

Quality of Life in Slovenia Development Report 2026



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Key messages and recommendations

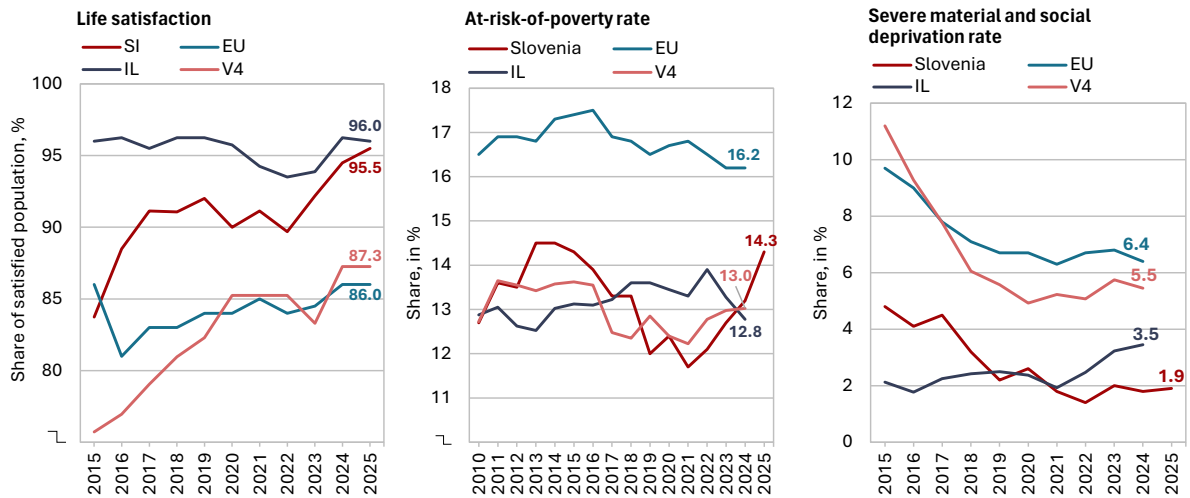
Slovenia is among the countries with a high quality of life but faces increasingly pronounced risks to its future development. According to various global indices of well-being and life satisfaction, it ranks among the better-performing countries in the world. High employment, rising incomes and material 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 do we 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 better-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 situation 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 the highest 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 determinants 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 past policy

responses, 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)



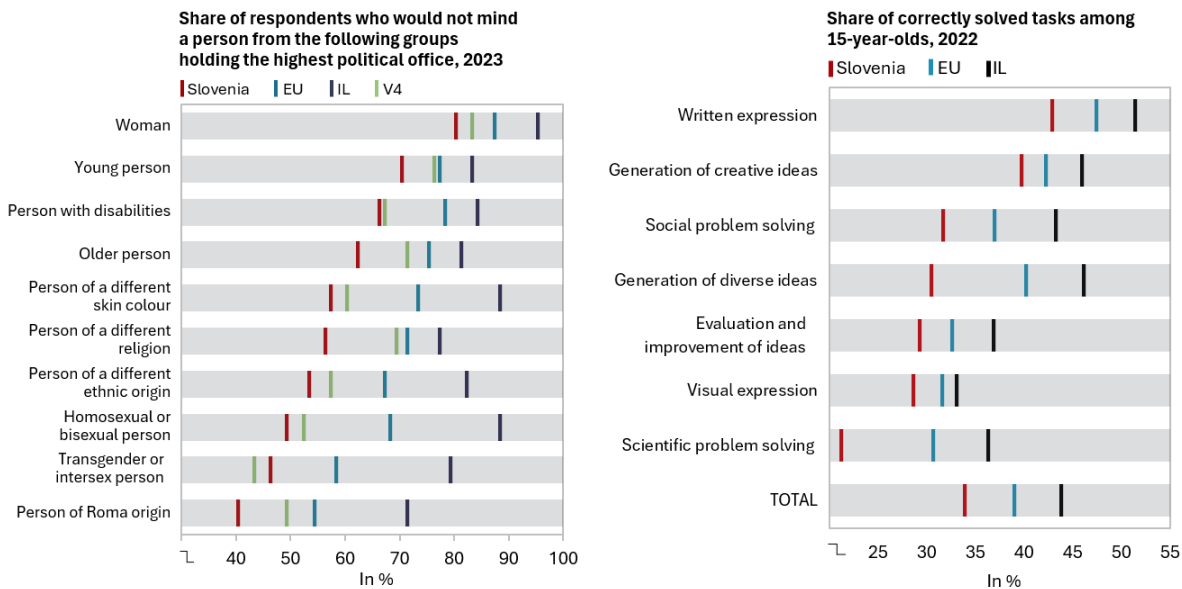
Source: Eurobarometer (2025j), IMAD calculations; Eurostat (2026); for Slovenia, EU-SILC 2025 (based on 2024 income); unweighted averages for IL (innovation leaders: Sweden, Finland, the Netherlands, Denmark) and V4 (Visegrad Group: Czechia, Slovakia, Poland, Hungary). Notes: The left-hand panel shows 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 changes, opportunities and risks

Low social cohesion and below-average creativity and responsiveness to change are becoming increasingly significant constraints on development in time of rising global uncertainties, rapid technological progress and pronounced demographic change. 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 still lags 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)

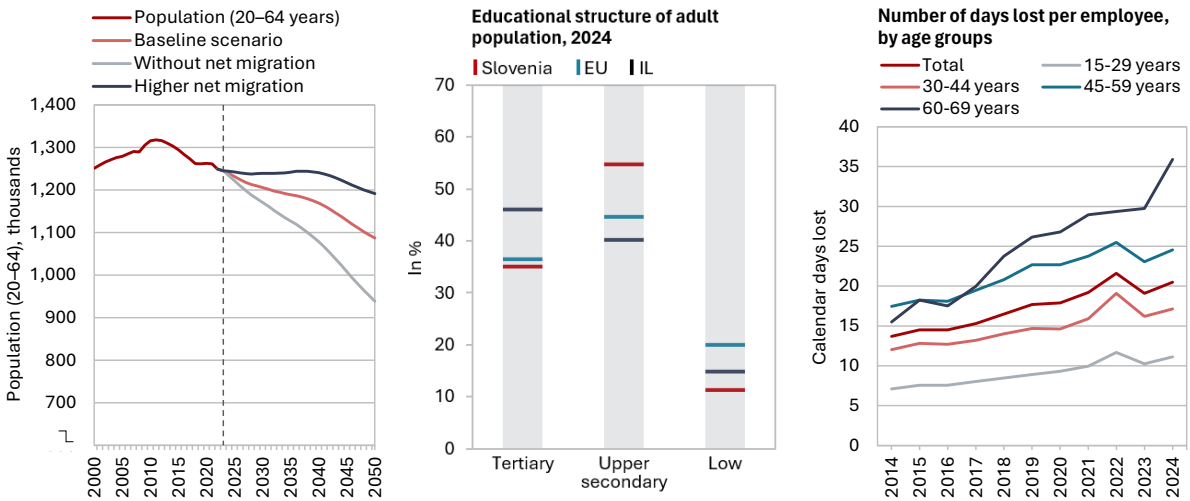


Source: Eurobarometer (2023), OECD (2024k), PISA 2022, unweighted averages for country groups. Note: In addition to the EU average, comparisons are also made with countries with some of the lowest levels of social distance – namely the Netherlands, Sweden, Denmark, and Finland (which are also innovation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

The development and attraction of human capital are significantly undervalued in Slovenia, and workforce activation and reskilling efforts remain 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 remain weak. 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 age management – 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.

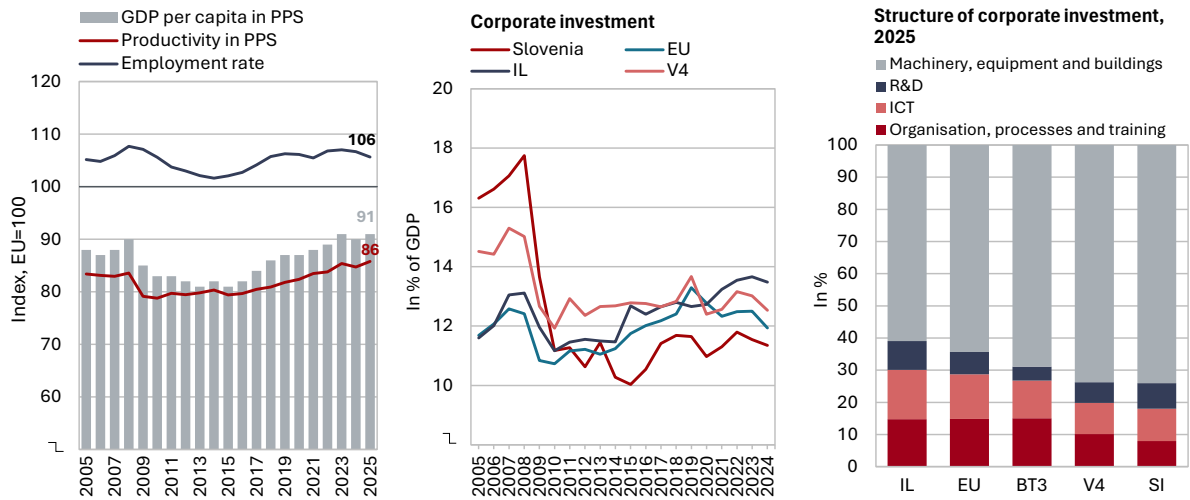
Economy: How to generate more?

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 early-stage 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.

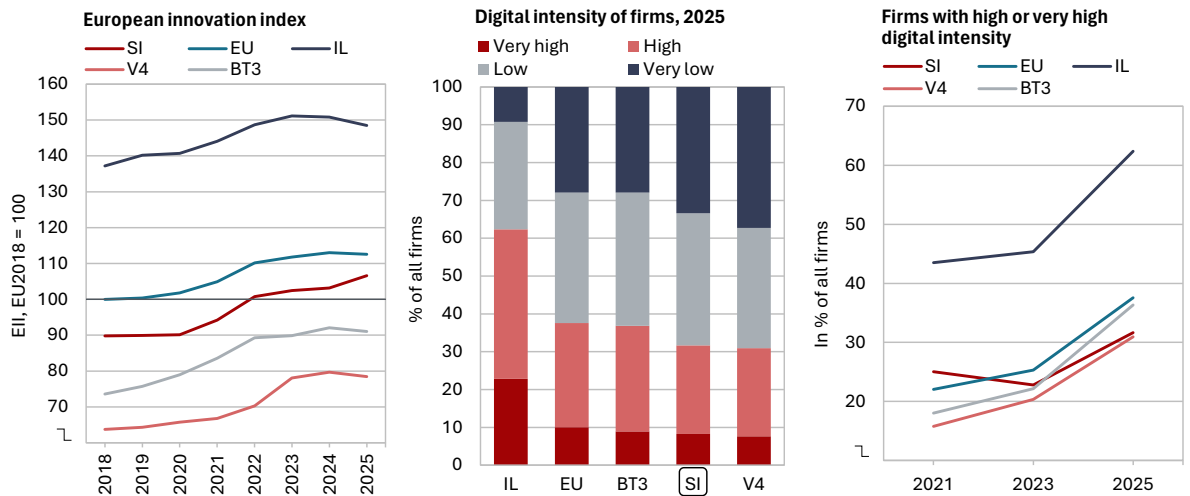
/ Figure 4: Modest productivity growth is hindering faster economic convergence with more advanced countries (left); the investment gap and the inadequate structure of corporate investment are particularly pronounced (middle and right)



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.

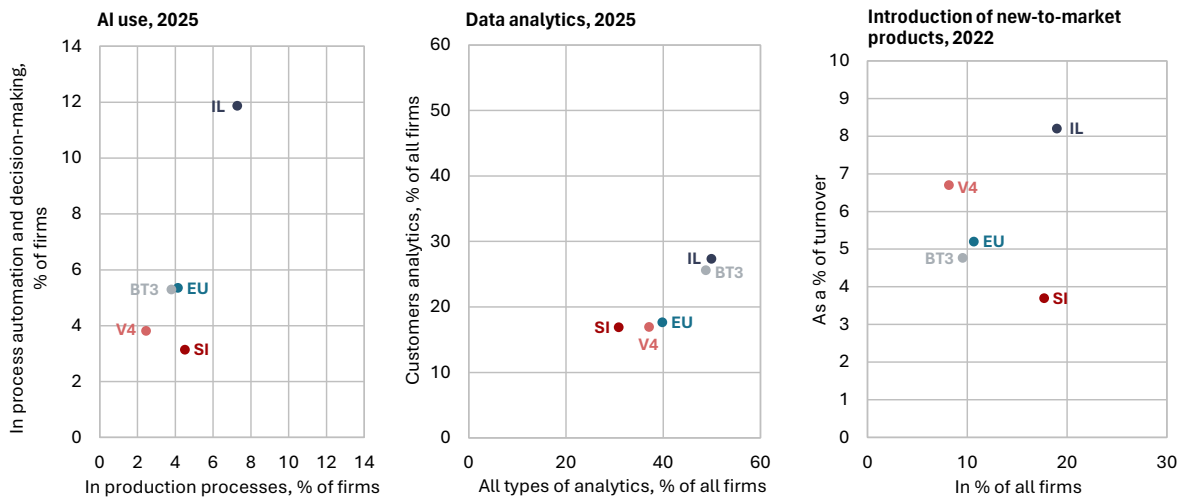
Figure 5: Slovenia is making strong progress in innovation performance (left); however, alongside investment, digitalisation has emerged as a significant constraint over the past two years (middle and right)



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

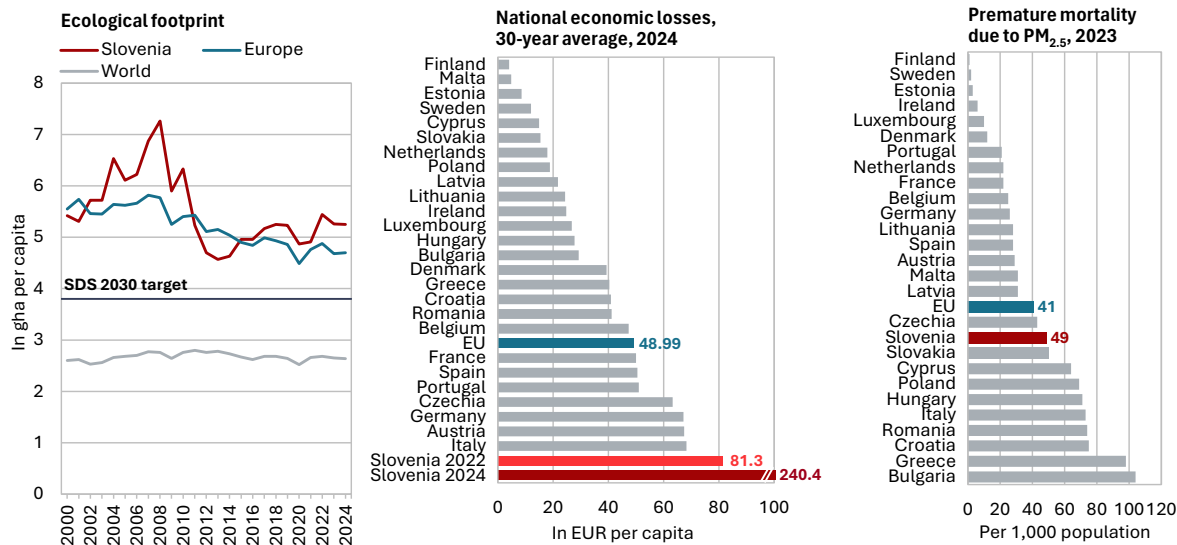


Source: Eurostat (2026), IMAD calculations. Indicators for country groups (excluding the EU) are calculated as unweighted averages.

Environment: challenges and development opportunities

The pressure from 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 synthetic 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 with reduced pollution and improved wastewater treatment, they are generally of high quality. However, they 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.

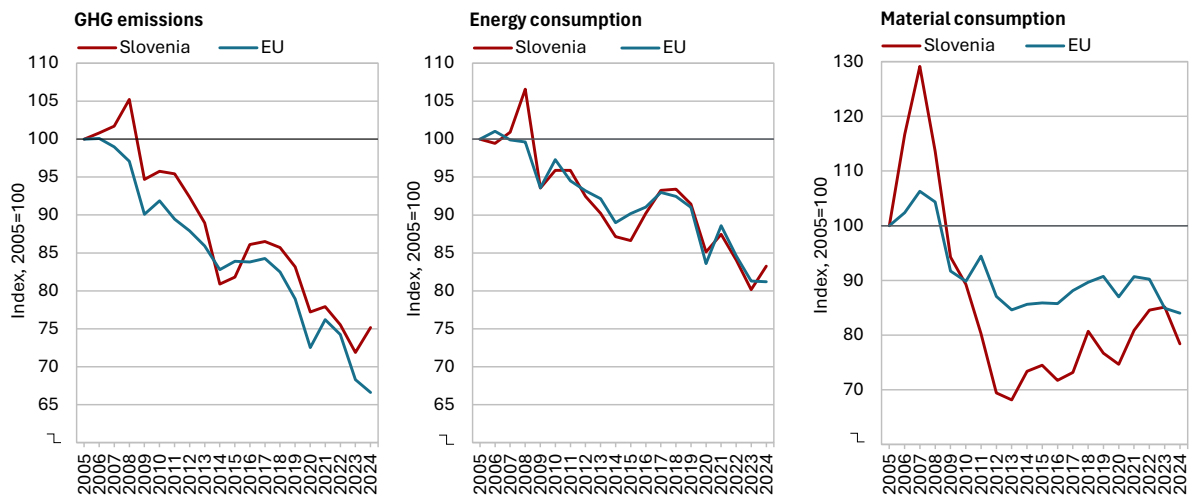
Figure 7: Slovenia’s ecological footprint and pressures on natural resources have increased over the past decade; per capita climate-related economic losses are exceptionally high, and challenges related to air quality are primarily associated with emissions of harmful PM_{2.5} particles



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



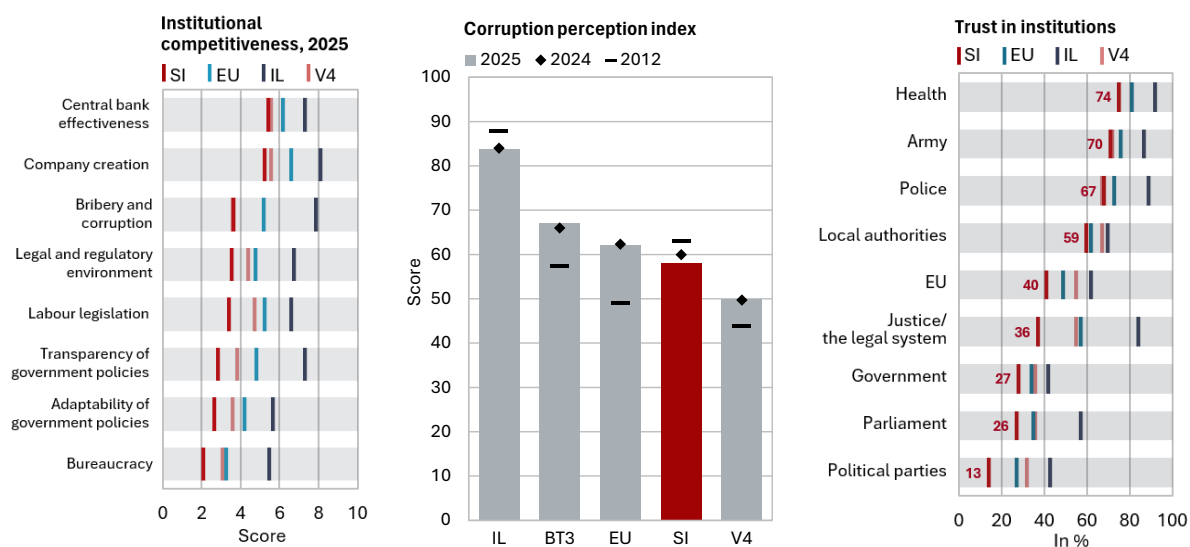
Source: Eurostat (2026).

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 evidence based and data-driven decision-making, which reduces their effectiveness. Slovenia's business environment is characterised by regulatory constraints, particularly excessive bureaucracy and lengthy and 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 have led 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 business 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, would also contribute 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)

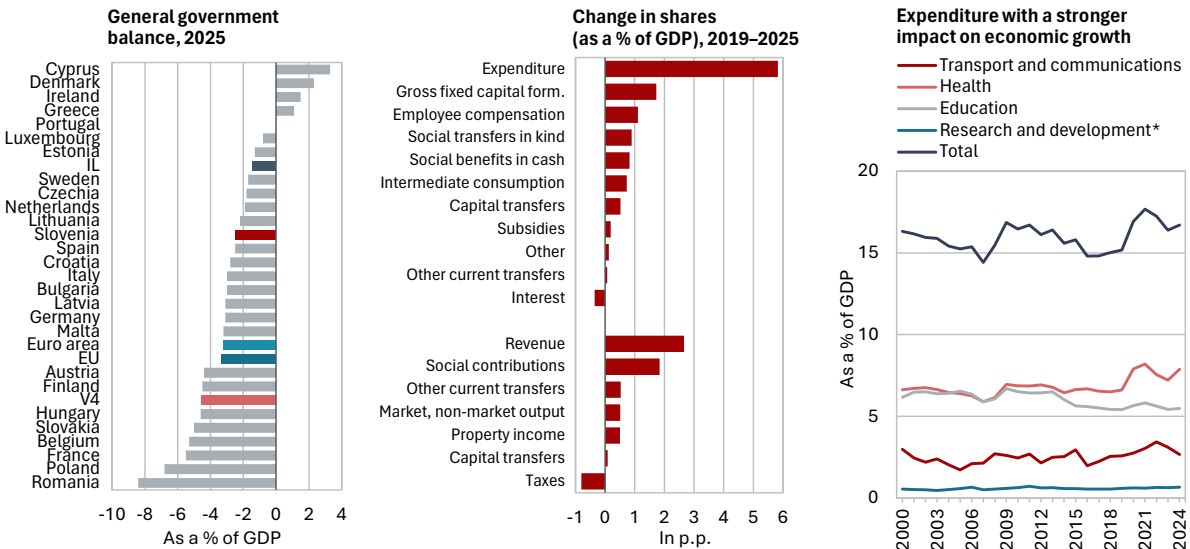


Source: IMD (2025), Transparency International (2026), Eurobarometer (2025j). Notes: left-hand panel: The index ranges from 0 to 10 (higher score is better); middle panel: The index ranges from 0 to 100 (higher score is better). Higher values indicate a lower perceived level of corruption. For the EU, IL (innovation leaders: Sweden, Finland, the Netherlands, Denmark), V4 (Visegrad Group: 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 related to 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, the largest increases (as a percentage of GDP) have been recorded 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 escape 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

Ensuring human resources and strengthening human capital requires:

1. **Modernising, upgrading and adapting education systems to enhance creativity and improve the quality of knowledge and future skills** 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 societal change), and, above all, improving reading literacy and social, emotional, intercultural, digital, and other key competences of learners.

2. **Expanding 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. **Establishing an integrated industrial- research and development-innovation framework for human resource development** by 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 attracting 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.

Improving living conditions for all generations and strengthening social cohesion requires:

1. **Strengthening the resilience of the public healthcare network** 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. **Continuing the systemic reform of long-term care and ensuring adequate pensions.**
3. **Increasing the effectiveness of social safety nets** 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 determinants of deprivation.
4. **Strengthening 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 ensuring their full participation in society.
5. **Improving 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.

Boosting productivity through an accelerated transition to innovation-driven growth requires:

I. Implementing 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. Adopting 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.

Achieving an ambitious transition to a carbon-neutral circular economy requires:

1. **Strengthening 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. **Increasing 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. **Advancing 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. **Strengthening 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. **Enhancing 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.

Strengthening a responsible and effective institutional environment requires:

- I. **Improving the quality of strategic governance and strengthening 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. **Strengthening 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.

1

Introductory remarks

The publication *Quality of Life in Slovenia – Development Report* combines two previously separate IMAD publications: the *Development Report* and the *Productivity Report*. In accordance with the Decree on Development Planning Documents (2010), IMAD monitors the implementation of Slovenia's overarching development strategy. As the National Productivity Board,¹ it also conducts in-depth analyses of productivity and formulates recommendations for its improvement. Until 2024, these tasks were performed through the preparation of two separate but closely interrelated reports, which were merged in 2025 into a single publication entitled *Quality of Life in Slovenia – Development Report*. The publication includes (i) monitoring progress in the implementation of the Slovenian Development Strategy 2030, which aims to ensure a high quality of life for all through balanced economic, social and environmental development; and (ii) an in-depth analysis of productivity as one of the key long-term factors in achieving a higher quality of life. The main advantage of this merger is a more comprehensive approach to development, enabling the formulation of more coherent, balanced and mutually reinforcing recommendations, while also highlighting trade-offs between different aspects of development. This integrated presentation also more clearly emphasises that productivity – when supported by appropriate policies – is primarily a means of ensuring the sustainable functioning of social subsystems and, consequently, achieving the overarching objective of a high quality of life.

The report is structured into five sections and complemented by selected focus topics, providing a comprehensive overview of the factors influencing quality of life in Slovenia. The introductory section assesses Slovenia's quality of life based on international composite indices, followed by four sections analysing developments across key dimensions: (i) a creative, inclusive and long-lived society; (ii) the transition to innovation-driven growth; (iii) the transition to a low-carbon circular economy; and (iv) a responsible and effective institutional environment. This year's report places particular emphasis on three focus topics: (i) high levels of social distance and low political tolerance in Slovenia; (ii) the role of digital resources and artificial intelligence as both an opportunity for learning and creativity and a source of risks, including for mental health; and (iii) the relationship between organisational practices, creativity, innovation, and firms' economic performance. The appendix provides a quantitative overview of progress towards the targets set in the Slovenian Development Strategy 2030, based on the latest available data.

¹ In accordance with the Council Recommendation (Council of the EU, 2016), each Member State appoints a National Productivity Board. In Slovenia, this role has been carried out by the Institute of Macroeconomic Analysis and Development of the Republic of Slovenia (IMAD) since 2018. National productivity boards formulate analyses and policy recommendations to enhance economic performance, based on objective, impartial, and independent assessments of productivity and competitiveness.

The analysis in the *Development Report* relies, to the greatest extent possible, on indicators that are comparable across countries and over time, drawing on data sources available as of 31 March 2026. These indicators constitute the core analytical framework of the report and are complemented by a review of additional data sources, studies and research reports, particularly in areas where such comparable indicators are not available. At the time of preparation, the most recent data referred predominantly to 2024, with selected indicators also available for 2025. In the report, Slovenia's performance and progress are primarily benchmarked against: (i) the EU average and, generally, also (ii) the EU innovation leaders – a group of highly developed Member States (IL: Denmark, Finland, the Netherlands, and Sweden, according to the European Innovation Scoreboard) – as well as selected peer groups, namely (iii) the Visegrad countries (V4: Czechia, Slovakia, Hungary, and Poland) and (iv) the Baltic states (BT3: Estonia, Latvia, and Lithuania). The underlying analyses include comparisons with all EU Member States and, where relevant, with OECD countries and the global level; however, the report highlights only the key findings.

2

Quality of life in Slovenia according to international composite indices and perceived life satisfaction

In 2025, Slovenia ranked among the more successful countries globally and within the EU according to composite indices of development and life satisfaction, indicating a relatively high quality of life (Figure 1). The latest available results of three global composite indices, published in 2025,² position Slovenia among the top-performing EU Member States: it ranks 8th in the Human Development Index (HDI), and 10th in both the Social Progress Index (SPI) and the World Happiness Index (WHI).³ At the global level, Slovenia is among the 21 best-performing countries.

The high quality of life in Slovenia is also shown by self-perceived quality of life and overall life satisfaction, with the relatively pronounced negativism among the population. According to the World Happiness Index, Slovenia improved by four places between 2013 and 2025 (Figure 11, bottom left), ranking behind the innovation leaders and ahead of the Visegrad Group. Compared with the innovation leaders, Slovenia lags behind mainly in five areas: GDP per capita, healthy life expectancy, perceived corruption, a high share of negative affect and a low share of positive affect, the latter being the only dimension that has not improved over the past twelve years.⁴ By contrast, in terms of freedom to make life choices, Slovenia ranks just behind top-performing Finland, which (up to 2024) was regarded as an example of good practice (even among other innovation leaders) owing to its high-quality healthcare, education and social protection systems, which prioritise a universal rather than a targeted approach (Helliwell et al., 2025). High and increasing life satisfaction in Slovenia is also confirmed by Eurobarometer (2025k) data, which recorded record-high levels in 2023 and showed further improvement by 2025. In autumn 2025, Slovenia ranked second in the EU according to Eurobarometer (2025j), alongside Finland, Ireland, Sweden and the Netherlands, just behind Denmark, which ranked first (Figure 11, top left).⁵

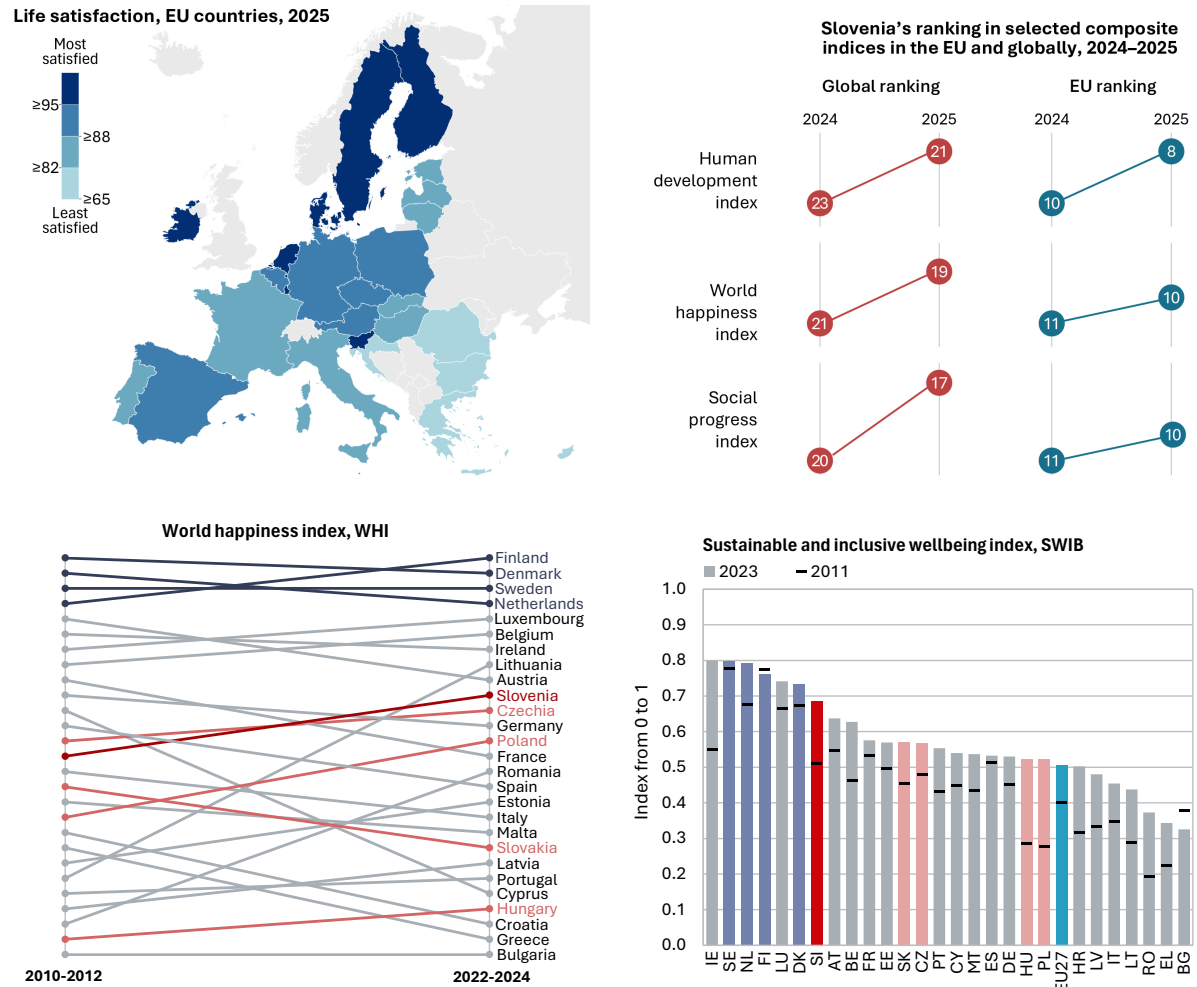
² The most recent data underlying these indices refer to 2024. While composite indices facilitate cross-country comparisons, their results are sensitive to the methodologies applied (including indicator selection and weighting) and are constrained by the limited timeliness of the underlying data.

³ The Human Development Index (HDI) consists of five indicators across three dimensions – economy, health, and education (UN, 2025), while the Social Progress Index (SPI) comprises 50 indicators across three dimensions – basic human needs, foundations of well-being, and opportunity, each further broken down into four underlying components (Social Progress Imperative, 2025). The World Happiness Index (WHI) presents a three-year average (e.g. the 2023 index refers to the average for 2022–2024) of overall life satisfaction (as measured by Gallup using the Cantril ladder on a scale from 0 to 10), and analyses it in relation to eight domains: GDP per capita, social support, healthy life expectancy at birth, freedom to make life choices, generosity, positive affect, negative affect and perceptions of corruption Helliwell et al., 2025).

⁴ Positive affect is defined as the average of previous-day affect measures for laughter, enjoyment, and doing or learning something interesting, while negative affect is defined as the average of previous-day affect measures for worry, sadness, and anger.

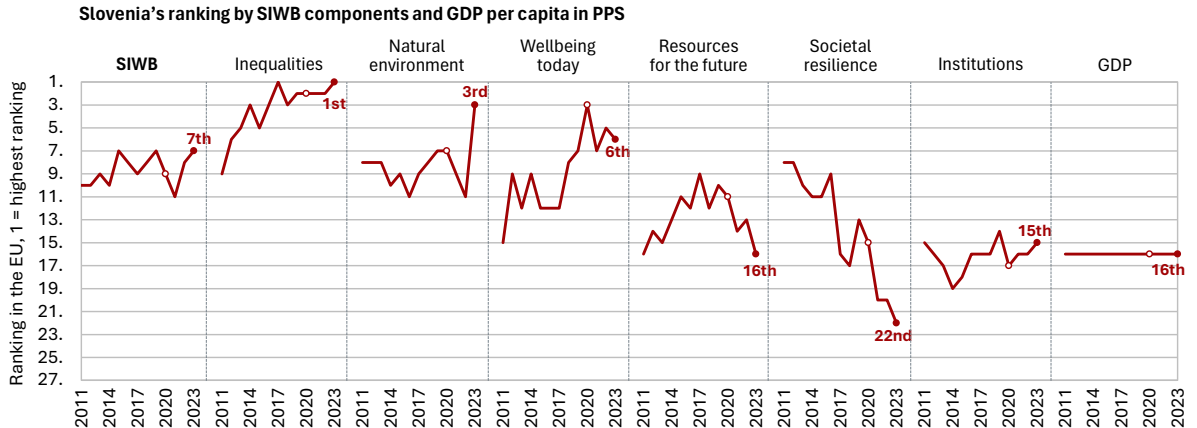
⁵ Eurobarometer measures life satisfaction with the following question: “In general, how satisfied are you with the life you lead?” Respondents may choose between *very satisfied*, *fairly satisfied*, *not very satisfied* and *not at all satisfied*. For the purposes of this analysis, the categories *very satisfied* and *fairly satisfied* are combined.

Figure 11: Life satisfaction, i.e. self-perceived quality of life, and objective composite indices of development indicate a comparatively high quality of life in Slovenia



Sources: top left: Eurobarometer (2025k); top right: UN (2025), Helliwell et al. (2025), Social Progress Imperative (2025); bottom left: Helliwell et al. (2013, 2025); bottom right: Benczur et al. (2025). Note: In the bottom panels, Visegrad countries are marked in pink and innovation leaders in blue.

Figure 12: The improvement in Slovenia's ranking in the EU according to the Sustainable and Inclusive Well-being Index (SIWB), despite relatively unchanged economic performance and a less supportive institutional environment, is primarily driven by stronger reductions in inequality, improved protection of the natural environment, and gains in well-being today, while also pointing to a marked deterioration in social resilience and a lag in resources for the future



Source: Benczur et al. (2025). Note: The year 2020 (the COVID-19 epidemic) is marked with a white circle, and 2023 with a red circle.

According to the SIWB,⁶ Slovenia ranked a high 7th, albeit with uncertain prospects for maintaining this favourable position in the future. In 2023, Slovenia improved its position to 7th place in the EU (from 8th), with only the innovation leaders, Ireland, and Luxembourg ranking higher. This progress reflects improved performance in the dimensions of inequality⁷ and protection of the natural environment, where Slovenia ranks among the top performers in the EU, and, over a longer time horizon, also in the dimension of well-being today⁸. With economic performance and the institutional environment remaining unchanged, these shifts are accompanied by an increasing lag in strengthening resources for the future and in social resilience, particularly in the aftermath of the pandemic. Compared with the innovation leaders, Slovenia lags most notably in the areas of institutions and resources for the future, while in terms of social resilience it also ranks behind all the Visegrad countries. A more detailed analysis of the SIWB dimensions highlights Slovenia's key strengths and weaknesses:

- **Inequalities (1st in the EU):** Slovenia's strengths are reflected in low income inequality, a small gender employment gap, limited regional disparities in life expectancy and a low level of perceived discrimination.
- **Natural environment (3rd):** Slovenia's long-standing advantage is reflected in its high ranking for the Natura 2000 indicator, as well as strong performance in the water exploitation index, ecological status of waters, natural and semi-natural vegetated land, and the share of renewable energy in gross final energy consumption. According to the latest estimates, it also performs well in terms of net greenhouse gas emissions and mortality from extreme climate events (based on long-term averages). Slovenia ranks around the EU average for the circular material use rate and PM_{2.5} air pollution, but performs less favourably in the gross value added of the environmental sector, use of public passenger transport, and the farmland bird index.
- **Well-being today (6th):** Slovenia's high ranking reflects a low risk of social exclusion and poverty, effective containment of excessive housing costs and a low share of young people neither in employment nor in education or training (NEET). It also performs well relative to other EU countries in reducing in-work poverty, ensuring adequate home heating, employment rates, road traffic mortality, and the universality of healthcare. By contrast, it performs weakest in suicide mortality, as well as in the frequency of contact with family and friends and trust in government and parliament.
- **Resources for the future (16th):** The lower ranking reflects a relatively small share of the population aged 25–34 with tertiary education and only average performance in other indicators with a significant impact on competitive potential (educational outcomes in reading, mathematics and science, total fixed assets and net investment in fixed assets); improvements in life expectancy and high levels of participation in volunteering.

⁶ The composite Sustainable and Inclusive Well-being Index (SIWB), which is based on the latest beyond-GDP methodology, was developed at the initiative of the European Commission to assess how efficiently EU countries use economic resources and to evaluate quality of life, with a particular emphasis on sustainability and inclusiveness. It is composed of 55 indicators across six dimensions, more than 80% of which are statistical indicators not based on subjective assessments. For more on methodology, see IMAD (2025a).

⁷ Despite an absolute decline in the value of the inequality dimension, Slovenia's ranking improved, as other countries recorded even larger declines.

⁸ The term "well-being today" refers to one of the six SIWB dimensions, calculated on the basis of 13 indicators (for details, see the Statistical Appendix, IMAD, 2025a). It should not be confused with the broader concept of quality of life.

- **Social resilience (22nd):** Key challenges relate to a high old-age dependency ratio, a low share of the population with at least basic digital skills and a high dependence on imports of raw materials. There has been a deterioration in adult education and net migration, where Slovenia had previously performed relatively well. By contrast, Slovenia ranks very favourably for low household indebtedness and high-speed internet coverage, and is around the EU average regarding the impact of social transfers (excluding pensions) on poverty reduction and the standardised preventable mortality rate. Overall, Slovenia remains among the best-performing countries in terms of low household indebtedness.
- **Institutional environment (15th):** The main challenges relate to the quality of regulation, government effectiveness, and perceptions of corruption, despite improvements in civic participation, political accountability, political stability, and the rule of law, where Slovenia ranks around the average. The high level of distrust in national and political institutions (see Section 6) reflects doubts about their capacity to maintain and enhance the high quality of life in the future. This may also help explain the relatively high prevalence of negative affect and a lower willingness to invest in the future, learning, and change, despite general satisfaction with current living conditions.

3 Creative, inclusive and long-lived society

Amid demographic change, climate-related risks, growing geopolitical tensions and rapid technological transformation, societies face increasing uncertainty and structural inequalities, highlighting the importance of adaptability, openness to change and social cohesion in strengthening social well-being. Progress in health, education and social security in recent decades has contributed to longer and higher-quality lives, while trust and cooperation, as key pillars of social cohesion, need to be further reinforced. Uncertainty regarding housing affordability and income stability is reinforcing a sense of long-term unpredictability that extends beyond traditional economic indicators of living standards. Particularly vulnerable groups – young people transitioning to independent adulthood, single-parent families, older people with low pensions, persons with health limitations, and marginalised groups – face cumulative risks that call for preventive action, timely identification of risks, and targeted measures to reduce inequalities and strengthen the sense of security and predictability in life trajectories. Population ageing, labour market transformations, the growing prevalence of non-standard forms of employment, and wage and social disparities affect not only material well-being but also self-perceived quality of life, including mental health and the sense of security. Structural features of labour market participation and wage distribution reveal persistent inequalities that constrain the full utilisation of human potential. Digitalisation and artificial intelligence are creating new development opportunities, while also raising challenges related to digital divides, changing social interactions, and the impact of technology on cognitive and psychosocial well-being. Strengthening social resilience therefore requires coordinated governance of labour market and living conditions, anticipatory skills development policies, and accessible and sustainable public systems that reduce inequalities and reinforce intergenerational solidarity.

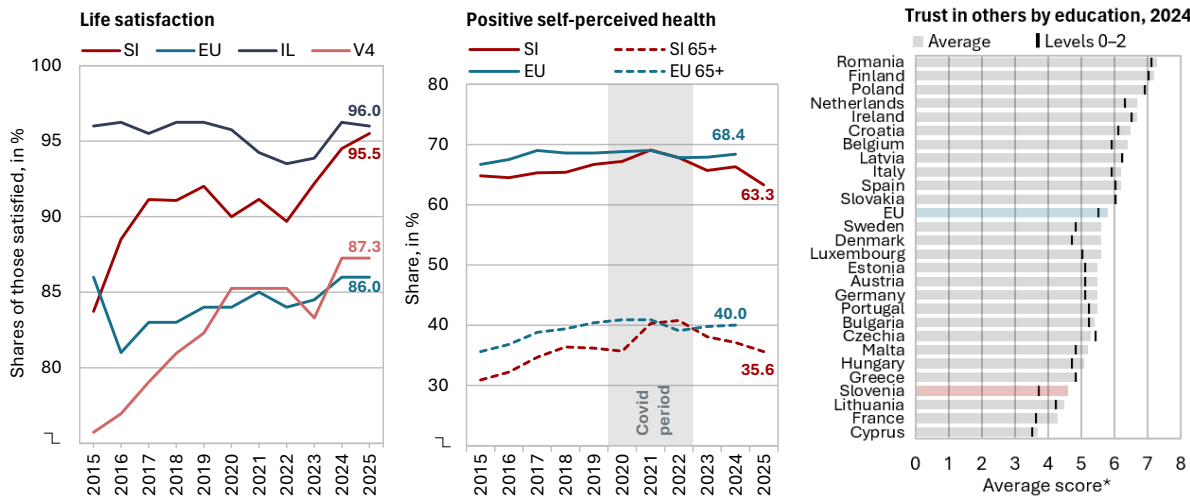
3.1 Living conditions and the well-being of the population

3.1.1 Subjective assessment of living conditions

Satisfaction with life, employment and the overall economic situation in Slovenia is among the highest in the EU, while self-perceived health and interpersonal trust – particularly among older people, those with low education and women – remain below the EU average. Living conditions, as measured by the EU-SILC survey, reflect the material and social circumstances that shape people's lives and their ability to meet their needs. These indicators are complemented by individuals' self-assessments of satisfaction across different areas of life, as well as by evaluations of their capacity to participate actively and creatively in society. Slovenia

ranks among the leading EU countries in terms of overall life satisfaction. Satisfaction with household finances, personal employment status, and the country’s economic situation is also relatively high. At the same time, positive self-perceived health has remained slightly below the EU average for the past decade and is lowest among older people and those with lower levels of education (Figure 13). Interpersonal trust has declined and remains among the lowest in the EU.⁹ Willingness to help others and the frequency of social contacts have also decreased.¹⁰ Nevertheless, a large majority of respondents (91%) report having at least one person in their lives with whom they can discuss personal matters, indicating a relatively strong level of social support and inclusion. Participation in social life and volunteering exceeds the EU average, while the time devoted to leisure activities is comparatively lower.¹¹ Consumer price inflation is perceived as the most significant issue at both personal and national levels, although less so than on average in the EU (Figure 14). In recent years, healthcare, housing and pensions have ranked among the three most frequently cited issues at the personal and national levels, with all three more prominent than in the EU overall. Concern about the war in Ukraine and the broader international situation is also somewhat above the EU average.

/ Figure 13: Life satisfaction is at its highest level on record (left), self-perceived health is slightly below the EU average (middle), while interpersonal trust is among the lowest in the EU (right)



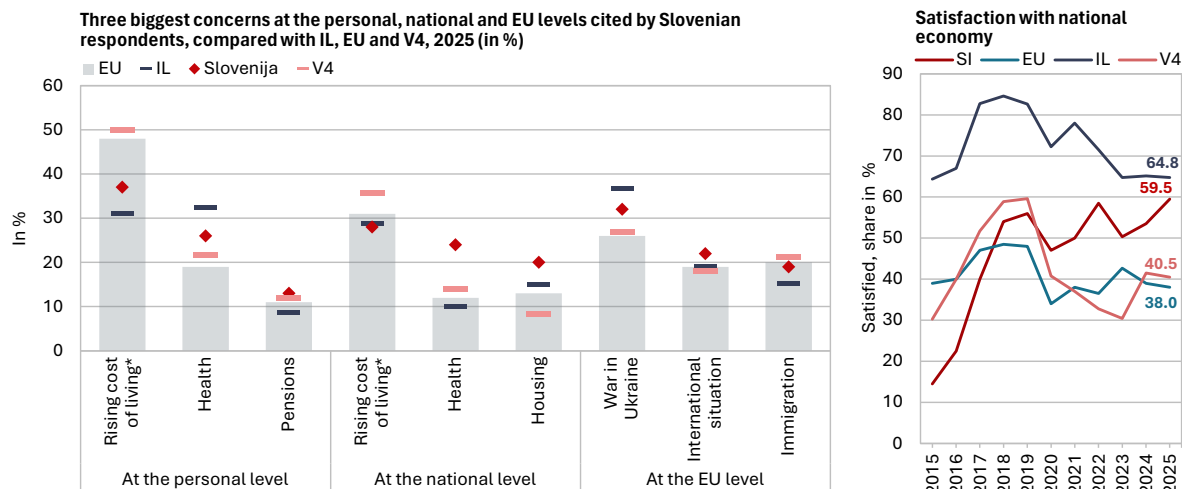
Source: Eurobarometer (2025)); IMAD calculations; and Eurostat (2026), EU-SILC 2025. Notes: Indicators for country groups are calculated as unweighted averages. The left-hand panel shows the annual average based on two measurements, except for 2021, when the SB94 survey was not included due to methodological errors. Right-hand panel: * Average score on a scale from 0 (no trust) to 10 (full trust). In addition to the national average, the average for the low-educated population (ISCED levels 0–2) is also shown.

⁹ After gradually increasing between 2016 and 2023 (from 4.4 to 4.7), interpersonal trust declined to 4.18 in 2025 on a ten-point scale (CJMMK, 2025a). According to comparable Eurostat (2026) data for 2024, the score stood at 4.6 in Slovenia (EU: 5.8). The lowest levels of trust were recorded among people with lower educational attainment, older people and women.

¹⁰ Frequent contact with relatives, friends or colleagues was reported by 52% of respondents, slightly less than in previous years (CJMMK, 2025a).

¹¹ In 2024, 15.4% of the population participated in voluntary, charitable or political activities at least once a week (EU: 14.8%). Some 32.5% of the population devoted more than eight hours per week to leisure activities (EU: 36.7%) (EIGE, 2025a).

/ Figure 14: Healthcare, housing and pensions remain above-average concerns at both the personal and national levels (left); satisfaction with the economic situation exceeds the EU average (right)



Source: Eurobarometer (2025j), survey conducted in October–November 2025; IMAD calculations. Note to the left-hand panel: * Inflation and rising living costs. Respondents selected two issues from a list of eighteen for each level (personal, national and EU). For each level, the three most frequently cited issues in Slovenia are shown, together with comparisons with the averages for the EU, IL and the V4. Note to the right-hand panel: annual averages; IMAD calculations. In both panels, indicators for country groups are calculated as unweighted averages.

3.1.2

Material well-being and social inequalities

Median equivalised disposable income¹² in Slovenia exceeds the EU average, while actual individual consumption¹³ remains below it. Median equivalised gross disposable income per capita in PPS reflects the income and living standard of the majority of the population and enables international comparisons, as household income is adjusted for household size and composition using an equivalence scale. According to this indicator, Slovenia has ranked slightly above the EU average since 2022 (Figure 15, middle). This is supported by stronger growth in gross disposable income, particularly during the period of government measures to mitigate the effects of the epidemic and rising prices, which primarily targeted the lower and middle segments of the income distribution, as well as by one of the lowest levels of income inequality in the EU. Low income inequality, measured by the ratio between the lowest and highest income quintiles (Figure 15, right), is underpinned by relatively low wage dispersion compared with the EU average, a progressive income tax system, and social transfers (i.e. access to cash benefits and subsidies) (Figure 16). Lower wage dispersion places Slovenia slightly above the EU average according to the median-based indicator, as (extremely) high individual incomes – more common elsewhere in the EU – do not significantly affect the median.¹⁴ With the gradual strengthening of gross disposable income, a smaller share of households faced financial difficulties in 2024 than on average in the EU, while actual individual consumption per capita in PPS remained 14% below the average. In 2022, households in the first two income quintiles allocated the largest share of their consumption expenditure

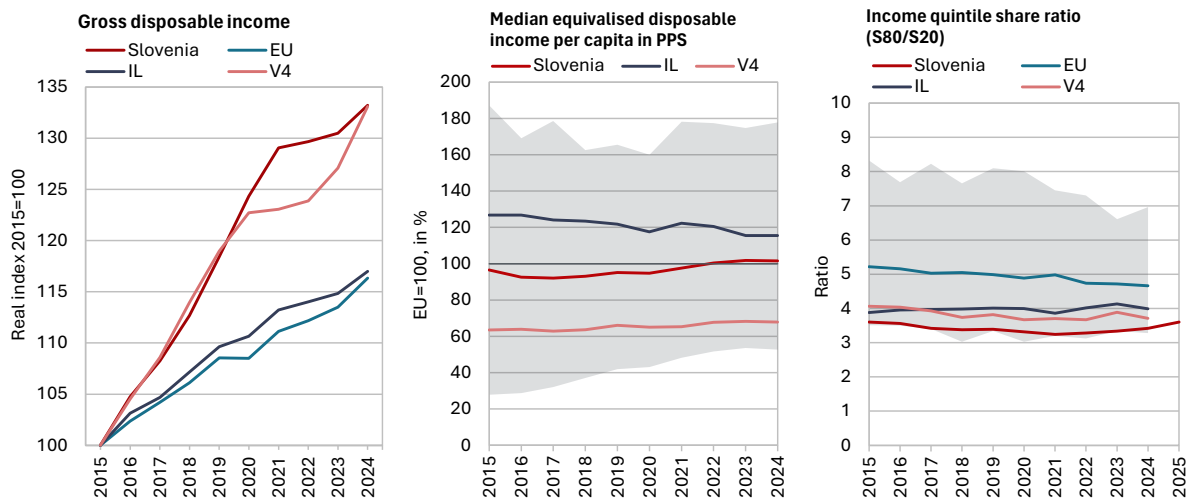
¹² Median equivalised disposable income is the value at which 50% of the population have a lower income and 50% a higher income. To calculate income per equivalised adult, the modified OECD equivalence scale is used, assigning a weight of 1 to the first adult, 0.5 to each additional household member aged 14 and over, and 0.3 to each child under 14.

¹³ The indicator of actual individual consumption per capita in PPS includes only the goods and services consumed by residents (including individual public services).

¹⁴ They do affect average gross disposable income. As a result, the ratio of the average to the median equivalised disposable income per capita in PPS reached 113% in the EU in 2024, compared with 108% in Slovenia.

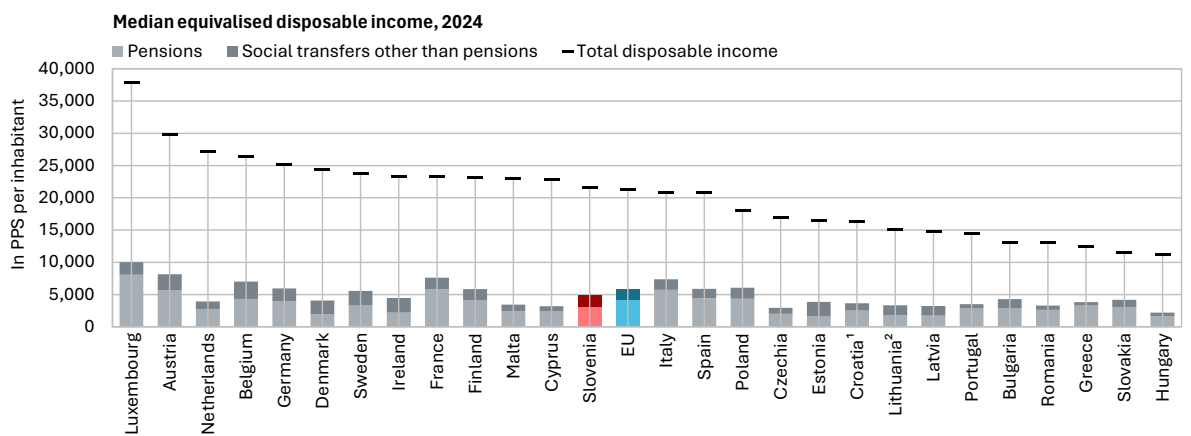
to housing, while households in the remaining three quintiles, as well as households overall, devoted the largest share to transport expenditure, which was the highest in the EU (Figure 17).¹⁵ In Slovenia, 23% of the population were unable to cover unexpected expenses at the level of the at-risk-of-poverty threshold (EU: 30%).

/ **Figure 15: Growth in gross disposable income in Slovenia has exceeded the EU average since 2015 (left), which, together with one of the lowest levels of income inequality (right), has contributed to a higher median equivalised disposable income (middle)**



Source: Eurostat (2026), SURS (2026); IMAD calculations. Notes: The shaded area shows the range between the EU Member States with the lowest and the highest indicator values. Indicators for country groups are calculated as unweighted averages.

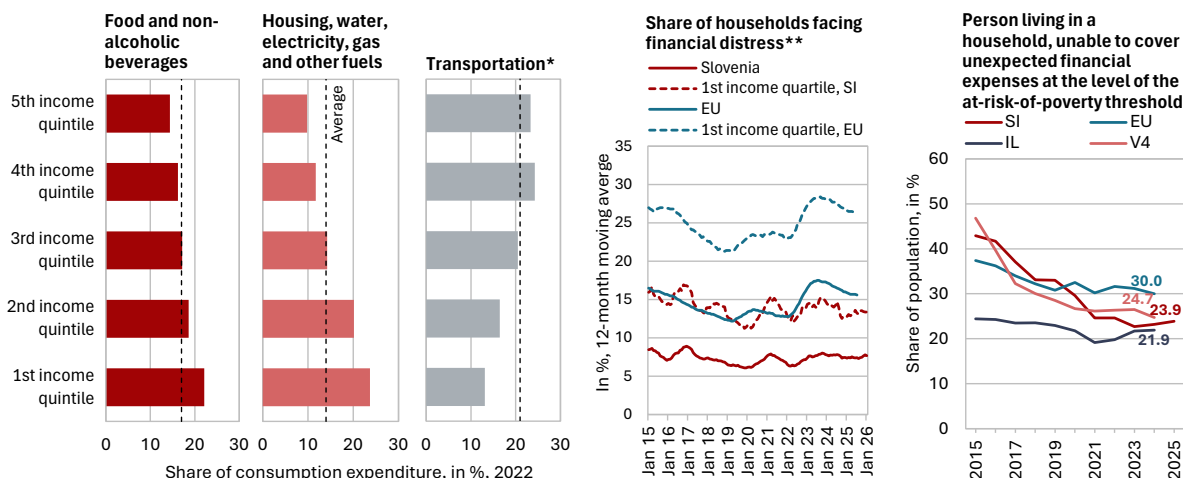
/ **Figure 16: Median equivalised disposable income per capita in PPS is slightly above the EU average; pension income is lower, while income from social transfers is higher than the EU average**



Source: Eurostat (2026). Notes: Countries are ranked by median disposable income. ¹ Break in series. ² Provisional data.

¹⁵ According to the revised COICOP 2018 classification, households in Slovenia allocated 18.5% of their expenditure to transport in 2020, the highest share among EU Member States (EU average: 10.8%). By 2022, this share had increased further (to 21%) (Eurostat, 2026).

/ Figure 17: Lower-income households allocate the largest share of their expenditure to housing, while higher income households spend the most on transport (left); the financial situation of households is stronger than the EU average (middle); the share of households unable to meet unexpected expenses is also lower than the EU average (right)



Source: Eurostat (2026), SURS (2026); IMAD calculations. Note to the left-hand panel: Expenditure on basic necessities excludes items not classified as consumption expenditure (expenditure related to the purchase or renovation of dwellings and certain other expenditures). * Transport includes the purchase of transport equipment, products and services for personal vehicles, and transport, postal and courier services. Note to the middle panel: ** Households financing current expenditure by drawing on savings or incurring debt. Note to the right-hand panel: Indicators for country groups are calculated as unweighted averages.

3.1.2.1

A decent life for all

The at-risk-of-poverty or social exclusion (AROPE) rate¹⁶ increased for the fourth consecutive year but remains among the lowest in the EU; however, some vulnerable groups continue to face significantly higher risks than the EU average. According to the EU-SILC 2025 survey (based on 2024 income), the AROPE rate increased to 15.5% (324,000 persons) (Figure 18). This was driven primarily by a more pronounced increase in the at-risk-of-poverty rate¹⁷ (by 1.1 p.p.), while the increases in the very low work intensity rate¹⁸ (by 0.3 p.p.) and the severe material and social deprivation rate¹⁹ (by 0.1 p.p.) were considerably smaller (Figure 19). The risk of social exclusion has therefore moved further away from the target set in the European Pillar of Social Rights Action Plan, (54,000 more persons than the 2030 target, i.e. fewer than 270,000 persons). A total of 11,000 persons were exposed simultaneously to all three dimensions of risk. Among households with dependent members, the AROPE rate in 2025 was again highest among single-parent households²⁰ (36.7%), while among all household types it was highest among single-person households (46.4%). Although the AROPE rate among children is the lowest in the EU (Figure 18, right), children of low-educated parents face a risk ten times higher than those whose parents have tertiary education and this rate remains above the EU average. Since 2021, the AROPE rate among persons aged 65 or

¹⁶ The share of people living below the at-risk-of-poverty threshold, facing material and social deprivation, or living in households with very low work intensity.

¹⁷ 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.

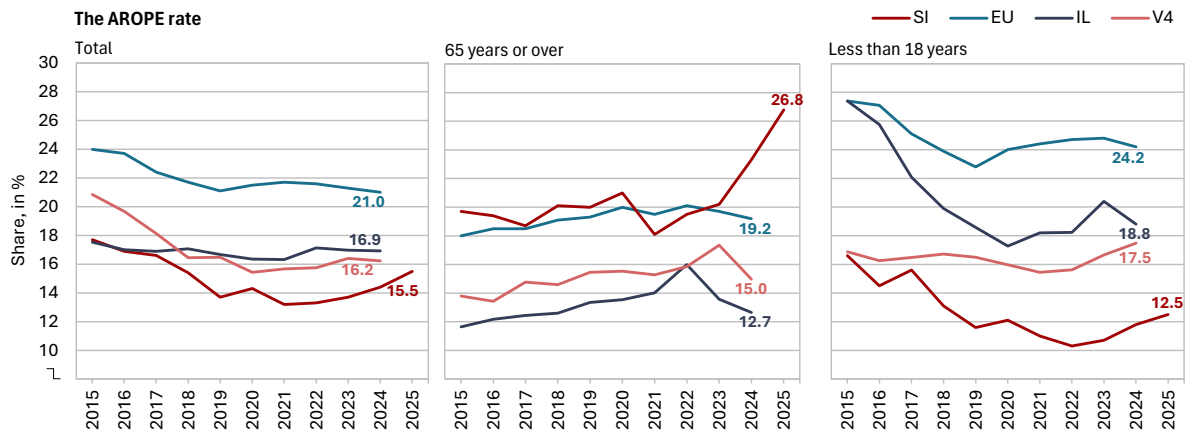
¹⁸ The share of persons aged up to 64 living in households where the adults worked less than 20% of their total work potential during the reference year.

¹⁹ The share of persons unable to afford at least 7 out of 13 deprivation items, see Stare et al. (2026).

²⁰ The situation of single-parent families could improve following legislative amendments adopted at the beginning of 2026, which broadened the definition of single-parent families and affected around 8,000 children.

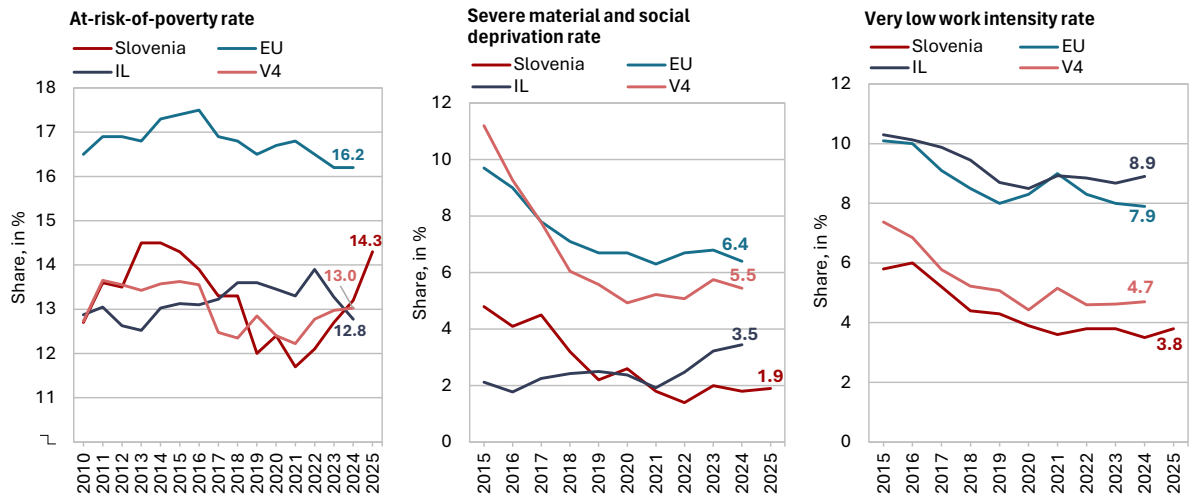
over has increased markedly (Figure 18, middle),²¹ particularly among women aged 75 and over (32.0%). The rate also remains above the EU average among people with low-education, persons with disabilities, households with low work intensity, immigrants and other minorities, where different aspects of exclusion often overlap. Partly due to discrimination, marginalisation and lower social and cultural capital, these groups are also more exposed to the intergenerational transmission of disadvantage,²² reinforcing the structural nature of deprivation (Figure 20).

/ Figure 18: Despite the increase, the AROPE rate remains among the lowest in the EU; however, high among older people, while among children the lowest in the EU



Source: Eurostat (2026). Notes: The latest data for Slovenia are from the EU-SILC 2025 survey (based on 2024 income), while for other countries the latest available data are from the previous year's survey. Indicators for country groups are calculated as unweighted averages.

/ Figure 19: The at-risk-of-poverty rate increased markedly (left), while the severe material and social deprivation rate (middle) and the very low work intensity rate (right) remain among the lowest in the EU



Source: Eurostat (2026). Notes: The latest data for Slovenia are from the EU-SILC 2025 survey (based on 2024 income), while for other countries the latest available data are from the previous year's survey. Indicators for country groups are calculated as unweighted averages.

²¹ In 2025, their number was the highest on record (around 123,000); among all pensioners, including those younger than 65, the number amounted to around 135,000.

²² More than one quarter of income inequality can be attributed to circumstances beyond an individual's control. The socio-economic background of parents, particularly their level of education and occupation, plays a key role in shaping children's life opportunities and their material situation in adulthood (OECD, 2025w).

Around 298,000 people were below the at-risk-of-poverty threshold in 2025 – the highest number in the past twenty years – while the severe material and social deprivation rate remained the lowest in the EU. In line with rising incomes in recent years, median equivalised disposable income also increased (Figure 15) and consequently the at-risk-of-poverty threshold²³ rose to EUR 1,021 in 2025 (based on 2024 income). A total of 14.3% of the population lived below this threshold, more than half of them in persistent poverty²⁴ (157,000 persons) (Figure 19). The at-risk-of-poverty rate is a relative indicator: it does not measure the absolute number of people in poverty, but rather the share of those whose income falls below the threshold. It does not account for price developments, housing conditions, wealth or other factors affecting living standards. According to the latest internationally comparable data (for 2024), the severe material and social deprivation rate was the lowest in the EU, indicating a relatively low prevalence of severe social and material hardship despite the increased share of the population below the at-risk-of-poverty threshold.²⁵ In 2025, around 39,000 people, or 1.9% of the population, experienced severe material and social deprivation, broadly unchanged from the previous two years (Figure 19, middle). Compared with 2024, the poverty gap, which measures the average distance below the at-risk-of-poverty threshold, narrowed slightly.²⁶ However, the share of people with incomes just above the threshold²⁷ remained high (169,000 persons, unchanged from 2024 and the highest level on record) (Figure 20, right). For many years, expert institutions have highlighted the structural nature of poverty and deprivation among vulnerable groups, as well as the issue of hidden poverty.²⁸ More effective and better targeted policies, coordinated with labour market, education, pension and social protection policies, are essential for strengthening social mobility and more effectively preventing and reducing the risk of poverty and deprivation. For children, maintaining high accessibility of early childhood education and care and ensuring consistent implementation of the European Child Guarantee (EC, 2024e, 2025k) remain key priorities. For older people, ensuring adequate pensions that provide a dignified standard of living in old age remains essential (see 3.1.5).

²³ The at-risk-of-poverty threshold is defined as 60% of the median equivalised (net) disposable income of all households, using the modified OECD equivalence scale. Faster income growth may increase the number of people living below the threshold, and thus raise the at-risk-of-poverty rate.

²⁴ The share of persons whose income in the most recent income year and in at least two of the previous three years was below the at-risk-of-poverty threshold. In 2025, 8.6% of the population experienced persistent risk of poverty (EU 2024: 10.0%).

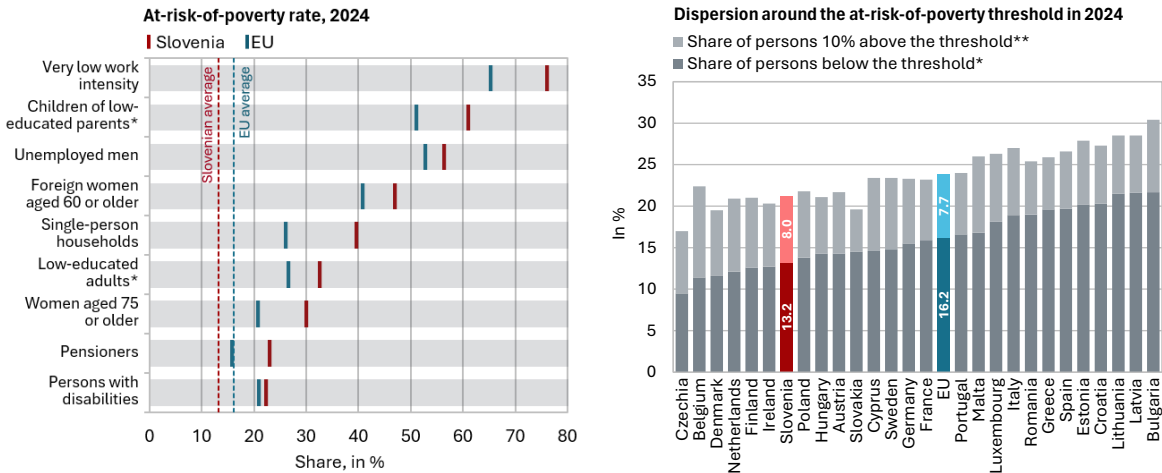
²⁵ This also reflects a methodological difference: the at-risk-of-poverty threshold is based on relative income position, whereas the severe material and social deprivation indicator measures the actual inability to afford goods necessary for an adequate standard of living.

²⁶ The relative at-risk-of-poverty gap indicator measures the difference between the at-risk-of-poverty threshold and the median equivalised disposable income of persons below the threshold, expressed as a percentage of the threshold. In 2025, it stood at 17.4% (EU 2024: 22.7%).

²⁷ The share of persons living in a household with disposable income above 60% and below 70% of the median equivalised disposable income of all households.

²⁸ Particular attention should be paid to the hidden poverty of marginalised groups that are not included or are underrepresented in national statistics (in particular homeless persons, erased persons, other ethnic and sexual minorities, Roma, foreign temporary workers, etc.). See: Ombudsman (2025), IRSSV (2024), and other expert analyses (EAPN, 2024; Korpič-Horvat et al., 2022; Kump and Stropnik, 2022).

/ Figure 20: Some population groups have long been more exposed to the risk of poverty than the EU average (left), while the share of people living just above the at-risk-of-poverty threshold remains relatively high (right)



Source: Eurostat (2026), EU-SILC 2024 (based on 2023 income data). Note to the left-hand panel: *Low education = ISCED levels 0–2. Notes to the right-hand panel: * Share of persons living in households with equivalised disposable income below 60% of the median equivalised disposable income of all households. ** Share of persons living in households with equivalised disposable income above 60% but below 70% of the median equivalised disposable income of all households.

The basic amount of minimum income (BAMI) is a key instrument of the social protection system, providing a basic protection for the most vulnerable households with very low income and no economically active members. The levels of financial social assistance (FSA) and income support (IS) are directly linked to the BAMI (Figure 21, right); therefore, its appropriate determination and regular indexation are crucial for the income situation of the poorest population groups. In recent years, BAMI growth has lagged behind increases in minimum living costs,²⁹ contributing to a decline in the number of beneficiaries. On average in 2025, around 95,000 persons were entitled to FSA and IS (MDDSZ, 2026c), most of them on a long-term basis.³⁰ From 2026 onwards, access to IS could be improved through the abolition of the maintenance obligation of adult children to support their parents, the introduction of a single application procedure, and the automatic extension of entitlements (ZPIZ-2O, 2025). Absolute poverty³¹ is further alleviated through in-kind material assistance in the form of food aid (in 2025, 119,676 persons received such assistance, predominantly women and children) (MDDSZ, 2026d).

The impact of social transfers on reducing the at-risk-of-poverty rate is comparable to the EU average, while challenges persist in ensuring effective coverage of eligible beneficiaries through cash and in-kind benefits, as well as in strengthening proactive policies for integration, acceptance and inclusion. In 2025, social transfers (excluding pensions) reduced the at-risk-of-poverty rate by 34.4% (Figure 21, left). Transfers provided

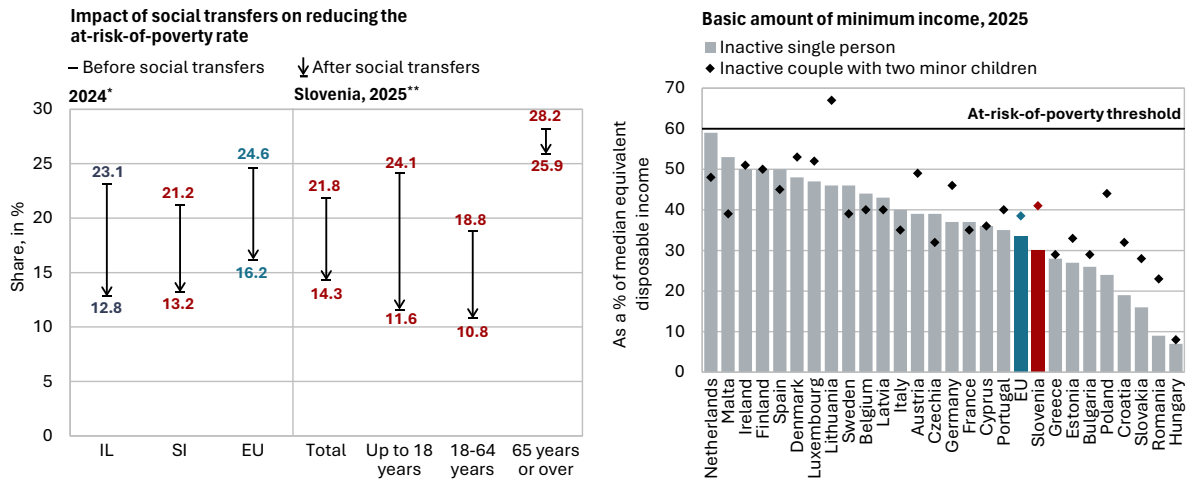
²⁹ In 2025, short-term minimum living costs were estimated at EUR 643.41, thus meeting the statutory condition (an increase of more than 15%) for adjusting the BAMI threshold. Following the latest adjustment on 1 March 2026, the BAMI amounts to EUR 507.43. Between 2022 and 2025, short-term minimum living costs increased by 31.7% (IER, 2025a), while the BAMI increased by 20.3% between 2022 and 2026.

³⁰ Individuals who have received social assistance for at least 24 months within the preceding 36-month period. In 2025, 73% of FSA recipients and 79% of IS recipients received assistance on a long-term basis (MDDSZ, 2025b).

³¹ Absolute poverty refers to a situation in which individuals are unable to meet the minimum requirements necessary for survival, typically defined in terms of basic nutritional needs and other essential goods constituting the subsistence minimum (ReNPSV22–30, 2022).

greater protection to households with children compared to single-person households (Figure 21, right), and were particularly effective in mitigating child poverty, indicating a relatively well-targeted system of family benefits. By contrast, they were least effective in reducing the risk of poverty among older people, where the risk has increased markedly in recent years; single pensioners with low pensions remain the most vulnerable (see Section 3.1.5). A further challenge is the non-take-up of entitlements by eligible beneficiaries due to insufficient information, complex application procedures, and also stigma and low trust in institutions (EC, 2025p; Eurofound, 2015; OECD, 2024g). This undermines both the equity and adequacy of support and may compromise the dignity of beneficiaries.³² Some recent legislative measures in the areas of public safety and public order (ZJRM-2, 2026; ZNUZJV, 2025) may exacerbate these challenges, as they respond to the systemically ineffective resolution of social issues through tighter supervision and sanctions targeting individuals experiencing prolonged social hardship and exclusion (such as homeless persons, Roma and the lowest-income households). Such an approach may deepen stigmatisation and increase social distance (see Focus topic 1). A shift is therefore needed from policies that reinforce segregation and stigmatisation towards active inclusion³³ and integration policies. Achieving greater coverage, efficiency, and equity of the system requires a comprehensive approach, including simplified procedures, stronger proactive outreach, improved timely identification of beneficiaries, prompt access to entitlements and, above all, preventive measures.

/ Figure 21: Social transfers reduced the at-risk-of-poverty rate among children by 12.5 p.p., but by only 2.3 p.p. among older people (left); the gap between received social transfers and the at-risk-of-poverty threshold is more pronounced for single-person households¹ (right)



Source: Eurostat (2026) and OECD (2026d). Note to the left-hand panel: *EU-SILC 2024 (based on 2023 income); **EU-SILC 2025 (based on 2024 income); The indicators for IL are calculated as unweighted averages. Note to the right-hand panel: Data for Denmark and the Netherlands refer to the latest available year (2024), while data for Italy for a single economically inactive person refer to 2023.¹ The calculation includes housing rents amounting to 20% of the average national wage for all household types. Calculations are based on data for the first month of the year and are converted into annual average values.

³² For more information, see IMAD (2021, 2025a) and expert reports (EAPN, 2021; Korpič-Horvat et al., 2022; Court of Audit of the Republic of Slovenia, 2021b; ReNPSV22–30, 2022; IMAD, 2021).

³³ This involves strengthening the capabilities, opportunities and dignity of marginalised individuals and groups who are disadvantaged due to their personal or social circumstances, with the aim of ensuring their full participation in economic, social and political life.

3.1.2.2 *Living conditions*

Housing and living conditions in Slovenia are relatively favourable in international comparison due to the predominance of owner-occupied housing; nevertheless, housing deprivation is becoming increasingly pronounced for a smaller share of the population. Slovenia is characterised by a dispersed settlement pattern (ReSPR50, 2023a), with a predominance of single-family houses in rural areas, which are generally considered the most desirable form of housing (Hafner Fink et al., 2024). As these settlement patterns are not accompanied by adequate sustainable mobility, the motorisation rate is high and transport expenditure accounts for the largest share of living costs in the EU.³⁴ This places a significant burden on vulnerable population groups: around 60,000 people face transport poverty, while environmental pressures and related adverse health effects are also increasing. Housing costs are among the lowest in the EU, and the shares of people living in inadequately heated dwellings or in arrears with housing-related payments are also relatively low.³⁵ While poor housing conditions³⁶ were more prevalent than the EU average for many years, they improved significantly in 2025 (Figure 22). Housing unaffordability, overcrowding and severe housing deprivation³⁷ most frequently affect people below the at-risk-of-poverty threshold, young people,³⁸ first-time home seekers, persons with disabilities, immigrants, Roma, applicants for international protection, foreign workers and others.³⁹ Limited access to housing means that tenants and persons below the at-risk-of-poverty threshold often live in inadequate and energy-inefficient buildings, largely due to insufficient maintenance by property owners. In 2025, around 6.8% of households (100,000 people) experienced energy poverty, most frequently older people living alone (16.9%) and tenants (12.1%). Regionally, energy poverty was most prevalent in the Zasavska region (12.3%). Tenants in the private rental market were in a particularly disadvantaged position, facing housing costs five times higher than the national average (due to high rents), a high risk of severe housing deprivation (above the EU average), more frequent overcrowding⁴⁰ and discrimination when looking for housing. Homelessness is increasing across all Member States (EC, 2025k). According to the latest estimates for 2021, around 11,500 people in Slovenia were living in inadequate accommodation,⁴¹ underscoring the need for comprehensive policy responses.⁴²

³⁴ Households allocate only 0.8% of their expenditure to public transport, the lowest share in the EU (2%), while public transport accounts for only 14.5% of passenger kilometres travelled (EU: 16.9%).

³⁵ In 2025, 3.5% of the population were overburdened by housing costs (EU 2024: 8.2%), 3.6% were unable to keep their home adequately warm (EU 2024: 9.2%), and 5.4% were in arrears on utility bills. (EU 2024: 6.9%).

³⁶ Share of the population living in a dwelling with a leaking roof, damp walls, foundations or floors, or rot in window frames or floor.

³⁷ Share of the population living in overcrowded dwellings who are also deprived of at least one of the following: (i) poor housing condition, (ii) lack of bath or shower in the dwelling, (iii) lack of indoor flushing toilet for sole use of the household, or (iv) dwelling that is too dark (Eurostat, 2026).

³⁸ Due to limited access to housing, young people in Slovenia left the parental home at an average age of 28.9 years in 2024 (EU: 26.2 years) (Eurostat, 2026).

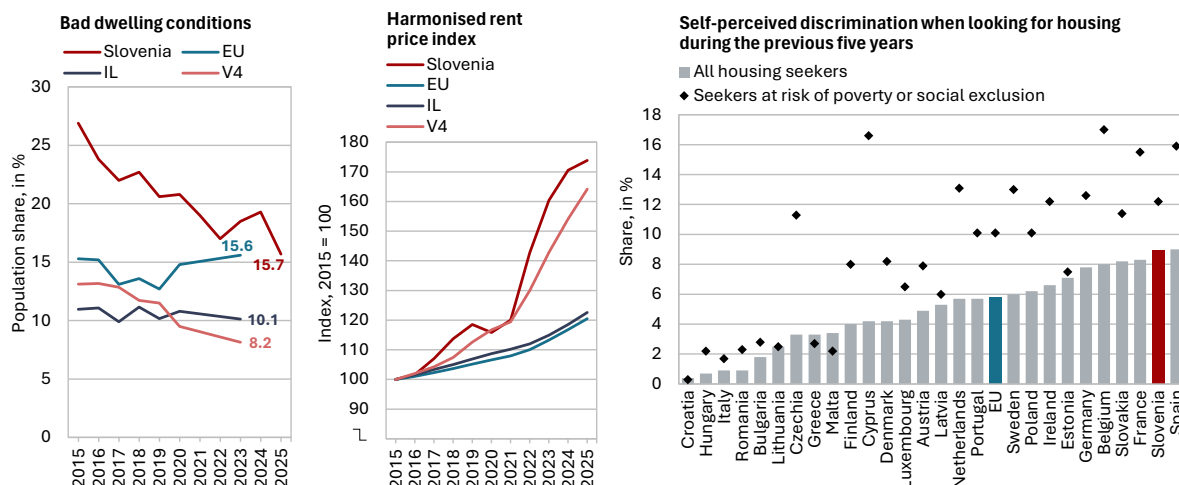
³⁹ Foreign workers frequently face poor housing conditions, as their work permits are often tied to employer-provided accommodation.

⁴⁰ In 2025, 34.0% of tenants lived in overcrowded dwellings (EU 2024: 24.4%), while in 2023, 10.3% experienced severe housing deprivation (EU: 6.5%).

⁴¹ According to the ETHOS definition, living in insecure or inadequate accommodation is considered a form of homelessness (Filipovič Hrast et al., 2023).

⁴² The Draft Strategy for the Prevention and Ending of Homelessness 2025–2035, which addresses the situation of the most vulnerable groups, has not yet been adopted.

/ Figure 22: The share of the population living in bad dwelling conditions is comparable to the EU average (left); rents have increased faster than across the EU on average in recent years (middle); tenants often face discrimination when looking for housing (right)



Source: Eurostat (2026). Note to the left-hand panel: For Slovenia, data are available for all years, while for EU countries after 2020 they are available only every three years (data for 2021 and 2022 are interpolated). Indicators for country groups are calculated as unweighted averages.

Housing affordability is declining, primarily due to limited housing supply amid sustained growth in property prices and changing housing needs.

Slovenia has one of the smallest housing stocks in the EU, while housing occupancy of inhabited dwellings is the second highest.⁴³ The housing stock is old and requires extensive renovation.⁴⁴ Housing accessibility is further constrained by the predominance of owner-occupied housing,⁴⁵ an underdeveloped non-profit rental sector and an inadequately regulated private rental market. Housing construction has been modest in recent decades;⁴⁶ despite a gradual recovery in recent years, the housing shortage continues to increase. Public rental housing accounts for only 4% of the total housing stock (EU: 8%), while demand for such housing is growing.⁴⁷ Structurally limited housing supply is further reduced by the financialisation⁴⁸ of housing, the expansion of short-term rentals, institutional and spatial constraints (including a lack of serviced land and lengthy administrative procedures), and low housing mobility. Transaction activity has declined in recent years, while house price growth has outpaced income growth (Figure 23, left). Land and construction costs have also increased, with price dynamics being more pronounced than in the EU. The impact is felt most strongly by first-time homebuyers, particularly young people and immigrants. Housing prices are highest in urban and tourist centres, with a pronounced urban–rural divide (Figure 23, right). Despite rising housing unaffordability, 19.2% of dwellings in Slovenia are unoccupied and 35% are under-occupied –

⁴³ In 2021, Slovenia had 410 dwellings per 1,000 inhabitants, the third lowest level in the EU, while the average occupancy rate of inhabited dwellings was 2.9 persons per dwelling (Miklič, 2024).

