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Quality of Life in Slovenia Development Report 2026

Key messages and recommendations

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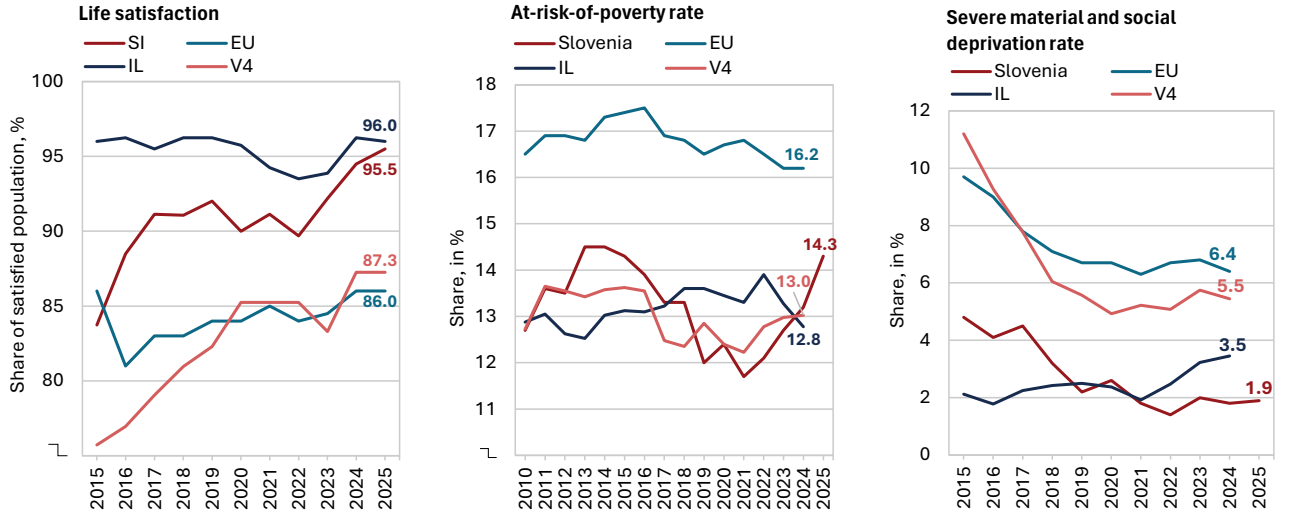
Key messages and recommendations

Slovenia is among the countries with a high quality of life but faces increasingly pronounced risks to its future development. According to various global indices of well-being and life satisfaction, it ranks among the better-performing countries globally. High employment, rising incomes and material well-being, low income inequality, longevity, and relatively effective social protection systems have been key factors underpinning favourable conditions for inclusive development over the past decade. Despite high current well-being indicators and a relatively well-preserved natural environment, Slovenia is experiencing a rise in certain social risks and continues to lag behind in economic development and institutional quality. There has been a marked deterioration in the strengthening of resources for the future and in social resilience, highlighting the limitations of the existing development model and – particularly in the context of current macroeconomic shocks and the broader transformation of the global economic system – posing a key challenge for Slovenia's future well-being.

How people live?

Living conditions are gradually improving, while the at-risk-of-poverty or social exclusion rate among vulnerable groups has been increasing since 2021 and remains above the EU average. Slovenia ranks among the better-performing EU countries in terms of living conditions. Life satisfaction reached its highest level in 2025. Improvements in health, rise in life expectancy, the development of long-term care, high participation in education, and broad public services coverage have contributed to longer and higher-quality lives across all generations. In recent years, median gross disposable income per capita in PPS has gradually increased, driven by high employment, wage growth and social transfers, and has slightly exceeded the EU average since 2022. Income growth has improved the financial position of households relative to the EU average. However, it has also raised the at-risk-of-poverty threshold, defined as 60% of the median equivalised disposable income of all households. In 2025, this led to a further increase in both the at-risk-of-social-exclusion rate (15.5%) and the at-risk-of-poverty rate, although both indicators remain below the EU average. Income inequality, while still relatively low, increased slightly, and the rate of severe material and social deprivation remained at the lowest levels. Despite the overall favourable picture, hardship among some vulnerable groups – where multiple dimensions of exclusion overlap – has been increasing for several years and has reached levels last observed in the 2013–2015 period. Partly due to discrimination, marginalisation, and lower levels of social and cultural capital, these groups are more exposed to the intergenerational transmission of disadvantage, reinforcing the structural nature of deprivation. Compared with the EU average, this is particularly pronounced among older people, those with low education, single-person households and immigrants. Housing affordability is declining due to limited housing supply and insufficient policy responses in the past, increasingly constraining access to housing, particularly for young people, first-time buyers and immigrants. Healthy life expectancy remains significantly above the EU average. Unmet needs for healthcare have declined markedly over the past four years but remain above the EU average, primarily due to long waiting times. In 2025, several important legislative changes were adopted to improve the efficiency and accessibility of healthcare.

Figure 1: Life satisfaction has reached its highest level on record (left); the at-risk-of-poverty rate has increased markedly but remains below the EU average (middle); the severe material and social deprivation rate remains stable and among the lowest in the EU (right)

