According to preliminary estimates by KIS and MKGP (2023b), the total volume in 2023 was modest for the third year in a row: 2% higher than in the poor year 2022 and around a tenth lower than the last five-year average. Crop production increased by around 5% (yields of most crops remained below average), while livestock production declined by around 1% due to lower fodder production and milk production. A comparison with the EU average for the two most important crops does not give a uniform picture: wheat yields tend to be lower, while maize yields are higher. Stocking density, as measured by the livestock units (LUs) per hectare, is higher than the EU average due to natural conditions, while average milk yields remain relatively low. This structure results in a slightly higher share of GHG emissions from agriculture than the EU average.

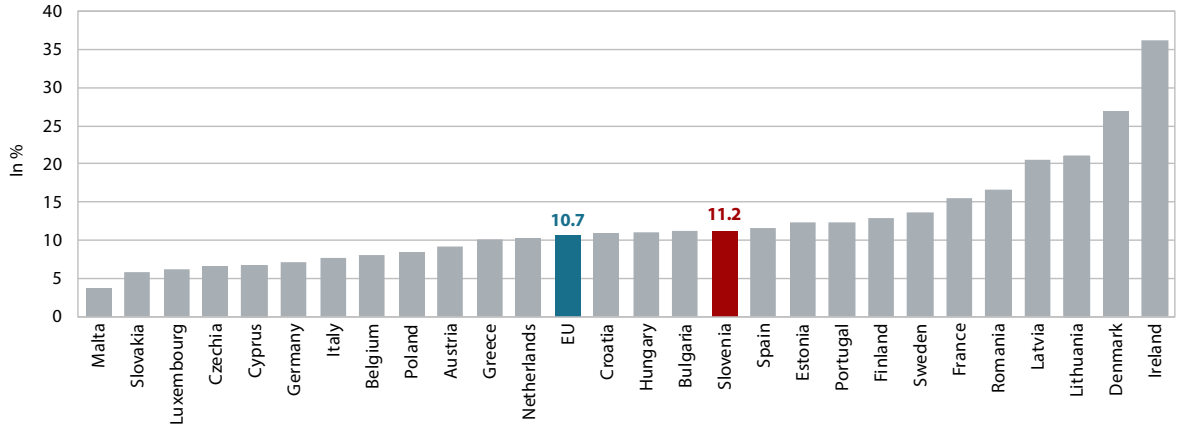
The downward trend in the consumption of mineral fertilisers and plant protection products (PPPs) that has been observed in recent years was even more pronounced in 2022 (the last year for which data is available), under the influence of relatively high price increases.[1] The consumption of mineral fertilisers containing nitrogen, phosphorus and potassium (NPK) decreased by 13% in 2022, while N and P consumption per unit area was close to the EU average.[2] In terms of sales of PPPs, which have fallen for the fourth year in a row,[3] Slovenia is in the upper middle range of EU Member States when calculated per unit of arable land. Consumption depends heavily on the type of crop grown, the weather conditions and, consequently, the occurrence of diseases and pests.

Table: Average yields, stocking density and consumption of agricultural inputs

		2005	2010	2012	2014	2016	2018	2019	2020	2021	2022	2023*
Average yields, in tonnes/ha or tonnes/cow or livestock unit/ha												
Wheat and spelt	Slovenia	4.7	4.8	5.4	5.2	5.2	4.4	5.2	5.8	5.8	5.5	5.1
	EU	N/A	N/A	N/A	N/A	5.2	5.2	5.8	5.6	5.7	5.5	N/A
Maize for grain	Slovenia	8.3	8.5	7.1	9.1	9.5	9.5	9.3	10.8	9.4	6.7	8.7
	EU	N/A	7.1	6	8.1	7.3	8.4	7.9	7.3	7.9	5.8	7.2
Milk yield	Slovenia	4.9	5.5	5.7	5.6	5.8	5.8	6.1	6.3	6.5	6.2	N/A
	EU	N/A	N/A	N/A	6.9	7.1	7.3	7.5	7.7	7.8	7.9	N/A
Stocking density	Slovenia	N/A	1.04	N/A	N/A	1.02	N/A	N/A	1.01	N/A	N/A	N/A
	EU	N/A	0.75	N/A	N/A	0.77	N/A	N/A	0.75	N/A	N/A	N/A
Fertilisers and pesticides, Slovenia, growth, 2005=100												
NPK fertilisers, consumption per unit of utilised agricultural area		100	89.3	83.1	87.0	86.4	85.4	83.7	82.4	80.6	69.9	N/A
Pesticides sales, in tonnes of active ingredients		100	80.2	71.9	71.4	81.8	82.9	70.7	70.2	65.9	59.9	N/A

Sources: Eurostat (2024), SURS (2024b), KIS (2023b); calculations by IMAD. Notes: *provisional data; N/A – not available.

Figure: Share of greenhouse gas emissions from agriculture in total emissions, 2021



Source: Eurostat (2024).

[1] Prices for agricultural inputs increased by 26% overall in 2022, with the highest increase, of 112%, in the fertiliser group.
[2] The structure of NPK fertiliser consumption in Slovenia in 2022 consisted of about 70% nitrogen and 15% each phosphorus and potassium. Eurostat publishes only data on nitrogen and phosphorus consumption.
[3] Around two-thirds of pesticides are estimated to be used in agriculture. The rest is applied on non-agricultural land (such as alongside railway tracks and roads and in golf courses, parks, etc.).

Intensity of tree felling 4.11

The intensity of tree felling, which had been relatively high for several years due to the sanitary felling after the glaze ice of 2014, returned to roughly pre-glaze ice levels in 2021, followed by an increase of 12% in 2022 due to forest fires and a renewed increase in sanitary felling. The exceptionally dry and warmer-than-average conditions in 2022 led to an excessive spread of wood pests and an above-average number of forest fires, including a particularly large one in the Goriška Karst region. Sanitary tree felling[1] has increased by one-third and about half of this was on account of damage from pests. Felling for tree-tending purposes, which accounts for the largest share under normal conditions, increased by 5%, but its share in total tree felling fell from 70% to 65%. The total tree felling accounted for 64% of that allowed under forest management plans, which is better than in the previous year (57%)2 The *intensity of tree felling* (annual felling in relation to the annual wood increment) also increased by 6 p.p. to 52%. However, the sanitary felling has not yet allowed the carbon sinks in the forests, which made the largest contribution to the total sinks before the glaze ice damage, to return to their natural level.

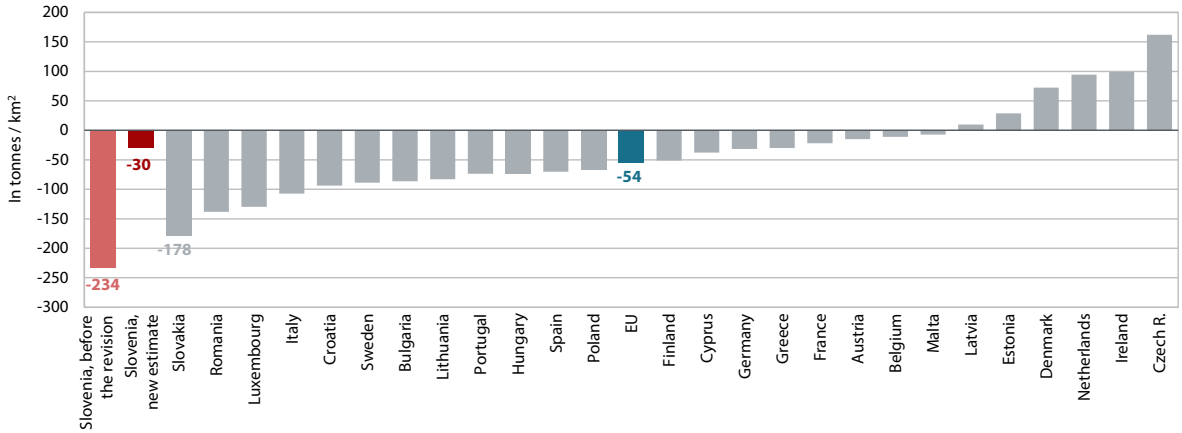
Growth in production of roundwood or unprocessed wood was 2 p.p. lower than the growth of tree felling in 2022, reflecting slightly lower yields, and, amid lower wood imports, net exports increased by one-third. *Raw wood production*, which was at its lowest level in 2021 since the glaze ice damage, increased by around one-tenth in 2022 and was still one-fifth higher than before the glaze ice damage.[3] After the glaze ice damage, it increased in most categories, especially for the highest quality and highest value-added timber. Roundwood exports, which were relatively high during the period of large-scale sanitary felling and only returned to around pre-glaze ice levels in 2020 and 2021, increased by 3% in 2022. As timber imports fell at the same time, partly due to the export bans imposed in some exporting countries during the energy crisis, the foreign trade surplus increased significantly. The majority of foreign trade is conducted with Italy, Austria and Croatia. The relatively high net export of this high-quality raw material represents an untapped potential to create higher value added in the downstream forestry–timber chain, which is already relatively underutilised in Slovenia given the high forest stock and abundant timber reserves.