⁴⁴ Around 80% of the housing stock was built before 1990 and therefore requires comprehensive energy, seismic and functional upgrades.

⁴⁵ Among occupied dwellings, around 80% are owner-occupied and 9% are rented, while the remainder are occupied by persons who are neither owners nor tenants (most commonly relatives).

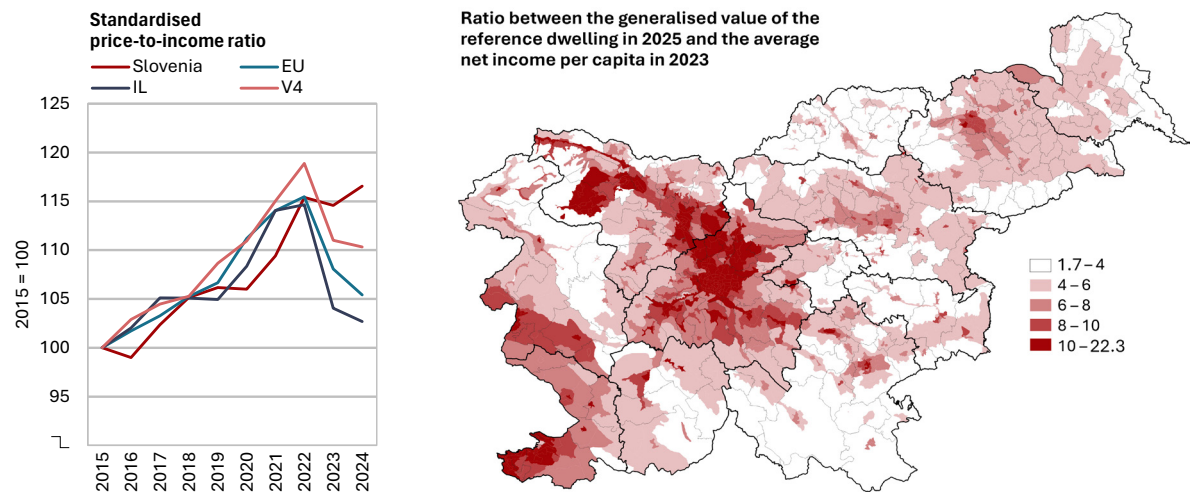
⁴⁶ Between 2008 and 2015, annual housing construction declined from 4.9 to 1.3 dwellings per 1,000 inhabitants; since 2015, it has gradually increased.

⁴⁷ In 2025, local communities estimated a shortage of 20,000 public rental dwellings. Even when planned construction is taken into account, the largest shortages remain in the Obalno-Kraška, Savinjska and Goriška regions (MSP, 2025a).

⁴⁸ Investors increasingly use housing to generate or preserve wealth, treating it as an investment asset rather than a social good (EC and JRC, 2020).

levels comparable to the EU average –⁴⁹ yet these dwellings have not been effectively mobilised to increase the available housing supply.⁵⁰

/ Figure 23: Housing property prices are rising faster than residents’ incomes (left); housing affordability varies significantly across regions (right)



Source: Eurostat (2026), SURS (2026), GURS (2026); IMAD calculations. Note to the left-hand panel: the ratio of current house prices to household income is shown relative to the average price-to-income ratio in 2015. A value of 100 indicates that the ratio equals the 2015 average; an increase indicates that house prices are rising faster than incomes. Indicators for country groups are calculated as unweighted averages. Note to the right-hand panel: Territorial differences are illustrated using a reference dwelling with specific characteristics (e.g. a unit in a multi-apartment building, 50 m², built between 1975 and 1979, not renovated), with its generalised value determined by the official real estate valuation model set out in the Decree on Property Valuation (2025). Similar territorial differences are observed for reference houses, with generalised values determined according to the house valuation model. Municipality-level income data for 2023 are used.

The long-term improvement of housing and living conditions requires a comprehensive, long-term and cross-sectorally coordinated housing policy. Progress has been made in recent years through the establishment of a systemic financing source for public rental housing, the recapitalisation of the Housing Fund of the Republic of Slovenia (SSRS), amendments to the Housing Act (SZ-1, 2025), and the regulation of short-term rentals.⁵¹ Under the new funding mechanism (ZFSGJNS, 2025), up to EUR 100 million per year will be allocated to public rental housing over the next ten years. However, investment at this scale is unlikely to be sufficient in the medium term to significantly reduce the housing shortage. It is therefore crucial to strategically ensure the availability of adequate and serviced building land in line with demographic trends, projected needs and the principles of polycentric development and spatial planning guidelines (ReSPR50, 2023a). At the same time, greater use and renovation of the existing housing stock are needed. This is important not only due to land constraints in certain areas, but also as a means of promoting circular economy principles, preserving land as a natural resource, and maintaining the cultural landscape (see Section 5.2.4). Improving housing affordability requires innovative financing models, targeted incentives for young people and vulnerable groups, the development of community-based and cooperative housing, and, in particular, more effective mobilisation of the existing housing stock, alongside stronger regulation of the private rental

⁴⁹ In 2021, 19.2% of dwellings (EU: 19.7%) were unoccupied, with nearly half being old or lacking basic infrastructure. In 2024, 35% of the population lived in under-occupied dwellings (EU: 33%).

⁵⁰ To mobilise vacant dwellings, a public rental scheme was introduced in 2022 through the Housing Fund of the Republic of Slovenia, which provides key services and manages tenancy relationships; however, it has not delivered the expected results.

⁵¹ The Hospitality Industry Act (ZGos-1, 2025) introduces time limits for short-term rentals in municipalities where there is a high risk of negative impacts due to the combination of low housing affordability and a high prevalence of short-term letting.

market and investment-driven purchases. At the same time, housing policy must also systematically address the quality of living conditions, particularly in the private rental sector, energy poverty, and groups facing multiple forms of housing and social exclusion.⁵² The new National housing programme 2026–2035 (MSP, 2025b) represents a step towards a more comprehensive national policy; however, it is primarily focused on increasing the supply of public rental housing, while placing less emphasis on mobilising the existing housing stock and alternative housing solutions (e.g. cooperatives, community-based models and access to owner-occupied housing). Consideration should be given to introducing a property tax to support the sustainable provision of housing and adequate living conditions. Above all, coordinated action is required across tax, spatial planning, demographic, regional, economic and social policies. As living conditions are also closely linked to dispersed settlement patterns and high mobility costs, they should be addressed within a coordinated approach to spatial and transport planning.

3.1.2.3

Gender inequality and discrimination

The Gender Equality Index (GEI)⁵³ has gradually improved in recent years; nevertheless, the gap with the EU average has widened. The most significant progress has been recorded in the domain of *power*,⁵⁴ although this is also the area with the largest gap relative to the EU average, reflecting the low representation of women in senior positions in the business sector (Figure 24).⁵⁵ The gap has also widened in the domain of *knowledge*. While women are more likely to complete tertiary education and men are more likely to complete initial vocational education and training, gender segregation across fields of study remains pronounced. The domain of *time* is also slightly below the EU average, as women devote significantly more time to care responsibilities and unpaid household work than men.⁵⁶ The *health* domain is in line with the EU average, although men tend to report better self-perceived health. The score in the domain of *work* has deteriorated but remains above the EU average. Despite the high participation of women in the labour market, horizontal and vertical segregation persist, as reflected in the relatively low shares of female ICT specialists and women in managerial positions. In the domain of *money*, Slovenia ranks first in the EU, as gender gaps in pensions and in partners' employment income⁵⁷ are among the smallest.

⁵² This is particularly relevant for homeless people, Roma, and other groups for whom general housing policy instruments often fail to deliver adequate outcomes.

⁵³ In 2025, the methodology for calculating the GEI was revised. The index consists of 27 indicators measuring gender differences across six domains. For the 2025 edition, the index was mostly calculated using data from 2024. The 2020 value has been recalculated according to the new methodology (EIGE, 2025a).

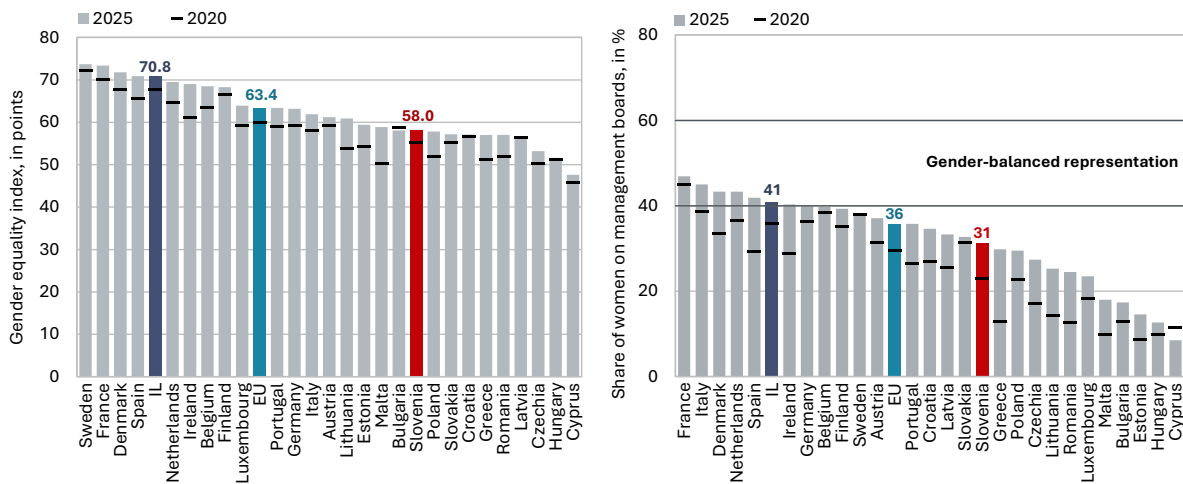
⁵⁴ The representation of women in politics, business and sports organisations has increased. At the end of 2025, women accounted for 36.7% of members of parliament (EU: 33.2%), while the share of women ministers was 33.3% (EU: 30.1%) (EIGE, 2025b).

⁵⁵ An amendment to the Companies Act (ZGD-1M, 2024) sets targets for balanced gender representation in leadership positions, to be achieved by large listed companies by the end of June 2026 and by large companies with majority state or local ownership by the end of June 2028.

⁵⁶ In 2024, 46% of women (EU: 41%) and 21% of men (EU: 20%) spent more than five hours per day caring for children aged 0–11, while 66% of women (EU: 59%) and 34% of men (EU: 33%) performed household tasks daily (EIGE, 2025a).

⁵⁷ The GEI uses the unadjusted gender pay gap. For the definition, see the note to Figure 25.

/ Figure 24: The Gender Equality Index¹ and the share of women on boards² are both below the EU average

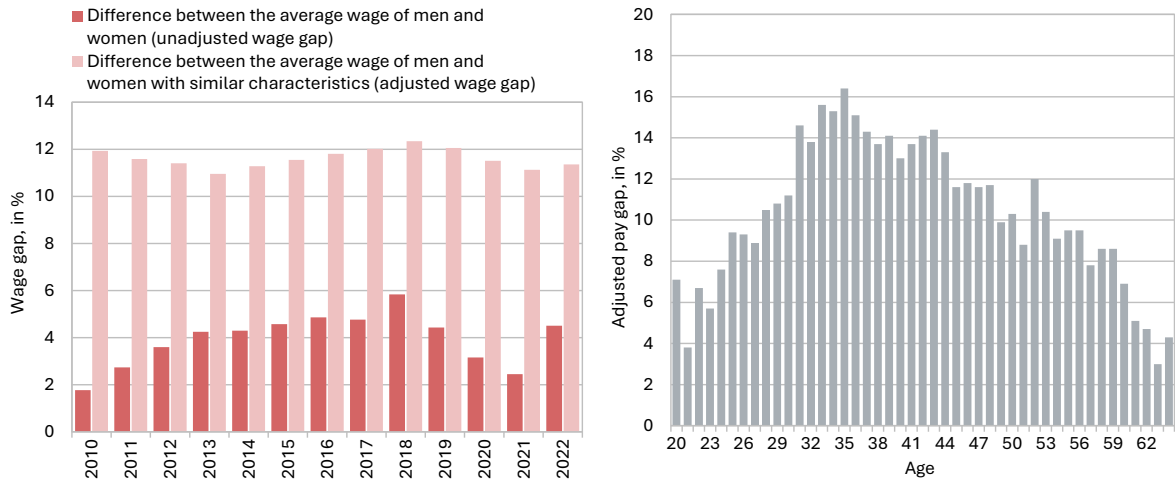


Source: EIGE (2025a, 2025b). Notes: ¹ An index value of 1 means total inequality and 100 total equality. ² Annual data refer to October values for large listed companies. Ten years after it was first proposed by the European Commission, the target of at least 40% representation of each gender was established by an EU Directive in 2022. The indicators for IL are calculated as unweighted averages.

Female labour market participation is high; however, gender-specific employment patterns and sociocultural factors continue to contribute to lower earnings among women compared with men. The gender employment gap has long been among the smallest in the EU; in 2024, it stood at 6 p.p. (EU: 10 p.p.). High female labour market participation⁵⁸ is supported by women’s high educational attainment and work–life balance policies, such as accessible early childhood education and care, maternity leave and the possibility of part-time work for parents. Nevertheless, women often earn less than men, even within the same companies, in the same jobs and with the same level of education and occupation (see note, Figure 25, left). The gender pay gap reflects a combination of employment-related and sociocultural factors, such as the unequal distribution of unpaid care work, temporary labour market withdrawal following childbirth, workplace culture, lack of pay transparency within organisations, personal career choices and ambitions, labour market structures, and discrimination (OECD, 2013). Women are also more likely to work in “feminised” occupations, such as education, teaching, care and nursing, where wages tend to be lower, and are underrepresented in higher-paid and managerial positions (Ciminelli et al., 2021).⁵⁹ Gender pay gaps emerge early in women’s careers and often widen shortly afterwards, coinciding with the time of the first childbirth, while men’s career paths are generally not interrupted during this period. Addressing these inequalities requires a comprehensive set of measures, including raising awareness, promoting a more equal distribution of unpaid work, encouraging participation in non-traditional fields of education and employment, fostering entrepreneurship and financial literacy at all levels of education, strengthening family-friendly workplace practices, improving access to early childhood education and care, and expanding compulsory or non-transferable parental leave (OECD, 2025f)«.

⁵⁸ The high participation rate is largely driven by the employment rate of women aged 30–54, which, at 88.7%, is the highest in the EU (78.4%).
⁵⁹ The implementation of the principle of equal pay for equal work could contribute to reducing the income gap (European Parliament and Council, 2023).

/ Figure 25: The gender pay gap has remained at around 11% over the long term (left); it emerges early in women's career paths and is largest during the motherhood period (right)



Source: SURS (2026b), SURS (2026a); IMAD calculations and estimates. Notes: The gender pay gap can be measured as either *unadjusted* or *adjusted*. The *unadjusted* gender pay gap represents the difference in average earnings between all men and women, without accounting for differences in sector of employment, age, education, etc., or other labour market characteristics (e.g. the higher educational attainment of women in Slovenia). By contrast, the *adjusted* gender pay gap compares the earnings of men and women with similar characteristics (such as occupation, education and age) and therefore provides a more accurate estimate of gender-based pay differences for equal work or work of equal value (OECD, 2023e). In the left-hand panel, the adjusted gender pay gap is estimated using a regression model based on SRDAP microdata and personal income tax data. The explanatory variables include working time (permanent/fixed-term, full-time/part-time), marital status, disability status, citizenship, age, firm size (four classes), educational attainment (21 levels), occupation (according to the Standard Classification of Occupations – SKP, level 4), activity (according to the Standard Classification of Activities – SKD, level 5), and sector (according to the Standard Classification of Institutional Sectors – SKIS, level 5). For each year, the estimate includes around 550,000 employees working for the same employer and in the same occupation, with earnings amounting to at least 90% of the annual minimum wage.

Focus topic 1

High social distance and low political tolerance in Slovenia

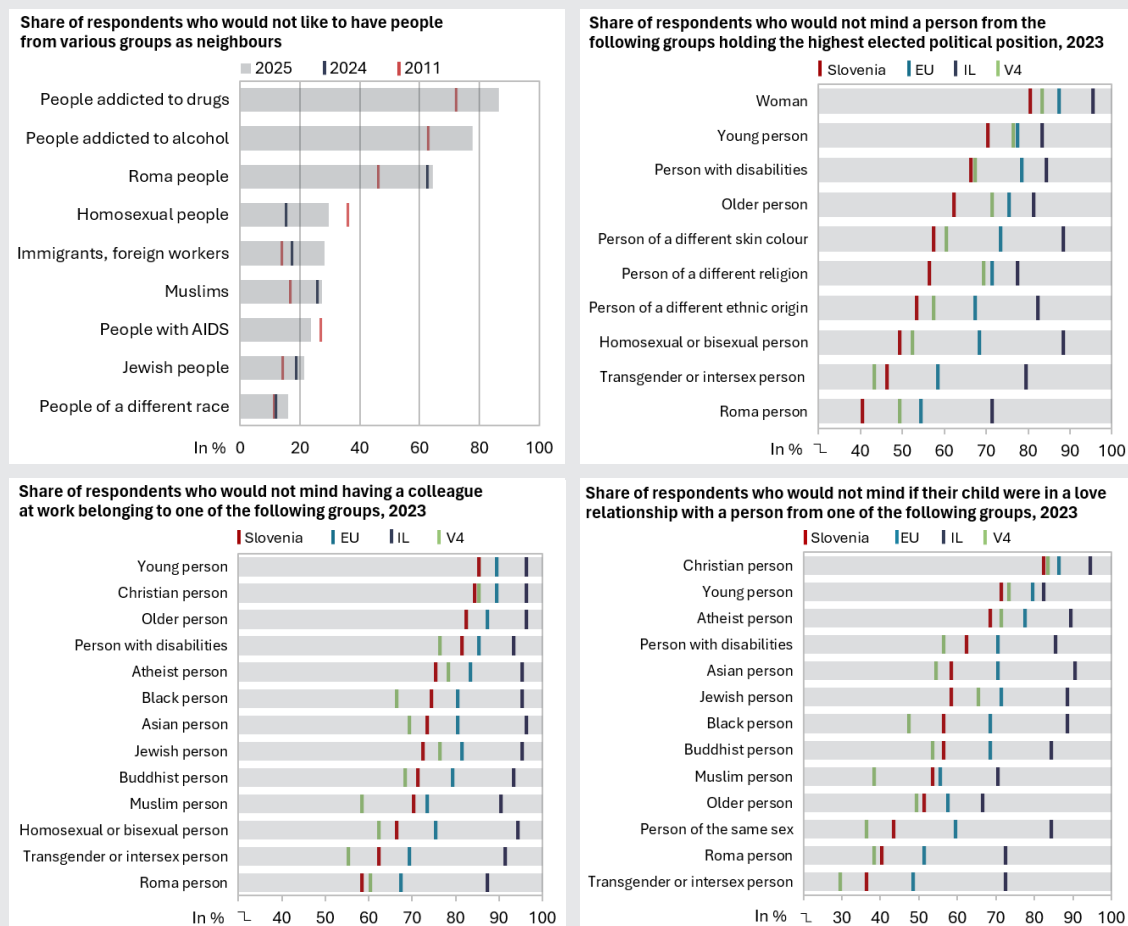
Social distance refers to the extent to which individuals or groups are willing to accept members of other social groups in everyday interactions and social relationships. It captures the normative, symbolic and emotional boundaries between groups, reflected in how willing people are to accept others as neighbours, co-workers, friends, family members or partners. Social distance does not measure discriminatory behaviour as such, but rather the willingness to include others in everyday interactions and social relationships. Higher social distance implies greater reservation, more pronounced symbolic boundaries between “us” and “them”, and a greater likelihood of societal exclusion, whereas lower social distance indicates greater openness, acceptance and social integration (Bogardus, 1933).

Political tolerance, by contrast, refers to the degree to which individuals are willing to recognise the political and civil rights of groups whose views they oppose or personally disapprove of. It does not imply support for or emotional affinity towards these groups, but rather reflects respect for the democratic principle of equal rights and freedoms for all. It is an important indicator of the degree of pluralism in a democracy, i.e. the extent to which different values, identities and lifestyles can coexist within the same political milieu. Empirical measures of political tolerance therefore do not assess whether individuals support a particular group, but whether they are willing to recognise its fundamental rights, such as freedom of expression or equality before the law (Rawls, 1993; Sullivan et al., 1982).

Social distance in Slovenia was among the highest in the EU in 2023 and, according to the latest data for 2025, has increased further. Over the past decade, it gradually declined (CJMMK, 2025b); however, in recent years, negative attitudes towards minority groups have intensified again (Figure 26, left). According to Eurobarometer (2023) data, the greatest openness towards other people and social groups was recorded in the Netherlands, Sweden and Ireland, while the lowest levels were observed in Bulgaria and Romania. Across all indicators, Slovenia ranked among the countries with relatively high social distance, with rejection strongest towards Roma and LGBTIQ+ persons.⁶⁰ According to the Slovenian Public Opinion survey, social distance in 2025 increased towards most minority groups (Figure 26, left), most markedly towards Roma, while the highest levels continue to be directed towards people with drug or alcohol addiction. Over the last year, the largest increases were recorded towards homosexual persons and towards immigrants and foreign workers (CJMMK, 2025b).

⁶⁰ Lesbian, gay, bisexual, transgender, queer or questioning, and intersex persons (Advocate of the Principle of Equality, 2025).

Figure 26: Between 2011 and 2025, the strongest increase in social distance was observed towards Roma populations, while the largest increase in the latest year was recorded towards homosexual persons (left); in general, Slovenia continues to exhibit relatively low acceptance of minority groups compared with other EU countries (right and bottom)



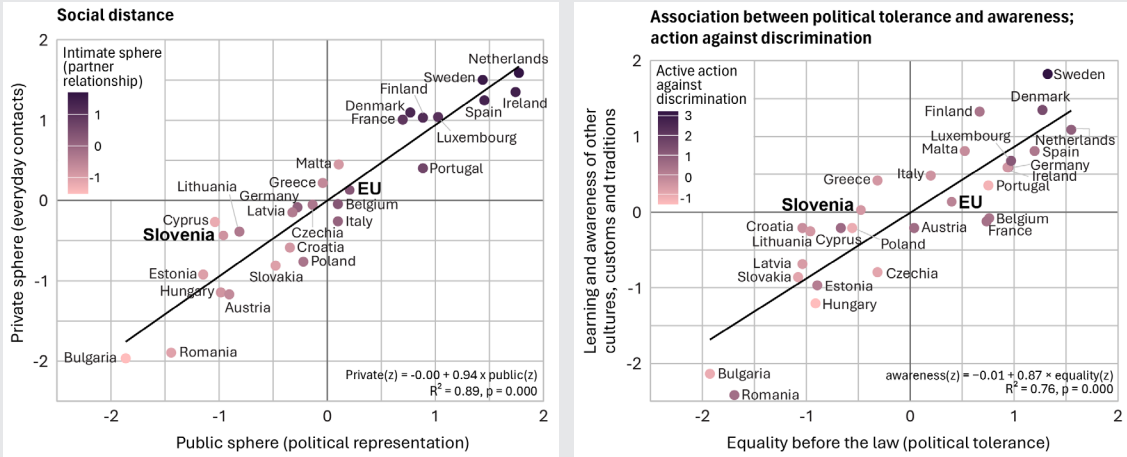
Source: CJMMK (2025b) and Eurobarometer (2023). Note to the left-hand panel: Data for 2024 are not available for persons with drug or alcohol addiction or for people living with AIDS. Note to the other panels: In addition to the EU average, the comparison includes selected countries with some of the lowest levels of social distance: the Netherlands, Sweden, Denmark and Finland (which are also recognised as innovation leaders). Indicators for country groups are calculated as unweighted averages.

Slovenia ranks among the countries with below-average acceptance of diversity across all three dimensions of social distance (public, private and intimate spheres). The analysis also points to a strong relationship between social distance in the public and private spheres (Habermas, 1989): countries that display greater openness in the political and public domains also tend to exhibit lower levels of social distance in private and intimate relationships (Figure 27, left). In line with social distance theory, the regression analysis⁶¹ for Slovenia points to comparatively strong social boundaries. Slovenia scores below the cross-country average across all three dimensions, indicating consistently lower acceptance of social diversity in the public, private and intimate spheres. This suggests a relatively reserved and internally consistent pattern of attitudes towards social

⁶¹ Regression analysis was used to assess whether countries that exhibit greater openness towards minorities in the political and public spheres also exhibit lower levels of social distance in private and intimate family settings. The results confirm a significant association between the public and private spheres.

diversity. Compared with the most open Northern and Western European countries, Slovenia exhibits greater reservations towards ethnic, religious and sexual diversity in both the public and private spheres, particularly in the most intimate social contexts (Figure 26, left). The analysis further confirms a link between the formal and normative acceptance of diversity and its manifestation in everyday practices, alongside a selective pattern of tolerance, with the most negative attitudes directed towards Roma and LGBTIQ+ persons. Overall, the findings point to relatively strong social boundaries and an incomplete internalisation of inclusion norms,⁶² as reservations expressed in the public sphere are also reflected in everyday practices.

/ Figure 27: High social distance in the public and private (including intimate) spheres (left); low political tolerance and limited support for awareness-raising are reflected in weak action against discrimination (right)



Source: Eurobarometer (2023); IMAD calculations; linear regression analysis. The left-hand panel is based on 32 variables and the right-hand panel on 14 variables. EU values represent weighted averages. Note to the left-hand panel: The x-axis shows the index of openness in the public sphere (attitudes towards the political representation of minorities), the y-axis shows the index of openness in the private sphere (acceptance in everyday social interactions). The colour of the data points represents the index of openness in the intimate sphere (partner relationships). All indices are calculated as averages of the respective indicators and standardised (z-scores). A value of 0 represents the average across countries, while positive (negative) values indicate higher (lower) openness relative to the average. The colour scale shows the standardised average for the intimate sphere, where higher values (purple) indicate greater openness in intimate relationships compared with other countries. The regression line illustrates the linear relationship between openness in the public and private spheres. Note to the right-hand panel: The x-axis shows the standardised index of support for equality before the law (political tolerance), while the y-axis shows the standardised index of support for awareness-raising and education on diversity. The colour of the data points represents the standardised index of active measures against discrimination (purple indicating countries where such measures are more prevalent). A value of 0 denotes the average of the analysed countries, while values between -2 and 2 indicate deviations in standard deviations. The colour scale shows the standardised average of intimate social distance, where higher values (purple) indicate above-average action against discrimination. The regression line shows the linear relationship between equality and awareness.

In Slovenia, political tolerance is also relatively low and is associated, among other factors, with limited action against discrimination. The analysis shows a strong and statistically significant relationship between support for equality before the law for minority groups (political tolerance) and support for awareness-raising and education on different cultures, beliefs, sexual orientations and gender identities across EU countries⁶³ (Figure 27, right). Countries where residents show stronger

⁶² Inclusion refers to the process of enhancing the abilities, opportunities and dignity of individuals and groups who are disadvantaged due to their personal or social circumstances, enabling them to participate fully in economic, social and political life (UN, 2016). The concept originates primarily from educational theory, while in public administration it is often replaced by the term participation. Confusing these two concepts may obscure the fact that formal participation does not necessarily imply equal opportunities or genuine equality.

⁶³ Regression analysis was used to examine whether countries with higher support for equality before the law (political tolerance) also demonstrate greater awareness of diversity and a greater propensity

support for equal rights – for example for LGBTIQ+ communities (including marriage, adoption, the right to change legal documents, etc.) – also show greater support for integrating such content into school curricula, which may contribute in the long term to reducing prejudice and increasing acceptance of diversity. In addition to higher political tolerance, these countries (particularly Sweden and Denmark) also display stronger engagement in action against discrimination, such as public advocacy for victims, membership in organisations promoting human rights, or reporting discrimination in the workplace. In Western and Northern European countries in particular, normative support for legal equality tends to coincide with greater societal openness and a greater willingness of individuals to take concrete action against discrimination. Slovenia lags significantly behind Western and Northern European countries across all three dimensions of societal openness, particularly regarding low levels of action against discrimination and recognition of equality before the law. In all countries, actual engagement in addressing discrimination is substantially lower than both the declarative support for equality before the law and the perception of discrimination: on average across the EU, 62% of respondents demonstrated political tolerance across all indicators, 21% reported perceiving discrimination, while only 9% reported taking action. In Slovenia, 47% of respondents demonstrated political tolerance, 46% reported perceiving discrimination, while only 7% indicated they had taken action. In Sweden, the corresponding shares were significantly higher (83%; 60%; and 22% respectively); however, even there a notable gap persists between general attitudes towards minority groups and actual behaviour or action against discrimination. Slovenia ranks around the average of the analysed countries in the index of awareness of other cultures, beliefs, religions and orientations, suggesting that this area offers the greatest potential for policy measures aimed at strengthening political tolerance, which could, in turn, improve both the recognition of discrimination and the willingness to act against it.

Despite some progress in legal protection and inclusion policies in Slovenia in recent years, widening social distance and declining political tolerance towards minority groups point to a gap between formal equality and actual social practices, which may weaken social cohesion and hinder long-term development. For LGBTIQ+ persons, this gap is reflected in increasingly negative attitudes and widespread hate speech;⁶⁴ for the Roma community, in persistent social exclusion, inadequate housing conditions, limited access to healthcare services and segregation in education; and for immigrants, despite improved access to the labour market, in ongoing challenges related to integration, living conditions, and the exercise of labour and social rights. Limited societal acceptance of diversity increases the vulnerability of minority groups, raises the risk of discrimination and constrains opportunities for social inclusion, while also weakening trust and cooperation within society as a whole. Reducing social distance therefore requires sustained and comprehensive policies that, alongside legal and institutional reforms, promote inclusive public discourse and practices that foster social cohesion (Gregorčič and Sodja, forthcoming). Prevailing social attitudes and values develop over

to take action against discrimination.

⁶⁴ The ECRI (2025) also notes the prevalence of hate speech, the growing polarisation of public discourse, and insufficient legal regulation in this area.

time under the influence of institutional frameworks, public policies, and dominant political and media narratives. Political culture therefore plays a crucial role in either normalising exclusion or gradually dismantling social distance, because whom it includes, legitimises and symbolically acknowledges influences how open individuals are to social and intimate relations with others.

Exposure to discrimination has increased, although it remains among the lowest in the EU, while both recognition of discrimination and societal engagement to tackle it remain limited. People’s ability to recognise discrimination depends on public awareness and the broader cultural environment, while greater public engagement can help change stereotypes and systemic practices (Hardy and Schraepen, 2024). In 2023, 13% of the population reported experiencing discrimination or harassment (EU: 21%) (Eurobarometer, 2023), moving Slovenia further away from the SDS 2030 target (below 10%). Respondents most frequently reported discrimination based on gender, general physical appearance and age, while ageism is also becoming more pronounced.⁶⁵ Experiences of discrimination were reported more frequently by members of minority groups, particularly LGBTIQ+ persons and persons with disabilities. Discrimination was most commonly reported at work and in public spaces, while disparities when using or requiring healthcare services are particularly pronounced compared with the EU average (SI: 20%, EU: 11%). Prolonged exposure to discrimination adversely affects health, may lead to social exclusion, and reduces overall well-being and productivity. In Slovenia, only a small share of respondents reported taking action against discrimination, most often by publicly defending a victim of discrimination (SI: 10%; EU: 13%), while 30% considered government efforts to combat discrimination ineffective (EU: 27%).⁶⁶ The ECRI (2025) has warned about the low level of implementation of the recommendations issued by the Advocate of the Principle of Equality and the insufficient funding for related research⁶⁷ and programmes. Research also points to limited awareness of the relevant institutions and legislation, including among public officials, many of whom report a need for additional knowledge and training in this area (Advocate of the Principle of Equality, 2023a, 2023b).

Violence in a partner relationship and domestic violence are more frequently experienced by women and often go unreported. Since the age of 15, physical violence (including threats) or sexual violence has been experienced by 22.5% of women (EU: 30.7%) and 16.3% of men.⁶⁸ Violence in intimate partner relationships has been experienced by 27.9% of women (EU: 31.8%) and 20.4% of men,⁶⁹ while domestic violence has been experienced by 14.9% of women (EU: 19.3%) and 5.4% of men. Women are more likely than

⁶⁵ Compared with the previous survey (2019), the largest increase in reported discrimination in both Slovenia and the EU on average was related to age (by 2 p.p.). Ageism refers to stereotypes, prejudice and/or discrimination against individuals based on their age.

⁶⁶ Some 45% of respondents (EU: 44%) believe that local authorities do too little to promote diversity in their environment (Eurobarometer, 2023).

⁶⁷ This hampers the development of targeted policies and more effective prevention of discrimination (ECRI, 2025; Hardy and Schraepen, 2024).

⁶⁸ Men most often experience violence in public spaces, whereas women are more often exposed to violence at home, where incidents frequently occur without witnesses or in the presence of children, who are thus also made victims of violence (EC, 2022; EP, 2021; FRA, 2021). Eurostat data (Eurostat, 2025a) are available only for women at the EU level.

⁶⁹ The most prevalent form is psychological violence, reported by 26.3% of women (EU: 29.9%) and 19.7% of men (Eurostat, 2025a; SURS, 2025e).

men to report repeated incidents of violence, as well as physical injuries and psychological consequences (Kontelj, 2022). In 2025, the number of recorded criminal offences of domestic violence declined compared with the previous two years, with women still accounting for the majority of victims (Police, 2026). Victims often cope with the consequences of violence on their own⁷⁰ or with support from friends and family. Higher reporting rates are associated with increased public awareness of zero tolerance towards violence and, in particular, with appropriate institutional responses, which strengthen trust in support systems (Prislan et al., 2022).⁷¹

3.1.3

Knowledge and creativity

Educational attainment has improved over the long term, supported by high participation in education systems; the share of adults with at least upper secondary education is among the highest in the EU, although the share of tertiary-educated adults remains below the EU average. While the share of tertiary-educated adults still slightly lags behind the EU average (Figure 28, left), the share of low-educated adults is among the lowest in the EU. The share of adults with *at least upper secondary education* (Figure 28, middle) – already among the highest in the EU – has continued to increase over time, largely due to demographic effects, as younger and, on average, better-educated cohorts enter older age groups. Groups facing barriers to participation in education tend to achieve higher levels of educational attainment than their counterparts in the EU, which is reflected in the comparatively low share of early leavers from education and training. Despite these positive trends, significant challenges remain in reducing the influence of socio-economic, ethnic and other factors on the educational outcomes of vulnerable population groups, as highlighted by various institutions.⁷² The most pronounced challenges relate to the inclusion of Roma children, particularly in South-East Slovenia, where, in addition to measures addressing discrimination and segregation, enhanced professional support is required.⁷³ The share of young people who are neither in employment nor in education and training (NEET) is below the EU average. However, exclusion persists among certain ethnic and other minority groups, as well as among immigrants and persons with disabilities, underscoring the need to address structural barriers to inclusion and to adopt more inclusive policy approaches (Figure 28, right).

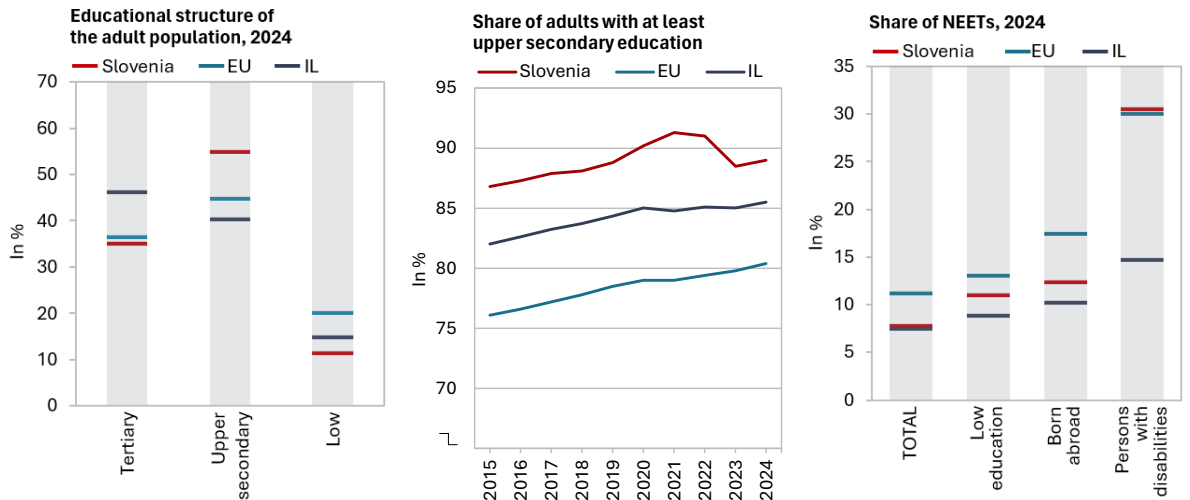
⁷⁰ In Slovenia and the EU on average, 31% of women who experienced physical or sexual violence in the past year did not tell anyone about it (EIGE, 2025b).

⁷¹ This is also reflected in the Resolution on the National programme for the prevention of domestic violence and violence against women 2024–2029 (ReNPPND24–29, 2024).

⁷² Children from socio-economically disadvantaged families are less likely to be enrolled in early childhood education – an important foundation for a successful transition to primary schooling – and consequently tend to achieve weaker learning outcomes on average, particularly in literacy. Pupils with special educational needs and those with a migrant background also face barriers, while teachers point to a lack of competences for teaching in multicultural and multilingual environments.

⁷³ Experts emphasise that, alongside literacy support, these children require enhanced professional support, systematic efforts to address discrimination, segregation and prejudice, and stronger cooperation between schools and families (ECRI, 2025; Advocate of the Principle of Equality, 2025).

/ Figure 28: The share of the population with tertiary education¹ is slightly below the EU average, while the share with at least upper secondary education is relatively high; the NEET rate² is similar to that of innovation leaders and highest among persons with disabilities



Source: Eurostat (2026). Note to the left-hand panel: ¹ In 2023, SURS included weighting by educational attainment into 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). Notes to the right-hand panel: ² NEET refers to young people not in employment, education or training. The indicators for IL are calculated as unweighted averages.

Reading, mathematics and science literacy among 15-year-olds declined significantly between 2018 and 2022, mirroring trends in most EU countries. The decline in all three literacy domains globally may partly reflect the increasing non-educational use of digital technologies, which can hinder the development of critical, problem-solving and experimental thinking and distract students’ attention.⁷⁴ The COVID-19 pandemic has also contributed to the decline (particularly among certain student cohorts, but also society more broadly)⁷⁵ alongside longstanding structural weaknesses in education systems⁷⁶ and increasing social stratification and inequality.⁷⁷ The SDS 2030 target (ranking in the top quarter of EU Member States) was only achieved in science literacy. Despite these negative trends, Slovenia’s science literacy remains among the highest in the EU, mathematics literacy is above the EU average, and reading literacy is slightly below it (Figure 29). The share

⁷⁴ Digital distraction (phones, applications, social media) and the non-educational use of new technologies are associated with declining attention spans among learners, as inappropriate use of technology can reduce cognitive engagement and exacerbate disparities in learning outcomes. At the same time, problem-based learning skills declined, as new technologies provide ready-made solutions without requiring critical judgement, active use of language, or independent problem-solving and calculation (OECD, 2023f, 2024b, 2025e, 2025s).

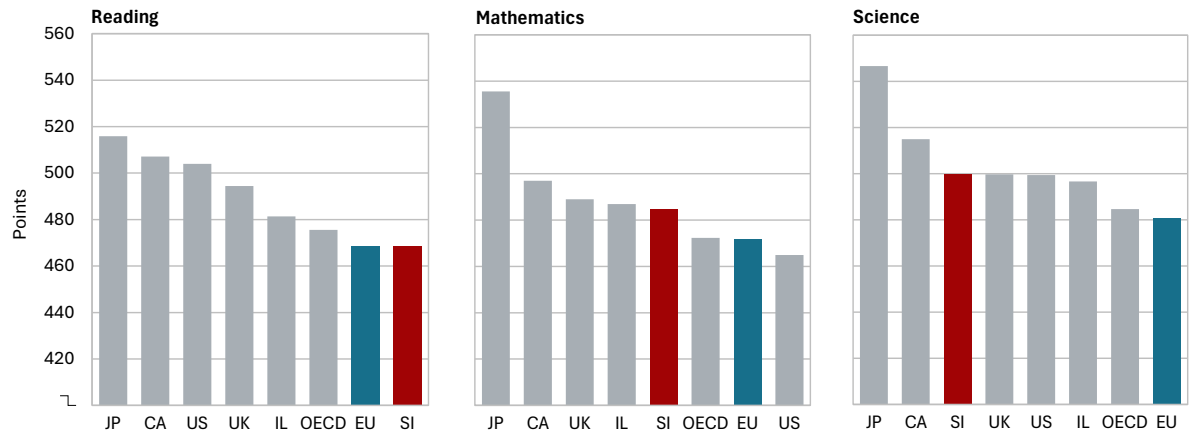
⁷⁵ Research shows that cohorts educated remotely during the pandemic exhibit weaker basic skills, with children from socio-economically disadvantaged backgrounds particularly affected. These cohorts more frequently face difficulties with in-depth thinking, concentration, learning motivation, as well as mental health and integration into school and social environments (OECD, 2023c).

⁷⁶ Key contributing factors include reduced support from teachers and school staff, growing staff shortages in education, especially among mathematics, physics, and chemistry teachers, and declining student interest in these subjects, and curricular changes that place less emphasis on basic skills (OECD, 2025y).

⁷⁷ Rising social stratification and inequality further widen disparities in access to learning resources, quality education, and home support, contributing to increasing gaps in learning outcomes and negatively affecting the development of all three core literacy domains among young people. Children from socio-economically disadvantaged backgrounds are, on average, less exposed from an early age to reading, language, and problem-solving – factors crucial for literacy development – and are also less likely to participate in extracurricular activities, tutoring, and cultural programmes. Socio-economic pressures additionally increase stress, which can adversely affect concentration, motivation, and academic performance. Some children, particularly those from immigrant and ethnic minority backgrounds, also more frequently face language and cultural barriers, have greater difficulty forming social connections, and encounter higher levels of social distance (OECD, 2024b, 2025e).

of high-achieving 15-year-olds (level 5 or above) exceeds the EU average in mathematics and science, but remains below average in reading (SI: 4.4%; EU: 6.5%). The share of low-performing 15-year-olds (below level 2) is particularly high in reading literacy.⁷⁸ Similar patterns across all three literacy domains are also observed among 11-year-olds,⁷⁹ highlighting the need for accelerated and systemic measures to strengthen basic literacy types and reduce low achievement. These challenges are also faced by other EU Member States, as the EU is also losing ground in international comparisons.

/ Figure 29: In 2022, the performance of 15-year-olds was strong in science, around the average in mathematics, and significantly weaker in reading literacy compared with top-performing countries



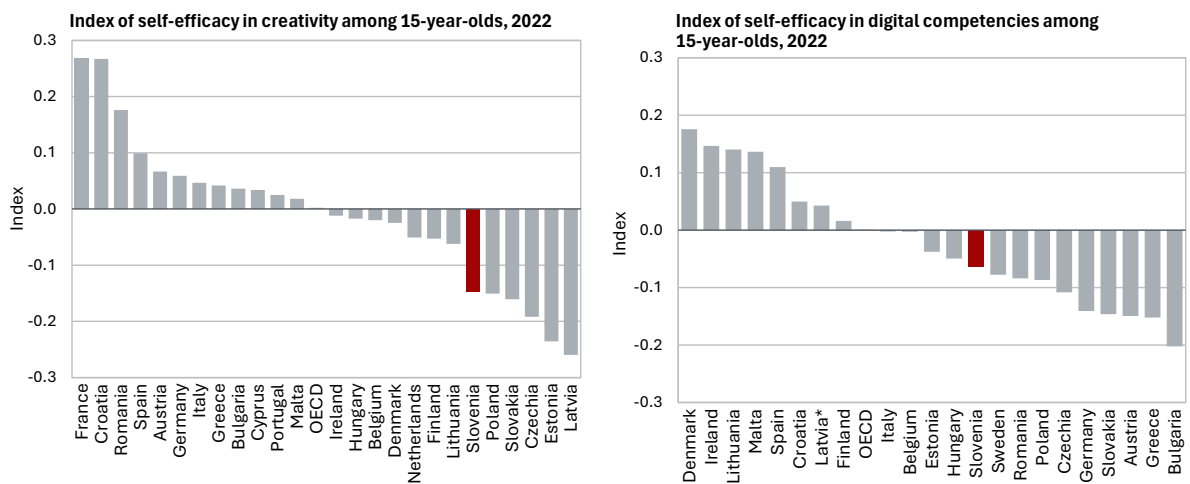
Source: OECD (2023c), PISA 2022. Notes: The PISA study defines *reading literacy* as understanding, using, evaluating, reflecting on and engaging with texts in order to achieve personal objectives, enhance knowledge and potential, and participation in society. *Mathematical literacy* is defined as an individual's capacity to reason mathematically and to formulate, employ, and interpret mathematics to solve problems in a variety of real-world contexts. It includes concepts, procedures, facts and tools to describe, explain and predict phenomena. *Science literacy* is defined as the knowledge, skills and dispositions of a reflective individual to engage with science-related issues, and the willingness to engage in reasoned discourse about science and technology. This requires the ability to explain phenomena scientifically, evaluate and design scientific enquiry, and interpret data and evidence scientifically. The indicators for the EU and IL are calculated as unweighted averages.

Creative thinking among young people is among the lowest in the EU, and the basic skills needed to address current and future challenges are also below average. As creativity is not strongly embedded in educational and broader social processes, creative thinking among young people is among the lowest in the EU (Figure 31). In 2022, only 16% of 15-year-olds achieved the highest levels of performance in creative thinking (EU: 25%). Compared with other EU countries, Slovenia has the lowest share of adults who consider imagination an important quality to be encouraged in children (WVS, 2024), while young people attach relatively low importance to creativity, originality, and imagination (Lavrič et al., 2021). In addition to the low value placed on creativity and imagination, upper secondary students report relatively little enjoyment of adventure, are less inclined towards games that challenge creativity and show less interest in projects requiring complex problem-solving (Figure 30). They also report relatively low levels of persistence and enjoyment in challenging schoolwork (OECD, 2024k). Imagination is crucial in early childhood for personal and cognitive development, and remains important later in life, contributing to the formation of individual identity and skill development. Consequently, the low value placed on creativity is also reflected in weaker performance among children and young people in other

⁷⁸ Strengthening reading literacy among children, young people and adults is also addressed by the National strategy for the development of reading literacy 2019–2030, and in 2026, 5 March was declared National Reading Day.
⁷⁹ Reading literacy declined between 2016 and 2021 (PI, 2023a), while knowledge in mathematics and science deteriorated between 2015 and 2023 (IEA TIMSS and PIRLS, 2024).

skills and competences: sustainability and environmental competences are underdeveloped,⁸⁰ while interest in social and political issues⁸¹ as well as knowledge of civic institutions, systems and concepts⁸² remains limited. Fifteen-year-olds achieve below-average results in computer and information literacy and computational thinking⁸³ (PI, 2024). Media and digital literacy among young people are also low, reflecting insufficient integration of these competences into education systems (Oblak Črnič ed., 2025). Compared with the EU average, school curricula devote less attention to developing emotional and social skills (Figure 32), which are essential for fostering acceptance of others and diversity (OECD, 2025u). Topics such as human rights, tolerance, and the equality of LGBTIQ persons and other minority groups are not systematically incorporated into curricula (ECRI, 2025).

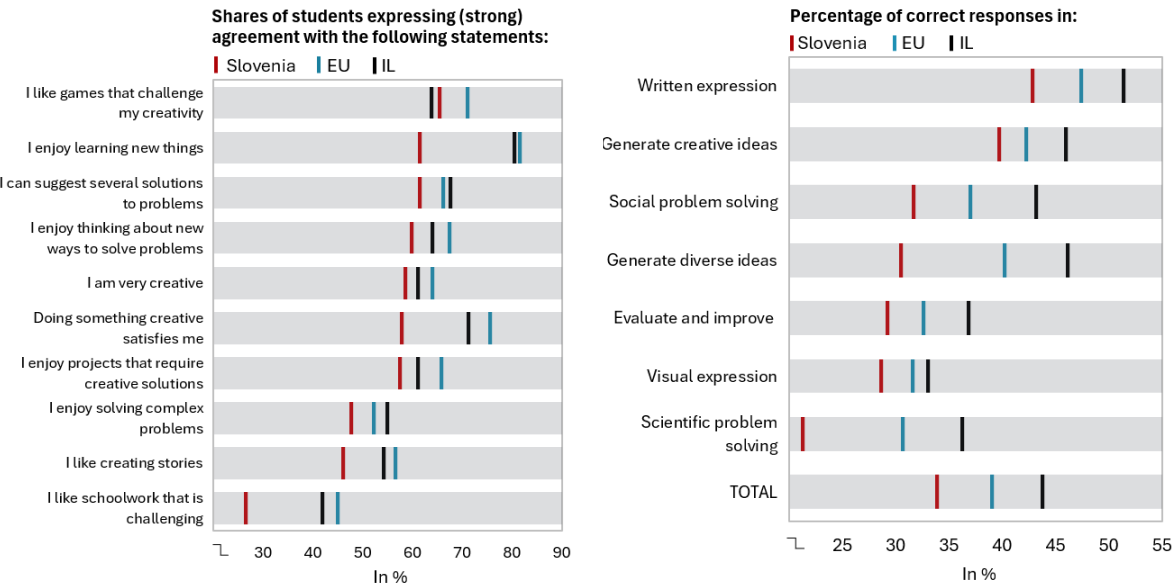
/ Figure 30: Creative self-efficacy¹ and digital competences² among 15-year-olds are low



Source: OECD (2020a, 2024k). Notes: Index values range from -1 (lowest self-efficacy) to 1 (highest self-efficacy). ¹ The index measures students' creativity in schoolwork, storytelling, expressing ideas, drawing, conducting scientific experiments, inventing new things, addressing social problems, and generating ideas to help people in need, etc. ² The index measures students' ability to search for high-quality information online, share information with peers, write and edit texts, create multimedia presentations, adjust device and application settings to protect data and privacy, identify the most effective programmes or applications for completing tasks, create computer programmes, identify errors in programmes, and break down problems.

⁸⁰ Fourth-grade pupils demonstrate average levels of environmental knowledge (IEA TIMSS and PIRLS, 2024), while eighth-grade pupils perform below the international average (PI, 2023b).
⁸¹ Only 22% (EU: 29%) express interest in political and social issues (PI, 2023b).
⁸² In 2022, 60.5% of young people achieved at least a basic knowledge of state institutions (EU: 63.2%) (EC, 2025a).
⁸³ In 2023, only 11% of pupils – the lowest share among EU Member States – reported using specialised ICT applications, learning to use different ICT tools, developing creativity, and acquiring knowledge about the safe use of the internet (PI, 2024).

/ Figure 31: Creative thinking is not highly valued among 15-year-olds (left), and their performance in this area is also low (right)



Source: OECD (2024k), PISA 2022. Note: The indicators for IL and EU are calculated as unweighted averages.

Improving the quality of education requires strengthening the autonomy of teaching staff and enhancing their influence on education policy, while ensuring that policy measures adequately support the teaching profession and the long-term development of human resources. Teachers often take initiatives and participate in decision-making and in shaping the development priorities and policies and procedures of educational institutions; however, their influence on national education policy remains very limited. Their autonomy in planning and delivering instruction is also low (Figure 33). Research points to the need for further strengthening in several areas, particularly classroom management, student motivation, and the adaptation of teaching strategies to support more demanding cognitive processes (Figure 32). Collaboration and trust among teachers are below the EU average, cooperation with students is average, while school leadership practices are assessed more favourably than the EU average. Teachers continue to provide additional support to students and maintain collaboration with parents, despite a growing shortage of adequately qualified staff. These challenges are driven by demographic trends, the low societal valuation of the teaching profession,⁸⁴ related wage levels, and generally low job satisfaction among education professionals.⁸⁵ Teachers also assess the quality of initial teacher education programmes as low and express a need for higher-quality professional development and additional skills.⁸⁶ Although they participate in professional learning activities more frequently than their counterparts in other EU Member States, they assess its effectiveness as below average. These factors, alongside numerous other challenges in contemporary education systems, are reflected in an above-average intention among

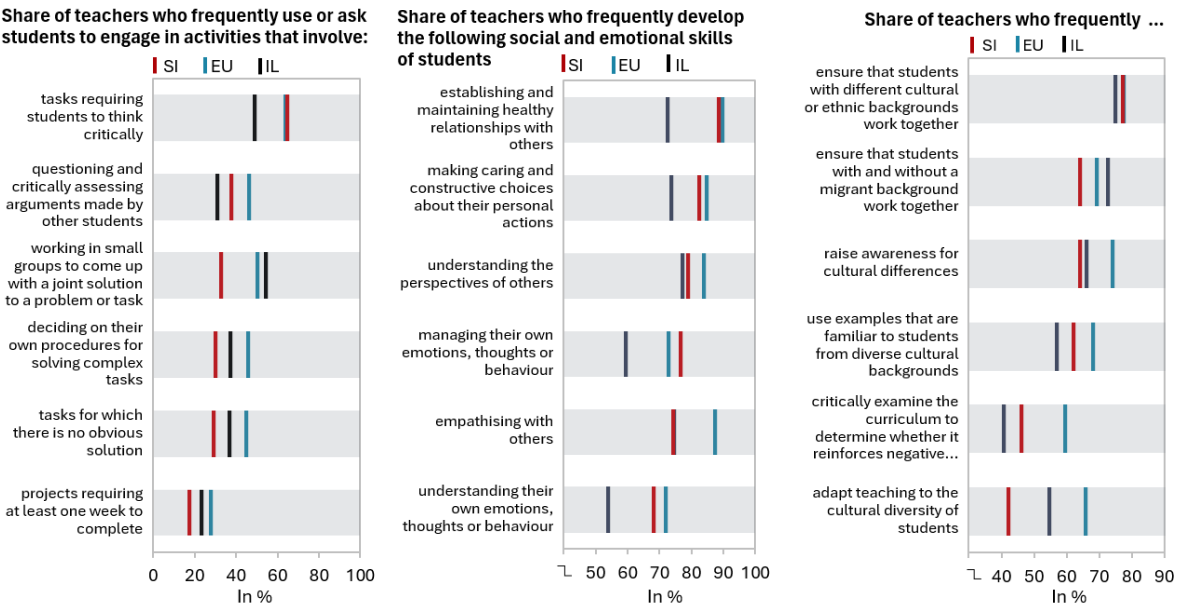
⁸⁴ In 2024, only 7% of teachers (EU: 15%; IL: 34%) considered the teaching profession to be valued by society (OECD, 2025u).

⁸⁵ Between 2018 and 2024, teachers' satisfaction with their profession declined, and fewer reported that they would choose the teaching profession again. Nearly half experienced work-related stress, around one quarter reported negative effects on their mental health, and satisfaction with pay was also low (OECD, 2025u).

⁸⁶ Particular challenges relate to classroom management, student behaviour, approaches to supporting students' social and emotional development, teaching students with special needs, and the use of digital tools, resources and artificial intelligence (OECD, 2025u).

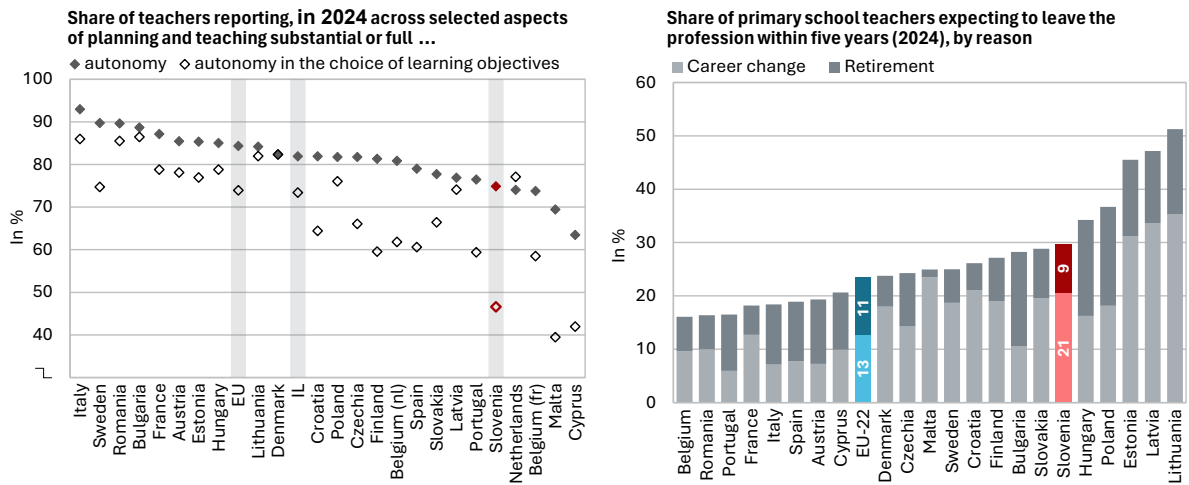
teachers to leave the profession. Public expenditure on formal education increased in 2024 (to 4.84% of GDP), but has remained below previous peak levels and below that of more economically advanced countries for over a decade.⁸⁷ Ensuring an adequate supply of suitably qualified teaching staff will require strengthened long-term human resource development that takes into account demographic and other trends, alongside sufficient public investment and greater recognition of the role of teachers in the development of a knowledge-based society.

/ Figure 32: Slovenian teachers are less likely than the EU average to encourage higher-order thinking among students, develop students’ social and emotional skills, and implement inclusion



Source: OECD (2025u), based on 2024 data. Note: The indicators for IL and EU are calculated as unweighted averages.

/ Figure 33: Teachers report limited autonomy in pedagogical work, and a large share intend to leave the profession

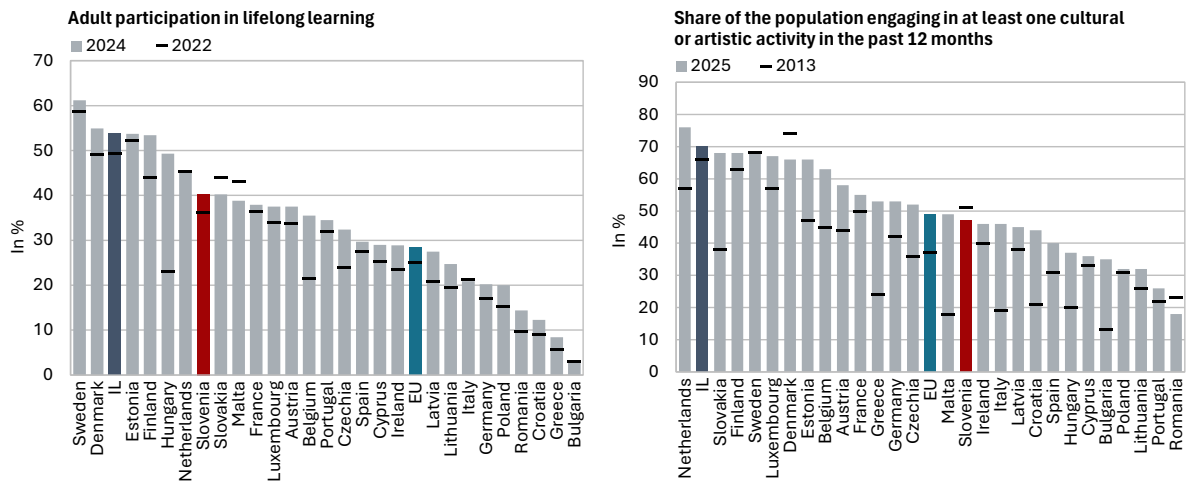


Source: EC (2025a) and OECD (2025u). Note to the left-hand panel: The composite indicator “autonomy” measures teachers’ autonomy in the flexible implementation of the curriculum, selection of assessment activities, choice of learning objectives, and design and preparation of lessons. The indicators for IL and EU are calculated as unweighted averages.

⁸⁷ 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 subsidies, accommodation, textbooks, etc.). In 2022, total public expenditure on education amounted to 4.96% of GDP (EU: 4.66%; IL: 5.97%) (Eurostat, 2026).

Participation of adults in (non-)formal education increased between 2022 and 2024, reaching one of the highest levels in the EU. This growth⁸⁸ was supported by the expansion of programmes financed through EU cohesion policy funds between 2022 and 2024. Although participation levels were among the highest in the EU, they still lagged behind previously attained levels. In recent years, government measures have had a positive impact on adult participation;⁸⁹ however, further expansion and strengthening are needed. In the context of rapid technological progress, digitalisation, the green transition and demographic change, the demand for skills is evolving rapidly across all generations. Lifelong learning is therefore essential for maintaining employability, enabling career transitions, adapting to societal changes and challenges, and ensuring full participation in society. Participation among vulnerable groups (particularly the low-educated, persons with disabilities, older people and migrants) remains significantly below the targets set in the Resolution (ReNPIO22–30, 2022). This highlights the need to better align education and training provision with the needs of these groups, improve outreach to vulnerable populations, and ensure accessibility at the local level. Adults’ motivation to participate in education is low, underscoring the need for stronger promotion of lifelong learning. Given the variability and instability of European funding, which has become the main source of financing for adult education, ensuring a stable long-term funding base and maintaining the provision of adult education programmes are becoming increasingly challenging. Attention should also be given to promoting informal learning⁹⁰ – the form of learning in which the largest proportion of adults participate (just under three-quarters in 2022) – and to fostering broader social and cultural engagement as an important channel for the exchange of knowledge, skills, ideas, and views.

/ Figure 34: Participation of adults in lifelong learning is relatively high (left), while engagement in amateur cultural activities has declined compared with a decade ago (right)



Source: Eurostat (2026) and EK (2025l). Note to the left-hand panel: The Labour Force Survey (LFS) indicator measures adult participation in formal or non-formal education (for work-related purposes and personal development) in the previous 12 months. Note to the right-hand panel: The indicator includes playing a musical instrument, dancing, photography, sculpture, painting, handicrafts, filmmaking, acting on stage or in film, and writing poetry, essays or novels. In both figures, the indicators for IL are calculated as unweighted averages.

⁸⁸ In 2024, 0.11% of GDP was allocated to adult education under the Annual Adult Education Programme (ACS, 2025).
⁸⁹ See the Resolution on the National Programme for Adult Education in the Republic of Slovenia for the period 2022–2030 (ReNPIO22–30, 2022).
⁹⁰ Informal learning refers to spontaneous learning that takes place in everyday situations without a structured learning process.

Culture and the arts are highly valued, yet attendance at cultural events and participation in amateur cultural activities have been declining over the long term. The importance attached to culture and the arts for personal, social, economic and local development exceeds the EU average (EC, 2025l). While the supply of most cultural and artistic activities increased in 2024, the number of visits declined for the second consecutive year and remained below the levels observed a decade earlier. The most frequently cited reasons for not attending cultural events are lack of time and lack of interest. Compared with the EU average, respondents less often cite limited cultural provision, inadequate promotion, or high costs as barriers to participation. Overall, access to cultural and artistic activities is relatively good, with free admission available several times per month. Nevertheless, persons with disabilities – particularly those with sensory impairments – continue to face persistent barriers to access.⁹¹ The educational programmes of cultural institutions and participation in these programmes have strengthened, with further potential in developing the cultural and creative sector for children and young people, as well as in fostering creative innovation for social entrepreneurship and stronger linkages with the economy. Participation in amateur cultural activities is lower than a decade ago (EC, 2025l). The number of international tours by cultural institutions declined in 2024, while the European Capital of Culture 2025 Nova Gorica–Gorizia and Slovenia’s presentation as guest of honour at the Bologna Children’s Book Fair in 2024 made important contributions to the promotion of Slovenian artists and culture. Per capita book reading in 2022 was higher than the EU average, supported by good accessibility; however, reading intensity is declining, mainly due to lack of interest,⁹² a trend that is also observed among young people. Numerous activities are under way to develop language resources and technologies.⁹³ Public expenditure on culture amounted to 0.7% of GDP in 2023, higher than the EU average (0.5% of GDP) (Eurostat, 2026).

⁹¹ In 2024, 37% of museums and galleries and 57% of performing arts institutions had fully accessible facilities for persons with mobility impairments, while 10% of museums and galleries and 13% of performing arts institutions were fully accessible for persons with sensory impairments (SURS, 2026a).

⁹² In 2024, respondents read fewer books on average than in 2019, and fewer people reported reading every day (Blatnik et al., 2024).

⁹³ Language resources are a collective term for language manuals (dictionaries, grammars, spelling guides, etc.) and language collections (corpora and language databases). Language technologies are used in web search engines, spell-checking and grammar-checking tools, etc. (MK, 2023). For more on these activities, see the Interministerial Working Group for Monitoring the Implementation of the Language Policy of the Republic of Slovenia (2025).

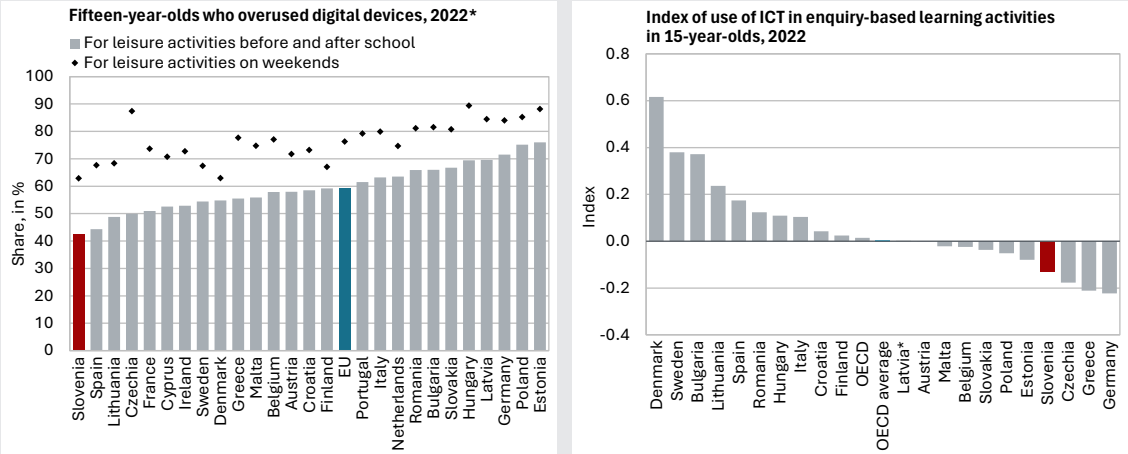
Focus topic 2

Digital resources and artificial intelligence: tools for learning and creativity, but also sources of risk to mental health

The success of future generations will depend on whether new technologies are effectively integrated into the development of competences, critical thinking and creativity, or whether they are used primarily for passive consumption and growing risks. Digitalisation and artificial intelligence are technological, developmental, and societal issues and, for young people, also a space for learning, socialisation, identity formation and access to knowledge. Children and young people are growing up in an environment of constant connectivity, where the boundaries between schoolwork, leisure and social interaction are increasingly blurred. The use of digital technologies and AI among young people should therefore prioritise safety and purposeful engagement: the key issue is how new technologies are used, for what purposes, and what the potential consequences of inappropriate or risky use may be.

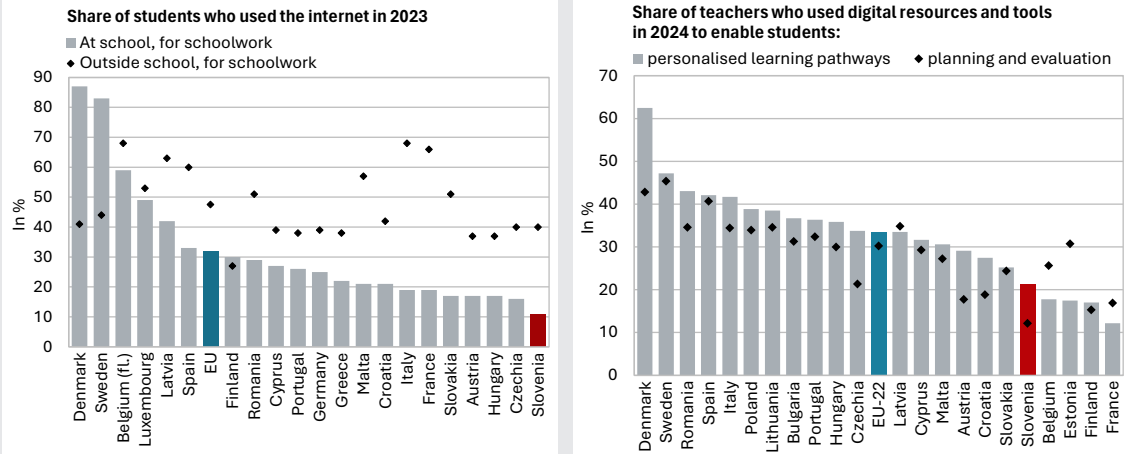
The main challenge in the digitalisation of education lies not in infrastructure itself, but in the meaningful and creative integration of digital technologies into learning and research processes. Slovenia has relatively well-developed digital infrastructure in basic education and somewhat less developed provision at the upper secondary level; however, digital tools are generally used less intensively and in less problem-oriented ways in teaching and learning than in most EU countries. Pupils rarely use ICT for research, content creation or the development of computational thinking, which is reflected in low self-efficacy in digital competencies and weaker ability to critically assess online information. In their free time, young people primarily use digital devices for communication on social networks and entertainment, while using them less frequently for creative activities. Moderate and purposeful use of digital tools is associated with better learning outcomes and creative thinking. Studies show that the use of digital devices and technologies to foster creativity remains limited (Oblak Črnič ed., 2025; OECD, 2023d). Digital technologies continue to offer considerable potential to improve the quality of education, enrich teaching and learning processes, and strengthen digital skills, yet this potential remains largely underutilised. Slovenia also has one of the lowest levels of integration of digital-content learning into school curricula compared to other EU countries (PI, 2024), and self-efficacy in the use of digital resources and tools is also low.

Figure 35: The share of young people who overuse social media and digital devices is the lowest in the EU (left); use of digital technologies for inquiry-based learning is also limited (right)



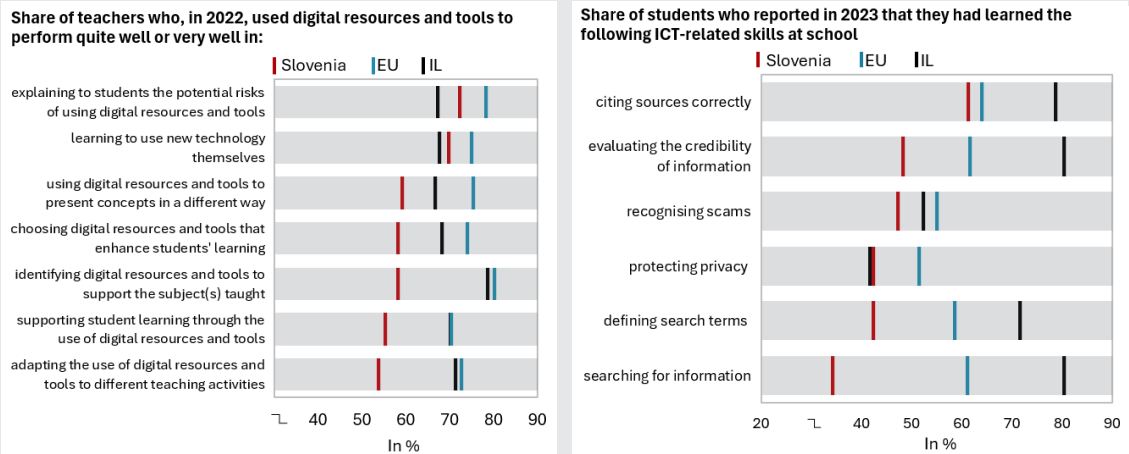
Source: OECD (2023c, 2024i), PISA 2022. Note to the left-hand panel: * Overuse refers to young people who use digital devices for more than two hours per day on average. Note to the right-hand panel: The ICT use index for inquiry-based learning measures how often students use digital technologies for activities involving inquiry, information search, data analysis, and knowledge construction through problem-solving processes. Index values range from -1 (lowest self-efficacy) to 1 (highest self-efficacy).

Figure 36: Students rarely use the internet for schoolwork (left); teachers' use of new technologies to enhance student learning is below the EU average (right)



Source: PI (2024), ICILS 2023; OECD (2025u), TALIS 2024.

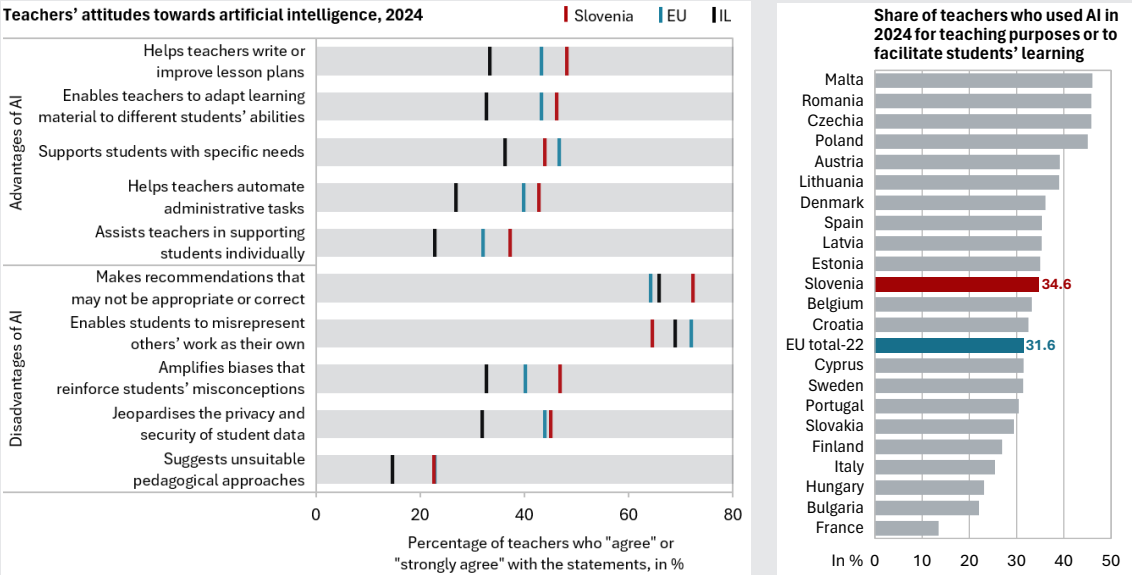
/ Figure 37: Teaching process is only modestly supported by digital resources and tools (left), and students acquire fewer digital skills at school than their peers in the EU on average (right)



Source: OECD (2024), PISA 2022; PI (2024), ICILS 2023. Note: The indicators for IL and EU are calculated as unweighted averages.

AI literacy is becoming a key component of modern education policy worldwide, and in Slovenia the systematic introduction of new technologies across all levels of the education system is being planned. Artificial intelligence represents the next phase of digital transformation. The use of generative AI is already widespread, while its systematic use for teaching and learning in schools remains limited. AI offers significant potential for personalising learning, supporting students with learning difficulties, and fostering creativity and research skills. At the same time, young people often overestimate the reliability of results and lack sufficient knowledge about the limitations of AI, algorithmic bias and privacy risks. The National Strategy for Artificial Intelligence until 2030 envisages the systematic integration of learning content related to computer science, digital literacy (including data literacy), and understanding of algorithmic processes and AI throughout the entire education system, particularly in basic schools and upper secondary schools, as well as the expansion of digital literacy programmes for teachers with a stronger focus on AI. This will be a major challenge, as the potential of AI to support learning, work with gifted students, foster creativity, improve work quality, and support professional development has so far remained largely untapped (Licardo et al., 2025). In 2025, three quarters of basic school pupils and 89% of upper-secondary students used AI (FDV, 2025b). However, their use was often uncritical: more than half of upper-secondary students (and more than one third of basic school pupils) believed that AI had always produced useful results for them. Less than two thirds of pupils and upper-secondary students reported that they knew how to communicate effectively with AI (FDV, 2025b). The growing use of generative AI therefore requires the development of AI literacy, stronger AI-related innovation in education (including didactics and the development of e-learning platforms for personalised learning), and further professional development of teaching staff.

/ Figure 38: Basic school teachers generally view artificial intelligence positively, with an above-average share recognising its benefits (left), while more than one-third report using AI in their teaching (right)

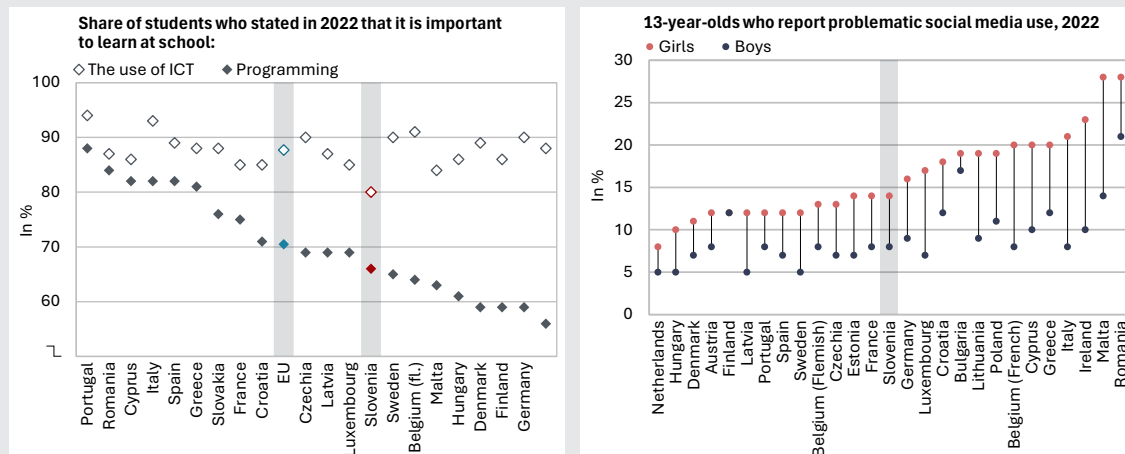


Source: OECD (2025u), TALIS 2024. Note: The indicators for IL and EU are calculated as unweighted averages.

Children and young people are exposed to various online risks that may adversely affect their well-being and mental health. The most common adverse effects stem from excessive use of digital devices, which studies have detected even among the youngest children.⁹⁴ Ages 10 to 12 constitute a particularly sensitive developmental period, as most children receive their first smartphone and increase their use of social media. Between 2018 and 2022, problematic use of social media among adolescents increased; it is more pronounced among girls than boys and is similar to the EU average (Figure 39, right). Cyberbullying has also intensified and is more widespread than in most other EU countries. A growing number of young people engage in online peer online bullying (Figure 40). Addiction to online gaming, which is more common among boys, has declined slightly (NIJZ, 2019, 2023), whereas girls appear to be particularly affected by online influencers. Young people are also negatively affected by social exclusion within online peer groups (FDV, 2022). Excessive use of digital devices can lead to sleep deprivation, neglect of school and other obligations (affecting 16% of children) (FDV, 2023), poorer learning outcomes, reduced in-person social interaction, and adverse effects on mental well-being and physical development (OECD, 2025j). Parents tend to underestimate the impact of internet use on their children's well-being and health, with one quarter setting no rules regarding the use of digital devices. Ensuring the safe and responsible use of new technologies among children and young people will require parents to strengthen both their educational role and their own digital competences. Within the education system, greater attention should also be devoted to both the risks associated with new technologies and their safe use, while also emphasising the benefits and opportunities these technologies offer for learning and student development.

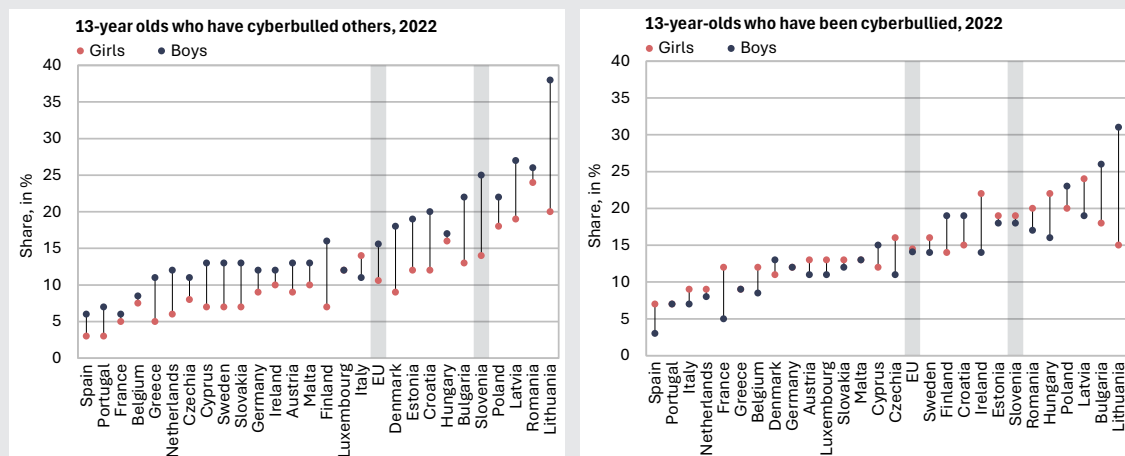
⁹⁴ According to the Safe.si survey, excessive screen use in 2024 was reported by 8% of parents of children aged 3–5, 24% of parents of children aged 6–9, and 57% of parents of children aged 10–12. Paediatric guidelines recommend limiting screen exposure for children aged 3–5 to no more than one hour per day (FDV, 2025a).

Figure 39: Fifteen-year-olds place little importance on learning ICT skills and programming at school (left); problematic social media use¹ among thirteen-year-olds is close to the EU average (right)



Source: PI (2024), ICILS 2023; WHO (2024), HBSC 2022. Note to the right-hand panel: ¹ The indicator of problematic social media use measures the share of young people who report: an inability to think about anything other than using social media; dissatisfaction due to limited time spent on social media; withdrawal symptoms when not using it; inability to control usage; neglect of other activities in favour of social media; conflicts with others because of its use; lying to parents about time spent on social media; and conflicts with parents related to social media use (WHO, 2024).

Figure 40: Cyberbullying among thirteen-year-olds is more widespread than the EU average; boys are more likely to engage in bullying (left), while the gender distribution of victims is similar (right)



Source: WHO (2024), HBSC 2022. Note: The indicators for the EU are calculated as unweighted averages.

3.1.4 Healthy and active living for a long-lived society

Following a temporary deterioration during the pandemic, the health status of the population has improved again in recent years. Over the longer term, these improvements have been driven primarily by advances in medicine, greater investment in prevention and public health, rising per capita income, higher educational attainment, and higher health literacy. In the decade before the pandemic, gains in life expectancy (LE)⁹⁵ in OECD countries and Slovenia slowed, mainly due to rising obesity and diabetes rates, severe seasonal influenza outbreaks and a slower decline in mortality from heart disease and stroke (OECD, 2023b). After declining during the pandemic, life expectancy in Slovenia reached a record high in 2024, exceeding its 2019 level by 0.7 years (EU: 0.4 years). It averaged 82.3 years (women: 85 years; men: 79.7 years), around half a year above the EU average. Nearly 70% of all deaths were attributable to cardiovascular diseases and cancer. The share of deaths due to infectious diseases declined to 2%, but remained almost four times higher than before the pandemic (NIJZ, 2026a). Premature mortality declined sharply; in 2024, 13.6% of deaths occurred among individuals younger than 65, which is 12 p.p. lower than twenty years earlier. The average age at death in 2024 was 78.8 years, while the mortality rate amounted to 10.1 deaths per 1,000 inhabitants (EU: 11.4).⁹⁶

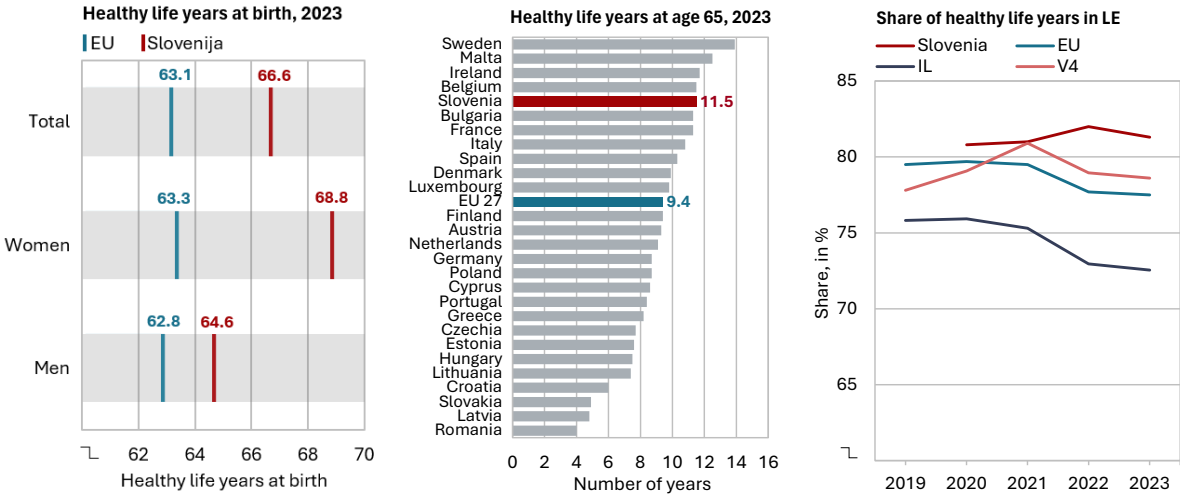
In 2023 (latest available data), healthy life expectancy at birth reached nearly 67 years, significantly above the EU average. Compared with 2022, healthy life years decreased slightly, but Slovenia still ranked fifth in the EU. At age 65, expected healthy life years were also considerably above the EU average (Figure 41, middle). The relatively good health of older people is confirmed by several studies⁹⁷ showing that the prevalence of chronic diseases is below the EU average. Among people aged 70 or over in EU countries, the most common causes of poor health and disability are Alzheimer's disease, Parkinson's disease, diabetes, arthritis, depression, cardiovascular disease and falls (OECD and EC, 2024).