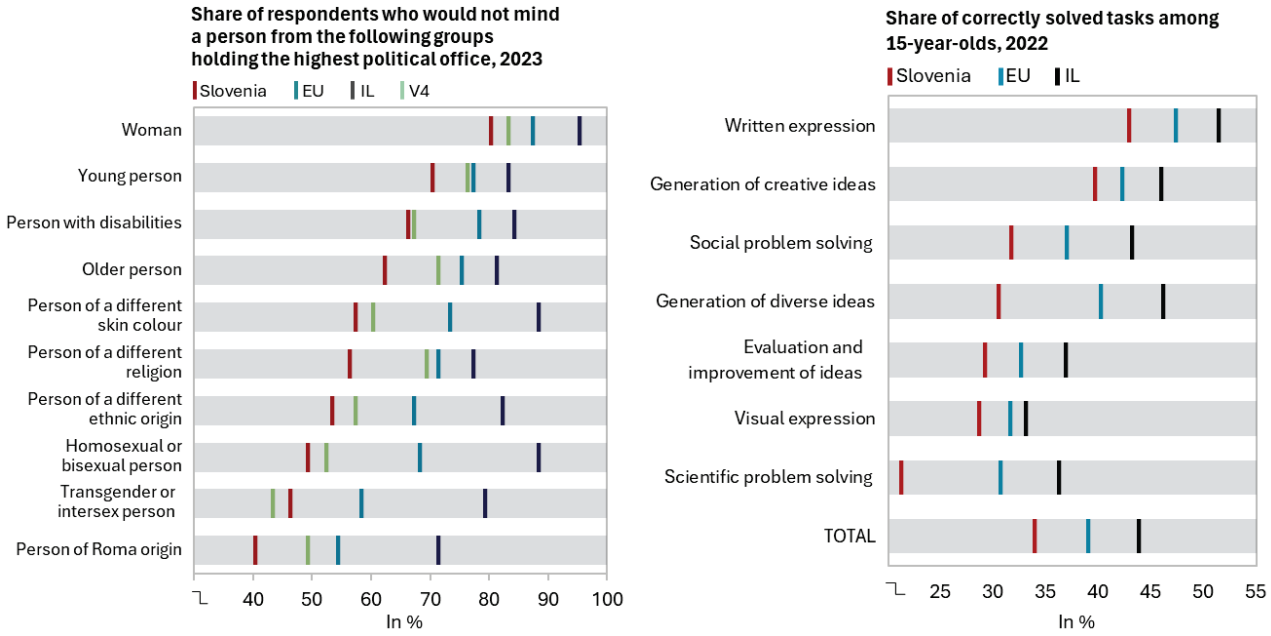


Source: Eurobarometer (2025j), IMAD calculations; Eurostat (2026); for Slovenia, EU-SILC 2025 (based on 2024 income); unweighted averages for IL (innovation leaders: Sweden, Finland, the Netherlands, Denmark) and V4 (Visegrád countries: Czechia, Slovakia, Poland, Hungary). Notes: The left-hand panel shows the annual average based on two measurements, except for 2021, when the SB94 survey was not included due to methodological errors. The middle panel shows the share of persons living in households with an equivalised disposable income below 60% of the median equivalised disposable income of all households, calculated using the modified OECD equivalence scale. The right-hand panel shows the share of persons living in households experiencing a lack of at least 7 out of 13 deprivation items, see Stare et al. (2026).

Society in a vortex of change, opportunities and risks

Amid rising global uncertainty, rapid technological progress and pronounced demographic change, low social cohesion and below-average creativity and responsiveness to change are becoming increasingly significant constraints on development. An increasingly unpredictable global environment, combined with rapid technological advancement, requires a high degree of responsiveness and adaptability across all social systems to maintain quality of life for all social groups and generations. Demographic changes have already significantly altered the ratio of the working-age population to the elderly population, and projections indicate a further acceleration of population ageing, which will increase pressures on social systems, the economy and the labour force. In recent years, migration has made an important contribution to addressing labour shortages and sustaining economic growth; however, policies on equal opportunities, integration and inclusion remain insufficiently developed. Despite gradual progress, Slovenia continues to lag behind the EU average in gender equality. Although women have high participation rates in tertiary education and the labour market, they continue to shoulder a disproportionate share of care and unpaid work, and the gender pay gap remains relatively wide. Social distance has increased markedly in recent years and is among the highest in the EU, while action to combat discrimination remains limited. Interpersonal and institutional trust remain low, and mutual assistance and cooperation are weak. Low social cohesion is thus becoming an increasingly significant constraint on development, as the institutional environment does not ensure sufficient integration, social mobility, and cooperation across all social groups. Low political culture further undermines the effectiveness of development policies and the implementation of reforms. A particular challenge is the situation of young people, who, compared with their peers in other EU countries, exhibit low levels of creative thinking, limited interest in solving complex problems and engaging in social and political issues, low digital and reading literacy, and underdeveloped social, emotional, and environmental skills. Slovenian 15-year-olds perform slightly above the EU average in mathematics and, in particular, in science; however, the overall quality of knowledge and skills has been declining for some time. The creative use of new technologies – an increasingly important tool for learning, skills development, critical thinking, and innovation – remains limited in Slovenia, while passive consumption is relatively high, particularly among young people. This increases risks to well-being and mental health. Young people often enter the labour market relatively late and face precarious forms of employment at the beginning of their careers. As a result, Slovenia is losing valuable human and creative capital, which is crucial for the transition to innovation-driven growth.

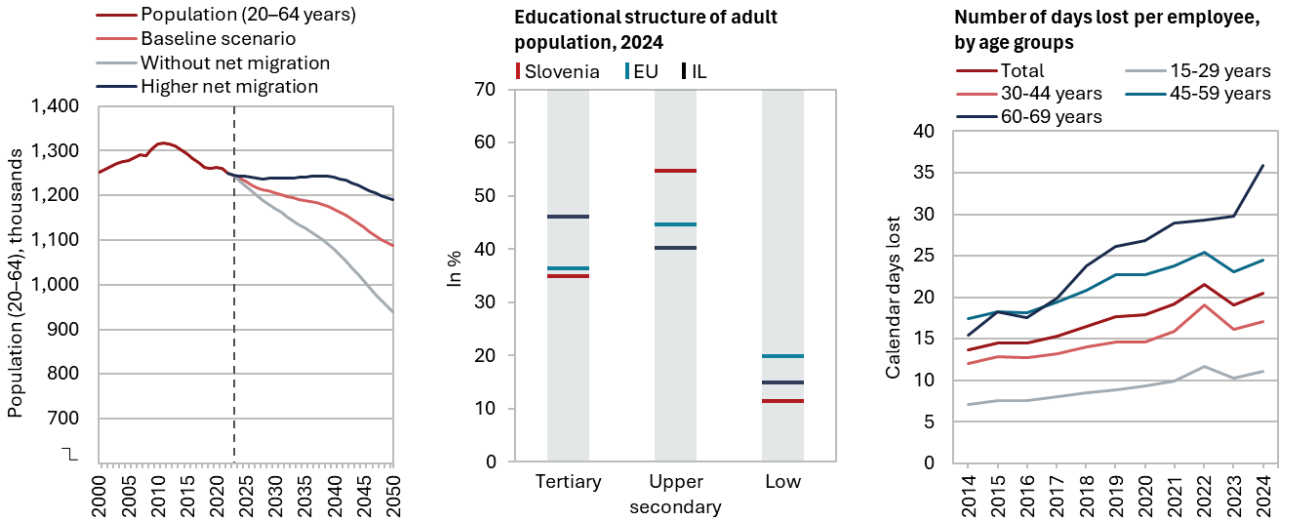
Figure 2: Acceptance of different individuals and groups is among the lowest in the EU (left), as is young people's performance in creative thinking (right)



Source: Eurobarometer (2023), OECD (2024k), PISA 2022, unweighted averages for country groups. Note: In addition to the EU average, comparisons are also made with countries with some of the lowest levels of social distance – namely the Netherlands, Sweden, Denmark, and Finland (which are also innovation leaders, "IL") – as well as with the Visegrád countries (V4: Czechia, Slovakia, Hungary, and Poland).