Table: Forests and their economic yield, Slovenia

	2000	2005	2010	2013	2014	2015	2017	2019	2020	2021	2022
Forest area (thousand ha)	1,134.2	1,169.2	1,185.2	1,183.4	1,181.9	1,182.0	1,180.3	1,176.8	1,176.1	1,176.5	1,176.5
Growing stock (in million m³)	262.8	300.8	331.0	342.4	346.1	348.2	352.9	356.7	357.2	357.0	357.0
Annual wood increment (in million m³)	6.9	7.6	8.1	8.5	8.6	8.6	8.7	8.8	8.8	8.7	8.7
Removals (in million m³)	2.6	3.3	3.4	3.9	6.3	6.0	5.0	5.3	4.2	4.1	4.6
Roundwood production (in million m³)	2.3	2.7	2.9	3.5	5.3	5.2	4.6	4.7	4.0	3.8	4.2
Intensity of tree felling (in %)	38.0	43.0	41.6	46.2	74.0	70.1	57.3	59.9	48.1	46.6	52.3

Sources: ZGS (2023), SURS (2024b); calculations by IMAD.

Figure: Sinks or GHG emissions from the LULUCF sector,* 2020



Source: Eurostat (2024). Notes: *LULUCF means land use, land-use change and forestry. In Slovenia, forest sinks made the largest contribution to the total sinks, but they have decreased significantly since the glaze ice damage. The figure shows the Eurostat data for Slovenia before the revision and the new preliminary ARSO estimate.

[1] Sanitary felling is the felling of sick, damaged or drying trees that have been damaged by biotic (pest and disease outbreaks, wildlife) or abiotic (wind, snow, glaze ice, drought, landslides, polluted air) disturbances to such an extent that there they have no silvicultural future (SiDG, 2022).

[2] The potential (or allowable) felling, which is determined with a view to ensuring sustainable development, i.e. the long-term stability of all forests and their habitats, was significantly higher than the registered harvest in all analysed years. It was also higher in 2014–2019, when the realised tree falling was the highest.

[3] The ratio of felled wood to roundwood production is also dependent on the structure of raw wood categories obtained and the types of trees felled. In 2022, the yield was 92% (compared to between 83% and 95% in the period after the ice glaze damage).

Quality of watercourses 4.12

The quality of Slovenian watercourses, as measured by biochemical oxygen demand, is high. Their cleanness, which was close to the EU average at the beginning of the previous decade, has improved significantly since 2005. For several years, Slovenia has been among the top EU Member States for which data are available. The concentrations of nitrates in groundwater and phosphates in rivers, which in excessive quantities degrade water quality, have also fallen in the long term and were below the EU average.[1] The decline in organic pollution, which is usually caused by municipal and industrial wastewater discharges and runoff from agricultural land, is a consequence of a significant improvement in wastewater treatment and abandonment of certain economic activities which were polluting watercourses with wastewater in previous years.

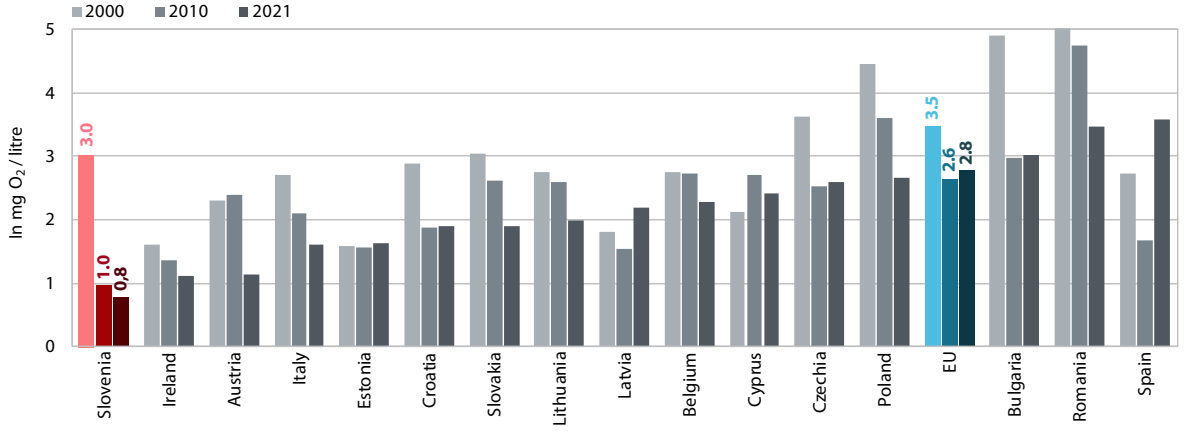
About one-fifth of wastewater in total and almost three-quarters of municipal wastewater is treated before discharge. In Slovenia, which is, due to its diverse natural conditions, fairly rich in water resources and has a relatively high amount of freshwater resources available per capita, a total of 827.5 million m^3 of water was *abstracted* in 2022, 11% less than a year before. Most of this water comes from surface water sources (for industrial use). Only one-fourth was abstracted from groundwater sources (intended for the public water supply system and irrigation). A total of 848.2 million m^3 of wastewater was *discharged* into the environment.[2] The share of water treated before discharge increased from 11% to 20% between 2015 and 2022, while most of the untreated water is only thermally polluted due to its use in hydroelectric power plants. In 2022, 72% of the municipal wastewater from sewers was treated in wastewater treatment plants before being discharged into the environment.

Table: Water quality indicators

	2000	2005	2010	2012	2014	2016	2017	2018	2019	2020	2021	SDS 2030 target
Biochemical oxygen demand in rivers, in mg O_2/l												
Slovenia	3.0	3.3	1.0	1.0	0.8	0.8	0.8	0.9	0.8	0.8	0.8	< 1
EU	3.5	3.1	2.6	2.8	2.8	3.0	2.9	2.7	2.7	2.8	2.8	
Nitrates in groundwater, in mg NO_3/l												
Slovenia	15.0	17.7	14.1	13.6	13.9	14.2	13.3	14.4	12.6	12.5	14.1	
EU	21.2	20.8	21.5	21.3	21.3	21.6	21.1	21.2	20.8	20.4	20.5	
Phosphates in rivers, in mg PO_4/l												
Slovenia	0.05	0.04	0.03	0.04	0.03	0.04	0.03	0.03	0.03	0.03	0.03	
EU	0.09	0.08	0.07	0.06	0.06	0.06	0.07	0.07	0.07	0.08	0.07	

Source: Eurostat (2024). Note: The values for Slovenia according to SURS are somewhat higher than according to Eurostat in all categories due to a greater number of sampling places. According to SURS data, the biochemical oxygen demand was 1.0 mg O2/l in 2021 and 1.1 mg O_2/l in 2022.

Figure: Biochemical oxygen demand in rivers



Source: Eurostat (2024). Note: The data for the EU are the average of the countries with known data.

[1] *Biochemical oxygen demand* (BOD) is an index of the degree of organic pollution in water. It refers to the amount of oxygen aerobic microorganisms require to decompose organic substances in a water sample under certain conditions. The cleanest rivers have BOD values of less than 1 mg O_2/l, while moderately and heavily polluted rivers show values ranging from 2 to 8 mg O_2/l. *Nitrates in groundwater* are long-lasting and accumulate through inputs from anthropogenic sources, mainly agriculture. To prevent adverse health effects, the EU drinking water standard is limited to 50 mg NO_3/l. The high levels of *phosphates in rivers* can cause eutrophication, i.e. excessive growth of microphytes and algae, which adversely affects water quality (Eurostat, 2024).

[2] Wastewater includes runoff rainwater and rainwater that flows back to the environment through the sewerage system or is captured and then discharged directly to the environment.

Ambient air quality 4.13

The quality of ambient air in Slovenia is closely related to particulate matter (PM) pollution,[1] which is mainly a consequence of inappropriate burning of wood biomass and poor ventilation of some areas. Total PM_{10} pollution is mainly caused by emissions from the use of fuels in households and services (about 60%), to a large extent owing to households' outdated wood biomass furnaces and the often unfavourable weather conditions in the poorly ventilated basins and valleys of the continental part of Slovenia (ARSO, 2024b). Ambient air quality (particulate matter pollution) did not deteriorate during the energy crisis (2022) and remained at a similar level to 2021, mainly due to slightly less favourable weather conditions for dilution of emissions during the heating season. In Slovenia, the finest $PM_{2.5}$ particles, which are the most harmful to health and cause around 1,200 premature deaths per year, account for more than 70% of total particulate matter pollution (EEA, 2024). The average urban population exposure to particulate matter air pollution has decreased in recent years, due to the reduction of industrial emissions and milder winters. The introduction of much more ambitious standards related to the adoption of the proposal for a recast Directive (EC, 2022b)[2] will require even more radical measures to improve air quality, particularly in energy supply for heating.