⁹⁵ The average number of years that a person at a given age can expect to live, assuming that age-specific mortality rates remain constant throughout their lifetime (i.e. equal to the values in life tables for the observed year) (Šter, 2024). For comparability with EU countries, Eurostat data is used, which differs slightly from SURS data due to different methodologies.

⁹⁶ The figures may differ slightly from official SURS publications, as Eurostat data for the population aged 99 and under are used for comparison and calculation of standardised rates.

⁹⁷ In addition to the EU-SILC survey, the PaRIS survey also showed that, at the primary-care level among patients aged 45 years or more, Slovenia had the highest share of individuals without any chronic disease (29%) among all 17 OECD countries included in the survey (11 of them European) (OECD-17: 18%). According to the SHARE survey, 37% of men aged 65 or more had at least two chronic diseases (EU: 40%), compared with 38% of women in the same age group (EU: 49%).

/ Figure 41: Women can expect to live 5.5 more years in good health than the EU average, compared with 1.8 years for men (left); at age 65, the gap is 2.1 years (middle); the share of life expectancy spent in good health also remains high (right)



Source: Eurostat (2026). Note to the right-hand panel: For Slovenia, the translation of the questionnaire and the survey methodology were changed in 2020; therefore, the time series is comparable only from 2020 onwards. Note to the right-hand panel: The indicators for IL and V4 are calculated as unweighted averages.

According to internationally comparable indicators of self-perceived health and self-perceived mental health, Slovenia has made significant progress in reducing health inequalities, although a broader set of national indicators points to more limited improvements. Between 2014 and 2024, Slovenia made substantial progress in improving self-perceived health while simultaneously reducing both absolute and relative inequalities, indicating improvement across all income groups⁹⁸ (EuroHealthNet and CHAIN, 2025). Slovenia was even more successful in reducing inequalities in mental health. The World Health Organization likewise recognises Slovenia as an example of good practice in reducing health inequalities (WHO, 2026). This progress reflects coordinated action by the health system, other sectors, local communities, the professional community, and civil society, as health inequalities arise from broader social circumstances and extend beyond measures implemented solely within the health sector (Figure 42, right). Income and social security have the largest impact on inequalities in self-assessed health, accounting for 42% of the gap between higher- and lower-income population groups (NIJZ, 2021). However, the latest NIJZ report (Blenkuš et al., 2025), based on a broader set of 34 health indicators, finds that in the period 2006–2022 the gap between the low- and highly educated population narrowed for only three indicators,⁹⁹ increased for eight indicators,¹⁰⁰ and fluctuated across periods for 23 indicators,¹⁰¹ with changes in trends not being statistically significant.

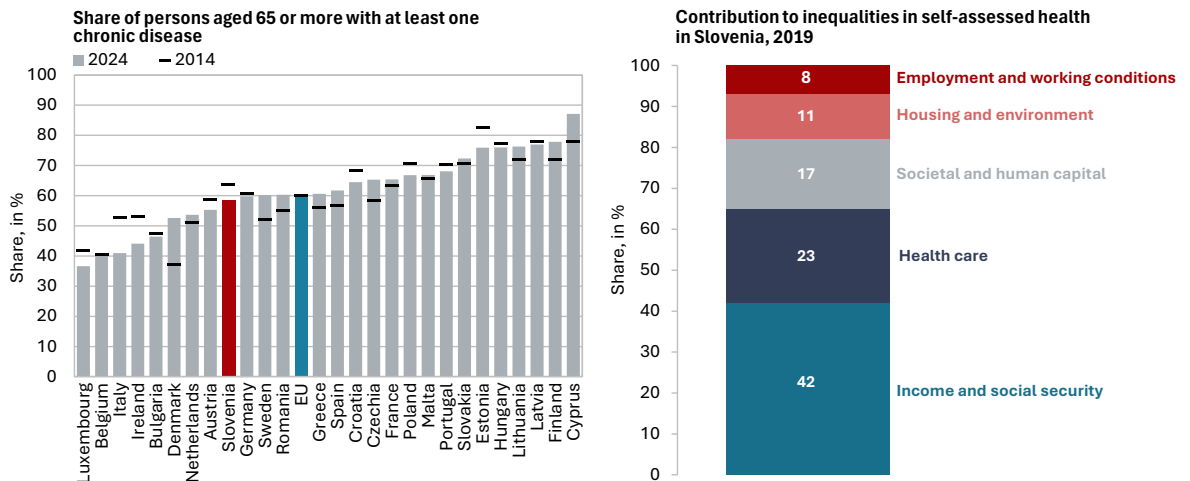
⁹⁸ The survey covered 14 EU countries, as well as Norway, Switzerland and the United Kingdom. Slovenia, together with Poland, reported the best self-perceived health outcomes (EuroHealthNet and CHAIN, 2025).

⁹⁹ These indicators were: first antenatal examination after the 12th week of pregnancy, tooth brushing, and suicide mortality among men.

¹⁰⁰ The indicators for which inequalities widened were: lung cancer mortality among women, alcohol-related mortality among men, recipients of diabetes medication, recipients of antihypertensive medication, first pregnancies without participation in antenatal classes, and edentulism.

¹⁰¹ For the period 2006–2022, changes in indicators were analysed across four time periods: 2006–2008, 2012–2014, 2017–2019 and 2020–2022.

/ Figure 42: The share of people aged 65 or over with at least one chronic disease declined more sharply over the past decade than in most EU countries (left); income and social security remain the main drivers of inequalities in self-perceived health (right)



Source: Eurostat (2026) and NIJZ (2021).

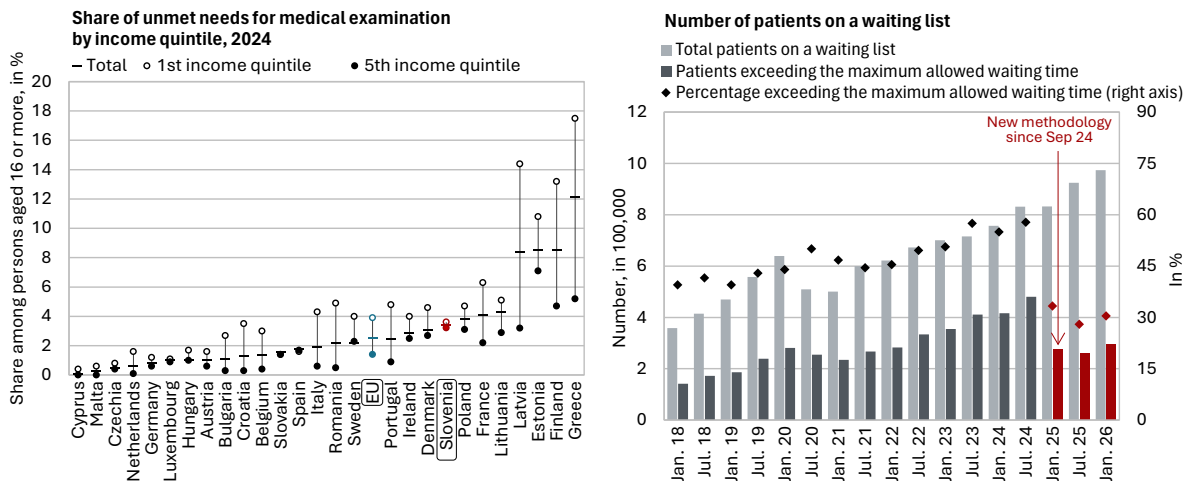
Unmet needs for medical examination have declined markedly over the past four years but remain above the EU average, primarily due to long waiting times, while income-related disparities are limited. In 2025, unmet healthcare needs declined for the fourth consecutive year, reaching pre-pandemic levels (2.6%).¹⁰² Despite this improvement, they remain above the EU average; long waiting times remain the main reason for unmet needs, while financial and geographical barriers are almost negligible. Income-related inequalities in access to healthcare, as measured by unmet needs for medical examinations, are low by international standards (Figure 43, left).¹⁰³ In 2025, the total number of patients on waiting lists continued to increase rapidly, reflecting rising healthcare needs driven by demographic change, higher awareness and expectations, a broad basket of health-care benefits, good affordability, and the responsiveness of the healthcare system (including the introduction of new services and advanced treatments). The share of patients waiting beyond the maximum allowable waiting time declined between January 2025 and January 2026 (from 33% to 30%) (Figure 43), indicating a positive impact of the measures adopted.¹⁰⁴ The reduction was most pronounced for therapeutic procedures (surgical and other medical interventions), while the share for first consultations and diagnostic procedures remained at the 2025 level (NIJZ, 2026e). However, according to an analysis by the Health Insurance Institute of Slovenia (ZZZS), actual waiting times are often shorter than those reported in official records collected by the National Institute of Public Health (NIJZ). The PREMs survey further indicates that in 2024, 77% of respondents did not perceive waiting times as problematic (2023: 80%) (NIJZ, 2026f).

¹⁰² In 2025, 2.6% of the adult population reported unmet needs for medical examinations (2024: SI: 3.1%; EU: 2.2%).

¹⁰³ On average in the EU, the share of unmet needs among lower-income groups was more than three times higher than among higher-income groups, whereas in Slovenia it was only 1.2 times higher.

¹⁰⁴ Under the General Regulation, programmes (activities or services) reimbursed on the basis of actual service delivery are defined annually. The Regulation also sets targets for the number of first consultations by individual activity and provides a 30% higher reimbursement rate for completed initial consultations. The 2024 Regulation introduced an additional measure: if a provider failed to meet the target number of first examinations, the ZZZS reduced the provider's payment by 10% of the value of services delivered. A relative waiting-list factor was also introduced.

/ Figure 43: Although the share of people with unmet needs for medical examinations has declined in recent years, it remains among the highest in the EU, while income-related inequalities in access remain small (left); the number of patients waiting for secondary-level care increased further in 2025, while the share of those waiting beyond the maximum acceptable waiting time decreased (right)



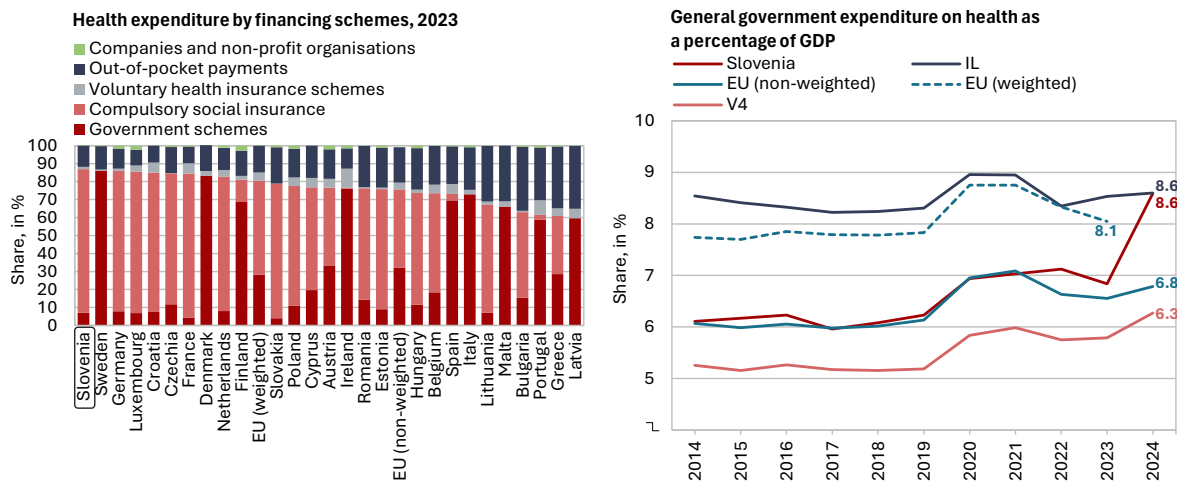
Source: Eurostat (2025), NIJZ (2025b). Note to the left-hand panel: Data for 2025 are not yet available for all EU countries or for the EU average; therefore, 2024 data are shown for all countries. Notes to the right-hand panel: All patients waiting for initial specialist consultations, diagnostic tests and therapeutic procedures were included, across all levels of urgency. Until August 2024, all patients assigned an appointment exceeding the maximum permitted waiting time were classified as waiting beyond the permitted limit. From September 2024 onwards, a revised methodology has been applied, whereby only patients who have already exceeded the maximum permitted waiting time while on the waiting list are included.

Following the reform of voluntary complementary health insurance and the introduction of a new compulsory health contribution, public healthcare expenditure is now among the highest in the EU, while the gap between revenues and expenditures of compulsory health insurance (CHI) is widening. In 2024, the share of public expenditure in total healthcare spending amounted to 87%, the highest in the EU (Figure 44, left), while its share in GDP reached 8.6%, which is comparable to that of the innovation leaders (Figure 44, right). Total public and private healthcare expenditure reached 9.9% of GDP (EU: 2023: 8.6% of GDP).¹⁰⁵ General government financing of healthcare doubled between 2019 and 2024, reaching 14% of total current expenditure (7% through direct budgetary outlays and an additional 7% via transfers to the Health Insurance Institute of Slovenia). Before the pandemic, the budget transfers¹⁰⁶ were intended solely to cover contributions for socially vulnerable groups. It increased markedly in 2020–2023 due to the pandemic. Since 2024, they have mainly been used to cover the shortfall following the abolition of complementary health insurance and to meet current needs arising from the widening gap between contribution revenues and total CHI expenditure. The high growth in CHI expenditure in 2025 was influenced by the wage reform, an increase in absenteeism (see Section 3.2.1), and the faster growth in healthcare service provision and pharmaceutical consumption (ZZZS, 2026).

¹⁰⁵ The figure for 2024 is a preliminary estimate by SURS. The EU average is calculated by IMAD. According to Eurostat, the weighted EU average was 10.3% of GDP in 2023 (latest available data) (SURS, 2025d).

¹⁰⁶ In 2025, total CHI expenditure amounted to 8.3% of GDP. A deficit of EUR 86.7 million was covered by the ZZZS using surpluses accumulated in previous years. According to the ZZZS Financial Plan, CHI expenditure is expected to reach 8.5% of GDP in 2026 (ZZZS, 2025), together with a EUR 520 million transfer from the state budget.

/ Figure 44: Following the transformation of voluntary complementary health insurance, the share of public expenditure on healthcare is the highest in the EU, and, relative to GDP, already at the level of the innovation leaders



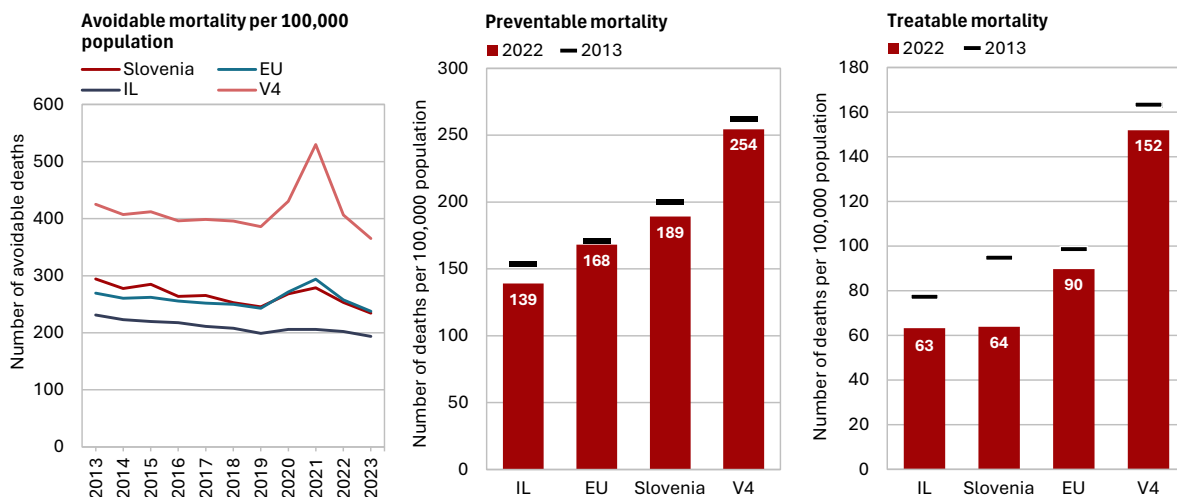
Source: OECD (2025i), Eurostat (2025a). Note to the left-hand panel: Data for 13 countries, including Slovenia, refer to 2024 and represent a first estimate; the EU unweighted average is calculated by IMAD, while Eurostat and OECD publish the weighted EU average, which mainly reflects data for large countries (Germany, France). In Slovenia, the increase in public expenditure in 2024 (right) resulted from the abolition of voluntary complementary health insurance co-payments and the introduction of a new compulsory health contribution; the indicators for IL and V4 are calculated as unweighted averages.

In 2025, several significant legislative changes were adopted to improve the efficiency and accessibility of healthcare. The amendment to the Healthcare Services Act, which came into force in May 2025, strengthens the operation of public healthcare institutions and the public network; it is expected to improve working conditions and improve the transparency of the healthcare system.¹⁰⁷ To strengthen primary healthcare, a new financing model for family medicine and paediatric practices, including revised capitation coefficients, was introduced in February 2025. Measures that had increased interest in specialising in family medicine were extended, as were measures enabling access to a physician for residents without a designated primary care physician.¹⁰⁸ At the beginning of 2026, a revised financing model for acute hospital treatment episodes (DRGs – Diagnosis-Related Groups), which account for approximately 34% of total compulsory health insurance expenditure, was revised for the first time in twenty years. The new model is based on the actual costs and complexity of treatment in Slovenian hospitals, resulting in a more equitable and transparent system for financing hospital services (Regulation, 2025). In February 2026, the Resolution on the National Healthcare Plan in Slovenia 2026–2035 (ReNPZV26–35, 2026) was adopted, which will contribute to the development of the healthcare system through a clear definition of priorities, the allocation of resources, and the establishment of a long-term, systemic approach to improving the accessibility, quality and efficiency of healthcare services. In March 2026, the Strategy for the Management and Development of Healthcare and Allied Professionals in the Healthcare System 2026–2036 was also adopted, providing a comprehensive framework for strengthening, developing and ensuring the long-term sustainability of the healthcare workforce (Government of the Republic of Slovenia, 2026).

¹⁰⁷ The Act regulates the work of physicians in public institutions and in private practice, introduces health regions, and enables the integration of public healthcare institutions. It also provides more detailed regulation of the market activities of public institutions, sets the conditions for obtaining a licence to perform healthcare activities, regulates concessions, and establishes conditions for the directors of public healthcare institutions (MZ, 2025b).

¹⁰⁸ For more details, see IMAD (2025a); the number of family medicine trainees increased from 48 in 2020 to 100 in 2024 (MZ, 2025a).

/ Figure 45: Total avoidable mortality has remained below the EU average since 2020 (left); preventable mortality related to lifestyle factors remains relatively high (middle), while treatable mortality has declined markedly (right)



Source: Eurostat (2026). Note to the left-hand panel: The avoidable mortality indicator is used to assess healthcare system performance and consists of two indicators: 1. preventable mortality, i.e. causes of death that can be avoided by prevention measures and 2. treatable (amenable) mortality. The indicators for IL and V4 are calculated as unweighted averages. Note to middle panel: Deaths up to the age of 75 are considered avoidable.

Total avoidable mortality was already slightly below the EU average in 2023; however, despite a decline, preventable mortality related to unhealthy lifestyles remains above average, which is why many measures focus on strengthening prevention, including health literacy. In 2023, there were 235 avoidable deaths per 100,000 population – fewer than before the pandemic and, for the fourth consecutive year, below the EU average (238). Mortality from causes preventable through public health and prevention measures (preventable mortality) has declined markedly in recent years; nevertheless, Slovenia still lags behind the EU average in this area (Figure 45). Key challenges include alcohol consumption¹⁰⁹ and the rising prevalence of obesity among adolescents (Figure 46, middle). Overweight and obesity¹¹⁰ are also widespread among adults, affecting more than half of the population and increasing the risk of diabetes. Although the number of smokers is declining, lung cancer remains one of the leading preventable causes of death, which has led to the adoption of additional measures.¹¹¹ Total alcohol consumption (10 litres per capita) is slightly below the EU average, but the share of adults reporting heavy episodic drinking remains high (23%; EU: 19.5%). In line with the National Programme for Mental Health 2018–2028, the network of Mental Health Centres is being strengthened. However, a major challenge remains the significant shortage of clinical psychologists and psychiatrists, particularly for children and adolescents, which results in very long waiting times. The number of prescriptions for antidepressants and anxiolytics to minors increased sharply during the pandemic, particularly among girls, but declined thereafter, although in 2024 it still remained well above the 2019 level

¹⁰⁹ Slovenia ranks among the countries with a high share of adolescents who have experienced heavy episodic drinking at least twice, while 22% consume at least one alcoholic drink per week. According to a National Institute of Public Health (NIJZ) study, 70% of underage “mystery shoppers” were able to purchase alcohol in physical stores, almost 90% were able to purchase alcohol from online retailers, and more than 40% were able to purchase tobacco or nicotine products.

¹¹⁰ A body mass index (BMI) between 25.0 kg/m² and 29.9 kg/m² is considered overweight and a BMI of 30 kg/m² or higher is considered obese. BMI is calculated as body weight divided by the square of body height (WHO, 2023).

¹¹¹ A ban on flavoured electronic cigarettes was introduced, and the Strategy for reducing the consequences of tobacco use 2021–2030 was adopted. Since January 2026, the use of tobacco and related products in designated smoking rooms in enclosed public spaces and workplaces has also been prohibited.

(Figure 46, left). The highest number of prescriptions is issued in the Zasavska and Koroška regions, at twice the national average. The suicide rate also remains high (2024: 17 per 100,000 inhabitants), and is almost three times higher among men than among women. The National Health Literacy Strategy 2025–2035 (MZ and NIJZ, 2025), adopted in 2025, introduces a comprehensive approach to improving the understanding and use of health information and strengthens individuals' capacity in managing their own health. It emphasises improving communication within the healthcare system, developing digital competences, and integrating health literacy into broader public policies, thereby strengthening preventive measures. Health Promotion Centres (HPCs) are also an important component of primary healthcare, particularly in chronic disease prevention and the promotion of population health. Since 2023, twelve new HPCs have been established, bringing their total number to 42, which indicates a gradual strengthening of prevention at the primary care level. In April 2026, a reform of the operation of HPCs and the related financing model was prepared.¹¹² The reorganisation of HPCs thus represents an important step towards a more systemic and efficient implementation of prevention and will contribute to improving the accessibility, quality and efficiency of healthcare services.

Mortality from treatable causes – that is, causes that can be prevented through timely and effective treatment or screening programmes – has for many years declined more rapidly than the EU average, indicating the effectiveness of healthcare services. In 2023, there were 64 deaths per 100,000 inhabitants from treatable causes, which is somewhat higher than in 2022 (64) (Figure 45, right), when it was almost at the level of the innovation leaders. The main causes are heart diseases (25%), colorectal cancer and breast cancer (25%). Encouragingly, the incidence of cancer is also declining among the less educated population (NIJZ, 2025a). The cancer burden is being reduced through prevention, early detection,¹¹³ and rapid access to high-quality oncological treatment. The European Cancer Screening Policy Index ranks Slovenia among the countries with the most successful cancer screening policies, while participation rates in screening programmes are also very high.¹¹⁴ Hospitalisation rates for chronic diseases such as heart failure, asthma, COPD and diabetes are also well below the EU average, reflecting the effectiveness of primary healthcare. At the secondary-care level, Slovenia continues to lag behind the EU average primarily in mortality from stroke. Vaccination coverage of children against diphtheria, tetanus and pertussis is around the EU average, while HPV vaccination coverage of adolescent girls and boys is among the lowest in the EU.¹¹⁵ Similarly, influenza vaccination coverage, which is no longer subject to out-of-pocket payment, also remains among the lowest in the EU. To improve the quality of healthcare, the Health Care Quality Assurance Act (JAKZ, 2025) was adopted in 2024, followed by the establishment of the Public Agency for Quality in Healthcare of the Republic of Slovenia in 2025 (JAKZ, 2025).

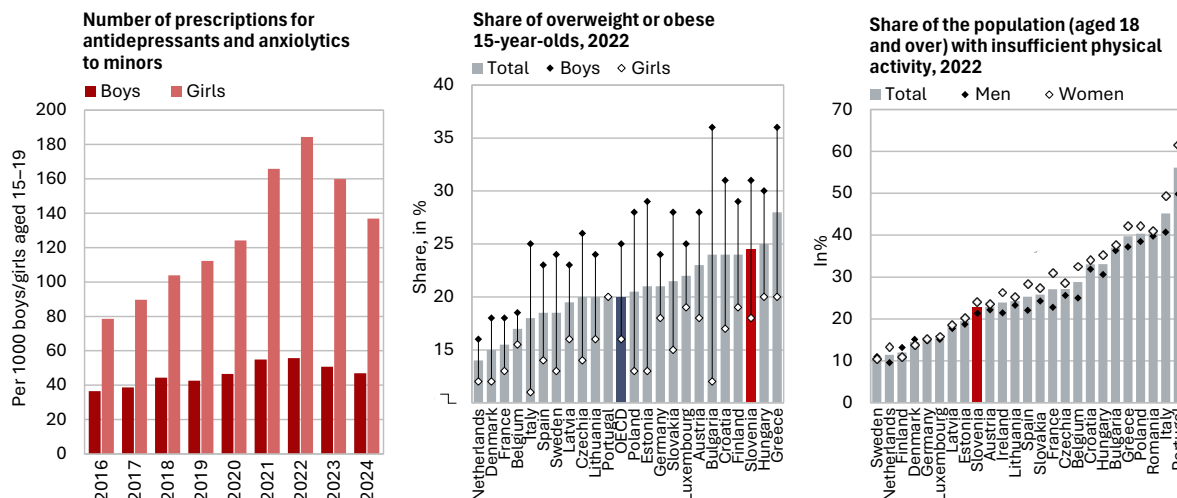
¹¹² The measure is expected to enter into force on 1 January 2027.

¹¹³ In 2022, participation rates in cervical cancer (ZORA), colorectal cancer (SVIT) and breast cancer (DORA) screening programmes were above the EU average, although large differences remain by place of residence, age and income. Two additional cancer screening programmes are being introduced: PETER for prostate cancer and LUKA for lung cancer. With the introduction of these programmes, Slovenia will be among the first EU countries to comprehensively cover the most common types of cancer and to ensure equitable, accessible and timely access to early detection.

¹¹⁴ Slovenia ranks second in the EU in participation in the ZORA programme (74%), third in SVIT (65%) and fourth in DORA (78%).

¹¹⁵ In 2024, HPV vaccination coverage in the target group reached 43% among girls and 25% among boys, compared with EU averages of 59% and 50%, respectively (for girls, no data were available for Greece; for boys, no data were available for Greece and Bulgaria) (UNICEF, 2025).

/ Figure 46: The number of prescriptions issued for antidepressants and anxiolytics is very high, particularly among girls (left); overweight and obesity rates among minors are among the highest in the EU (middle); physical activity among adults is among the highest in the EU (right)



Source: NIJZ (2026b); OECD and EU (2024); OECD (2025h), WHO (2024), OECD (2025c). Note to the middle panel: Data from the Health Behaviour in School-aged Children (HBSC) survey.

The physical fitness levels of children and adolescents remain below pre-pandemic levels; about one quarter of adults are insufficiently physically active, which is still a relatively small share compared with other EU countries. In 2024, children's physical fitness levels were still significantly lower than pre-pandemic levels (Fš, 2025). Only around one quarter of 11-year-olds, just over one fifth of 13-year-olds, and only 17% of 15-year-olds met the WHO recommendation of at least one hour of moderate-to-vigorous physical activity per day (WHO, 2024). As physical development influences not only physical health but also other aspects of child and youth development (learning, well-being, mental health, etc.), it is important to develop high-quality and accessible programmes of organised physical activity within both curricular and extracurricular activities. The situation is more favourable among adults, as 23% are insufficiently physically active (Figure 46, right), with more women than men (OECD, 2025h).¹¹⁶ In the period 2024–2028, the free “Move into Exercise” (Zmigaj se do vadbe) programme is being implemented to encourage inactive people to take up regular exercise (Olympic Committee of Slovenia, 2025).

The share of individuals receiving long-term care at home has increased significantly over the past decade, while unmet needs were among the lower in the EU in 2024. According to administrative data, 11.3% of the population received formal long-term care in 2023¹¹⁷ (OECD: 12%), a share similar to that in 2013 (OECD, 2025i). Over this period, the share of recipients receiving formal care at home increased markedly (from 57% to 63%), partly as a result of the Personal Assistance Act. Data from the EU-SILC survey for 2024 also indicate a significant increase in the share of households¹¹⁸ receiving either healthcare and/or social care at home (Figure 47, left). These

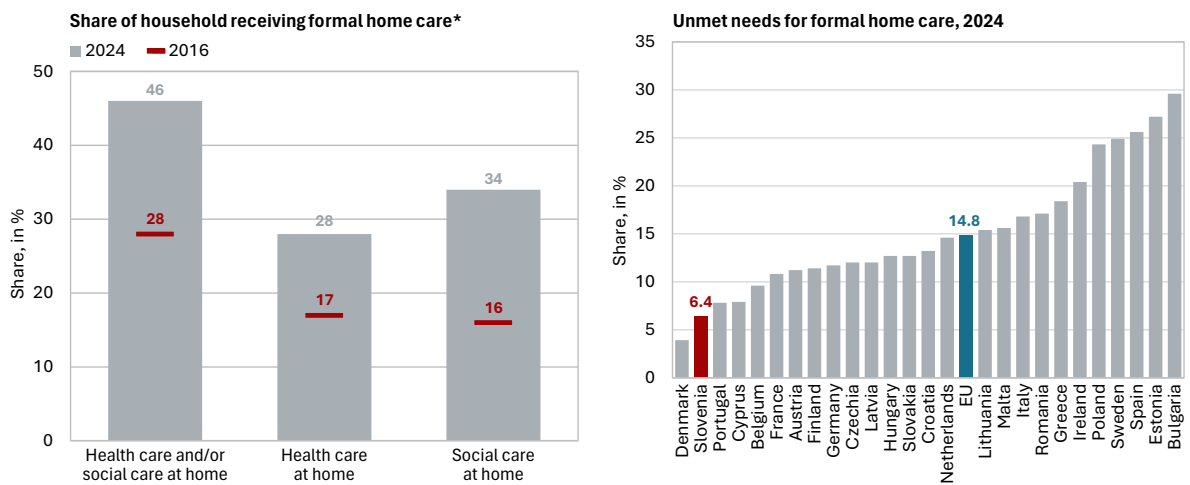
¹¹⁶ According to Eurobarometer (2022) data, adult physical activity levels in Slovenia are surpassed only by those in a few Northern European countries.

¹¹⁷ In 2023, an average of 76,841 people received long-term care in Slovenia – 2,558 more than in 2022. Of these, 22,900 (30.8%) received care in institutions, 29,500 (38.4%) received care at home, and 23,600 (30.8%) received cash benefits (SURs, 2025b).

¹¹⁸ In 2024, 5% of households had at least one person in need of assistance due to illness, disability or old age, a share similar to that in 2016.

formal services were partially or fully co-financed by 60% of households. The share of unmet needs for formal home care among people with severe or moderate impairments was 6.4%, the second lowest among EU countries (Figure 47, right).

/ Figure 47: Over the past decade, the share of households with a member receiving assistance with basic or instrumental activities of daily living has increased significantly (left); in 2024, unmet needs for formal home care among people with severe or moderate impairments were among the lowest in the EU (right)



Source: SURS (2025c), Eurostat (2026), EU-SILC survey. Note to the left-hand panel: * The indicator shows the share of households with at least one member receiving formal home care among all households. Note to the right-hand panel: The indicator shows the share of individuals with severe or moderate impairments whose needs for formal home care were unmet or insufficiently met.

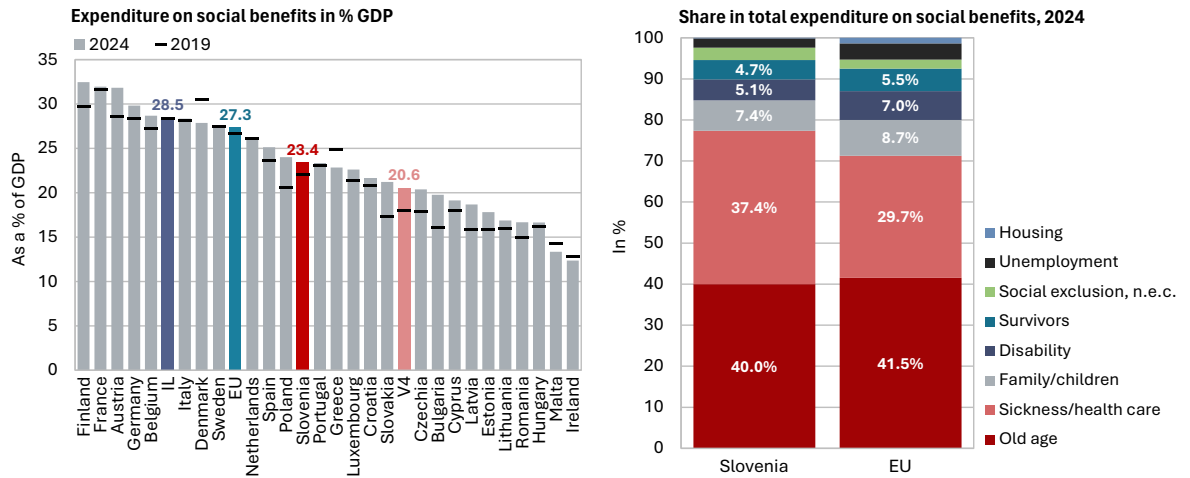
Deinstitutionalisation and the strengthening of community-based services remain central priorities of social welfare policy, as reflected in the expansion of personal assistance services. Since the Personal Assistance Act entered into force in 2019, the number of users of personal assistance services has increased steadily, accompanied by continued growth in related public expenditure (MDDSZ, 2026c).¹¹⁹ The Act has significantly improved opportunities for persons with disabilities to live independently at home. Following the entry into force of the Long-Term Care Act (ZDOsk) and the strengthening of long-term care at home (see Section 3.1.5), the Personal Assistance Act should be appropriately adjusted to ensure that long-term care rights are granted only to persons with limitations in self-care who are also in employment. One of the main objectives in the field of social welfare remains improving the availability and accessibility of social services and programmes, particularly those supporting deinstitutionalisation. The Slovenian Strategy for Deinstitutionalisation in Social Welfare for 2024–2034 (MSP, 2024) establishes a framework for the transition from institutional care to community-based services. Based on this, an amendment to the Social Assistance Act was adopted at the end of 2025, introducing community-based support as a key operational mechanism for deinstitutionalisation and for the development of a network of community services. In 2020, the ratio between users of community-based services and users of institutional forms of social care stood at 1:1.17 (excluding personal assistance, which is regulated under disability legislation), while the target ratio for 2030 is approximately 1:1 (ReNPSV22–30, 2022).

¹¹⁹ In 2020, there were on average 1,209 users of personal assistance, while by 2025 the number had risen to almost 4,500. Public expenditure on personal assistance increased from EUR 3.8 million in 2018 (prior to the entry into force of the new Act) to EUR 245 million in 2025.

3.1.5 Social protection systems

Social protection expenditure is the largest component of general government expenditure in both Slovenia and the EU, and policies in these areas have a significant impact on the well-being of the population. In Slovenia, it amounted to 23.4% of GDP in 2024, which is considerably lower than in the EU (27.3% of GDP) and 1.4 p.p. higher than in 2019. The increase was driven primarily by higher expenditure on sickness and healthcare and on old age, which account for the largest share of this expenditure. The third largest share is allocated to family and children. Expenditure on unemployment was very high during the pandemic due to intervention measures but declined to its pre-COVID level by 2024. In the structure of total public expenditure on social protection, Slovenia allocates a higher share than the EU average to sickness and healthcare and to certain forms of social exclusion (i.e. support for the most deprived), while allocating less to other categories (Figure 48, right).

/ Figure 48: Social protection expenditure as a share of GDP remains below the EU average (left), while spending on sickness and healthcare exceeds the EU average by the widest margin (right)



Source: Eurostat (2026); calculations by IMAD. ESSPROS methodology. Note to the left-hand panel: Eurostat publishes the EU weighted average. The simple average for 2024 was 23%, and for 2019 it was 21.8%, indicating that Slovenia allocates a similar share to the average across individual countries. For the IL and V4, the unweighted average is shown.

Projections of social protection expenditure related to population ageing point to significant long-term fiscal risks; therefore, EU countries, including Slovenia, are adopting measures to mitigate these risks. As a result of demographic change and population ageing, expenditure on pensions, healthcare and long-term care is expected to increase, which – without policy action – would place additional pressure on public finances. EU countries, including Slovenia, are therefore introducing various measures to contain expenditure growth, while weighing the impact of these measures on fiscal sustainability as well as on income adequacy and the welfare of the population. According to the projections in the 2024 Ageing Report (EC, 2024a), Slovenia was among the countries facing higher fiscal risks, with an above-average increase in age-related expenditure over the period 2022–2070 compared with the EU (from 22.1% to 27.5% of GDP; EU: from 24.4% to 25.6% of GDP). Reforms of social protection systems have therefore remained at the forefront of the European Commission’s recommendations for several years and have also been incorporated into the Recovery and Resilience Plan. In recent years, numerous systemic changes have been introduced in these systems to address the challenges of a long-lived society, in particular

through measures to improve access to public services (healthcare and long-term care); the largest contribution to fiscal sustainability, however, comes from the adopted pension reform. Due to staffing constraints and the delayed effects of healthcare reforms on population health, the financial effects of the introduction of numerous changes in the healthcare system and the gradual implementation of the new long-term care legislation will only become evident in the coming years.

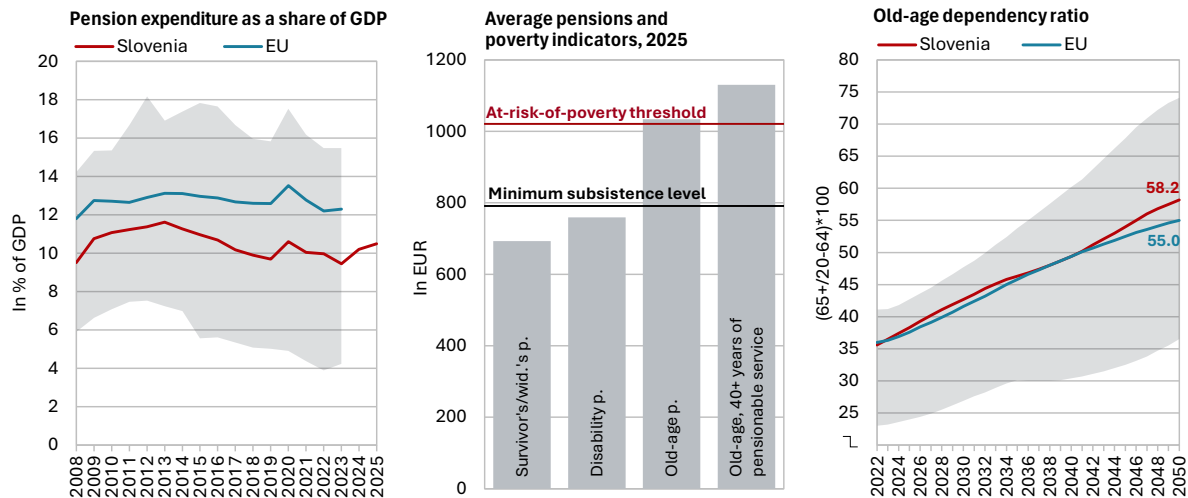
The share of pension expenditure in GDP, which stands at around 10% in Slovenia, will, following the pension reform (2025), stabilise in the long term at 12.3%, which is slightly more than one percentage point lower than before the reform. The Act (ZPIZ-20, 2025) entered into force in 2026, introducing the first measures aimed at improving pension adequacy (MDDSZ, 2025c); in December 2025, the winter bonus for pensioners was also paid for the first time.¹²⁰ The reform improves the income position of pensioners in lower income groups, as the accrual rate is increased and their pensions are generally calculated on the basis of the statutory minimum pension base (Krump et al., 2025). This acts as a redistributive mechanism, preventing the award of a lower pension that would result from the actual calculated base (meaning that the extension of the reference period for calculating the pension base does not reduce these lower pensions). Nevertheless, the at-risk-of-poverty rate for retired single women is expected to remain high or even increase slightly by 2045 (Kump et al., 2025). This refers to relative poverty, as the at-risk-of-poverty threshold is set at 60% of the median equivalised net disposable household income, which may also imply that the income of a particular group has increased, but less than that of other groups.¹²¹ Most measures aimed at improving the sustainability of the system will be introduced gradually between 2028 and 2035 (ZPIZ, 2025a, 2025b).¹²² On average, pension expenditure amounted to 10.3% of GDP in 2016–2025, which is 1 p.p. less than in 2009–2015. Projections (Kump et al., 2025) indicate that, due to the reform, the share will remain below 11% until 2040, then increase to around 12% by 2050 as larger cohorts born in the late 1970s and early 1980s reach retirement age, and stabilise at 12.3% in the period 2055–2070. Compared with the projections in the latest Ageing Report (EC, 2024a), the share in Slovenia in 2070 would be close to the euro area average (12.5%) and 1.4 p.p. lower than in the latest report (13.7%) and markedly lower than in the 2021 projections (Slovenia: 16.1%; EA: 12.5%; EC, 2021).

¹²⁰ A more favourable valuation of pensionable service is introduced for individuals with more than 40 years of compulsory insurance coverage. The additional accrual rate for children is increased and is no longer subject to a cap on the number of children. An additional accrual rate for compulsory military service has also been introduced. The minimum pension is set at 30% of the minimum pension base (0.5 p.p. higher than previously), and the guaranteed pension is increased. The minimum disability pension is raised (from 41% to 50% of the minimum base) for all beneficiaries, while for new disability pensioners the accrual rate from the actual pension base increases from 41% to 44%. The accrual rate for survivors' pensions rises from 70% to 75%, and the calculation of family pensions is also improved. The winter bonus will gradually increase to EUR 250 by 2030 (EUR 150 in 2025).

¹²¹ Among single persons aged over 65, the at-risk-of-poverty rate stood at 54.3% in 2025; of those below the threshold, 70.5% were women.

¹²² A gradual increase in the statutory retirement age to 67 is being introduced for individuals with at least 15 years of pensionable service (starting in 2028 at a rate of three months per year). The eligibility condition of 40 years of pensionable service at age 62 is retained, with possible reductions for periods of work before the age of 20, childcare, or compulsory military service. The accrual rate will increase: from 2028, it will amount to 30% for 15 years of insurance service, while for 40 years of pensionable service without purchased service it will gradually rise from 63.5% to 70% by 2035 (reaching 64.75% in 2028). During the transition period, higher increments will be granted for each additional year of pensionable service. The reference period for calculating the pension base is being gradually extended from the best 24 consecutive years to 40 years (not necessarily consecutive, excluding the five least favourable years). Pensions will be indexed until 2035 based on a combination of 50% wage growth and 50% inflation; thereafter, the formula will place increasing weight on inflation (reaching 80% inflation and 20% wage growth by 2045).

/ Figure 49: Pension expenditure has remained at around 10% of GDP in recent years (left); in 2025, only old-age pensions exceeded the minimum cost of living, while average pensions for those with more than 40 years of pensionable service exceeded it by a wider margin (middle); the old-age dependency ratio will continue to increase (right)



Source: Eurostat (2026), ZPIZ (2026), SURS (2026), IMAD estimates. Note to the left-hand panel: data for 2024 and 2025 are IMAD estimates. Note to the right-hand panel: EUROPOP2023 population projections. The shaded area shows the range between the EU Member States with the lowest and highest indicator values. Note to the middle panel: the minimum cost of living was redefined in December 2025, while the at-risk-of-poverty threshold refers to 2025 (based on 2024 income). The figures include net pensions excluding pro-rata shares and partial pensions.

A range of measures has been adopted to improve the efficiency and accessibility of healthcare services, the positive effects of which are gradually becoming visible, while the increase in expenditure primarily reflects the growing needs of the population. With the continued implementation of these measures, their effects on the health status of the population and the long-term sustainability of the system are expected to strengthen further over time. These measures include strengthening preventive programmes and primary healthcare, reforming healthcare financing, developing the healthcare workforce, advancing healthcare digitalisation, and introducing measures to reduce absenteeism.¹²³ In the initial years, the implementation of these measures is expected to increase public healthcare expenditure and its share of GDP, partly reflecting the transformation of voluntary complementary health insurance into a mandatory health contribution. The long-term effects of these measures on the financial sustainability of the healthcare system will become apparent over time. Strengthening prevention and public health and promoting inclusion and social participation also reduce health inequalities, improve physical and mental health, and consequently lower expenditure on healthcare (OECD, 2025v)¹²⁴ and long-term care (WHO, 2020). Better health among workers can reduce absenteeism, extend working lives, increase productivity, and enable a later exit from the labour market.¹²⁵ This directly contributes to economic growth and higher social contributions, and consequently to the long-term sustainability of public finances (OECD, 2025b; Koutsogeorgopoulou and Morgavi, 2025). An increase in healthy life years also strengthens the broader social and economic contribution of older people to overall well-being (Cylus, J. and Al Tayara, L., 2021).

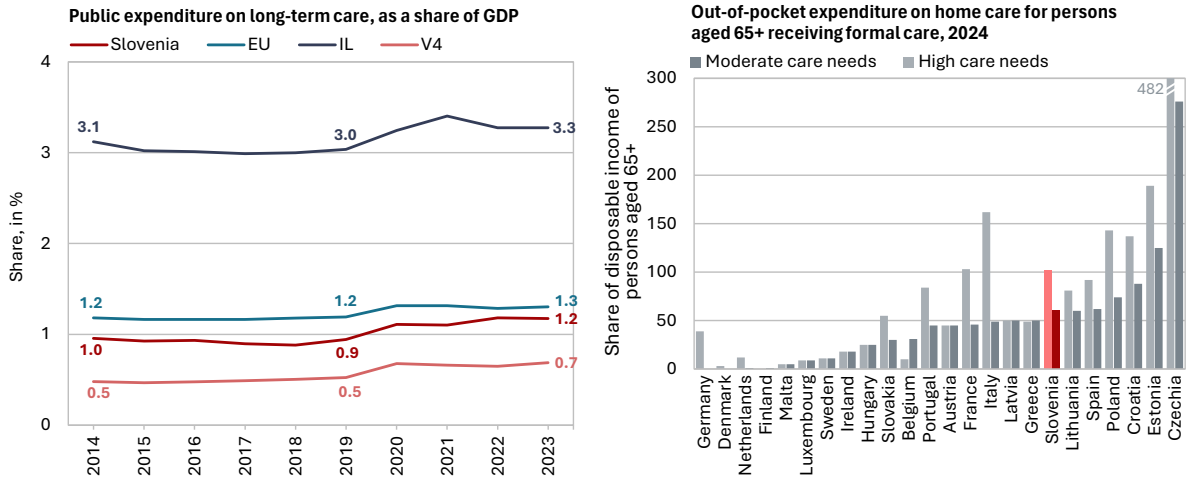
¹²³ For more on the measures in healthcare, see also Sections 3.1.4 and 3.2.1, as well as IMAD (2024, 2025a).

¹²⁴ The OECD estimates that a 10% increase in investment in preventive care would reduce the incidence of chronic diseases among older people and, after five years, contribute to an approximately 0.9% reduction in healthcare expenditure.

¹²⁵ The introduction of cross-sectoral policies promoting healthy ageing throughout the life course could, according to OECD estimates, reduce public healthcare expenditure in OECD countries by about 0.4 p.p. of GDP by 2040 (OECD, 2024d).

A comprehensive reform of the long-term care (LTC) system is also under way. In Slovenia, in 2024, the cost of home care significantly exceeded the average disposable income of recipients (Figure 50, right). The Long-Term Care Act, which introduced a public source of financing for these services, has reduced out-of-pocket payments for users of institutional care¹²⁶ and expanded entitlement to home care services (ZDOsk, 2023),¹²⁷ which is expected to contribute in the long term to deinstitutionalisation and to the development and accessibility of these public services. Additional measures have been introduced to address staff shortages and improve working conditions in social services (ZZUKDPSS, 2024). According to OECD estimates, deinstitutionalisation also contributes to a more cost-efficient model of care (OECD, 2025v),¹²⁸ while a well-developed LTC system reduces the use of more expensive healthcare services. During the initial phase of implementation of the new LTC system, waiting times for the assessment of eligibility and for preparing individual care plans with home care providers have emerged as a result of the high number of applications and staff shortages;¹²⁹ consequently, the effects on service accessibility and the full financial implications of the reformed system will only become evident in the coming years.¹³⁰

/ Figure 50: Public expenditure on LTC as a share of GDP has increased since 2019, mainly due to the introduction of personal assistance, but remained below the EU average in 2023 (left); despite formal support, out-of-pocket payments for home care continue to place a heavy burden on beneficiaries’ disposable income (right)



Source: OECD (2026d), OECD (2025i). Note to the right-hand panel: In Slovenia in 2024, a person aged 65 or over with moderate care needs, even when receiving formal assistance (e.g. the attendance allowance and/or home care services), paid an amount for home care that exceeded their average disposable income by 60%. For persons with high care needs, home care costs exceeded their average disposable income by more than 100%.

¹²⁶ For most recipients of institutional long-term care, the financial burden has decreased, in some cases by up to 40%, as care costs are now fully covered by the compulsory long-term care contribution.

¹²⁷ In January 2024, the right to a family caregiver began to be implemented. On 1 July 2025, the provision of home-based long-term care services and e-care services was introduced. From 1 December 2025, cash benefits were introduced, along with a new system for residents of care homes for older people. By the end of 2025, the long-term care system included around 2,000 family caregivers, 6,000 recipients of e-care, and 20,000 recipients of institutional care (99% of all residents in homes for older people).

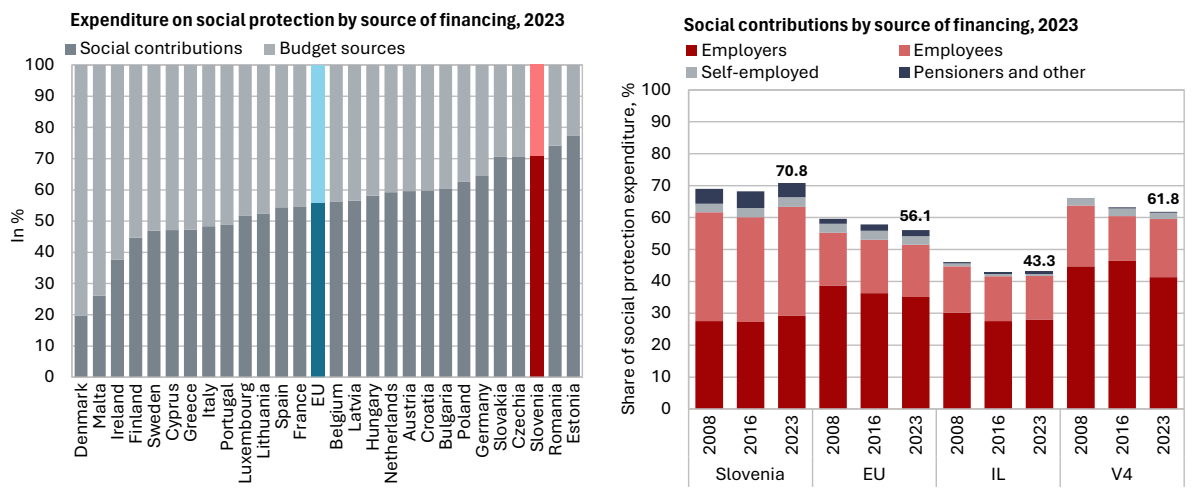
¹²⁸ According to OECD estimates, a 1% increase in the share of home-based LTC expenditure in total LTC expenditure would reduce total LTC expenditure by 0.55%, compared with an average reduction of 0.49% across 17 OECD countries.

¹²⁹ A total of 23,570 applications for eligibility assessment had been submitted by 27 March 2026, of which 5,476 had been processed. Waiting times for eligibility assessment range from three to six months. Beneficiaries who have already undergone a needs assessment and have an individual care plan but are waiting for home care services are, in the interim, entitled to a cash benefit. A total of 21,400 beneficiaries were covered by long-term care under the new system, of whom 19,406 were in institutional care (mostly included without an eligibility assessment), 1,438 received a cash benefit, 275 received home care, 128 received care in day centres, and 153 received supplementary services aimed at strengthening and maintaining independence.

¹³⁰ As the LTC system is still in the implementation phase, revenues collected from the long-term care contribution exceeded expenditure by EUR 138 million in 2025 (ZZZS, 2025).

The long-term sustainability of social protection systems depends not only on expenditure levels, but also on the revenues, which in Slovenia are predominantly based on social contributions. In 2023 (latest available data), more than 70% of social protection expenditure was financed from social contributions, representing the third highest share in the EU (Figure 51, left). Between 2013 and 2023, this share increased in Slovenia, while it declined on average in the EU (Figure 51, right). Population ageing, the retirement of larger cohorts and low fertility are increasing the ratio of older to working-age populations (see Figure 49, right). In social protection systems that are predominantly financed through contributions, these trends are expected, over the long term, to reduce the share of revenues and, together with rising expenditure, widen the financing gap. In the future, sources of financing will also be increasingly affected by changes in the labour market brought about by automation and robotisation, as well as by the expansion of non-standard forms of work. The pay-as-you-go pension system is particularly vulnerable, as it is financed from current contributions and contribution revenues cover a declining share of pension expenditure. Similar pressures apply to compulsory health insurance (CHI) and mandatory long-term care (LTC) insurance, which are also predominantly financed through contributions (Figure 51, left). In the future, these trends will require a gradual shift towards financing sources that are less dependent on labour income of the working-age population (see Section 6.6).

Figure 51: More than 70% of social protection expenditure was financed through social contributions even before the introduction of new mandatory health contribution and long-term care contributions (left); their share increased in Slovenia between 2016 and 2023, while declining on average in the EU (right)



Source: Eurostat (2026). Note: Eurostat publishes the EU weighted average. In 2023, the unweighted average share financed through social contributions was 54.8%.

3.2

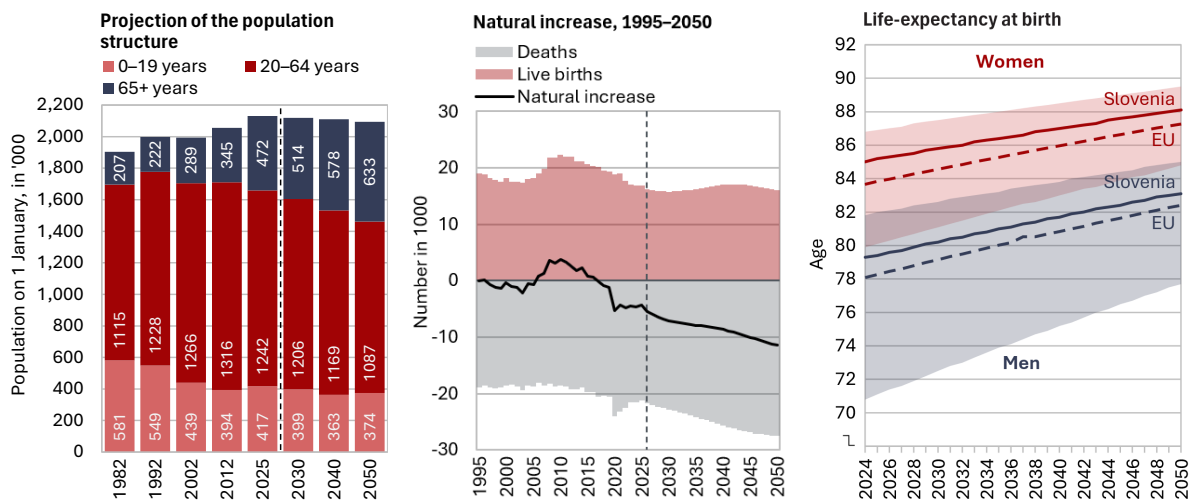
Labour market governance and human capital development

3.2.1

Labour market participation and job quality

Over the past decade, the demographic structure has changed significantly, and projections indicate even more rapid population ageing in the future. Due to the decline in births since the early 1980s, the share of the working-age population will continue to decrease in the coming decades, while the share of older people will increase. This reflects the ageing of larger cohorts and increasing life expectancy. Projections show that the old-age dependency ratio will rise significantly, while the number of young people will remain largely unchanged. The sharp decline in the number of women of reproductive age, ongoing since the late 1990s, has slowed considerably, and the fertility rate is projected to remain around 1.49 (EU: 1.46).

/ Figure 52: Slovenia’s working-age population is projected to decline further, while the older population will continue to increase; natural increase will remain negative and life expectancy will continue to rise



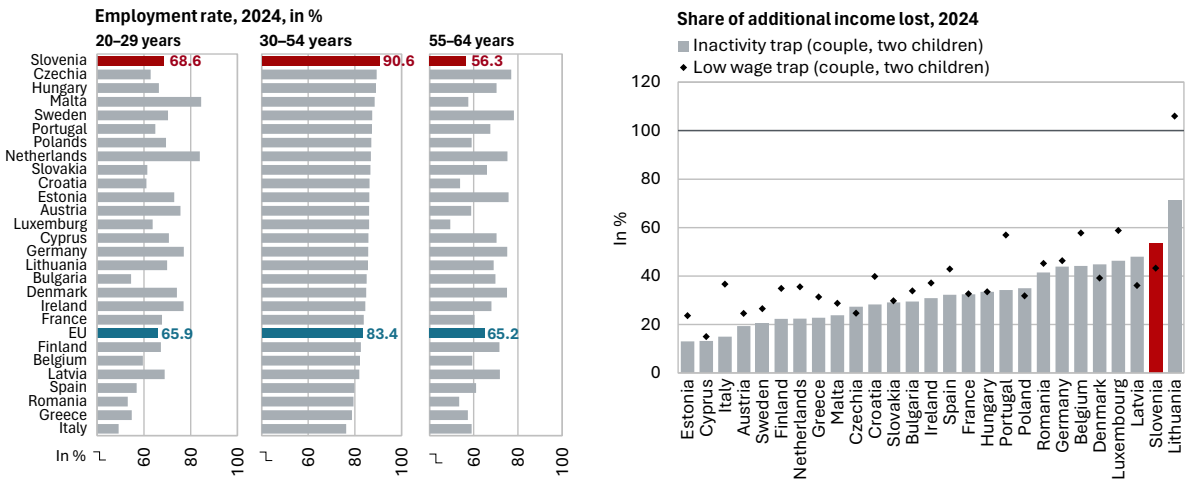
Source: SURS (2026), Eurostat (2026). Note to left-hand and middle panels: Data up to and including 2025 are observed values, while data for subsequent years are projections. The left-hand panel is based on the EUROPOP2023 population projection (March 2023), while the middle panel presents the updated short-term EUROPOP2023 projection (May 2025), which does not include detailed data on the population age structure. Note to the right-hand panel: The shaded area represents the range between the EU countries with the lowest and highest values, while the EU value represents the simple average. The figure is based on the updated short-term EUROPOP2023 projection (May 2025).

High labour market participation helps offset the effects of a shrinking labour force caused by demographic change. In 2025, the labour market remained tight, characterised by labour shortages and historically low unemployment. The employment rate¹³¹ increased to 78.3% in 2024 (EU: 75.8%) and remained broadly stable in 2025.¹³² This reflects both cyclical and structural drivers, including longer working lives, gradual improvements in the educational attainment of the employed population, and rising female labour market participation. At the same time, population ageing continues to exert downward pressure on overall labour supply. Despite the high overall employment rate, substantial disparities persist across population groups. Employment rates are particularly high among those aged 30–54 (the highest

¹³¹ The employment rate is the share of the working-age population aged 20–64 within the total population of this age group.
¹³² Even so, it still fell slightly short of the national target set in the Action Plan of the European Pillar of Social Rights for 2030 (79.5%). The 2025 figure represents the average of quarterly values.

in the EU), the highly educated and men, while remaining relatively lower among young people, older people, those with low levels of education, and women – particularly foreign nationals – and persons with disabilities, many of whom face multiple labour market barriers. These groups are also more likely to accept lower-paid employment when entering the labour market, remain caught in inactivity or low-wage traps (Figure 53, right), face limited career progression, and experience poorer health outcomes, further constraining their social inclusion and economic independence (see Section 3.2.2). Until recently, tight labour market conditions improved employment prospects for these vulnerable groups. However, for some segments, the cyclical deceleration of economic activity in 2025 has interrupted this convergence process. Developments and advances in artificial intelligence could also affect the opportunities of certain groups, particularly young people, in entering the labour market and finding employment. This will further increase the importance of adaptability, digital skills and lifelong learning.

/ Figure 53: The employment rate of people aged 30–54 is the highest in the EU, while it is among the lowest for those aged 55–64 (left); the inactivity and the low-wage traps are high (right)



Source: Eurostat (2026) and OECD (2026d). Note to the right-hand panel: The inactivity trap shows the share of additional income lost when a person moves from inactivity into employment due to higher taxes and reduced social transfers, while the low-wage trap shows the share of additional income lost when increasing the number of hours worked.

The employment rate among young people returned to its pre-pandemic level only in 2024, before growth stalled in 2025, while employment among older people continued to increase. Young people (aged 20–29) remain particularly vulnerable in the labour market, as they are often among the first to be affected during economic downturns.¹³³ In addition, young people are more likely to face skills mismatches, to work in insecure forms of employment, with around one third receiving the minimum wage. Despite high participation in tertiary education, young people tend to complete their studies and enter the labour market relatively late, which may delay their independence and reduce the accumulation of work experience. Among young women, the gender pay gap is already evident at the start of their careers and widens over time (see Section 3.1.2.3). In recent years, the largest increase in labour market participation has been recorded among older people (aged 55–64) and persons with low levels of education – two groups that often

¹³³ Previous periods of economic downturn, such as the 2009 financial crisis and the pandemic, have shown that young people are among the first groups to be affected – either through reduced employment opportunities when transitioning from education to the labour market, or through job losses. The latter is also a consequence of the less secure and temporary forms of employment in which young people are predominantly represented (e.g. student work).

overlap – although only around half of them are employed. This increase has been driven by the extension of working lives, the introduction of financial incentives for deferred retirement, the expansion of occasional and temporary work opportunities for pensioners, and targeted employment incentives. Nevertheless, a substantial share of older individuals exit the labour market due to health-related constraints, inadequate working conditions, or care responsibilities, while re-entry into employment may be further hindered by age discrimination. The employment rate among people aged 60–64 remains among the lowest in the EU. In 2024, only half of persons with disabilities were employed, as only about one third of Slovenian companies subject to the quota for employing persons with disabilities actually fulfil this obligation.¹³⁴

/ Figure 54: Unemployment remains low; the employment rate has been rising for a prolonged period despite the negative effect of workforce ageing; labour market participation among older people, those with low education and persons with disabilities is below the EU average



Source: Eurostat (2026); IMAD calculations. Note to the middle panel: The figure shows the employment rate and the effect of the growing share of older employed persons on the employment rate. As older workers generally have a lower employment rate than other age groups, their growing share in employment has a negative impact on the total employment rate. The effect is estimated using the shift-share method. Without the effect of ageing, the employment rate in 2024 would have been around 4 p.p. higher compared with 2000. The indicators for country groups (EU, IL, V4) are calculated as weighted averages.

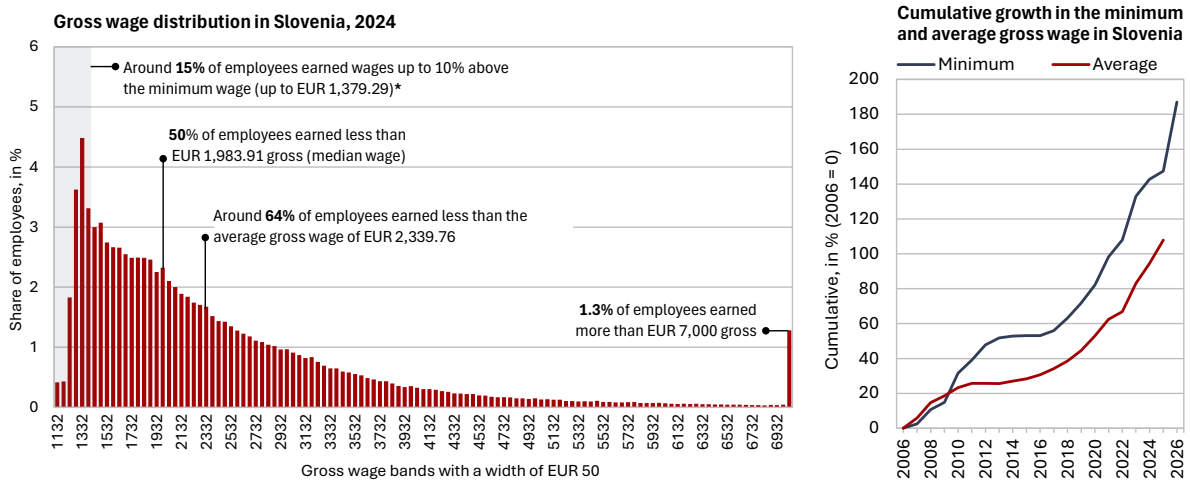
The employment rate of foreign nationals is slightly higher than that of Slovenian citizens, and their share among the employed has been increasing. Approximately 60% of immigrants move to Slovenia for employment, reflecting strong labour demand in recent years.¹³⁵ By the end of 2025, foreign nationals accounted for 16% of the employed population. A significant gender gap is evident in their labour market participation. In 2024, the employment rate among women with foreign citizenship was 11.9 p.p. lower than among Slovenian women, while among men the pattern was reversed, with the employment rate of foreign nationals exceeding that of Slovenian citizens by 9.7 p.p. The gap between female citizens and non-citizens is related to the lower educational attainment of immigrant women, mismatches between their skills and labour market needs, and social and cultural norms related to the division of paid work and family responsibilities between women and men. When entering employment, foreign nationals often face language barriers, limited information about their rights, reliance on employment intermediaries, and prejudice and discrimination, all of which

¹³⁴ For persons with disabilities, work and employment are crucial for material independence, self-esteem and social inclusion. It is therefore essential to invest in workplace adaptation and accessibility, appropriate training, and the provision of support services (Kokalj, 2024).
¹³⁵ In 2024, foreign nationals accounted for 9.6% of the total population and their number increased by about one third over the past decade to around 200,000 (OECD, 2025k).

may increase the risk of exploitation. Around one third of foreign workers earn the minimum wage, resulting in a higher at-risk-of-poverty rate among foreign nationals (13.3%) than among Slovenian citizens (4.8%).

Real wage growth has strengthened markedly since 2022, particularly among low-paid employees. Adequate pay is a key dimension of an inclusive labour market. It mitigates the risk of in-work poverty and ensures a decent standard of living. Following the sharp real decline in 2022 due to high inflation, wages had increased by 10% in real terms by last year,¹³⁶ improving employees’ purchasing power. In the private sector, growth was driven by labour shortages (particularly in activities with below-average wages), and the marked growth in the minimum wage (18.9% in 2022–2025, with an additional 16% increase at the beginning of 2026).¹³⁷ In the public sector, growth was driven by various measures, the wage reform, and collective agreements.¹³⁸ The wage distribution remains highly compressed at the lower end, i.e. among low-paid employees, also owing to the faster growth of the minimum wage (Figure 55, right). In 2024, approximately one quarter of all employees received a basic wage of up to 105% of the statutory minimum wage.¹³⁹

Figure 55: The wage distribution is highly concentrated at the lower end (left), partly due to the faster growth of the minimum wage compared with the average wage (right)



Source: MDDSZ (2026a), SURS (2026a); IMAD calculations. Note: The left-hand panel presents data for 2024. In the right-hand panel, the latest available data for the minimum wage refer to 2026, while those for the average wage refer to 2025. For 2006–2010, the minimum wage is calculated as an average, as its level changed during the year.

¹³⁶ In 2025, the average gross wage was 14.7% higher in real terms than in 2019 and 23.5% higher than in 2015.

¹³⁷ The increase in the minimum wage also contributed to wage growth higher up the wage distribution. An increase in the minimum wage directly affects employees earning less than the new minimum wage and indirectly affects those with wages above the minimum wage, a phenomenon known as “minimum wage spillover”. Companies often adjust the wages of employees who are not directly affected by the increase in the minimum wage, which may reflect established wage differentials among employees within a company (Perko and Rogan, 2025).

¹³⁸ Key measures contributing to wage growth in the general government sector included a 4.5% increase in the value of pay grades in 2022, advancement by one pay grade in 2023 (except in parts of health and social care), a 3.36% adjustment of pay grades in 2024 linked to consumer price growth, and the implementation of the wage system reform in 2025.

¹³⁹ This refers to the basic wage of employees, including any supplements to the minimum wage, which is most comparable to the concept of the minimum wage. Bonuses and performance-related pay (both business and individual performance) are not included. However, when these components are taken into account, 7.3% of employees in Slovenia earn up to 105% of the minimum wage. According to internationally comparable data from the Structure of Earnings Survey (SES), Slovenia ranked third in 2022 (latest available data) in terms of the share of employees earning up to 105% of the minimum wage (12.6% of employees). Bulgaria (13.0%) and France (12.7%) ranked higher, while the (simple) average for EU countries with a minimum wage was 7.2%.

The in-work at-risk-of-poverty rate remains below the EU average, although labour market segmentation is increasing.¹⁴⁰ Favourable labour market developments in recent years have contributed to a decline in the in-work at-risk-of-poverty rate. In 2025, 5.6% of employees were at risk of poverty, which is slightly above the SDS 2030 target (less than 5%). Compared with the EU, the at-risk-of-poverty rate among self-employed remains high, while the risk among part-time employees is among the lower ones. There is no universally accepted statistical definition of precarious work; in the literature, it is generally defined across multiple dimensions that are difficult to measure precisely.¹⁴¹ According to the definition used by the Statistical Office of the Republic of Slovenia,¹⁴² precarious workers represented 6.5% of employed persons in Slovenia in 2024 (around 65,000 persons) (SURS, 2025f), representing an increase of 0.3 p.p. compared with 2014 (MDDSZ, 2026b). The share of temporary agency workers was the fourth highest in the EU (SI: 5.8%; EU: 2.3%) and increased by 0.5 p.p. compared with 2015 (Eurostat, 2026). Professional institutions¹⁴³ have for many years pointed to the need for more effective detection and elimination of disguised employment,¹⁴⁴ which disproportionately affects young people (mainly through student work),¹⁴⁵ persons with low levels of education, and foreign workers.¹⁴⁶ In recent years, the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ) introduced several labour market measures¹⁴⁷ and, at the beginning of this year, launched a public consultation on the Strategy for the Elimination of Precarious Work, aimed at addressing long-standing challenges.¹⁴⁸ The strategy envisages strengthening areas in which policies have proved insufficiently effective, in particular through increased supervision and cooperation among authorities, stronger trade union organisation, improved social protection for students, and other measures (MDDSZ, 2026b).

¹⁴⁰ Labour market segmentation refers to the division of the labour market into segments, characterised by different levels of protection, pay and security, where institutional differences lead to limited worker mobility and persistent unequal treatment (OECD, 2023a, 2024c).

¹⁴¹ There is no internationally agreed definition of precarious work. In a multidisciplinary analysis conducted for the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ) (Šoltes et al., 2020), precarious work is defined as any form of work characterised by uncertainty (income and/or employment insecurity combined with insecurity related to working conditions and/or the worker's social and legal status), where such insecurity is involuntary (i.e. it is involuntary) and is sufficiently pronounced to undermine access to decent work and an adequate standard of living.

¹⁴² According to SURS, forms of precarious work include student employment, work through employment agencies, and self-employed persons who do not employ others and predominantly work for a single client (so-called dependent self-employed) (SURS, 2025a).

¹⁴³ In addition to the Ministry of Labour, Family, Social Affairs and Equal Opportunities (MDDSZ), the Labour Inspectorate, the Ministry of the Interior, the Interministerial Working Group on Combating Trafficking in Human Beings, trade unions, and civil society organisations are also involved.

¹⁴⁴ A hidden employment relationship exists where an individual performs work for a single employer under an atypical contractual arrangement, despite the fact that all substantive elements of an employment relationship are present (Šoltes et al., 2020).

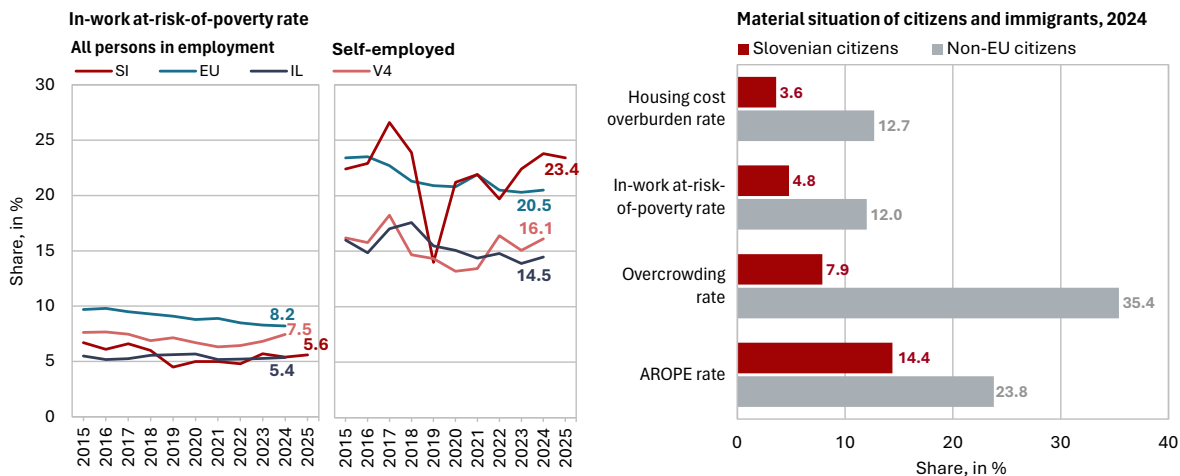
¹⁴⁵ In 2025, 28 thousand persons participated in student work, representing 2.8% of the working-active population.

¹⁴⁶ With regard to foreign workers, the Labour Inspectorate of the Republic of Slovenia (IRSD, 2025) records violations of the Employment, Self-employment and Work of Foreigners Act (ZZSDT) and the Employment Relationships Act (ZDR-1). Employers who hire foreign nationals show a higher incidence of violations related to wage payments, wage kickbacks, breaches of working time regulations, pre-signed mutual termination agreements, and similar practices.

¹⁴⁷ Amendments were adopted to the Employment Relationships Act (ZDR-1D), the Labour and Social Security Registers Act (ZEPDSV-A), and the Labour Market Regulation Act (ZUTD-I).

¹⁴⁸ These relate to areas such as labour market dualisation, disguised employment relationships, agency work, platform work, outsourcing, and related forms of labour market segmentation. Most of these areas were systematically analysed by experts within the MAPA project (Šoltes et al., 2020), and the work continues within the PLATFOsi project (Strban, 2026).

/ Figure 56: The risk of in-work poverty is relatively low, but above average among the self-employed (left); the material situation of the immigrant population is considerably worse than that of Slovenian citizens (right)



Source: Eurostat (2026), EU-SILC 2025 (based on 2024 income); SURS (2026). Note to the right-hand panel: For Slovenia, data are available up to 2025, while for other countries they are available up to 2024. Right-hand panel: The data refer to foreign nationals without EU citizenship who have had registered residence in Slovenia for at least 12 months, in accordance with Eurostat's definition of usual residence. Indicators for country groups are calculated as unweighted averages.

Posted workers from third countries constitute the most vulnerable segment of the labour market, as they face disproportionate exposure to exploitation, systemic rights violations, and an increasing risk of debt-bonded dependency. Workers from third countries are particularly vulnerable (MDDSZ, 2026b), especially those employed or posted by foreign companies headquartered outside Slovenia, as they face a higher risk of labour rights abuses.¹⁴⁹ In 2024, around 10,700 posted workers were sent to Slovenia (around 1% of total employment), of whom 32% were third-country nationals, predominantly from the countries of the former Yugoslavia.¹⁵⁰ Findings by supervisory authorities point to serious infringements of workers' rights, such as unjustified deductions for accommodation costs, non-payment of wages, restrictions on freedom of movement, and elements of forced labour.¹⁵¹ These workers are also frequently indebted upon arrival in Slovenia, which increases the risk of debt-bonded dependency. Given the limited accessibility of information points, the lack of multilingual services, and other barriers – combined with the high incidence of violations – a digital information system should be introduced to inform workers of their rights and obligations upon arrival in the country and to ensure advocacy support and equal treatment. Labour inspection should also be strengthened, especially in sectors and forms of employment with a higher risk of violations, as preventive and supervisory mechanisms are essential for the timely detection and prevention of abuse.

¹⁴⁹ These workers tend to be less familiar with labour legislation, lack formal worker representation, and depend heavily on their employer for accommodation, living conditions, and pay. Violations therefore pose a serious risk for workers in especially vulnerable situations (MDS TZL, 2025).

¹⁵⁰ On the other hand, Slovenia is among the EU countries with the highest shares of workers posted abroad relative to total employment (6% in 2024) and to the population (around 3% in 2023). Measured by the number of PD A1 certificates issued and their share in total employment, the number of posted workers increased steadily and reached its peak in 2023, with 176,363 PD A1 certificates issued and 65,590 individuals posted abroad (7% of total employment). In 2024, however, a marked decline was recorded both in the number of PD A1 certificates issued and in the number of posted workers. This decline may have been driven, among other factors, by the adoption of the new Cross-Border Provision of Services Act transposing Directive 2018/957/EU and by amendments to the Pension and Disability Insurance Act, which eliminated the possibility for employers to calculate social security contributions for posted workers on the basis of the Slovenian minimum wage or a comparable wage that the worker would earn in Slovenia (Vah Jevšnik and Toplak, 2025).

¹⁵¹ This applies in particular to construction, accommodation and food service activities, agriculture, transport and logistics, forestry, and the food industry (MDS TZL, 2025).

The *platformisation* of work is bringing fundamental changes in the management of work processes, affecting both working conditions and workers' rights. With the expansion of digital labour platforms, this trend has intensified over the past decade. In a narrow sense, *platformisation* refers to the digital monitoring of workers (time-based monitoring, physical monitoring and monitoring of work activity)¹⁵² and to algorithmic management (automated management and decision-making regarding various aspects of work) (Vazquez et al., 2025). In a broader sense, it denotes the spread of these management practices to traditional sectors of the economy in order to rationalise work processes and standardise procedures. Time monitoring has so far become the most widespread,¹⁵³ while the other two remain less common. Algorithmic management is less widespread in Slovenia than the EU average (Figure 57). Only 11% of employees use artificial intelligence to support complex cognitive tasks or direct work processes (EU: 12%; IL: 20%) (Eurofound, 2025b). The effects of *platformisation* on working conditions are not unequivocal, as this involves the use of high-risk AI systems and an increased risk of employee precariousness (Strban, 2026). Research shows that less intensive and information-based forms of digital monitoring are generally not harmful, whereas comprehensive, intensive and physical monitoring, as well as algorithmic management, increase stress and reduce workers' autonomy (Vazquez et al., 2025). The effects of *platformisation* on employees therefore largely depend on institutional frameworks, regulatory approaches and the ways in which digital technologies are introduced into workplaces, which are addressed by the EU Directive.¹⁵⁴ Its transposition into national legislation requires the definition of criteria (the substantive aspect) and procedures (the procedural aspect) for determining the correct employment status of persons engaged in platform work (Strban, 2026). The new legal framework will therefore also have an important impact on precarious forms of work (in terms of working conditions, personal data protection and collective rights), as well as on the functioning of supervisory institutions, in particular the Labour Inspectorate of the Republic of Slovenia and the Financial Administration of the Republic of Slovenia.

The European Working Conditions Survey 2024 indicates progress in job quality over the past decade, although significant challenges remain.¹⁵⁵

Employees report improved career prospects, while perceived job insecurity has declined. A larger share of workers are able to develop their skills in the workplace and have access to training, which is essential for supporting the transition to a smart and green economy. Nevertheless, several challenges persist, including health risks, particularly exposure to high temperatures and prolonged sedentary work, greater work intensity, and the need to adapt to new forms of work organisation, including algorithmic management (Eurofound, 2025a, 2025c). Workers continue to regard a safe working environment for mental and physical health as the most important job attribute (Figure 58). Encouragingly, the share of employees perceiving their work as detrimental to their health has fallen considerably. The share of employees who believe they

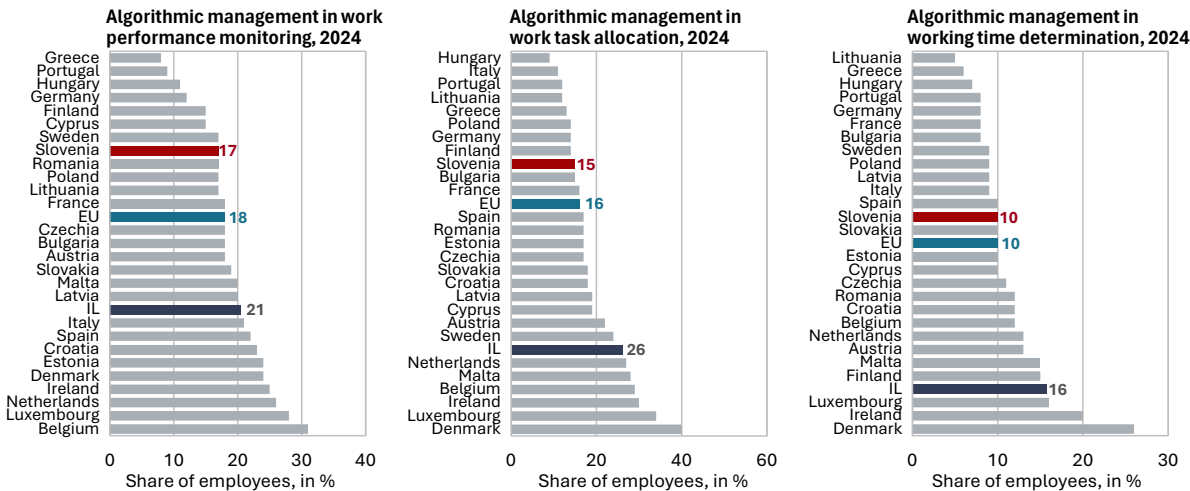
¹⁵² With regard to time monitoring, this mainly involves digital monitoring of working hours and employees' arrivals and departures; physical monitoring primarily includes full video surveillance, GPS and similar systems; and performance monitoring mainly concerns the monitoring of online activity (e-mails, calls and social media).