The development and attraction of human capital are significantly undervalued in Slovenia, while activation and reskilling efforts are limited. In 2025, the labour market continued to be characterised by labour shortages amid a high employment rate (78.3%), with employment supported primarily by longer working lives, higher female participation, and migration, while population ageing had a negative impact. The share of the population with tertiary education remains below the EU average, although the educational structure is gradually aligning with labour market needs. However, persistent vertical and horizontal mismatches in the labour market, combined with small cohorts of young people, are contributing to growing labour shortages – particularly for professionals in science and technology, as well as in health, education and social care. Slovenia has one of the highest shares of jobs at risk of automation in the EU, and approximately 37% of skills in the economy are changing due to technological progress, artificial intelligence and digitalisation. Skills gaps among employees may constrain development: compared with the EU average, the largest gaps are in digital literacy; reading and mathematical literacy are insufficient, while transversal skills, occupation-specific knowledge and social skills are underdeveloped. At the same time, employee engagement and work–life balance have improved. Job quality is also gradually improving; however, work intensity remains high. As a result – partly due to insufficient adaptation of workplaces for older workers – absenteeism is increasing and has been among the highest in the EU since 2022. Labour market segmentation is gradually increasing, with foreign workers in a particularly disadvantaged position, as they are often employed in precarious forms of employment and exposed to abuse and systemic violations. Strategic shifts towards an innovation-driven transformation therefore require medium- and long-term forecasts of development needs and strategic foresight, which enable better alignment of the labour market with industrial, research, development, and innovation priorities, while supporting the green transition and broader societal development.

Figure 3: In the medium term, the decline in the working-age population can be mitigated only by high net migration (left); the educational attainment of the population is gradually improving, although the share of the tertiary-educated population still lags somewhat behind the EU average (middle); sickness absence has been increasing rapidly, particularly among older employees (right)



Source: SURS (2026a), EUROPOP2023 projections; Eurostat (2026), NIJZ (2026c). Notes: In 2023, SURS introduced weighting of education levels in the calculation of education data from the Labour Force Survey. Education levels were calibrated to those in the population register, based on the Socioeconomic Characteristics of Population and Migrants survey (SURS, 2024). For IL (innovation leaders: Sweden, Finland, the Netherlands, Denmark), an unweighted average is calculated. Note to the right-hand panel: NIJZ administrative data by age group and selected categories of the International Classification of Diseases. Indicators for country groups are calculated as unweighted averages.

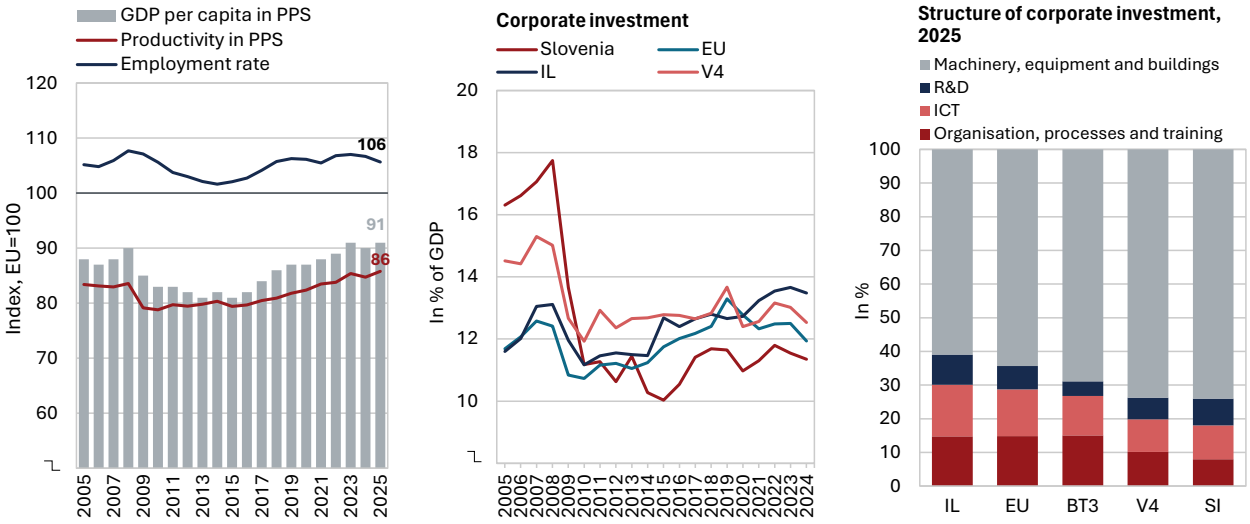
Economy: How to generate more?

Amid a challenging international economic environment in recent years, the economy has remained relatively resilient, partly supported by extensive government measures; however, pressures on the competitiveness of the export sector are increasing. Following a strong post-pandemic recovery, economic growth has gradually moderated, yet over the period 2022–2025 it remained above the EU and V4 averages. The slowdown in growth has been driven primarily by the export sector, reflecting not only adverse external conditions (such as the energy shock, subdued external demand, evolving US trade policy, and heightened geopolitical tensions and uncertainty) but also structural weaknesses in European industry and a deterioration in exporters' competitive position. Robust growth in labour costs, largely driven by labour shortages and, in 2025, further reinforced by public sector wage reform, combined with weak productivity growth, is eroding export competitiveness and sustaining inflationary pressures, particularly in services. Growth in the export market share of goods, a key indicator of export competitiveness, stalled in 2025 following the post-energy crisis rebound. At the same time, the financial position of the corporate sector remains relatively favourable, supported in part by fiscal policy measures. Early indicators for 2025 (asset quality in the banking sector and insolvency trends) point to a slight deterioration (particularly in manufacturing), although the situation remains better than before the pandemic, when conditions were very favourable. On average in 2021–2025, domestic consumption grew somewhat faster than exports, with government investment making a particularly strong contribution in 2025. In recent years, fiscal policy has played an important role in cushioning the impact of macroeconomic shocks. However, together with the increase in more permanent expenditure in 2025, and in the absence of appropriate fiscal adjustment, it is limiting fiscal space to respond to future shocks, such as a renewed energy shock in 2026.

Slovenia's key development challenge remains its low productivity, which constrains the pace of economic convergence with more advanced economies. In 2025, Slovenia reached 91% of the EU average in GDP per capita in purchasing power standards (PPS), unchanged from 2023. Given the limited scope to further increase the already above-average employment rate due to demographic trends, GDP growth will depend primarily on productivity gains. In international comparison, productivity remains low (86% of the EU average in 2025 in PPS), and the gap with the EU average is narrowing only slowly. Faster productivity growth is constrained primarily by investment, which has been recovering only gradually following the very low levels observed after the financial crisis. A key concern is the gap in corporate investment, particularly in areas supporting innovation-driven growth, where Slovenia lags behind primarily in business investment in intangible assets related to digitalisation, human capital, and the upgrading of organisational

and business processes. Since 2020, productivity growth has also not been supported by labour reallocation across firms, as broadly designed government support during the crisis years prevented a more substantial exit of less productive firms. In recent years, there has also been no significant increase in firm creation, nor any rise in the share of the population engaged in entrepreneurial activity. In addition to cyclical factors, private sector investment decisions and business dynamism are constrained by a less supportive business environment; firms particularly highlight excessive administrative burdens and an unfavourable tax system. Corporate investment is further constrained by an underdeveloped capital market, although some initial steps have been taken to mobilise household savings towards more productive investments.