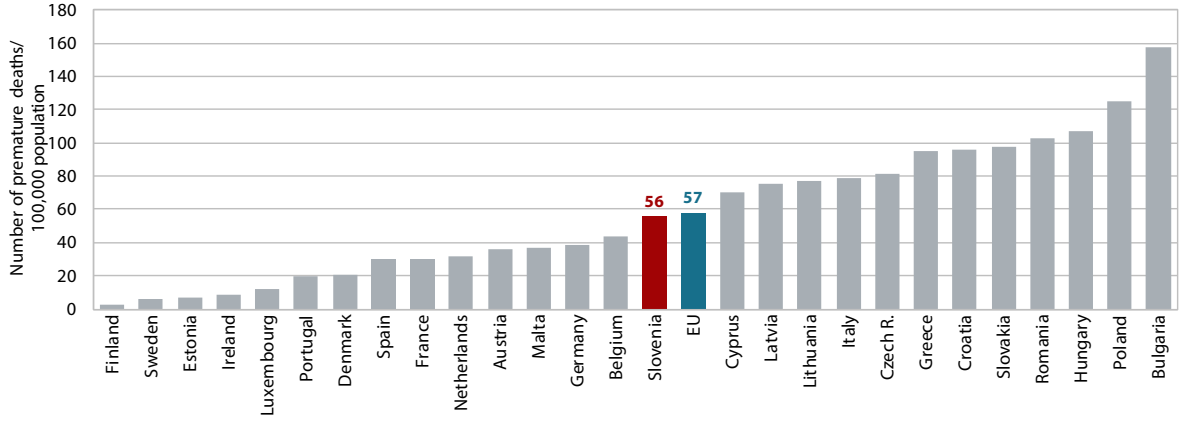
Another problem that remains is the locally high presence of ground-level ozone. As the formation of ozone requires sufficient sunlight, the excessive concentrations of ozone, in contrast to particulate matter, mainly occur during the summer months. They are primarily the result of road traffic, the main source of ground-level ozone precursors,[3] the amount of which has decreased in the last decade and in 2021 was close to the EU average per capita, placing Slovenia in the top third of Member States (ARSO, 2024d). In Slovenia, the ambient concentration of ozone is significantly affected by transboundary air pollution and is highly dependent on winds from the west. It is highest in the Primorska region, although it is also high in most other areas, even in rural areas and at higher altitudes. Measurements of ground-level ozone show that the long-term target values have been exceeded throughout Slovenia, but no clear trend can be seen from the multi-year data series due to the strong dependence on weather conditions.

Table: Urban population exposure to (fine) particulate matter and ozone, in micrograms per m³

	2000	2005	2010	2012	2014	2016	2017	2018	2019	2020	2021	2022
PM_{10}												
Slovenia	N/A	40	29	26	22	24	24	23	20	20	19	20
EU	32	29	27	26	24	22	23	23	21	N/A	N/A	N/A
$PM_{2.5}$												
Slovenia	N/A	28	21	22	19	20	20	19	17	16	14	14
EU	15	16	19	18	16	15	15	15	13	N/A	N/A	N/A
Ozone, Slovenia												
No. of days with exceeded values	N/A	46	24	40	31	24	32	26	31	19	18	21

Sources: *ARSO (2024), Eurostat (2024). Notes: The average annual concentrations of particulate matter and the number of days with exceeded ozone values in urban background areas are given. The exceedance of the target values for ozone is determined on the basis of ozone concentrations that were measured in the previous three-year period at measuring points representative for the area (Decree on ozone in ambient air, 2003); N/A – data not available.

Figure: Premature deaths due to $PM_{2.5}$ per 100,000 inhabitants, 2021



Source: Eurostat (2024). Note: $PM_{2.5}$ cause increased morbidity and mortality due to respiratory and cardiovascular diseases and are also associated with increased risk of diabetes and dementia.

[1] The most frequently measured particles are those sized 10 µm or less (PM_{10}) and 2.5 µm or less ($PM_{2.5}$).
[2] The recast Directive sets air quality standards that are more in line with the recommendations of the World Health Organisation (WHO), e.g. the limit value for $PM_{2.5}$ is to be reduced from 25 µg/m³ to 10 µg/m³ by 2030 (the WHO guideline value is 5 µg/m³).
[3] Ozone precursors include nitrogen oxides (NO_x), carbon monoxide (CO), methane (CH_4) and non-methane hydrocarbons (NMVOC).

Functionally derelict areas 4.14

The total number of functionally derelict areas (FDAs) was lower in 2023 than in the two previous censuses, which is due to the revitalisation of some existing areas and a slowdown in the creation of new ones. According to the last census, at the end of 2023, the average size of FDAs has also decreased by around one-tenth over the seven years, from 3.2 ha to 2.9 ha. The degree of abandonment of FDAs has also changed. There are fewer completely abandoned areas and more moderately abandoned (50–90%) and partially abandoned (less than 50%) FDAs. Overall, one-fifth of FDAs are partially abandoned, with the Zasavska (33%) and Koroška (30%) regions having the highest proportion of partially abandoned FDAs. This indicates a high demand for land and a gradual process of establishing new activities, which is desirable. However, as such revitalisations are often not planned, comprehensive sustainable spatial solutions are more difficult to achieve in these areas.

As far as the ownership structure of FDAs is concerned, the proportion of areas owned by municipalities has increased. One of the key factors in the revitalisation of FDAs is the ownership structure. Since 2017, the number of municipally owned FDAs has increased, which facilitates revitalisation through public tenders and projects and access to various sources of funding (e.g. cohesion funds, RRP funds, React-EU, etc.). On average, one-tenth of FDAs are municipally owned (7% in 2017), with the highest share in the Pomurska region (around 30%, compared to 15% in 2017). The revitalised areas are mostly intended for public use (retirement homes, community spaces, cultural centres, etc.).

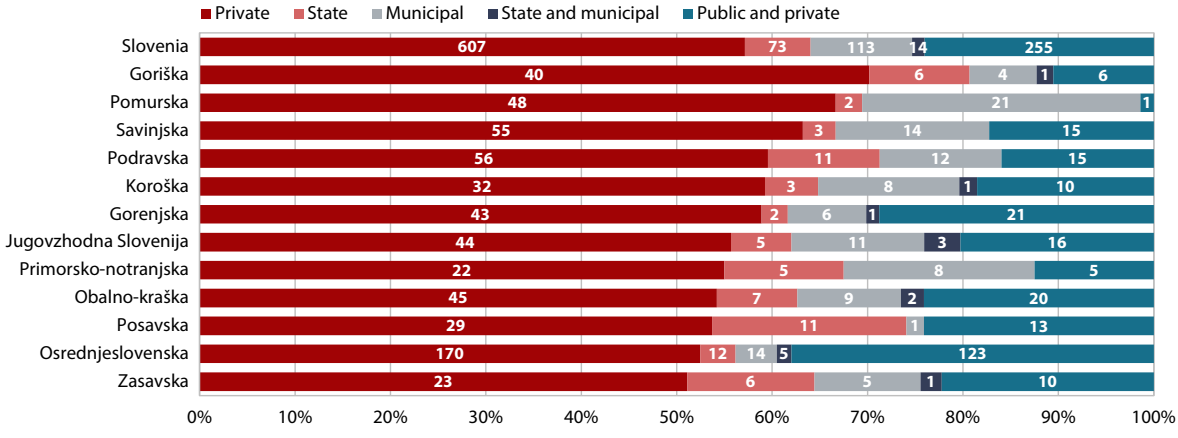
The new activities in the revitalised FDAs are dominated by industrial, craft and storage activities and warehousing, although areas for housing are also common. An initial analysis (FF UL, 2024) shows that around 2,400 new flats have already been built and occupied in 55 FDAs, around 1,700 flats are under construction in 20 FDAs, and around 5,000 more are planned in at least 76 FDAs. The Osrednjeslovenska region stands out in this respect (29 locations), followed by the Savinjska region (7) and the Obalno-Kraška region (6). However, the creation of areas for housing in the FDAs is not necessarily the most optimal, as it often only follows market demand.

Table: FDAs by type, November 2023

	Number of all FDAs in the year			Area	Average size
FDA:	2017	2020	2023	In ha	In ha
- of industrial, craft and storage activities	228	216	174	725.54	4.17
- infrastructure	128	164	147	462.96	3.15
- agricultural activities	74	85	81	228.41	2.82
defence, protection and rescue services	34	35	32	150.08	4.69
- transitional use	116	140	156	293.00	1.88
- mineral extraction and use	172	182	178	753.76	4.23
- commercial and services	171	191	150	215.28	1.44
- tourism, hospitality and sport	60	68	74	128.65	1.74
- housing	98	86	70	84.59	1.21
Total	1,081	1,167	1,062	3,042.27	2.86

Source: FF UL (2024). Note: The first comprehensive census was carried out in 2017 and then further ones in 2020 and 2023, with partial censuses in the intervening years.

Figure: Structure of FDA ownership structure in 2023, regions, in %



Source: FF UL (2024).

5 A high level of cooperation, competence and governance efficiency

Efficient governance and high-quality public service

A trustworthy legal system

A safe and globally responsible Slovenia

Trust in institutions 5.1

After declining during the epidemic, trust in most national institutions increased in 2022, but it decreased again in 2023 and was still below the SDS target.[1] It was at its highest and above the EU average in 2006 but has dropped significantly since then. Trust in most institutions was at its lowest at the end of the global financial crisis, while it improved in 2013–2019 but still remained below the EU average. During the epidemic, which had an impact both on transformation of the economy and on people's lives, trust in the country's key institutions decreased again (see IMAD 2021b, 2022d). In the summer of 2022, trust in the parliament and government was the highest since 2008 and trust in political parties also increased, which can be linked to the political changes. In 2023, trust in public institutions fell sharply, influenced by an increase in respondents' dissatisfaction with how things are developing in Slovenia,[2] while the majority of respondents did not expect the general situation in the country to improve in the next 12 months, and almost half expected the economic situation to deteriorate. Trust in the parliament and political parties was among the lowest in the EU, while trust in the government was the lowest among EU Member States. Trust in local authorities increased, and this is still the institution people trust the most, while political parties are the least trusted institution.