¹⁵³ This is the most common form in Slovenia (56%; EU: 37%). Monitoring of work task performance and physical monitoring are most common in south-eastern EU Member States (Vazquez et al., 2025).

¹⁵⁴ Member States must transpose the EU Directive on improving working conditions in platform work into national legislation by December 2026.

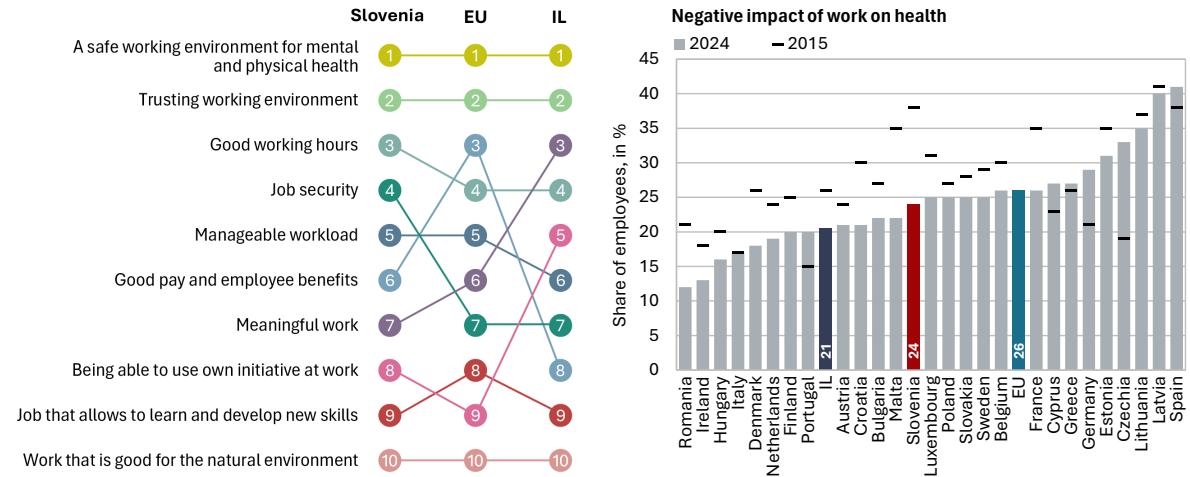
¹⁵⁵ Job quality refers to the extent to which working conditions support workers' health and well-being. It measures the physical and social work environment, quality of working time, work intensity, skills and discretion, career prospects, and earnings (Eurofound, 2025a).

/ Figure 57: Algorithmic management practices are less prevalent than the EU average and are used most frequently for monitoring work performance, while their use for determining employees' working hours is least common



Source: Eurofound (2025b). Note: In all three panels, the data refer to the share of employees who reported that a computer program monitors work performance, assigns tasks, and determines working hours. The indicators for IL are calculated as unweighted averages.

/ Figure 58: A safe working environment for both mental and physical health is regarded as the most important aspect of work (left); the share of employees who perceive their work as having a negative impact on their health is below the EU average (right)



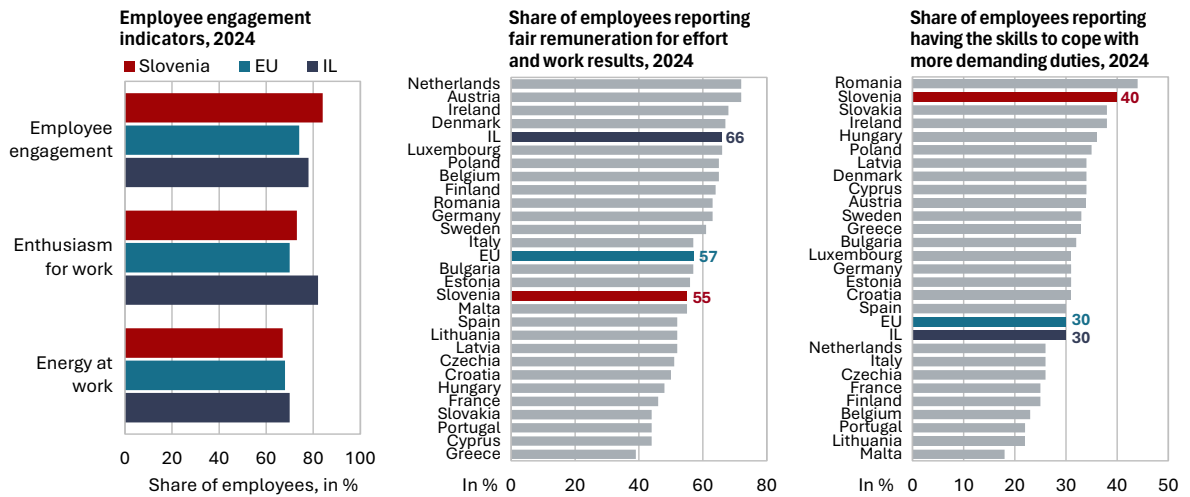
Source: Eurofound (2025b, 2025c). Note to the left-hand panel: Employees ranked ten job attributes according to their importance; a value of 1 corresponds to the attribute considered most important. The indicators for IL are calculated as unweighted averages.

will be unable to do their current job or a similar one until the age of 60 has fallen significantly since 2015 (27 %; EU: 19 %; IL: 18 %), while the preferred retirement age is the lowest among EU countries (60.3 years).

Employee engagement in Slovenia exceeds the EU average; employees assess the social work environment, opportunities to influence their work, and prospects for career advancement more favourably than the EU average, while they rate earnings less favourably. Employee engagement is among the highest in the EU. The share of employees who are enthusiastic about their work is also relatively high, while the share of employees reporting high levels of energy at work is somewhat lower. Higher employee engagement is associated with better well-being and greater job satisfaction, with effective management practices playing a pivotal role. Support and assistance from

superiors, involvement in improving work organisation and processes, and the opportunity to influence decisions relevant to one’s work are more prevalent than the EU average and among the innovation leaders.¹⁵⁶ Employees also report good support from colleagues. Similarly to the EU average, 17% of respondents reported being exposed to adverse social behaviour (IL: 27%). Most employees believe that their work is useful for the organisation and for society and that they perform it effectively, while they assess earnings and material well-being less favourably (Figure 59). Job security and opportunities for career advancement¹⁵⁷ are also among the better-rated job attributes. At the same time, the share of workers who report having the skills to cope with more demanding duties is among the highest in the EU.

/ Figure 59: Employee engagement is relatively high (left); perceived rewards from work are below average (middle); the share of employees who report having the skills needed to perform more demanding duties is among the highest in the EU (right)



Source: Eurofound (2025b, 2025c). Note: Employee engagement is based on workers’ self-assessments of absorption in work, enthusiasm for work and energy at work. The indicators for IL are calculated as unweighted averages.

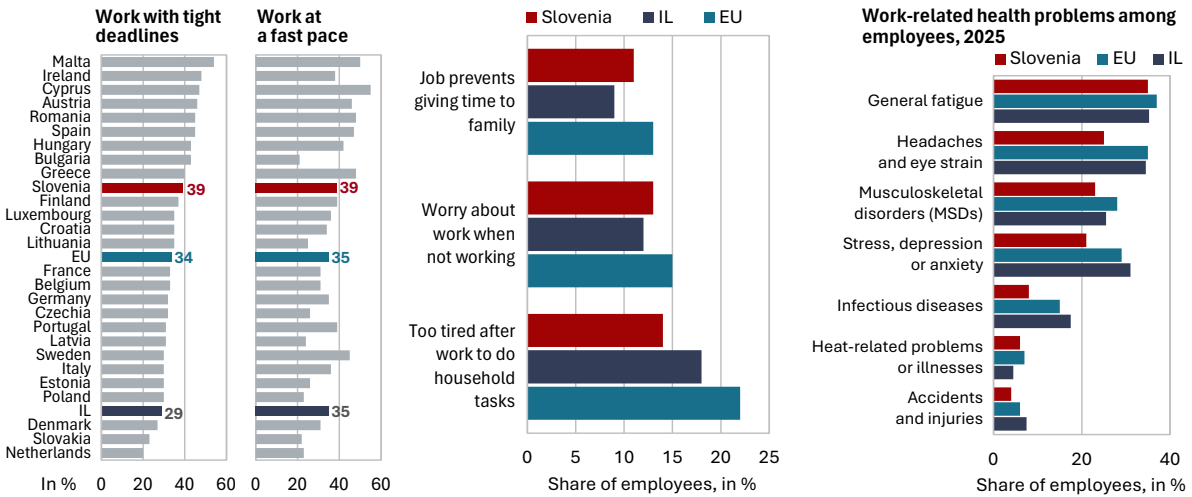
The quality of working time is improving, and employees report fewer difficulties in reconciling work and private life than the EU average. On average, employees work more hours per week than the EU average (2024: SI: 39.2; EU: 36.6 hours) and significantly more than in the innovation leaders (35.2 hours). However, over the past decade, the share of those who usually work outside regular working hours has declined (Eurostat, 2026). Compared with women, men are more likely to have the flexibility to determine their working hours and to take an hour or two off during working hours for personal matters.¹⁵⁸ Most employees (86%) reported that their working time is (very) well aligned with their family or social life (EU: 83%; IL: 89%), and they experience fewer difficulties in balancing work and private life than ten years ago.

¹⁵⁶ 74% of employees reported receiving help and support from their managers (EU: 65%; IL: 67%); 52% reported being involved in improving the organisation of work or work processes (EU: 41%; IL: 47%); and 57% reported having the opportunity to influence decisions about their work (EU: 46%; IL: 54%) (Eurofound, 2025b).

¹⁵⁷ 55% of respondents reported that their job offers good prospects for career advancement (EU: 46%; IL: 52%).

¹⁵⁸ Overall, 77% of men (EU: 72%) and 69% of women (EU: 66%) report being able to take time off during working hours for personal or family matters (Eurofound, 2025c).

/ Figure 60: Compared with the EU average, employees report higher work intensity, but fewer difficulties in reconciling work and family life and less frequent work-related health problems



Source: Eurofound (2025b, 2025c), EU-OSHA (2025). Note: The indicators for IL are calculated as unweighted averages.

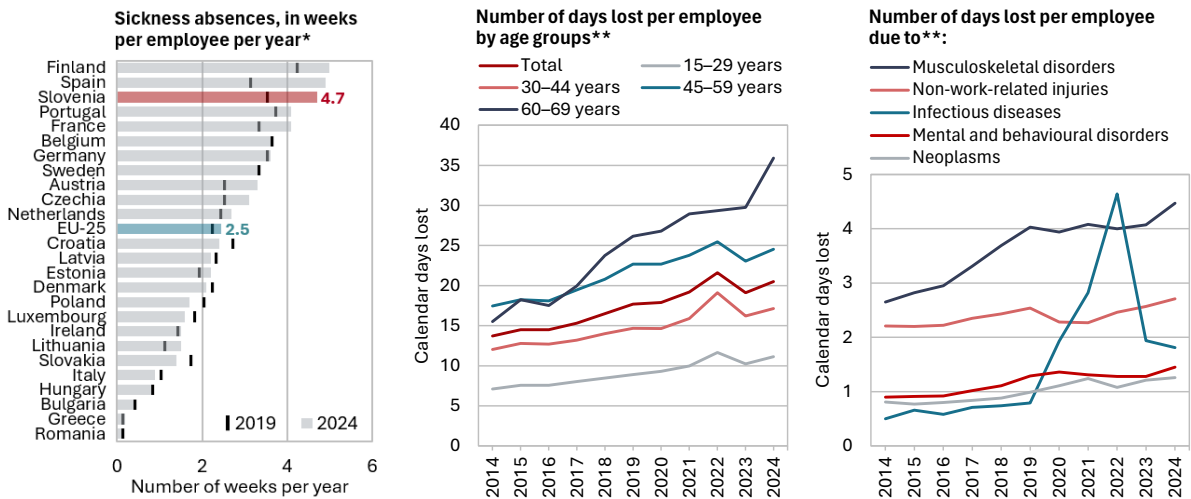
Slovenia trails both the EU average and, more notably, the innovation leaders in the areas of the physical working environment, work intensity, and worker representation. Among workplace physical risks and strains, exposure to heat is becoming increasingly prevalent, particularly among employees in agriculture, construction and industry. The most common physical strains include tiring or painful working postures, prolonged sitting, and repetitive hand and arm movements.¹⁵⁹ Work intensity has increased further with the growing use of digital technologies.¹⁶⁰ Excessive workload can be mitigated through more realistic deadlines, lower demands, and greater opportunities for telework, which is most widespread in the innovation leaders.¹⁶¹ The most frequently reported work-related health problems include general fatigue, headaches and eye strain, musculoskeletal disorders, and stress, depression or anxiety. Employees' awareness of occupational health and safety risks and of measures to prevent work-related stress exceeds the EU average. However, the majority (62%) of employees report that their organisation does not have a health and safety representative or committee. Moreover, 48% of employees do not have a workers' representative (EU: 43%; IL: 25%), and more than one third do not have regular meetings where they can express their views on developments in the organisation.

Absence from work due to illness has increased markedly and is now almost twice the EU average. Key factors driving the rise in absenteeism include longer working lives without sufficient workplace adaptation for older workers; an increase in chronic and mental health conditions; working conditions and employee motivation; the sick pay system (including potential abuse and lack of supervision); shortcomings in early vocational rehabilitation; and higher compensation during sick leave compared with disability pensions (MZ, 2026). In recent years, the increase in absences due to illness has been more pronounced among those aged over 60, mainly due to musculoskeletal diseases and mental and behavioural disorders. Depression

¹⁵⁹ Similarly to the EU average, 40% of employees report prolonged sitting at work (IL: 45%) (Eurofound, 2025b).
¹⁶⁰ The use of digital technologies determines the pace of work (SI: 41%; EU: 48%) and increases employees' workload (SI: 33%; EU: 28%) (EU-OSHA, 2025).
¹⁶¹ In 2024, 19% of employees worked from home regularly or occasionally (EU: 23%; IL: 45%) (Eurostat, 2026).

and anxiety increased markedly among women and men of working age in the period 2012–2023 (WHO-EURO, 2026), leading to long-term absences that require a comprehensive approach. According to data from the Health Insurance Institute of Slovenia (ZZZS, 2026), in 2025 absences due to illness rose to 7.0% of lost working days (2024: 6.7%), prompting the adoption of measures to strengthen supervision and action in cases of abuse (ZDIUPZ, 2025). Effectively addressing absenteeism requires a comprehensive and coordinated systemic approach, as well as investment in occupational safety and health, health promotion and prevention, employees’ mental health, support for maintaining and restoring work capacity, and workplace adaptation during a gradual return to work.

/ Figure 61: Absences due to illness have increased much more rapidly in recent years than the EU average (left), with particularly rapid growth among those aged over 60 (middle) and due to musculoskeletal disorders (right)



Source: OECD (2026d); NIJZ (2026c). Notes: * According to the Labour Force Survey, data cover both full and partial absences and are based on self-assessment. The indicators for the EU-25 are calculated as unweighted averages. ** NIJZ administrative data by age group and selected categories of the International Classification of Diseases.

3.2.2 Labour market governance and human capital development

Changes in the size and age structure of the labour force due to demographic trends require an active labour market policy focused on more effective activation and reskilling of underrepresented groups, the strategic attraction of foreign labour, and the accelerated introduction of automation, digitalisation and other advanced technologies. Labour shortages are becoming an increasingly important constraint on economic development. In the second half of 2025, 46% of employers reported labour shortages, with the share reaching 71% among large employers. The potential labour supply has been declining continuously since 2012 due to the entry of smaller cohorts into the labour market and the retirement of larger older cohorts,¹⁶² with large-scale retirements expected in certain sectors over the coming years. At the same time, labour supply is further constrained

¹⁶² At the same time, the share of older people in employment (aged 55–64) has increased over the longer term. Between 2000 and 2024, it rose from 5.5% to 18.2%, representing one of the largest increases among EU countries.

by the long-term decline in average hours worked per employee¹⁶³ and by employees' lower willingness to increase working hours (Figure 62). Increasing participation therefore requires a comprehensive combination of measures, including the activation of underrepresented groups and the strategic attraction of foreign labour in line with strategic development priorities. Addressing structural labour shortages also requires faster and more targeted adoption of automation and other labour-saving digital technologies. However, such technological transformation can succeed only if accompanied by investment in upgrading workers' knowledge and competences. This also requires systematic and anticipatory analyses of development priorities, as well as strategic workforce planning and the development of skills and human capital for the coming decades, which will support the technological transformation of the economy.

To make more effective use of domestic human resources and activate underrepresented groups, activation policies should be strengthened and education, labour market, tax and social incentives adjusted to make work more accessible and attractive. Increasing youth participation in the labour market requires better alignment of education programmes with (current and especially future) labour market needs, stronger interdisciplinarity and apprenticeships,¹⁶⁴ faster study completion, and support for rapid transitions into secure employment, while preventing disguised employment relationships and other precarious forms of work. To enhance the activation of older workers, instruments for flexible and gradual retirement should be strengthened, alongside tax incentives to retain employees after they become eligible for retirement. In Slovenia, 84.3% of retirees (EU: 64.7%) leave the labour market when they begin receiving a pension (EC, 2025k). Improving job quality is also essential, notably through adapting working conditions, expanding reskilling opportunities, promoting lifelong learning, and strengthening the systematic management of age diversity within firms. Increasing the participation of people with low educational attainment and secondary earners, particularly women, also requires better coordination between the tax and social transfer systems.¹⁶⁵ Labour market participation among people with low educational attainment, low-paid employees, part-time workers and the unemployed should be encouraged through tax measures aimed at reducing the inactivity trap¹⁶⁶ and the low-wage trap¹⁶⁷ (Figure 53, right). Tax measures should also be complemented by family policies promoting a more equal distribution of care responsibilities. More active labour market inclusion is likewise needed for cultural and other hard-to-employ minorities who are able to work but remain excluded due to inadequate policies and discrimination.

¹⁶³ The number of hours worked by the average employee decreased by 6% in the period 2000–2024. This was influenced by the gradual shift towards less labour-intensive sectors, new forms of work, and greater participation of women, who on average work slightly fewer hours of paid work. In recent years, preferences regarding the work–leisure balance have also played a greater role.

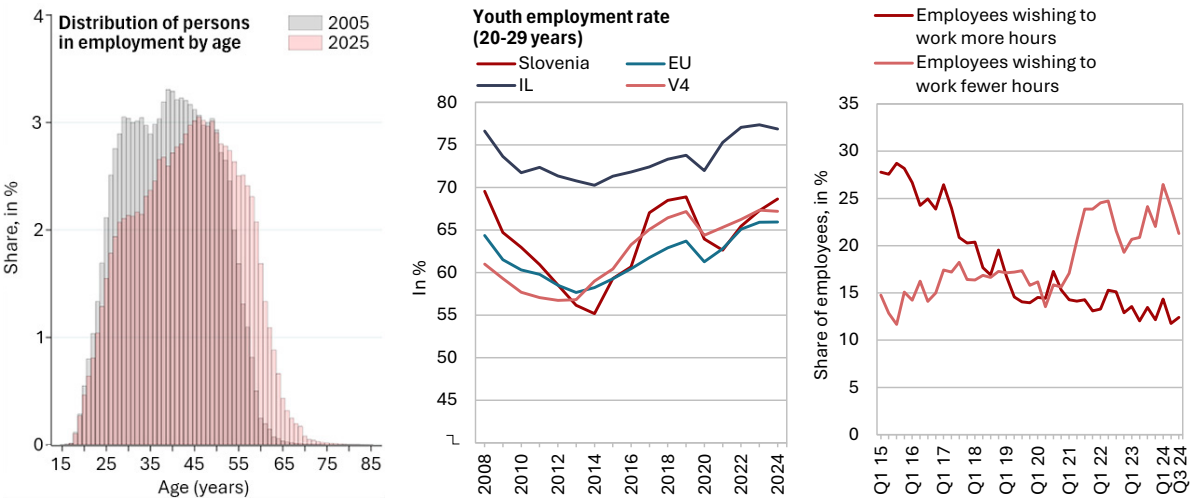
¹⁶⁴ Apprenticeships, which can strengthen cooperation between educational institutions and employers and support the rapid transition of young people into employment, remain underdeveloped.

¹⁶⁵ Their participation can also be encouraged through measures that increase the share of non-transferable paid parental leave for fathers and promote a more equal distribution of care responsibilities, thereby reducing the potential impact of work absences on women's wages, which is particularly important for unemployed foreign women.

¹⁶⁶ The inactivity trap indicator measures the change in a person's net income when moving from inactivity to employment, reflecting the effects of higher taxes and social contributions and lower social transfers. The calculation assumes a couple with two children, where the first earner receives 100% of the average wage and the second earner moves from inactivity (where they receive social assistance, a rent subsidy and child benefits) to employment with earnings amounting to 67% of the average wage.

¹⁶⁷ The "low-wage trap" indicator measures the change in the net income of an employed person moving to a higher-paid job (from 33% to 67% of the gross average wage), taking into account higher taxes and social contributions and lower associated social transfers compared with the previous situation.

/ Figure 62: The average age of the employed population increased from 39.6 to 43.4 years between 2005 and 2025 (left); the youth employment rate is gradually improving (middle), while preferences regarding working hours are changing (right)



Source: SURS (2026b); IMAD calculations. Note to the left-hand figure: The distribution is based on individual microdata from the Statistical Register of the Employed Population (SRDAP; DAK). The data for each year refer to November. The indicators for country groups (EU, IL, V4) are calculated as weighted averages.

Even with more effective activation of the domestic labour force and increased inflows of foreign workers, the demographic gap is expected to persist over the long term. Given domestic labour supply constraints, immigration has played an important role in alleviating labour shortages over the past decade (Figure 63). To compensate for labour shortages associated with workforce retirements, net migration would need to total around 100,000 persons over the next decade (approximately 10,000 annually). The educational profile of immigrants remains a challenge, as long-term productivity growth, innovation, and the green and digital transition will require the targeted attraction of highly skilled professionals and other specialised professional profiles from abroad to help address domestic labour shortages.¹⁶⁸ Recruitment of foreign workers with higher education, in addition to appropriate investments, would have positive long-term effects on economic growth (IMAD, 2023a).

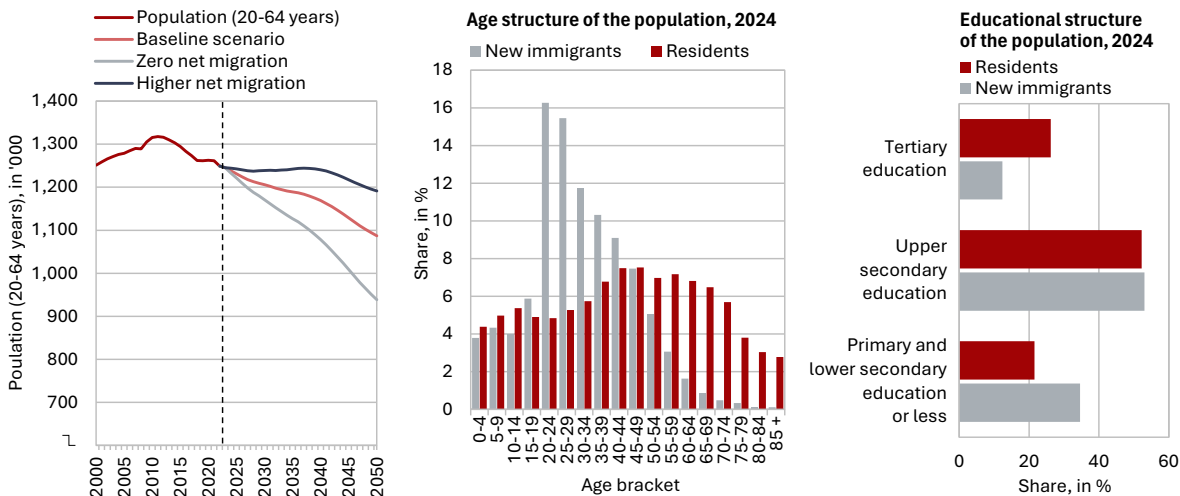
As Slovenia competes with other countries for labour, it requires a more ambitious and comprehensive migration and integration policy. Foreign nationals will account for an increasing share of the labour force in the future,¹⁶⁹ requiring appropriate adjustments to support systems to ensure their fair and dignified integration into work processes and society, actively foster acceptance of cultural diversity, and promote changes in political culture (see Focus topic 1). To this end, integration and immigration measures introduced in recent years need to be further strengthened and systematically developed.¹⁷⁰ Measures should prevent foreign workers' dependence on intermediaries, strengthen supervision, and provide direct information on workers' rights

¹⁶⁸ Vertical mismatches among immigrants are significant. In 2024, 43% of foreign nationals (aged 25–64) with tertiary education were employed in occupations requiring at most upper secondary education, compared with 18% among nationals (Eurostat, 2026). At the same time, the share of immigrants with tertiary education remains relatively low by EU standards, amounting in 2023 to 25% among EU immigrants (EU: 32.6%) and 11% among non-EU immigrants (EU: 29%).

¹⁶⁹ With sustained high net migration and a declining share of the domestic population, foreign workers would account for a rapidly increasing share of the labour force, reaching around 30% by 2040 and 40% by 2050.

¹⁷⁰ In 2023, an integration strategy concerning third-country nationals was adopted, followed by the adoption of a migration strategy in 2024 and additional measures in 2025 aimed at facilitating the employment of highly qualified foreign workers (EU Blue Card).

/ Figure 63: The decline in the working-age population can only be mitigated in the medium term through high net migration inflows (left); the age structure of immigrants improves demographic outlook (middle); greater investment in education and recognition of qualifications is needed to increase the social and labour market integration of immigrants (right)

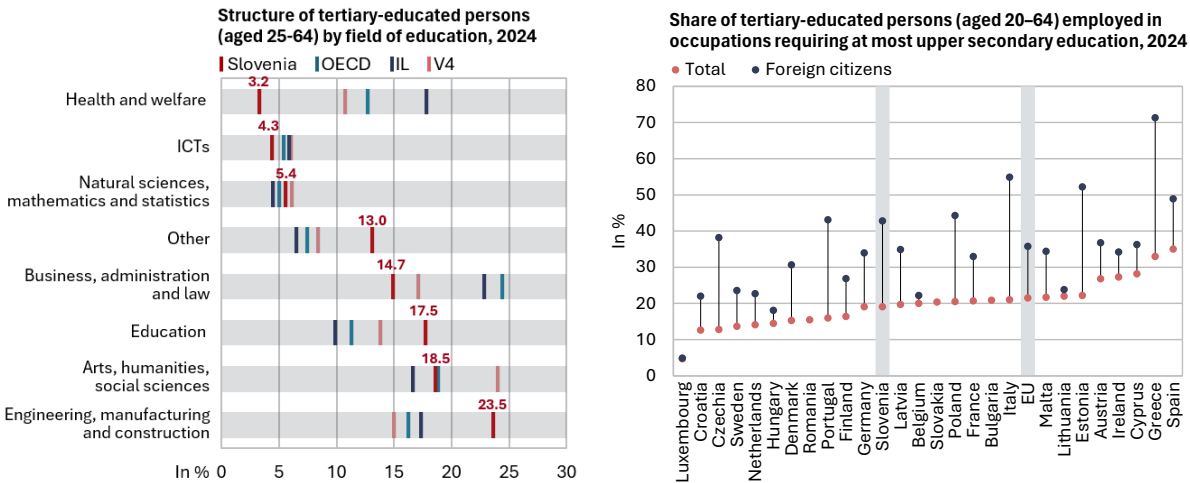


Source: SURS (2026a), Eurostat (2026), EUROPOP2023 projections.

and obligations (particularly employers' obligations). Introducing a system of trusted employers (modelled on practices in countries such as Germany and Denmark) could – together with simplified recruitment procedures and other administrative measures – shorten procedures and reduce the risk of violations. Additional bilateral intergovernmental agreements on labour mobility for specific sectors could help broaden the pool of potential recruits. To attract highly skilled professionals, procedures for recognising foreign qualifications, university degrees and academic qualifications and titles should be simplified and accelerated. Supporting the longer-term residence of highly qualified digital nomads could also involve creating pathways for their direct transition into employment after their permits expire. Family members of immigrants also represent significant integration and labour market potential, particularly as the number of people arriving through family reunification continues to increase. Access to healthcare and education, including early childhood education and care, as well as the recognition and portability of pension rights, is also important. Activities aimed at addressing housing issues should be intensified, including expanding the public rental housing stock (see Section 3.1.2.2).

In the context of persistent demographic changes and technological transformation, human capital development is becoming increasingly important for productivity, resilience and prosperity. Although the structure of enrolment in education programmes has become more aligned with labour market demand over the past decade, labour demand still substantially exceeds available supply due to smaller cohorts of young people. Foreign workers have long helped to compensate for shortages in certain vocational and professional fields (particularly in construction and some low-skilled jobs). In some areas, digitalisation, new technologies and artificial intelligence are reshaping the structure of labour demand, leading to a surplus of some professional profiles on the one hand, and increased demand for specialists, particularly in science and engineering, on the other. There is also a shortage of tertiary-educated staff needed to ensure high-quality public services (healthcare, social care and education), as well as certain social science profiles (e.g. psychologists, lawyers). Prolonged study durations and low completion rates due to dropout also reduce the supply of graduates entering

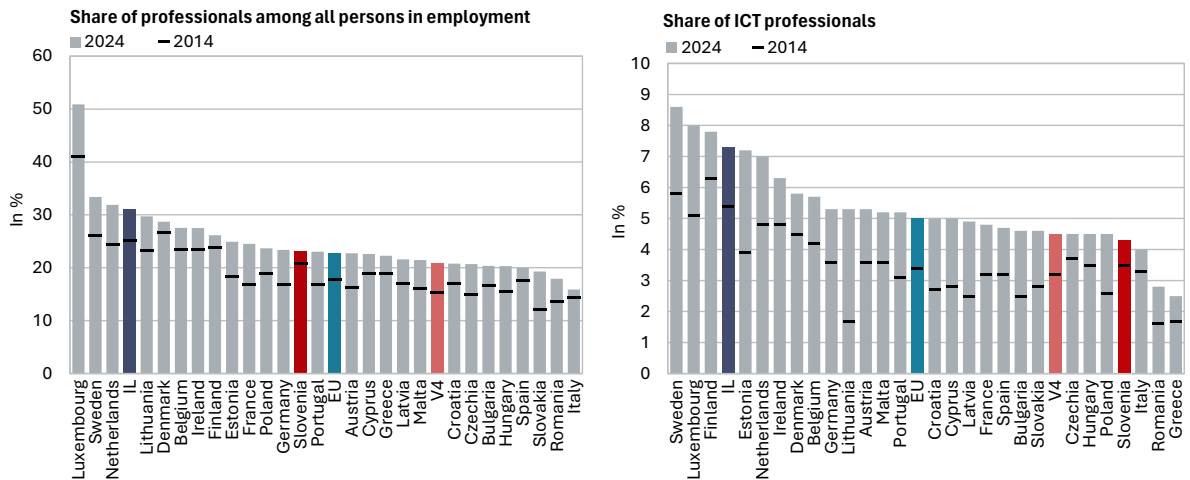
/ Figure 64: Slovenia has the highest share of tertiary-educated engineers and the lowest share of tertiary-educated individuals in health and social welfare among OECD countries (left); vertical mismatches remain substantial and are more prevalent among immigrants (right)



Source: OECD (2026d), Eurostat (2026). Note to the left-hand panel: The average for the innovation leaders excludes Denmark due to data unavailability. The indicators for IL and V4 are calculated as unweighted averages.

the labour market (OECD, 2025e). Nevertheless, some graduates take longer to secure suitable employment, while many work in occupations requiring at most upper secondary education (vertical mismatches) or in fields unrelated to their studies (horizontal mismatches). In 2022, 13% of employed persons worked in jobs that did not match their field of education. In 2024, one-quarter of graduates in Slovenia were employed in jobs that did not match either the field or the level of their education, indicating inefficient human resource planning, with the largest mismatches observed among immigrants.

/ Figure 65: The share of professionals in total employment is comparable to the EU average (left), while the share of ICT specialists is among the lowest in the EU (right)

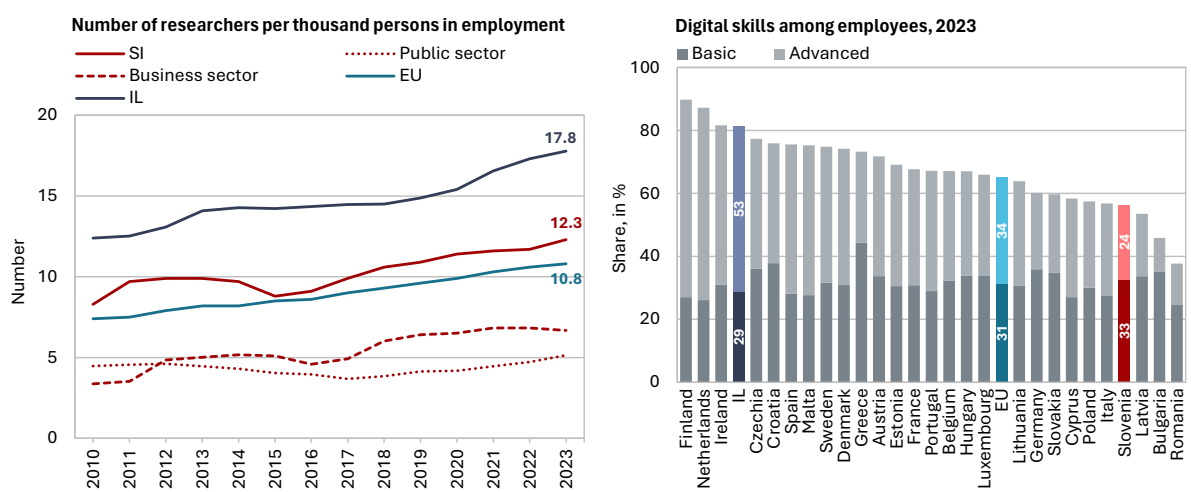


Source: Eurostat (2026). Note: The indicators for IL and V4 are calculated as unweighted averages.

Between 2014 and 2024, the number of professionals increased more than in any other occupational group, particularly in information and communication technologies (ICT). Despite favourable trends in the number of new PhD graduates and researchers, significant shortages of research personnel persist in some scientific disciplines (Lukšič Hacin et al., 2024), together with inadequate management of researchers' career development

(Udovič et al., 2025). Similar shortages are also evident in public services, as the number of professionals in healthcare, social care and education is not keeping pace with the growing needs of a long-lived and knowledge-based society (ZRSZ, 2025).¹⁷¹ In recent years, the number of engineers and graduates in science, technology (similar to trends in Belgium and Czechia) and ICT has increased, but remains insufficient to meet strong demand. Around two-thirds of companies face a shortage of ICT specialists. In 2024, 65% of companies were unable to introduce artificial intelligence (AI), despite planning to do so, because of insufficient expertise. Slovenian enterprises therefore emphasise the importance of improving the accessibility and effectiveness of programmes for developing AI-related competences, expanding targeted education and training programmes, and encouraging cooperation with the academic sector in workforce training (DIH, 2025).

/ Figure 66: The number of researchers in Slovenia exceeds the EU average, although a considerable gap remains compared to the innovation leaders (left); the share of employees with advanced digital skills is extremely low (right)



Source: Eurostat (2026). Note: The indicators for IL are calculated as unweighted averages.

Rapid technological change, together with the digital and green transformation of society and the economy, requires a much more ambitious strengthening of employees’ digital, basic and transversal skills. For decades, digital literacy has been the area in which Slovenia lags furthest behind the EU average. Employees also face gaps in reading and numeracy, transversal skills,¹⁷² job-specific knowledge and social skills (Cedefop, 2022). While a large majority of employees report having sufficient knowledge to perform their jobs effectively,¹⁷³ 16% (EU: 13%) indicate a need for additional education or training. According to employers, 27% of employees would need additional training for their current job,¹⁷⁴ as around 37% of skills required in the economy are changing (WEF, 2025). Skills related to artificial intelligence, big data and cybersecurity are among the most in demand. Greater emphasis will also need to be placed on creative thinking and technological literacy (Figure 67, right). Slovenia has one of the highest shares of jobs exposed to the risk of automation in the EU, which requires close cooperation between

¹⁷¹ Demand for staff in healthcare, long-term care and education has been increasing for many years, while shortages of suitably qualified personnel persist (ZRSZ, 2025).

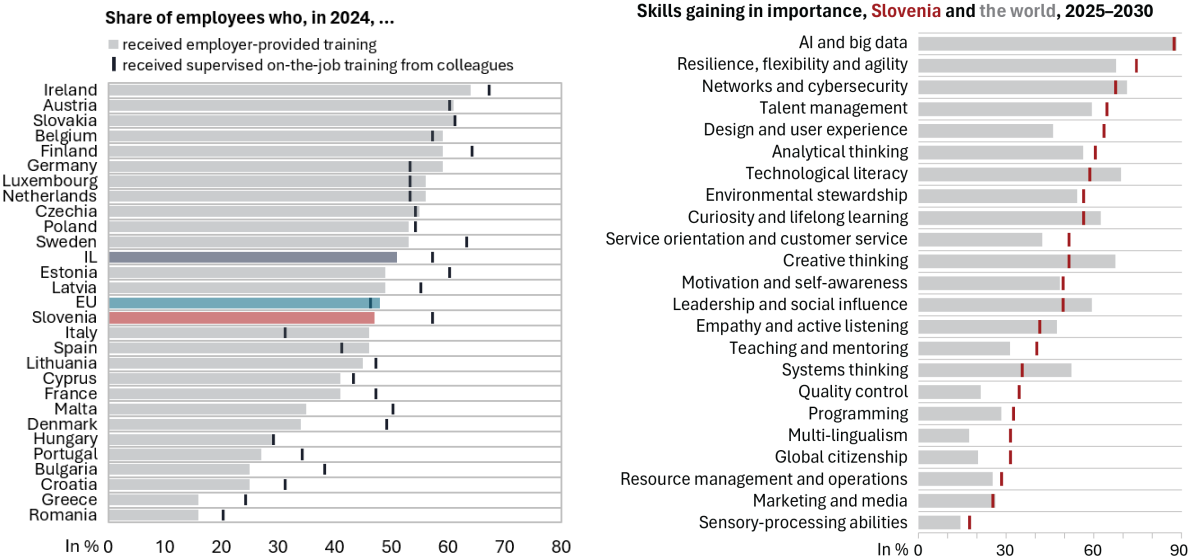
¹⁷² Such as communication, teamwork, flexibility and critical thinking.

¹⁷³ In 2024, 59% of respondents (EU: 43%) stated that they have sufficient opportunities at work to use their knowledge and skills, while 65% (EU: 52%) reported having sufficient opportunities to use their own ideas (Eurofound, 2025b).

¹⁷⁴ For more detailed information on employees’ knowledge and skills, see Eurofound (2025b) and WEF (2025).

policymakers, employers and employees. Global technological trends call for responsive and innovative education systems. To enhance the system’s responsiveness and flexibility, short and targeted learning pathways should be further developed. A common EU approach to micro-credentials has been established and is being adopted by Slovenian universities. The development of micro-credentials in upper secondary vocational education should be accelerated, alongside systematic efforts to upgrade the skills of learners and employees and to adapt education and training systems. This requires closer alignment between education and labour market needs, the promotion of lifelong learning, and the establishment of appropriate institutional and financial incentives for reskilling (including within the framework of active labour market policy measures).

/ **Figure 67: Participation in workplace training is relatively high (left); skills essential for the technological transformation of the economy need to be strengthened (right)**



Source: Eurofound (2025b); IER (2025b); WEF (2025).

Reliable medium- and long-term forecasts are essential for effective workforce management and the alignment of human resources with development needs, while demographic and other structural challenges place anticipatory skills management at the forefront of the economy’s industrial (5.0) and technological transformation. Medium- and long-term labour market projections (MDDSZ, 2025a) indicate a gradual decline in the number of job vacancies in 2025–2035, followed by stabilisation until 2039.¹⁷⁵ According to these projections, the largest gaps will continue to occur among highly educated professionals required for the provision of public services (particularly in education and healthcare) and among ICT specialists. These shortages are not new; however, the economy is entering a period of accelerated technological and societal transformation. The rapid expansion of generative AI and digitalisation is also creating structural risks for both the quantity and quality of jobs. For this reason, crisis-driven and reactive approaches to managing staff shortages are no longer sufficient

175 In the period 2025–2039, most job openings are expected to arise from replacement demand (due to retirements, etc.), with the largest number of positions projected for professionals. Alongside occupations related to non-industrial modes of work (linked to major infrastructure projects), professionals are the only occupational group for which net job creation is also expected (MDDSZ, 2025a).

and should be replaced by systematic and anticipatory skills management. European strategic orientations (Industry 5.0, ESIR and the European Skills Agenda) emphasise human-centricity, sustainability and resilience as the foundations of industrial transformation and highlight the need for early identification of changes in the structure of occupations, jobs and competences. Anticipatory skills management must therefore go beyond adapting education programmes and become a strategic foresight instrument linking labour market developments, technological change, industrial policy, research and innovation priorities, the green transition and broader societal development. An integrated policy framework must be established in which employment, skills, industrial strategy, technological transformation and societal development are systematically interconnected and supported by strategic foresight, regional differentiation¹⁷⁶ and multilevel governance, as well as close cooperation with social partners, including at the firm level.¹⁷⁷ Resilience should therefore become a central principle of system governance rather than merely a fiscal tool for crisis management. To maintain high-quality public services, a comprehensive and long-term workforce management strategy is required, focusing on identifying critical occupations, projecting long-term workforce needs, developing competencies, improving productivity, and making organisational and technological adjustments to ensure accessible, high-quality public services. The technological, digital and sustainable transition requires a strategic definition of development priorities and systematic workforce planning for the future, providing the economy with the conditions needed to increase productivity and achieve the necessary innovation transformation.

¹⁷⁶ Forecasts, education policies, activation measures and industrial strategy must be adapted to regional structural characteristics.

¹⁷⁷ Labour market forecasts need to be methodologically upgraded with projections of changes in the structure of occupations, jobs and competences so that they can serve as a robust analytical basis for aligning education, training and employment policies with long-term technological, demographic and economic trends.

4 Transition to innovation-driven growth

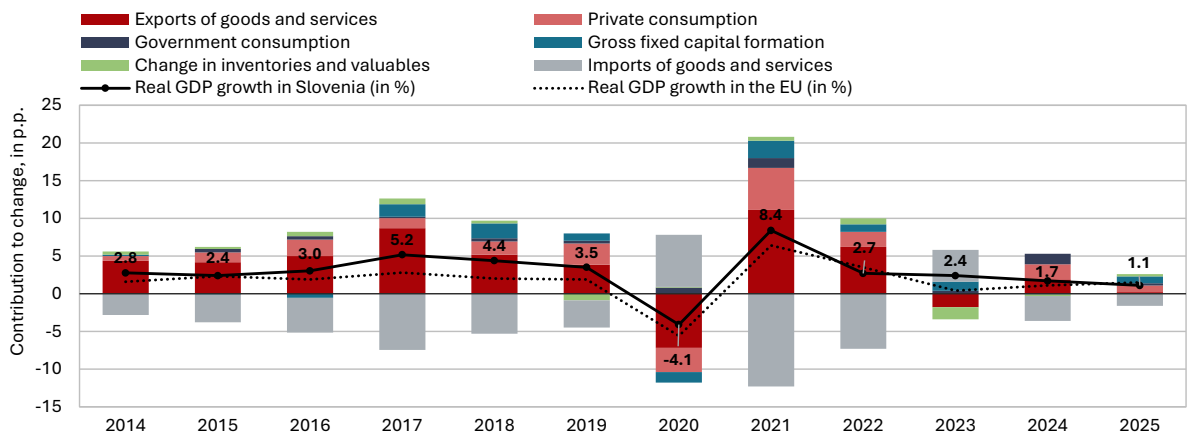
In advanced economies, innovation-driven growth is the primary driver of sustained productivity gains, which are a key determinant of long-term improvements in the quality of life. In Slovenia, where productivity growth has remained subdued for an extended period, this underscores the need to accelerate the transition towards a development model grounded in the creation, diffusion and application of knowledge. Innovation strengthens economic competitiveness by enabling higher value added, fostering technological progress and facilitating adaptation to structural and environmental challenges, while also increasing resilience to economic shocks. Consequently, it supports higher and more stable incomes, improves job quality and broadens access to goods and services, thereby directly raising living standards. At the same time, stronger productivity growth underpins fiscal sustainability and creates the conditions for the long-term provision of high-quality public services, which are an important pillar of overall quality of life.

4.1 Macroeconomic stability

Following a strong post-pandemic rebound, economic growth slowed in recent years, particularly in the export sector. The decline in GDP in the pandemic year 2020, which followed a six-year cyclical expansion (average annual GDP growth of 3.5%), was succeeded by a strong rebound in economic activity in 2021. Economic growth then began to slow, partly reflecting the impact of the energy crisis in 2022, and more markedly in 2025 (1.1%), when it fell below the EU average for the first time since 2013. However, from 2022 to 2025, Slovenia recorded stronger GDP growth than both the EU and V4 averages. In this period, domestic consumption grew somewhat faster than exports. Private consumption growth was driven mainly by rising disposable income amid high employment and stronger wage growth; during the period of elevated inflation, it was also supported by measures to mitigate rising energy and food prices. The strong growth in investment activity after 2020, supported by an increase in public and, to some extent, private investment, slowed in 2024 (see Section 4.4.1) and picked up again in the second half of 2025, particularly in construction. Export dynamics were driven by stronger external demand growth, the expansion of the pharmaceutical industry (excluding operations involving processing) and its rising share in exports, integration into global value chains, particularly through strong linkages with German industry, and an export structure characterised by a high share of the automotive and metal industries. While the former is undergoing structural change, the latter remains particularly vulnerable to elevated energy costs and US tariffs. As a result, export growth has been volatile in recent years; in 2025, exports stagnated and grew more slowly than EU import demand (see Section 4.2). Amid weaker export performance (and an increased secondary income deficit), the current account surplus declined somewhat in 2025, but remained sizeable and has persisted since 2012.¹⁷⁸

¹⁷⁸ Between 2012 and 2025, a current account deficit was recorded only in 2022, during the energy crisis

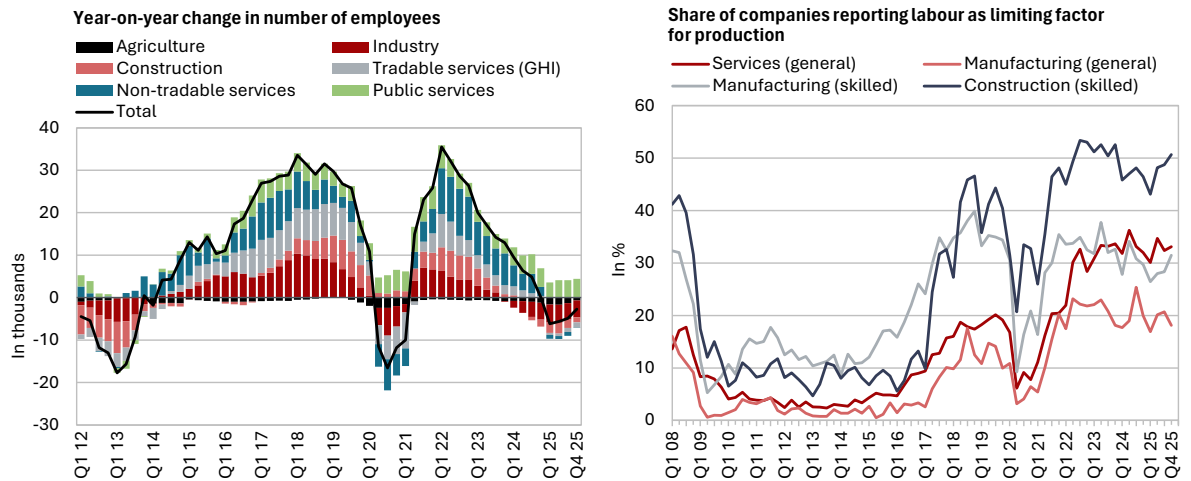
Figure 68: Economic growth slowed over the past three years, particularly in the export sector



Source: SURS (2026a).

The slowdown in economic growth has also affected the labour market, which is increasingly shaped by demographic changes and labour shortages. Employment, which reached a record high in 2024, declined slightly last year. At the same time, the labour market is increasingly shaped by demographic trends and changing skills needs, leading to shortages of (adequately skilled) workers (see also Section 3.2). As a result, recent employment growth has been driven primarily by the hiring of foreign nationals,¹⁷⁹ while the hiring of unemployed persons – whose number is at a historical low – made only a limited contribution. Labour shortages have, for several years, contributed to stronger wage growth in the private sector (6.5% on average per year in 2021–2025), particularly in certain service activities. Following the implementation of the public sector pay reform, wage growth also increased markedly in the public sector in 2025 (9.4% in 2025; 4.7% on average per year in 2021–2024).

Figure 69: Employment in public services increased in 2025, particularly in healthcare and education, while declining in other activities (left); nevertheless, a significant share of firms in these sectors continues to report labour shortages as a constraint (right)



Source: SURS (2026a).

and the sharp rise in import prices.

¹⁷⁹ The number of foreign workers increased by 1.9% in 2025, and was 51.4% higher than in the same period in 2019. Their share in total employment amounted to 16%.

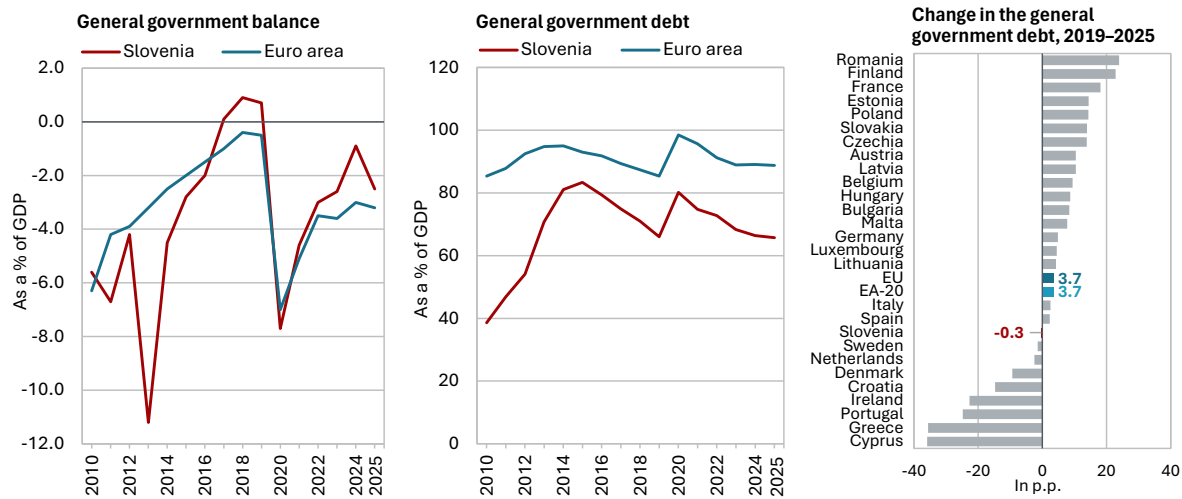
In recent years, fiscal policy has played an important role in mitigating the impact of macroeconomic shocks, resulting in a general government deficit still above its 2019 level; although the deficit has complied with the new fiscal rules over the past two years, maintaining compliance in the coming years will require adjustments on both the revenue and expenditure sides. Measures adopted in recent years to mitigate the effects of crises (the pandemic, energy crisis) and natural disasters provided significant support to the economy and households, resulting in a sizeable general government deficit after 2019, which gradually narrowed through 2024 as these measures were phased out (from -7.7% of GDP in 2020 to -0.9% of GDP in 2024), while public debt fell slightly below its 2019 level (65.7% of GDP; 2019: 66.0% of GDP). In 2025, the deficit increased again (to -2.5% of GDP) amid slower economic growth, the initial implementation phase of the wage reform¹⁸⁰ and the realisation of expenditures for which revenue had already been secured in 2024.¹⁸¹ Growth in healthcare expenditure also remained high, as earmarked revenues from social contributions have in recent years been insufficient to cover rising expenditure. Growth in pension expenditure also remained elevated following the introduction of the winter bonus as part of the pension reform (see Section 3.1.5). The share of general government investment increased markedly in 2025, reaching its highest level on record (5.6% of GDP). The deficits in 2024 and 2025 were lower than planned in the medium-term fiscal-structural plan (MTFSP) prepared in 2024 on the basis of the new EU fiscal rules,¹⁸² and progress was also made in the reform component of the plan (Government of the Republic of Slovenia, 2025a, 2025b). However, maintaining a fiscal path that ensures a reduction of debt below 60% of GDP in the medium term and its sustainability over the longer term will, in the coming years, requires adjustments on both the revenue and expenditure sides (see Section 6.6), including to maintain adequate fiscal space in the face of macroeconomic shocks. Measures included in the adopted budgets for 2026 and 2027 indicate that the factors underlying the elevated deficit in 2025 will persist in both of these years.

¹⁸⁰ On 1 January 2025, the public sector pay reform entered into force, and a winter bonus was paid in December 2025. In 2025, the growth of compensation of employees in the general government sector reached 14.9% (including the new long-term care contribution; at the same time, two entities were reclassified into the general government sector), while its share of GDP rose to 12.5% (1.2 p.p. more than in 2024).

¹⁸¹ These include increased tax revenues to finance post-flood reconstruction (a higher corporate income tax rate for the period 2024–2028, a tax on banks' balance sheet totals, and increased revenues from state assets), as well as additional resources for TEŠ in accordance with the Act on Transitional Financing of an Accelerated and Equitable Withdrawal from Coal.

¹⁸² In the MTFSP, the deficit for 2025 was planned at 2.6% of GDP, and for 2024 at 2.9% of GDP.

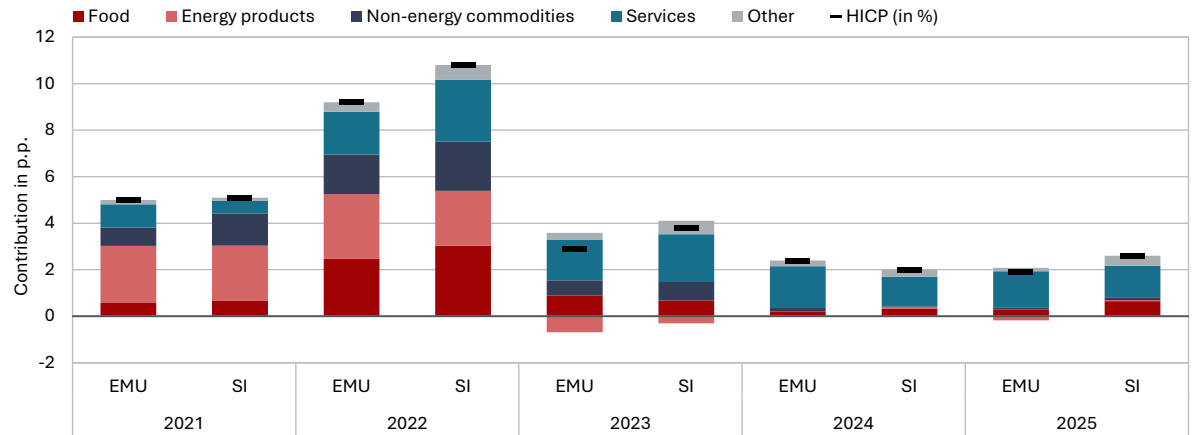
Figure 70: The general government deficit increased in 2025, while public debt declined further and returned to its 2019 level, placing Slovenia among the few EU countries with debt at or below its 2019 level (the year preceding multiple shocks)



Source: SURS (2026a); for euro area countries: European Commission Autumn Forecast (EC, 2025c).

Inflation, which had accelerated significantly during the post-pandemic recovery and the energy crisis, gradually declined towards 2%, but picked up slightly again in 2025, mainly due to rising food prices. Average inflation stood at 8.8% in 2022 and 7.4% in 2023, before easing significantly to 2% in 2024, also supported by measures to mitigate rising energy and food prices. In 2025, price growth picked up somewhat again, driven primarily by food prices and, to a lesser extent, services, reflecting stronger consumption and wage growth in certain service activities. By the end of the year, inflation stood at 2.7%, while the annual average was 2.4%. Over the longer period from 2020 to 2025, consumer prices increased by just over 24% on average, with the largest increases recorded for energy (33.5%), food (33.1%) and services (22%). Inflation¹⁸³ in Slovenia was again higher than in the euro area in 2025, with core inflation also remaining somewhat higher (mainly due to stronger growth in service prices).

Figure 71: The increase in inflation in 2025 was mainly driven by food prices



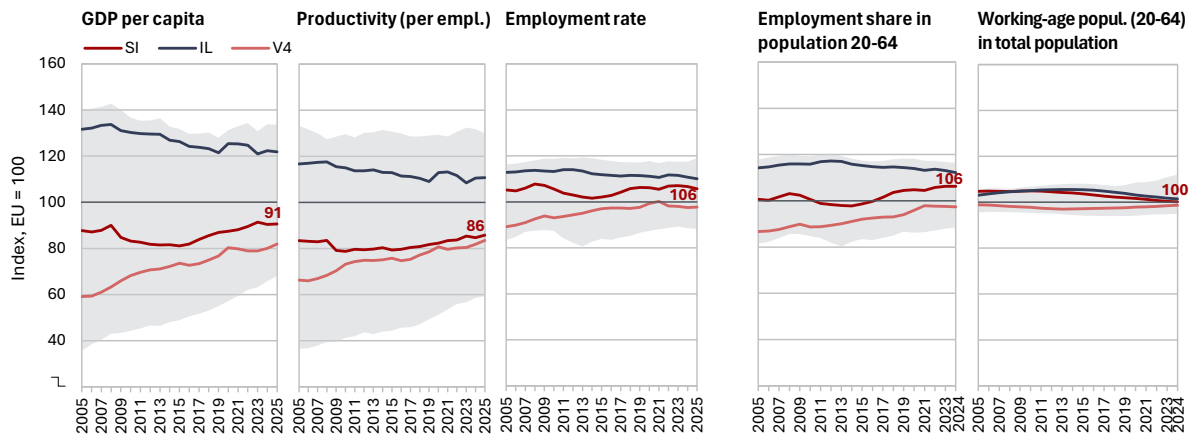
Source: Eurostat (2026). Note: The indicator for the euro area is calculated as a weighted average.

¹⁸³ As measured by the HICP.

4.2 Productivity and competitiveness

Slovenia’s level of economic development remains below the EU average due to lower productivity, with GDP per capita (in PPS) reaching 91% of the EU average in 2025. GDP per capita is an indicator of economic development and an important determinant of quality of life (OECD, 2026b). In 2015, Slovenia recorded its widest gap relative to the EU average following the global financial crisis. By 2023, the gap with the EU had narrowed, but convergence has stalled since then. During the expansion after the global financial crisis, the narrowing of the GDP per capita gap with the EU was driven roughly equally by productivity and the employment rate (the share of the population in employment). Since 2019, however, convergence has been driven primarily by productivity. As the employment rate (employed persons in the population aged 20–64) is already well above the EU average,¹⁸⁴ and the share of the population aged 20–64 (the statistical definition of the working-age population) is declining due to demographic factors, future GDP growth will therefore depend primarily on productivity gains, with productivity in 2025 remaining 14% below the EU average (in PPS).

/ Figure 72: With employment rates already high and demographic changes reducing the working-age population, future growth in GDP per capita will increasingly depend on productivity growth



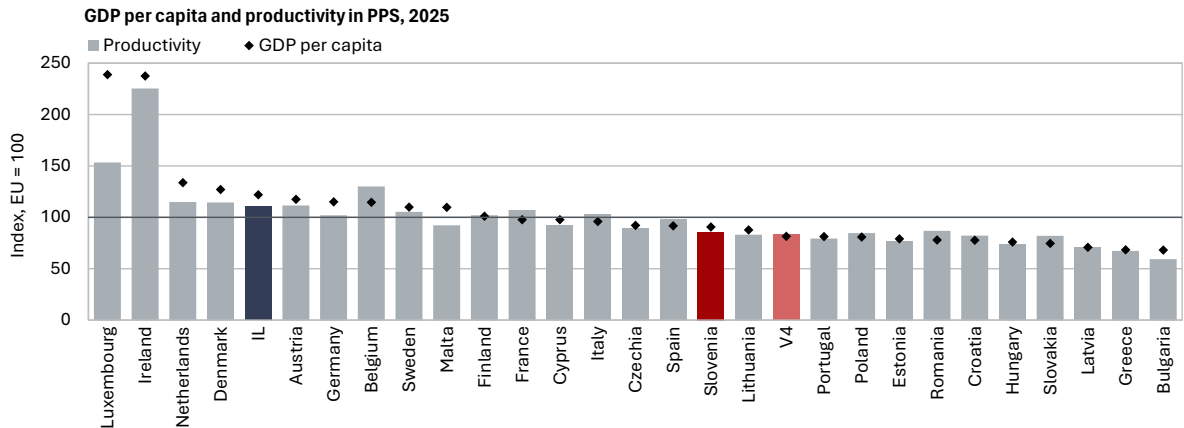
Source: Eurostat (2026); IMAD calculations. Notes: GDP per capita and productivity are expressed in purchasing power standards (PPS). GDP per capita is decomposed into the employment rate (the share of the population in employment) and productivity (GDP per person employed). The employment rate is further decomposed into the employment rate of the working-age population (20–64) and the share of the working-age population (20–64) in the total population, reflecting the impact of demographic changes on the size of the working-age population. The grey shaded area indicates the range between the EU Member State with the lowest and the one with the highest indicator value (Luxembourg and Ireland are excluded due to extreme values). The indicators for country groups are calculated as weighted averages.

Productivity growth slowed markedly in the period 2020–2024, which was characterised by two crises; a similar pattern was observed across the EU, including the Visegrad Group and the innovation leaders. Following the economic expansion in 2014–2019, when average annual productivity growth reached 1.5% per employee and 2.1% per hour worked, growth slowed to 1.1% and 1.0%, respectively, in 2020–2024 – a period marked by the pandemic and the energy crisis. Nevertheless, it remained significantly above the EU average (and the average of the innovation leaders) but slightly below the level recorded in the V4 countries (Figure 74). The slowdown was more pronounced in services than in manufacturing. In most market services (G–I, M–N),¹⁸⁵ productivity in 2024 remained broadly unchanged from its 2019

¹⁸⁴ The employment rate among persons aged 30–54 is above-average, while among young people and older persons it remains below the international average (see Section 3.2.1).

¹⁸⁵ Group G–I comprises traditional market services: trade, accommodation and food service activities,

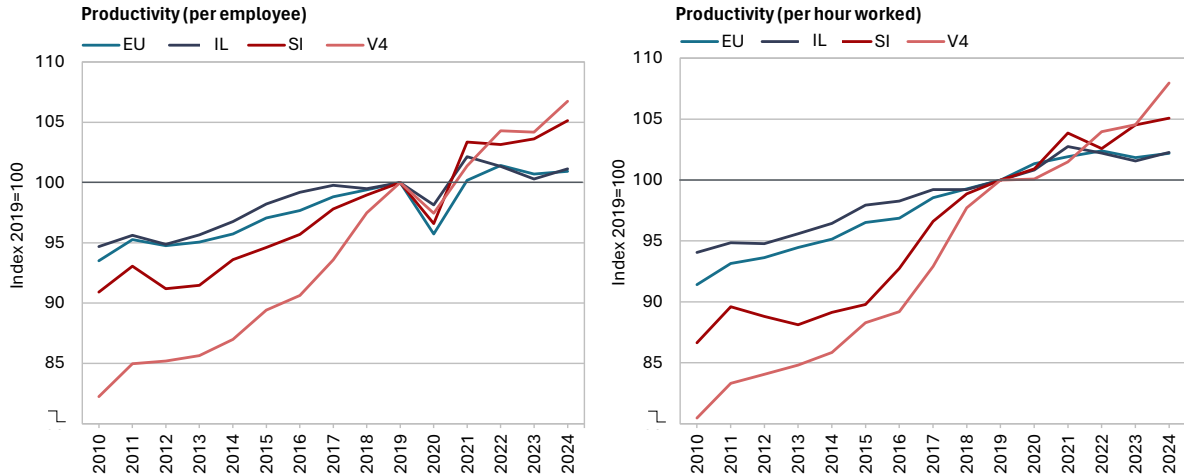
Figure 73: Slovenia ranked 16th in the EU in 2025 in terms of both GDP per capita and productivity (in PPS)



Source: Eurostat (2026); IMAD calculations. Notes: PPS – purchasing power standard. The indicators for country groups are calculated as weighted averages.

level, following a period of above-EU-average growth between 2014 and 2019. An exception was ICT services, where productivity resumed growth after several years of decline starting in 2016. As a result, the gap in productivity growth in market services relative to the V4 widened, while average growth also slightly lagged behind the EU average. By contrast, manufacturing recorded productivity growth in 2020–2024 that was comparable to the V4 and higher than the EU average.¹⁸⁶ The divergence between manufacturing and services reflects employment dynamics, as employment in manufacturing moderated more rapidly and more sharply in the post-pandemic period than in services. In construction, productivity growth was relatively stable over the long term; however, in 2020–2024 it weakened following the preceding expansion, broadly in line with developments in the V4 countries and innovation leaders, and to a somewhat lesser extent than in the EU as a whole.

Figure 74: Slowdown in productivity growth over 2000–2024 in Slovenia, the EU, innovation leaders and the Visegrad Group

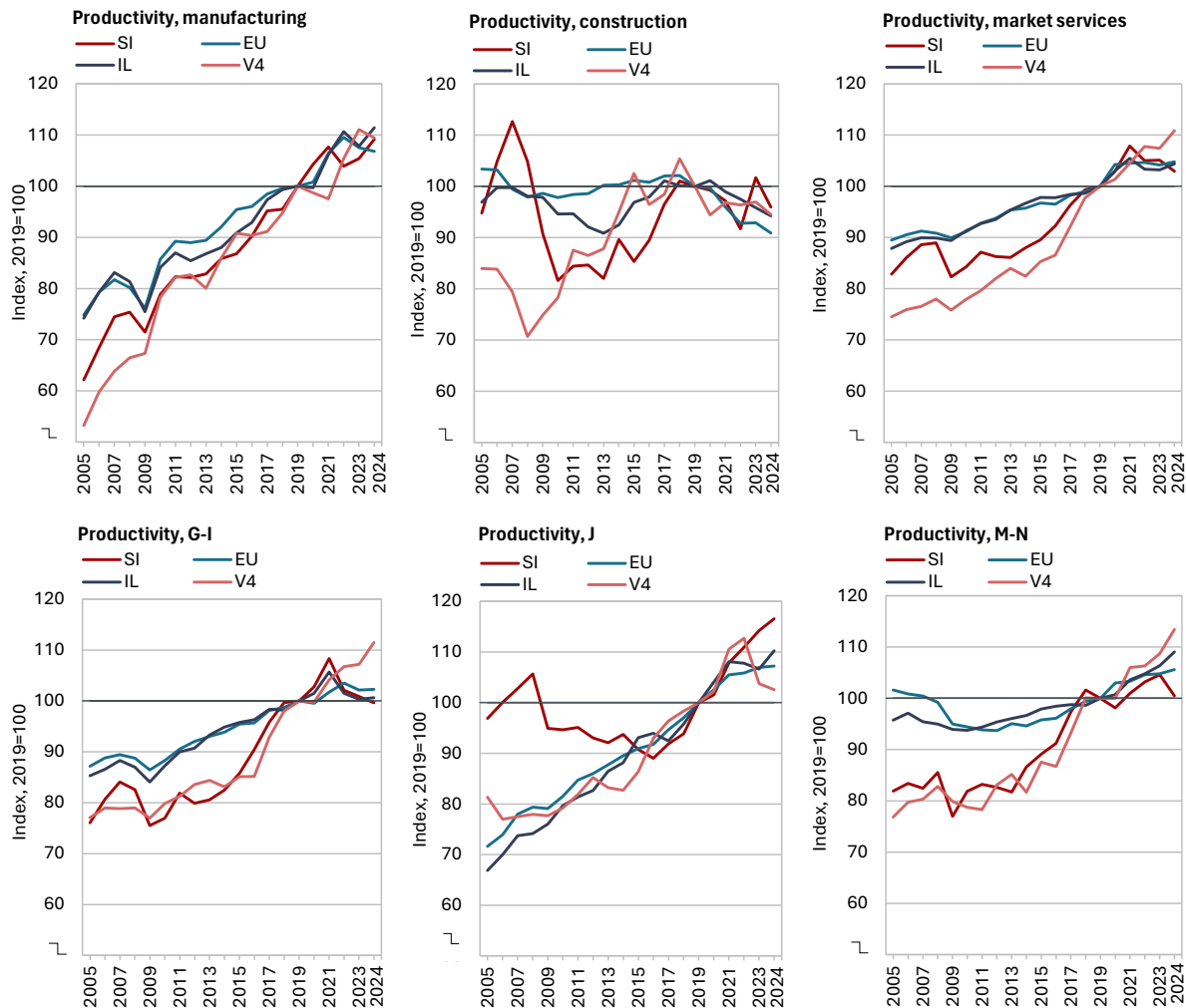


Source: Eurostat (2026); IMAD calculations. Notes: Productivity is calculated as GDP (at constant prices) per employee or per hour worked. The indicators for country groups are calculated as weighted averages.

and transportation. Group M–N comprises professional, scientific and technical activities and administrative and support service activities.

¹⁸⁶ (Real) value added growth in manufacturing exceeded the averages of both the EU and the V4.

/ Figure 75: Manufacturing remained the main driver of productivity growth and convergence towards the EU average in 2020–2024, while growth in market services (with the exception of ICT services) lagged behind both the V4 countries and, to a lesser extent, the EU average



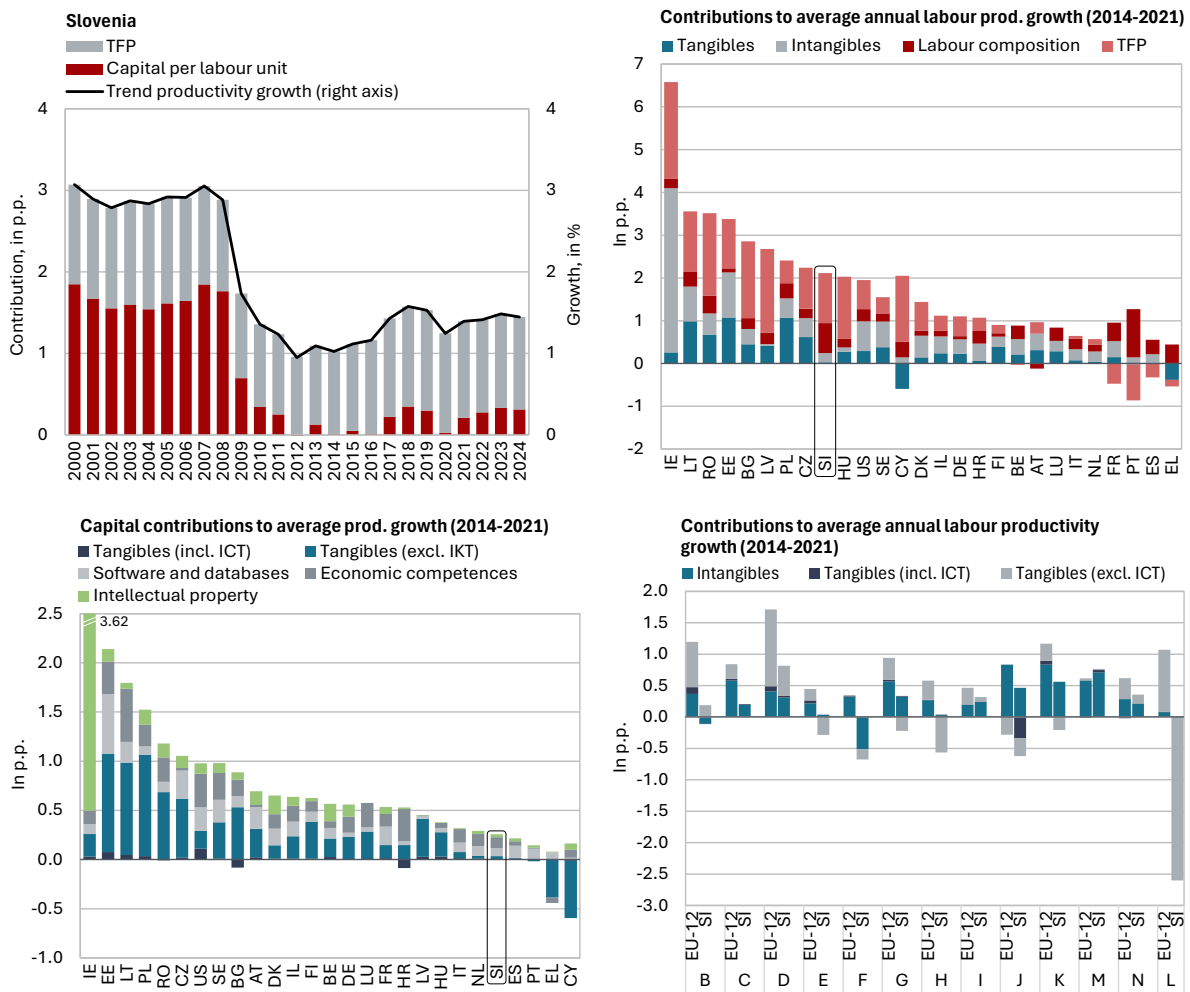
Source: Eurostat (2026); IMAD calculations. Notes: Productivity is measured as value added (at constant prices) per hour worked. G–I: trade, accommodation and food service activities, transportation; J: information and communication; M–N: professional, scientific and technical activities and administrative and support service activities. The indicators for country groups are calculated as weighted averages.

Productivity growth has been constrained since the global financial crisis by low investment in both tangible and intangible capital, a pattern observed across most economic activities. Trend labour productivity growth accelerated after the global financial crisis and peaked in the period 2017–2019, before moderating thereafter. Since the financial crisis, total factor productivity (TFP), which usually reflects technological progress,¹⁸⁷ has made the largest contribution to productivity growth. By contrast, capital deepening (the contribution of capital per unit of labour) has remained modest following its sharp decline during the financial crisis (Figure 76, left). Data from EUKLEMS & INTANProd (2025) for the period 2014–2021 show that, in addition to TFP, changes in labour composition¹⁸⁸ – particularly a higher share of highly productive workers – also made a significant contribution to

¹⁸⁷ In this decomposition of productivity growth, the contribution of TFP is defined as a residual and therefore includes the effects of all other factors (including changes in the composition of labour) except capital.
¹⁸⁸ Labour is cross-classified by education level (high, medium, low), age (15–29, 30–49 and 50 and over) and gender for a total of 18 types of workers.

labour productivity growth. However, the contribution of capital, both tangible and intangible (computer software and databases, intellectual property, trademarks, organisational capital and worker training), was among the lowest in the EU. A comparison with twelve EU countries with available sector-level data shows that the contribution of both types of capital to productivity growth is below average in most business sector activities.

Figure 76: Since the global financial crisis, Slovenia’s productivity growth has been driven mainly by improvements in total factor productivity (a proxy for technological progress) and changes in labour composition, while the contribution of capital (both tangible and intangible) has been among the lowest in the EU

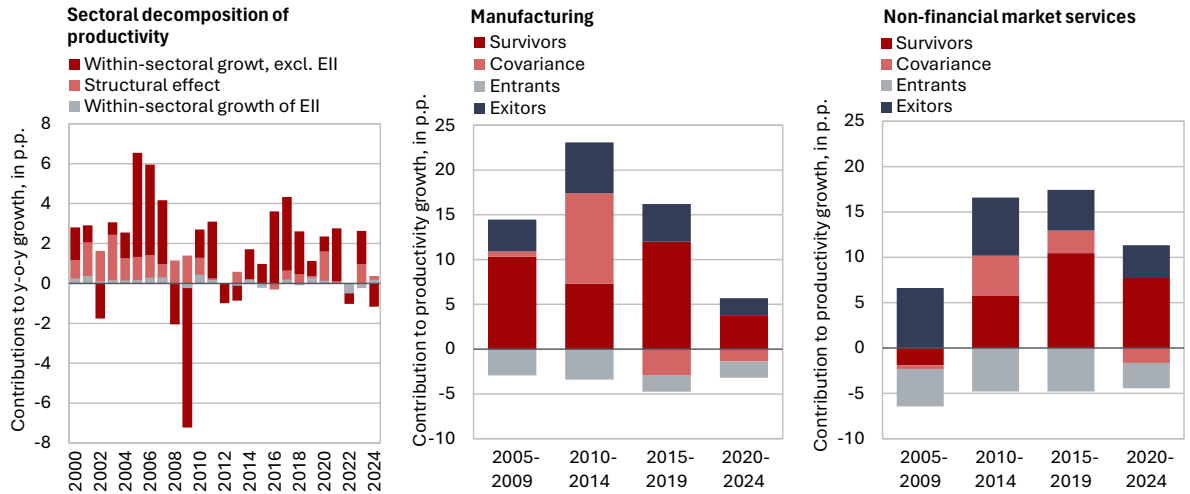


Source: SURS (2026a) (top-left panel); EUKLEMS & INTANProd (2025) (other panels); IMAD calculations. Notes: The estimate of trend productivity is based on an assessment of potential GDP growth and its decomposition into the contributions of the production factors of potential labour, capital and total factor productivity (Ollivaud et al., 2016). EU-12: EU countries for which sector-level data on the contribution of different types of capital to productivity growth are available: Austria, Belgium, Czechia, Germany, Denmark, Estonia, Finland, France, Italy, Lithuania, the Netherlands and Sweden. Labour is cross-classified by education level (high, medium, low), age (15–29, 30–49 and 50 and over) and gender for a total of 18 types of workers. TFP – total factor productivity. According to national accounts, capital is divided into tangible ICT capital (computer hardware and telecommunications equipment), tangible non-ICT capital (buildings and structures, transport equipment, other machinery and equipment, breeding stocks and orchard development) and part of intangible capital (software and databases, and intellectual property, more specifically research and development, entertainment and artistic originals). The EUKLEMS & INTANProd database further includes intangible capital not covered in the national accounts, expanding the scope of intellectual property (to include new financial products and industrial design) and adding economic competencies (branding, organisational capital, employee training). Productivity is measured per hour worked. Indicators for country groups are calculated as unweighted averages.

Labour reallocation contributed positively to productivity growth only across sectors in 2020–2024, but not within sectors. Reallocation contributes to productivity growth by ensuring resources are used where they create the most value (Mattioli and Borowiecki, 2025). In 2020–2024, within-sector and within-firm productivity growth slowed cyclically, while the structural effect of

labour reallocation (measured in hours worked) between sectors was positive and stronger than in the previous expansionary period (2014–2019). This was particularly evident in 2020 and 2023, when the pandemic and the energy crisis affected sectors asymmetrically (Figure 77, left). By contrast, within-sector labour reallocation did not contribute positively to productivity growth in 2020–2024, either in manufacturing or in (non-financial) market services (Figure 77, middle and right-hand panels; covariance component). The effect of net firm market exit (exits minus entries) was slightly positive only in the service sector. The limited degree of within-sector restructuring, which would otherwise reduce the share of low-productivity firms and increase aggregate productivity, appears to be associated with the relatively favourable financial position of firms during the pandemic and the energy crisis, partly reflecting extensive government support measures¹⁸⁹ (see Section 4.3). When implementing such emergency measures, it is therefore essential to ensure that they are well targeted and address only the impact of cyclical (rather than structural) difficulties on firms’ operations. Limited labour reallocation across firms may also reflect firms’ lower propensity to reduce employment during adverse economic conditions, as the shrinking working-age population reduces their ability to rehire workers once growth resumes.

/ Figure 77: In the period 2020–2024, labour shifted from less to more productive sectors, while within-sector labour reallocation (the covariance component) made no positive contribution to productivity growth



Source: SURS (2026a), AJPEs (n.d.-d); IMAD calculations. Notes: The sectoral decomposition of productivity growth (measured per hour worked) is conducted at the SKD 2008 (NACE Rev. 2) division-level data (two-digit NACE codes) using national accounts data. EII – energy-intensive manufacturing activities (manufacture of basic metals, non-metallic mineral products, paper, and chemicals). Non-financial market services: activities classified under Sections G–N of the Standard Classification of Activities (2008). Firm-level productivity growth is decomposed using the Melitz–Polanec method (for details, see IMAD (2019b), Boxes 1 and 2). The analysis is based on division-level data (two-digit NACE codes) and weighted by the number of employees. Covariance refers to the covariance between productivity and firm size. A positive contribution of covariance means that the share of above-average productivity firms in the (employment) structure is increasing.

Firm creation and early-stage entrepreneurial activity strengthened in the aftermath of the pandemic, but momentum has stalled in recent years, with Slovenia ranking around the average on both indicators in terms of international comparison. Newly-born enterprises play an important role in enhancing economic efficiency by replacing less productive companies with more dynamic ones, thereby supporting the reallocation of resources towards higher value-added activities. In the post-pandemic period, the number of

¹⁸⁹ These measures contributed to preserving firms’ productive potential, which could otherwise have been substantially reduced during crises, while at the same time restraining restructuring, which in a market economy is an integral component of productivity growth and of the economy’s capacity to respond to new demands.

newly established enterprises increased and remained broadly stable over 2023–2025, albeit at historically elevated levels. This increase was driven primarily by services, while firm creation in manufacturing has either declined in recent years or stagnated over a longer horizon (Figure 78, left). According to data for 2023, Slovenia's enterprise creation rate is broadly in line with the EU average – above average in services but below average in manufacturing. An OECD (2025n) analysis based on firm-level microdata up to 2022 indicates that the share of very young firms (aged two years or less) is below the international average. However, these firms exhibit relatively high survival rates and above-average growth in both manufacturing and services. This may point to a preference for less risky business models, possibly reflecting limited access to venture capital or a lower willingness to take risks (OECD, 2025n). The growth of early-stage entrepreneurial activity (measured as the share of adults starting or managing a new business)¹⁹⁰ has also stagnated in recent years. Although it follows long-term EU trends, it remains below the EU average¹⁹¹ and, after a post-pandemic recovery, declined markedly again in 2025 (Figure 78, right). The GEM report (GEM, 2025) highlights significant differences in motivation and perceived barriers across population groups (by age, gender and education), suggesting that, alongside broad-based business support measures, more targeted, group-specific policies may also be warranted.

The quality of the start-up support environment remains relatively weak in international comparison, despite notable progress in 2025. According to the ESNA (2026) report, Slovenia ranked 17th among the 21 EU Member States for which data are available.¹⁹² Over the past year, Slovenia recorded the largest improvement among them,¹⁹³ with its score increasing by 38 p.p. to reach 62% of the good practice standards for start-up ecosystems (compared with an ESNA average of 70%, up 9 p.p. year-on-year). Progress was observed across all eight standards, with the most pronounced improvement in the availability of employee stock options¹⁹⁴ in innovative start-ups. Employee remuneration in start-ups is also addressed by the new Employee Participation in Profit Sharing Act (ZUDDob-1, 2026), which could help attract highly skilled workers, whose shortage currently constitutes a significant constraint on the growth of these firms. There has also been a noticeable improvement in emphasising the importance of start-up entrepreneurship in Slovenia¹⁹⁵ and in the conditions for the rapid establishment and easy market entry of these enterprises. Further progress is expected with the implementation of the Slovenian Startup Strategy 2030 (MGTŠ, 2026b).

¹⁹⁰ Early-stage entrepreneurial activity is defined as the share of the adult population (aged 18–64) who, in a given year, are in the process of starting a business or are engaged in new business activities, including self-employment. It also includes individuals who are owners or managers of new firms operating for less than 42 months.

¹⁹¹ The figure refers to the average of EU countries participating in the GEM survey.