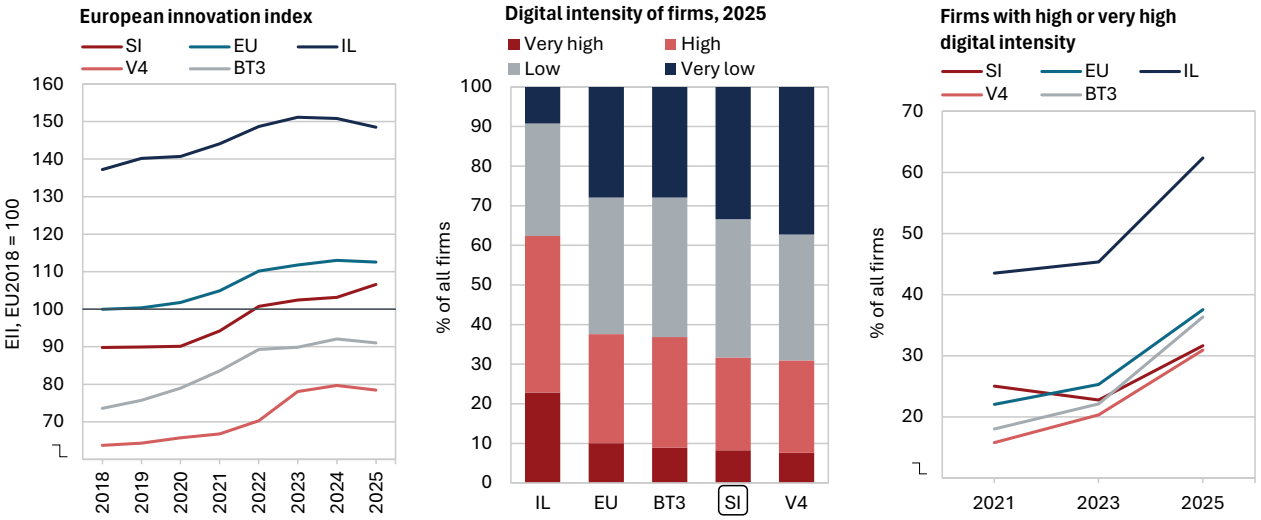
Figure 4: Modest productivity growth is hindering faster economic convergence with more advanced countries (left); the investment gap and the inadequate structure of corporate investment are particularly standing out (middle and right)



Source: Eurostat (2026), EIB (2025); IMAD calculations. Notes: Investment for the IL and V4 country groups is shown as an unweighted average. Productivity is measured as GDP per person employed. The employment rate refers to the share of employed persons in the population. PPS – purchasing power standard. In the right-hand panel, country groups are ranked by the total share of investment in intangible assets (R&D, ICT, organisational capital, processes, and training).

The innovation system is strengthening, and Slovenia is narrowing its gap with the EU; however, transitioning to the group of innovation leaders will require a more robust, comprehensive, and long-term systemic approach. According to the European Innovation Scoreboard, Slovenia has recorded one of the largest improvements in the EU since 2018, narrowing its gap with both the EU average and the innovation leaders, while maintaining an advantage over peer countries. This progress reflects improved efficiency of the innovation system and a rising share of innovation-active firms, supported by an increasingly attractive research system, high-quality human resources, stable investment in intellectual property, and strong linkages among stakeholders. Key weaknesses include insufficient corporate investment in innovation (particularly in broader intangible assets) and a marked deterioration in digitalisation, where, alongside low digital competences of the population, enterprises are also lagging significantly, recording one of the slowest rates of progress in the EU. Achieving a breakthrough will require top-tier conditions across all dimensions of the innovation system. In addition to drawing on the experience of leading EU countries, greater attention will need to be paid to global innovation leaders, such as Switzerland, the United States and South Korea, which are catching up with, and in some cases surpassing, even the most advanced EU Member States.

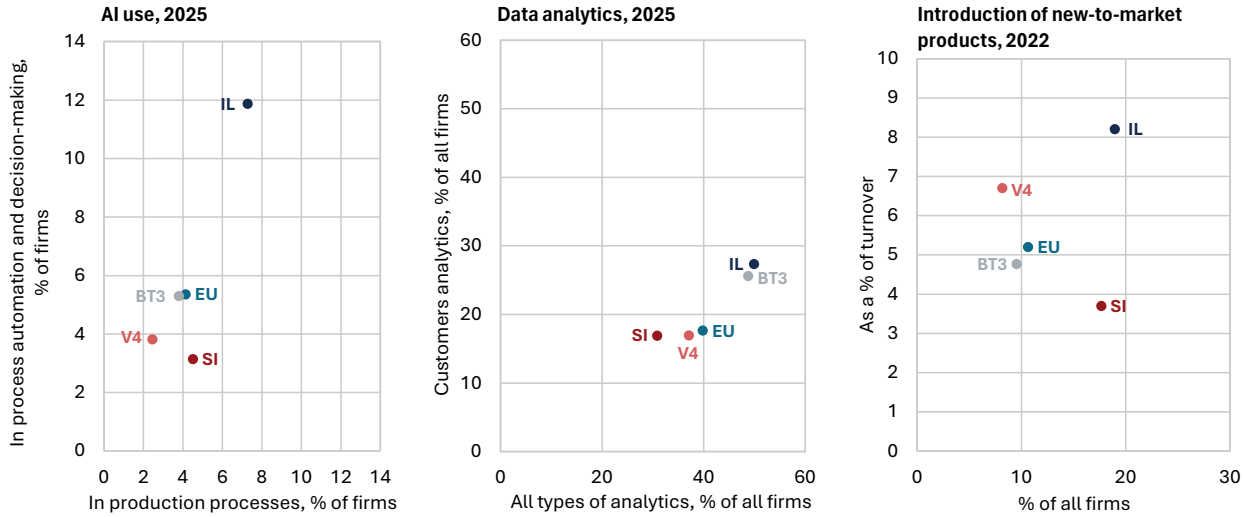
Figure 5: Slovenia is making strong progress in innovation performance (left); however, alongside investment, digitalisation has emerged as a significant constraint over the past two years (middle and right)



Source: EC (2025f), Eurostat (2026), IMAD calculations. Indicators for country groups (excluding the EU) are calculated as unweighted averages. BT3 – Baltic states (Estonia, Lithuania, Latvia).