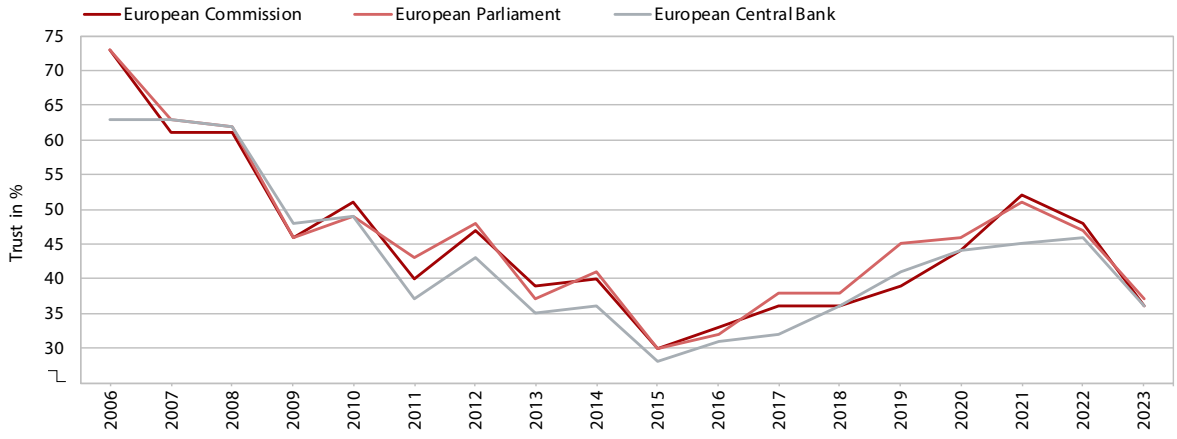
Trust in the EU and most of its institutions has decreased since 2021. It was at its highest in 2006 and lowest in 2015. After increasing in 2015–2021, it decreased again in 2022 and 2023. At the end of 2023, 38% of respondents trusted the EU, which is less than in 2022 and less than the EU average.[3] Trust in European institutions also decreased significantly compared to the previous year and is lower in Slovenia than the EU average. Thirty-seven percent of respondents trusted the European Parliament and 36% the European Commission and the European Central Bank.

Table: Trust in institutions, in %

		2006	2008	2010	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Parliament	Slovenia	42	34	23	6	9	11	14	17	22	26	22	19	34	21	At least half of the population trust public institutions (the average of the last three years)
	EU	33	34	31	25	30	28	32	35	35	36	36	35	34	39	
Government	Slovenia	43	36	27	10	13	16	17	17	23	31	25	25	37	20	
	EU	30	34	29	23	29	27	31	36	35	35	40	37	34	36	
Local authorities	Slovenia	N/A	39	39	29	31	27	38	43	40	46	50	48	44	49	
	EU	N/A	50	47	44	43	42	47	51	54	54	57	57	54	55	
Political parties	Slovenia	20	17	11	6	6	6	6	8	10	14	12	10	14	11	
	EU	17	20	18	14	14	15	16	18	18	20	23	21	21	20	
EU	Slovenia	70	60	47	37	40	30	37	38	37	46	47	55	44	38	
	EU	45	47	42	31	37	32	36	41	42	45	43	49	49	47	

Source: Eurobarometer (2024). Notes: The figures for individual years are the latest available data for that year (autumn measurements; 2020–2022: summer measurements; 2023: autumn measurement and summer measurement for local authorities and political parties). For the EU, the figures for 2006 are for the EU-25, the figures for 2008 and 2010 are for the EU-27, the figures from 2013 to 2018 are for the EU-28, and the figures from 2019 on are for the EU-27. N/A – data not available.

Figure: Trust in EU institutions, Slovenia



Source: Eurobarometer (2024). Note: The figures for individual years are the latest available data for that year (autumn measurements, 2020–2022: summer measurement).

[1] The source of the data is Eurobarometer, which is based on public opinion polls on the level of trust in selected institutions, with the possible answers being "tend to trust", "tend not to trust" and "don't know". The figures for individual years are the latest available data for that year.
[2] At the end of 2023, 63% of respondents estimated that things were going in the wrong direction in the country (EU: 61%).
[3] More than half of respondents believed that things were going in the wrong direction in the EU (55%; EU: 51%), and the share of respondents that held a positive image of the EU declined.

Executive capacity[1] 5.2

The executive capacity indicator, which measures the strategic governance of public institutions, is improving in Slovenia but remains below the EU average. The executive capacity indicator is a component of the indicators of sustainable governance and measures government and institutional performance in eight dimensions: strategic capacity, inter-ministerial cooperation, regulatory impact assessment, societal consultation, policy communication, the implementation of set measures, adaptability and the capacity for reforming the public administration. Since 2017, the indicator value and Slovenia's rank among the EU Member States have improved, but Slovenia continues to lag behind the EU average in most indicator dimensions. During the COVID-19 epidemic, the index improved, but Slovenia's ranking dropped by one place (to 19th among EU Member States). Slovenia is still behind the SDS target, but the gap is gradually, albeit slowly, narrowing.

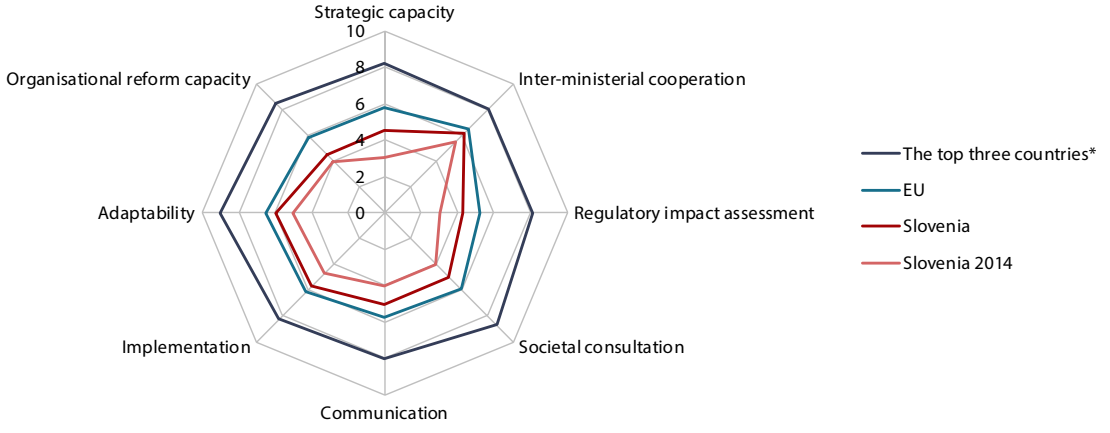
A low executive capacity score points to relatively low government and institutional performance. In the SGI survey (Bertelsmann, 2022),[2] the main weaknesses identified were in effective strategic planning and organisational reforms, where only limited progress has been made in recent years, for example when it comes to the formation of expert consultative groups. During the COVID-19 epidemic, the scores on resilience to the new situation and implementation of measures, especially funding, improved, though they remain far below the EU average. On the other hand, there has been a sharp deterioration in the government communication score, partly due to dissatisfaction with the containment measures taken during the epidemic. Slovenia also lags behind other countries in producing a comprehensive assessment of the impact of proposed regulations (i.e. an RIA) on public finances, the economy, the environment and society as a whole.

Table: Executive capacity indicator, Slovenia and the EU

	2014	2015	2016	2017	2018	2019	2020	2022	SDS 2030 target
Slovenia*	4.46	4.64	4.81	4.77	4.81	4.91	4.97	5.33	EU average in 2030
EU	6.02	6.04	6.04	6.04	6.05	5.95	5.94	6.05	

Source: Bertelsmann (2022); calculations by IMAD. Notes: Scores range from 1 to 10, with higher being better; *for Slovenia, the indicator was calculated for the first time in 2014. No index was published for 2021.

Figure: Executive capacity indicator by dimension, 2022



Source: Bertelsmann (2022); calculations by IMAD. Note: The three best-performing countries are Sweden, Finland and Denmark. A higher score is better, with the highest score being 10.

[1] An important limitation of sustainable governance indicators (SGIs) is the small size of the sample of experts included in the survey in individual countries.
[2] The survey was conducted in the first half of 2020 and published in September 2020, which means that the impact of the COVID-19 epidemic on the executive capacity of the countries surveyed is largely ignored.