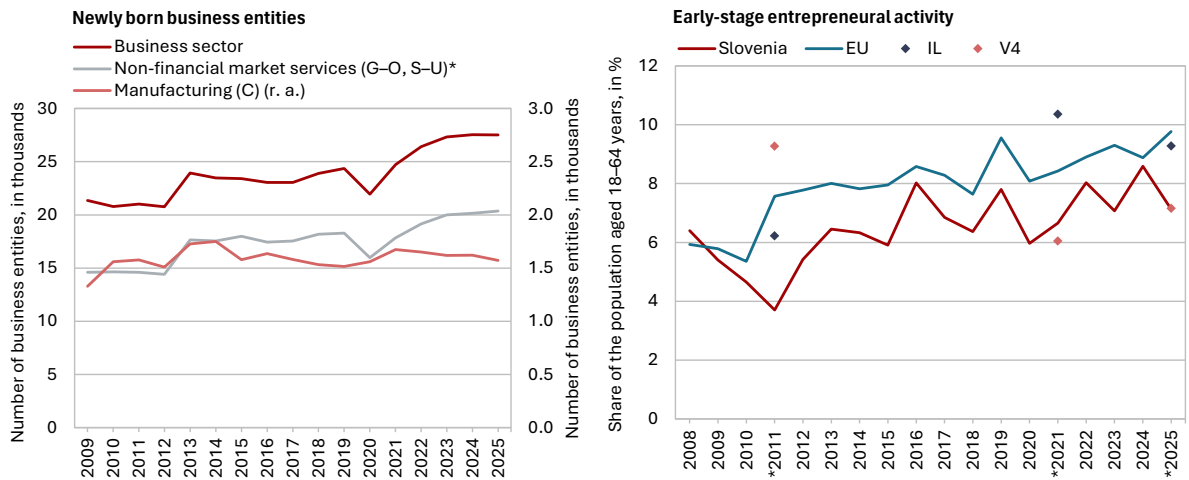
¹⁹² Slovenia also performs relatively well in the latest Innovators Business Environment Index, ranking 41st out of 125 countries worldwide; among EU Member States, only the Netherlands and Estonia ranked within the top ten. Slovenia's high ranking reflects strong institutional conditions, high market trust, and competitive regional accessibility (StartupBlink, 2026).

¹⁹³ Slovenia ranked last in 2024.

¹⁹⁴ Employee stock options had already been introduced in 2024 through amendments to the Personal Income Tax Act (ZDoh-2AB, 2024), but these changes were not yet reflected in the ESNA (2025) report.

¹⁹⁵ At the EU level, a strategy was adopted last year to address key shortcomings in the functioning of the single market (capital- and regulatory fragmentation, underutilised public procurement, slow innovation uptake to markets, and lower risk-taking from investors), which continue to constrain start-up functioning and development (EC, 2025q).

/ Figure 78: The number of newly born business entities increased during the post-pandemic period only in service activities (left); early-stage entrepreneurial activity has stalled in recent years after a post-pandemic rebound (right)



Source: AJPES (n.d.-a), GEM (2026a), GEM (2026b); IMAD calculations. Notes: The business sector covers all legal forms of business organisation (activities A–V). Non-financial market services (G–O, S–U)** exclude activity L. Early-stage entrepreneurial activity is defined as the share of the adult population (aged 18–64) who, in a given year, are in the process of starting a business or are engaged in new business activities, including self-employment. It also includes individuals who are owners or managers of new firms operating for less than 42 months. EU data are not fully comprehensive; they cover only EU countries participating in the GEM survey, with slight variation in country coverage across years. *2011: IL and V4 include all countries in their respective groups; 2021 and 2025: IL excludes Denmark, V4 excludes Czechia. Indicators for country groups are calculated as unweighted averages.

According to quarterly data, productivity growth remained moderate in 2025, while labour cost growth stayed relatively strong, leading to a deterioration in cost and price competitiveness as well as profitability. Productivity growth (1.5%) slowed markedly in manufacturing amid weak activity. In contrast, it picked up slightly in (market) services (G–I) after two years of subdued performance, and rebounded strongly in construction following a sharp decline in the previous year. At the same time, labour costs (per employee) continued to grow at a relatively robust pace across all sectors, given the prevailing economic conditions. In the business sector, this was driven primarily by shortages in the labour market, while the introduction of the winter bonus at the end of 2025 further contributed to the acceleration. The persistence of labour costs outpacing productivity growth (i.e. growth in nominal unit labour costs¹⁹⁶) led to a further deterioration in cost competitiveness (REER ulc¹⁹⁷). Having already increased markedly during the 2022 energy crisis, the REER ulc rose again in 2024 and 2025, following a temporary improvement. In 2024, the deterioration was driven mainly by construction, which also weighed on profitability (higher RULC,¹⁹⁸ particularly in construction), although this was not reflected in price competitiveness indicators (REER-ppi, REER-hicp). In 2025, manufacturing stood out within the business sector¹⁹⁹ for relatively strong growth in nominal unit labour costs (NULC) compared with the EU average (although still lower than in the V4 countries). This further weakened price competitiveness, particularly as reflected in the REERppi indicator, which captures price competitiveness in manufacturing. Profitability also continued to decline (RULC increasing particularly in manufacturing), suggesting that firms were able to pass only

¹⁹⁶ NULC – nominal unit labour costs (the ratio of nominal compensation per employee to real productivity).

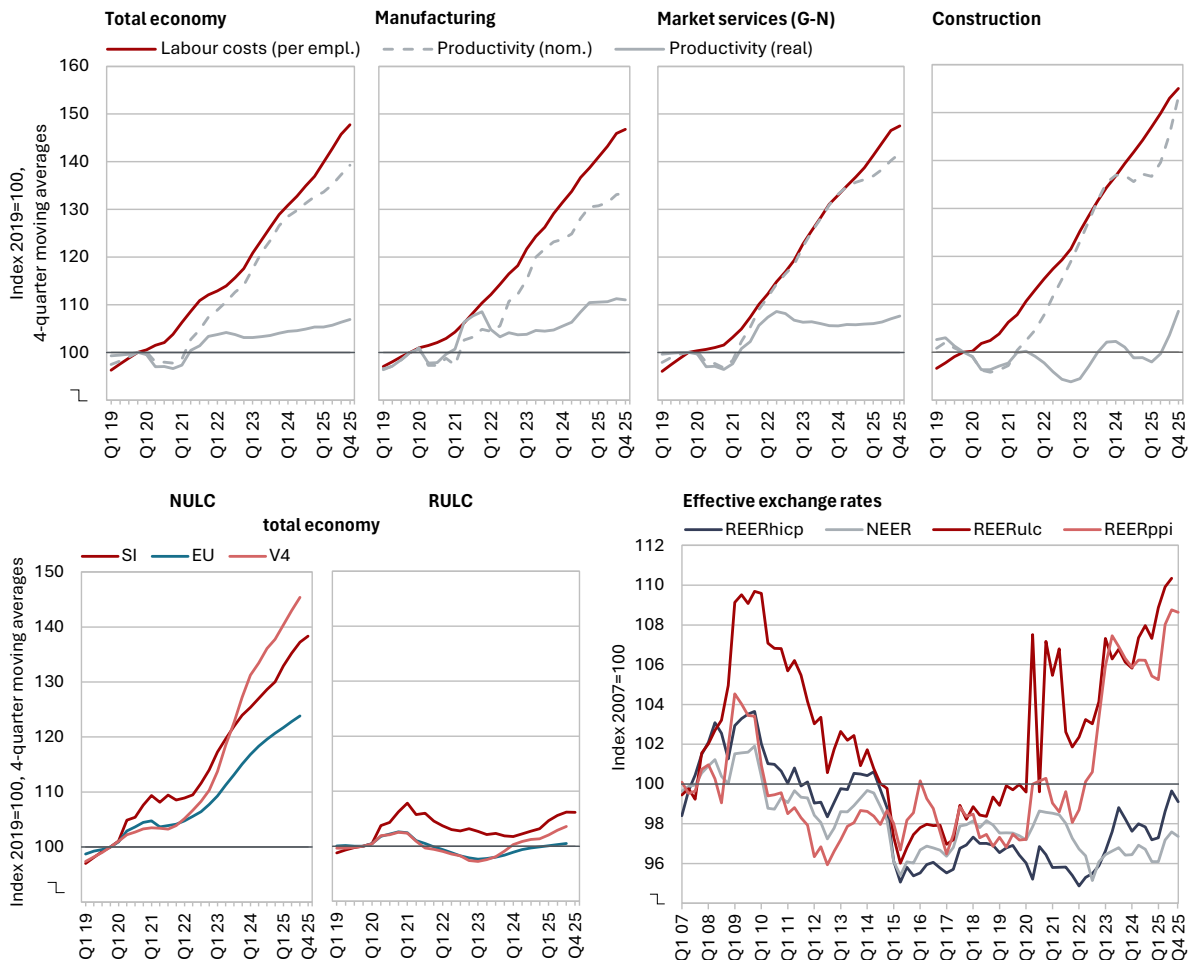
¹⁹⁷ REER hicp (ppi, ulc) – real effective exchange rate deflated by HICP (PPI, ULC). An increase in the indicator value means an appreciation of the euro and/or a rise in relative prices against a basket of trading partners, weighted based on their significance in Slovenian trade in goods.

¹⁹⁸ RULC – real unit labour costs (the ratio of nominal compensation per employee to nominal productivity).

¹⁹⁹ In 2025, NULC growth accelerated in public services (O–Q), driven by stronger wage growth following the implementation of the public sector wage reform.

part of the rise in costs (NULC) on to prices, while absorbing the remainder through lower profit margins.²⁰⁰ Since the onset of the energy crisis, nominal unit labour costs (NULC) in Slovenia have increased more than the EU average but less than in the V4 countries (with developments in manufacturing broadly mirroring those in the V4).²⁰¹ Continued growth in NULC – particularly in manufacturing – could therefore lead to a marked deterioration in the competitive position of the export sector.

Figure 79: Labour costs continued to outpace productivity growth in 2025, contributing to weaker cost and price competitiveness and lower profitability (as measured by RULC)



Source: Eurostat (2026), SURS (2026a), ECB (2026); IMAD calculations. Notes: Productivity is measured as GDP or value added (at constant prices) per employee. Labour costs = compensation of employees. NULC – nominal unit labour costs (the ratio of nominal compensation of employees per employee to real productivity). RULC – real unit labour costs (the ratio of nominal compensation of employees per employee to nominal productivity). NEER – nominal effective exchange rate. REER hicip (ppi, ulc) – real effective exchange rate deflated by HICP (PPI, ULC). An increase in the indicator value means an appreciation of the euro and/or a rise in relative prices against a basket of trading partners, weighted based on their significance in Slovenian trade in goods. The indicators for country groups are calculated as weighted averages.

Amid deteriorating cost and price competitiveness in manufacturing, growth in Slovenia's goods export market share also stalled in 2025.

Following the global financial crisis, Slovenia's share of the global goods market increased steadily until 2020 (rising by 29% over 2012–2020). In 2021 and 2022, it declined sharply amid supply chain disruptions and the energy

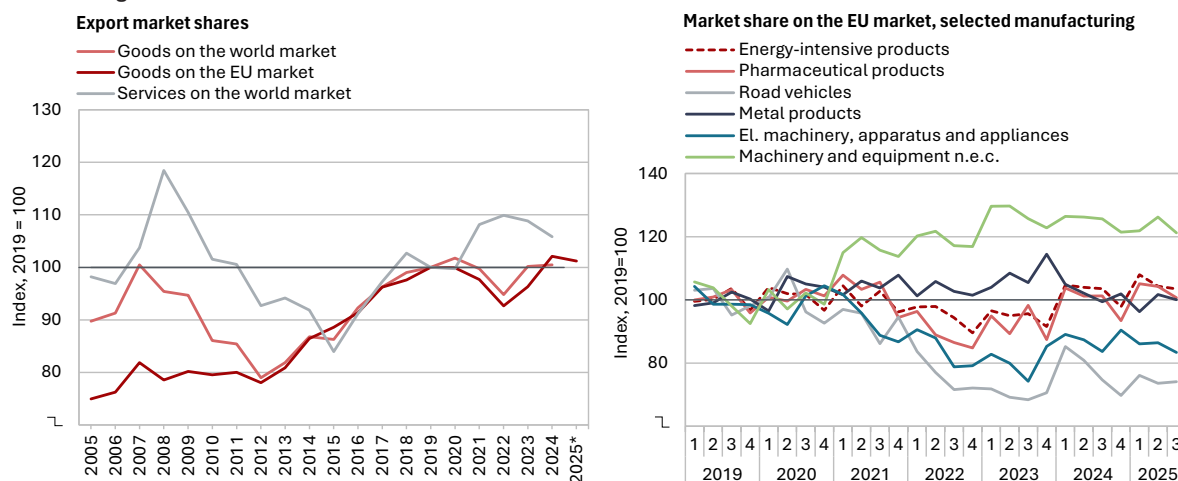
²⁰⁰ With the increase in NULC during the energy crisis (beginning in 2022), profitability did not deteriorate (no increase in RULC), indicating an almost complete pass-through of higher costs into prices.

²⁰¹ Overall, profitability (RULC) evolved broadly in line with the EU average and more favourably than in the V4 (the deterioration in manufacturing was somewhat more pronounced than in the EU).

crisis, but by 2024 it had recovered close to its pre-decline level (0.19%). These fluctuations were mainly driven by developments in vehicles, pharmaceutical products, electrical equipment, and energy-intensive products (particularly iron, steel and paper). The increase in 2023 was driven mainly by the favourable composition of Slovenian exports, while growth in 2024 – particularly reflecting a rebound following the energy shock at the beginning of the year – was, according to decomposition analysis, mainly driven by improved export performance across product markets. Preliminary data for 2025, available only for the *EU market*, indicate a renewed decline in market share. Decomposition analysis suggests that this was largely attributable to weaker export performance in the EU market, possibly linked to the deterioration in the cost and price competitiveness of manufacturing. The decline was also partly the result of one-off factors, such as the discontinuation of a vehicle model at Slovenia's largest car manufacturer. At the same time, the structure of Slovenia's exports to the EU did not differ significantly from the composition of EU import demand and therefore did not affect the change in market share in 2025.

Slovenia's share of global services exports has declined somewhat since 2022, mainly reflecting a post-pandemic drop in travel and transport services. After 2015, the share increased gradually, reaching its highest level in the past decade in 2022 (0.17%, 30% higher than in 2015), although it remained below its pre-global financial crisis level. This growth was driven primarily by transport and travel services, as well as construction and other business services. In 2023 and 2024, the share declined, mainly due to declining exports of transport and travel services. By contrast, the shares of other business services and construction services remained close to their recent peak levels. Nevertheless, knowledge-intensive services (particularly ICT and financial services) still account for a relatively small share of Slovenia's service exports, despite rapidly growing global demand for these services. In 2024, these services accounted for 9.1% of Slovenia's service exports, compared with 30.6% in global imports.

/ Figure 80: The export market share of goods declined slightly in 2025, while the share of services exports has been decreasing since 2022



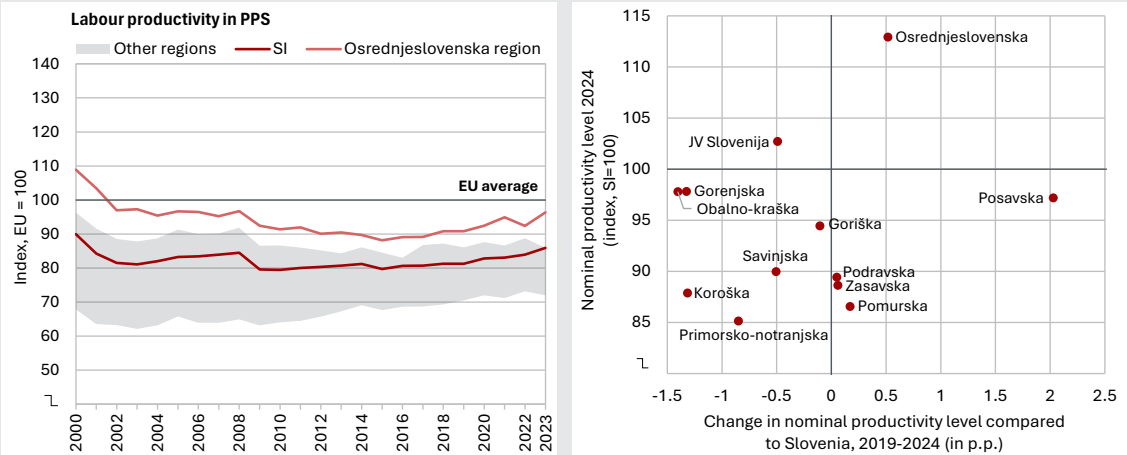
Source: UNCTAD (2026), UN Comtrade (2026), Eurostat (2026), SURS (2026a), WTO (2025); IMAD calculations. Note: Slovenia's goods exports exclude exports of pharmaceuticals to Switzerland, which serve as a proxy for the sharp increase in re-exports of pharmaceutical products. These flows do not reflect a change in the competitive position, have a negligible impact on economic activity, and are not included in national accounts export data. The figure for 2025 (left-hand panel) is an IMAD estimate based on quarterly data from SURS and Eurostat.

Box 1

Analysis of regional competitiveness and interconnectedness

In international comparison, the low productivity of Slovenian regions points to considerable scope for accelerating the country's economic development. All Slovenian regions lag behind the EU average in productivity (GDP per employee in PPS), including the leading Osrednjeslovenska region (96% of the EU average in 2023), whose productivity in 2024 exceeded the national average by 12.9%. It is followed by Jugovzhodna Slovenija, which has in recent years maintained productivity level slightly above the national average, and by the Gorenjska and Obalno-Kraška regions, which saw their productivity advantage relative to the national average diminish over the period 2019–2024, falling below it in 2024. Productivity in the Posavska region has been converging towards the national average, supported by accelerated growth in recent years.²⁰² By contrast, the Primorsko-Notranjska and Koroška regions in particular are lagging further behind.

Figure 81: All Slovenian regions lag behind the EU average in terms of productivity (left), with the Osrednjeslovenska region standing out as the leading region both in terms of productivity levels and growth (right)



Source: Eurostat (2026), SURS (2026); IMAD calculations. Note to the left-hand panel: Nominal labour productivity is converted into purchasing power standards (PPS) at the regional level using national purchasing power parity (PPP), as regional PPP data are not available. The shaded area indicates the range between the region with the lowest and the region with the second-highest indicator value. Note to the right-hand panel: The x-axis shows nominal productivity growth (data on real productivity growth by region are not available). Relatively strong productivity growth in the Posavska region is driven primarily by the energy sector, while in the Osrednjeslovenska region it reflects the pronounced concentration of financial intermediation activities (excluding activities K–N, productivity growth in the Osrednjeslovenska region is close to the national average). Both sectors experienced strong price growth during this period.

Key drivers of regional productivity include investment activity, business competitiveness (R&D investment, goods exports), digital connectivity, and the educational structure of the population. Based on productivity indicators adapted from the TPI UK ITL3 Scorecards methodology (Sarsfield et al., 2025), the two Slovenian regions with above-average productivity stand out for their strong export orientation and well-developed business digitalisation, with the Osrednjeslovenska region also benefiting from a robust labour market. In the latter, a favourable educational structure and low levels of sickness absence are important

²⁰² Nominal productivity growth in the Posavska region has been driven primarily by strong increases in energy prices, reflecting the region's traditional specialisation in this sector.

contributing factors. These characteristics – together with stronger investment activity – are also typical of regions with productivity close to the national average. There are no notable differences between regions in terms of the share of the working-age population or the employment rate, suggesting that regional productivity differences are primarily structural in nature. The largest regional differences are observed in business enterprise R&D investment, where Jugovzhodna Slovenija stands out with consistently high long-term investment. It is followed by the Goriška and Zasavska regions, while investment in the Osrednjeslovenska region has declined noticeably since 2016 and is now below the national average. These differences suggest substantial untapped potential across most regions for the development of higher value-added activities driven by knowledge, innovation, and technological development.

Table 1: Differences in productivity drivers indicate untapped development potential across regions

Legend:

More than 15% above the national average

5.1–15% above the national average

Around the national average (95%–105%)

5.1–15% below the national average

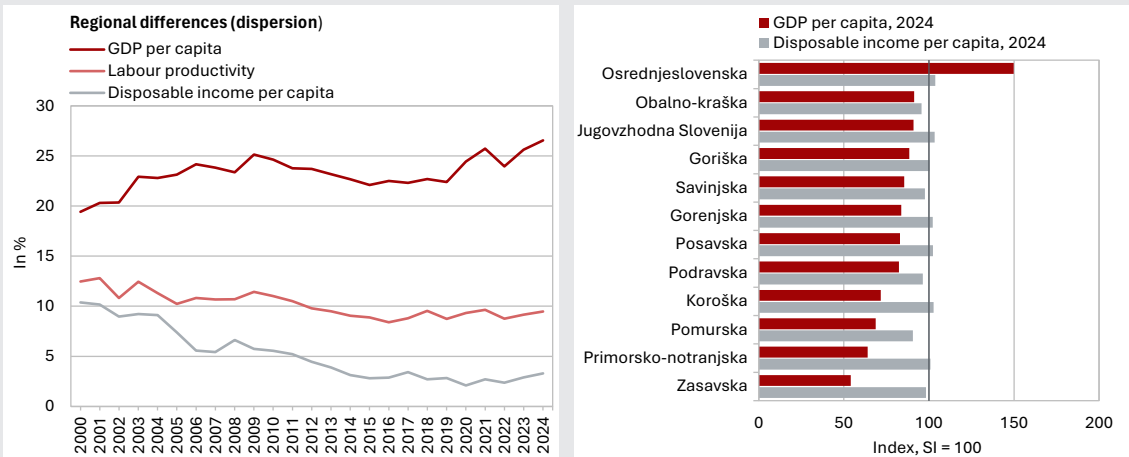
More than 15% below the national average

	Vzhodna Slovenija								Zahodna Slovenija				Slovenia (value)
	Pomurska	Podravska	Koroška	Savinjska	Zasavska	Posavska	Jugovzhodna Slovenija	Primorsko-notranjska	Osrednje-slovenska	Gorenjska	Goriška	Obalno-kraška	
Productivity, 2024	86.6	89.4	87.9	90.0	88.6	97.2	102.7	85.1	112.9	97.8	94.4	97.8	61,074 EUR
Goods exports (% of GDP), average 2022–2024	54.2	54.3	92.8	74.1	55.1	54.7	126.1	83.7	121.2	73.1	78.0	46.6	89.9%
Gross fixed capital formation per employee, average 2020–2023	102.1	93.2	108.1	93.7	94.1	110.2	111.9	102.5	97.6	107.7	101.6	109.5	10,674 EUR
Business enterprise expenditure on R&D (% of GDP), average 2022–2024	38.1	33.7	40.1	115.1	134.0	67.4	377.0	37.4	83.3	106.6	192.2	17.3	1.0%
The firm birth rate, average 2022–2023	90.0	99.8	93.9	99.5	98.8	95.6	93.6	93.5	100.5	101.6	91.7	118.3	10.8%
Share of firms with internet access speeds of at least 1 Gbit/s, 2025	90.6	85.9	65.8	58.9	143.6	87.2	123.0	70.0	130.9	88.0	96.3	81.6	54.0%
Share of the population aged 15–64, 2025	97.0	100.6	97.8	100.2	98.3	98.1	99.1	98.3	102.5	99.1	95.7	98.6	63.4%
Employment rate (20–64 age group), 2024	97.4	95.3	99.6	97.8	98.5	98.3	98.5	99.4	103.3	102.4	102.7	101.3	78.3%
Share of the population (aged 25–64) with tertiary education, 2025	77.1	90.4	84.3	89.6	84.3	85.5	90.4	92.8	124.1	102.0	98.6	96.8	34.5%
Share of the population (aged 25–64) with basic education or less, 2025*	129.6	87.8	97.4	113.0	120.9	107.0	112.2	108.7	83.5	100.9	111.3	110.4	11.5%
Absence from work, 2024*	148.3	97.1	129.8	114.6	128.8	102.4	108.3	101.5	86.3	97.6	104.9	96.6	20.5 days

Source: SURS (2026), NIJZ (2026), AKOS (2026); IMAD calculations. Note: The selection of indicators and presentation methodology follow the approach used to monitor productivity drivers in UK NUTS 3 regions (TPI UK ITL3 Scorecards, Sarsfield et al., 2025), adapted to data availability in Slovenia. Business enterprise expenditure on R&D is calculated as the product of R&D expenditure (as a % of GDP) and the share of business enterprise funding sources in total R&D expenditure. The firm birth rate is calculated as the ratio of new firm births to the total number of firms in a given region and year. *The assessment is based on the inverse indicator value.

Regional differences in productivity are considerably smaller than disparities in GDP per capita, which have widened in recent years, mainly due to the fast economic growth of the most developed Osrednjeslovenska region. Regional disparities in productivity and disposable income per capita are small and have continued to narrow.²⁰³ Also in international comparison, productivity gaps between the leading Osrednjeslovenska region and other Slovenian regions are small (Figure 83, right). By contrast, regional disparities in GDP per capita are more pronounced and have been widening since the pandemic. Osrednjeslovenska is the only region with GDP per capita above the EU average,²⁰⁴ with the gap widening further since 2015, supported by stronger economic growth. In 2024, its GDP per capita was 2.8 times higher than that of the economically weakest Zasavska region, where only 46.5% of employed residents worked within the region itself in 2024.

/ Figure 82: Regional disparities in GDP per capita have increased since the pandemic, while differences in productivity and disposable income per capita remain small



Source: SURS (2026a); IMAD calculations. Note to the left-hand panel: Indicator dispersion is measured as the sum of absolute differences between regional and national values, weighted by the share of population/employment.

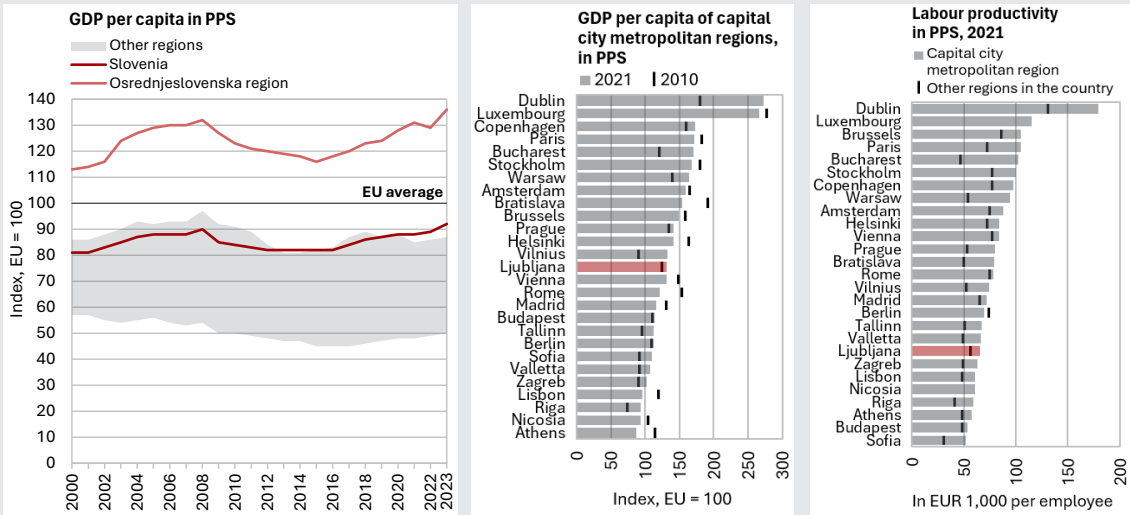
The widening of regional disparities in GDP per capita, alongside persistently small differences in productivity and disposable income, can largely be attributed to the growing role of the Osrednjeslovenska region, with the capital city, as the country’s main employment centre, as reflected in rising commuting flows. Osrednjeslovenska is the only region where the number of jobs exceeds the size of the active working population (by 32.5% in 2024), and this gap has continued to widen (by 8.3 p.p. between 2010 and 2024). Its attractiveness as an employment centre has been driven by service activities, particularly knowledge-intensive services (rather than public administration-related services), which tend to concentrate²⁰⁵ in large and densely populated urban centres

²⁰³ Regional differences are even smaller in terms of self-perceived life satisfaction (IMAD, 2025a).

²⁰⁴ In 2023, GDP per capita in the Osrednjeslovenska region exceeded the EU average by 36%, while in 2024 it was 49.8% above the national average.

²⁰⁵ There is no single universally accepted definition of such activities, as all activities benefit to some extent from spatial concentration. However, the OECD notes that certain activities – particularly modern market services and, above all, knowledge-intensive services – exhibit a stronger tendency to cluster, whereas industrial employment tends to be more evenly spatially distributed, reflecting the diversity of production needs and niche manufacturing (OECD, 2018, 2020a).

/ **Figure 83: Among Slovenian regions, the Osrednjeslovenska region stands out in terms of GDP per capita (left), but not among EU metropolitan capital regions (middle), where it also exhibits a relatively low level of productivity in comparative terms (right)**



Source: Eurostat (2026); IMAD calculations. Note to the left-hand panel: GDP per capita in PPS at the regional level is calculated using national purchasing power parity (PPP), as regional PPPs are not available; consequently, the reported regional disparities are likely overstated. The shaded area indicates the range between the region with the lowest and the region with the second-highest indicator value. Note (middle and right-hand panels): metropolitan regions are defined as urban agglomerations (NUTS level 3 regions or groups thereof) where at least 50% of the population lives inside a functional urban area (FUA) with a minimum population of 250,000 (Eurostat, 2024b).

(IMAD, 2025a). This concentration²⁰⁶ largely explains the higher level of economic development and faster growth of the Osrednjeslovenska region compared with other regions – a pattern typical of regions with large cities, especially capital regions (European Commission, 2025). The spatial distribution of the population does not follow the distribution of jobs. This can partly be explained by housing affordability constraints (see Section 3.1.2.2), preferences for living outside large urban centres in greener environments (Hafner Fink et al., 2024), and relatively well-developed transport infrastructure that facilitates commuting (Bizjak et al., 2025). As a result, in addition to the already low residential mobility (OECD, 2020b), people are moving from large urban centres to suburban areas and to corridors along motorways (Bizjak et al., 2025). As the number of jobs in urban centres increases, commuting flows are also rising. In 2024, there were around 207,300 interregional commuters, representing 22.5% of total employment. Of these, 109,000 (53% of all commuters) travelled to work in the Osrednjeslovenska region. The average commuting distance²⁰⁷ increased from 32.0 km in 2017 to 36.4 km in 2025.

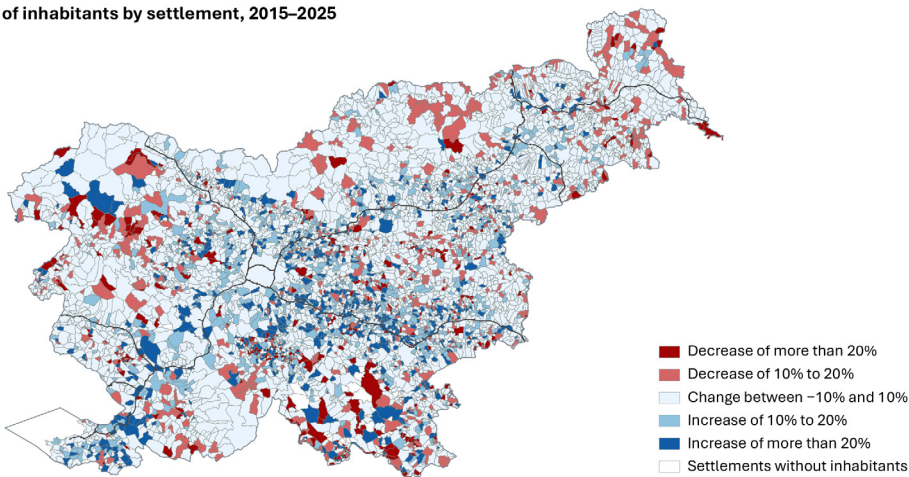
The increasing centralisation of employment and the rise in interregional commuting have a number of adverse effects, underscoring the need to strengthen balanced territorial development across the country. Growing commuting flows further exacerbate existing structural problems stemming from an unsustainable mobility pattern. These are reflected, among other things, in a rise in

²⁰⁶ A higher spatial concentration of population, firms and activities in urban centres and their surrounding functional areas is associated with higher productivity, stronger economic activity and more efficient diffusion of knowledge, innovation, labour and services (Ahlfeldt and Pietrostefani, 2019; Melo et al., 2009; OECD, 2017, 2025d).

²⁰⁷ The average commuting distance (km) is defined as the mean distance travelled by an individual on a working day for work-related purposes (SURS, 2026a).

/ Figure 84: The population is increasing in suburban areas and along the broader motorway network corridor, while declining in less accessible settlements, mainly in border, mountainous and hilly areas

Change in the number of inhabitants by settlement, 2015–2025



Source: SURS (2026a), calculations and mapping by IMAD.

the already high environmental pressures from transport (see Section 5.3.1), the highest share of household expenditure on transport in the EU (see Section 3.1.2), and high external transport costs. In 2021, these amounted to approximately EUR 2.4 billion (4.6% of national GDP) (Kovač, 2024). Road transport accounted for 99% of external costs, with traffic accidents, congestion and climate change-related impacts representing the largest components (ibid.). At the same time, the concentration of employment in the Osrednjeslovenska region has been accompanied by economic and demographic decline in other regions and their key urban centres (Nared et al., 2016, 2023), which may lead to a loss of critical mass for the development of economic activities (e.g. industry). The development of efficient and sustainable mobility solutions can help mitigate the environmental and social impacts of commuting. Reversing these trends and fostering more balanced development across the country will require a strategically designed and comprehensive territorial approach, focused on strengthening high-quality employment and building a highly productive economic structure in all regions, underpinned by a transition towards innovation-driven growth.

Table 2: Regional quality of life is also influenced by social, environmental, and spatial factors

Legend:	Vzhodna Slovenija								Zahodna Slovenija				Slovenia (value)
	Pomurska	Podravska	Koroška	Savinjska	Zasavska	Posavska	Jugovzhodna Slovenija	Primorsko-notranjska	Osrednje-slovenska	Gorenjska	Goriška	Obalno-kraška	
More than 15% above the national average													
5.1–15% above the national average													
Around the national average (95%–105%)													
5.1–15% below the national average													
More than 15% below the national average													
Self-perceived life satisfaction, average 2023–2025 (scale from 0 to 10)	98.3	100.0	95.7	98.3	101.3	99.6	99.6	100.4	101.3	102.6	99.6	98.7	7.7
Disposable income per capita, 2024	90.5	96.4	102.7	97.7	98.2	102.3	103.4	100.8	103.7	102.2	100.4	95.6	EUR 17,066
The AROPE rate*, 2023–2025	108.9	128.0	131.0	121.6	122.2	110.8	86.9	92.7	73.2	82.6	96.3	131.4	14.5%
Healthy life years at birth, 2023	92.1	95.5	97.8	96.9	84.0	97.3	98.4	100.9	105.7	101.0	104.5	101.5	66.7 years
Share of the population with a public transport stop within 1 km and adequate service frequency, 2024	56.3	96.2	103.5	91.6	105.3	59.8	80.8	75.6	125.3	119.8	79.1	90.2	65.5%
Area of functionally derelict areas per 100 km ² *, 2025	63.4	143.9	60.7	52.5	182.6	243.8	57.1	47.6	217.3	53.2	45.7	164.2	14.6 ha
Share of households living in a bad dwelling condition*, average 2023–2025	134.5	90.9	72.7	120.0	107.3	103.6	101.8	94.5	72.7	118.2	100.0	134.5	18.3%
Ecological footprint*, 2018	89.6	102.4	98.1	95.0	91.8	98.7	104.5	91.8	108.0	95.5	89.2	100.6	5.4 gha/capita
Share of persons who can count on the help of relatives, friends or neighbours, 2022	99	101	89	100	99	101	103	99	101	100	102	92	93%
Share of households reporting the presence of crime in their residential area*, 2023	100.0	85.7	42.9	85.7	42.9	114.3	171.4	14.3	128.6	57.1	42.9	142.9	7.0%
Share of households with access to internet with speeds of at least 100 Mbit/s, 2025	96.5	100.4	97.1	87.3	100.4	92.1	103.0	105.8	108.7	103.1	87.3	97.4	87.9%
Subsidies for reducing the consumption of non-renewable resources and energy poverty per capita, 2024	134.5	97.3	139.4	104.0	104.2	122.7	116.0	97.2	80.3	129.8	89.8	58.8	EUR 38.4

Source: AKOS (2026), Eco Fund (2026), FF UL (2026), Gabrovec et al. (2024), Koblar and Gabrovec (2026), Kušar et al. (2023), NIJZ (2026d), SURS (2026a). Note: The selection of indicators is based on a range of analytical studies (Kušar et al., 2023; Nared et al., 2021), OECD recommendations (OECD, 2025o), and the proposed Strategy for the Regional Development of Slovenia (MKRR, 2026a), and has been adapted to data availability in Slovenia. *The assessment is based on the inverse value of the indicator.

Quality of life across regions is relatively balanced, with the highest levels of quality of life not necessarily observed in the wealthiest regions, reflecting the important role of social, environmental, and spatial factors, where economically weaker regions often achieve more favourable outcomes. The largest regional disparities are observed in the prevalence of functionally derelict areas (FDAs), safety, and accessibility of public transport – indicators that are closely linked to historical patterns of industrialisation, urbanisation and settlement. Notable differences are also evident in social exclusion and healthy life years. By contrast, differences in disposable income are small, while regional disparities are smallest in terms of self-perceived life satisfaction. Overall, disparities tend to arise from the interplay of multiple factors, thereby increasing development risks. Both the best-performing and the weakest region according to the selected indicators are located in the Zahodna Slovenija cohesion region. The Gorenjska region performs at or above the national average across all indicators, while the Obalno-Kraška region – despite strong labour market integration and a favourable educational structure – scores low in terms of social exclusion, housing quality, safety and the burden of functionally derelict areas (FDAs). Within the Vzhodna Slovenija cohesion region, relatively high quality of life, despite weaker economic indicators, is observed in the Primorsko-Notranjska and Zasavska regions. The Primorsko-Notranjska region, although not among the more economically advanced regions, performs well particularly in social and environmental indicators; however, its overall quality of life is constrained by poor public transport accessibility. The Zasavska region, despite the legacy of its industrial past, performs at or above the national average in several areas, including self-perceived life satisfaction.

4.3

Financial situation of the corporate sector²⁰⁸

The financial situation of the corporate sector remained stable and relatively favourable in 2024. *Liquidity* strengthened further and rose to historically high levels, while *profitability* declined slightly across half of the indicators but remained close to the highest levels recorded over the past two decades (Figure 85). *Indebtedness and over-indebtedness* increased again in 2024 and exceeded pre-pandemic levels, while only bank debt remained close to its 2020 low.²⁰⁹ However, according to most indicators, both remained below the levels observed at the onset of the 2008 global financial crisis (with the exception of total debt, which slightly exceeded its 2008 level in nominal terms²¹⁰ but remained nearly one-third lower in real terms; Figure 85). Despite higher indebtedness and persistently elevated interest rates, firms' debt-servicing capacity – supported by favourable business performance – remained at its most favourable level since 2006 (with the exception of the interest coverage ratio,²¹¹ Figure 86). *The share of firms with relatively high exposure to insolvency risk* (the most problematic over-indebted firms, including so-called zombie firms) temporarily increased after 2020 due to the pandemic, the energy crisis, extreme weather events, persistent geopolitical and economic uncertainties, and weak activity growth in trading partners.²¹² In 2023 and 2024, however, this share declined and, according to most indicators, returned to levels comparable to those observed during the pre-pandemic expansionary period (Figure 86).

²⁰⁸ For a more detailed assessment of the financial position and solvency of the corporate sector in Slovenia, see also Lušina (2025a).

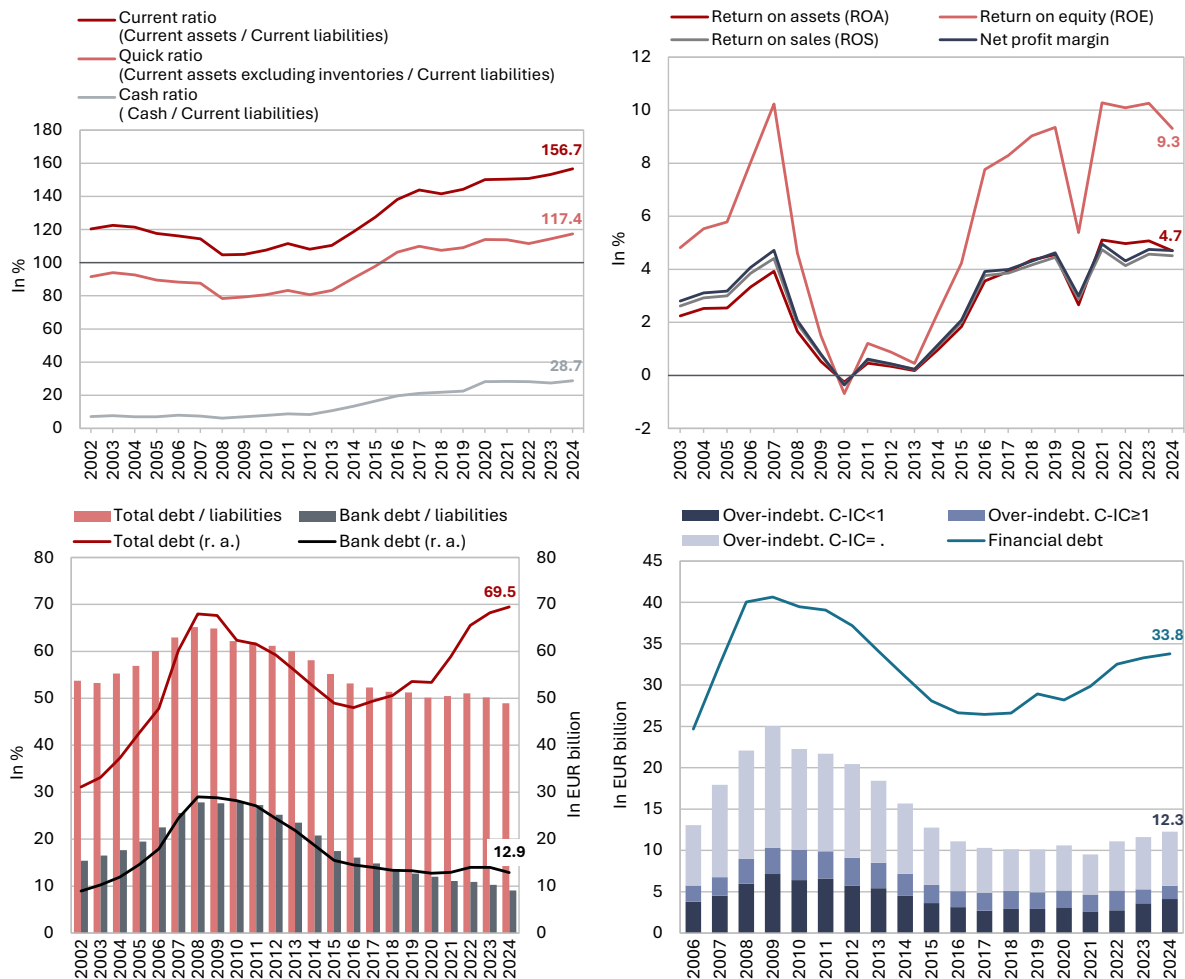
²⁰⁹ Amid tighter geopolitical and trade conditions, subdued economic growth and still relatively high interest rates, firms have remained cautious in taking on new bank loans and, supported by strong liquidity, have relied more on internal sources of financing.

²¹⁰ In 2024, the contribution of financial and bank debt to total debt fell to its lowest level since 2006. Although the share of operating liabilities declined slightly, it remained relatively high. The contribution of other liabilities (e.g. advance payments under long-term contracts, subsidies for the acquisition of fixed assets and various provisions), although limited, reached its highest level in the observed period (for more, see also Figure 3 in Lušina, 2025b).

²¹¹ The interest coverage ratio deteriorated due to the sharp increase in interest expenses after 2021, most notably in 2023.

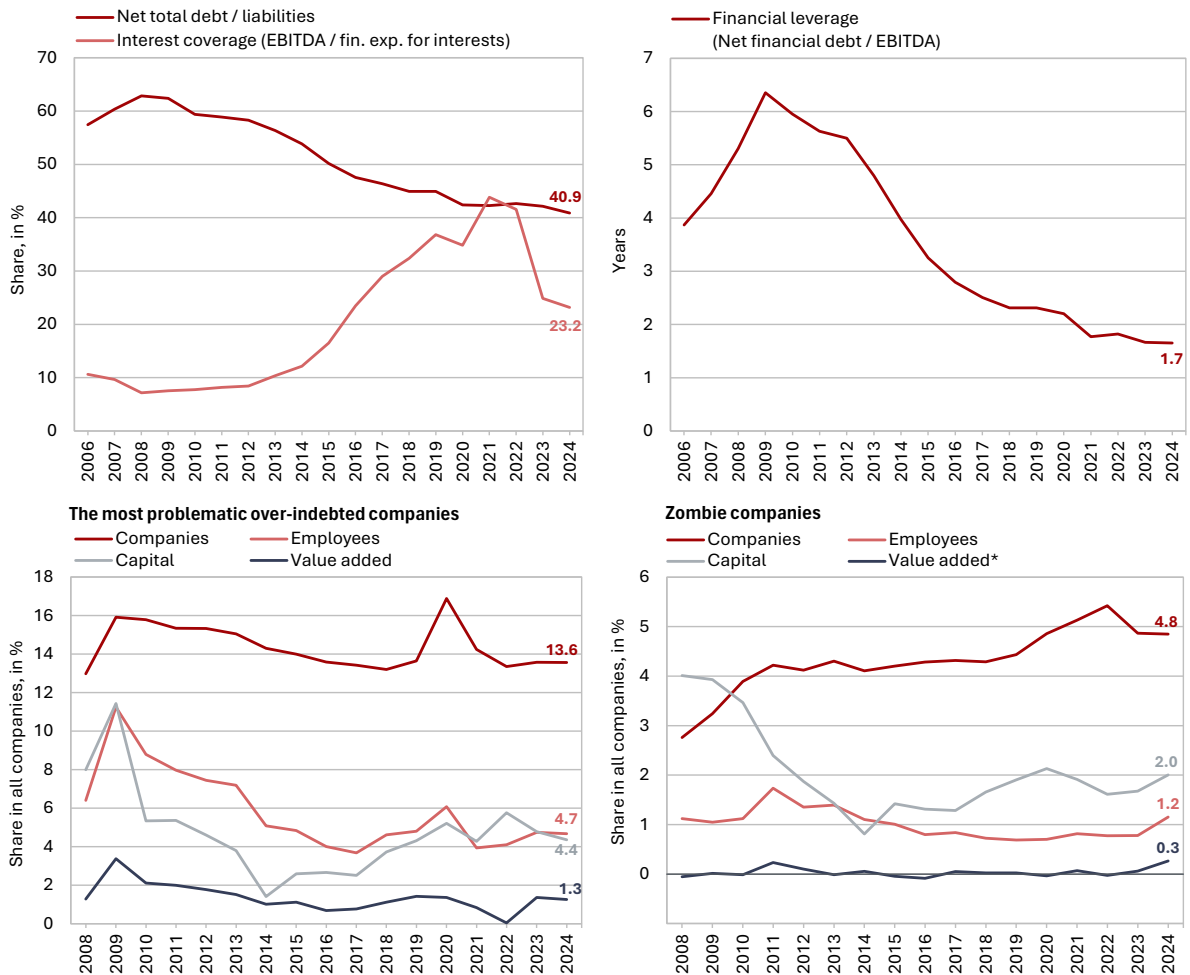
²¹² In 2020 and 2021, the financial position deteriorated mainly in market services, which were most severely affected by the pandemic (notably accommodation and food service activities, cultural and recreational activities, administrative and support service activities). In 2022 and 2023, the impact was more pronounced in activities with higher exposure to material and energy costs (construction, manufacturing and energy), as well as in holding and leasing companies and information and communication. In 2024, however, difficulties were most pronounced in export-oriented activities (manufacturing and transportation), reflecting heightened geopolitical and economic uncertainty and weak economic activity in Slovenia's trading partners, particularly Germany.

/ Figure 85: Liquidity, profitability and indebtedness indicators remained relatively favourable in 2024



Source: AJPES (n.d.-e); IMAD calculations. Note: nominal amounts; r. a. – right axis; Total debt comprises financial (including bank), operating and other corporate liabilities. For financial debt, comparisons are available from 2006 onwards (when 2006 Slovene Accounting Standards were introduced); C-IC – companies with interest coverage (IC; EBITDA/financial expenses for interest); IC – companies with zero financial expenditure on interest; Over-indebtedness is measured as the sum of net financial debt (i.e. financial debt excluding cash) exceeding five times EBITDA (if $FL \geq 5$) or as the sum of total net financial debt (if $EBITDA < 0$); EBITDA is operating cash flow (operating profit – operating loss + write-downs in value).

/ Figure 86: Companies' debt-servicing capacity in 2024 reached the most favourable levels since 2006 according to most indicators; the share of companies facing elevated insolvency risk was lower than during the global financial crisis (2008–2009)



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

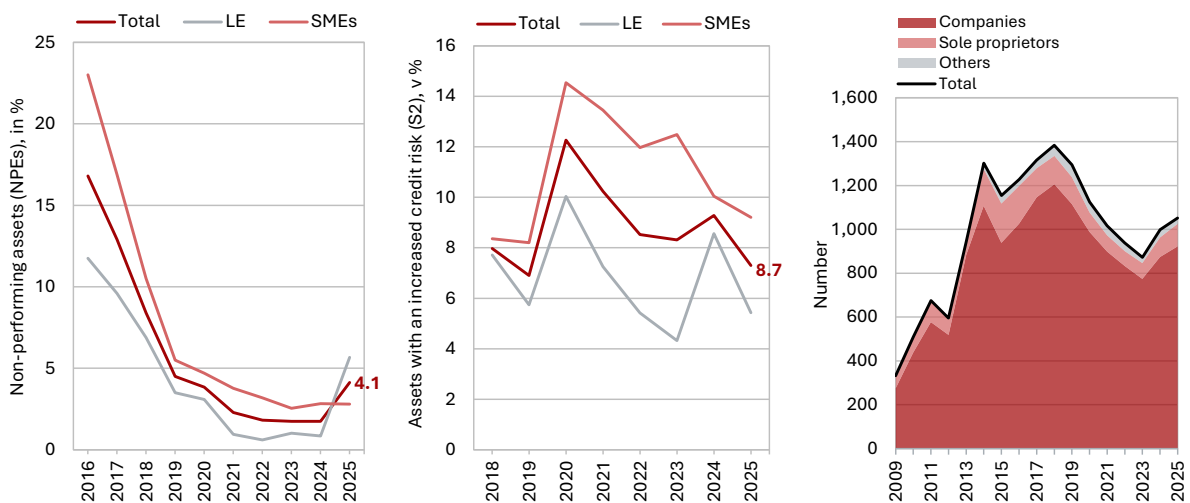
After a period of improvement, the quality of banks' exposures to enterprises deteriorated slightly in 2025, while the number of initiated bankruptcy proceedings has increased since 2024, although it remains below the 2019 level. The share of non-performing exposures (NPE), which had been at historically low levels since 2022, increased in 2025 (Figure 87).²¹³ It was highest in manufacturing (10%) and in professional and other business activities (5.2%).²¹⁴ By contrast, the share of exposures classified as Stage 2 (i.e. exposures with a significant increase in credit risk since origination)

²¹³ Compared with 2019, the share of non-performing exposures (NPEs) was higher among large enterprises and, by sector, in manufacturing, energy, and professional and other business services. In 2025, the share increased further relative to 2024 among large enterprises and, by sector, in manufacturing, professional and other business services, energy, financial intermediation and construction.

²¹⁴ A more pronounced deterioration occurred in the last two months of 2025, although it was concentrated in a small number of firms – primarily in the manufacture of basic metals, fabricated metal products (excluding machinery and equipment), motor vehicles, trailers and semi-trailers, as well as in related head-office activities (BoS, 2025a).

declined in 2025 following a one-year rise²¹⁵ and remains well below pandemic levels (Figure 87).²¹⁶ After several years of decline, the number of *initiated bankruptcy proceedings* (for all business entities) began to rise again in 2024, with growth continuing in 2025 (total: 5%; companies: 6%; sole proprietors: 16%; Figure 87).²¹⁷ Nevertheless, it remains around one-fifth lower than in 2019.²¹⁸ In 2025, bankruptcy proceedings were initiated against 0.4% of all business entities, predominantly companies, with banks' exposure to these entities remained low (October 2025: 0.5% of banks' total exposure to companies; BoS, 2025a). In 2025, the largest number of bankruptcy proceedings was recorded in construction (26%; 1% of entities in the sector), trade (16%; 0.7%), transportation and storage (12%; 1.2%), accommodation and food service activities (12%; 0.8%), manufacturing (11%; 0.5%) and professional, scientific and technical activities (10%; 0.2%). Pre-pandemic levels have already been exceeded in manufacturing, construction, transportation and storage, human health and social work activities (although the latter is generally characterised by a lower number of bankruptcy proceedings).

Figure 87: The quality of banks' exposures to enterprises deteriorated slightly; the number of initiated bankruptcy proceedings across all business entities has been increasing since 2024, although it remains below its pre-pandemic (2019) level



Source: BoS (2026a), AJPS (n.d.-b). Note: LE – large enterprises; SMEs – micro, small and medium-sized enterprises; data on non-performing exposures (NPEs) are calculated in accordance with the European Banking Authority (EBA) definition²¹⁹ and are available from 2016 onwards. Data on exposures by credit risk stages have been available since 2018; SP – sole proprietors; Others – cooperatives, public sector entities, non-profit organisations (private sector entities), associations and other natural persons performing registered or regulated activities.

²¹⁵ The increase in the final two months of 2024 reflected deteriorating economic conditions in large manufacturing firms (in the manufacture of steel, accessories for motor vehicles and plastics) (BoS, 2025a).

²¹⁶ Compared with 2019, the share of Stage 2 exposures was higher among micro, small and medium-sized enterprises, and, by sector, in public services, accommodation and food service activities, professional and other business services, recreation, arts and other activities, trade, information and communication, manufacturing, as well as agriculture and mining and quarrying. In 2025, the share of Stage 2 exposures increased further relative to 2024 in information and communication, professional and other business services, public services and transport.

²¹⁷ The number of initiated bankruptcy proceedings across all business entities in 2025 exceeded the 2024 level in manufacturing, construction, transportation and storage, accommodation and food service activities, financial and insurance activities, professional and technical activities, human health and social work, and arts and recreation (AJPS, n.d.-c).

²¹⁸ Similar developments were observed only among companies (-17%) and sole proprietors (-16%).

²¹⁹ For details on the NPE definition under the EBA methodology, see BoS (2015).

State emergency support measures also played an important role in maintaining the relatively favourable financial position of the corporate sector over the period 2019–2024; however, if insufficiently targeted, they may adversely affect productivity and economic growth in the medium term. In addition to the corporate sector's relatively favourable pre-pandemic financial position, extensive government financial support contributed significantly to preserving firms' solid business and financial performance.²²⁰ Such measures should, however, be only temporary and well targeted. Emergency support also led to a substantial increase in the general government deficit and public debt (see Section 2.3.1 in IMAD, 2025a; and Gopinath, 2023). Moreover, if not well targeted, these measures may impede the reallocation of resources from less to more productive firms. It is therefore essential that support is directed towards financially sound, viable core segments of the economy, particularly development-oriented niche activities with high growth potential. Conversely, financing and sustaining non-viable segments of the economy undermines the efficient allocation of production resources and thus constrains productivity and economic growth. This is particularly relevant in the context of demographic changes leading to a decline in the working-age population. In conditions of general labour shortages, maintaining resources in low-productivity firms further constrains the growth of more dynamic and development-oriented companies.

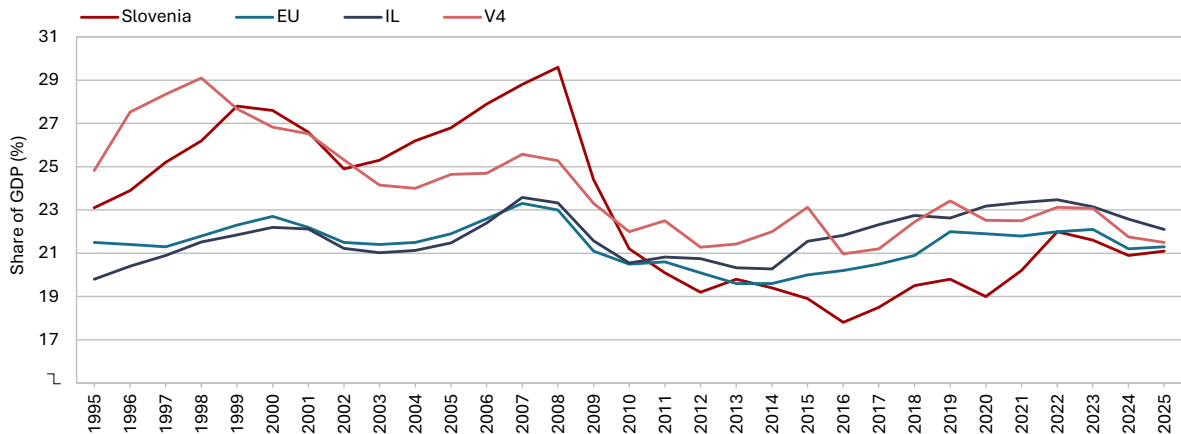
²²⁰ According to the Ministry of Finance, expenditure on non-refundable or reimbursable intervention measures introduced to mitigate the effects of various crises and natural disasters across all sectors amounted to 15% of GDP over the period 2020–2024 (2020: 4,3%; 2021: 5,4%; 2022: 2%; 2023: 2,3% and 2024: 0,9%). Of this, expenditure related to mitigating the impact of the epidemic amounted to 11.7% of GDP, while expenditure on addressing the energy crisis and on post-flood recovery each accounted for 1.6% of GDP (MF, n.d.-c, n.d.-a, n.d.-b). For a more detailed overview of the implementation of measures supporting the economy in response to the energy crisis and the reconstruction following the August 2023 floods, see Box 1 in Lušina (2025a).

4.4 Investments

4.4.1 Investment in fixed assets

Investment in fixed assets has strengthened in recent years, but (as a % of GDP) it still lags behind the EU average, as well as levels observed in innovation leaders and the Visegrad Group. Following the global financial crisis in 2008, investment activity in Slovenia contracted sharply, reaching a trough in 2016 and falling well below the EU average. This was followed by a gradual recovery, which accelerated after 2020, bringing the ratio of investment to GDP close to the EU average by 2022 (Figure 88). In 2023 and 2024, investment growth in Slovenia again lagged somewhat behind the EU, while in 2025 it strengthened markedly (particularly in construction investment) and, according to our estimate, again approached the EU average.

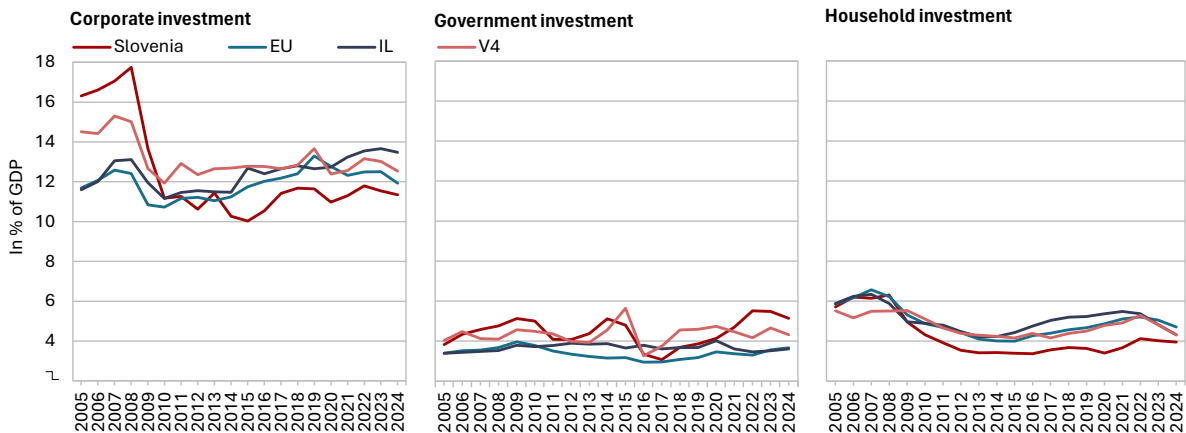
/ Figure 88: An increase in the share of investment in GDP could slightly improve Slovenia’s position among EU countries in 2025



Source: Eurostat (2026). Note: The indicators for IL and V4 are calculated as unweighted averages.

By institutional sector, corporate and household investment continues to lag behind in international comparison, while general government investment exceeds the EU average. Prior to 2008, corporate investment in Slovenia was significantly higher relative to GDP than the EU average, but has been lower over the past decade, contributing to slower growth in both tangible and intangible capital. The low level of corporate investment is associated with low profitability. Corporate profits as a share of GDP in Slovenia remain significantly below the EU, IL and V4 averages (by more than 3.5 p.p. compared with the EU); nevertheless, firms allocate a relatively larger share of their profits to investment than the average in these country groups. Household investment (as a % of GDP), most of which is directed into housing, has also lagged behind in these comparisons for many years. In the general government sector, Slovenia tends to record lower investment (as a % of GDP) at the beginning of the EU financial perspective cycle (2016–2017), but significantly higher investment towards the end of the cycle compared with the EU average (2014–2015, 2022–2023).

/ Figure 89: Corporate and household investment remains below average



Source: Eurostat (2026). Note: The indicators for IL in V4 are calculated as unweighted averages.

According to the EIB survey,²²¹ firms in Slovenia most frequently cite the availability of skilled labour, uncertainty about the future and energy costs as the main obstacles to investment. These three factors are also the most commonly cited across the EU. In Slovenia, the availability of skilled labour ranks first (cited by 85% of firms; EU: 79%), followed by energy costs (76%; EU: 75%) and uncertainty about the future (75%; EU: 83%). Access to digital infrastructure is perceived as a constraint by 28% of firms in Slovenia (EU: 44%), while 44% of firms report inadequate transport infrastructure as a barrier (EU: 45%).

Inward foreign direct investment (FDI) flows into Slovenia declined after 2022, and in 2025 foreign investors' expectations regarding the expansion of their activities in Slovenia also weakened significantly. FDI inflows (as a share of GDP) strengthened in 2021 and 2022 (to 3.3% of GDP), significantly exceeding the levels recorded in the previous decade, when they averaged 1.9% of GDP. Over the past three years, however, inflows have declined to around 2% of GDP.²²² Equity inflows remained broadly stable, while debt inflows decreased. As a result, the stock of FDI relative to GDP in Slovenia remains lower than in neighbouring and comparable countries (V4). The latest survey by the Faculty of Social Sciences (Jaklič and Koleča, 2024) indicates a marked deterioration in business sentiment among foreign investors in Slovenia. The share of firms planning to expand their activities in Slovenia in 2025 fell below 20% for the first time since 2010. This represents a marked decline, given that nearly one-third of foreign investors still reported expansion plans in 2022. At the same time, more than 14% of surveyed companies plan to relocate part or all of their activities outside Slovenia. Firms considering relocation are mainly large manufacturing and predominantly export-oriented businesses, i.e. segments of the economy that generate the highest value added and provide high-quality employment. These firms most frequently cite slow and complex administrative procedures, an unfavourable tax system (particularly the high tax burden on labour), and complex and frequently changing legislation. They also express concerns about support institutions, which are perceived as lacking sufficient expertise and responsiveness.

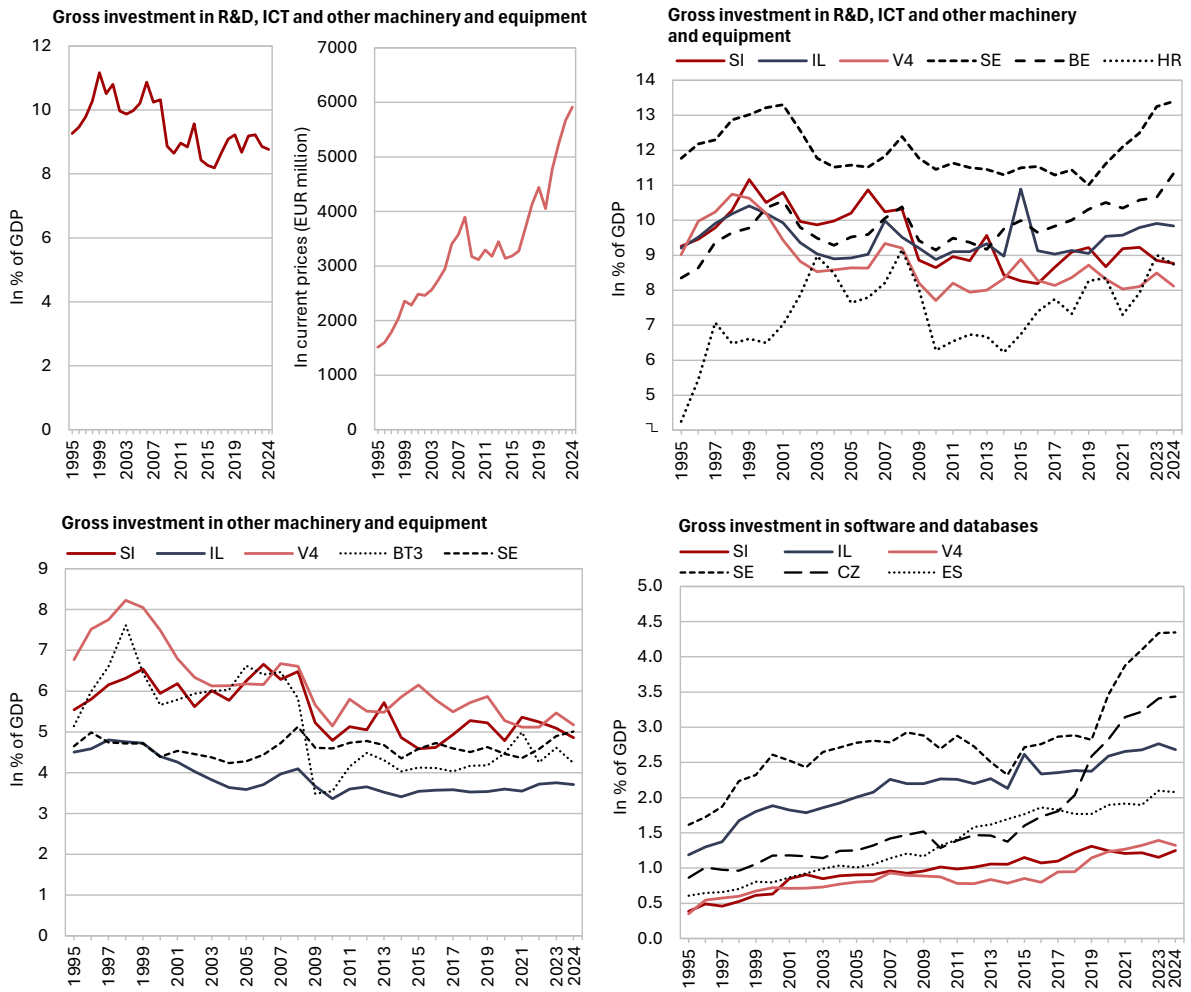
²²¹ The survey was conducted between April and July 2025.

²²² For 2024, the data refer to the first three quarters.

4.4.2 Investment in innovation-driven growth

Over the past decade, Slovenia has consistently ranked around 10th in the EU in terms of investment in innovation-driven growth; however, the gap with innovation leaders and the most dynamic economies has widened significantly. In 2024, investments most closely associated with the transition to innovation-driven growth²²³ increased by EUR 240 million in nominal terms. Over the period 2020–2024 they averaged nearly EUR 1.4 billion more per year than in the preceding four-year period (2016–2019) (Figure 90, top left panel). Despite this increase, their share of GDP has largely stagnated since 2009 at just under 9%, which is around 1.5 p.p. lower than in the period 2000–2009, when it reached its peak. In 2024, the share even declined slightly, though less markedly than in the Visegrad Group, allowing Slovenia to widen its lead over these countries to the level recorded in 2018 (0.7 p.p. of GDP). At the same time, since 2018 Slovenia has fallen below the average of the innovation leaders, with the gap widening to 1.1 p.p. by 2024. The lag behind the most dynamic countries is even more pronounced: Slovenia now trails the leading

Figure 90: Investment in innovation-driven growth in Slovenia is rising in nominal terms but remains stagnant as a share of GDP, thereby widening the gap with innovation leaders, particularly in ICT investment



Source: Eurostat (2026), IMAD calculations. Note: Indicators for country groups are calculated as unweighted average.

²²³ According to national accounts statistics, these investments include expenditure on research and development, computer software and databases, information and communication equipment, and other machinery and equipment (i.e. machinery and equipment excluding transport equipment).

Sweden by 4.6 p.p. and the rapidly advancing Belgium by 2.6 p.p., while Croatia – after lagging by almost 2 p.p. in the period 2010–2019 – caught up with Slovenia in 2023–2024.

The widening gap relative to leaders and the most dynamic economies is primarily driven by investment in intangible capital, particularly in software and databases... In the past three years, Slovenia has reduced the share (as a % of GDP) of gross investment in (other) machinery and equipment, similarly to other catching-up countries (the Visegrad and Baltic countries). Nevertheless, it maintains a relatively high ranking (between 6th and 8th place in the EU) and invests in this segment at a level comparable to Sweden, or 1.1 p.p. of GDP above the average of the innovation leaders. The main shortfall therefore arises in investment in software and databases. With a share of 1.2% of GDP and a position around 19th place in the EU, Slovenia lags behind the innovation leaders by 1.4 p.p. and performs broadly in line with the Visegrad Group average. Moreover, the gap with the most dynamic economies has been widening rapidly: Slovenia now trails Sweden by 3.1 p.p. and Czechia by 2.2 p.p., whereas a decade ago the differences were almost negligible (0.3 p.p.). Spain provides a particularly illustrative example. Supported also by EU funding,²²⁴ it has steadily increased investment in this area and now exceeds Slovenia by nearly 1 p.p.

...and research and development, where Slovenia has made significant progress in the public sector, while the gap in the business enterprise sector relative to leading countries – particularly those outside the EU – has widened further. The overall gap with innovation leaders stands at 0.8–0.9 p.p.,²²⁵ placing Slovenia in a relatively strong 9th position. Relative positions across country groups within the EU remain broadly stable, including Slovenia's advantage over the Visegrad Group. However, the comparison with non-EU economies reveals a substantially different picture: China surpassed the EU average in R&D expenditure as a share of GDP as early as 2020, and even Europe's innovation leaders²²⁶ lag significantly behind Japan, the United States, and especially South Korea (Figure 91, left). By sector of performance (Figure 91, right), Slovenia recorded the largest increase in public sector R&D investment within the EU since 2019, with an increase nearly matching that of South Korea. Despite this progress, Slovenia remains below the EU average (12th place) and still lags considerably behind the innovation leaders and South Korea, although the level of public R&D expenditure is already comparable to that of Japan, the United States, and the Baltic countries. In the business enterprise sector, which received relatively limited government support after 2022,²²⁷ investment remains in line with the EU average. This corresponds to the eighth-highest share in the EU, giving Slovenia a clear advantage over the Visegrad and Baltic groups. However, amid stagnant domestic growth and faster progress elsewhere, the gap vis-à-vis the EU's innovation leaders and China is widening, while the lag behind the United States, Japan, and, in particular, South Korea remains pronounced.

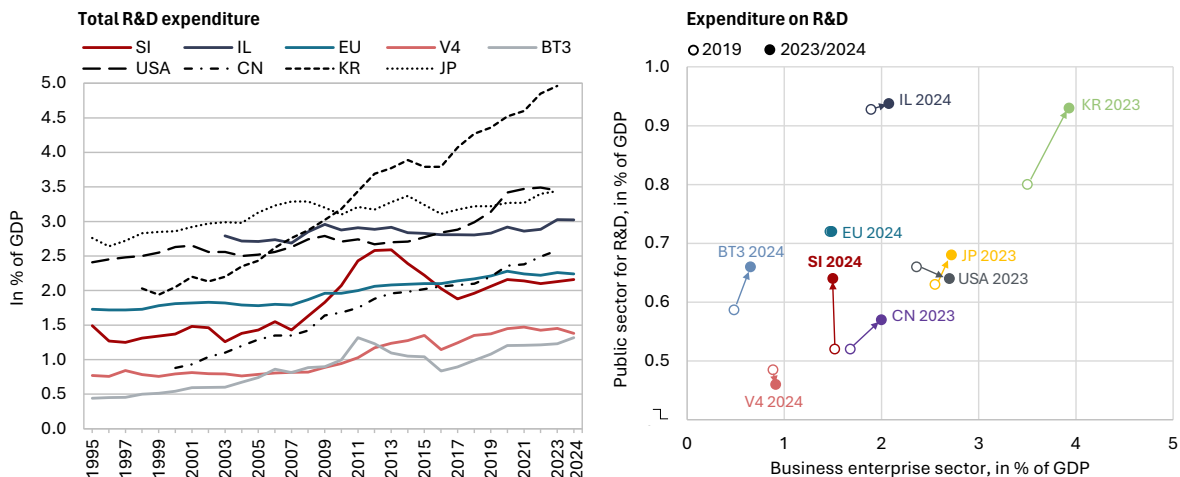
²²⁴ Under cohesion policy and the Recovery and Resilience Plan, Spain allocated 38% of its available funds to smart growth and digital transformation, compared with only 22% in Slovenia (IMAD, 2023b). These figures refer to the initial allocation of funds by purpose, as defined in the originally approved plans, and do not account for subsequent revisions.

²²⁵ The first figure is based on national accounts data, while the second is derived from survey-based data on R&D investment; both sources are drawn from Eurostat (2026).

²²⁶ Within the EU, only Sweden – the leading performer among the EU's innovation leaders – still manages to keep pace with the United States and Japan.

²²⁷ Government funding of business-sector R&D averaged 0.07% of GDP between 2022 and 2024, or EUR 41 million annually in nominal terms. The highest share and nominal volume of such support were recorded in 2011 (0.27% of GDP, or EUR 100 million).

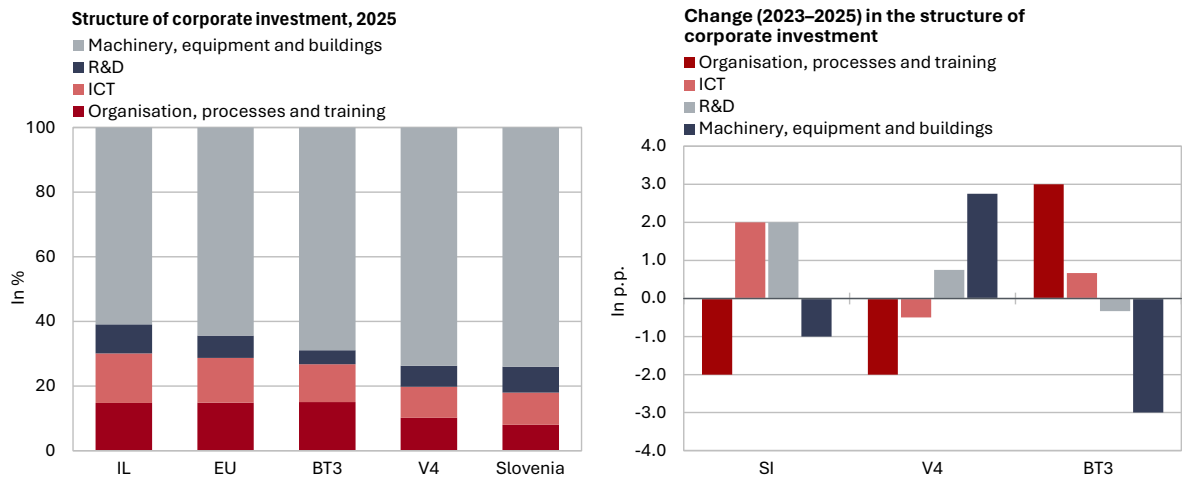
/ Figure 91: Slovenia made significant progress in public sector R&D expenditure between 2019 and 2024, while business enterprise sector investment remains around the EU average, which – given faster progress in other countries – further widens the gap with the EU's innovation leaders and the world's leading innovation economies



Source: Eurostat (2026), calculation and presentation by IMAD. Notes: In the right-hand panel, the scale is asymmetric; therefore, distances between points on the two axes are not directly comparable. Indicators for country groups (excluding the EU) are calculated as unweighted average.

The composition of business investment points to a gradual shift towards intangible capital, particularly ICT, albeit from very low levels. This lag in intangible investment at the national level is also corroborated by EIB data (EIB, 2025) on the structure of business investment. These data indicate that Slovenian firms allocate the fourth-highest share among EU countries to buildings, infrastructure, machinery and equipment, while also ranking above the EU average in investment in research and development (6th place), which forms part of intangible capital (Figure 92, left). By contrast, Slovenia lags markedly behind in other categories of intangible investment. It ranks only 20th in the EU in software, databases, ICT networks, and online activities, and 23rd in investment in employee training and organisational and business process improvements. A comparison with the Visegrad and Baltic country groups reveals different strategic orientations (Figure 92, right). The Visegrad Group is further deepening its already high levels of investment in tangible capital, while the Baltic states are rapidly shifting towards innovation-driven economic models with a stronger emphasis on intangible capital (Corrado et al., 2022). Over the period 2023–2025, Slovenia remained positioned between these two approaches: it gradually increased investment in ICT, but not (yet) in organisational capital and employee training.

/ Figure 92: Despite some shifts, Slovenian firms continue to lag behind all country groups, including competing economies, in investment in ICT, organisational capital and employee training, with one of the lowest shares in the EU



Source: EIB (2025), calculation and presentation by IMAD. Note (left-hand panel): Country groups are ordered by the total share of investment in intangible capital, including investment in research and development. Indicators for country groups (excluding the EU) are calculated as unweighted average.

Expenditure on formal education is comparable to the EU average, but Slovenia lags significantly behind in investment in the (re)training of the existing workforce, representing a key structural weakness in the context of digital transformation. Since 2020, expenditure on pre-tertiary education (public and private)²²⁸ – that is, investment in the development of future human capital – has exceeded the EU average, reaching 4.1% of GDP in 2022 (the latest internationally comparable data). The gap with the innovation leaders has narrowed to around 0.2 p.p. Expenditure on tertiary education has remained stable in recent years at around 1.2% of GDP, placing it among the higher levels observed over the past decade and broadly in line with the EU-25 average (Figure 93, left). The gap with the innovation leaders in this area narrowed to 0.4 p.p. in 2022. In terms of the expenditure structure, Slovenia lags behind the EU and the innovation leaders only in R&D spending within higher education institutions, while expenditure on other purposes (teaching, investment, etc.) is comparatively higher. From the perspective of R&D human resources, expenditure in recent years has increased for the Young Researchers Programme²²⁹ and international cooperation, while spending on postdoctoral projects, despite declining in 2024, remained above the levels observed several years earlier.²³⁰ Investment in the existing workforce presents a considerably less favourable picture and needs to be strengthened to support the adaptation of skills and competences to digital transformation. Slovenian firms rank only 24th in the EU in terms of investment in employee training and reskilling (EIB, 2025). Public funding is also very limited. Expenditure on training for employees and the unemployed under active labour market policies declined to 0.01% of GDP in 2023, the lowest level in the past decade, and remains well below the EU average (0.17% of GDP) and the innovation leaders (0.14% of GDP; Figure 93, right).²³¹

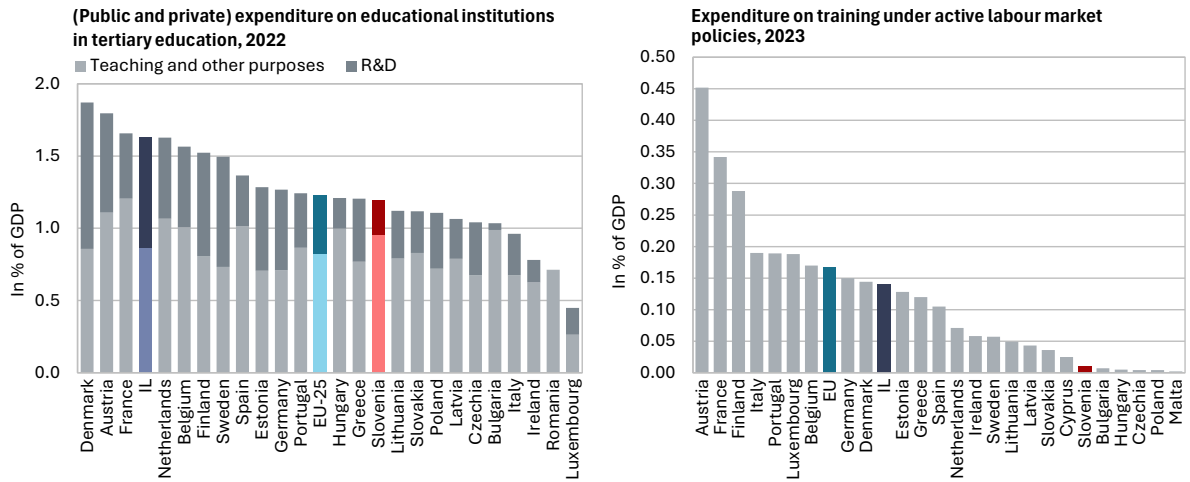
²²⁸ Pre-tertiary education includes the second age group of pre-school education, basic education and upper secondary education.

²²⁹ In 2024, expenditure on Young Researchers Programme totalled EUR 38.3 million, of which 60% was allocated to young researchers in natural sciences and engineering (ARIS, 2025).

²³⁰ Expenditure on postdoctoral projects amounted to EUR 4.7 million in 2024, while funding for international cooperation projects totalled EUR 14.8 million (ARIS, 2025).

²³¹ According to state budget execution data, an average of EUR 8 million per year, or 21% of total active labour market policy funding, was allocated to training and education programmes in the period 2022–2025.

/ Figure 93: In tertiary education, Slovenia lags behind only in R&D expenditure (left), while ranking among the lowest in the EU in public spending on training for both employed and unemployed persons (right)

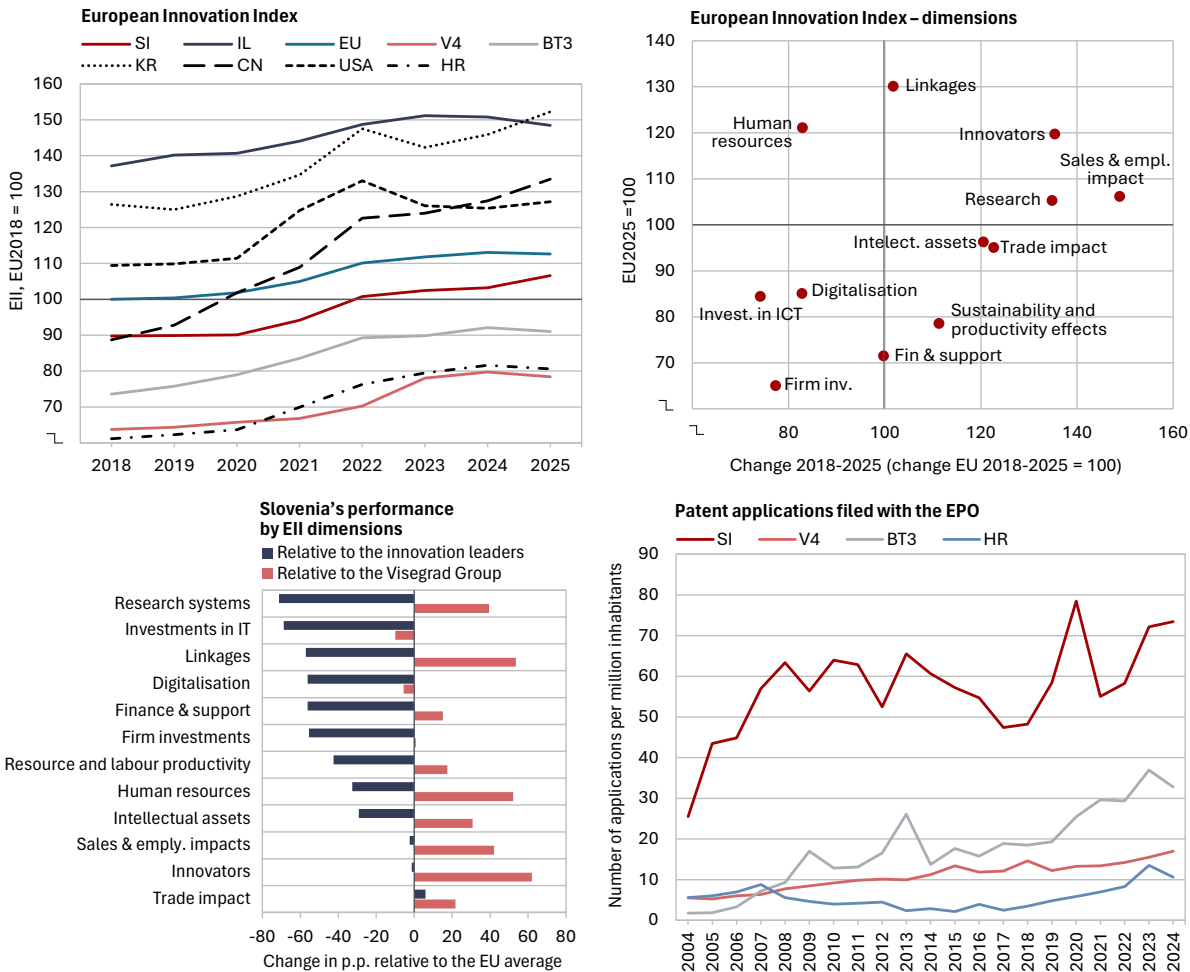


4.5 Progress in innovation transformation

4.5.1 Innovation activity

According to the European Innovation Index, Slovenia recorded the fourth largest improvement in the EU in 2025;²³² however, this was still insufficient to return to the group of strong innovators. In recent years, Slovenia has gradually converged towards better -performing EU countries. Since 2018, it has achieved the sixth largest improvement in the EU, modestly narrowing the gap with both the EU average and the innovation leaders, while maintaining its long-standing advantage over the Baltic and Visegrad country groups. The comparison with non-European economies reveals a different picture. The gap with the United States has remained broadly unchanged, while the gap with Asian economies, particularly South Korea and China, has widened.²³³

/ Figure 94: Slovenia is improving its position in the European Innovation Index and maintaining an advantage over competing EU countries, but reaching the SDS 2030 target of becoming an innovation leader will require not only faster investment and digitalisation, but also a comprehensive and systemic policy approach



Source: EC (2025f), Eurostat (2026); IMAD calculations. Indicators for country groups (excluding the EU) are calculated as unweighted average.