The business sector continues to rely primarily on traditional business models, which constrains the transition to a higher stage of development. Slovenia maintains strong positions in certain areas, such as industrial robotisation and information integration in supply chains, supporting its established role as a supplier in global value chains; however, this is insufficient to enable convergence with more advanced economies. At the same time, firms are increasingly lagging behind in the adoption of advanced technologies (Industry 4.0), particularly in the shift towards data-driven operations and more intensive automation of production and business processes. This is also reflected in a decline in the use of artificial intelligence, both in production processes and, especially, in automation and decision-support systems. The main challenge remains the introduction of new business models and the development of more complex, differentiated products with high value added, based on breakthrough innovations. Although the share of firms introducing new-to-market products – those with the greatest potential to increase value added – is relatively high by EU standards (5th place), their contribution to revenues remains low (20th place). This is partly due to insufficient investment in research, development and digitalisation, but above all the slow adoption of new (digital) business models and overly conservative strategic, organisational, and human resource practices, including skills development. Digitalisation, supported by firms' strong implementation capacity, is a prerequisite for the effective identification of new sources of value, product differentiation and the development of more complex offerings aligned with customer needs, through the integration of marketing, design, development, and other functions into new business models. Data on the use of customer analytics indicate that Slovenia lags significantly behind the leading countries in this area.

Figure 6: Slovenian firms are responding too slowly and with insufficient ambition – particularly in structural and organisational terms – to emerging opportunities, while underutilising digitalisation for product differentiation and the development of new business models

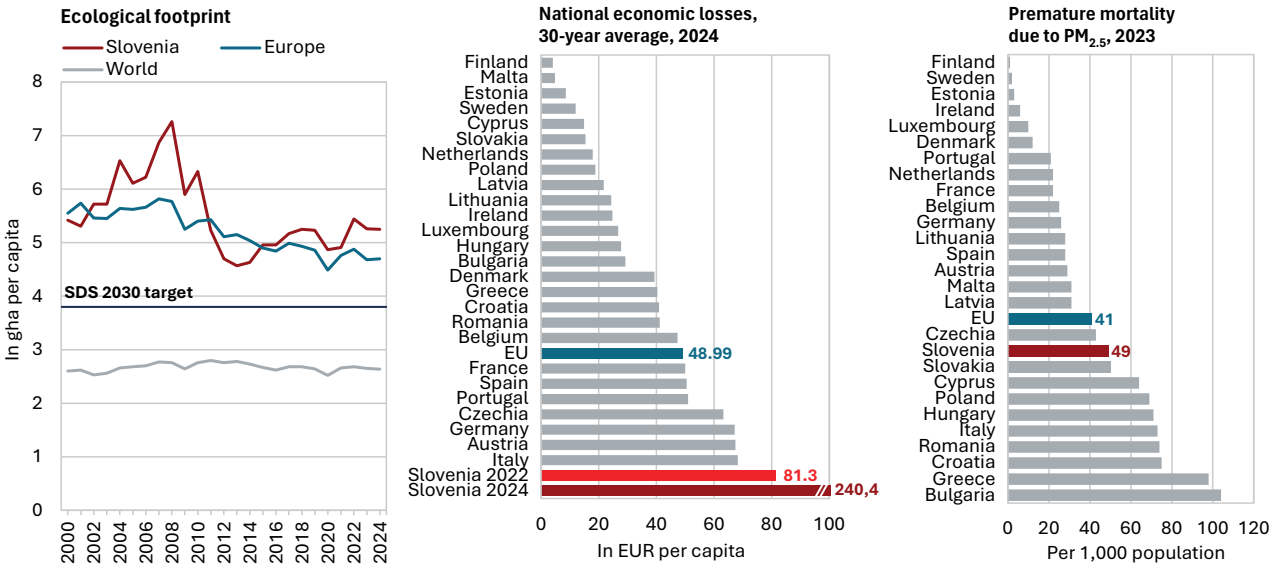


Source: Eurostat (2026), IMAD calculations. Indicators for country groups (excluding the EU) are calculated as unweighted averages.

Environment: challenges and development opportunities

The pressure exerted by production processes and lifestyles on natural resources in Slovenia is higher than in most European countries and, despite ambitious targets, is not declining, thereby exacerbating climate-related risks; while water and soil quality remain relatively good, air quality continues to pose a bigger challenge. The ecological footprint, a composite indicator of environmental pressures, rose again after a temporary decline during the pandemic and the energy crisis and remains elevated. It is driven predominantly by the carbon footprint, largely reflecting the use of fossil fuels in transport. Due to its location and climatic and geographical characteristics, Slovenia is more exposed than average to climate-related impacts, as evidenced by increasingly frequent extreme weather events and substantial macroeconomic damage. At the same time, awareness and efforts to preserve natural resources are strengthening and have already led to some improvements: (i) ambient air quality has improved over the long term, although the number of premature deaths attributable to exposure to the particularly harmful $PM_{2.5}$ remains above the EU average; (ii) water resources are abundant and, owing to reduced pollution and improved wastewater treatment, are generally of high quality, but are becoming increasingly vulnerable to hydrological variability and extreme events, while wastewater treatment remains a challenge; (iii) soils are relatively well preserved and less polluted, although pressures on high-quality agricultural land are increasing; (iv) spatial diversity and extensive forest cover contribute to a high quality of life and significant carbon sequestration capacity; however, urban sprawl and dispersed settlement patterns weaken long-term climate resilience.

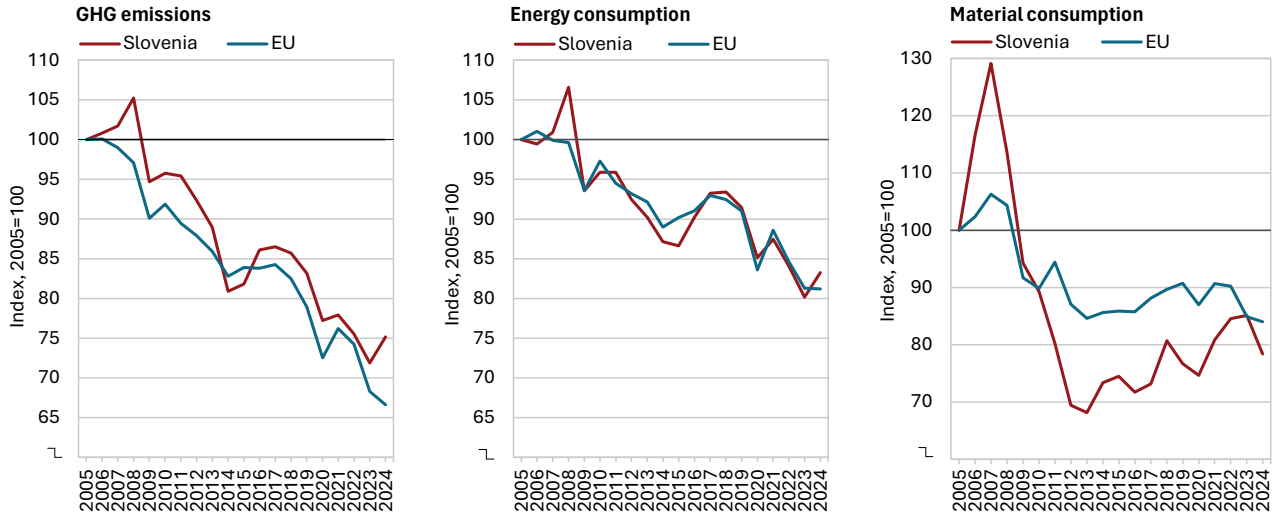
Figure 7: Slovenia's ecological footprint and pressures on natural resources have increased over the past decade; per capita climate-related economic losses are exceptionally high, and challenges related to air quality are primarily associated with emissions of harmful $PM_{2.5}$ particles



Source: Global Footprint Network (2025); Eurostat (2026).