The Rule of Law Index 5.3

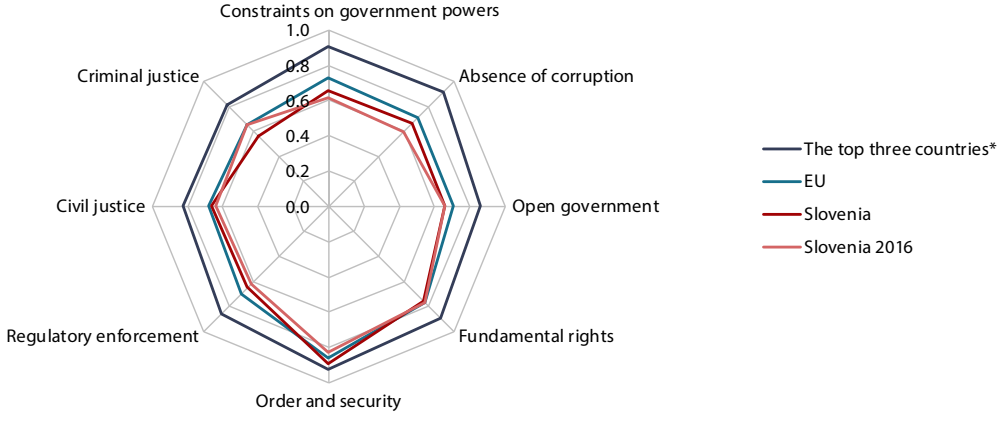
Slovenia's ranking in the Rule of Law Index improved slightly last year, but the country is still in the bottom half of EU Member States.[1] The rule of law highlights the principle of equality before the law and emphasises the inviolability of the authority of the law and rules. This necessitates government adherence to the law, the functioning of government bodies within legal bounds, and the assurance of fundamental human rights and freedoms. By being ranked in the lower half of EU Member States on the Rule of Law Index, in a position which has not improved significantly in the long term (2012–2023), Slovenia lags behind the SDS target. As in previous years, Slovenia scores best in the category of order and safety, where it is close to the top-ranking Scandinavian countries. This is also the area in which the average indicator values have improved the most in the last ten years. Other categories where Slovenia also ranks close to the EU average are fundamental rights (where it scores well on the right to life and safety, the right to work, and respect for the law and the rights of the accused) and civil justice (no discrimination in legal proceedings, affordability of proceedings and the possibility of alternative dispute resolution). Weaknesses in adherence to the rule of law, on the other hand, are indicated by the low indicator values in the areas of criminal justice (e.g. effective investigations, government influence on court decisions and timely adjudication), responsibility and powers of government policy (e.g. sanctions for official misconduct, compliance with legislation and respect for the judiciary by the government), and the absence of corruption (e.g. the risk of corruption in the executive branch and in the legislature). According to Eurobarometer (2021), respondents in Slovenia are less well informed about the rule of law in the country than the EU average, and a high proportion of respondents believe that the EU's fundamental values, such as human rights, the rule of law and democracy, are not sufficiently protected (Slovenia: 62%; EU: 32%).

Table: Rule of Law Index, Slovenia and the EU

	2012–2013	2014	2015	2016	2017–2018	2019	2020	2021*	2022*	2023*	SDS 2030 target
Ranking among EU Member States*											
Slovenia	14	14	14	14	14	13	13	18*	19*	16	Ranking in the top half of EU Member States
Score											
Slovenia	0.66	0.65	0.66	0.67	0.67	0.67	0.69	0.68	0.68	0.69	
EU*	0.72	0.71	0.72	0.73	0.73	0.73	0.73	0.73	0.73	0.73	

Source: World Justice Project (2023). Notes: Scores range from 0 to 10, with higher being better. Data for the overall index are available from 2012 onwards; *data for 2012–2020 were available for only 20 EU Member States; since 2021, data have been available for all Member States, which affected the absolute ranking.

Figure: Rule of Law Index by sub-component, 2023



Source: World Justice Project (2023). Notes: Scores range from 0 to 1, higher being better; top three countries are Denmark, Finland and Sweden.

[1] The deterioration in 2021 was the result of a methodological change, i.e. an increase in the number of countries included in the survey (20 EU Member States until 2020 and 27 since 2021). If only the 20 countries from previous years are taken into account, Slovenia's ranking remained unchanged in 2021 and 2022 (13th place) and Slovenia moved up one place in 2023.

The expected time needed to resolve litigious civil and commercial cases 5.4

According to the latest analysis, the expected time needed to resolve litigious civil and commercial cases[1] shortened again after having lengthened in 2020, but it remains far short of the SDS target. In 2008–2019, Slovenia saw a shortening of the expected time needed to resolve litigious civil and commercial cases at the first instance by more than 40%, in large part due to the project to eliminate court backlogs and other structural reforms (e.g. insolvency legislation). In the first year of the epidemic, this time increased significantly again, due to the containment measures. According to the most recent measurement (2021), it decreased but remains significantly higher than in the years before the epidemic. The gap to the EU average has widened slightly since the epidemic. The expected time needed to resolve a case at the second and third instances remains among the shortest in the EU.

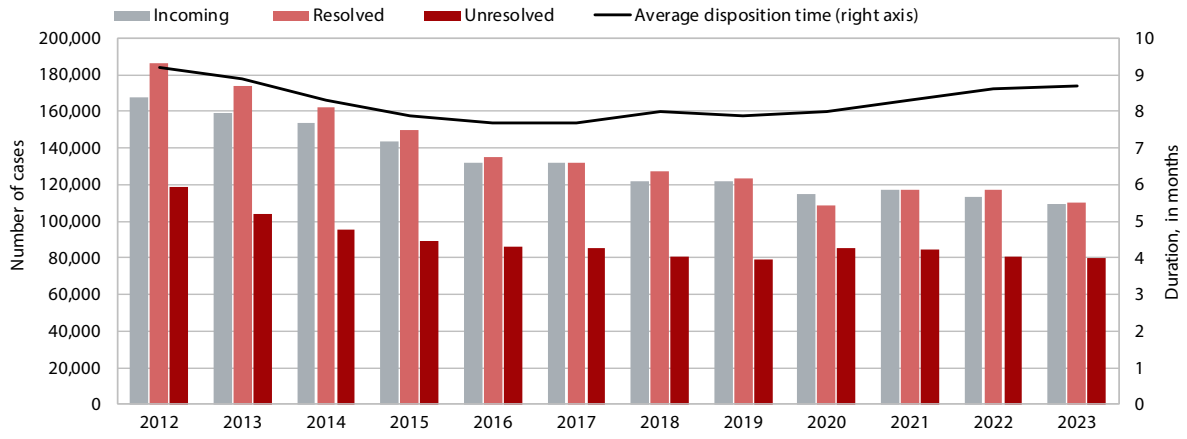
The average time needed to resolve a case shortened, though the time needed to resolve major cases has lengthened slightly.[2] However, due to the different data and methodology used in the calculation, the expected disposition time differs from the actual time taken to resolve a case. The average time needed to resolve a case has shortened significantly over the past few years, to less than one month in 2023. Up to 2016, the time needed to resolve a major case was also rapidly decreasing, due to a smaller incoming caseload and greater efficiency on the part of the courts. Over the last four years, however, the time needed to resolve a major case has actually increased slightly. This can be attributed, among other things, to new competences given to the courts by legislative amendments. Nevertheless, the courts were able to effectively manage incoming new cases, as in most years the courts have resolved more cases than they received (the only exception was 2020,[3] when the functioning of the courts was limited due to the COVID-19 pandemic).

Table: Time needed to resolve litigious civil and commercial cases at the first instance, in days

	2008	2010	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	SDS 2030 target
Slovenia	460	315	318	301	270	277	280	292	283	281	350	309	200 days
EU	299	288	278	300	253	244	252	242	250	258	294	234	

Source: EC (2023l).

Figure: Major cases at courts, Slovenia



Source: Supreme Court (2024b, 2024a).

[1] The expected length of proceedings indicates the estimated time (in days) needed to resolve a case in court, i.e. the time taken by the court to reach a decision at the first instance.

[2] Major cases, which account for around 15% of the total caseload, are all cases defined as such in the methodology for recording statistical data, which is published at: https://poslovanje-sodstva.sodisce.si/en/explanatory-notes/.

[3] In 2020, the courts resolved 5% fewer major cases than came in (0.2% fewer cases overall).

The Corruption Perception Index 5.5

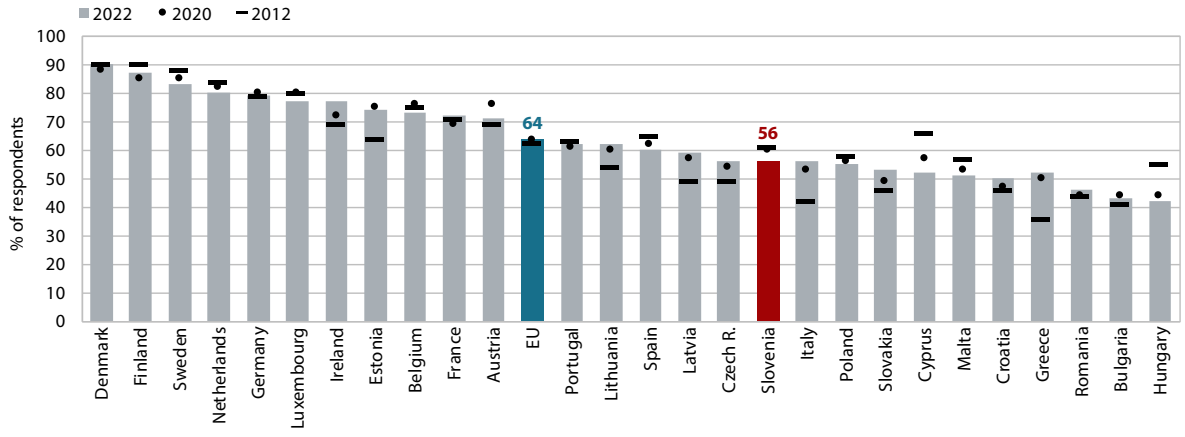
The perception of corruption remains high in Slovenia and has further increased since 2021.[1] The Corruption Perception Index (CPI), published by Transparency International (2024), reflects the perceived level of public sector corruption according to businesses, experts and analysts. The independence, adequate funding and transparency of judicial systems are key to effectively punishing corruption-related crimes and ensuring oversight. Slovenia is ranked 42nd in the world and 17th among EU Member States. Since 2012, Slovenia has made no progress, and its rank has even deteriorated slightly since 2020, which was characterised by the COVID-19 epidemic, and the gap with the EU average has widened. At the last two measurements, the perception of corruption index was at its lowest level since measurements began in 2005. At the EU level, as many as 10 countries scored lower in the last measurement than they did in 2005. Slovenia is among the EU Member States (with Cyprus, Hungary, Spain and Malta) with the highest increase in the perception of corruption since 2012, while it does better than most countries that joined the EU after 2003. According to Eurobarometer (2023b, 2023d), 83% of respondents think that corruption is widespread in Slovenia (EU: 70%), but at the same time, a large majority of respondents have no personal experience of corruption (93%; EU: 94%). More than half of respondents also believe that corruption in Slovenia has increased in the last three years and is a consequence of the too close links between business and politics. The high perception of corruption can be attributed to respondents believing that high-profile and major cases of corruption, especially those related to bribery, are not or were not adequately sanctioned, while at the same time respondents point out that those reporting corruption are not sufficiently protected. Respondents trust the police, the Commission for the Prevention of Corruption and the Ombudsman the most when it comes to corruption.