²³² The reference years of the European Innovation Index and its components correspond to the year of publication of the European Innovation Scoreboard. However, the input data used to calculate the indicators refer to earlier periods (ranging from t-1 to t-5).

²³³ Alternative methodologies, for example those assessing technological leadership in key fields based on the share of scientific publications among the world's top 10% most cited, indicate even more pronounced shifts in favour of China (see, for example, ASPI, 2025).

The main drivers of Slovenia's longer-term progress are the increasing efficiency of the innovation system and stronger firm-level innovation activity, supported by a more attractive research system, high-quality human resources, stable investment in intellectual property, and strong stakeholder linkages:

1. **Efficiency of the innovation system.** Slovenia has been progressing faster than the EU average across all three dimensions of efficiency, although it still lags behind in sustainability and productivity. Between 2018 and 2025, Slovenia moved from 8th to 2nd place in the EU in the share of medium- and high-technology products in exports, while also recording the lowest exposure to high-technology imports from outside the EU, indicating greater resilience to shocks.
2. **Innovation activity of firms.** Slovenia ranks 11th in the EU in terms of firms' innovation activity. Large and medium-sized firms perform above the EU average, particularly in product innovation (goods and services), where Slovenia records the highest and second-highest shares in the EU. By contrast, small and medium-sized enterprises are less successful, especially in business process innovation.
3. **The research system** is well integrated internationally (10th place in the EU for international scientific co-publications), and the share of foreign doctoral students exceeds the EU average. However, Slovenia still lags behind the EU and the innovation leaders in the share of highly cited scientific publications (17th place) – an indicator of research excellence. This partly reflects low public R&D investment in the period 2014–2021 (below 0.6% of GDP).
4. **Human resources** remain a key comparative advantage of Slovenia. In this component, Slovenia ranked ninth in the EU in 2025;²³⁴ however, it achieves only average performance in two of the three indicators, pointing to considerable untapped potential (see Section 3.2), particularly in digitalisation.
5. **Intellectual property.** Slovenia maintains a stable position within the EU in terms of patent applications. Although the gap with the innovation leaders is widening, its lead over the Visegrad and Baltic countries has been increasing since 2021 (Figure 94, bottom right).²³⁵
6. **Stakeholder linkages.** The innovation system is characterised by strong collaboration among stakeholders, both between firms (see Section 4.5.3) and in public–private scientific cooperation (10th place in the EU). Since 2019, mobility of employees in science and technology has also improved markedly (11th place), supporting knowledge creation and diffusion.

Overall, Slovenia is making progress, partly due to reforms introduced under the Scientific Research and Innovation Activity Act. However, further strengthening and broadening of these efforts will be needed to accelerate productivity growth, return to the group of strong innovators, and more substantially narrow the gap with the most advanced economies.

²³⁴ The relative decline in the area of human resources over the longer term stems primarily from a statistical drop in the number of new doctoral graduates in science, technology, engineering and mathematics (STEM) in 2020, as a result of the phasing-out of pre-Bologna programmes.

²³⁵ For trends in trademarks and designs, see Section 4.5.3.

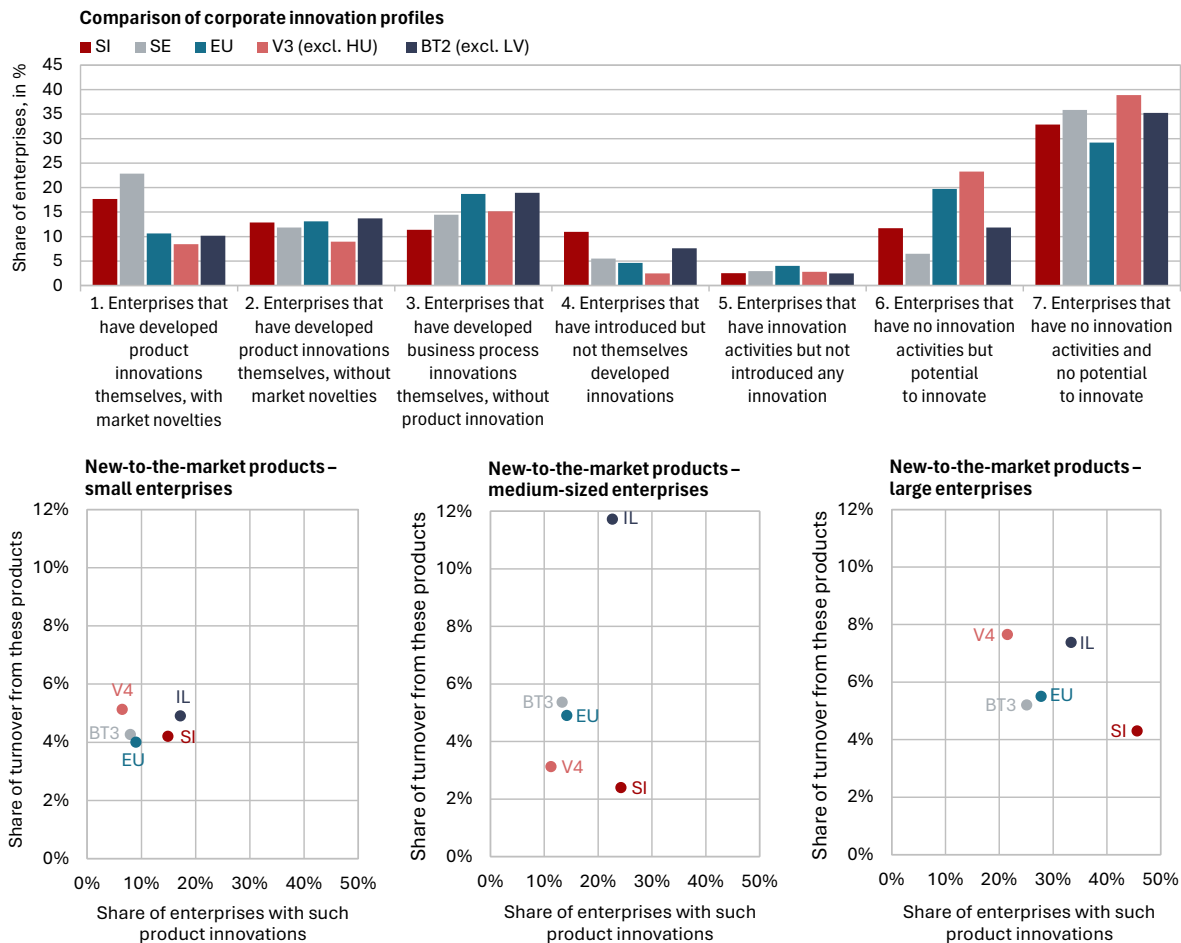
Slovenia's relative lag reflects not only insufficient investment and financing but also the slow pace of digitalisation among firms and the population:

1. **Business enterprise sector investment.** Business enterprise R&D investment remains well below that of the innovation leaders; however, from the perspective of Slovenia's overall innovation performance, the low level of non-R&D innovation investment is an even more significant issue, with Slovenia ranking only 25th in the EU. Particularly notable is the limited investment in intangible capital, including ICT, employee training, organisation and business process optimisation, as well as other value-creating investments, including design. While innovation expenditure per employee indicates relatively broad firm participation in innovation activities, investment intensity remains low. Slovenia ranks 18th in the EU on this measure, broadly in line with the Visegrad and Baltic countries.
2. **Financing and public support.** Public sector R&D investment has improved significantly but remains below the EU average (see Section 4.4.2). At the same time, government support for business enterprise R&D has declined, leaving overall performance in financing and public support broadly in line with the EU average. Venture capital investment has increased from negligible levels in 2018, when Slovenia ranked second to last in the EU, to 0.04% of GDP in the last three years (21st place). Nevertheless, the gap with leading countries remains substantial.²³⁶
3. **Digitalisation.** The most pronounced deterioration was observed in digitalisation. Slovenia's ranking in ICT investment declined from 11th place in 2018 to 21st in 2025, while its ranking in the overall digitalisation component fell from 14th to 19th place. This reflects not only insufficient investment and the slow uptake of new digital technologies (see Sections 4.4.2 and 4.5.2), but above all a widening gap in digital skills. Slovenia ranks only 24th in the EU both in terms of the share of the population with at least basic digital skills and the share of ICT specialists in total employment.

A successful transition to innovation-driven growth requires a comprehensive approach and a structural shift towards the standards achieved by innovation leaders across all dimensions, rather than merely addressing comparative weaknesses. With the exception of impacts on sales, employment and external trade, as well as the share of innovative firms, Slovenia lags significantly behind the innovation leaders across all other dimensions of the European Innovation Index (EII). At the same time, apart from investment and digitalisation, it maintains a strong lead over the Visegrad Group. Empirical evidence shows that a successful innovation transition – also reflected in stronger firm performance – depends on the complementarity of different types of innovation, supported by the integration of technologies and the upgrading of organisational structures and business processes (Bogetoft et al., 2024; Brynjolfsson et al., 2021; Calvino and Fontanelli, 2023). For Slovenia, this underscores the need for a systemic transition, implemented through a comprehensive policy mix that fosters an innovation-friendly environment and not only enables but also actively incentivises firm-level transformation (see also Section 4.2 on the start-up ecosystem support).

²³⁶ Venture capital investment amounts to 0.07% of GDP in V4, 0.16% in the EU, 0.34% among innovation leaders, and 0.39% in the Baltic states; it is also significantly higher in neighbouring Croatia (0.31% of GDP) (EC, 2025f). Slovenia's improved ranking partly reflects a decline in venture capital investment in other countries in 2025.

/ Figure 95: The innovation profiles of Slovenian firms are broadly comparable to those of Sweden;²³⁷ however, the key challenge lies in the ambition of business models and the speed of bringing new products to market, from which Slovenian firms derive a significantly smaller share of revenues



Source: Eurostat (2026), presentation by IMAD. Note: The data are based on the Community Innovation Survey (CIS) and refer to the period 2020–2022. Indicators for country groups (excluding the EU) are calculated as unweighted average. As data for Hungary are not available, the average for the remaining three Visegrad countries (V3) is reported instead (top panel).

Product innovation, as one of key productivity growth drivers, is widespread among Slovenian firms, especially of new-to-the-market products and services... The structure of firms’ innovation profiles in Slovenia (Eurostat methodology (2025b)) is already comparable to that of Sweden,²³⁸ although it differs more markedly from those of competitor countries and the EU average (Figure 95, top). Compared with its competitors, Slovenia stands out for its higher share of firms introducing new-to-the-market product innovations, indicating broad-based participation in innovation processes, which is one of the preconditions for higher value added (Wostner et al., 2026). Slovenian firms also stand out in terms of the share of innovation activities outsourced to external partners. Given the strong inter-firm linkages and the relatively small average firm size, this is not unexpected and does not necessarily represent a disadvantage.

²³⁷ The only country among the innovation leaders for which data on all firm innovation profiles are available.

²³⁸ Comparable detailed data for other innovation leaders are not available.

...while especially medium-sized and large firms are less ambitious in adapting their business models towards more disruptive market breakthrough new products and services. Slovenia ranks among the more advanced EU countries in the share of new-to-the-market product-innovating firms, yet particularly medium-sized and large firms generate significantly less turnover from such innovations than their counterparts in other country groups. Medium-sized firms generate five times less turnover from new-to-the-market products than their counterparts in the innovation leaders, while large firms generate roughly half as much as their peers both among the innovation leaders and in the Visegrad countries. This partly reflects an insufficiently ambitious shift in innovation strategies, namely a transition from innovation based primarily on the refinement of existing knowledge, often through exploitative innovation, towards the exploration of new domains through experimentation and breakthrough (explorative) innovation (Braunerhjelm et al., 2016). Such a transition requires corresponding adjustments in business strategies and models, organisational structures, processes, and corporate culture (O'Reilly III and Tushman, 2004). Yet Slovenian firms continue to face considerable challenges in this regard, both in introducing business process innovations (Figure 95, top) and across other types of innovation (see Section 4.5.3).

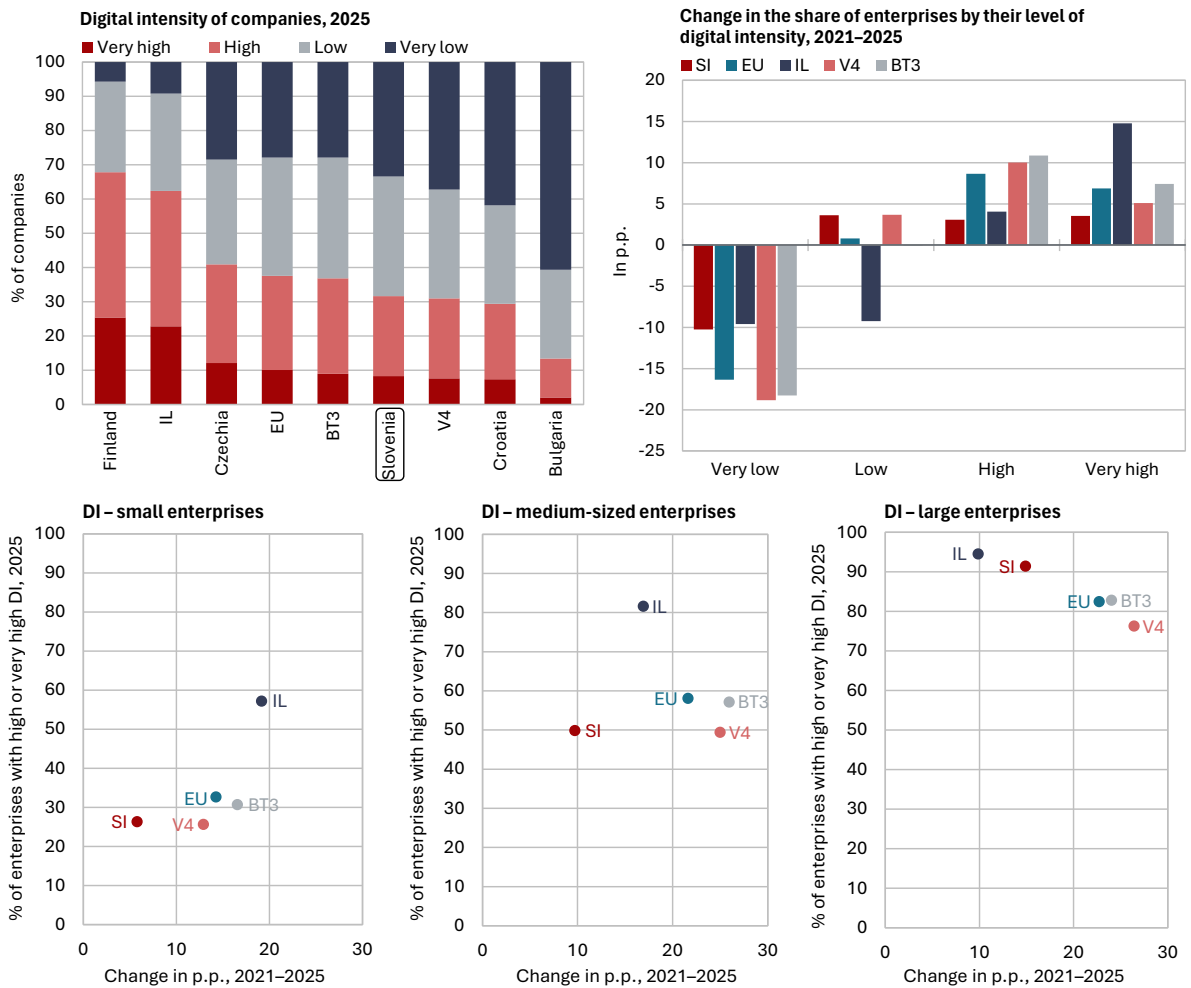
4.5.2

Digital and sustainable transformation

In the digitalisation of enterprises, Slovenia is losing ground relative to the EU and comparable country groups, while the gap with the innovation leaders continues to widen; the lag is particularly pronounced among small and medium-sized enterprises. In 2025, 32% of firms achieved at least a high level of digital intensity (DI)²³⁹ (Eurostat methodology, version 3), placing Slovenia 18th in the EU (down from 12th in 2021), alongside the Visegrad countries (Figure 96, top). This corresponds to a gap of 6 p.p. relative to the EU average, 5 p.p. compared with the Baltic states, and 31 p.p. compared with the innovation leaders (62%). Between 2021 and 2025, the share of firms with at least high DI increased by only 7 p.p., while 23 countries recorded larger increases, most notably Belgium and the Netherlands (by 28 and 27 p.p., respectively). At the same time, one third of Slovenian firms still exhibit very low DI, whereas leading countries are reducing this share much more rapidly (for example, to just 6% in Finland) while expanding the segment of firms with very high DI. The situation is particularly concerning among small firms (26% with at least high DI) and medium-sized firms (50%), where the gap with the innovation leaders amounts to 31 and 32 p.p., respectively. By contrast, large firms perform relatively well – ranking 6th in the EU and only slightly behind innovation leaders – although their advantage is gradually diminishing, particularly relative to competitor country groups (the Visegrad and Baltic countries) (Figure 96, bottom).

²³⁹ A high level of DI indicates that a firm uses 7–9 of the 12 digital technologies (e.g. CRM, ERP, cloud computing, data analytics, AI); a very high level corresponds to the use of 10 or more technologies, a low level to 4–6, and a very low level to three or fewer.

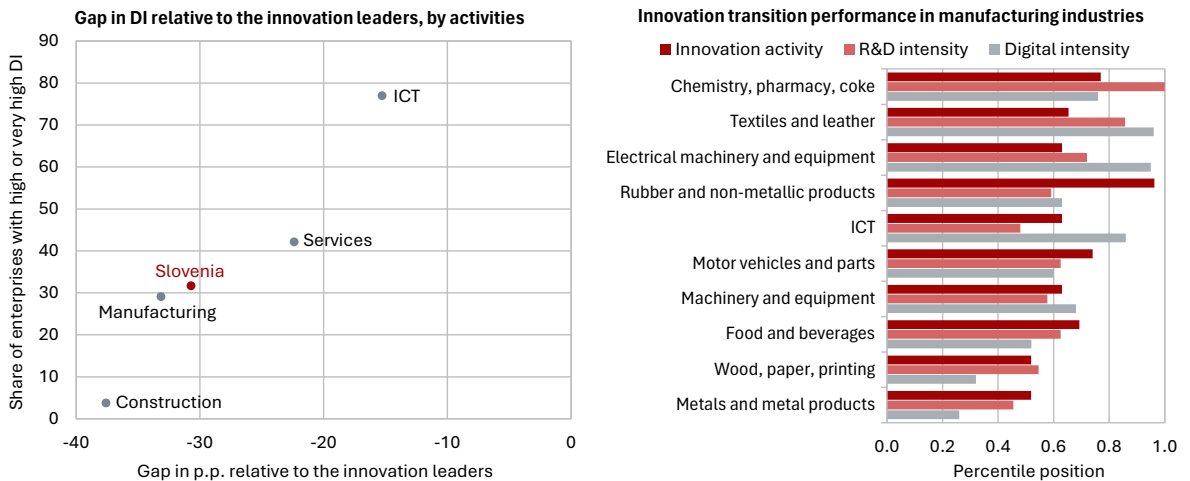
/ Figure 96: The digitalisation of firms is progressing significantly faster in the Baltic and Visegrad countries than in Slovenia, leading to a widening gap in digital intensity, especially among small and medium-sized enterprises



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

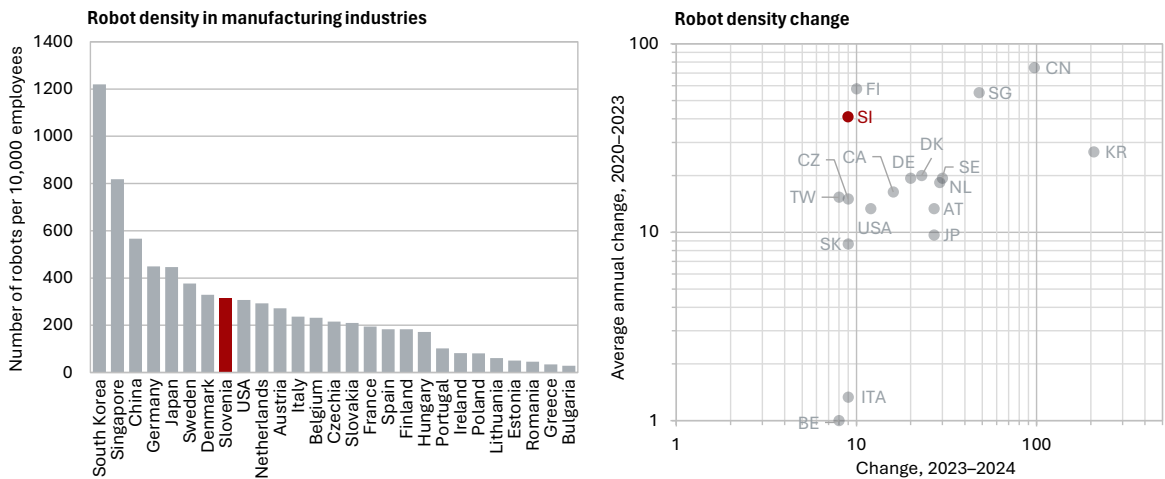
Digital intensity varies significantly across sectors, with construction and manufacturing lagging the most. The highest share of firms with at least high DI (77%) is observed in the ICT sector, although even here the gap with the innovation leaders amounts to 15 p.p. The largest gap is in construction, where only 4% of firms are highly digitalised (compared with 41% in the innovation leaders). In services (excluding finance), 42% of firms reach at least high DI (22 p.p. less than among the innovation leaders), while in manufacturing the share is 29% (33 p.p. less than among the innovation leaders). Differences are also pronounced across manufacturing industries, both in terms of digital intensity and in the broader transition to innovation-driven growth (as measured by three indicators: innovation, R&D and digital performance). Among the larger industries, chemicals and pharmaceuticals, electronic machinery and equipment, and rubber and non-metallic minerals stand out positively (around the 75th percentile in the EU). By contrast, wood, paper and printing, and especially metals and metal products, remain below the 50th percentile on average and lag particularly in digital intensity. Other industries (ICT, motor vehicles and parts, machinery and equipment, and food and beverages) rank between the 61st and 66th percentiles in the EU (Figure 97, right).

/ Figure 97: All sectors lag behind the innovation leaders in digital intensity (left), while substantial differences across manufacturing industries are evident both in digital intensity and, more broadly, in the success of the transition towards innovation-driven growth (right)



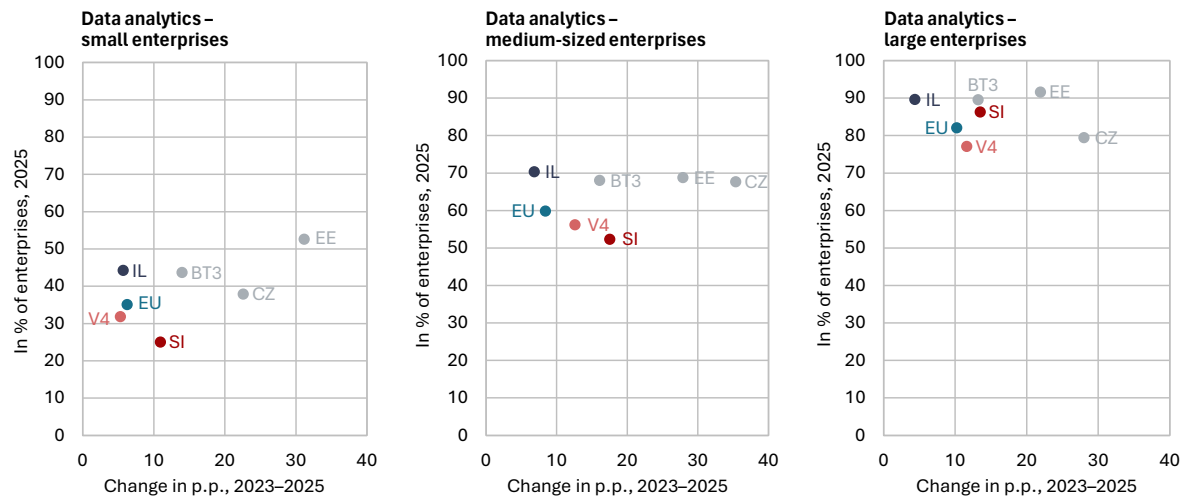
Source: Eurostat (2026); IMAD calculations. Note to the left-hand panel: DI – digital intensity. According to NACE Rev. 2 (SKD 2008), manufacturing corresponds to section C, construction to section F, services to sections G45–S951 (excluding X and K), and ICT to sections C26.1–26.4, C26.8, G46.5, J58.2 and J61–63. Note to the right-hand panel: The percentile position ranges from 0 to 1 and indicates Slovenia's position among EU countries (for which data are available). For example, a value of 0.6 corresponds to the 60th percentile, meaning that 40% of countries record higher values than Slovenia. It is calculated as follows: percentile position = 1 – ((Slovenia's rank – 1) / number of countries). For chemicals, pharmaceuticals and coke, digital intensity data refer only to the chemical industry in 2021. For the manufacture of ICT products, electrical machinery and equipment, and other machinery and equipment, data on innovation activity are available only at the aggregated level for all three industries combined. In the chart, industries are ranked according to the sum of percentile positions across all three indicators. R&D intensity is measured as R&D expenditure as a percentage of value added (2023; for some countries 2022). Digital intensity is defined as the share of firms with high or very high digital intensity (2025; for some countries 2023). Innovation activity is measured as the share of innovation-active firms (2022).

/ Figure 98: Slovenia continues to rank among the leading countries in the EU and globally in industrial robotisation, although robot adoption slowed markedly in 2024



Source: IFR (2025); IMAD presentation. Note: The scales in the right-hand panel are logarithmic.

/ Figure 99: The transition to data-driven business models poses a major challenge, particularly for small and medium-sized enterprises; however, the examples of Czechia and Estonia show that substantial progress can be achieved even over a relatively short period



Source: Eurostat (2026); presentation by IMAD. Indicators for country groups (excluding the EU) are calculated as unweighted average.

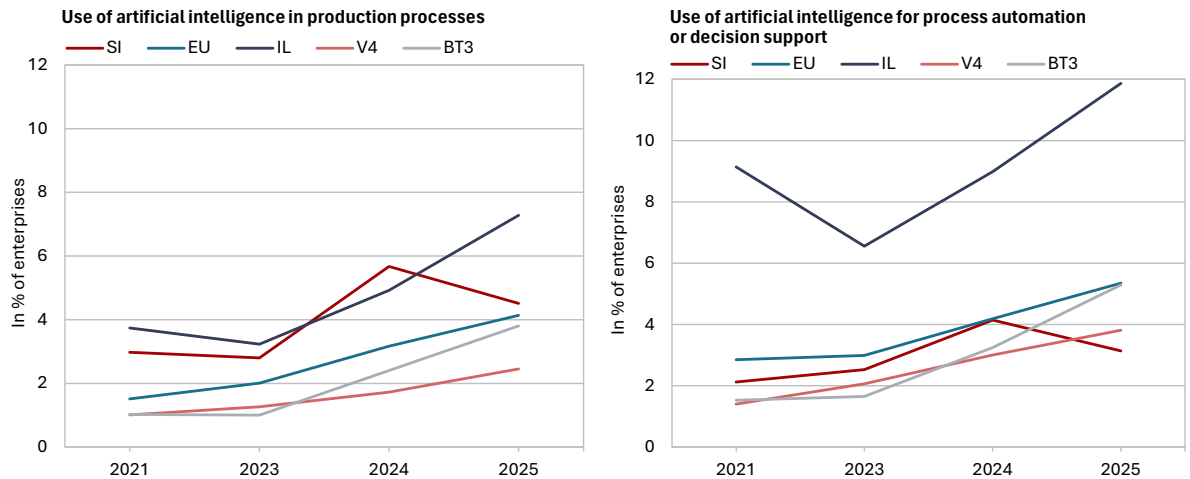
Slovenia continues to maintain its traditional competitive advantages, primarily linked to Industry 3.0 technologies. In industrial robotisation, the country remains among the top performers in both the EU and globally, ranking fourth and eighth, respectively (Figure 98, left). Between 2020 and 2023, Slovenia also recorded one of the fastest rates of improvement globally, although this momentum slowed significantly in 2024, both compared with the previous period and relative to other countries. Slovenian firms are also highly integrated into supply chains: in 2023 (latest available data), 38% shared supplier and customer data through supplier information systems, the highest share in the EU. This constitutes an important comparative advantage, provided that firms upgrade their position within supply chains (IMAD, 2025a) by adopting advanced processes and technologies and linking them to higher value-added functions, such as research and development, design, marketing, sales, and strategic planning.

At the same time, Slovenia continues to lag behind in the transition to data-driven business models. Productivity gains depend not only on the adoption of individual technologies, but also on their effective integration, process upgrading, and complementary investment – particularly in intangible capital (Brynjolfsson et al., 2021; Calvino and Fontanelli, 2023). In this respect, the picture is less favourable. Slovenia has fallen to 16th place in the use of cloud technologies in companies and, together with the Visegrad countries, lags significantly behind the innovation leaders. A similar pattern is observed for the use of business intelligence tools, and even more so for advanced data analytics tools. The gaps are most pronounced among small and medium-sized enterprises (ranking 24th and 21st in the EU, respectively), where convergence has been slower than in countries such as Czechia and Estonia. By contrast, large firms rank 9th in the EU and are closer to the innovation leaders, where cross-country differences are generally smaller.

Slovenia also lags significantly behind in the adoption of the most advanced technologies (Industry 4.0). In 2025, Slovenia fell from 2nd to 9th place in the use of artificial intelligence (AI) in production processes, widening its gap relative to the innovation leaders, while the Baltic states have made rapid progress over the past two years. An even sharper decline (from 13th to 21st

place) has been observed in the use of AI for automating different workflows or assisting in decision making. In the use of AI in production processes, the deterioration is driven entirely by small firms, as medium-sized and large firms (ranking 8th and 3rd, respectively) remain among the top performers. By contrast, in the use of AI for process automation, Slovenia lags behind across both SMEs and large firms, pointing to considerable untapped potential in the adoption of technologies that are crucial for future competitiveness. It is also a concern that 57% of small firms, 39% of medium-sized firms and 20% of large firms consider digital transformation to be non-essential or irrelevant for successful business performance, while firms' approaches to digital transformation remain insufficiently ambitious and comprehensive.²⁴⁰

/ **Figure 100: In Slovenia, the loss of competitive position in the use of AI in production processes is most pronounced among small firms, while in the use of AI for process automation, firms across all size classes lag significantly behind**

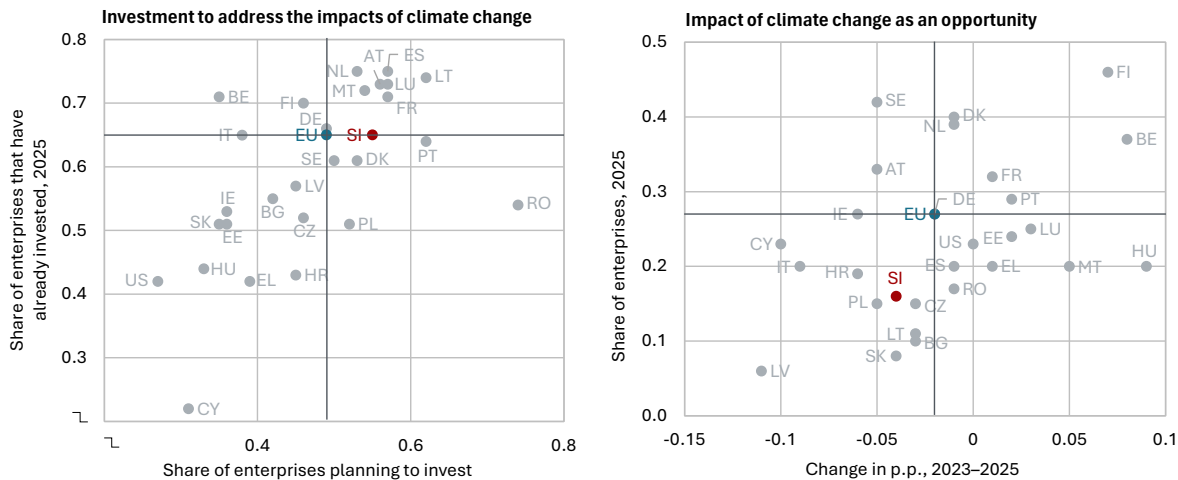


Source: Eurostat (2026); presentation by IMAD. Indicators for country groups (excluding the EU) are calculated as unweighted average.

The share of firms undertaking climate-related investments is broadly in line with other EU countries; however, these investments are primarily directed towards environmental protection, while investment intensity in climate change mitigation remains low. In 2025, Slovenia was close to the EU average in terms of the share of firms that had already undertaken climate-related investments (Figure 101, left), while an above-average share of firms also planned such investments. At the same time, investment intensity in environmental protection is relatively high: at 1.5% of GDP, Slovenia ranks fourth in the EU (Eurostat, 2026). A different picture emerges with regard to private investment in climate change mitigation. These investments amount to 0.55% of GDP, placing Slovenia 21st in the EU, and the share has stagnated, unlike in other country groups (Section 5.3.3).

²⁴⁰ The share of firms with a digital transformation strategy remained unchanged in 2025 compared with 2021 (17%). Among small firms, it even declined slightly (to 14%), while 29% of medium-sized firms had such a strategy. A noticeable increase was recorded only among large firms, where the share rose by 10 p.p. to 59% (SURS, 2026a).

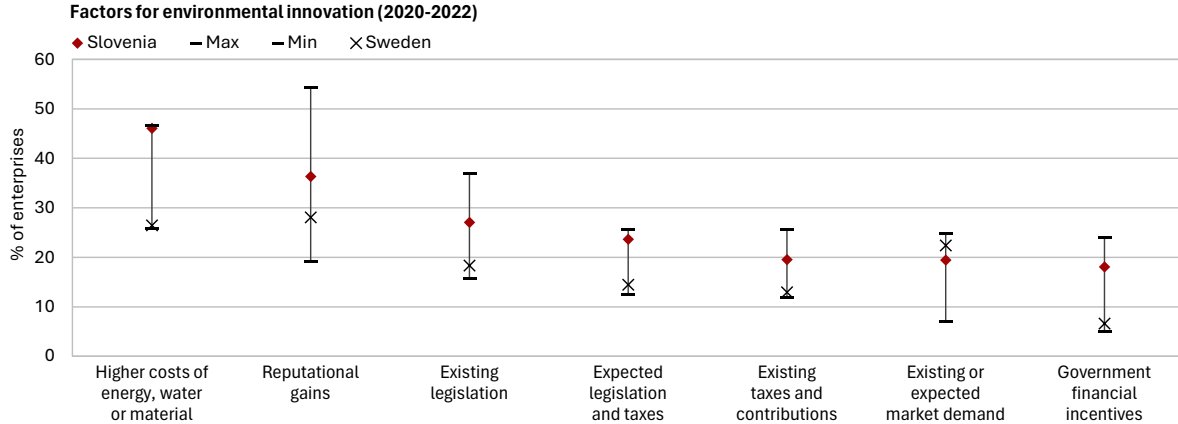
/ Figure 101: The share of firms that have invested or plan to invest in climate-related projects is comparable to the EU average; however, firms rarely perceive these investments as a development opportunity



Source: EIB (2025); IMAD presentation. Note: The left-hand panel shows investments aimed at addressing the impacts of weather-related events and reducing carbon emissions. The right-hand panel shows the share of firms that perceive the transition to stricter climate standards and regulations over the next five years as an opportunity.

Slovenian firms only rarely perceive the transition to a smart circular economy as a development opportunity, with decisions to engage in environmental innovation usually driven by external pressures. To achieve stronger economic performance, firms need to complement digital transformation and compliance with environmental standards²⁴¹ with the adoption of sustainable business models aligned with the smart circular economy paradigm (IMAD, 2022), which links the sustainable transformation with new value creation and higher productivity. However, Slovenian firms are less likely than those in most EU countries to view the transition to stricter climate standards as an opportunity (21st place), and the share of such firms is even declining (Figure 101, right). Environmental innovation is driven primarily by external pressures, such as rising costs and regulation, while current and expected market demand, as in other countries, still plays a relatively limited role (Figure 102). Although firms also cite reputational gains as an important motivation, the market dimension of the green transition remains underdeveloped.

/ Figure 102: Environmental innovation in firms is driven primarily by rising costs, reputation gains and regulation, while market demand and financial incentives play a less important role



Source: Eurostat (2026). Note: The data are based on the Community Innovation Survey (CIS) and refer to the period 2020–2022. Data are available for 13 EU countries.

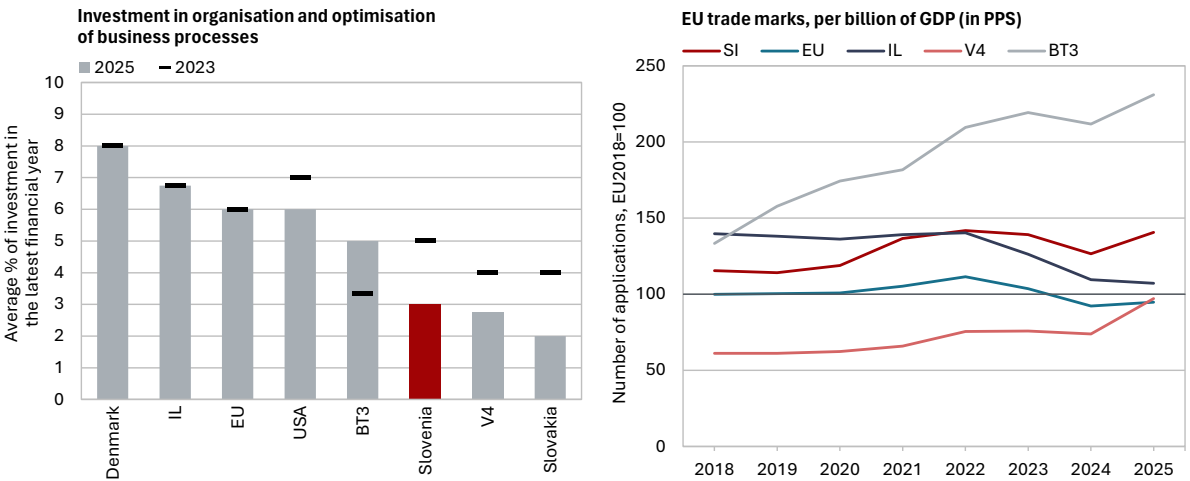
²⁴¹ In terms of the number of ISO 14001 certifications related to environmental management systems, Slovenia ranked 10th in the EU in 2023, improving from 15th place in 2018.

4.5.3 Organisational and marketing innovation

Management and organisational practices in Slovenian firms are favourable in some respects... Internationally comparable data on organisational practices in Slovenian firms show a mixed picture. According to Eurofound data, Slovenia has an above-average share of firms (40%) operating under a “command-and-control” management model (Eurofound, 2019).²⁴² At the same time, employee autonomy at work is relatively high, with employees reporting such autonomy in 74% of firms, placing Slovenia eighth in the EU. While this is significantly below the level observed in Sweden (93%), it is markedly higher than in the Visegrad Group (59%). A relatively strong influence of employees on decisions relevant for their work is also confirmed by a more recent working conditions survey (Eurofound, 2024). The share of employees in Slovenia reporting that they are able to influence decisions important to their work always or most of the time is among the highest in the EU, alongside Denmark and Finland, with only Austria ranking higher.

...however, recent trends – particularly regarding investment in organisational and business process improvements, including the use of artificial intelligence – have remained markedly negative. According to EIB (2025) data, Slovenia lags significantly behind most other country groups in such investments, including the Baltic states, and ranks alongside the Visegrad Group, Greece and Croatia, which are among the lowest-performing countries in the EU. Moreover, the share of investment allocated to these purposes in Slovenia has been declining. A deterioration in management quality is also reflected in data on the use of artificial intelligence for automating different workflows or assisting in decision making in firms. In this area, both the Visegrad and Baltic country groups have overtaken Slovenia across all firm size classes. As product innovation without complementary process, organisational and marketing innovations yields significantly smaller performance gains, these trends constrain further improvements in firms’ economic efficiency (Bogetoft et al., 2024).

/ Figure 103: Slovenian firms are lagging behind in investment in organisational and process innovation and are further widening this gap, while remaining highly active in brand strengthening



Source: EIB (2025), EUIPO (2025), EC (2024c), Eurostat (2026); IMAD calculation. Note: Data for 2018–2024 in the right-hand panel are based on the European Innovation Scoreboard database (EC, 2025f), while the 2025 calculation is based on EUIPO data. GDP in PPS for 2024 was used as the denominator for the 2025 calculation. Indicators for country groups (excluding the EU) are calculated as unweighted averages.

²⁴² This share is much lower in Sweden (12%), while the EU average stands at 37% and 49% in the Visegrad Group.

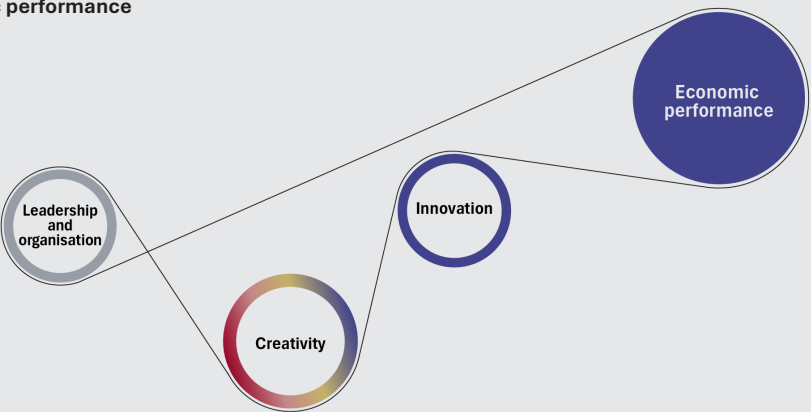
Focus topic 3

The relationship between organisational approaches, creativity, innovation and firms' economic performance²⁴³

Technological innovation alone is insufficient to ensure firms' economic viability and higher productivity; non-technological innovations also play an important role (Walker et al., 2015, 2011). Evidence from Slovenian firms shows that the importance of complementary investment in human resources and organisational aspects of innovation increases with greater technological complexity and stronger alignment with Industry 4.0 technologies. Both dimensions of innovation are associated with statistically significant gains in firms' productivity and economic performance (Černe et al., 2024).²⁴⁴ Over time, higher productivity reduces labour cost share in firms' cost structures and in their value added (ibid.), which in the long term enables not only higher wages but also stronger business competitiveness.

Leadership and organisational practices not only foster individual creativity but also directly influence team-level innovation activity and, consequently, firms' economic performance (Burke et al., 2006; Muthimi and Kilika, 2018). Evidence for Slovenian manufacturing firms (Černe et al., 2013) shows that innovation performance at team level depends not only on leadership and organisational practices, but also on the creative capacity of individual employees. Individual creativity is the most important determinant of innovation (Amabile, 1988) and thereby further (indirectly) reinforces its impact on firms' economic performance (Černe et al., 2013). This is because individual creativity fosters innovation by encouraging more open (divergent) thinking, strengthening problem-solving capabilities, and facilitating the generation of new ideas (Bunjak et al., 2026). Figure 104 provides a schematic illustration of the relationships among these dimensions.

/ Figure 104: Schematic illustration of the relationship between leadership and organisation, creativity, innovation and firms' economic performance



Source: authors' illustration.

²⁴³ Prepared in collaboration with Matej Černe, PhD, Faculty of Economics, University of Ljubljana.

²⁴⁴ The estimated effect, however, is relatively modest, which may also reflect methodological limitations and data constraints.

A **successful transition to innovation-driven growth** therefore requires complementing technological modernisation with non-technological innovation, among which appropriate organisational elements are particularly important. This requires a comprehensive approach that combines various organisational practices, thereby creating the conditions and mechanisms for a creative and innovation-oriented environment within firms.

Key conditions for firm-level success based on innovation-driven growth include:

- a) Empowering employees not only through domain-specific knowledge and technological skills, but also by developing their psychological and creative capital (Bunjak et al., 2026; Černe et al., 2025). Psychological resources, such as self-confidence, intrinsic motivation, a sense of autonomy and a willingness to take risks, enable employees to apply existing knowledge creatively and transform it into new ideas, solutions and innovations.
- b) Fostering an innovation-oriented organisational culture in which employees perceive innovation as desirable and feel safe to experiment without fear of failure (Černe et al., 2013, 2014; Škerlavaj et al., 2019). Since innovation processes inherently involve uncertainty, mistakes and failed attempts, only a psychologically safe working environment enables employees to propose, test and develop ideas without fear of sanctions or other negative consequences.²⁴⁵
- c) Cultivating a shared identity and a sense of purpose (Aleksić et al., 2024; Černe and Aleksić, 2024), whose importance is becoming even more pronounced among younger generations (Deloitte, 2025). These factors strengthen employees' sense of belonging and intrinsic motivation, facilitate collaboration and knowledge sharing, and support persistence in demanding innovation processes, where uncertainty, iteration, and (temporary) failure are an integral part of process.

For creativity and innovation to thrive, **organisational practices within firms should pursue the following objectives:**

- a) Ensuring both predictability and autonomy by designing work arrangements that combine clearly defined tasks and supportive organisational frameworks with an appropriate degree of flexibility (Lamovšek et al., 2025). This allows employees to experiment and innovate in a safe environment without being exposed to excessive workloads or losing a sense of control.
- b) Encouraging experimentation, including unconventional ideas (Černe et al., 2013), while also promoting collaboration beyond the firm, particularly within the broader innovation ecosystem.
- c) Promoting co-creation, knowledge sharing and multidisciplinary, both within and outside the firm, for example through relational job

²⁴⁵ A rigid, hierarchical culture or organisational structure, characterised by a pronounced power distance between superiors and subordinates, inhibits the flow of ideas, reduces employees' creative contributions and, through lower levels of creativity, indirectly weakens innovation performance (Zhang et al., 2023).

design,²⁴⁶ continuous learning, and multi-skilling (Hernaus et al., 2024, 2021). The Slovenian environment, characterised by a strong emphasis on collaboration, community, connectedness and collectivism, is particularly conducive to the development of collaborative and co-creative practices, which can serve as a powerful driver of organisational change.

Changes and new technologies will be more readily accepted in Slovenia when employees perceive them as reinforcing cooperation, security and a sense of purpose, rather than as threats or additional burdens. However, many firms still lack strategies or a systematic approach to managing industrial and technological change (Čater et al., 2019), which, in line with the findings presented above, fails to ensure optimal conditions for success. At the same time, both global and Slovenian examples of good practice that combine flexibility, collaboration and psychological safety already point to viable development pathways for strengthening firms' resilience and creativity (see, for example, Vlahović et al., 2025). Among leading global firms, approaches that humanise increasingly digitalised work environments are becoming ever more important. In this context, leadership capabilities, relational job design, the development of creative and psychological capital, and a collaborative culture built on trust and a shared sense of purpose are key to bridging the gap between formal investment in technology and the effective development of innovative practices.

²⁴⁶ Relational job design places particular emphasis on human connectedness within the work context, including the interdependence of tasks, perceived support from colleagues and supervisors, and links between work and customers or external partners outside the organisation (Grant, 2007).

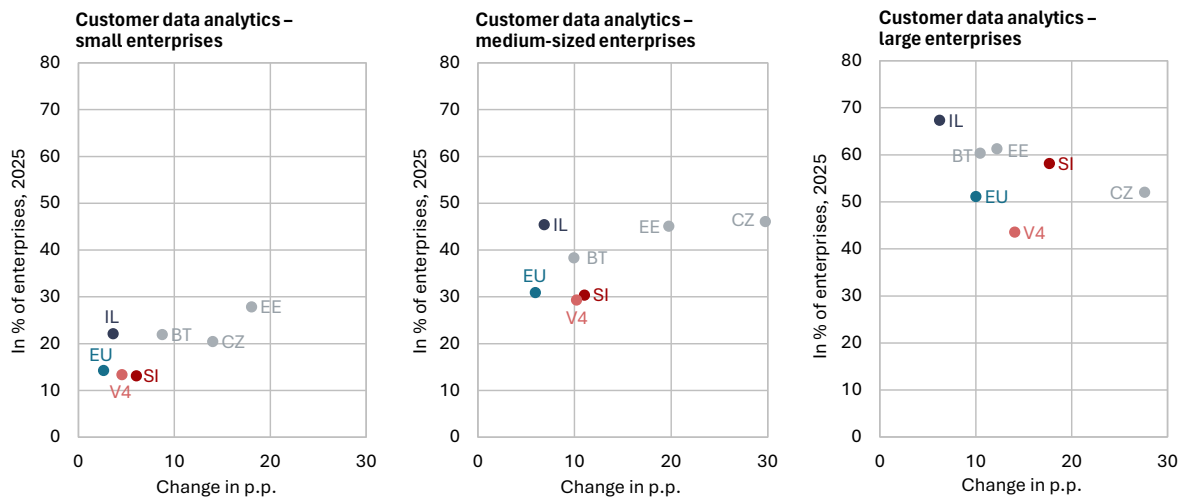
Slovenian firms tend to have an overly narrow understanding of marketing; although they are above-average performers in developing their own brands, these efforts are not sufficiently supported by product differentiation... Beyond organisational innovation, the transition to innovation-driven growth requires stronger differentiation of products and services under firms' own brands, supported by sustainable business models and innovative design. Slovenia has made notable progress in trademarks in recent years (Figure 103, right). In 2025, it ranked 9th in the EU in terms of EU trademark applications filed with the EUIPO²⁴⁷ relative to GDP, outperforming even the group of innovation leaders, although the Baltic states recorded even better results. The situation is less favourable in the area of design. The number of registered EU designs with the EUIPO relative to GDP has stagnated and even declined in 2025, placing Slovenia only 17th in the EU. However, similar negative trends have also been observed in other country groups,²⁴⁸ leading to a gradual narrowing of cross-country differences.

...and business model upgrading, particularly through the use of digital tools, which is crucial for creating customer value and, consequently, for firms' economic performance. According to a global survey of sales managers (Gartner, 2025), by 2030 around 70% of routine sales tasks are expected to be automated, while the use of artificial intelligence is expected to significantly improve process quality across all stages of the purchase journey (Deveau et al., 2023). As customers increasingly automate and digitalise their procurement processes, firms must digitally integrate not only sales functions, but also back-end operations, as this is essential for maintaining responsiveness to customer needs. Slovenia lags behind in this area. It ranks 19th in the EU in the use of customer relationship management (CRM) systems, with only 21% of firms using such tools – below the EU average and behind both the Visegrad and Baltic countries. Progress among small and medium-sized enterprises is among the lowest in the EU, while large firms perform relatively well. A similar pattern is observed in the use of data analytics about customers, where small and medium-sized enterprises in particular lag significantly behind (Figure 105). In this context, it is not merely the use of individual digital technologies that matters; rather, they act as a lever that builds on firms' (digital) execution capabilities to strengthen and upgrade the marketing function through differentiation processes (branding, design and business model innovation), while integrating it more closely with other business functions. These processes generate customer value and thereby improve firms' economic performance (Homburg and Wielgos, 2022; O'Reilly III and Tushman, 2004). Digitalisation is therefore a precondition for a deeper understanding of, and responsiveness to, customer needs, and thus for developing appropriate products and business models, as well as for building trust and brand recognition that generates additional value (Almquist et al., 2016; Homburg and Wielgos, 2022). Given the complexity of managing such transformations, it is not surprising that the majority of firms' market value today derives from intangible rather than tangible assets (WIPO, 2025) (Figure 106).

²⁴⁷ European Union Intellectual Property Office.

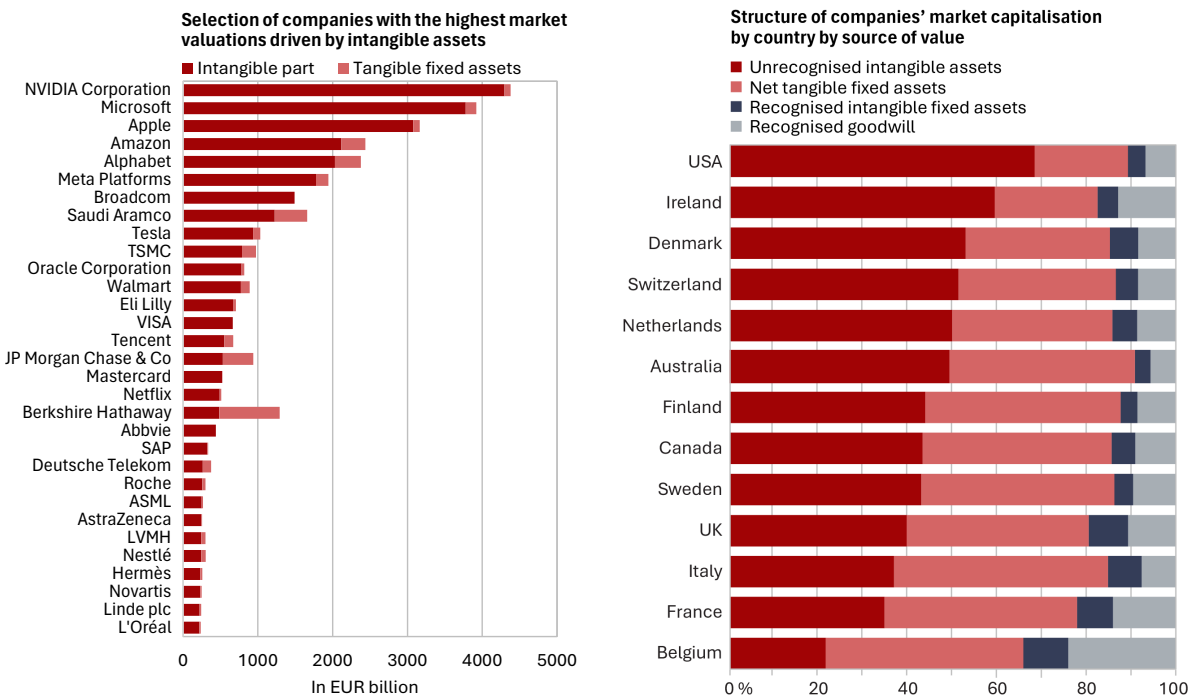
²⁴⁸ These negative trends may also reflect certain substantive circumstances currently being examined at both the European and global levels. For example, obtaining legal protection for designs may be more complex and specific at the market entry stage. Moreover, while trademark protection can be renewed indefinitely in ten-year intervals, design protection is limited to a maximum of 25 years. In addition, trademark applications allow for formal opposition procedures, whereas no such procedures exist for designs.

/ Figure 105: Slovenian small and medium-sized enterprises lag behind in customer relationship management and particularly in the use of customer data analytics



Source: Eurostat (2026); presentation and calculation by IMAD. Indicators for country groups (excluding the EU) are calculated as unweighted average.

/ Figure 106: The largest share of companies' market value derives from intangible assets, which is particularly pronounced in the United States, but also applies to European companies and countries

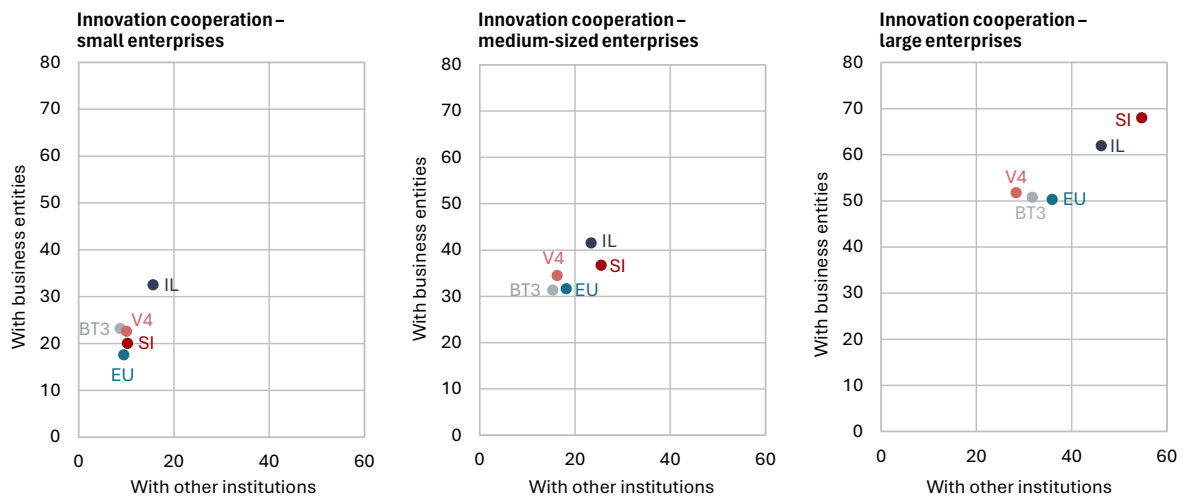


Source: Brand Finance (2025); presentation by IMAD. Note: In the left-hand panel, the 20 largest companies with the intangible component of their market valuation are shown; these are followed by European companies from the list of the 50 largest companies in the world.

In a period of geostrategic shifts, the restructuring of global value chains and rapid, increasingly complex technological development, cooperation and strategic partnerships are more important than ever, a trend that is particularly evident among medium-sized and large enterprises. According to data from the European Innovation Survey, Slovenian companies are highly interconnected and engage in close collaboration, constituting an important comparative advantage for Slovenia. In terms of business cooperation, Slovenia records the eighth-highest share of enterprises

(ranking first in the EU among large enterprises), while in the area of research and development cooperation, medium-sized and large enterprises stand out in particular, ranking third and second in the EU, respectively. In terms of innovation cooperation, only small enterprises remain around the EU average, while medium-sized and especially large enterprises reach or even exceed the levels of innovation leaders – both in cooperation with other businesses and with other (knowledge) institutions. It is therefore crucial that such cooperation increasingly takes on a strategic character. In this way, firms can overcome the constraints associated with their relatively small size (IMF, 2024), assume higher risks and thereby increase investment, develop specialised capabilities (Wostner et al., 2026), address complex technological challenges more effectively (Andreoni et al., 2021), and simultaneously strengthen complementarity and resilience within value chains. Evaluations indicate that government instruments supporting these processes are not only important, but also effective (IMAD, 2025a).

/ Figure 107: Medium-sized and large enterprises rank among the leaders in innovation cooperation (with businesses and other institutions), while small enterprises currently remain in the group of average EU countries



Source: Eurostat (2026); presentation by IMAD. Note: The data refer to the Community Innovation Survey (CIS) 2020–2022. Indicators for country groups (excluding the EU) are calculated as unweighted average.

5 Preserving the natural environment through a transition to a low-carbon circular economy

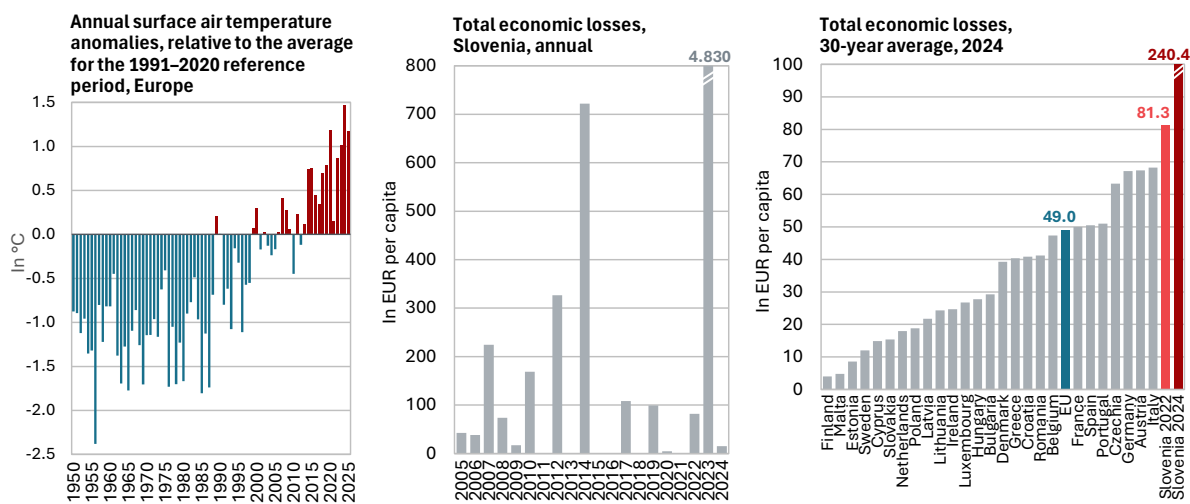
5.1 The burden of climate change and the urgency of action

Accelerating climate warming is leading to more frequent and severe weather events, threatening natural resources, ecosystems and biodiversity, while also undermining energy and food security, financial stability, and human health and lives. The past decade has been among the warmest on record. In 2024 – the warmest year globally, as well as in Europe and Slovenia – the global average temperature exceeded the pre-industrial level by more than 1.5°C for the first time. Similar warming trends continued in 2025, which ranks as the third warmest year on record. It also marked the first three-year period during which temperatures in Europe exceeded the 1.5°C threshold set by the Paris Agreement (ARSO, 2025b; Copernicus Climate Change Service, 2024, 2025b). Rising temperatures are increasing climate-related risks, including more frequent and intense storms, changing precipitation patterns, floods, heatwaves, prolonged droughts and wildfires (with some already reaching critical levels). Without rapid and more decisive action, their adverse effects are likely to intensify further. European policies and adaptation measures are not keeping pace with the escalating risks, so measures will need to be strengthened (EEA, 2024b, 2025d; EC, 2023b). Europe is warming at twice the global average²⁴⁹ and is now the fastest-warming continent, while Slovenia is recognised as one of the areas where the effects of climate change are particularly pronounced (ARSO, 2025b). On a multi-year average, Slovenia records the highest climate-related economic losses per capita²⁵⁰ in the EU – particularly following the 2014 ice storm and the 2023 floods (Figure 108, right) – and annual losses are also increasing. Alongside effective reductions in greenhouse gas emissions, faster adaptation and stronger resilience to unavoidable climate impacts will therefore be essential.

²⁴⁹ Europe has experienced temperature increases of around 1°C above the global average (Copernicus Climate Change Service, 2025a).

²⁵⁰ Between 1980 and 2024, weather- and climate-related extreme events in the EU caused more than EUR 800 billion in property damage, over a quarter of which occurred in the past four years. Together with 1999, these four recorded the highest annual losses over the entire period. Nearly half of total losses were caused by hydrological hazards, a quarter by meteorological hazards, one fifth by heatwaves, and the remainder by droughts, wildfires, and frost. Less than 20% of total losses are estimated to have been insured, with the insured share ranging from less than 3% to more than 35% across countries; in Slovenia, the share of insured losses was estimated at 3% (EEA, 2025b).

/ Figure 108: Europe is warming rapidly, with total national economic losses, particularly in Slovenia, already estimated as high and, following the extensive floods in 2023, even more severe



Source: Copernicus C3S & WMO (2025); Eurostat (2025). Left-hand panel: Years warmer than the long-term average are shown in red, while cooler years are indicated in blue. Middle and right-hand panels: Total economic losses from extreme meteorological, hydrological and climate-related events. The number of fatalities, as well as total and insured economic losses due to weather- and climate-related events, are taken into account.

Production patterns and lifestyles in Slovenia place greater pressure on natural resources than in most European countries; despite ambitious targets, these pressures have not declined and continue to exacerbate climate-related risks. The ecological footprint – a synthetic indicator of environmental pressure²⁵¹ – increased during the economic recovery following the global financial crisis until 2018. It then declined during the pandemic and the energy crisis as economic activity slowed, before reaching its highest level since 2010 in 2022 (5.4 gha²⁵² per capita). By 2024, it is estimated to have decreased to 5.2 gha per capita, which remains 19% above the EU average (4.4 gha per capita). Slovenia’s ecological footprint exceeds its biocapacity twofold,²⁵³ and maintaining the current lifestyle would require the equivalent of 3.6 Earths. This places Slovenia 18th among EU Member States and among the less sustainable countries globally (Global Footprint Network, 2025). The carbon footprint, driven mainly by fossil fuel use in transport, is the largest component of the ecological footprint. In 2024, the carbon footprint exceeded 60% of Slovenia’s ecological footprint and was among the highest in the EU. Approximately one fifth of the ecological footprint is accounted for by forest products (with their share declining somewhat following the end of salvage logging after the 2014 ice storm), around 13% is attributable to agricultural products, 4% to grazing land, and the remainder to built-up land and fisheries. The ecological footprint target set in SDS 2030 (SVRK, 2017)²⁵⁴ is becoming increasingly difficult to achieve; however, it could still be approached through

²⁵¹ Environmental pressures associated with excessive resource use, as indicated by the ecological footprint, are directly linked to ecosystem functioning. Ecosystems provide benefits that are often not recognised by markets (ecosystem services), yet are essential to quality of life, including through reduced exposure to natural and climate-related hazards and associated risks.

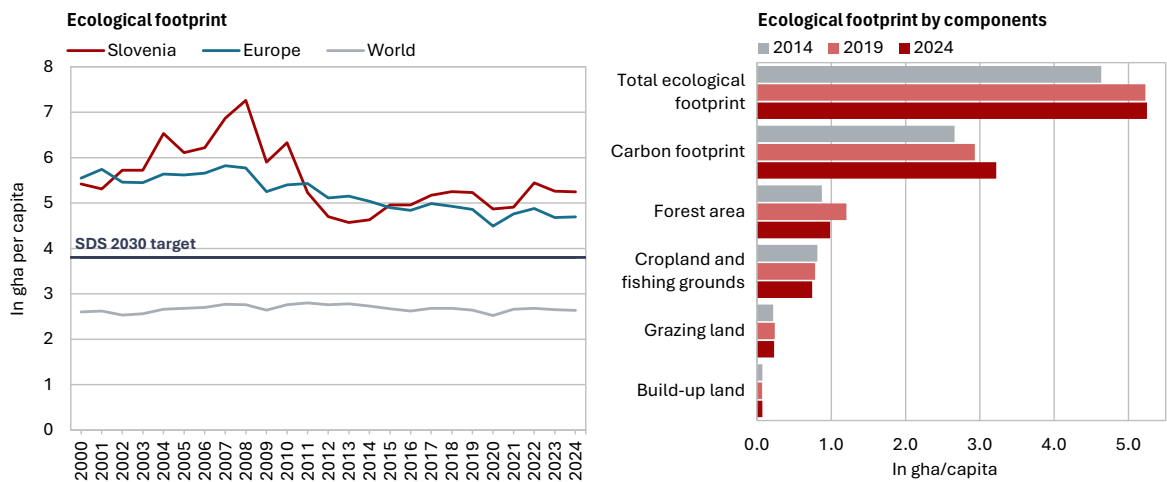
²⁵² Gha (global hectare) is a standardised unit for measuring the ecological footprint. It represents the biological productivity of one hectare of average global bioproductive surface area.

²⁵³ Biocapacity refers to the ability of ecosystems to provide natural resources and absorb waste (primarily greenhouse gas emissions). When the ecological footprint exceeds biocapacity (an ecological deficit), domestic environmental capacities are exceeded, leading to increased reliance on imports of goods, particularly energy products, and greater exposure to wider regional and global trends.

²⁵⁴ Slovenia has set a target to reduce its ecological footprint by around 20%, or to 3.8 gha per capita, by 2030 (SVRK, 2017). The EU has no explicit targets for the ecological footprint; however, reductions are indirectly promoted through policies aimed at reducing greenhouse gas emissions, promoting the circular economy, implementing the zero pollution strategy and preserving biodiversity.

the introduction of immediate and more ambitious measures (Stritih et al., 2023). The widening gap relative to the targets mirrors broader European trends, as progress towards many EU environmental objectives remains too slow (EEA, 2025e). This is partly related to the worsening pandemic, energy, and geopolitical situation, which has reduced political support for and attention to environmental and climate measures.

/ Figure 109: The ecological footprint remains high, primarily due to the rising carbon footprint



Source: GFN (2025); IMAD calculations. Note: Data for 2023 and 2024 are GFN estimates.

5.2 Natural environment preservation

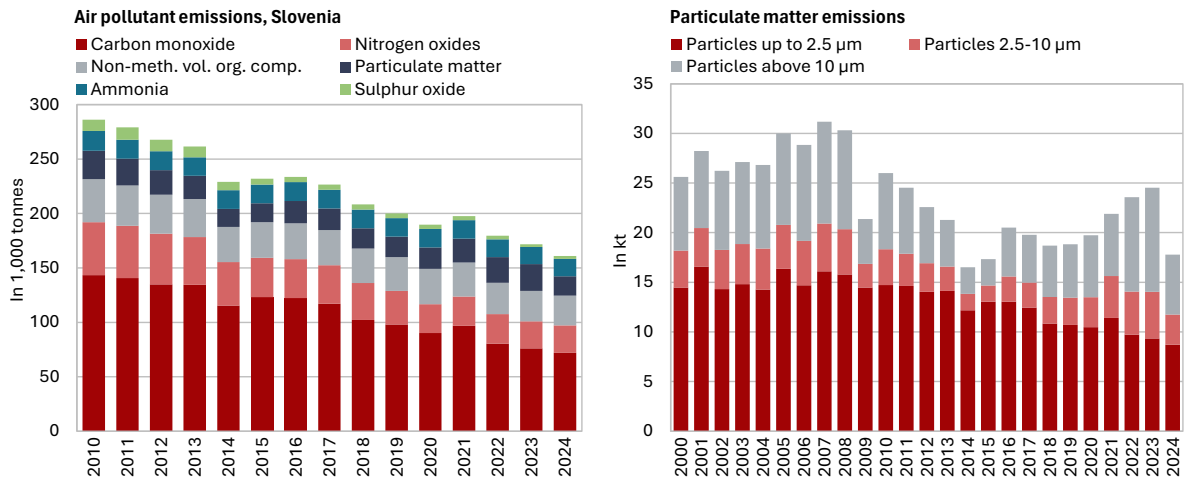
5.2.1 Air quality

Ambient air pollution remains the largest environmental health risk in Europe, reducing labour productivity and increasing premature mortality. Despite a long-term decline in certain pollutants, particularly sulphur oxides and nitrogen oxides, ambient air pollution in most European cities still exceeds levels recommended by expert institutions and the World Health Organization (EEA, 2025a). Particulate matter (PM), especially PM₁₀ and PM_{2.5}, remains a major concern, as it increases the risk of cardiovascular disease and reduces labour productivity (Brook, 2008; Nogueira, 2009). Research indicates that a 1 µg/m³ increase in average PM_{2.5} concentrations in ambient air reduces labour productivity by approximately 0.7%, with the effects being more pronounced in activities with greater exposure to outdoor conditions, such as mining, industry and construction (OECD, 2024a). The costs of premature mortality attributable to PM_{2.5} exposure in OECD countries amount, on average, to 2.4% of GDP and are even higher in Europe (OECD, 2025). Because ambient air pollution continues to cause a high burden of disease and premature mortality, the EU adopted a more stringent regulatory framework for ambient air quality in 2024 (European Parliament and Council, 2024).²⁵⁵

²⁵⁵ The revised Ambient Air Quality Directive introduces stricter limit values for PM_{2.5}, PM₁₀ and NO₂ now apply, bringing them closer to the stricter WHO guideline values. The 2030 air quality standards are intended as an intermediate step towards achieving the EU's zero-pollution objective and a toxic-free environment by 2050. For fine particulate matter (PM_{2.5}), the leading cause of premature deaths in Europe, the annual limit value has been reduced, for example, from 25 µg/m³ to 10 µg/m³ (the WHO guideline value is 5 µg/m³). The new rules are expected to significantly reduce premature mortality attributable to air pollution, as well as the incidence of related diseases. The number of premature

Ambient air quality in Slovenia has improved over time as a result of various policy measures; however, it remains locally affected by inefficient woody biomass combustion, transport emissions, and poor air circulation in certain areas. Particulate matter (PM) emissions have declined over the long term, owing to the modernisation of combustion plants, energy-efficient building renovations and milder winters. In recent years, only emissions of particles larger than 10 µm increased; however, in 2024 they declined sharply due to lower construction activity. Most particles up to 10 µm in diameter (PM₁₀) originate from small combustion plants (53%), industrial processes (particularly construction; 19%) and road transport (10%). In 2024, total PM₁₀ emissions decreased by 16%, while PM_{2.5} emissions – the particles most harmful to human health – declined by 7% and reached their lowest level on record. The reduction in PM_{2.5} emissions was mainly driven by lower emissions from small combustion plants, which account for more than 70% of total PM_{2.5} emissions. Average exposure to PM_{2.5}²⁵⁶ has also declined since 2010. In 2024 and 2025, it was among the lowest recorded at urban background monitoring stations. A similar pattern can be observed in the number of days with exceedances of PM₁₀ limit values, which has been considerably lower in the past five years (with the exception of 2024). At the local level, ground-level ozone remains a concern (ARSO, 2026b). As ozone formation depends on sufficient sunlight, excessive concentrations – unlike those of particulate matter – occur mainly in summer. Although air quality in Slovenia generally remains within the legally prescribed limit values, air pollution in some areas still occasionally exceeds acceptable levels. Further improvements will require targeted and ambitious measures adapted to local conditions, particularly in heating and transport.

/ Figure 110: Over the past fifteen years, air pollutant emissions have decreased substantially (left); this trend is also observed for particulate matter emissions, particularly PM_{2.5}, which represents the greatest risk to human health (right)

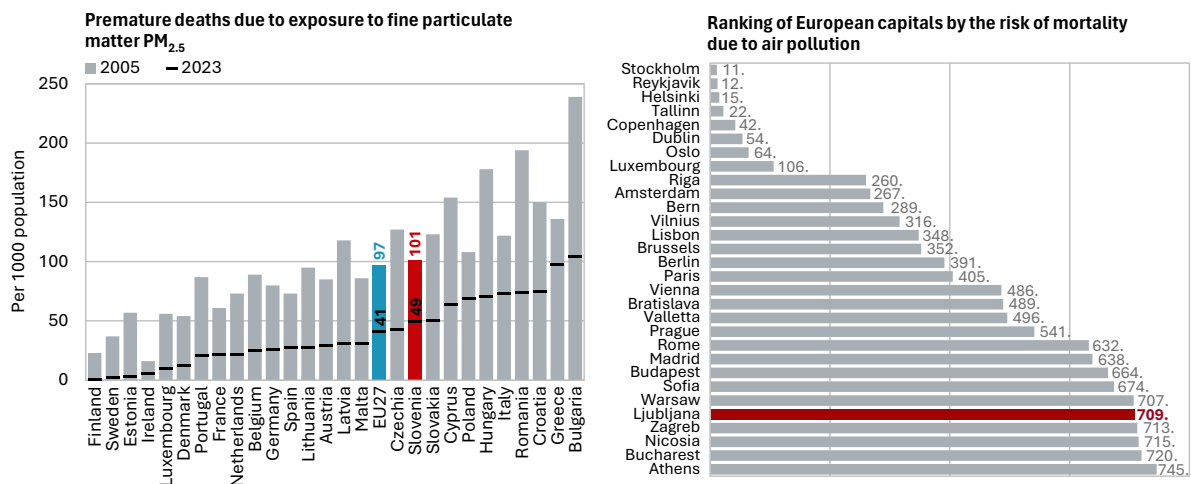


Source: ARSO (2026a).

deaths associated with PM_{2.5} pollution is projected to decline by 75% over the next decade.

²⁵⁶ Exposure to PM refers to the average concentration of particles in the air inhaled by the population; it is measured by the average exposure indicator expressed in µg/m³ and depends on emission levels, weather conditions and the proximity of the population to pollution sources.

/ Figure 111: Fine particulate matter (PM_{2.5}) poses a significant health risk, with residents of some European capitals, including Ljubljana, particularly exposed to air pollution



Source: EEA (2025a). Note: The right-hand panel presents a ranking of European capitals by mortality risk attributable to air pollution across 761 European cities. In Slovenia, besides Ljubljana, Maribor is included, ranking 589th.

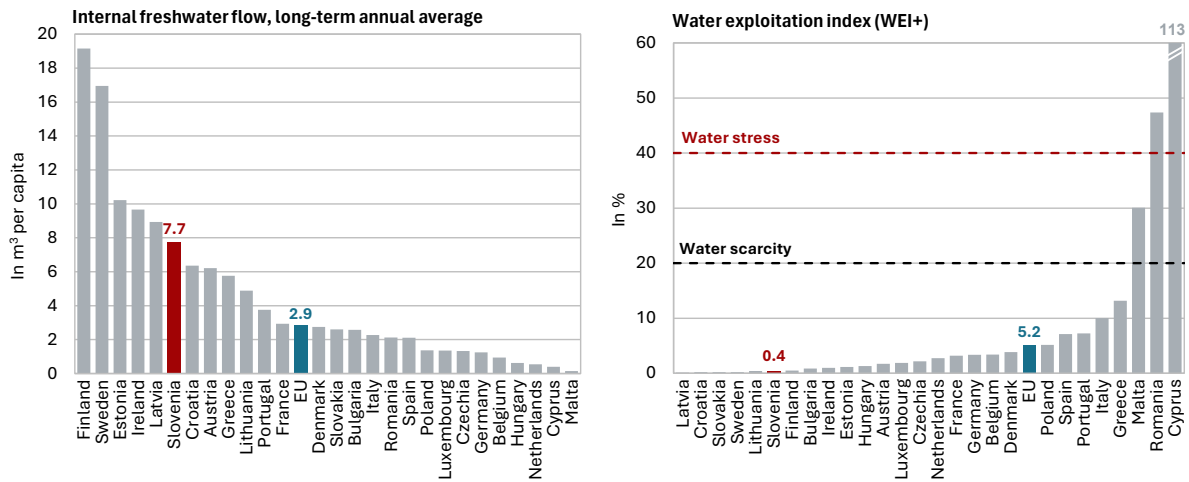
5.2.2 Availability and quality of water resources

Slovenia is a water-rich country and, according to the water exploitation index, ranks among non-stressed countries. A relatively high average annual precipitation ensures abundant water resources. Most of the water used is abstracted from surface sources (mainly for industrial purposes), while one fifth comes from groundwater sources (primarily for public water supply). In the period 2016–2020, water abstraction was generally lower than the volume replenished through precipitation and inflows, while in 2021–2023 the water balance turned negative (around –1 million m³ in 2023). Nevertheless, the regionalised Water Exploitation Index (WEI+), which measures water abstraction as a share of outflow from the country, indicates that water use in Slovenia remains well below the thresholds for water stress and scarcity. However, regional disparities are significant: the Primorska region and the eastern part of the country are locally prone to drought, while the mountainous western regions are water-abundant.²⁵⁷

Despite relatively favourable average indicators of water availability and use, weather-related and hydrological extremes are becoming increasingly pronounced in Slovenia, significantly affecting the availability and quality of water resources. Periods of water scarcity and episodes of extensive flooding are becoming more frequent. Annual aquifer recharge indices (groundwater) fluctuate considerably, which – particularly in shallow aquifers – indicates high sensitivity to hydrological variability and, consequently, an increased risk of disruptions to the drinking water supply in the future (Andjelov, 2021; Pavlič, 2025). Most rivers in Slovenia are torrential watercourses and are therefore particularly vulnerable to periods of low flow and hydrological drought, which reduce water availability for irrigation, contribute to agricultural drought, and deteriorate water quality (Ulag, 2025). Watercourses are also occasionally exposed to exceptionally

²⁵⁷ To promote more efficient use of water resources and address quantitative pressures, particularly in high-abstraction sectors, the Decree on Payments for Water Rights Acquired on the Basis of Water Permits and on Water Abstraction Charges (Official Gazette of the Republic of Slovenia, 2025b, 2025a) was adopted in 2025. It introduces a unified system of charges for water rights based on permits, thereby strengthening the financial framework for sustainable water management.

/ Figure 112: Available freshwater resources per capita in Slovenia are more than twice the EU average, with higher levels found only in a few northern European countries; consequently, the share of water use in total outflow is low



Source: Eurostat (2026). Notes: Internal flow refers to the total volume of river runoff and groundwater recharge generated exclusively by precipitation within a territory under natural conditions (left-hand panel); WEI+ refers to the Water Exploitation Index. Values above 20% indicate water scarcity, while those above 40% signal severe water stress (right-hand panel).

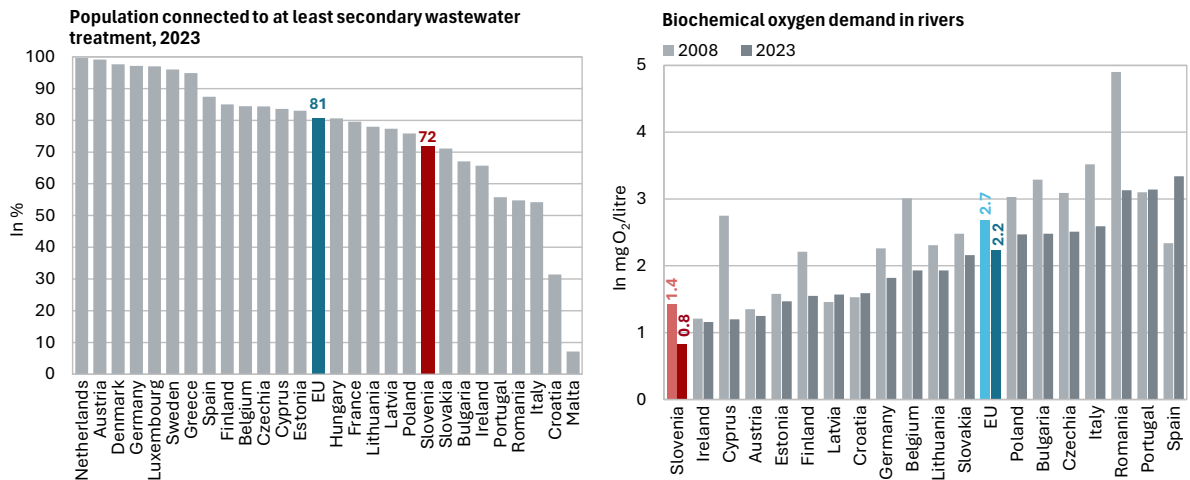
high precipitation. In 2023, extremely intense rainfall caused devastating floods that affected around two thirds of Slovenia’s territory, flooded several thousand homes, triggered extensive erosion, caused substantial damage to infrastructure and the natural environment, and also resulted in fatalities (ARSO, 2024; Bezak et al., 2023; Government of the Republic of Slovenia, 2025d).