The desired decoupling of GDP growth from resource use, emissions, and waste – crucial for mitigating climate change – has been evident over the longer term across all observed areas; however, in 2024 this trend reversed in the case of emissions and energy use. Greenhouse gas (GHG) emissions fell to their lowest level in the past two decades in 2023, but increased again in 2024, mainly due to higher energy consumption and rising emissions from transport, which remains the main obstacle to decarbonisation. After several years of narrowing, this led to a renewed widening of the gap with the EU in emissions and energy productivity. Amid increased energy use in transport, the share of renewable energy sources also declined in 2024. Over the longer term, Slovenia has recorded one of the smallest increases in this area within the EU. Material consumption, which has generally risen over the past decade, declined significantly in 2024 due to reduced construction activity. This contributed to an improvement in material productivity, which nevertheless remains well below the EU average. With lower consumption of non-metallic materials, the volume of mineral waste also decreased, while non-mineral waste generated per capita remained broadly unchanged and among the lowest in the EU. The recycling rate of such waste has continued to increase and remains among the highest in the EU; however, the circular material use rate, despite recent gains, is still below the EU average. Slovenian firms have yet to fully exploit the potential of the green and circular economy. The transition is still rarely perceived as a development opportunity, and environmental innovation is often driven primarily by external pressures. Product differentiation through higher value added based on sustainable business models, particularly in the bioeconomy and the wood-processing value chain, therefore represents a significant untapped opportunity to reduce resource use and emissions while achieving sustainable and competitive growth.

Figure 8: GHG emissions and energy use, which have declined over the longer term broadly in line with the EU, increased in 2024, while material consumption, largely linked to construction activity, declined

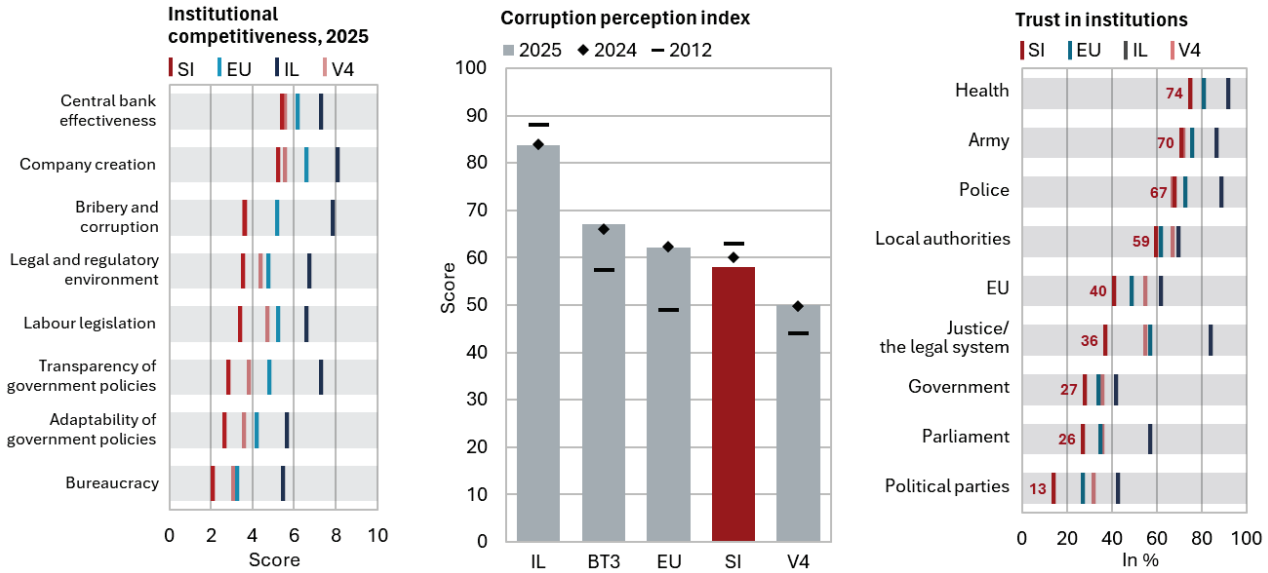


Source: Eurostat (2026).

State: how does it support development and well-being?

The functioning of the state has improved in several areas in recent years; however, Slovenia's institutional competitiveness, as measured by international indicators, remains below the EU average; according to business executives, the largest gaps are in the adaptability and transparency of government policies and in the administrative burden. Slovenia made progress in the digitalisation of public services, as well as in the quality of public administration and the judiciary, the reduction of administrative burdens, and the modernisation of public procurement. Nevertheless, shortcomings persist in the systematic monitoring of policy impacts and in data-driven decision-making, which reduces their effectiveness. Slovenia's business environment is characterised by regulatory constraints, particularly excessive bureaucracy and lengthy, complex procedures (especially in construction and environmental permitting), which reduce its competitiveness and investment attractiveness. Progress in improving judicial efficiency has stalled, as a high inflow of cases, new responsibilities assigned to courts, and shortages of judicial staff contribute to longer proceedings and a growing backlog of cases. Institutional competitiveness, as measured by international indicators – largely based on business executives' perceptions – remains below the EU average, with the largest gaps in the adaptability and transparency of government policies and in administrative burden, while, compared with the innovation leaders, the relatively high perception of corruption also stands out. According to Eurobarometer surveys, this is mainly attributed to the perceived corrupt entanglement of the economy and politics and the inadequate sanctioning of high-profile corruption cases. In line with the recommendations of international organisations, several measures have been adopted to prevent corruption and strengthen integrity (e.g. in the areas of lobbying and the management of conflicts of interest within the government and the police), and the resolution on corruption prevention has also been revised. Trust in institutions remains low, reducing the willingness of individuals and firms to cooperate with the state. Amid rising geopolitical uncertainty and security risks, and following the adoption of the Resilience Strategy 2030, the role of the state in ensuring resilience, security, and a stable institutional and business environment is becoming increasingly important, thereby reinforcing the importance of effective rule of law, implementation capacity, and governance of key systems. This objective could also be supported by the adoption of the Regional Development Strategy (2026), through a shift towards a more strategic, development-oriented, and vertically coordinated model of development policy, which, in addition to fostering the economic transformation of regions, also contributes to more balanced regional development.