Table: The Corruption Perception Index

	2005	2008	2009	2010	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Slovenia	61 (15)	67 (11)	66 (10)	64 (12)	57 (16)	58 (16)	60 (15)	61 (14)	61 (13)	60 (13)	60 (14)	60 (14)	57 (16)	56 (16)	56 (17)
EU	62.4	63.6	59.9	61.5	62.8	63.7	65.0	64.0	65.0	64.1	63.9	63.7	63.7	63.6	63.6

Source: Transparency International (2024). Notes: The index scale ranges from 0 to 100, where 0 means that a country is perceived as being highly corrupt and 100 means that a country is perceived as being "very clean". The figure in brackets shows Slovenia's rank among the EU Member States

Figure: The Corruption Perception Index



Source: Transparency International (2024). Note: The index scale ranges from 0 to 100, where 0 means that a country is perceived as being highly corrupt and 100 means that a country is perceived as being "very clean". The figure in brackets shows Slovenia's rank among the EU Member States.

[1] Most of the sources for compiling the Corruption Perception Index are based on research and surveys from the first half of 2023.

The Global Peace Index 5.6

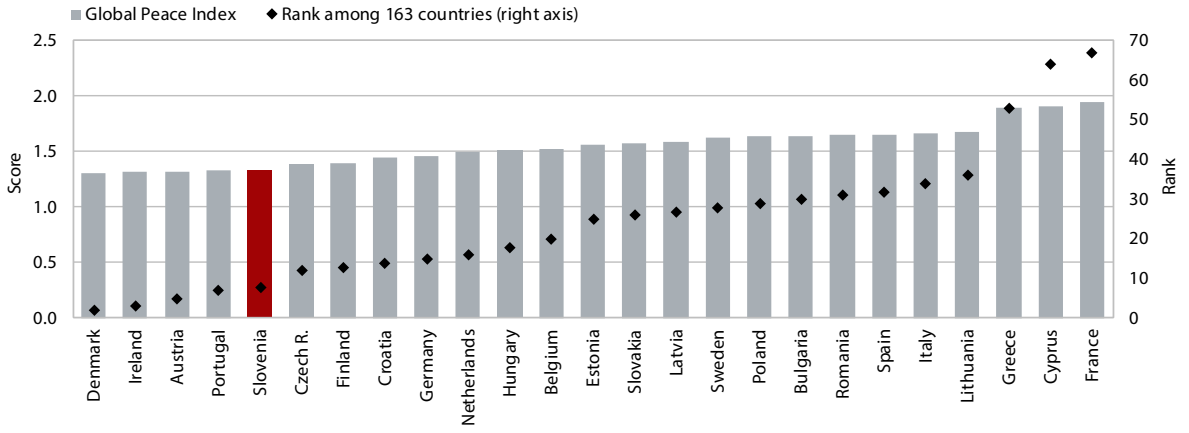
According to the Global Peace Index,[1] Slovenia was once again one of the most peaceful countries in the world in 2023, which is in line with the SDS 2030 target. In the last decade, Slovenia has been one of the world's most peaceful countries. In 2023, it was 8th among 163 countries in the world and 5th among EU Member States, but its ranking dropped slightly compared to 2022. While Slovenia continues to rank among the ten best-performing countries in the areas of militarisation (5th) and societal safety and security (8th), it scored worse in the area of domestic and international conflict (41st), which is mainly due to the still slightly worse assessment of relations with neighbouring countries and the intensity of organised internal conflicts. It has also scored slightly lower over the past decade with regard to the indicators of the numbers of internal security officers and police per 100,000 people.[2] Compared with other countries, Slovenia nevertheless ranks relatively high in these areas, but these scores indicate certain shortcomings, albeit ones that do not significantly affect the assessment of peace in the country. According to the Global Peace Index for 2023, Europe remained the most peaceful region in the world and was home to seven of the ten most peaceful countries in the world (five of which are EU Member States). The Middle East and North Africa (MENA) was the least peaceful region. Iceland remains the most peaceful country in the world and Afghanistan the least. Since 2014, the average level of global peacefulness has declined and the gap between the most and the least peaceful countries has widened.[3] This is influenced by a number of factors, in recent years including the COVID-19 pandemic (political and social unrest) and the wars in Ukraine and the Middle East. In addition to Europe and its neighbourhood, conflicts are also escalating in other regions, the number of conflict-related deaths is rising and political instability is increasing in many countries (IEP, 2023a).

Table: Global Peace Index, Slovenia

	2010	2012	2014	2016	2017	2018	2019	2020	2021	2022	2023	SDS 2030 target
Ranking among 163 countries of the world												To be ranked among the top 10 countries in the world and the top 5 in the EU.
The Global Peace Index	4	7	10	8	9	10	6	6	5	4	8	
Score												
The Global Peace Index	1.350	1.390	1.384	1.342	1.339	1.354	1.319	1.308	1.298	1.310	1.334	
Militarisation	1.19	1.42	1.40	1.24	1.20	1.28	1.21	1.19	1.15	1.15	1.23	
Societal security and safety	1.37	1.32	1.32	1.30	1.33	1.33	1.30	1.29	1.30	1.33	1.34	
Domestic and international conflict	1.44	1.46	1.46	1.46	1.45	1.44	1.43	1.41	1.40	1.40	1.40	

Source: IEP (2023b). Note: Scores range from 1 to 5, with a lower score being better.

Figure: Global Peace Index 2023, EU Member States



Source: IEP (2023b). Note: Data for 25 EU Member States (data for Malta and Luxembourg not available); scores range from 1 to 5, with a lower score being better.

[1] The Global Peace Index, which is produced each year in cooperation with the Economist Intelligence Unit (EIU), evaluates countries according to their level of peacefulness. It includes 23 qualitative and quantitative indicators on a scale from 1 to 5, grouped into three thematic domains: militarisation (6 indicators), societal safety and security (11 indicators), and ongoing domestic and international conflict (6 indicators). The calculation of the index for 2023 includes data from 2018 to March 2023.

[2] The indicator falls under the area of societal safety and security. According to Eurostat (2024) data on the number of police officers per 100,000 inhabitants, Slovenia also ranked in the bottom half of EU Member States in 2021 (the latest available data).

[3] The overall index value has deteriorated. In 2023, the index value improved in 84 countries and deteriorated in 79 countries, but the deteriorations were greater than the improvements.

Share of population reporting problems with crime, vandalism or violence in the local area 5.7

The share of people[1] reporting problems with crime, vandalism or violence in the local area in 2023 was the lowest so far and in line with the SDS target. It was 6.8% and has constantly been below the EU average. The incidence of crime is mostly affected by socio-economic factors and social climate, and crime is also more common in urban environments. The share of households reporting problems with crime in their local environment decreased in most regions in 2023, with the smallest share in the Primorsko-Notranjska region (SURS, 2024b). Jugovzhodna Slovenija continued to stand out on this indicator with the highest share, exceeding the Slovenian average by 70%, although this percentage has been declining since 2019, when it peaked. In 2023, the Slovenian average was exceeded also by the Obalno-Kraška, Osrednjeslovenska and Posavska regions, while the Pomurska region was at the Slovenian average. Compared to 2020, the largest decrease in the share was recorded by the Primorsko-Notranjska and Posavska regions. The Osrednjeslovenska region has the most urbanised areas in Slovenia and thus higher potential for crime. Important factors that contribute to a reduction in crime are a better quality of life for families in the community (the prevention and reduction of poverty and social exclusion), high-quality implementation of educational work in schools, and more comprehensive organisation of social life and surveillance in the local community (Meško and Sotlar, 2012).