Due to lower pollution levels and more efficient wastewater treatment, water quality has improved, reaching the highest level among EU Member States. Water quality, measured by biochemical oxygen demand,²⁵⁸ improved from levels close to the EU average at the beginning of the previous decade to the best performance among EU countries with available data. This was supported by more extensive and more efficient wastewater treatment, the phasing-out of environmentally burdensome economic activities, and more sustainable agricultural practices.²⁵⁹ Nitrate concentrations in groundwater and phosphate concentrations in rivers – both of which impair water quality when present in excessive amounts – have been declining over the long term and are below the EU average (in 2023, nitrate concentrations were 15.5 mg/l in Slovenia and 18 mg/l in the EU, while phosphate concentrations were 0.02 mg/l in Slovenia and 0.08 mg/l in the EU). The share of wastewater treated prior to discharge increased from 11% to 19% between 2015 and 2024, while most of the untreated water is used in hydropower generation and is therefore only thermally polluted. In 2024, 73% of municipal wastewater from sewerage systems was treated in wastewater treatment plants prior to discharge. Despite this overall progress, excessive pollutant loads persist in certain areas, such as the Mura river basin, where they are associated with more widespread and intensive agricultural activity (Krivograd Klemenčič, 2025).

²⁵⁸ Biochemical oxygen demand (BOD) is an indicator of organic water pollution, measuring the amount of oxygen required by aerobic microorganisms to decompose organic matter in water. In the cleanest rivers, BOD is low, below 1 mg O₂/l, whereas in moderately to heavily polluted rivers it ranges between 2 and 8 mg O₂/l.

²⁵⁹ Organic farming in water protection areas has been expanding (from 6.1% in 2014 to 11.4% in 2023); however, given the need to protect drinking water resources, it should be promoted more systematically (Lampič and Rebernik, 2024).

/ Figure 113: The share of the population connected to at least secondary wastewater treatment remains below the EU average (left); Slovenian watercourses are of high quality (right)



Source: Eurostat (2026). Note: The right-hand panel includes only countries with available data.

5.2.3

Soils as a foundation of sustainability

Soils are essential for achieving the sustainable development goals and mitigating climate change because of their vital ecosystem functions.

It is estimated that one third of the world's soils are moderately to severely degraded due to erosion, salinisation, compaction, acidification and chemical contamination (ISRIC, 2024), with degradation pressures being even more pronounced in Europe (EC JRC, 2024). Healthy soils provide a wide range of ecosystem services, such as the provision of food and biomass, water retention, purification and regulation, the transformation and neutralisation of pollutants, the supply of raw materials, and the provision of habitats for soil organisms, thereby contributing to biodiversity conservation (FAO, 2025). As soils form extremely slowly through the weathering of rocks and the accumulation of organic matter, it is essential to strengthen efforts to preserve their health and quality (Vrščaj, 2024). In the context of climate change and the green transition, their capacity to sequester and store atmospheric carbon is also becoming increasingly important, as this is crucial for achieving a net-zero society. To this end, the EU adopted the Soil Monitoring and Resilience Directive, which establishes a common framework for monitoring soil conditions, identifying contaminated and degraded areas and ensuring healthy soils in the EU by 2030 (Directive (EU) 2025/2360, 2025).

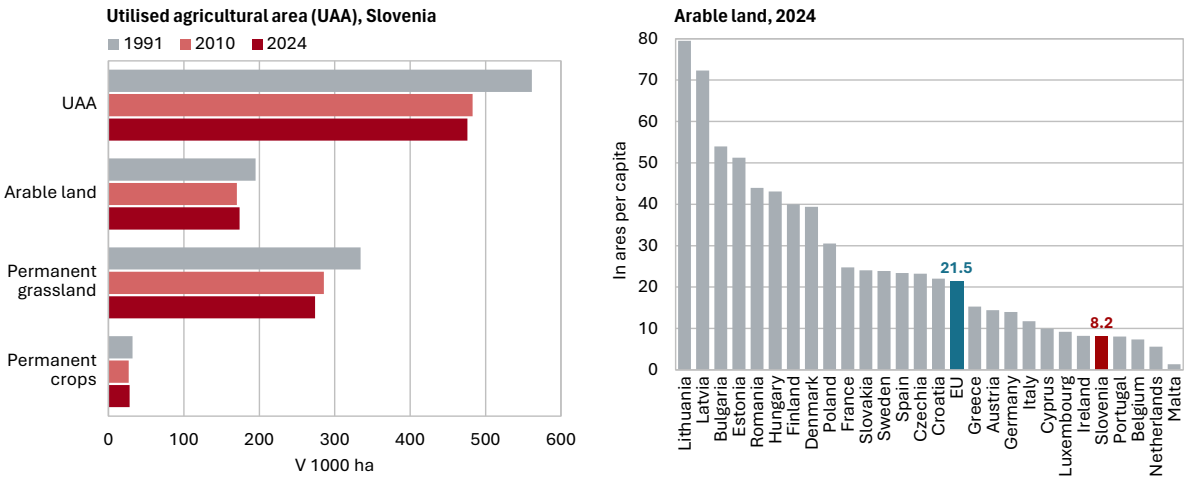
In Slovenia, soil quality is generally good and pollution levels are relatively low; in recent years, progress has also been made in monitoring potentially contaminated areas. The organic matter content in agricultural soils is relatively favourable, mainly due to the predominance of livestock farming. This points to favourable physical, chemical and biological soil properties, such as good soil structure, porosity and permeability, water retention and filtration capacity, drought resilience, and the presence of more stable forms of nitrogen in the soil (Vrščaj et al., 2023). Due to the high forest cover, the average annual soil erosion rate is also relatively low (Vrščaj, Bergant, et al., 2023; Vrščaj et al., 2020). Monitoring of soil pollution in areas listed in the register of functionally derelict areas (FDAs)²⁶⁰ shows that, in

²⁶⁰ FDAs are either areas without any function or areas where a particular function (use) is implemented to

urban environments, pollution is mainly related to industrial activities and waste disposal and landfilling, while in rural areas it is primarily associated with mining and intensive agriculture (Lampič and Rebernik, 2023). Soil quality monitoring in industrial areas in 2025 showed generally favourable soil conditions, or an absence of contamination, except in the area of the former zinc smelter in Celje and in the Idrija region, where degradation is the result of former mercury mining (ARSO, 2025a). Abandoned industrial and mining areas that have not been properly remediated will continue to require targeted attention in the future.

Soil protection, particularly of the highest-quality agricultural land, is a major challenge in Slovenia, as the area of such land is limited and is not expanding towards the target set in the Slovenian Development Strategy 2030 (SDS 2030). Utilised agricultural area – comprising arable land, permanent grassland, permanent crops and gardens – is important for food production and for fulfilling several other functions, but accounts for a considerably smaller share of the total land area in Slovenia than the EU average (23.5% in Slovenia and 38.7% in the EU in 2024). After a prolonged period of decline, the area of agricultural land stabilised over the past decade, but it remains slightly below the SDS target (more than 24% of total land area). These changes are driven mainly by farm abandonment, overgrowth of agricultural land and land take for construction, although some land has also been reconverted from non-agricultural uses, though on a much smaller scale.²⁶¹ A further concern is that this process often changes the designated use of the highest-quality agricultural land (Gričnik and Čevka, 2025; Court of Audit of the Republic of Slovenia, 2021a). Particularly concerning is the limited extent of arable land, which is crucial for food security. In terms of arable land area per capita, Slovenia ranks among the bottom five EU Member States and remains well below the EU average.

/ Figure 114: The agricultural land area, dominated by permanent grassland, has stabilised after a period of decline (left), while arable land, representing the highest-quality soil for agricultural production, remains limited also compared to other countries (right)



Source: Eurostat (2025); IMAD calculations. Note: EU data are weighted averages.

a limited extent. An area is classified as an FDA if at least one-tenth of its surface is abandoned and it covers at least 0.2 hectares (in cities and urban settlements) or 0.5 hectares (in open space).

²⁶¹ Over the last decade (2014–2023), around 12,300 hectares were lost due to land-use changes, while half that amount (6,600 hectares) was returned to agricultural use (MOPE and ARSO, 2025).

5.2.4

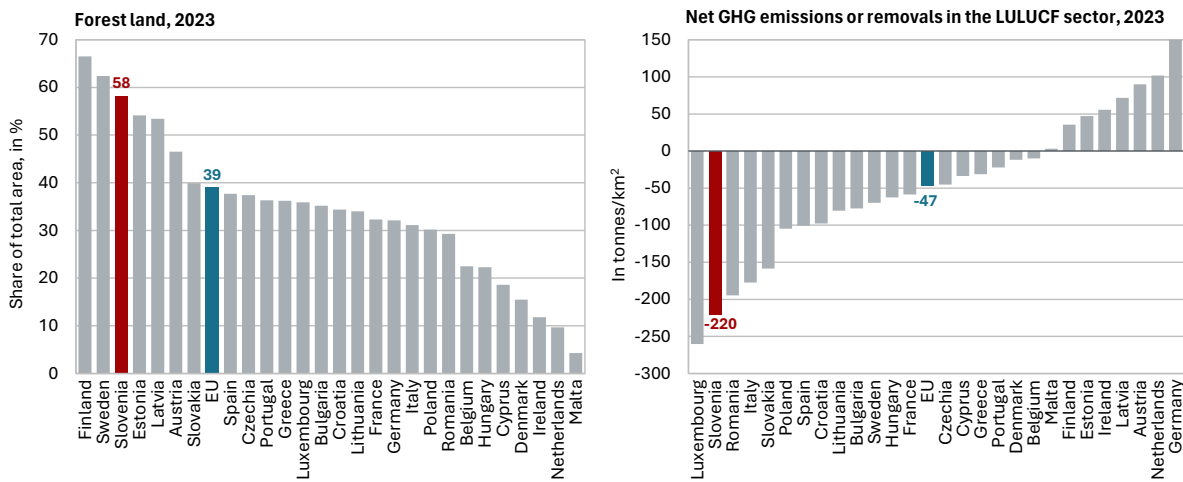
Land and land use

Land is a limited and non-renewable natural resource whose diversity and landscape heterogeneity make a significant contribution to quality of life, the ecological value of the environment and the country's long-term development competitiveness. Slovenia's territory is shaped by its position at the intersection of four major European natural geographical regions – the Adriatic, Alpine, Dinaric and Pannonian – which results in a high landscape diversity²⁶² that shapes people's perception of space and quality of life. Forests and other wooded areas cover around 60% of the country's surface area, while agricultural land accounts for around 30%. Dispersed settlement patterns, with numerous small settlements, increase infrastructure demands and hinder equal access to public services. Slovenia is among the less urbanised EU Member States, with only around half of its population living in urban areas (73% in the EU) (ReSPR50, 2023b). The most attractive areas are plains, valleys, and basins, which also contain the highest-quality agricultural land. Consequently, these areas face the greatest development pressures, leading to conflicts between conservation and development interests. As land-use changes may be irreversible and affect the preservation of natural resources, such pressures require careful consideration.

Forests in Slovenia play a key role in sequestering greenhouse gases and achieving climate targets, as the land use, land-use change and forestry (LULUCF) sector is an important CO₂ sink due to the country's high forest cover. After the 2014 ice storm and the mass outbreak of bark beetles, carbon sequestration in forests declined sharply. Extensive salvage logging temporarily turned the sector into a net source of emissions until 2018. Subsequently, carbon sinks gradually recovered, and in 2023 and 2024 absorbed around 29% of total greenhouse gas emissions, broadly comparable to pre-ice-storm levels. At the same time, salvage logging contributed to forest regeneration and increased forest resilience, suggesting that further strengthening of sinks may be expected in the future. Estimates by the European Environment Agency (EEA, 2023) also point to a strengthening of sinks in Slovenia over the period 2023–2032, indicating that Slovenia is expected to make a significant contribution to achieving climate neutrality at the EU level. As Slovenia has one of the highest shares of forest cover in Europe, its responsibility for the sustainable management of the LULUCF sector is particularly important, as any decline in carbon sinks would directly affect the achievement of national and EU climate targets. Key measures will therefore include the restoration of forests damaged by natural disturbances, the conservation and restoration of wetlands and the sustainable use of agricultural land, thereby simultaneously enhancing climate resilience, biodiversity and quality of life.

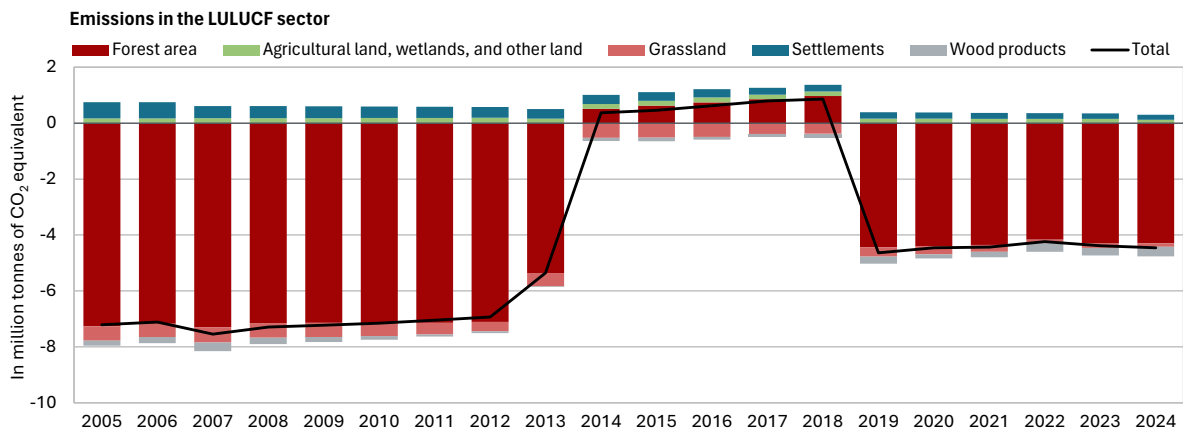
²⁶² Landscape diversity makes a significant contribution to biodiversity and habitat conditions, both of which are relatively favourable in Slovenia. However, land-use changes (agricultural intensification, land take for construction and landscape fragmentation) have adverse effects on them. The farmland bird index has declined in the long term but has remained relatively stable over the past decade (Kmecl, 2025); the conservation status of habitats is also deteriorating, although it remains more favourable than the EU average (Petkovšek, 2020). At the EU level, a target has been set to restore 20% of habitats by 2030 and all ecosystems in need of restoration by 2050 (EC, 2024f), within which the National Nature Restoration Plan (NNRP) is also being prepared.

/ Figure 115: Forests, which cover a large share of Slovenia’s land area, store substantial amounts of carbon



Source: Eurostat (2026). Note: LULUCF – land use, land-use change and forestry. For Slovenia, IMAD calculations are based on the latest ARSO data for 2024 (2026c). Data for the EU are weighted averages.

/ Figure 116: Forest areas play an important role in the green transition, and their continued sustainable management is essential for achieving climate targets



Source: ARSO (2026c).

Recent development trends have diverged from the objective of planned, efficient, rational, and high-quality spatial development. The functional areas of large cities remain the main drivers of economic development and employment, while the population is spreading into suburban and peripheral areas, particularly along motorway corridors and in areas well connected to major employment hubs (Bizjak et al., 2025). As a result, development capacities in less densely populated urban and rural areas are diminishing, while spatial pressures are increasing especially in peripheral urban areas. Settlement expansion, infrastructure development, abandonment and overgrowth of agricultural land, and more intensive farming are reducing landscape diversity and weakening both quality of life and spatial resilience. Less resilient spatial structures are more vulnerable to the impacts of climate change. Mitigating these risks therefore requires effective coordination between development and conservation interests, as well as preventive planning and appropriate siting of buildings. Between 2020 and 2024, built-up and related areas expanded by more than 2,300 hectares, mainly at the expense of agricultural land, and accounted for 5.7% of the country’s surface

area in 2024.²⁶³ Land take results in permanent changes to spatial structure and constitutes a long-term pressure on space, which is inconsistent with the fundamental objective of spatial development – namely, to ensure quality of life and enhance spatial resilience and adaptability (ReSPR50, 2023b). These developments highlight the need for more efficient use of existing building land, the regeneration of degraded areas and the densification of settlements within existing urban areas.

The regeneration of functionally derelict areas (FDAs) is progressing, but it is still insufficiently integrated into strategic spatial planning.

The latest data update in 2025 indicates a further decline in the number of FDAs.²⁶⁴ Since monitoring began in 2017, a total of 379 such areas, covering 1,046 hectares, have been revitalised (FF UL, 2026), most commonly former industrial, craft and warehouse areas. The reuse of FDAs is crucial for the circular use of space, the preservation of land as a natural resource, the reduction of fertile soil loss, and the achievement of the zero net land take objective (ReNPVO20–30, 2020). However, the new activities introduced on these sites do not always ensure more efficient resource use, which, in line with the European Green Deal, should also be climate neutral (EC, 2019). Redevelopment is often short-term and driven primarily by market demand, without a broader strategic framework. New activities tend to be spatially dispersed, indicating a lack of systematic spatial planning and the absence of a strategic approach to the siting of new activities, particularly in housing development. In the period 2017–2025, around 3,700 dwellings were built on FDAs and are already in use, nearly 2,000 are under construction, and around 7,300 more are planned; however, very few of these are public rental dwellings (FF UL, 2026). To ensure more effective use of revitalised FDAs, stronger systemic alignment of national, regional, and local interests is essential. This could also be supported by the adopted Strategy for the Regional Development of Slovenia (MKRR, 2026a) and by the new regional spatial plans envisaged for 2027 (ZUreP-3, 2025).

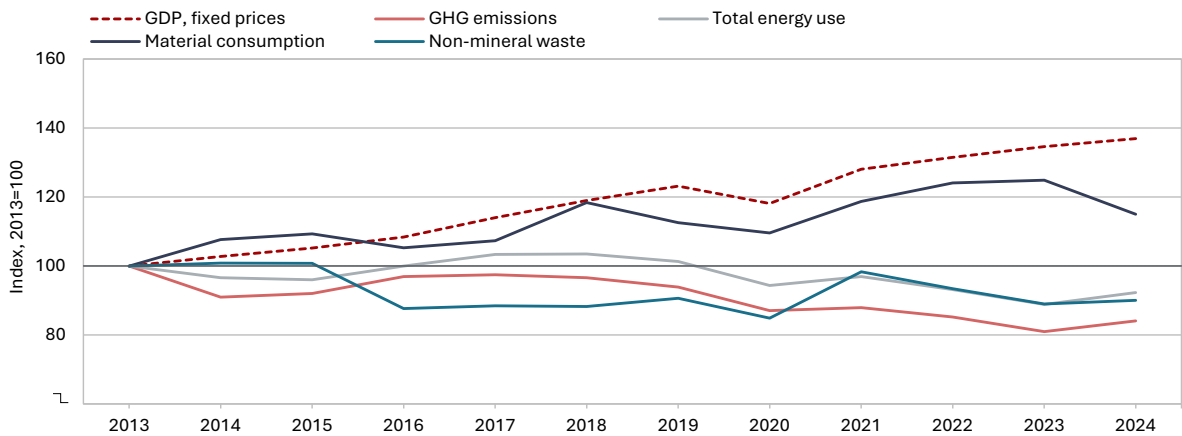
²⁶³ The Spatial Development Strategy of Slovenia 2050 (ReSPR50, 2023b) aims to reduce the net annual increase in built-up land by 2030 and to achieve zero net land take after 2050.

²⁶⁴ In 2017, there were 1,081 FDAs covering a total area of 3,423 hectares, while in 2025 there were 1,008 FDAs covering 2,950 hectares (FF UL, 2026).

5.3 Transition to a low-carbon circular economy

In 2024, environmental dimensions of economic development, as reflected in productivity indicators, pointed to an increase in material productivity and a decline in emissions and energy productivity. Decoupling economic growth from greenhouse gas (GHG) emissions, energy use, material use and the resulting waste is crucial for sustainability-oriented development. Although most areas experienced some degree of decoupling over the past decade, trends fluctuated considerably and largely stalled in 2024. The exception was a more pronounced decline in material consumption, which was reflected in higher material productivity. Alongside continued GDP growth, the amount of (non-mineral) waste remained broadly at the previous year’s level,²⁶⁵ while GHG emissions and energy use increased more markedly, leading to a decline in emissions and energy productivity. Although progress has been made, continued GDP growth accompanied by rising GHG emissions and energy use points to the need for a more ambitious transition to a low-carbon circular economy. It is crucial to seize the opportunities presented by the green transition; any delay represents a missed opportunity and additional challenges. Managing risks and strengthening resilience will require identifying opportunities, fostering innovation, reducing consumption, deploying new clean technologies, and continuously monitoring development performance to support subsequent policy adjustments and resource reallocation (IMAD, 2022).

/ Figure 117: The decoupling of GDP from resource use, emissions and waste was limited in 2024; a more pronounced decoupling occurred only in material consumption, while energy use and emissions outpaced GDP growth



Source: SURS (2026a), ARSO (2026c), Eurostat (2026), IMAD calculations. Note: Total waste (not shown in the figure) decreased slightly after a sharp increase in 2022, but remained more than 2.2 times higher than in 2013. Most total waste consists of mineral waste generated by ore extraction, which is largely linked to construction activity and, due to its high mass, strongly predominates in the waste structure.

5.3.1 A low-carbon economy

Greenhouse gas (GHG) emissions, which reached their lowest level in the past two decades in 2023, rose again in 2024 due to increased fuel consumption in the energy and transport sectors. Total emissions amounted to 15.5 million tonnes of CO₂ equivalent (ARSO, 2026c), 4.1% higher than the previous year but 3.2% lower than in 2020, when they fell sharply due to

²⁶⁵ The total amount of waste decreased markedly in 2024; however, following the substantial increases recorded in 2022 and 2023, it remained at a relatively high level.

reduced economic activity during the pandemic. Compared with the relatively high level recorded in 2008, emissions were around 30% lower, and about one quarter below the 2005 level (the baseline year for the NECP target). The energy sector contributed most to the overall reduction in emissions over the past decade, particularly in 2022, when coal consumption in thermal power plants declined during the energy crisis. Emissions in the energy sector have nearly halved since 2005 and reached their lowest recorded level in 2023. In 2024, they increased by 10%, which, after several years of decline, also led to a rise in total emissions in the ETS (emissions trading system) sector.²⁶⁶ The increase in emissions in the non-ETS sector, driven primarily by higher transport emissions, was less pronounced.

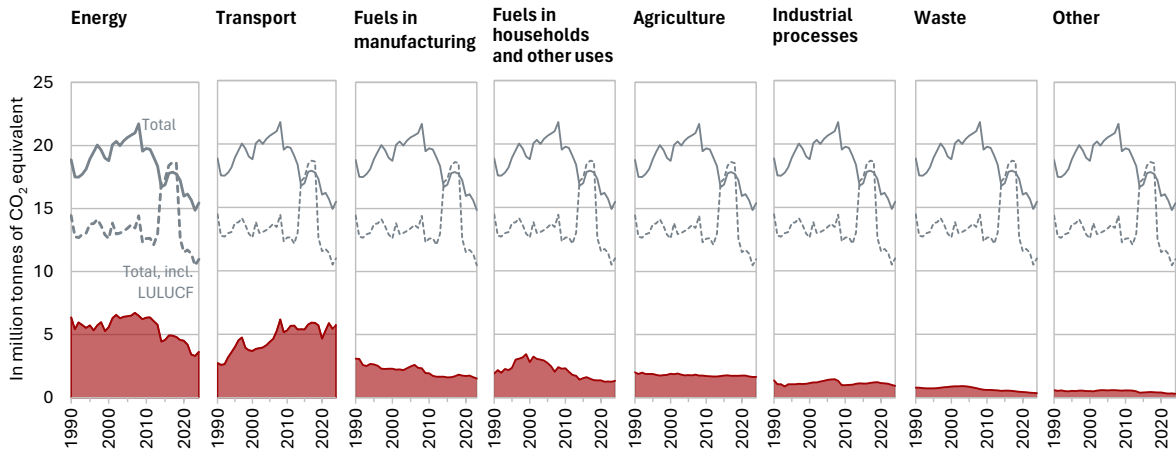
Transport, which is almost entirely road-based, has in recent years accounted for more than one third of total GHG emissions. In 2024, Slovenia's transport emissions amounted to 5.7 million tonnes of CO₂ equivalent (ARSO, 2026c), around 6% higher than in the previous year, reaching a level comparable to that observed prior to the pandemic (2019) and about 30% above the 2005 level. As emissions in other sectors declined over the long term, the share of transport in total emissions increased: from 21% in 2005 to 32% in 2015 and 37% in 2024 (EU: around 25%).²⁶⁷ Approximately two thirds of these emissions are generated by passenger cars, one quarter by heavy goods vehicles and buses, and one tenth by light commercial vehicles. The reduction of transport emissions is constrained by growth in road traffic from domestic vehicles and by fuel sales to foreign drivers, which are included in Slovenia's emissions. Emissions also fluctuate from year to year depending on fuel price differentials between Slovenia and neighbouring countries. In 2024, total emissions increased due to higher fuel use in households and other sectors; in agriculture they remained broadly unchanged, while declining in all other categories. Over the long term, emissions have decreased in all categories except transport. In the past decade, the energy sector has made the largest contribution to the overall reduction (64% of the total decrease), followed by fuel use in households (14%) and waste (13%). Industry contributed around 20% to the reduction, with a larger share of emissions stemming from fuel use than from industrial processes. As demand for mobility continues to grow, the European Commission adopted the Sustainable and Smart Mobility Strategy in 2020 (EC, 2020b), aiming to decarbonise the transport sector by 2050; in the EU, this sector accounts for one quarter of total greenhouse gas emissions. A key role in this process will be played by the gradual rollout of zero-emission vehicles and related infrastructure, the strengthening of rail transport – especially high-speed connections – and further electrification of railway lines.

Emissions productivity has increased over the long term, as GHG emissions have declined amid economic growth; however, Slovenia still lags behind the EU average. After the global financial crisis, emissions productivity (measured as the ratio of greenhouse gas emissions to GDP) increased more strongly in Slovenia than the EU average, narrowing the gap,

²⁶⁶ The EU Emissions Trading Scheme (EU ETS sectors) covers emissions primarily from the energy, metal, and non-metallic mineral industries. Companies in these sectors receive or purchase emission allowances, which they can trade with other companies. By assigning a price to carbon, the system encourages firms to find the most cost-effective ways to reduce emissions and invest in clean, low-carbon technologies. From 2027, a separate ETS 2 system will be introduced, covering emissions from road transport and buildings. This system will be based on fuel taxation and will apply directly to fossil fuel distributors, thereby indirectly affecting end users, including households and small businesses (Directive (EU) 2023/959, 2023).

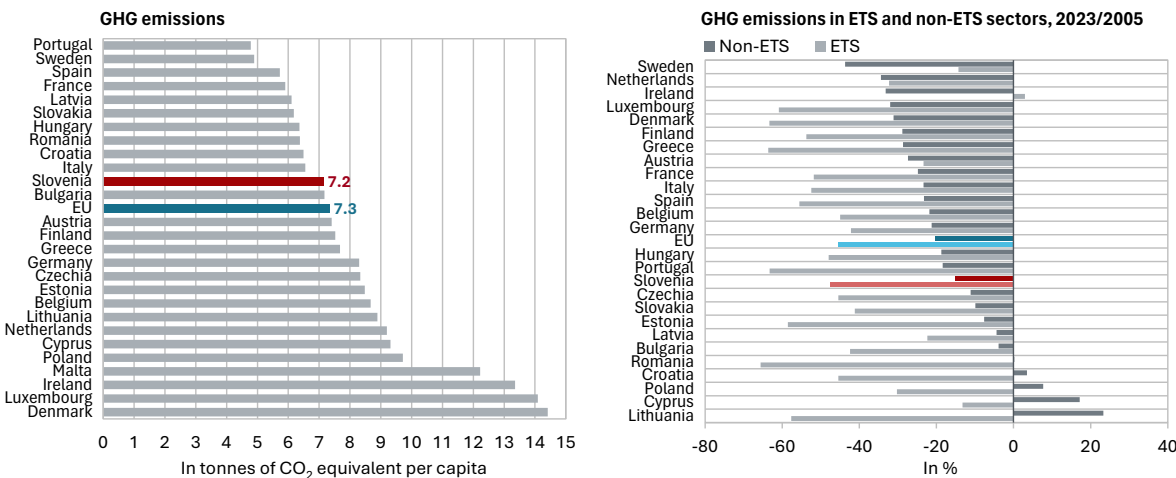
²⁶⁷ Slovenia ranks among the top EU Member States for both the share and growth of transport emissions – between 1990 and 2023, these emissions doubled in Slovenia, while in the EU they increased by less than one fifth. Only Poland, Ireland, and Malta recorded higher growth.

/ Figure 118: GHG emissions in the energy and transport sectors increased in 2024 and together accounted for more than 60% of total emissions



Source: ARSO (2026c). Note: Energy, transport, fuel use in industry and households, and other uses together constitute emissions from the fuel use sector. LULUCF: Land Use, Land-Use Change and Forestry.

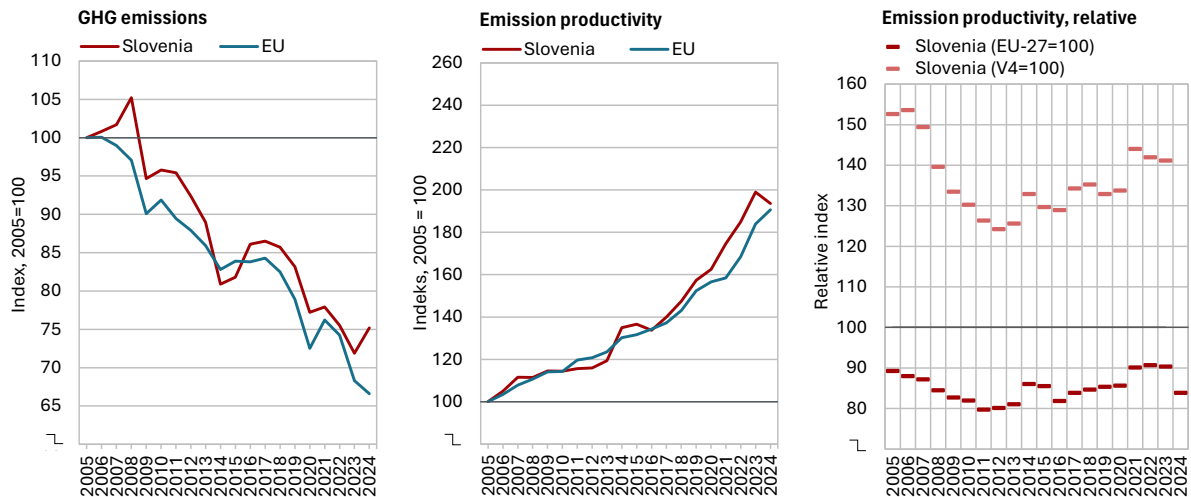
/ Figure 119: Per capita emissions in Slovenia are slightly below the EU average (left); emissions from the non-ETS sector, which accounts for the majority of total emissions, are declining more slowly than in most EU countries (right)



Source: Eurostat (2026) and EEA (2025c). Note: Data for the EU are weighted averages.

although only modestly in recent years. In 2023, Slovenia generated 9.6% less GDP per unit of GHG emissions than the EU average. In 2024, emissions productivity in Slovenia deteriorated, as emissions grew faster than GDP. As emissions in the EU declined according to EEA (2025f) estimates, the gap in emissions productivity between Slovenia and the EU widened significantly, reaching 16.1%. Compared with the average level in the 13 Member States that joined the EU after 2004, Slovenia's emissions productivity is considerably higher (by 27%), and even more so compared with the Visegrad Group (by 41%). However, Slovenia's advantage over both groups has been narrowing since 2005. The Slovenian Development Strategy aims to reach the EU average level of emissions productivity by 2030. Achieving this will require increased use of renewable energy sources and greater energy efficiency, while financial incentives for climate-related investment should be systematically directed towards comprehensive and effective solutions. As transport accounts for the largest share of total emissions, particular attention should be paid to measures aimed at reducing emissions in this sector. Continued reliance on fossil fuels remains a major challenge, as excise duty exemptions and other price-reducing measures do not support the green transition.

/ Figure 120: The long-term decline in GHG emissions has been broadly comparable to that in the EU; emissions productivity has increased more rapidly, but the gap with the EU average remains substantial



Source: Eurostat (2026), IMAD calculations. Notes: Emission productivity is calculated as the ratio of GDP to GHG emissions. In the middle panel, GDP is expressed in constant prices, while in the right-hand panel it is expressed in purchasing power standards. A comparison in PPS is meaningful between countries within a given year, but not over time. Data for the EU for 2024 are based on an EEA (2025f) estimate that emissions in the EU decreased by 2.5% that year. Indicators for the V4 are calculated as weighted averages.

Energy consumption, which is closely linked to GHG emissions due to the predominant use of fossil fuels, increased by almost 4% in 2024 (EU: -1%), reducing energy productivity and further widening Slovenia’s gap with the EU. In 2020, primary energy consumption²⁶⁸ was about 15% lower than in 2005, partly driven by pronounced declines during the crisis years of 2009 and 2020. After rising in subsequent years, primary energy consumption declined during the energy crisis (2023), but increased again in 2024 to 6.134 million toe (Eurostat, 2026) (calculated in accordance with the Energy Efficiency Directive), which is a few percentage points above the 2030 target value (Government of the Republic of Slovenia, 2024a). The long-term decline in primary energy consumption was also supported by structural changes in the thermal power sector, particularly the modernisation of the Šoštanj Thermal Power Plant (TEŠ 6) and the closure of the Trbovlje Thermal Power Plant. Final energy consumption²⁶⁹ increased less than primary consumption in 2024, reaching 4,586 ktoe. Meeting the 2030 targets will therefore require a proportionally larger reduction in final than in primary energy consumption. As GDP growth outpaced the EU average, Slovenia’s gap in energy productivity (the ratio of GDP to gross available energy) narrowed to 5% in 2023, but widened again to 9% following the rise in energy consumption in 2024.

Final energy consumption increased in 2024, mainly due to growth in transport. Road transport remains the main obstacle to a faster reduction in energy use, as it accounts for the largest share, 41% (EU: 30%). Consumption of liquid fossil fuels in road transport increased by more than 5% in 2024 and was the main driver of the overall increase in consumption. In *manufacturing*, energy consumption rose slightly in 2024 (by around 1%), but remained considerably lower than in previous years – almost one fifth lower than

²⁶⁸ Primary energy consumption (under the Energy Efficiency Directive) refers to gross available energy, excluding energy in overseas bunkers, final non-energy consumption and ambient energy (heat pumps).
²⁶⁹ Final energy consumption (as defined by the Energy Efficiency Directive) corresponds to primary energy consumption excluding deliveries to the energy sector and losses incurred during transmission and distribution. It thus covers the energy use of final consumers (in industry, transport, households, services, etc.).

in 2019. This decline was significantly driven by the gradual phase-out of energy-intensive primary aluminium production and its replacement by imports of primary aluminium and more modern recycling-based production of secondary aluminium. As a result, energy productivity in manufacturing has improved since 2019, surpassing the EU average and increasing further in 2024. In *business and public services*, energy consumption increased slightly, while in households it declined further, reaching its lowest level on record, mainly due to reduced energy use for heating. In the long term, this trend has been driven primarily by more efficient energy use, energy renovation of buildings, more efficient heating systems, and milder winters (self-generation of electricity from photovoltaic systems is not included in these data). The share of heating oil in the household energy mix has decreased, while the shares of electricity and ambient heat have increased.

Manufacturing industries, particularly energy-intensive ones, face considerable challenges in the transition to low-carbon production.

At the EU level, the green transition in industry is based on improving energy efficiency and introducing low-carbon technologies, including greater electrification of production processes; it is further driven by high energy costs and the need to ensure a level playing field in global markets²⁷⁰ (EC, 2025m). These pressures are particularly pronounced in energy-intensive industries (EII: metal production, the chemical and paper industries, and the non-metallic minerals industry), which are a key part of industrial value chains. Output in energy-intensive industries in Slovenia (and the EU) declined significantly during the energy crisis and, by 2025, had not yet fully returned to 2021 levels (IMAD, 2025b). The share of EIIs in manufacturing value added has been declining since 2015 (SI: 13.1% in 2024; EU: around 16%²⁷¹), as has their share in employment (12.3% in 2024; EU: 12.8% in 2023). Energy costs in EIIs remain high: after declining between 2008 and 2021 (from 8.4% to 5.8% of operating revenues), they rose again during the energy crisis, to 8.7% in 2022, before falling to 7% in 2024. At the same time, GHG emissions in these industries are declining more slowly than in other sectors, as production processes are energy-intensive and more difficult to replace with low-carbon alternatives. Combined with high energy costs, this further complicates the preservation of competitiveness, and value added in most of these industries has stagnated over the past two decades, as it has in the EU. Although the energy productivity of energy-intensive industries (EII) is lower than the manufacturing average (4.3 times lower in 2023), in most individual sectors Slovenian EII exceeds the EU average.²⁷² Measures taken to date have focused mainly on reducing energy use rather than transforming production processes, and have often been insufficiently targeted and poorly coordinated (OECD, 2025a). Some of these challenges are addressed by the Draft Act on Promoting the Competitiveness and Decarbonisation of Electro-intensive Enterprises (MOPE, 2026), which, in line with the European Commission framework, introduces temporary aid to

²⁷⁰ A key measure is the *Carbon Border Adjustment Mechanism* (CBAM) (Regulation (EU) 2023/956, 2023), which aims to prevent the relocation of carbon-intensive production to countries with less stringent climate regulations. Under this mechanism, embedded carbon emissions in imported goods are taken into account upon their entry into the EU. This encourages countries and firms to step up their green transition, ensures a level playing field on the global market, and supports the achievement of the EU's climate targets. CBAM currently applies to imports of cement, iron and steel, fertilisers, aluminium, electricity and hydrogen. It entered into full application in 2026, following a transitional phase from 2023 to 2025.

²⁷¹ The share of value added in manufacturing at the EU level for the chemical industry is based on an estimate by IMAD, as the relevant data are not available from Eurostat.

²⁷² When countries are ranked by energy intensity (energy use per unit of value added), which is inversely related to energy productivity, Slovenia's energy-intensive industry in the chemicals and pharmaceuticals and metals sectors exceeds that of more than 80% of EU countries, while in the non-metallic minerals sector it exceeds that of 65% of countries with available data (IEA (2025); IMAD calculations).

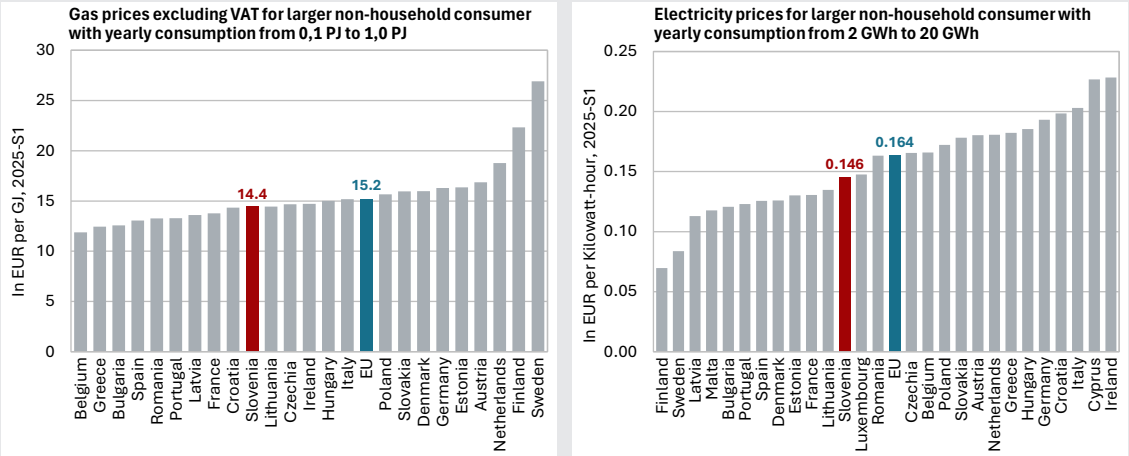
reduce electricity costs in the period 2026–2028, conditional on investment in decarbonisation. The measure links the mitigation of cost pressures with directing investment towards energy efficiency and low-carbon technologies; however, long-term electrification will be possible only if a sufficient supply of clean electricity is ensured.

Box 2

Prices of natural gas and electricity for non-household consumers in Slovenia and EU countries

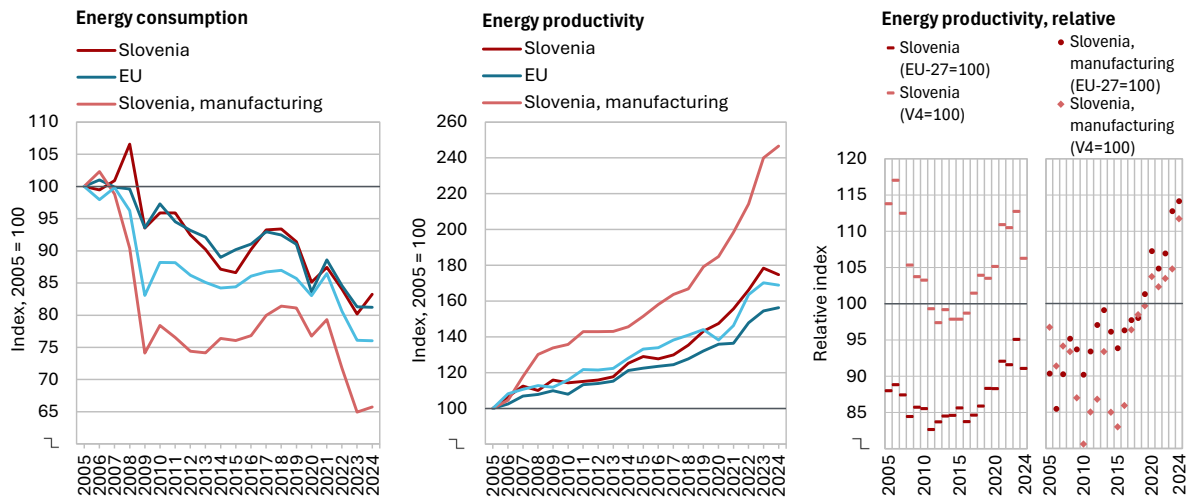
Gas and electricity prices for small non-household consumers in Slovenia are considerably lower than the EU average, while prices for larger consumers approach or even exceed European price levels. Final prices excluding VAT and other recoverable taxes can be compared across EU countries using semi-annual data (Eurostat, 2026). The final price consists mainly of energy and supply costs, which in Slovenia accounts for more than 80% of the final price, while network charges and other levies (for renewables, energy efficiency and excise duty) account for a smaller share. Non-household consumers are divided by size, from the lowest to the highest annual consumption, into five groups for natural gas (I1–I5) and seven groups for electricity (IA–IG). The largest consumer categories are I4 for natural gas (50% of consumption) and ID for electricity (28% of consumption). In the first half of 2025, Slovenian consumers of natural gas in the above-mentioned groups paid prices 19%, 16%, 4% and 5% lower than the EU average, while for the largest consumers (I5), data were not published for reasons of confidentiality. Slovenian non-household consumers of electricity paid prices that were 35%, 30%, 18%, 11% and 4% below the EU average; in the sixth group (IF), comprising very large consumers, prices were 3% higher than the average, while for the largest consumers (IG), data are not available. The latest available data indicate that more than 70% of natural gas sold to non-household consumers in Slovenia (I3 and I4) is priced only a few percentages below the European average, while around one quarter of electricity consumers (IE and IF) pay prices broadly in line with the EU average.

/ Figure 121: In the largest consumer groups (I4 and ID), Slovenian consumers paid below-average prices for both natural gas and electricity in the first half of 2025 – by 5% and 11%, respectively



Source: Eurostat (2026). Note: EU data are weighted averages.

/ Figure 122: In 2024, energy consumption increased (mainly in transport), widening the gap in energy productivity compared with the EU average, while energy productivity in manufacturing improved further



Source: Eurostat (2026); IMAD calculations. Note: Energy productivity is measured as the ratio of GDP to energy consumption. In the middle panel, GDP is expressed in constant prices, while in the right-hand panel it is expressed in purchasing power standards. A comparison in PPS is appropriate between countries within a given year, but not over time. The indicators for country groups are calculated as weighted averages.

Transport plays an important role in energy consumption and thus in achieving energy and environmental policy objectives. Slovenia faces a substantial freight transport burden, while the share of travel by private car in passenger transport is among the highest in the EU. Most freight is carried by road and the majority of passenger journeys are made by private car, resulting in increased environmental pressures. The transition to sustainable mobility is therefore essential because it supports a low-carbon economy, improves energy efficiency, reduces dependence on fossil fuels, and increases disposable income, while also reducing noise, congestion and accidents, and improving air quality and public health.²⁷³ Key challenges include the development and upgrading of infrastructure, encouraging changes in travel behaviour, implementing coordinated systemic and regulatory solutions, and ensuring adequate financial and institutional support for the effective implementation of sustainable mobility policies aligned with regional spatial development objectives (see Sections 5.2.4 and 6.5).

Due to its transit location, Slovenia faces high volumes of freight transport; road transport accounts for the largest share, although the share of freight carried by rail is also relatively high in international comparison. Between 2005 and 2023, total freight transport increased by 47% (EU: 8%), with road freight transport rising by 49% and rail freight transport by 43%. In 2023, road freight transport increased by 5%, while rail freight transport declined by 6%. As a result, road freight transport accounted for almost 70% of total freight transport. Although this was the highest level since 2009, it was still more than 8 p.p. below the EU average, where road freight transport has been growing faster than other modes. In 2023 (latest available data), the volume of goods transported was more than one-third higher per capita and more than one-half higher relative to GDP in purchasing power standards than the EU average. Foreign carriers account for around one quarter of rail freight transport and three quarters of road freight transport in Slovenia. A large share

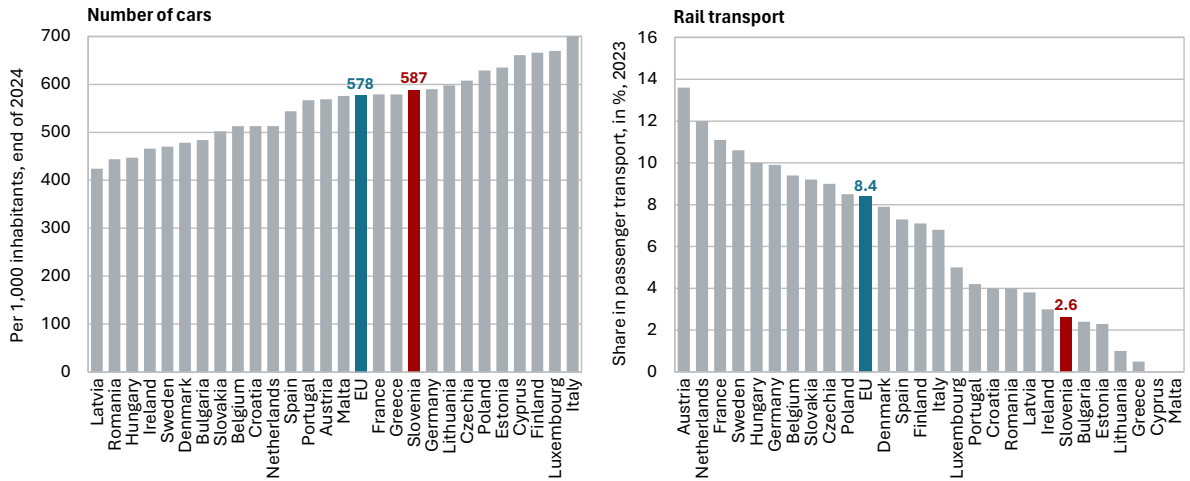
²⁷³ The combustion of fuels in transport, households and industry directly contributes to emissions of particulate matter (PM₁₀, PM_{2.5}) and nitrogen dioxide (NO₂), thereby affecting ambient air quality. Such pollution increases the risk of cardiovascular disease and reduces labour productivity (Section 5.2.1 – Air quality).

of rail traffic is linked to the Port of Koper; the modernisation of the Divača–Koper railway line and certain other sections is expected to increase freight flows in the future. However, during the construction works, reduced line capacity is expected, which already contributed to the lower volume of rail freight transport in 2023. It is estimated that the share of road freight transport increased somewhat further in 2024 and 2025, due to the decline in rail freight volumes.²⁷⁴

Passenger car transport is the predominant mode of passenger transport in all EU Member States, but in Slovenia its share is among the highest.

In 2023 (latest available data), the share of passenger transport by car in Slovenia was 85.5% (EU: 83.1%). This is partly due to the varied terrain and dispersed settlement pattern,²⁷⁵ which, despite subsidies, constrain the broader development and financial viability of public transport. Because rail and bus services are used less intensively than private cars, the share of transport costs in total household expenditure is correspondingly higher; in 2020, it amounted to 19% (compared with 11% in the EU). Slovenia’s position as a transit route for tourist flows from Central Europe to the Adriatic also contributes significantly to higher volumes of car traffic, especially in summer.²⁷⁶ During the containment measures introduced in response to the pandemic, the share of public passenger transport in total passenger transport declined, as it did in the EU; in the following years, it increased again, reaching 14.5% in 2023. Given the strong growth in rail passenger transport, we estimate that the share of travel by car has been declining. Nevertheless, mobility in Slovenia remains heavily reliant on private car use, while public transport continues to be underutilised. In Slovenia, commuting patterns are dominated by private car use, with an above-average share of residents travelling more than 50 km to work at least once a month (23%; EU: 13%). According to the Eurobarometer survey (2025a), the relatively low use of alternative public transport modes is primarily due to their limited frequency

/ Figure 123: The number of cars per capita in Slovenia is above the EU average, while the share of rail in total passenger transport is among the lowest in the EU



Source: Eurostat (2026); IMAD calculations. Notes: left-hand panel: Austria 2018; right-hand panel: the indicator refers to domestic travel. Data for the EU are weighted averages.

²⁷⁴ Rail freight transport declined by 6% in 2023, by a further 1% in 2024, and by 5% in the first three quarters of 2025. According to internal DARS data on vehicle kilometres travelled by electronically tolled vehicles on Slovenian motorways, these did not decline over the past two years.

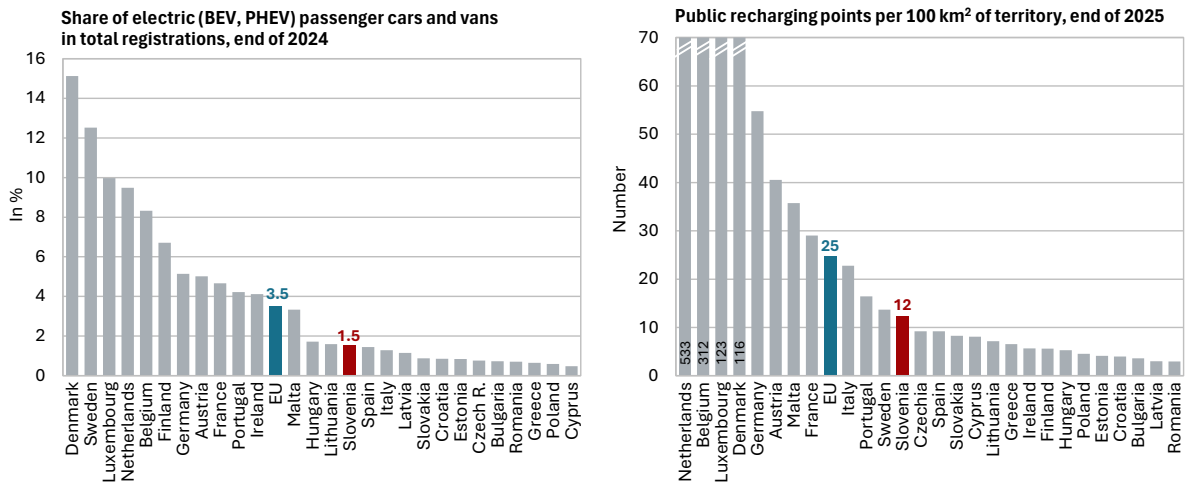
²⁷⁵ Slovenia has a relatively low share of the population living in cities (19% in 2024; EU: 39%) and a large share living in rural areas (45%; EU: 25%) (Eurostat, 2026).

²⁷⁶ Fuel sales to foreign drivers also affect energy consumption and GHG emissions.

and availability. Mobility is also important for economic performance, as it affects labour market accessibility, business efficiency and the functioning of supply chains.

Although the EU has made rapid progress, the transition towards fully electrified road transport remains at an early stage, with Slovenia still below the EU average. Electrification of Slovenia’s road vehicle fleet lags in both the share of zero-emission vehicles and the development of charging infrastructure. The frontrunners are mainly the Scandinavian and Benelux countries, while most Eastern European countries lag behind.²⁷⁷ At the end of 2024, the share of zero-emission vehicles (BEVs)²⁷⁸ in Slovenia was almost half that in the EU (Slovenia: 1.3%; EU: 2.2%), while the gap was even larger for the share of all plug-in electric vehicles (BEVs and PHEVs)²⁷⁹ (Slovenia: 1.5%; EU: 3.5%) (EAFO, 2026). The share of newly registered plug-in electric vehicles almost doubled in 2025, reaching 13.3% (8,583 vehicles), but remains significantly below the EU average (24.9%). Slovenia also lags significantly behind the EU average in the availability of charging infrastructure, which is crucial for the wider uptake of zero-emission vehicles (ACEA, 2026; Eurostat, 2026; SURS, 2026a). On average, the EU had 25 public charging points per 100 km², compared with 12 in Slovenia. The gap is even wider in the deployment of fast chargers along motorways: in 2025, the EU average was 242 fast chargers per 100 km of motorways, while Slovenia had only 82. In 2024, 58% of railway lines in the EU were electrified, compared with about half in Slovenia. Electrification of heavy-duty road freight transport remains at an early stage, both in the EU and in Slovenia. By the end of 2025, fewer than 23,000 electric heavy-duty trucks were registered in the EU (523 in Slovenia), representing only 0.2% of the total fleet in both cases. Although rapid progress is unlikely in the short term, the transition could be accelerated by stronger incentives for zero-emission trucks, higher burdens for other vehicles, faster deployment of public charging infrastructure, and the increasing integration of decarbonisation targets across entire value chains (including transport).

/ **Figure 124: Slovenia’s share of electric road vehicles is about half the EU average (left); public charging infrastructure also lags behind (right); electrification levels in road transport vary highly by country**



Source: EAFO (2026), Eurostat (2026); IMAD calculations. Note: BEV – Battery Electric Vehicle, PHEV – Plug-in Hybrid Electric Vehicle.

²⁷⁷ Differences between EU countries remain substantial. By the end of 2024, electric passenger cars and vans accounted for more than 15% of the total vehicle stock in Denmark, compared with an EU average of 3.5%, 1.5% in Slovenia, and only 0.5% in Cyprus.

²⁷⁸ Passenger cars and vans.

²⁷⁹ Vehicles that can be charged at electric charging stations, namely battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs).

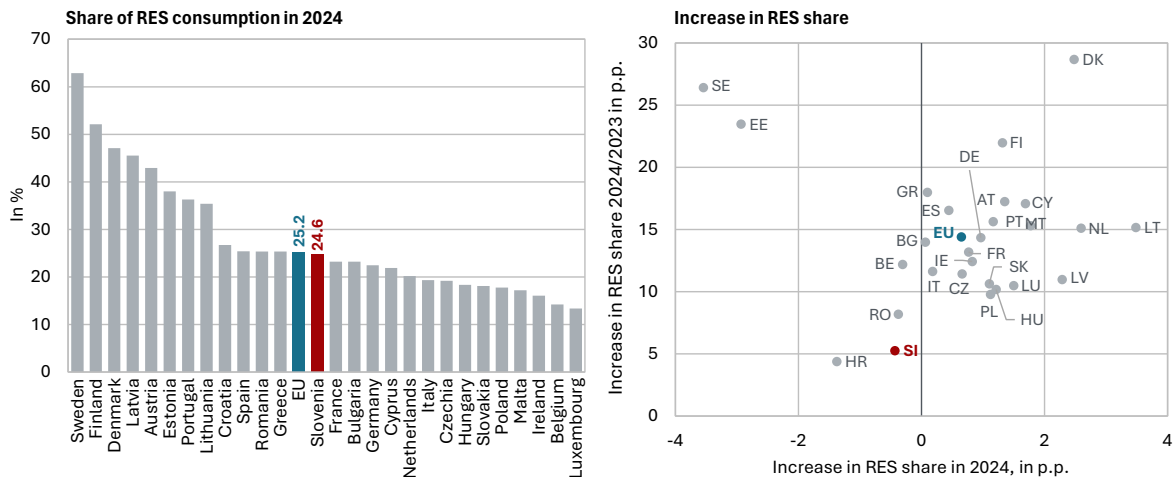
Since 2005, the share of renewable energy sources (RES) in final energy consumption has increased only modestly in Slovenia, and, in 2024, remained below both the 2020 target and the EU average. In 2024, the share of RES in final energy consumption decreased by 0.5 p.p. to 24.6% (despite a 1% increase in solar electricity use, as final energy consumption increased by almost 3%). As a result, it also fell below the 2020 target value (25%²⁸⁰). In the period 2005–2024, RES use in Slovenia increased by 14%, compared with 122% in the EU, while the RES share rose by 5 p.p. (EU: 15 p.p.). Consequently, in 2024 the EU share of RES (25.2%) exceeded that of Slovenia (24.6%). The RES mix continues to be dominated by traditional sources, namely solid biofuels (39%, mainly wood) and hydropower (33%). In recent years, however, the shares of solar energy for electricity generation (9%), biofuels (8%), and heat pumps (7%) have also increased more noticeably. Other sources remain less important; wind energy, in particular, is underutilised, while it already accounts for almost 18% of RES in the EU. Wind energy complements solar generation well; however, its deployment is primarily constrained by opposition from local communities. It is estimated that in 2025, the share of renewable energy sources (RES), amid low hydropower generation and increased use of solar energy, will remain broadly unchanged from the level recorded in 2024.

The use of renewable energy sources (RES) varies significantly across sectors, and further development would be supported by increased green investment, greater awareness, and effective communication with local communities. In the electricity sector, Slovenia long exceeded the EU average in RES use due to hydropower. However, with faster growth in wind and solar energy in other EU Member States, Slovenia's share fell below the EU average by 2024, reaching 43% (EU: 48%). In heating and cooling, the RES share is high due to wood use and significantly exceeds the EU average (34% in 2024; EU: 27%). In the transport sector, the RES share has increased markedly only in recent years (9%) and is now comparable with the EU level (11%). Nevertheless, the targets for the coming years remain quite distant. According to the updated NECP (Government of the Republic of Slovenia, 2024a), Slovenia is expected to achieve an overall RES share of at least 33% by 2030, while the European Commission is proposing a more ambitious target of 46%.²⁸¹ Achieving these targets will require increased investment in green energy. Despite favourable natural conditions (abundant water resources and wind potential), Slovenia will need to narrow its development gap and establish acceptable solutions for the siting of energy infrastructure (MOPE, 2023).

²⁸⁰ Slovenia met the binding target of 25% by purchasing the missing share of renewable energy from another EU Member State, in accordance with Directive 2009/28/EC (EC, 2009), using the statistical transfer mechanism for renewable energy. The exception was 2023, when the target was achieved without such purchases.

²⁸¹ Targets for 2030 for individual EU Member States have not yet been determined. For Slovenia, the target set in the Slovenian Development Strategy corresponds to the EU-wide target in force at the time of its adoption. Since then, the EU target has increased from 27% to 32%, and under the Fit for 55 and RePowerEU initiatives to at least 42.5% (with the aim of reaching 45%).

/ Figure 125: The share of RES in Slovenia was close to the EU average in 2024 (left), but it increased only very modestly over the past two decades, with only Croatia recording a smaller increase; by contrast, in the EU it more than doubled (right)



Source: Eurostat (2026); IMAD calculations. Note: Administrative transfers of RES shares between countries are not included in the calculation. Data for the EU are the weighted averages.

5.3.2 Circular economy

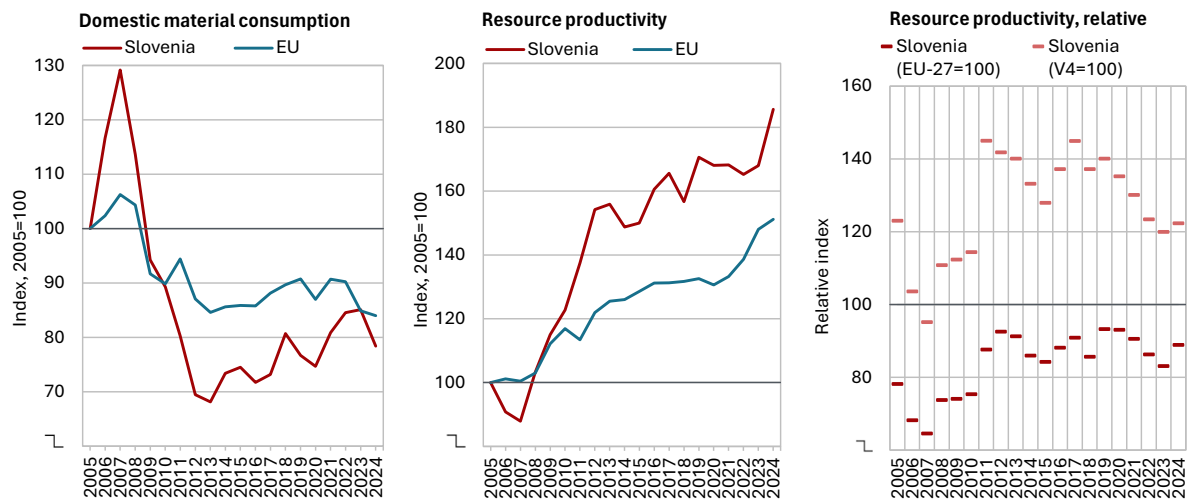
Material productivity, a key indicator of a sustainable economy, improved in 2024 due to lower material consumption, although the gap with the EU average remains large. Changes in material productivity – defined as the ratio of GDP to raw materials and materials consumed – are strongly influenced in Slovenia by construction activity and its use of non-metallic minerals, which account for a relatively high share of total material use in international comparison. Between 2007 and 2012, material productivity increased faster than the EU average, mainly due to the sharp decline in construction activity following the completion of the motorway network and the impact of the global financial crisis. In subsequent years, the gap with the EU average remained broadly unchanged. In 2024, a marked decline in the use of non-metallic minerals (–13%) (due to lower construction activity) and in total material consumption (–8%) significantly increased material productivity, although it still lagged behind the EU average by around 11%. In the structure of material consumption in 2024, more than half comprised sand, gravel, limestone and gypsum, followed by fossil energy carriers (22%) and feed crops, other crops and wood (18%). Net imports accounted for around 16% of material consumption, similar to the EU average (14%). Energy products dominated imports, while roundwood dominated exports. The structure of net imports by stage of processing was suboptimal: 6% primary raw materials, 32% semi-finished products, and 62% finished products.

To promote circularity, it is essential to strengthen measures that increase material productivity and reduce dependence on primary raw materials, including critical raw materials vital to the green and digital transitions. The share of recycled materials in total material consumption in Slovenia remained below the EU average in 2024. Large planned construction projects will temporarily dampen growth in material productivity, further underscoring the importance of providing strong incentives to promote the use of recycled secondary materials and using them to support product differentiation and higher value added.²⁸² In this context, it will be crucial to overcome regulatory

²⁸² The circular economy extends beyond waste management. Alongside promoting increased use of

and technical challenges, accelerate the development of technologies for high-quality recycling, better integrate sustainability standards into construction projects, improve perceptions of recycled materials, and support the still underdeveloped secondary raw materials market (Štemberger, 2025; EEA, 2024a). Particular attention should be given to research into the use of critical raw materials, which are essential for economies undergoing a material-intensive green and digital transition, yet are vulnerable due to their limited availability and increasingly risky supply chains.²⁸³ Certain deposits are also present in Slovenia, which could contribute to greater EU self-sufficiency. In line with the EU Regulation on critical raw materials²⁸⁴ (Regulation 2023/1252, 2024), a National research programme on critical minerals and their carriers for Slovenia (NRP) has already been prepared, which will provide updated data on raw materials and their spatial distribution.²⁸⁵

/ Figure 126: Material consumption increased for most of the past decade, but declined sharply in 2024, improving material productivity, although the gap with the EU remains substantial



Source: Eurostat (2026); IMAD calculations. Notes: Material productivity is calculated as the ratio of GDP to material consumption. In the middle panel, GDP is expressed in constant prices, while in the right-hand panel it is expressed in purchasing power standards. A comparison in PPS is meaningful between countries within a given year, but not over time. The indicators for country groups are calculated as weighted averages.

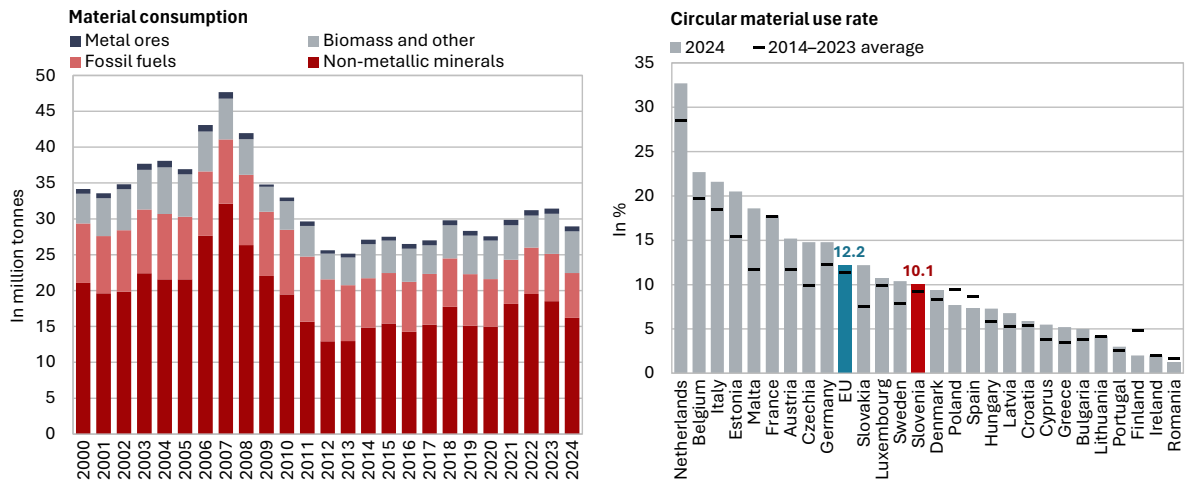
recycled materials through high-quality recycling, systemic solutions are needed to support both societal (changes in consumer awareness, behaviour and habits) and economic transition (changes in business models; eco-design, transition to servitisation, extension of product lifespan and industrial symbiosis).

²⁸³ China is the leading supplier of critical raw materials, providing the EU with 97% of its magnesium; in addition, 100% of the rare earths used globally for permanent magnets are processed and refined in China (EC, 2023c).

²⁸⁴ The EU list of critical raw materials includes strategic and other critical raw materials that are essential for the economy and face a high risk of supply disruption. The Regulation stipulates that, by 2030, the EU must ensure at least 10% of its annual consumption through extraction, 40% through processing, and 25% through recycling.

²⁸⁵ The multiplier effects of implementing the NRP are broad and include, among other things, identifying the potential for geothermal energy utilisation and potential sites for CO₂ and H₂ storage.

/ Figure 127: Fluctuations in material consumption are closely linked to the use of non-metallic minerals (in construction), which declined significantly after the completion of the motorway network and during the global financial crisis in the period 2007–2012 (left); the share of recycled materials remains low (right)

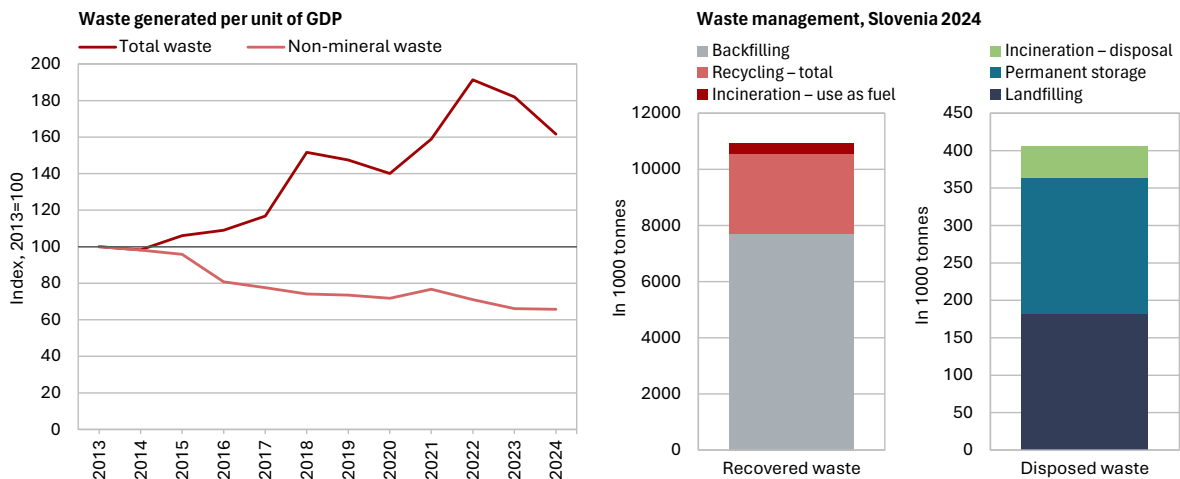


Source: SURS (2026a), Eurostat (2026); IMAD calculations. Note: (i) material consumption is defined as domestic extraction plus net imports of materials; (ii) the circular material use rate (CMU) represents the share of recycled and secondary materials in total material consumption. Data for the EU are the weighted averages.

The volume of waste generated declined markedly in 2024 due to lower construction activity, while the recycling rate increased and the share of landfilling decreased. In total, around 10.3 million tonnes of waste were generated in 2024, about one tenth less than in the previous two years, when waste generation reached its highest level on record. The decline was mainly due to a lower volume of mineral waste, particularly construction waste,²⁸⁶ which in 2024 still accounted for more than three quarters of total waste, while the volume of non-mineral waste increased slightly (+1%). The amount of hazardous waste generated also declined (–12%). In terms of non-mineral waste generated per capita, Slovenia ranks among the EU countries with the lowest waste generation: 1,331 kg per capita in 2024, which is 17 kg (1%) more than in 2023, but 20% less than a decade earlier. The recycling rate of non-mineral waste increased by 3.3 p.p. in 2024, reaching 77.5%, placing Slovenia among the countries with the highest recycling rates in the EU (EU average: 56% in 2023). At the same time, the share of non-mineral waste landfilled increased slightly, to just over 6% of total waste treatment, which is the highest level in the past decade. The intensity of non-mineral waste generation in the business sector, measured as the amount per unit of GDP, continues to decline, indicating a further improvement. In 2024, it stood at less than 49 kg per EUR 1,000 of GDP, the lowest level on record and only one third of that recorded a decade earlier. According to this indicator, Slovenia ranks in the upper half of EU Member States (2022, latest available data). Despite progress in reducing and managing non-mineral waste, the large volume of mineral waste remains a challenge. Together with limited reserves of mineral raw materials, this underscores the need for systematic recycling and for reusing construction waste in higher-value-added products (Štemberger, 2025).

²⁸⁶ The share of mineral waste in total waste generation has been relatively high in recent years, ranging between 70% and 80%. Most of this consists of construction waste.

/ **Figure 128: The intensity of non-mineral waste generation (waste generated/GDP) has improved over the past decade (left); the volume of mineral waste used for backfilling remains a challenge and indicates considerable untapped potential for circular economy (right)**

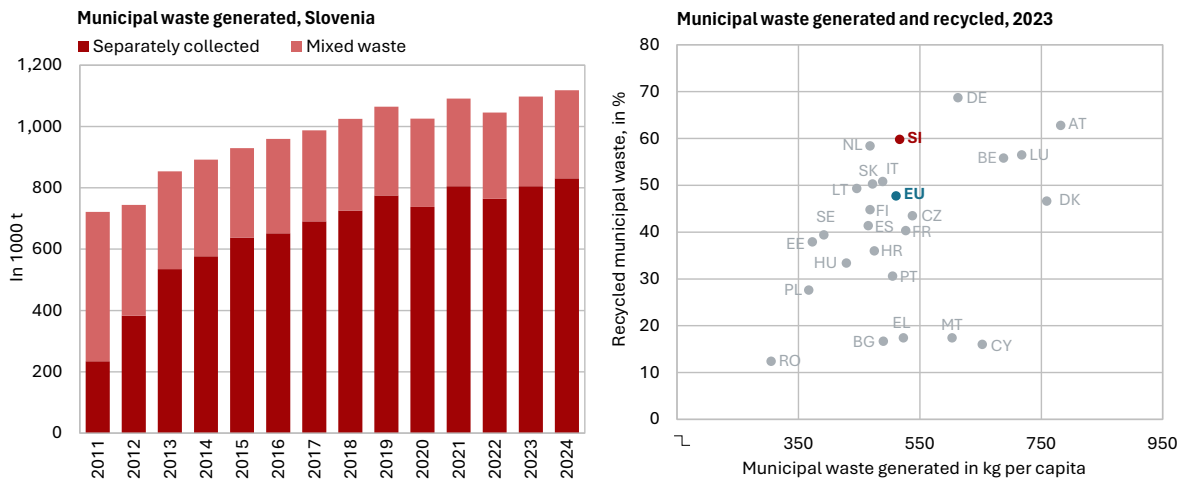


Source: SURS (2026a); IMAD calculations.

The volume of municipal waste increased in 2024, as did its recycling rate. Municipal waste – which accounts for around one tenth of total waste generated and nearly half of non-mineral waste – increased by 2% in 2024, reaching 526 kg per capita, the highest level on record. This increase was driven mainly by larger quantities of sludge (due to flooding), and paper and cardboard (Hotić, 2025). The share of separately collected municipal waste also increased (to 74%), as did the recycling rate, which reached 62%, almost 3 p.p. more than the previous year, placing Slovenia among the better-performing countries internationally.²⁸⁷ Due to limited sludge treatment capacity, the share of landfilled municipal waste also increased slightly, reaching 7%, the highest level in the past decade. Over the long term, however, the landfilling of all waste – the least desirable waste management option – has been declining and accounted for 1.6% of waste treatment in 2024. Despite increased recovery, particularly of mineral waste, this does not necessarily imply a higher use of recycled materials. The extensive use of backfilling as a recovery method for construction waste has a limited impact on the use of secondary materials, which therefore remains below the EU average (Figure 127, right).

²⁸⁷ The higher recycling rate in Slovenia was mainly the result of increased volumes of recycled paper and cardboard waste, plastics, and animal and plant waste (Žitnik et al., 2025). At the same time, the European Court of Auditors warns that rising energy costs, price imbalances affecting recycled products, and competition from cheaper imported products pose serious challenges to the sustainability of the recycling system (ECA, 2025), which may also indirectly affect the availability and use of secondary materials in Slovenia.

/ Figure 129: The volume of municipal waste per capita is similar to the EU average, with three quarters collected separately (left); the recycling rate is among the highest in the EU (right)



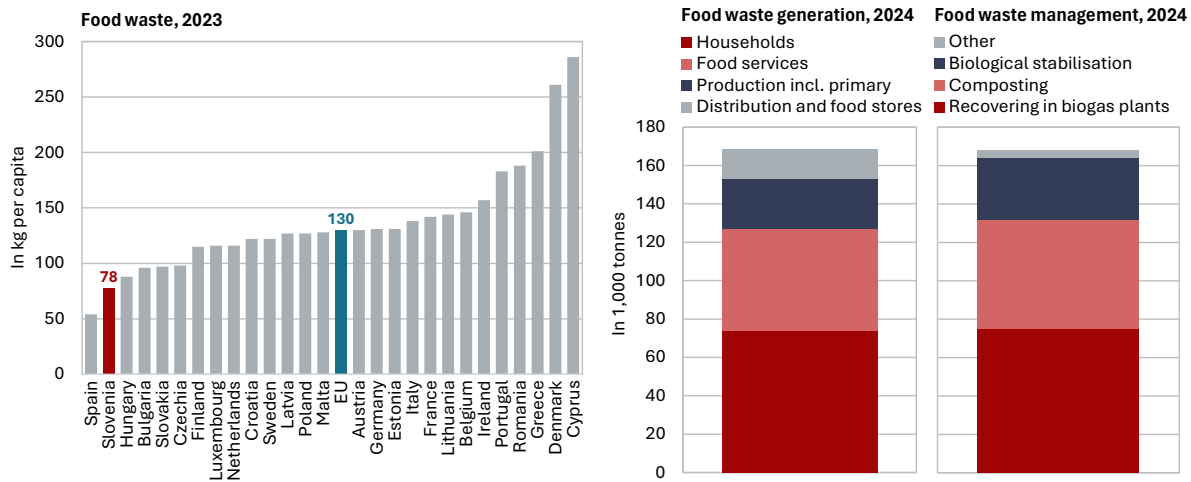
Source: SURS (2026a), Eurostat (2026). Note to the right-hand panel: No data are available for Ireland and Latvia. EU data are weighted averages.

The amount of food waste in Slovenia, which is among the lowest in the EU, increased for the second consecutive year, mainly in food production. Food waste accounts for approximately 17% of all separately collected biodegradable waste (MOPE, 2024). In 2024, it amounted to 79 kg per capita²⁸⁸ (2% more than the year before), the highest level since 2020, when methodologically comparable measurement began, and around one third below the EU average (2023). The largest increase within the food supply chain was again recorded in food production, where the volume of food waste increased by almost one fifth in 2024, though mainly due to materials unsuitable for consumption or processing (Kalin and Žitnik, 2025). In food service and hospitality, where relatively large amounts of food waste are generated compared with the EU, the volume decreased by 4%, while in distribution and retail it remained broadly unchanged.²⁸⁹ In recent years, the processing of food waste in biogas plants has increased (45% in 2024), gradually replacing composting (34%), while the share of biological stabilisation (around one fifth of treatment) has remained unchanged. Food waste burdens the environment by unnecessarily discarding limited natural resources and generating greenhouse gas emissions throughout the entire life cycle of food, including its final treatment. Preventing surpluses and reducing food losses is of primary importance. A more responsible attitude towards food and the natural resources required for its production brings positive economic effects for all actors in the supply chain, enhances food security for socially vulnerable groups, and promotes sustainable development. Unavoidable food waste can still serve as a valuable resource, not only as a source of energy but also in higher-value-added applications within the circular economy.

²⁸⁸ In 2024, the share of edible parts in Slovenia was 36%, which is 1 p.p. less than in the previous year. The remaining share consists of inedible parts, such as bones, pits, peels, shells and husks.

²⁸⁹ In 2024, 44% of food waste was generated in households, 32% in food service and hospitality, 15% in primary production and processing (production), and 9% in distribution and retail. In the EU (2023), 53% of food waste was generated in households, 28% in food production, 11% in food service and hospitality, and 8% in distribution and retail.

/ Figure 130: Relatively little food is wasted per capita in Slovenia (left); most food waste is generated in households and in food service and hospitality, while the majority is treated in biogas plants and composting facilities (right)



Source: Eurostat (2026), SURS (2026a). Note: EU data are weighted averages.

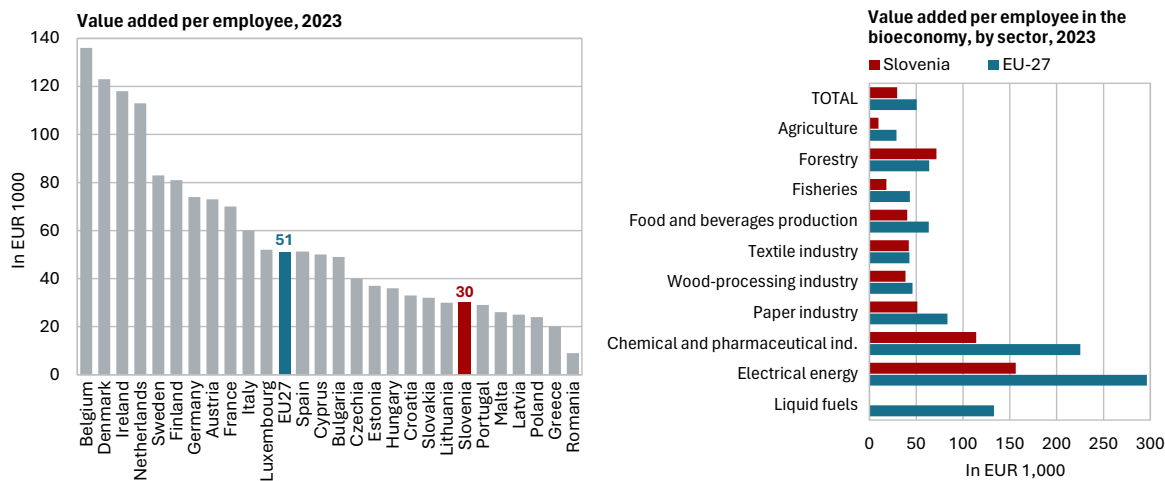
As an important component of the Slovenian economy, the bioeconomy²⁹⁰ remains largely concentrated in low-value-added activities with limited innovation effects, and its potential could be better harnessed through a clear strategic vision and a more active role for Slovenia in shaping relevant policies. The bioeconomy is based on the production and processing of biomass and the development of bio-based products that replace less sustainable materials, while also promoting circularity, innovation and the closing of material loops. Slovenia is rich in biomass, yet its potential remains underutilised. In 2023, the bioeconomy employed around 11% of all employees, with the majority in agriculture (55%), followed by the food-processing industry and the wood-processing industry (17% and 11%, respectively). The bioeconomy’s contribution to total value added (6.9%) is close to the EU average (6.2%); however, growth is slower, and labour productivity (value added per employee) remains low compared with more advanced EU Member States (López et al., 2025). In 2025, the EU adopted a new bioeconomy strategy (EC, 2025m), which places the sector at the centre of the European green transition. In addition to the sustainable use of biomass and the protection of biodiversity, the strategy increasingly emphasises competitiveness, strategic resilience, and the development of bio-based materials, technologies and advanced bio-innovations. In this way, the bioeconomy is positioned as a cornerstone of the EU’s long-term economic development and industrial transformation. Slovenia does not yet have a dedicated bioeconomy strategy,²⁹¹ and strengthening the bioeconomy as a recognised pillar of economic development – particularly through strategic support for innovation – could help to better harness its potential, improve resource efficiency, and promote sustainable and competitive growth.

²⁹⁰ The bioeconomy encompasses the production, processing and use of biological resources, based on the principles of sustainable and circular use and the creation of value added. It includes primary and processing activities, such as agriculture, forestry and fisheries; food and beverage processing; the wood-processing, paper, textile, chemical and pharmaceutical industries; and the production of liquid biofuels and bio-based electricity (EC, 2012; López et al., 2025).

²⁹¹ Slovenia is one of seven Member States without a dedicated national strategy that clearly defines objectives and performance benchmarks in this area; however, elements of the circular bioeconomy are incorporated into several strategic documents, including the Slovenian Development Strategy 2030, the Smart Specialisation Strategy (S5), the National Energy and Climate Plan, and other environmental and industrial strategic frameworks.

The forestry and wood-processing value chain represents a strategic potential within Slovenia’s bioeconomy developing high value-added bio-based products and biorefinery processes. When used appropriately with modern technologies, wood represents a raw material with a low ecological footprint, and its substitution for fossil-based materials and fuels helps reduce GHG emissions. Given the country’s high forest cover, strong chemical industry, and existing capacities in biotechnology and the development of advanced materials, wood biomass is an important natural resource for developing bio-based products that can complement the traditional use of wood in construction and the wood-processing industry. In recent years, actual felling has amounted to around 65% of the allowable cut specified in forest management plans (Lešić, 2023), while a large share of the raw material has been used either as primary wood or exported as roundwood. At the same time, the potential to develop more advanced processing chains for higher value-added products remains relatively underutilised. Key approaches therefore continue to be those based on the cascading use of biomass, whereby wood is first used for higher-value materials and products and only subsequently for energy purposes. Biorefinery processes, in which wood and other lignocellulosic biomass are converted into bio-based chemicals and polymers, biocomposite materials or nanocellulose, have been identified as an important development opportunity (SRIP - KG, 2026).²⁹² Such integrated value chains, linking forestry, wood-processing, chemical and other industries, enable a more efficient use of biomass and by-products from forestry, agriculture and the food industry, thereby making a significant contribution to the growth of value added and the innovation potential of the Slovenian circular (bio)economy.