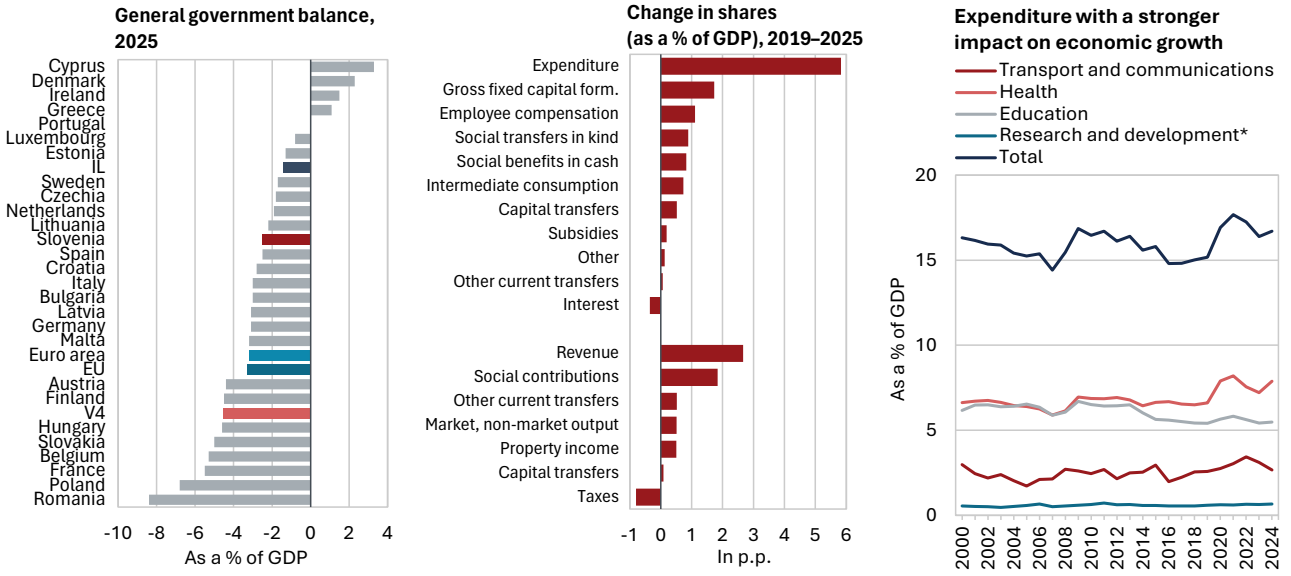
Figure 9: In 2025, Slovenia continued to lag behind the innovation leaders and the EU average in indicators of institutional competitiveness, which are largely based on business executives' perceptions (left); the Corruption Perceptions Index points to a recent deterioration (middle), which is also reflected in relatively low levels of trust in most political institutions and the judiciary, remaining below the EU average (right)



Source: IMD (2025), Transparency International (2026), Eurobarometer (2025j). Notes: left-hand panel: The index ranges from 0 to 10 (higher score is better); middle panel: The index ranges from 0 to 100 (higher score is better). Higher values indicate a lower perceived level of corruption. For the EU, IL (innovation leaders: Sweden, Finland, the Netherlands, Denmark), V4 (Visegrád countries: Czechia, Hungary, Poland, Slovakia) and BT3 (Baltic states: Estonia, Latvia, Lithuania), unweighted averages are calculated.

In public finances, the development orientation and long-term sustainability remain key challenges. The increase in the general government deficit in 2025 was partly cyclical; it was primarily driven by higher expenditure associated with more permanent measures – most notably the wage reform – as well as other spending (defence, healthcare, TEŠ, etc.). Adopted legislation and fiscal frameworks point to the persistence of an elevated deficit which, in the context of the current oil shock, limits fiscal space to sustain the pace of consolidation envisaged under the new fiscal rules introduced in 2024, while also putting pressure on more flexible expenditure, particularly investment, which has been relatively high in recent years. Over the longer term, the structure of revenues from taxes and social contributions has not shifted in a direction that empirical evidence associates with stronger economic potential or support for environmental objectives. In particular, the share of consumption taxes (including environmental taxes) has declined, while the share of social contributions has increased. On the expenditure side, since 2019 (as a percentage of GDP), the largest increases have been in spending on transport (rail) infrastructure and healthcare (both current and capital), which are typically associated with strengthening long-term economic growth. However, among expenditures that support economic growth, increases in spending on research and development and reskilling have been less pronounced, while expenditure on education and on the technological, business and digital transformation of the corporate sector – which are also key to adapting to rapid technological progress and the transition to innovation-driven growth – has even declined slightly. Social protection systems (pensions, healthcare, and long-term care) account for the largest share of public expenditure, and demographic trends imply significant long-term fiscal risks, as indicated by expenditure projections. The adopted pension reform substantially mitigates these risks and introduces measures to improve the adequacy of some of the lowest pensions. Several measures have also been adopted in healthcare and long-term care to address the challenges of demographic change, aiming to reduce absenteeism, increase access to public services and improve income conditions alongside an increase in public funding. The full impact of these reforms on fiscal sustainability will materialise only gradually in the next few years, reflecting their phased implementation. Public expenditure on defence remained low for an extended period; its increase in line with commitments, particularly after the expiry of the national clause from 2028 onwards, points to the risk of crowding out other expenditure.

Figure 10: The general government deficit increased significantly in 2025 but remained among the lowest in the EU (left); compared with 2019 (the pre-crisis year), higher expenditure is mainly observed in investment and compensation of employees (middle); spending on transport infrastructure and healthcare is rising, while greater emphasis will need to be placed on innovation-driven growth expenditure going forward (right)



Source: SURS (2026a); for EU countries, Autumn Forecast (EC, 2025c). Note: The right-hand panel is IMAD calculation based on (ECB, 2024) using SURS data on general government expenditure by function. Note: * Includes R&D expenditure across all ten COFOG categories (e.g. health, education and social protection). Transport and communication are part of the economic affairs category; a breakdown of R&D expenditure for these two functions is not available. Indicators for country groups, except the EU, are calculated as unweighted averages.

Recommendations

TO ENSURE HUMAN RESOURCES AND STRENGTHEN HUMAN CAPITAL, it is essential to:

1. **Modernise, upgrade and adapt education systems to enhance creativity and improve the quality of knowledge and skills for the future** by shifting from "rote learning" to "learning for life and creativity", while fostering greater self-realisation of children and young people. This requires increasing the autonomy and importance of pedagogical work, strengthening transformative learning (as a tool for changing mindsets and supporting social transformation), and, above all, improving reading literacy and social, emotional, intercultural, digital, and other key competences.
2. **Expand lifelong learning to better respond to rapid change** by:
   - *strengthening literacy* (health, financial, digital, functional, etc.) to support inclusive and innovation-driven development;
   - *enabling faster activation, reactivation and reskilling* to better match labour market and life needs;
   - *strengthening the intergenerational transfer of knowledge, skills and experience*.
3. **Establish an integrated framework for industrial research and development innovation**, systematically linking employment, anticipatory skills management, industrial strategy and technological transformation based on strategic foresight, to support the green transition and a longevity society.
4. **Strategically attract talent, leading experts and other key human resources** to strengthen knowledge, ideas and creative capital. Increase political tolerance (equal opportunities) for all groups that, due to high social distance, are unable to participate on an equal footing or contribute to social and economic development.