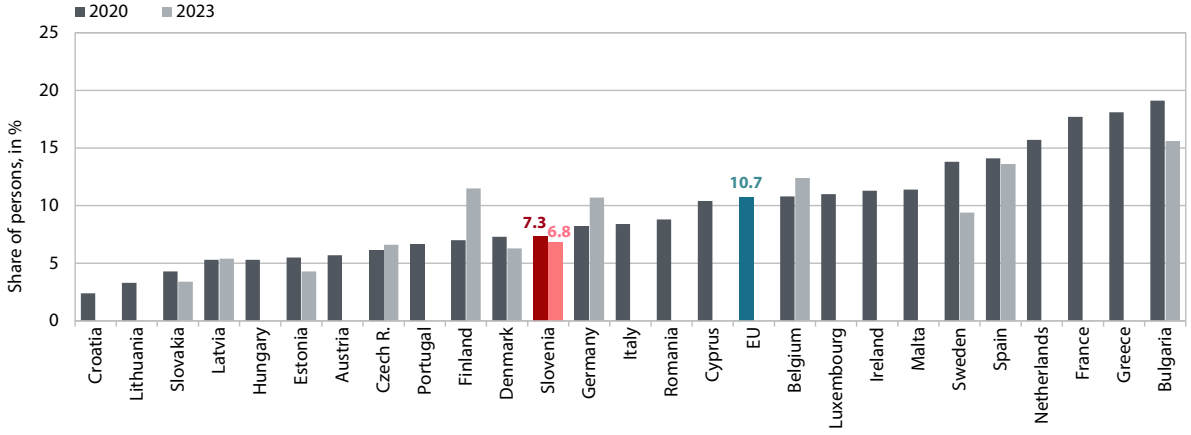
Slovenia is a safe country, which has a positive impact on the quality of life. The results of the European Social Survey suggest that the share of respondents who have had personal experience of burglary or physical assault between 2010 and 2020 hovered between 9% and 11% and, according to the 2020 data[2] (10%), was slightly lower than the EU-19 average (11%).[3] In 2023, 8% of respondents reported such experience, which is the lowest percentage to date (CJMMK, 2024). In addition to the personal experience of crime, people's quality of life is also affected by the feeling of being threatened in the immediate environment, which was consistently lower in Slovenia than the average of the countries participating in the survey. According to data for 2020, 94% (EU-19: 76%) of respondents felt safe when walking alone in their neighbourhood at night, compared with 95% in 2023, which is the highest percentage to date.

Table: Reported crime, vandalism or violence in the local area, in %

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2023	SDS 2030 target
Slovenia	9.3	8.6	8.1	9.1	10.1	9.2	8.5	8.0	7.9	8.0	7.3	6.8	< 10%
EU	13.1	13.2	12.8	14.1	13.6	13.2	12.5	11.5	11.5	11.0	10.7	N/A	

Source: Eurostat (2024).

Figure: Reported crime, vandalism or violence in the local area, 2020 and 2023



Source: Eurostat (2024). Note: For 2020, data are available for 26 countries (all except Poland) and for 2023 for only 12 countries.

[1] The unit described in the Living Conditions Survey (EU-SILC) is private households and the persons living in these households. Eurostat data refer to persons (household-level data are attributed to all persons in the household), while SURS data (regional survey) refer to households.

[2] Due to the epidemic, data for 2020 were obtained in two periods: from 18 September to 19 October 2020 and from 1 June to 31 August 2021.

[3] The chart shows the total average result of the selected countries regardless of the size of the national samples or the size of the country (Austria, Bulgaria, Croatia, Czech Republic, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, the Netherlands, Poland, Portugal, Slovenia, Slovakia, Spain and Sweden).

Expenditure on official development assistance 5.8

In 2022, expenditure on official development assistance increased significantly, although it still falls short of international commitments.[1] Official development assistance is defined as aid provided by advanced countries in support of sustainable development in developing countries. Slovenia allocated EUR 159.66 million for development assistance, 63% more than in 2021, thus significantly increasing the share of gross national income (GNI)[2] dedicated for this purpose, but this is significantly below the EU average. In terms of expenditure on official development assistance (0.29% of GNI), Slovenia almost met its international commitments, according to which it should strive to increase the share of GNI for this purpose to 0.33% by 2030.

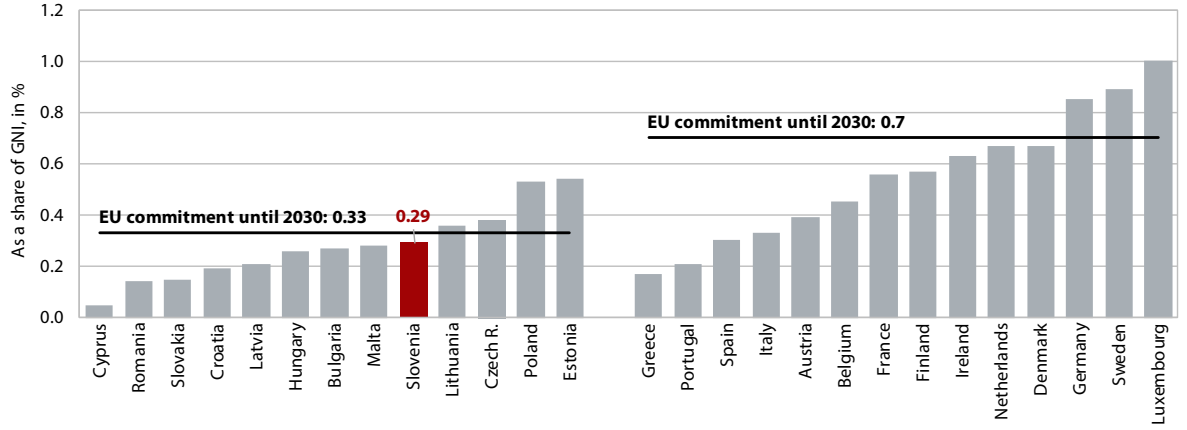
The increase in and structure of assistance in 2022 was significantly affected by the war in Ukraine. Development assistance is the sum of multilateral assistance (funding provided for the regular development activities of international organisations) and bilateral assistance.[3] In 2020 and 2021, the COVID-19 pandemic had a major impact on the amount of aid. Bilateral humanitarian aid has increased significantly, and assistance focused on specific projects (donation of COVID-19 vaccines) also increased significantly in 2021. In 2022, assistance focused on specific projects decreased due to lower demand for vaccine donations, and funds for raising awareness of the importance of international development cooperation decreased again. However, the value of available bilateral aid more than doubled (to EUR 79.2 million), as the war in Ukraine led to a sharp increase in the costs related to the support of refugees and migrants in Slovenia (by 1,115% to EUR 23.9 million, accounting for 30% of available bilateral aid). A large proportion of bilateral aid was also earmarked for the write-off of debt for some African countries[4] (26%) and for paying tuition fees and scholarships (20%), which have been the main focus of Slovenia's funding in recent years. Humanitarian aid also increased significantly, with the largest share going to emergency aid. In 2022, Slovenia dedicated the largest share of its bilateral aid[5] (32%) to developing countries (geographically unallocated), in particular for the care of refugees and migrants from Ukraine. This is followed by countries from sub-Saharan Africa (29%) and the Western Balkans (24%), which have received the largest share of the aid in recent years. Expenditure on multilateral assistance, most of which (86%) is dedicated to EU development cooperation programmes, increased for the fifth year in a row. However, the increase in funding for official development assistance in 2022 was driven to a great extent by growth in bilateral development aid, mainly due to higher costs related to the support of refugees and migrants in Slovenia (MZEZ, 2023c).

Table: Official development assistance as a share of GNI, in %

	2008	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Slovenia	0.13	0.13	0.13	0.13	0.13	0.12	0.15	0.19	0.16	0.16	0.17	0.17	0.19	0.29
EU	0.42	0.44	0.43	0.40	0.39	0.38	0.42	0.49	0.47	0.43	0.41	0.50	0.49	0.58

Source: Eurostat (2024).

Figure: Official development assistance as a % of GNI in the EU Member States in 2022



Source: OECD (2024d).

[1] The target for Member States that joined the EU before 2002 is to spend 0.7% of GNI on official development assistance, while the target for Member States that joined the EU after 2002 is 0.33% of GNI.

[2] Expenditure rose disproportionately also in 2016 (migration trends due to the situation in the Middle East) and 2021 (vaccine donations).

[3] In 2022, EUR 82.31 million was allocated for bilateral assistance. Bilateral assistance is the sum of disposable bilateral assistance (development aid in the narrow sense (EUR 71.24 million) and humanitarian aid (EUR 7.95 million)) and administrative costs (EUR 3.13 million).

[4] Interest cancellation on Angola's clearing debt and relief of debt to Sudan and Somalia through the International Monetary Fund in 2022.

[5] The priority development regions being (i) the Western Balkans (Montenegro, North Macedonia, Bosnia and Herzegovina, Serbia, Kosovo, and Albania), (ii) the European neighbourhood and (iii) Sub-Saharan Africa.

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Abbreviations

AIC	actual individual consumption
AJPES	Agency for Public Legal Records and Related Services
ALP	active labour policy
ARSO	Slovenian Environment Agency
ARRS	Slovenian Research Agency
AVP	Slovenian Traffic Safety Agency
BAMC	Bank Assets Management Company
BAMI	basic amount of minimum income
BE	Belgium
BIOEAST	Central and Eastern European countries
BoS	Bank of Slovenia
CAF	Common Assessment Framework
CAP	Common Agricultural Policy
CCIS	Chamber of Commerce and Industry of Slovenia
Cedefop	European Centre for the Development of Vocational Training
CEE 4	Czech Republic, Hungary, Poland and Slovakia
CEPEJ	European Commission for the Efficiency of Justice
CER	Centre of Energy Efficient Solutions
CEUVIZ	Central Register of Participants in Education
CH4	methane
CHI	complementary health insurance
CJMMK	Public Opinion and Mass Communications Research Centre
CKZ	Health promotion centre
CLARIN	Slovene national consortium in the European research infrastructure CLARIN
CMEPIUS	Centre of the Republic of Slovenia for Mobility and European Educational and Training Programmes
CO2	carbon dioxide
CoE	Council of Europe
COP26	26th Conference of the Parties to the United Nations Framework Convention on Climate Change
CP	Cohesion policy
CPC	Commission for the Prevention of Corruption
CPI	Consumer Price Index
CPI	Institute of the Republic of Slovenia for Vocational Education and Training
CŠOD	Curricular and Extracurricular Activities Centre
CZ	Czech Republic
CzK	Centre for Creativity
DARS	Motorway Company of the Republic of Slovenia
DESI	Digital Economy and Society Index
DG SANTE	The Directorate-General for Health and Food Safety
DIH	Digital innovation hub Slovenia
DK	Denmark

DRSI	Slovenian Infrastructure Agency
DVK	State Election Commission
EACEA	European Education and Culture Executive Agency
EAPN	European Anti-Poverty Network
EBITDA	earnings before interest, taxes, depreciation and amortisation
EC	European Commission
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
ECHR	European Court of Human Rights
EE	Estonia
EEA	European Environment Agency
EEAS	European External Action Service
EFB	European Fiscal Board
EFQM	European Foundation for Quality Management
EHIS	European Health Interview Survey
EIB	European Investment Bank
EDI	equivalised disposable income
EII	European Innovation Index
EIPA	European Institute for Public Administration
EJQI	European Job Quality Index
EMU	Economic and Monetary Union
EPO	European Patent Office
EPSR	European Pillar of Social Rights
ERI	Educational Research Institute
ESC	Economic and Social Council
ESG	environmental, social and governance
ESI	economic sentiment indicator
ESM	European Stability Mechanism
ESPON	European Spatial Planning Observation Network
ESS	Employment Service of Slovenia
ESSPROS	European System of integrated Social PROtection Statistics
ET 2020	Education and Training 2020
ETS	Emissions Trading System
EU	European Union
EUA	European University Association
EUIPO	European Union Intellectual Property Office
EUR	euro
EUROAC	The Academic Profession in Europe: Responses to Societal Challenges
EUROSTAT	The Statistical Office of the European Union
EUSAIR	European Union Strategy for the Adriatic and Ionian Region
eVŠ	web portal for higher education
FC	Fiscal council
FDA	functionally derelict areas

FDI	foreign direct investment
FEAD	Fund for European Aid to the Most Deprived
FEANTSA	European Federation of National Organisations Working with the Homeless
FF UL	Faculty of Arts, University of Ljubljana
FI	Finland
FRA	European Union agency for fundamental rights
FURS	Financial Administration of the Republic of Slovenia
GDP	gross domestic product
GDPR	General Data Protection Regulation
GERD	gross domestic expenditure on R&D
GEI	Gender Equality Index
GEM	Global Entrepreneurship Monitor
GFN	Global Footprint Network
Gg	gigagram (1,000 tonnes)
GHG	greenhouse gases
GNP	gross national product
GRECO	The Group of States against Corruption
GURS	Surveying and Mapping Authority of the Republic of Slovenia
GVA	gross value added
ha	hectare
HBS	household budget survey
HBSC	health behaviour in school-aged children
HD	housing deprivation
HICP	Harmonised Index of Consumer Prices
HIIS	Health Insurance Institute of Slovenia
HPC	high processing computing
HU	Hungary
IAEs	innovation-active enterprises
ICT	information and communication technology
ICTWSS	Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts
IDEA	International Institute for Democracy and Electoral Assistance
ITR	implicit tax rate (on labour, capital, consumption and energy)
IE	Ireland
IEE	innovative environment entities
IER	Institute for Economic Research
IIBA	International Institute of Business Analysis
IEI	Innovation Efficiency Index
IJS	Jožef Stefan Institute
IJS-CEU	Jožef Stefan Institute, Energy Efficiency Centre
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
ISSP	The International Social Survey Programme
IZS	Slovenian Chamber of Engineers
JAK	Slovenian Book Agency
JSKD	Republic of Slovenia Public Fund for Cultural Activities
JTF	Just Transition Fund
KCDM	Competence Centre for Design Management
KIS	Agricultural Institute of Slovenia
KONS	Platform for contemporary investigative art
LE	life expectancy
LFS	Labour Force Survey
LLL	lifelong learning
LPIO	annual programme for adult education
LTC	long-term care
MDDSZ	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MF	Ministry of Finance
MFF	multiannual financial framework
MGRT	Ministry of Economic Development and Technology
MGTŠ	Ministry of Education, Science and Sport
MIRA	National Mental Health Programme
MIZŠ	Ministry of Education, Science and Sport
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
MOP	Ministry of the Environment and Spatial Planning
MOPE	Ministry of the Environment, Spatial Planning and Energy
MP	Ministry of Justice
MRA	Master Restructuring Agreement
MSD	material and social deprivation
MTO	medium-term objective
MVI	Ministry of Education
MVZI	Ministry of Higher Education, Science and Innovation
MzI	Ministry of Infrastructure
MZEZ	Ministry of Foreign and European Affairs
MZZ	Ministry of Foreign Affairs
N2O	nitrous oxide
NA	National Assembly
NATO	North Atlantic Treaty Organization
NECP	National Energy and Climate Plan
NEET	not in employment, education or training
NEIG	non-energy industrial goods

NIJZ	National Institute of Public Health
NKMB	Nova kreditna banka Maribor
NLB	Nova Ljubljanska banka
NLO	nobody left outside
NP fertilisers	mineral fertilisers containing nitrogen and phosphorus
NPK fertilisers	mineral fertilisers containing nitrogen, phosphorus and potassium
NPVO	National programme for environmental protection
NUK	National and University Library
NUTS classification	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Cooperation and Development
OECD/INFE	OEDC's International Network on Financial Education
OHIM	Office for Harmonization in the Internal Market
OP ETID	Operational Programme for Environmental and Transport Infrastructure Development
OP GHG	Operational Programme for Reducing Greenhouse Gas Emissions
OSHA	Occupational Safety and Health Administration
PA	personal assistance
PIAAC	OECD's Programme for the International Assessment of Adult Competences
PISA	Programme for International Student Assessment
PL	Poland
PM	particulate matter
PMR	product market regulation
p.p.	percentage point
PPP	purchasing power parity
PPS	purchasing power standard
PT	policy target
PT	public tender
RCH	residential care home
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
REER ULC	real effective exchange rate based on unit labour cost
REER PPI	real effective exchange rate based on producer price index
ReNPVO20–30	National Environment Protection Programme with programmes of measures until 2030
REPowerEU	plan for saving energy, producing clean energy, and diversifying our energy supplies
RES	renewable energy sources
RGZC	Celje Regional Chamber of Commerce
RIA	regulatory impact assessment
RISS	Research and Innovation Strategy of Slovenia
ROA	return on assets
ROE	return on equity
R&D	research and development activity
RRP	Recovery and Resilience Plan
RS	Republic of Slovenia
RULC	real unit labour costs
S4	Slovenian Smart Specialisation Strategy

SDS	Slovenian Development Strategy
SE	Sweden
SEF	Slovene Enterprise Fund
SES	structure of earnings survey
SFC	Slovenian Film Centre
SHA	System of Health Accounts
SHARE	Survey on health, ageing and retirement in Europe
SHD	severe housing deprivation
SI	Slovenia
SIAE	Slovenian Institute for Adult Education
SID	Slovenian Export Corporation
SiDG	Slovenski državni gozdovi, d. o. o., company for the management of state-owned forests
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
SIPO	Slovenian Intellectual Property Office
SJM	Slovenian Public Opinion
SK	Slovakia
SKD	Standard Classification of Activities
SLOGI	Slovenian theatre institute
SMEs	small and medium-sized enterprises
SPIRIT	Public Agency for Entrepreneurship, Internationalisation, Foreign Investments and Technology
SPOT	Slovenian Business Point
SRDAP	Statistical Register of Employment
SRIPs	Strategic Research and Innovation Partnerships
SRIP-KG	Strategic Research and Innovation Partnerships – Networks for the transition to a circular economy
SSH	Slovenian Sovereign Holding
SVRK	Government Office for Development and European Cohesion Policy
SURE	Support to mitigate Unemployment Risks in an Emergency
SURS	Statistical Office of the Republic of Slovenia
TA	territorial agenda
TALIS	Teaching and Learning Survey
TAXUD	Taxation and Customs Union Directorate
TEA	total early-stage entrepreneurial activity
TEŠ	Šoštanj Thermal Power Plant
TFP	total factor productivity
tkm	tonne-kilometre
UAA	utilised agricultural area
UKC	University Medical Centre
UKOM	Communication Office of the Government of the Republic of Slovenia
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs

UNSC	United Nations Security Council
URSZR	Administration of the Republic of Slovenia for Civil Protection and Relief
USD	US Dollar
VAT	value added tax
WEF	World Economic Forum
WHO	World Health Organization
WIPO	World Intellectual Property Organization
ZaPIS	Improvement of Health Literacy in Slovenia
ZGS	Slovenia Forest Service
ZJF	Public Finance Act
ZDOsk	Long Term Care Act
ZOA	Personal Assistance Act
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZRSŠ	National Education Institute
ZSSS	Association of Free Trade Unions of Slovenia
ZSV	Social Assistance Act
ZUreP-3	Spatial Management Act
ZZVZZ	Health Care and Health Insurance Act

Abbreviations of the Standard Classification of Activities (NACE): A – Agriculture, 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, P – Education, Q – Human health and social work activities, R – Arts, entertainment and recreation, S – Other service activities, T – Activities of households and U – Activities of extraterritorial organisations and bodies.

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