TO IMPROVE LIVING CONDITIONS FOR ALL GENERATIONS AND STRENGTHEN SOCIAL COHESION, it is essential to:

1. **Strengthen the resilience of the public healthcare system** through the strategic development and attraction of human resources, continued digitalisation and improved management. Greater emphasis should be placed on prevention and healthy lifestyles (especially among young people) and unmet needs should be addressed more effectively (by reducing waiting times).
2. **Continue the systemic reform of long-term care and ensure adequate pensions.**

3. **Increase the effectiveness of social protection systems** to ensure a decent standard of living for those unable to provide it themselves. This requires improving coverage, efficiency, and targeting through simplified procedures, proactive outreach, faster identification of needs, timely provision of entitlements, and, above all, preventive action and the removal of structural causes of deprivation.
4. **Strengthen active inclusion and integration policies to raise political culture** and build the capacities of individuals and groups in disadvantaged or unequal positions due to personal or social circumstances, with the aim of enabling their full participation in society.
5. **Improve housing affordability** by upgrading housing policy through the introduction of a property tax, more effective mobilisation of existing housing stock and private investment, regulation of the private rental market and investment purchases, targeted incentives for young people and first-time buyers, and the development of community-based housing models. The sustainable provision of housing requires coordinated action across tax, spatial planning, demographic, regional, economic, and social policies.

TO BOOST PRODUCTIVITY THROUGH AN ACCELERATED TRANSITION TO INNOVATION-DRIVEN GROWTH, it is essential to:

I. Implement government measures to strengthen innovation support that are:

1. **targeted,** through more focused and tailored support and closer cooperation with stakeholders operating within the defined priority innovation domains;
2. **comprehensive**, by ensuring more substantial and multiannual support for: (a) digital business model development to create new forms of value; (b) more complex and higher-risk RDI projects; (c) access to specialised research infrastructure; (d) human resources development; and (e) the promotion of internationalisation, including participation in centralised EU programmes;
3. **differentiated**, with tailored support packages for: (a) backbone firms; (b) start-ups and, in particular, scale-ups, niche and high-technology firms with global growth potential; and (c) bottom-up innovation initiatives, particularly at the regional level;
4. **linked** to stronger cooperation, including: (a) closer collaboration between research and business (e.g. through technology transfer offices and adjustments to incentive and funding systems); (b) stronger strategic cooperation in innovation among stakeholders within the innovation ecosystem (support environment); (c) support for intergenerational succession in firms;
5. **development-oriented and proactive**, shifting from traditional, defensive support towards breakthrough programmes, projects and actors.

II. Adopt firm-level measures to:

1. **ensure ambitious upgrading of business strategies** through decisive and systematic implementation of changes and innovations at all levels;
2. **develop new business models** by:
   - *accelerating digital transformation*, including the adoption of advanced AI applications to: (a) better understand customer needs and create new forms of value; (b) enhance responsiveness and agility; (c) strengthen differentiation through sustainable business models, design, and brand development;
   - *transforming organisation and human resources*, focusing on: (a) strengthening firms' execution capacity; (b) establishing an innovation-oriented culture and a safe environment; (c) moving from rigid, formalistic structures towards more flexible organisational models; (d) empowering employees, including through the use of (advanced) digital technologies; and (e) promoting co-creation both within firms and with external partners;
   - *placing greater emphasis on experimentation and increasing investment in higher-risk RDI projects* to support more complex, differentiated, high value-added products.
3. **accelerate investment in the automation** of production and business processes, and in the optimisation of firms' operating models.

TO ACHIEVE AN AMBITIOUS TRANSITION TO A CARBON-NEUTRAL CIRCULAR ECONOMY, it is essential to:

1. **Strengthen effective and coordinated government action** through a stable and predictable regulatory framework that aligns policies, financial incentives and green public procurement with sustainable and circular solutions, removes administrative barriers, and systematically monitors and coordinates cross-sectoral implementation of measures, including the accelerated spatial deployment of renewable energy sources.
2. **Increase financing and incentives for firms**, including by strengthening private capital participation and risk-sharing instruments, linking support to investments in energy efficiency, renewable energy, electrification, modernisation of production processes, the use of secondary raw materials, and the development of circular business models, while prioritising projects with the greatest climate and circular impact.
3. **Advance the transformation of the energy sector, industry, and mobility** by ensuring a clean energy supply, particularly from renewable sources, improving industrial efficiency, and accelerating the transition to sustainable mobility, including the expansion of public and rail transport, the development of charging and supporting infrastructure, and the promotion of sustainable travel behaviour, which is also particularly important for increasing resilience to energy shocks.
4. **Strengthen recycling, the use of secondary raw materials, and the strategic role of the bioeconomy** by removing regulatory and technical barriers to the use of secondary materials, integrating construction waste into new projects, promoting circular resource use and fostering the development of innovative and sustainable bio-based products using side streams from forestry, agriculture, and the food industry, as well as biorefinery processes for higher value-added production, while improving the acceptance of recycled materials among firms and consumers.
5. **Enhance the productivity and sustainability of agriculture** by increasing specialisation in promising product groups and expanding the use of new technologies and digital tools in food supply chains, thereby supporting agricultural modernisation and encouraging young people to engage in innovative practices.

TO STRENGTHEN A RESPONSIBLE AND EFFECTIVE INSTITUTIONAL ENVIRONMENT, it is essential to:

I. **Improve the quality of strategic governance and strengthen transparency and trust in institutions by:**

1. **enhancing strategic governance** through greater transparency in decision-making and policy measures, increased use of analytical evidence in policymaking, stronger strategic foresight, and effective horizontal and vertical coordination, including with regions;
2. **strengthening trust in the rule of law, public institutions and authorities** through inclusive and strategic policymaking, and through clear, consistent and transparent communication. Continuing efforts to reinforce integrity and improve the detection, prosecution, and adjudication of corruption cases;
3. **strengthening cooperation between the state and stakeholders,** particularly within the development and innovation ecosystem, as well as with the broader public and social partners at national, regional, and local levels;
4. **improving the business environment** through a high-quality and stable regulatory framework, a predictable tax system, and continued reductions in regulatory and administrative burdens, particularly in services.

II. **Strengthen the long-term sustainability and development orientation of public finances, while ensuring sufficient fiscal space** to respond to shocks by:

1. **reducing the general government deficit through clear prioritisation;**
2. from the perspective of the important developmental role of public finances, **restructuring tax revenues** by increasing the share of less distortive taxes (on consumption and property) and reducing the reliance on social contributions, which also pose a risk to the long-term financing of social protection systems due to the declining share of the working-age population;
3. **restructuring public expenditure** to support the transition to innovation-driven economic growth;
4. **continuously implementing measures to contain social protection expenditure** in the context of demographic change;
5. **adopting measures to increase the efficiency of public investment spending**, particularly in project planning and selection within budgetary frameworks, and to accelerate administrative procedures.