/ Figure 131: Value added per person employed in the bioeconomy is markedly low in Slovenia (left); compared with the EU, this is particularly evident in agriculture and in electricity generation (right)

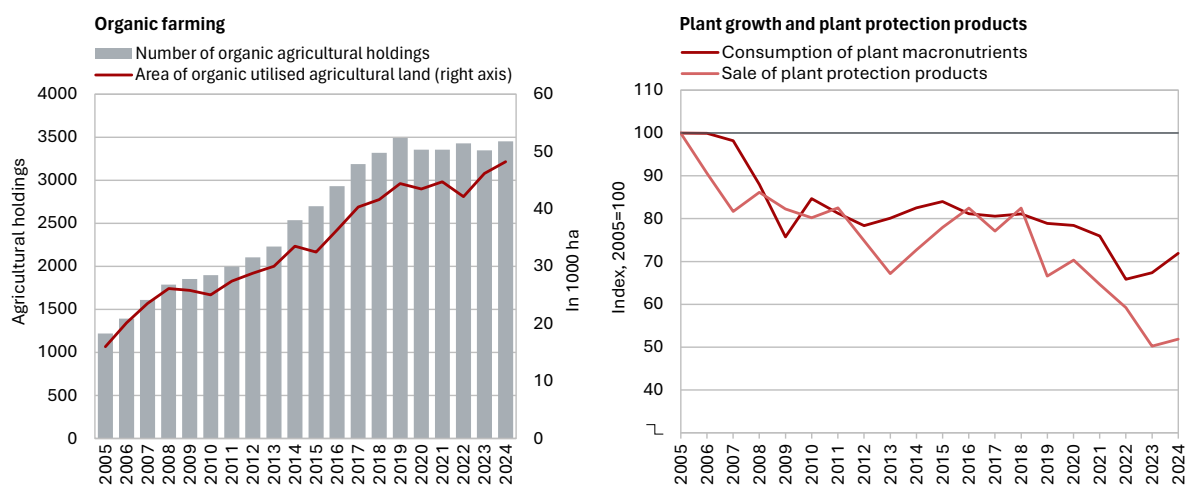


Source: López et al. (2025). Note: Data for the EU are weighted averages.

²⁹² SRIP – In addition to biomass as a focus area, the circular economy identifies several specific technological niches with significant potential for Slovenia, including the sustainable utilisation of waste material streams and Waste-to-Energy solutions; the processing of secondary raw materials (e.g. industrial, construction and biological waste, e-waste, and wastewater treatment technologies); sustainable functional materials (e.g. advanced composites and packaging from secondary sources); green processes and technologies (bio-based chemicals and technological processes); and the development of circular business models that support the systemic closing of material loops and the integration of technologies into value chains.

Agriculture, as part of the agri-food system, is recognised as a strategic economic sector, crucial for food security, sustainable development and national resilience amid geopolitical uncertainties, climate change and disruptions to global supply chains. The sector’s development links economic, environmental and social objectives – from ensuring reliable and competitive food production to preserving natural resources and maintaining the vitality of rural areas. Structural changes have been occurring for some time, leading to greater concentration of agricultural activity,²⁹³ while the environmental orientation of agriculture has also been strengthening. In 2024, 12% of agricultural land and 8% of agricultural holdings were included in the organic control system, while the number of farms holding an organic certificate increased by 3%. The share of organic land is close to the EU average, but achieving the ambitious targets by 2027 (18% of agricultural land and 10% of agricultural holdings) will require significantly faster growth. Organic farming, and the broader adoption of sustainable practices, make an important contribution to the green transition, as they are based on processes that work in harmony with nature and reduce the use of mineral fertilisers and plant protection products. As a result, pressures on soil and water – measured by nitrogen and phosphorus balance surpluses – are decreasing. Although food production in Slovenia is not among the most intensive in the EU, the livestock density of agricultural land (measured in LSU/ha) is relatively high due to natural conditions. Expectations regarding agriculture’s contribution to environmental objectives are increasing, yet its primary role remains ensuring a stable food supply. When designing policies aimed at environmental protection, a proportionate and cross-sectoral distribution of responsibilities is therefore essential (MNVP, 2026).

/ **Figure 132: The shift towards organic farming is gaining momentum, albeit slowly (left), while the use of mineral fertilisers and plant protection products has generally declined, despite an increase in 2024 (right)**

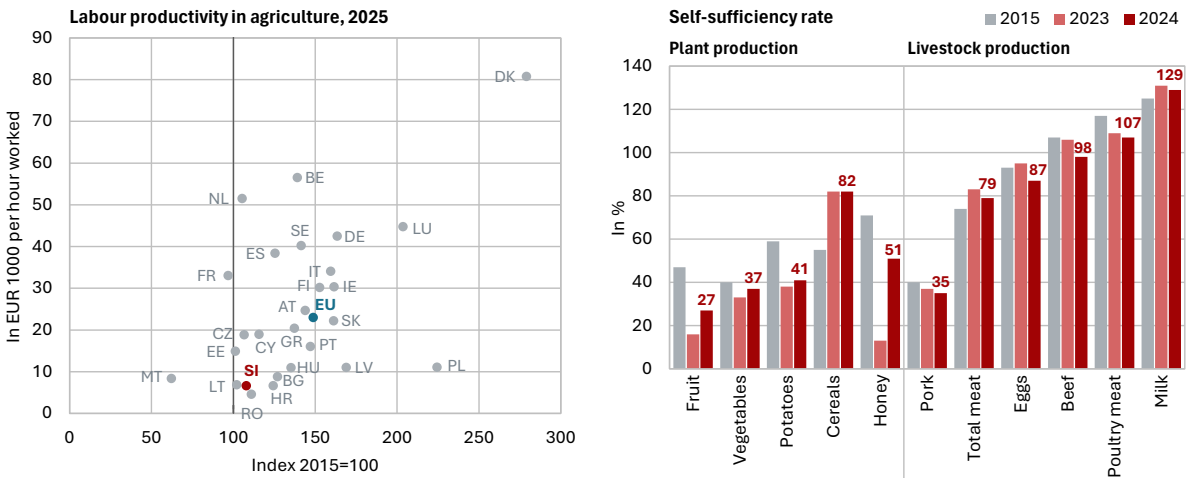


Source: SURS (2026a), ARSO (2025).

²⁹³ The number of agricultural holdings declined by 7% in the period 2020–2023 (to 50.4 thousand), while their average size increased by 10% (to 8.9 ha) (KIS and MKGP, 2025). At the same time, structural specialisation in agriculture (orientation towards a single main activity type) has increased somewhat in recent years, although the share of mixed farms remains above the EU average.

The key development challenges facing agriculture remain increasing productivity, which is among the lowest in the EU, and improving food self-sufficiency, particularly in crop production, where no progress has been observed.²⁹⁴ Due to less favourable natural conditions for production, fragmented land ownership, and the small average size of farms, the availability of agricultural land – and thus agricultural production – is limited. A higher degree of self-sufficiency therefore largely depends on increasing production on existing land through improvements in the technical efficiency of agricultural holdings (see Box 3). These challenges increase the importance of investment in knowledge, innovation, and modern production and logistics infrastructure, including dual-use solutions such as regional logistics centres, greenhouses, irrigation systems, and digital and precision farming technologies. In addition to supporting day-to-day production, these solutions also enhance supply-chain resilience in conditions of increased uncertainty (ARSO, 2025c). The complexity and scale of these investments and measures indicate that increasing value added requires a coordinated approach across the entire value chain. At the same time, establishing the necessary conditions and infrastructure in all areas is neither appropriate nor feasible. This underscores the need for a carefully targeted agricultural development strategy, including stronger specialisation in product groups with the greatest development potential and favourable long-term prospects in light of climate change, while ensuring the sustainable use of land. It is essential to strengthen the motivation and skills of younger generations, promote the sector’s entrepreneurial orientation, and encourage the adoption of new technologies and approaches. Another key challenge is balancing producers’ growing demands for more stable, supportive production conditions and reduced administrative burden with society’s expectations for safe, high-quality food and higher environmental standards (EC, 2025n).

/ Figure 133: Productivity in agriculture is low and has hardly increased since 2015 (left); food self-sufficiency is also low, particularly for plant products (right)



Source: Eurostat (2026); SURS (2026a); Bele and Dvoršak Hiti (2025). Note: EU data are weighted averages.

²⁹⁴ Vegetable and fruit production in home gardens is widespread in Slovenia and contributes to local self-sufficiency, but due to the lack of data it is not included in calculations of self-sufficiency rates at the national level (ARSO, 2025c).

Box 3

An analysis of the technical efficiency of Slovenian farms (Možina and Kuštrin, 2026)

The box examines the technical efficiency¹ of Slovenian farms using two complementary methods: Data Envelopment Analysis (DEA) and Stochastic Frontier Analysis (SFA).² DEA is a non-parametric method that constructs the technical efficiency frontier based on the most efficient observations in the sample. Farms on this frontier are considered fully efficient, while the distance of other farms from the frontier reflects their degree of technical inefficiency. By contrast, SFA is a parametric method based on a pre-specified production function, allowing the separation of random noise from true technical inefficiency. The frontier determined by SFA represents the maximum attainable output given the observed inputs under the assumption of full efficiency, while accounting for random shocks unrelated to inefficiency. Both methods were applied to data on Slovenian farms from the Farm Sustainability Data Network (FSDN)³ for the period 2015–2023. It should be noted that the technical efficiency estimates are relative to best practices within individual farm types in Slovenia; therefore, direct international comparisons⁴ and comparisons across farm types are not appropriate.

The analysis indicates a relatively low level of technical efficiency among Slovenian farms. Average technical efficiency (calculated across all farm types over the period 2015–2023) stood at around 60% according to the DEA method⁵ and around 50% according to the SFA method, with no improvement observed over time. This suggests considerable untapped potential for improving technical efficiency. Average efficiency levels vary across individual farm types; however, these differences reflect relative technical efficiency within each group and are therefore not directly comparable between groups (Figure 134). Estimates for some farm types (horticulture, granivore livestock production and mixed farms) are less reliable due to the limited number of observations or the heterogeneous structure of these groups. Higher technical efficiency enables greater output with unchanged inputs and existing technology, which improves

¹ Technical efficiency is a component of productivity and measures the extent to which an individual unit (farm) could increase its output – given unchanged inputs and existing technology – if it operated as efficiently as the best-performing units in the sample (output-oriented approach).

² The DEA and SFA methods differ in several important respects. As a non-parametric approach, DEA does not require prior specification of a production function; however, it does not distinguish between random noise and inefficiency and is sensitive to outliers, which may distort the estimated efficiency frontier. By contrast, SFA is based on a parametric approach and allows random noise to be separated from inefficiency, but it requires specification of a production function; if the function is misspecified, estimates of technical efficiency may be biased. Because of these differences, both methods are commonly used in the literature.

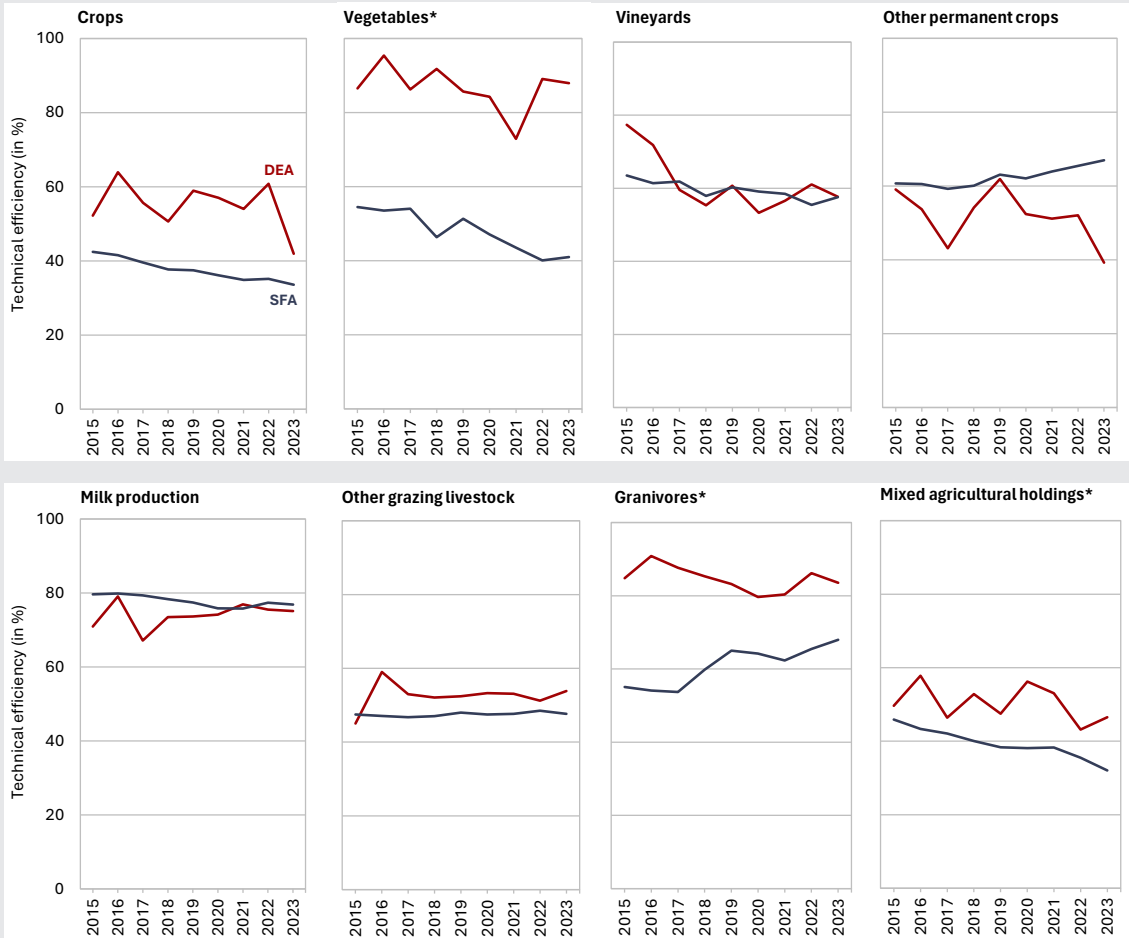
³ The analysis uses the harmonised European Commission Farm Sustainability Data Network (FSDN) database, previously known as FADN. The analysis is based on the following variables: total output (EUR), fixed assets as a proxy for capital (EUR), labour measured in full-time equivalent units, land measured in hectares of utilised agricultural area, and intermediate consumption as a proxy for intermediate inputs (EUR). The database cleaning procedures and variable construction are described in Možina and Kuštrin (2026).

⁴ The estimates are based on a sample of Slovenian farms; therefore, the most efficient farms in Slovenia are not necessarily comparable in terms of efficiency with the best-performing farms in other countries.

⁵ The robustness of the DEA estimates was tested using Wilson's outlier detection method (1993), which had no material impact on the results.

competitiveness and profitability. In a competitive market environment, such improvements typically encourage the entry of new producers, further expanding production capacity and consequently strengthening self-sufficiency. Under these conditions, gains in technical efficiency may become self-reinforcing, as competitive pressures gradually reduce inefficiencies and support further improvements in efficiency and output.

/ Figure 134: Technical efficiency by farm type: comparison of estimates using the DEA and SFA methods



Source: EC – FSDN (2026), IMAD calculations. Notes: Farms are grouped into eight types based on the FSDN TF8 classification. Estimates for horticultural and granivore livestock farms are less reliable due to the small sample size, while estimates for mixed farms are less reliable because of greater heterogeneity within the group.

In Slovenia, improvements in technical efficiency (and consequently in self-sufficiency) are constrained by spatial and geographical factors, in particular the limited availability of agricultural land. Limited opportunities to expand intensive and efficient production (Figure 114) limit the entry of new producers and weaken competitive pressures in the sector, which may contribute to the relatively low technical efficiency levels observed among Slovenian farms. Under these conditions, higher self-sufficiency can also be achieved by improving the technical efficiency of existing producers. Productivity gains could be further supported by a more efficient allocation of production factors, particularly through the reallocation of agricultural land from less to more efficient producers. Because limited competition weakens market incentives to improve

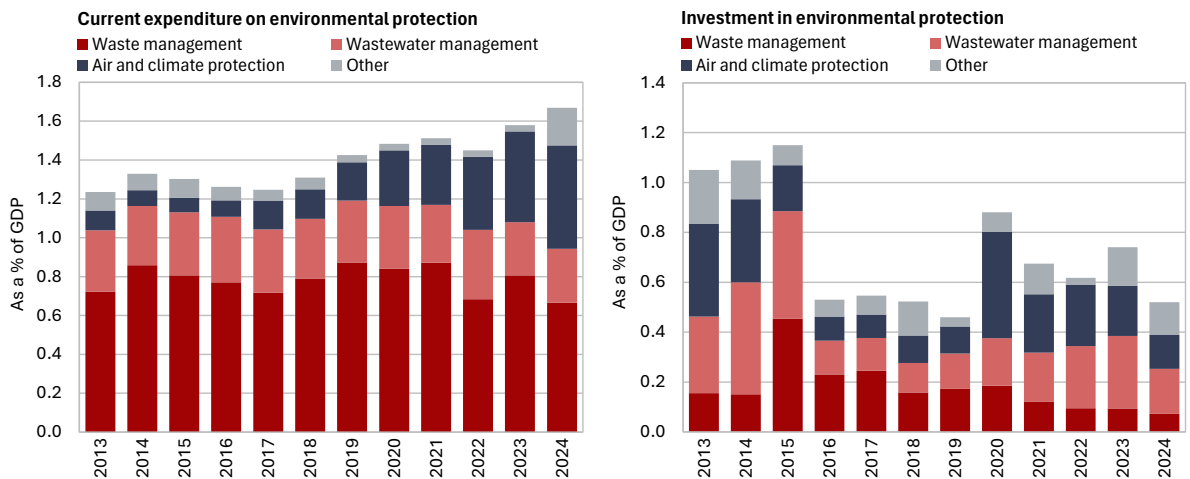
efficiency and productivity, the state should promote innovation and technological progress in agriculture while respecting market principles. Policy measures should therefore encourage the wider adoption of advanced technologies and digital tools, the modernisation of agricultural practices, and greater participation of younger generations in developing and implementing innovative solutions.

5.3.3

Financing of environmental protection and the green transition

Environmental protection expenditure (expenditure and investment) remained high, driven mainly by higher spending on air and climate protection, while investment declined in 2024 after rising in 2023.²⁹⁵ *Current expenditure on environmental protection* has been rising more noticeably since 2016. In 2024, it rose by 11%, reaching EUR 1,125 million, or 1.7% of GDP, which is the highest level on record. The largest share of current expenditure was allocated to waste management (40%), while in recent years primarily expenditure on air and climate protection has increased (accounting for around one third of total expenditure in 2024). Expenditure on soil, groundwater and surface water protection also rose markedly last year. By region, the Savinjska region stood out (32% of total expenditure; 5.1% of regional GDP). The Pomurska and Podravska regions also exceeded the national average (around 2% of GDP). *Investment in environmental protection* amounted to EUR 351 million in 2024 (–26% year-on-year) or 0.52% of GDP, which is among the lower levels recorded in the past decade (peak in 2015: 1.15% of GDP). The largest share was allocated to wastewater management (35%, more than one third

/ **Figure 135: Current expenditure on environmental protection increased again in 2024, reaching its highest level on record as a share of GDP (left); environmental protection investment is declining after a period of stronger investment growth (right)**



Source: SURS (2026a).

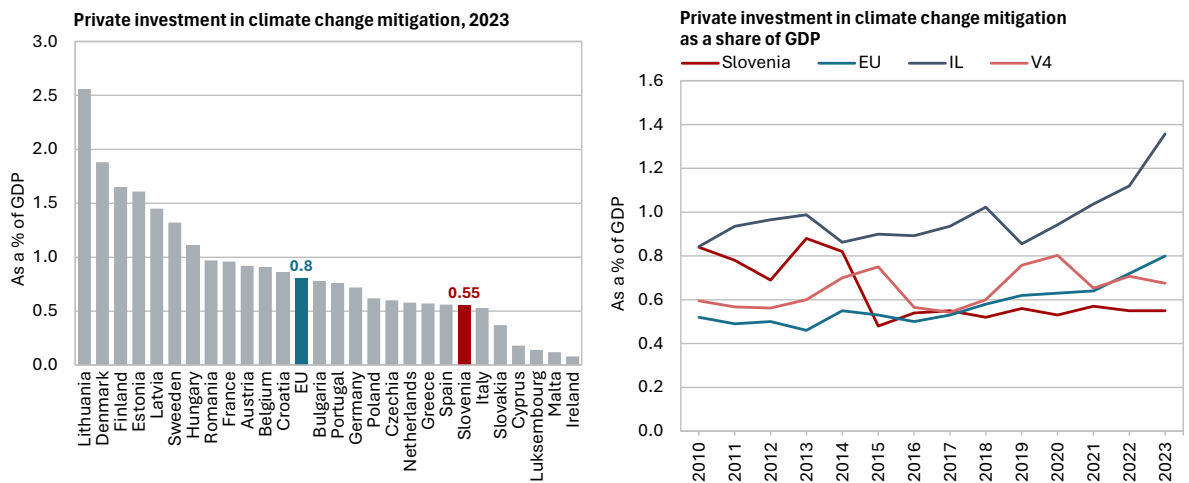
²⁹⁵ SURS publishes all financial resources earmarked for environmental protection by environmental purposes: protection of air and climate, wastewater management, waste management, protection and remediation of soil, groundwater and surface water, noise and vibration abatement, protection of biodiversity and landscapes, protection against radiation, research and development, and other environmental activities. The survey covers companies and organisations registered to perform economic activities and having at least ten persons in paid employment. The data include funds from own resources, the national budget and EU funds, as well as loans and other sources of financing.

less than in the previous year), followed by ambient air and climate protection and other purposes (protection of soil, groundwater and surface water, noise and vibration abatement, and biodiversity and landscape protection), each accounting for around one quarter of total investment. Investments in waste management have gradually declined in recent years. Overall, the Osrednjeslovenska region received the largest share of investment (49%). Investment activity remained relatively limited in most other regions, with the lowest recorded in the Primorsko-notranjska region (0.1% of regional GDP). The national average (0.5% of GDP) was exceeded by the Pomurska, Savinjska, Osrednjeslovenska and Goriška regions (0.6% of regional GDP).

With the adoption of more ambitious EU energy and climate targets for 2030 (NECP), estimated investment needs for the period 2021–2030 have risen to approximately EUR 22 billion. This is around EUR 7 billion more than under the previous scenario, highlighting the substantial financial requirements of the green transition and the need for a comprehensive financing approach. The institutional response to these challenges is also reflected in the Climate Act (2025), which establishes a financial framework centred on the Climate Fund (Box 4), primarily financed through national public and European funds and complemented by the effective use of financial instruments. Its purpose is to ensure stable and predictable financing for key climate measures and the efficient allocation of available public resources, particularly from the Climate Fund, EU cohesion funds, the European Social Fund and the Just Transition Fund.

In addition to domestic public and European funds, achieving climate and energy targets also requires the mobilisation of private capital, with public incentives reducing risks and increasing the attractiveness of investments. Projections by the European Investment Bank (EIB, 2021) indicate that a large share of investments in Central and Eastern European countries is still financed from public sources, whereas private capital plays a greater role in Western and Northern EU countries, pointing to the need for additional incentives. Analyses by McKinsey and IIF (2023) estimate that around 40% of climate mitigation projects are attractive to private investors, while the share is lower for climate adaptation projects. Alongside other factors (e.g. regulatory framework, instruments, strategies), the risk-return

/ **Figure 136: Private investment in climate change mitigation as a share of GDP is relatively low (left) and is not increasing (right)**

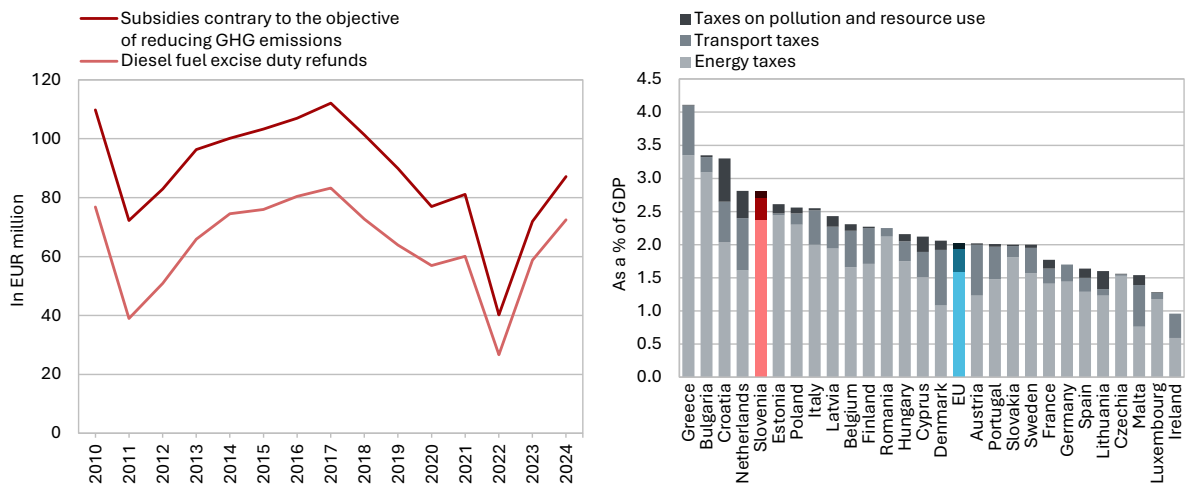


Source: Eurostat (2026). Note: Indicators for country groups are calculated as unweighted averages.

ratio is becoming increasingly important for private investors when considering investments in the green transition. Analyses by Polzin et al. (2021) indicate that the cost of capital for green investments is higher in Southern and Eastern European countries, limiting more active participation by private capital. Within this context, the Climate Fund facilitates the mobilisation of public and European funds and their combination with other financial instruments, thereby reducing financial risks and strengthening private investors’ interest in financing the green transition.

Revenue from environmental taxes²⁹⁶ increased in nominal terms in 2024, as did their share of GDP, which was already among the highest in the EU, while incentives that are inconsistent with GHG emission reduction objectives also rose. After a sharp decline during the pandemic and the energy crisis,²⁹⁷ environmental tax revenues strengthened again in 2023 and 2024. In 2023, their share of GDP amounted to 2.78%, which is 0.8 p.p. above the EU average, and increased further to 2.83% in 2024 (SURS, 2026a). Energy taxes accounted for the largest share of environmental tax revenues, particularly taxes on road transport fuels. Households contributed more than half of environmental tax revenue (55%), businesses accounted for 42%, and the remainder was paid by non-residents (mainly through transit transport by foreign road users). At the same time, *incentives that run counter to GHG reduction objectives* increased for the second consecutive year and exceeded pre-energy crisis levels. In 2024, the largest share of these incentives again consisted of diesel excise duty refunds (83%), which were marked by pronounced fluctuations over the period 2010–2024. After 2016, excise duties gradually declined and in 2022 approached the minimum motor fuel taxation levels set by the Directive (Council of the EU, 2023), but have increased again in recent years. Frequent adjustments to excise duties on energy products, particularly tax reductions, weaken environmental tax revenues and are inconsistent with tax policy objectives supporting the green transition.

/ **Figure 137: Incentives counter to GHG emission reduction objectives increased further in 2024 (left); environmental tax revenues (2023), as a share of GDP, remain among the highest in the EU (right)**



Source: OECD (2026c), Eurostat (2026). Note: Data for the EU are weighted averages.

²⁹⁶ Environmental taxes comprise energy taxes, transport taxes, and taxes on pollution and the use of natural resources. Most environmental tax revenues are not earmarked for climate-related expenditure; nevertheless, their level represents an important price signal. Only certain environmental taxes are earmarked, such as revenues from the sale of emission allowances, which are channelled through the Climate Fund to finance climate change mitigation measures.

²⁹⁷ The decline was due to reductions in fuel excise duties, the temporary abolition of environmental charges on CO₂ emissions, and lower contributions for RES and CHP.

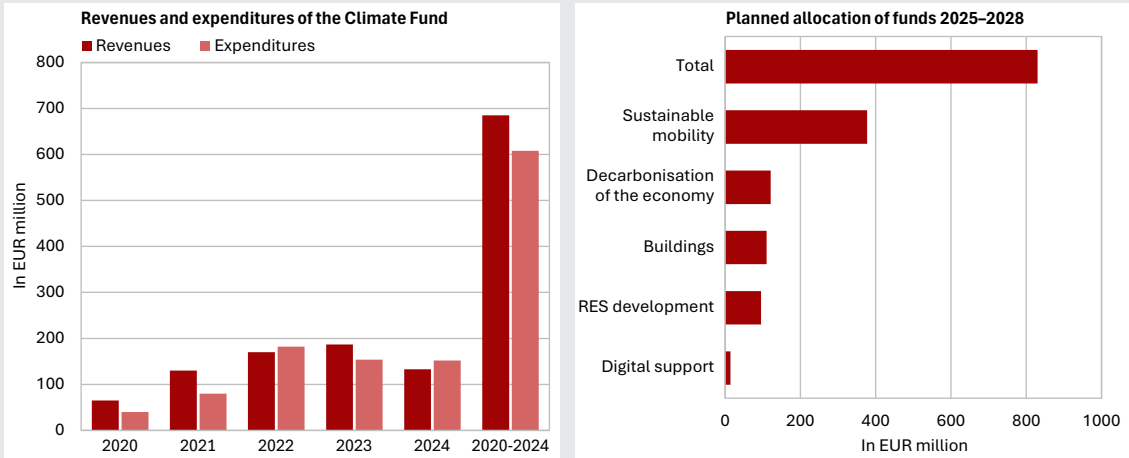
Box 4

The Climate Fund – the central national financial instrument for implementing climate policy

The Climate Fund is the central legislative and operational instrument for achieving Slovenia’s climate policy objectives. It is a dedicated budgetary fund financed through revenues from the auctioning of emission allowances under the EU Emissions Trading System (EU ETS) and from penalties for excess emissions. The Fund finances measures to mitigate and adapt to climate change, thus translating long-term climate objectives into concrete investments and projects. Its role was further strengthened by the Climate Act (2025a),¹ which established the Fund as the main mechanism for implementing long-term climate targets. The Fund supports climate objectives through targeted project financing, with resources allocated mainly through public calls and tenders. Eligible beneficiaries include municipalities, firms, public institutions and other applicants, supporting projects aimed at reducing greenhouse gas emissions, improving energy efficiency, decarbonising the economy, increasing the use of renewable energy sources, and enhancing climate resilience (Government of the Republic of Slovenia, 2025c).

The Climate Fund Spending Programme 2025–2028 defines the medium-term volume and priority areas of financing. In the period 2013–2024, approximately EUR 917 million was collected in the Climate Fund, of which around EUR 715 million was disbursed. Most disbursements took place after 2022, indicating a marked acceleration in spending in recent years. For 2025–2028, around EUR 830 million is planned to be allocated to key thematic areas, with the largest share earmarked for sustainable mobility, followed by the decarbonisation of the economy, nearly zero-energy and zero-emission buildings, the development of renewable energy sources, and digital support measures for the climate transition (Government of the Republic of Slovenia, 2025c).

/ Figure 138: Inflows and disbursements of the Climate Fund, 2020–2024, and planned allocation of funds, 2025–2028



Source: Government of the Republic of Slovenia (2025c). Note: Inflows to the Climate Fund represent Slovenia’s share of revenues collected from EU emission allowance auctions, with Slovenia receiving 0.5% of the total revenue from this source.

¹ The financial framework of the Climate Act is based on national and European funding sources, including revenues from the Climate Fund, the recovery and cohesion instruments, the European Regional Development Fund, and the Social Climate Fund.

Despite the strengthened role of the Fund, several challenges remain, underscoring the need for continuous monitoring and further refinement.

The Climate Fund improves transparency and strategic coordination in climate financing by supporting systematic planning, implementation, and monitoring of climate policy measures. However, strengthening the link between long-term climate objectives, national development priorities and budgetary financing will require broader access to funding across beneficiary groups and clearer prioritisation of projects with the greatest climate impact.²

² This includes ensuring access to funding for smaller beneficiaries; ensuring that supported projects directly and consistently contribute to climate objectives; improving transparency and effectiveness of measures; and gradually phasing out incentives not aligned with decarbonisation targets.

6

An accountable and efficient institutional environment

An accountable and efficient institutional environment is a cornerstone of a thriving society and economy, as it fosters entrepreneurship and innovation, supports a favourable business environment, and enables the swift and fair resolution of disputes. It is based on transparent, accountable and trustworthy institutions that ensure a level playing field for market participants and citizens, enabling firms and individuals to operate without unnecessary barriers. Institutional effectiveness is commonly assessed using indicators of institutional competitiveness (IMD), governance quality (World Bank), and sustainable governance (SGI – Bertelsmann).

Institutional competitiveness in Slovenia is below the EU average and the levels observed in the innovation leaders, with the gap widening further in recent years. Between 2015 and 2019, amid favourable macroeconomic conditions and stable public finances, Slovenia’s institutional competitiveness improved faster than in most other EU countries, rising from 21st place in 2015 to 16th place in 2022 and 2023, according to IMD data (2025). This trend reversed during the pandemic, with institutional competitiveness deteriorating more sharply than the EU average. In the two most recent assessments, Slovenia’s ranking declined further (to 22nd place in 2025).²⁹⁸ The deterioration was driven mainly by weaker survey-based indicators,²⁹⁹ reflecting lower ratings by business executives, particularly regarding bureaucracy, flexibility and the transparency of government policies. Indicators based on statistical data³⁰⁰ have mostly improved; however, this was insufficient to offset the pronounced decline in perception-based indicators, which largely determined the overall ranking. Slovenia’s ranking has also deteriorated according to the World Bank’s indicators of institutional quality, where it is now placed in the lower half of EU countries (World Bank, 2025).³⁰¹

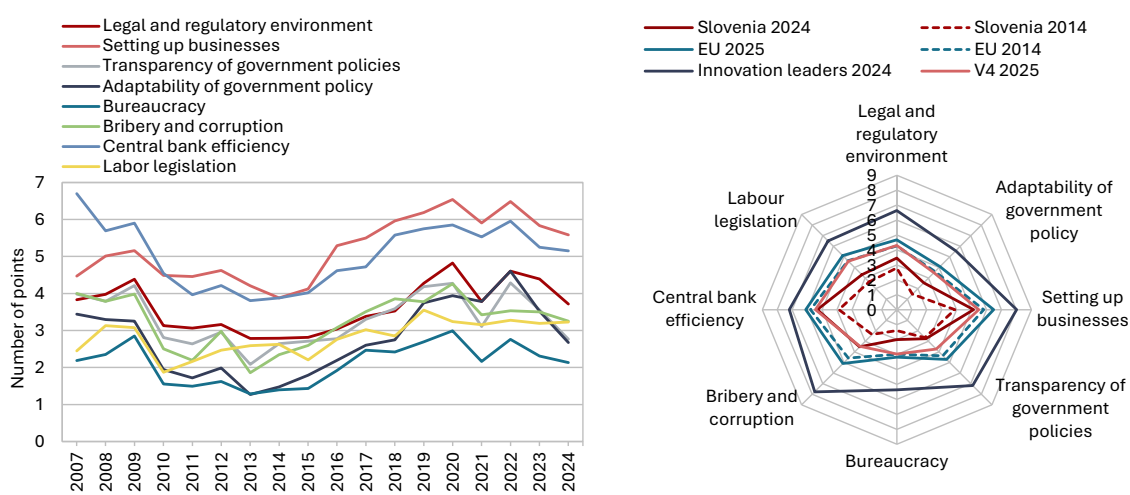
²⁹⁸ Among the 69 countries included in the analysis, Slovenia ranked 46th in 2024 and 45th in 2025.

²⁹⁹ Surveys of business executives are typically conducted in the first half of the current year.

³⁰⁰ These indicators include sovereign credit ratings, interest rate spreads, exchange rate stability, and sustainable development goals (SDG), among others. Indicators based on statistical data largely refer to 2024.

³⁰¹ Indicators of institutional quality are composite indicators that combine multiple data sources. They draw on around 30 different sources and are based primarily on survey data and expert assessments, and, to a lesser extent, on statistical data.

/ Figure 139: Institutional competitiveness remains below the EU average and the level observed in innovation leaders, with business executives highlighting bureaucracy and limited policy flexibility and transparency as key weaknesses



Source: IMD (2025). Note: Higher scores indicate better performance. For the detailed indicators, the maximum score is 10; all indicators are survey-based. The survey is conducted at the beginning of the second quarter of the publication year. Among the Visegrad countries (V4), Czechia consistently scores higher than Slovenia across all indicators. Unweighted averages are calculated for the EU, innovation leaders (IL), and the Visegrad Group (V4).

6.1 Accountability, transparency and social dialogue

Accountability of public officials is a key pillar of trust in the state and its institutions, as it requires decision-makers to explain their decisions and take responsibility for their consequences, thereby strengthening the legitimacy of public institutions and services. According to the OECD (2024i, 2025g) survey, 15% of respondents in Slovenia believe that the political system allows people like them to have a say in what government does (EU: 26%; innovation leaders: 34%), while as many as 73% believe it does not. Transparency in government decision-making is essential for high-quality policymaking, as public access to procedures and outcomes promotes a more efficient use of public funds and supports data- and evidence-based decision-making. Transparency also reinforces accountability by enabling continuous scrutiny of institutional performance and, over the longer term, strengthening the legitimacy of decisions and trust in the state and its institutions. In recent years, the perceived transparency of government decision-making has declined and is viewed by business executives as significantly below both the EU average and the level observed in innovation leaders (Figure 139) (IMD, 2025).

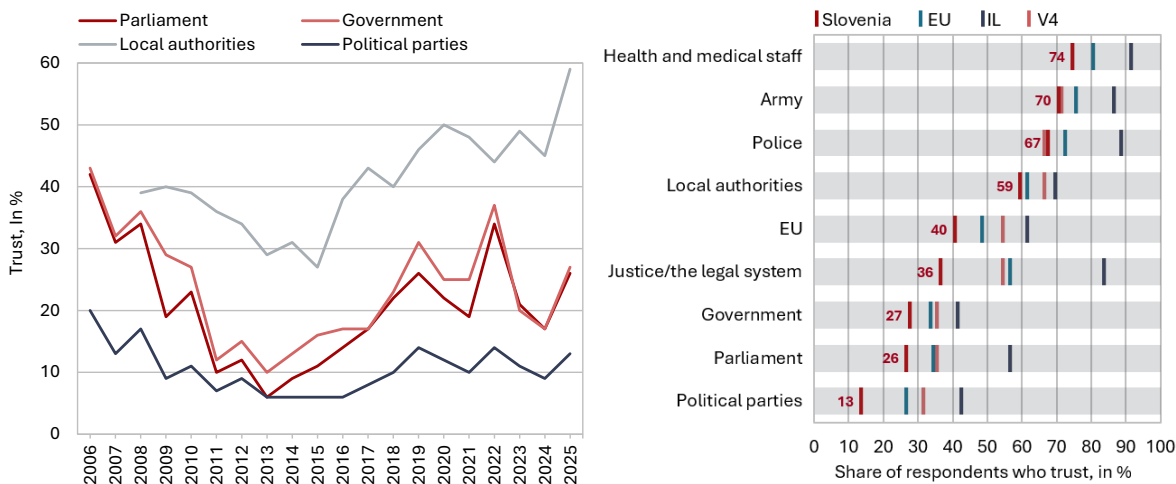
Trust in public institutions has remained relatively low over the past decade and well below the EU average; after declining in the previous two years, it increased again in 2025, but remains below the SDS target for most institutions.³⁰² Higher trust in public institutions supports more effective governance.³⁰³ Trust in government depends largely on whether decisions are perceived to be based on facts and evidence and whether

³⁰² The objective of the Slovenian Development Strategy (SDS) is for at least half of the population to trust public institutions (measured as the average of the last three survey measurements). On average over the last three survey measurements, 53% of respondents expressed trust in local authorities, while the three-year average was 51%.

³⁰³ People who trust public institutions are more willing to comply with public authorities and laws, pay taxes, and participate in collective action (Eurofound, 2018; Perry, 2021).

intergenerational considerations are adequately taken into account, while trust in parliament depends primarily on evidence-based decision-making and balanced consideration of the needs of different societal groups (OECD, 2024f). Trust in public institutions has fluctuated considerably over the past decade, albeit from a relatively low level. During the COVID-19 pandemic, trust in institutions (particularly political institutions) declined; following the change of government in summer 2022, it increased markedly (especially in the government and parliament), declined again over the subsequent two years, and increased again in 2025. Satisfaction with the functioning of democracy also increased, although it remains below the EU average.³⁰⁴ Trust remains highest in public systems and services, such as healthcare, the military, and the police.

/ Figure 140: Trust in political institutions increased in 2025 (left); among national public services, branches of government and international institutions, trust was highest in the healthcare system and lowest in political parties (right)



Source: Eurobarometer (2025h, 2025i). Note: The figures for each year refer to the latest available observation in that year (autumn measurements; 2020–2022: summer measurements; 2023: autumn measurement and spring measurement for local authorities and political parties). In the right-hand panel, the values for Slovenia and the V4 in healthcare are identical, and therefore overlap. Unweighted averages are calculated for the EU, innovation leaders (IL), and the Visegrad Group (V4).

Political participation has strengthened in recent years. Voter turnout in the parliamentary, presidential and European elections increased, reversing the multi-year downward trend (see IMAD, 2025a). In the 2022 and 2026 parliamentary elections, turnout was among the highest on record (around 70%), placing Slovenia in the upper half of EU countries (DVK, 2026; IDEA, 2026). In the 2024 European Parliament elections, turnout reached a record high (41.8%),³⁰⁵ although it remained below the EU average (EP, 2025). Turnout in referendums, an important instrument of direct democracy, has increased in recent years, but remains relatively low. According to the Democracy Index, Slovenia ranks 16th in the EU and is not classified as a “full democracy”.³⁰⁶ The electoral process and opportunities for participation receive the highest ratings, followed by political participation, while political culture receives the lowest rating. This is also reflected in low levels of trust in politics and political parties (EIU, 2025).

³⁰⁴ In autumn 2025, 51% of respondents reported being satisfied with the functioning of democracy (EU: 54%), which is 10 p.p. more than a year earlier and equal to the level recorded in 2022.

³⁰⁵ Three consultative referendums were held concurrently with the European elections, which may have affected voter turnout.

³⁰⁶ The overall Democracy Index is the arithmetic mean of five sub-indices, with scores ranging from 0 to 10. Countries scoring between 8 and 10 are classified as “full democracies”, those scoring between 6 and 8 as “flawed democracies” (Slovenia: 7.82), while lower scores correspond to “hybrid or authoritarian regimes”. The sub-indices cover the following areas: electoral process and pluralism, functioning of government, political participation, political culture and civil liberties (EIU, 2025).

Public participation in policymaking and regulatory oversight reveals shortcomings and untapped opportunities for more effective coordination of development policies. Stakeholder engagement is crucial for the high-quality policymaking, particularly given the complexity of measures supporting the transition to innovation-driven growth.³⁰⁷ Public participation in the drafting of regulations covers all stages of the legislative process and could be further strengthened through systematic prior notification of planned consultations and broader use of ex post evaluations of policy processes (MJU, 2015; OECD, 2025b). In Slovenia, minimum participation standards³⁰⁸ are often not consistently observed, as public consultations on draft laws are typically shorter than the recommended 30 days (CNVOS, 2026; EC, 2024d). In the last two years, the share of laws adopted under the urgent procedure, where public participation is not required, has declined (National Assembly of the Republic of Slovenia, 2026, 2025). Stakeholder engagement in regulatory policymaking (particularly in primary legislation) is higher in Slovenia than the EU average, but considerably weaker in implementation oversight (OECD, 2025b). Conditions for civil society organisations continue to improve, and their participation in parliamentary procedures has also increased (EC, 2025j, 2024d). Stakeholders can also participate in the preparation of legislation and other public policymaking processes through online portals, such as *Predlagam.vladi.si*, *STOP Birokracija* and *eDemokracija*. In the area of cooperation between enterprises, research institutions and the government, a horizontal approach is no longer sufficient; instead, more targeted coordination in priority areas is required. In this context, Strategic Research and Innovation Partnerships (SRIPs) play an important role, particularly in the implementation of the Smart Specialisation Strategy. The state plays a key role in developing a long-term innovation programme and in providing additional support (including financial) for innovation activities.

Social dialogue within the Economic and Social Council (ESC)³⁰⁹ resumed in mid-2024 following a one-year suspension. The Industrial Democracy Index nevertheless indicates a relatively high level of stakeholder participation in social dialogue in Slovenia, although the index value has declined compared with previous measurements (Eurofound, 2023). Following a one-year suspension, a declaration on the respect for and promotion of social dialogue was signed by the social partners in mid-2024 (Economic and Social Council, 2024). The government has also modified its approach by submitting the initial drafts of certain laws to the ESC before their formal adoption. In 2025, disagreements between the social partners arose primarily over the introduction of a winter bonus and the increase in the minimum wage; however, social dialogue was not completely suspended.³¹⁰

³⁰⁷ Public participation may be spontaneous (arising from individual initiative) or organised through invitations to stakeholder groups and experts. Certain interest organisations have a formally defined role in the regulatory process, as specified by specific legislation or agreements (ReNDej, 2009).

³⁰⁸ Public participation in the drafting of legislation should, as a rule, last between 30 and 60 days. Exceptions apply to draft regulations where participation is not feasible, for example in urgent procedures or the adoption of the state budget (ReNDej, 2009).

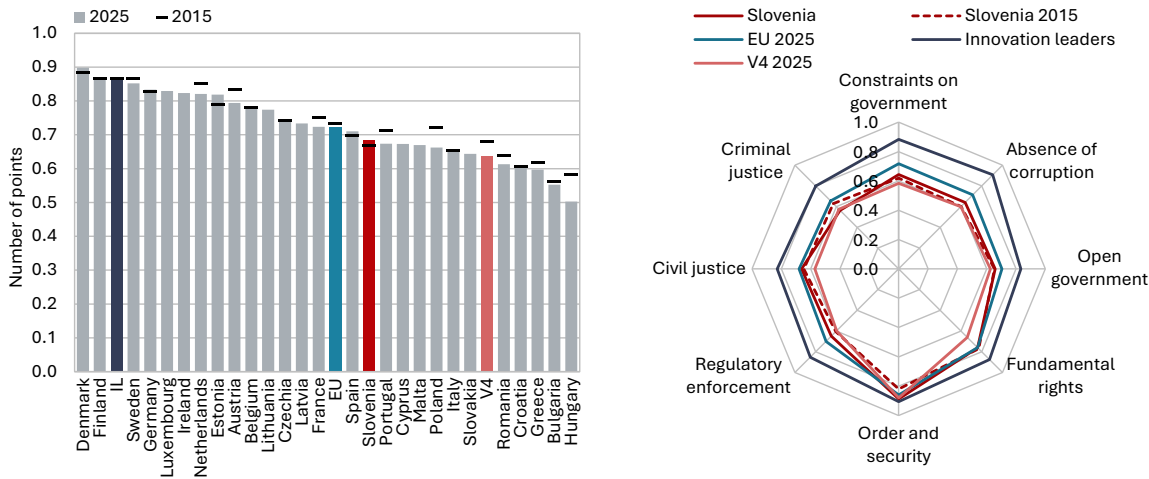
³⁰⁹ The involvement of social partners in the adoption of economic policy measures has a long tradition in Slovenia and generally takes place within the Economic and Social Council (ESC), which addresses key economic and social issues.

³¹⁰ Employer representatives in the ESC left the Council's sessions during the discussion of the Winter Bonus Act.

6.2 Rule of law

Trust in the rule of law and the judiciary has remained broadly stable over the past two years following an improvement in 2023; while implementation of European Commission recommendations has gradually narrowed the gap with the EU average and the innovation leaders. After improving in 2023, Slovenia’s position in the Rule of Law Index³¹¹ has remained broadly unchanged over the past two years and continues to be slightly below the EU average. The gap with the EU average and the innovation leaders has narrowed somewhat, while Slovenia’s lead over the Visegrad Group has increased. Innovation leaders achieve substantially higher scores in areas such as judicial independence, the effectiveness of law enforcement, low perceived levels of corruption, and the transparency of government operations (World Bank, 2025; World Justice Project, 2025), highlighting the importance of the rule of law for long-term innovation competitiveness. In its 2025 Rule of Law Report on Slovenia, the European Commission (EC, 2025j) notes progress in strengthening judicial independence, the autonomy of prosecutors in parliamentary inquiry procedures, and anti-corruption measures. Perceived judicial independence has improved significantly and now exceeds the EU average: in the latest measurement (2025), it was rated as good by 56% of the population (+9 p.p. compared with 2021) and 55% of firms (+12 p.p.). Nevertheless, the perceived influence of politics on court decisions remains relatively high, with higher levels recorded only in the Visegrad Group and Croatia (Eurobarometer, 2025b, 2025c). Following previous increases, the number of applications to the European Court of Human Rights (ECHR) declined again in 2025. In recent years, only a small share of applications has been declared admissible and accepted for further examination. Over the past three years, seven judgements finding violations against Slovenia have been issued, mainly concerning the right to a fair trial and the right to respect for private and family life (ECHR, 2025a, 2025b).

/ Figure 141: According to the Rule of Law Index, Slovenia ranks below the EU average (left); the largest gaps are in criminal justice, constraints on government powers and absence of corruption (right)



Source: World Justice Project (2025), IMAD calculations. Note: A higher score indicates better performance; the maximum possible value is 1. Unweighted averages are calculated for the EU, innovation leaders (IL), and the Visegrad Group (V4).

³¹¹ Despite certain conceptual differences, the terms *pravna država* (State governed by the rule of law or *Rechtsstaat* in German) and *vladavina prava* (Rule of Law) are generally regarded as equivalent in Slovenia (Avbelj, 2016; Cerar, 2008a, 2008b).

The quality of the Slovenian judiciary has improved in recent years, contributing to stronger public trust. Indicators of the quality of the judiciary primarily cover the level of digitalisation of court proceedings, access to justice (e.g. legal aid, access to information and court decisions), judicial competence, standards for case management and procedural quality, and the financial and human resources of the justice system (EC, 2025o; Supreme Court of the Republic of Slovenia, 2026a). The digitalisation of the justice system has led to significant progress, particularly through the development and upgrading of information systems for managing court proceedings and communication with parties, as well as improvements to the eSodstvo (e-Justice) portal.³¹² In 2025, court performance standards were adopted, enabling more systematic monitoring of judicial quality and more effective process management (EC, 2025j; Supreme Court of the Republic of Slovenia, 2026a). The accessibility and affordability of judiciary³¹³ remain comparable to the EU average (EC, 2025o; World Justice Project, 2025). Adequate staffing is critical for ensuring judicial quality; in 2024, the new pay system increased remuneration for judges and judicial staff. The number of judges per 100,000 inhabitants declined after 2012 but stabilised in 2025 and remains among the highest in the EU (40.5; only Croatia records a higher figure). Although the number of court staff has increased somewhat in recent years, shortages continue to limit the transfer of non-judicial tasks from judges to support staff,³¹⁴ especially given newly assigned responsibilities (the judge-to-staff ratio rose from 3.4 in 2012 to 3.9 in 2025). According to European Commission data (EC, 2025o), Slovenia has a higher number of courts per capita³¹⁵ than the EU average. At the same time, courts handle a relatively high caseload per capita, particularly in civil and enforcement proceedings (the inflow of new cases per capita also exceeds the EU average).

Perceived corruption increased slightly in the past year, further widening Slovenia's gap with the EU average. According to the latest measurement by Transparency International (2026), Slovenia continues to lag behind the EU average and the innovation leaders in terms of perceived corruption,³¹⁶ with the gap widening further.³¹⁷ Similarly, Eurobarometer surveys (2025d, 2025e) show that perceptions of widespread corruption among both the general public and business executives persist and have increased further

³¹² In 2025, two key components of the eSodstvo (e-Justice) system were also upgraded: eVložišče for electronic filing and service of documents, and eSpis.

³¹³ Accessibility of the justice system refers to the ability of individuals and businesses to effectively enforce their rights before the courts. This includes the availability of information on procedures, the geographical and digital accessibility of courts, the clarity of procedures, and access to legal aid. Affordability of the justice system means that the costs of judicial proceedings (court fees, lawyers' fees and other procedural costs) are not prohibitively high for individuals or businesses, with systems of legal aid or other forms of financial support also playing an important role.

³¹⁴ Support, administrative, technical, and professional tasks facilitate proceedings but do not entail decision-making, whereas judicial tasks encompass adjudication, evidence assessment, legal reasoning, and the delivery and justification of judgments.

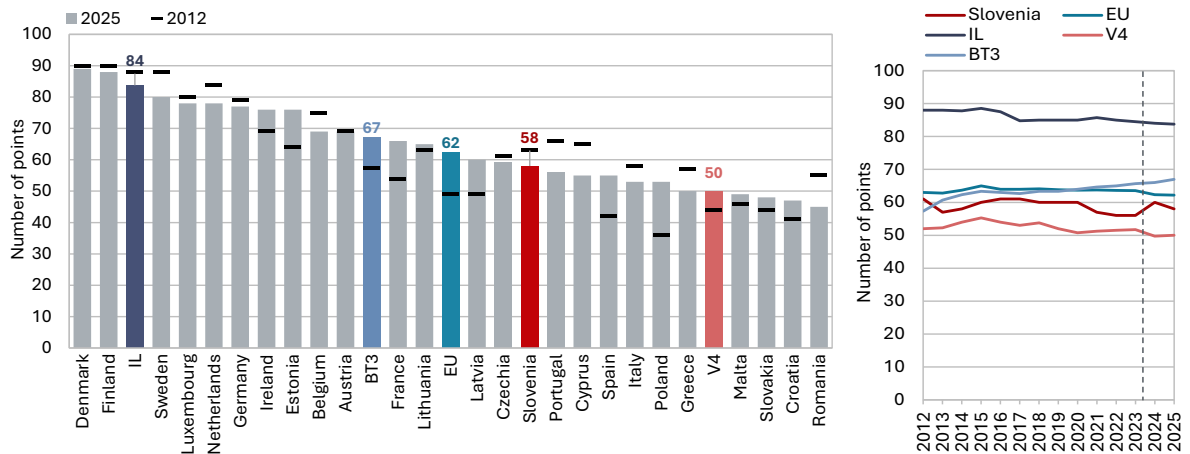
³¹⁵ Slovenia has a relatively dense network of courts given the size of the country and its population, which is also related to the historical organisation of the judicial system.

³¹⁶ Based on perceived corruption, the European Parliament's research service (EPRS, 2016) estimated in 2016 that a potential reduction in corruption in Slovenia could yield annual benefits of up to around EUR 3.5 billion (or 8.5% of GDP), placing Slovenia among countries around the EU average. The study calculates how much countries lose relatively in economic terms by not reaching the corruption level of the seven best performing Member States. It was emphasised that this does not imply that the estimated amount corresponds to the actual annual level of corruption in a given country; rather, it represents an upper-bound estimate of corruption (based on perceived corruption), which may in some cases be unrealistic or overstated.

³¹⁷ Although perceived corruption declined according to the preliminary 2024 measurement, this partly reflects methodological adjustments to the index calculation and an increase in statistical error, limiting comparability with previous measurements.

over the past year.³¹⁸ According to respondents, this is primarily due to corrupt³¹⁹ linkages between business and politics and the insufficient sanctions in high-profile corruption cases.³²⁰ Higher perceived corruption is also linked to lower trust in public institutions and a lack of transparency, with public procurement perceived as the area most vulnerable to corruption in the business environment (Eurobarometer, 2025e; IMD, 2025). In 2025, a revised Resolution on the Prevention of Corruption was adopted, setting out 77 strategic objectives (MP, 2025; RePKRS-1, 2025), together with an action plan for its implementation (CPC, 2025). In this context, the Commission for the Prevention of Corruption (CPC, 2026) emphasises that anti-corruption commitments need to be implemented more consistently in practice. This requires, in particular, greater accountability of senior public officials, stronger integrity standards for office holders and civil servants, and more effective sanctioning of irregularities, while independent oversight institutions play a key role (CPC, 2026; Transparency International Slovenia, 2026). According to GRECO (2025), Slovenia has satisfactorily implemented 12 of the 15 recommendations on corruption prevention and integrity promotion, while the remaining three have been partly implemented. In line with the recommendations, the guidelines on lobbying in relation to senior executive office holders and on managing conflicts of interest within the government and the police were updated following the 2024 review. A number of measures to establish an integrity plan and strengthen the prevention of conflicts of interest within the government are being implemented, although GRECO notes that these plans have not yet been fully implemented in practice.

/ Figure 142: The Corruption Perceptions Index deteriorated in the past year (i.e. the perceived corruption increased), with Slovenia lagging noticeably behind the innovation leaders



Source: Transparency international (2026). Notes: The index ranges from 0 (highly corrupt) to 100 (very clean). In 2024, methodological adjustments to the index calculation, together with an increase in statistical error, resulted in a higher score for Slovenia, although the effect varied across EU countries, limiting comparability with previous measurements. For the EU, the innovation leaders (IL), the Visegrad Group (V4) and the Baltic states (BT3), unweighted averages are calculated.

³¹⁸ In Slovenia, 85% of respondents consider corruption to be a problem (EU: 69%; innovation leaders: 39%), although only a relatively small share reported having direct experience with it (Slovenia: 4%; EU: 5%) (Eurobarometer, 2025d).

³¹⁹ The interconnectedness between the economy and politics is important because it enables the coordination of development policies and economic needs. However, corrupt forms of interconnectedness are problematic, as they can lead to clientelism, corruption, and the undue influence of particular interests on political decision-making.

³²⁰ 83% of respondents believe that corruption in Slovenia is the result of overly close links between business and politics, while this share was considerably lower in the EU average (77%) and among the leading innovators (66%). The same applies to inadequate sanctions in high-profile corruption cases (Slovenia: 76%; EU 66%; leading innovators: 49%) (Eurobarometer, 2025d, 2025e).

6.3 The business environment

In recent years, Slovenia's business environment has been shaped by major crises (the COVID-19 pandemic and the energy crisis) and heightened uncertainty in the international environment. Between 2020 and 2022, fiscal policy provided extensive support measures to firms in response to the health and energy crises, helping to preserve productive capacity. Uncertainty in the international environment – particularly difficulties in the manufacturing sectors of Slovenia's main trading partners and rising trade tensions related to the introduction of US tariffs – has further affected the performance of Slovenian firms,³²¹ which are deeply integrated into global value chains, particularly European ones.

For businesses and investors, alongside an ambitious and proactive development policy, the stability and predictability of the business and regulatory environment are of key importance, as they shape the predictability of business operations and the investment security. Slovenia benefits from strong development fundamentals (human capital and well-developed infrastructure); however, its business environment continues to be characterised by institutional and regulatory constraints that weaken competitiveness and investment attractiveness (EC, 2025i, 2026c). More lasting improvements will require greater policy predictability, more efficient institutional performance, and a more supportive attitude towards entrepreneurship, risk-taking and innovation. Slovenia's business environment is also constrained by production costs, driven by rising domestic labour costs and increases in the prices of energy and non-energy commodities on international markets, as well as by labour shortages and shortages of skilled workers.³²² Amid increased uncertainty in the international environment, proactive measures to improve the business environment are particularly important, especially the preparation of a new programme to promote investment and the internationalisation of the economy (the current programme will expire in 2026 (MGRT, 2021)), since a strategic approach to identifying new markets, opportunities and investors – including state risk-sharing mechanisms – could prove crucial for Slovenia's future competitiveness. At the beginning of 2026, Slovenia adopted a start-up strategy to 2030, providing a framework for systematic and long-term support for the development of innovative start-ups (MGTŠ, 2026b).

The main strengths of Slovenia's business environment lie in its human capital and strong international infrastructure connectivity... According to business executives, the key strengths of Slovenia's business environment include a high-quality and skilled workforce, a high level of education, and infrastructure connectivity that supports export-oriented and manufacturing activities. These strengths are reinforced by firms' solid technological capabilities and their strong export orientation, particularly in manufacturing and some higher value-added services (IMD, 2025). Firms demonstrate a relatively high degree of adaptability and innovation, especially in niche segments and within international supply chains, where firms are required to continuously enhance their competitiveness.

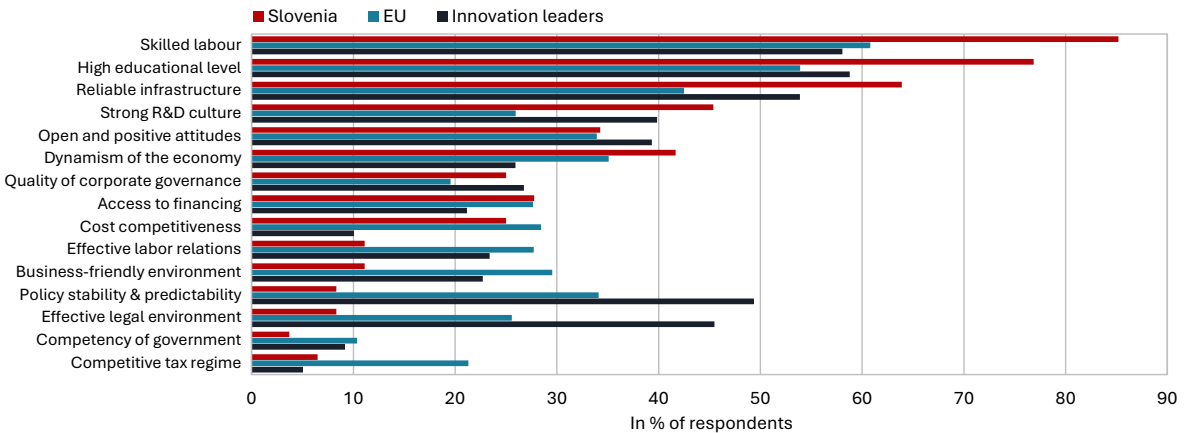
³²¹ Compared with other EU countries, Slovenia has maintained a high degree of international integration in recent years. The share of exports of goods and services in GDP declined somewhat in the period 2022–2025, reaching 78.6% of GDP last year, while imports accounted for 73.3% of GDP.

³²² Indicator of business trends in manufacturing (SURS, 2026a).

...while the main constraints are related to the government’s role and the functioning of institutions. Business executives have long identified tax policy as a key weakness. Businesses also identify excessive bureaucracy as a major constraint on business activity, reflected in the large number of regulations, lengthy public service procedures, and relatively rigid labour legislation (IMD, 2025; Jaklič and Koleša, 2024).

Lengthy procedures are most evident in the issuance of construction permits, which remain complex and time-consuming. In previous years, Slovenia ranked among the EU Member States with the least efficient and most time-consuming spatial planning and permitting procedures (Cousin et al., 2025; EUnet4DBP, 2024; OECD, 2024h). Under the Building Act (2025), the statutory deadline for issuing a decision on a construction permit application is two months; however, this period begins only after a complete application has been submitted. In practice, the process takes around 130 days³²³ on average for residential buildings (including the time required to obtain all necessary documentation), while for industrial facilities it is significantly longer, typically 1.5 to 2 years.³²⁴ Longer processing times for industrial projects reflect the greater number of stakeholders involved, potential requirements for environmental impact assessments, construction in protected areas, and the need to balance competing public interests (MNVP, 2025).³²⁵ In recent years, measures have focused mainly on simplifying and digitalising these procedures (e.g. through the establishment of the eGraditev (eConstruction) portal) (for details, see Section 6.5).

/ Figure 143: According to business executives, the main strengths of Slovenia’s business environment lie in its highly skilled and well-educated workforce, while the tax system remains a key weakness



Source: IMD (2025). Note: Business executives selected five out of fifteen factors indicating a country’s attractiveness. For the EU and innovation leaders, unweighted averages are reported.

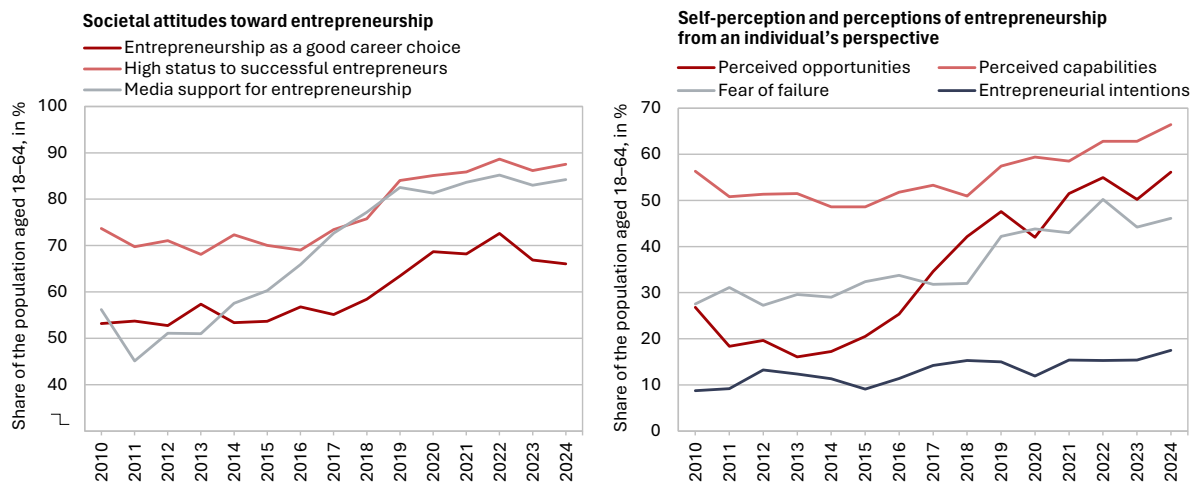
³²³ The procedure may be significantly prolonged in cases of incomplete applications, appeals or changes in land use designation, while obtaining all required permits prior to submission can also be complex.

³²⁴ No directly comparable EU average is available. However, according to a BusinessEurope survey (2024), 60% of companies in the EU reported waiting more than one year for permits, with delays in some cases extending up to six years. No comparable data for Slovenia are available from this survey.

³²⁵ Lengthy procedures are partly due to land-use designation changes, which – through amendments to municipal spatial plans – can take several years and significantly delay investment projects (Spatial Planning Act – ZUreP-3).

Societal attitudes towards entrepreneurship are positive, while perceptions of entrepreneurial opportunities and competences are improving. According to the GEM survey,³²⁶ attitudes towards entrepreneurship have improved over the past decade. Respect for entrepreneurs in society and the desirability of entrepreneurship as a career path have both increased, which is also linked to the perception of more positive entrepreneurial stories in the media. In 2024, all three indicators exceeded the average of EU countries included in the survey.³²⁷ Self-assessed entrepreneurial skills have also improved, as have perceptions of business opportunities and the ease of starting a business.³²⁸ In 2024, the share of respondents who believed they possessed the knowledge, experience, and skills required for entrepreneurship remained among the highest in the EU, while the proportion perceiving good business opportunities in their environment reached a record high (56.2%; EU-18: 47.4%). Some 17.5% of respondents intended to start a business, exceeding the EU-18 average (13.6%). Fear of failure remains the main barrier to entrepreneurial activity and increased in the latest measurement (46.1%; EU-18: 47.3%) (GEM, 2026a; Širec et al., 2025).

/ **Figure 144: Societal attitudes towards entrepreneurship have become more favourable over the past decade (left), alongside improved perceptions of entrepreneurial opportunities and competences (right)**



Source: GEM (2026a). Note: Within the GEM framework, societal support for entrepreneurship is assessed through three dimensions of individual perceptions: entrepreneurship as a good career choice, high status to successful entrepreneurs and media support for entrepreneurship.

Slovenian society remains relatively less open to change and new ideas, while the impact of science and technology on society is generally perceived positively. According to expert assessments, Slovenia lags behind the EU average in openness to new ideas, change, and risk-taking, with an even wider gap relative to innovation leaders (IMD, 2024b; Širec and Crnogaj, 2023). Cultural values such as innovativeness, creativity, individual autonomy, and personal responsibility in managing one's own life remain insufficiently emphasised in Slovenia (Širec and Crnogaj, 2023). According to a Eurobarometer survey (2025f), 76% of respondents agreed that science changes people's way of life too quickly³²⁹ – above the EU

³²⁶ The Global Entrepreneurship Monitor (GEM) is the world's largest entrepreneurship survey, in which Slovenia has participated since 2002.

³²⁷ Slovenia ranked first in perceived media support for entrepreneurship, second in societal respect for successful entrepreneurs, and seventh in the perception of entrepreneurship as a desirable career choice (GEM, 2026a; Širec et al., 2025).

³²⁸ In 2024, 71.56% of respondents considered it easy to start a business in Slovenia (Širec et al., 2025).

³²⁹ In the period 2021–2024, the share increased by 12 p.p.

average (63%) and significantly higher than among innovation leaders (46%). Nevertheless, a large majority of the population views the overall impact of science and technology on society positively³³⁰ and expects information and communication technologies to improve quality of life over the next two decades. Respondents are more cautious about the impact of artificial intelligence, with only around half expecting it to have a positive impact (51%; EU: 55%; innovation leaders: 61%).

6.3.1

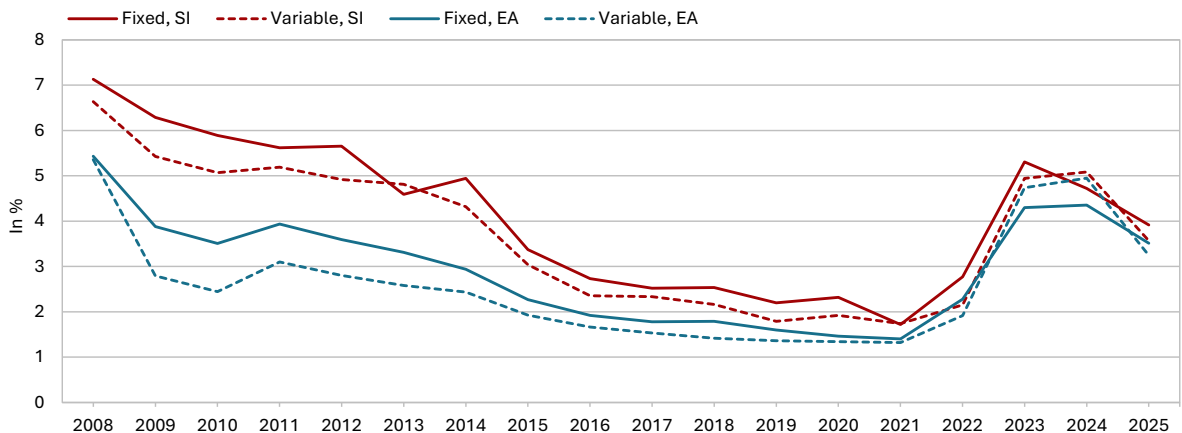
Access to financing

Access to finance in Slovenia has improved, although non-bank sources of financing remain relatively underdeveloped. The banking system remains stable, with liquidity and profitability indicators suggesting no major constraints on lending activity. According to firms' assessments, access to finance improved in 2023 and 2024 (BoS, 2025c), which may partly reflect relatively low demand for external financing due to firms' reliance on internal funding. Similar assessments were also reported in 2025 (BoS, 2026b; EC, 2026e), although access to finance continued to improve for large firms, whereas for SMEs it slightly deteriorated or remained unchanged. Access to finance is once again considered one of the less problematic areas, as only 6% of surveyed firms cited it as their main constraint, while almost one third highlighted shortages of labour and managerial staff. Improved borrowing conditions were also supported by ECB monetary policy, which reduced key interest rates by an additional percentage point last year as inflation eased; this was also reflected in lower interest rates on corporate loans. The spread between interest rates on corporate loans in Slovenia and in the euro area has narrowed over the past decade, but rates in Slovenia remain somewhat higher, placing Slovenian firms at a competitive disadvantage despite their relatively low indebtedness.³³¹ The share of non-performing exposures rose slightly, mainly due to the deterioration in manufacturing, but remains low (1.6% of total banking sector exposure). Non-bank financing sources remain underdeveloped, particularly capital market financing and venture capital. The volume of corporate securities is relatively low, with the government dominating new issuances, primarily through bond issuance.

³³⁰ In 2024, 84% of respondents in Slovenia held a positive view of science and technology (EU: 83%; innovation leaders: 91.5%), while 65% (EU: 67%; innovation leaders: 78.5%) agreed that science and technology make life easier, healthier and more comfortable (Eurobarometer, 2025f). The share of residents who believe that the digitalisation of public and private services facilitates their daily lives reached 78% in 2025, exceeding the EU average (73%) but remaining below that of innovation leaders (82%) (Eurobarometer, 2025g).

³³¹ The indebtedness of non-financial corporations, measured as the debt-to-equity ratio, stands at 0.36 in Slovenia (amid an above-average level of equity and a below-average share of loans and debt securities), while in the euro area it is almost half higher.

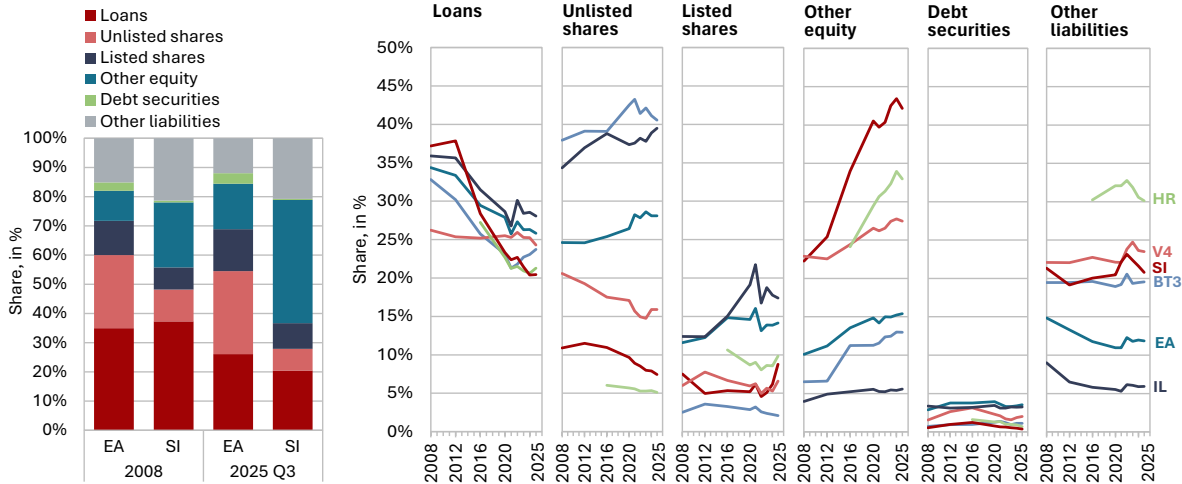
/ Figure 145: Interest rates on corporate loans in Slovenia have declined but remain slightly above the euro area average



Source: ECB (2026).

The structure of corporate financing in Slovenia continues to reflect an underdeveloped capital market and the legacy of the global financial crisis, as reflected in the low share of debt financing and capital market funding instruments. The share of loans in total financing has nearly halved since its peak in 2011 (during the financial crisis), and accounted for just over one-fifth in the third quarter of 2025 (compared with just over one-quarter in the euro area) of total financing sources. In the first three quarters last year, loans to non-financial corporations increased by 6.9%, with the majority of this growth (approximately three-fifths) driven by borrowing from domestic sources and the remaining two-fifths by borrowing from abroad. Equity remains the predominant source of financing, accounting for 57.5% of total funding of non-financial corporations, broadly in line with the euro area (57.1%). Differences are more evident in the composition of equity financing. In the euro area, almost three quarters of equity consist of shares (listed and unlisted), compared with only 28% in Slovenia, reflecting both the small size of the economy and the shallow, illiquid domestic capital market. Equity in Slovenia is thus dominated by other equity, which comprises the capital of companies that are not joint stock companies. Debt securities remain a negligible source of financing, at 0.4%, amounting to only around one-tenth of the already low level observed in the euro area. IMAD estimates suggest that Slovenian firms partly compensate for the limited availability of capital market financing through intercompany financing. Accordingly, other financial liabilities are the second most important source of funding after equity, accounting for 20.8% of total financing in the third quarter of 2025. The development gap is particularly evident in total financial liabilities relative to GDP, where Slovenia reaches approximately 185%, slightly more than half of the euro area average. Reducing this gap will require expanding available financing sources, particularly through faster capital market development and a greater role for capital market financing, which remains underdeveloped. This is partly related to the small size of the Slovenian economy and the limited role of pension savings. Further capital market development will require closer cooperation with regional capital market institutions and a stronger role for domestic institutional investors (e.g. pension funds).

/ Figure 146: The financing structure of Slovenian firms is characterised in particular by a relatively high share of other equity



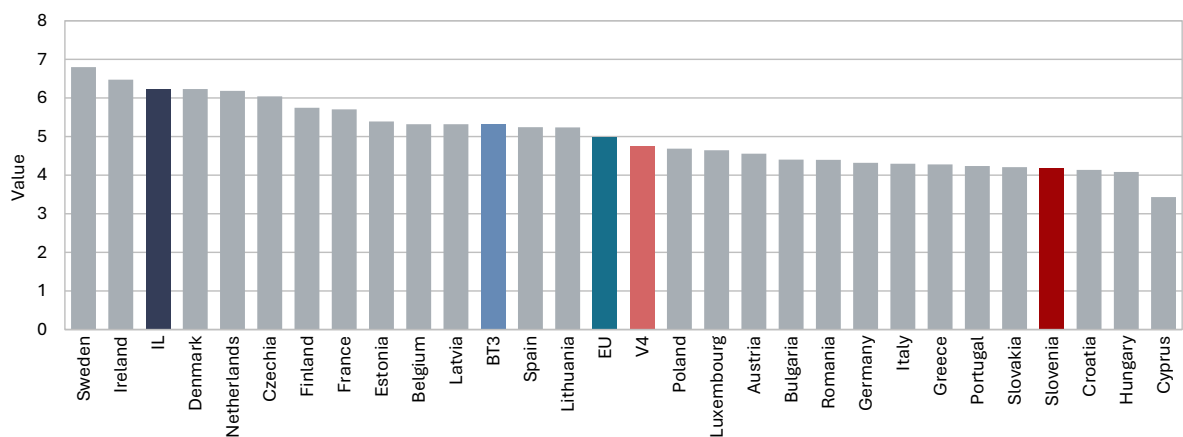
Source: Eurostat (2026). For the Euro area (EA), the innovation leaders (IL), the Visegrad Group (V4) and the Baltic states (BT3), an unweighted average is calculated.

A stronger capital market is essential for Slovenia’s long-term economic development, as it helps mobilise savings efficiently and channel them into productive investment. To this end, the Capital Market Development Strategy to 2030 (MF, 2023) was adopted, envisaging increased digitalisation, stronger participation of small and medium-sized enterprises in the capital market, an expansion of bond supply and improved financial literacy. The strategy aims to achieve Emerging Market status, which would improve market liquidity and increase trading volumes. To mobilise household savings,³³² which are still held mainly in low-yield deposits, the government issued three retail bonds targeted at individual investors.³³³ In 2025, the government also adopted the Individual Investment Accounts Act (ZINR, 2025), enabling Slovenian tax residents to open individual investment accounts under more favourable tax treatment from March 2026. To better support start-ups, which have very limited access to traditional financing sources, it will also be necessary to strengthen the supply of venture capital, which, according to IMD (2025), remains among the least accessible in the EU. Venture capital provides not only financing, but also knowledge, managerial experience, international networks and strategic guidance (see Section 4.5.1). A deeper venture capital market would therefore support the creation of innovative firms, accelerate the growth of technologically advanced, high value-added sectors, strengthen knowledge transfer between the research sector and business sectors, and thereby enhance the overall competitiveness of the Slovenian economy.

³³² Their primary role is to substitute for and diversify sources of government debt financing, rather than to serve as a basis for additional borrowing. Household savings could also, to a greater extent, be channelled into corporate financing.

³³³ Payments across the three issuances exceeded a total of EUR 690 million.

Figure 147: Access to venture capital in Slovenia is among the lowest in the EU



Source: IMD (2025). Note: Data refer to 2025. Higher scores indicate better performance; the maximum possible score is 10. For the EU, the innovation leaders (IL), the Visegrad Group (V4) and the Baltic states (BT3), unweighted averages are calculated.

6.4 Strategic governance

The Resilience Strategy of the Republic of Slovenia to 2030 establishes a comprehensive and coordinated framework for strengthening national resilience to increasingly frequent and interconnected crises and shocks. Resilience refers to the capacity of systems and the state to absorb shocks, adapt and recover from them (NATO, 2024; OECD, 2025d). The strategy (MO, 2026b) is aligned with NATO and EU concepts and mechanisms and covers 13 key areas³³⁴ of national resilience, each with clearly defined strategic objectives. Implementation will be supported by an action plan that will be regularly updated based on biennial national crisis-management exercises (the next scheduled for the second half of 2026). Interim short-term measures are also planned (the establishment of 13 working groups responsible for preparing risk assessments and defining measures and implementation timelines for each area). The adoption of the resilience strategy signals a shift towards a more integrated, adaptive, and cross-sector approach to managing risks, crises, and critical infrastructure, involving the state, local communities, the private sector, and other stakeholders, with greater emphasis on resilience, preparedness and rapid recovery. A draft act establishing a framework for responding to emergencies affecting the internal market and its resilience is also under public consultation, aimed at improving crisis anticipation, preparedness and coordinated response (MGTŠ, 2026a).

³³⁴ The areas of national resilience are: national security system and continuity of government, energy, drinking water, food supply, financial system and banking, economy, health, information and communication systems and networks, transport, societal resilience, environment, spatial planning and natural resources, strategic communication, space and new technologies.

6.4.1

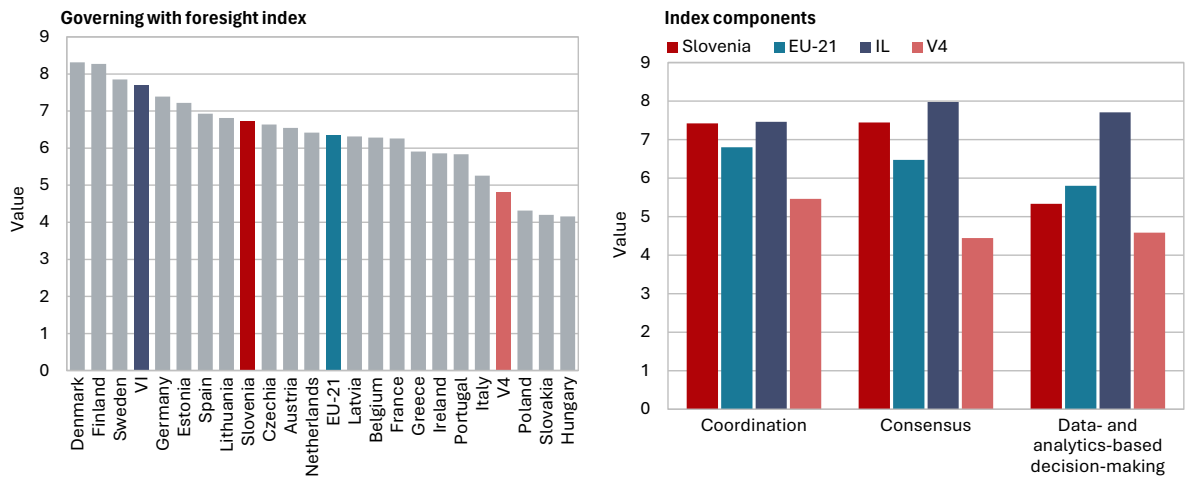
Executive capacity and government efficiency

Strategic governance of public institutions, as measured by the Governing with Foresight index,³³⁵ is assessed more favourably in Slovenia than in the EU on average. In the area of public administration, following the expiry of the previous strategy in 2020, a new strategy has been in preparation for some time; the draft strategy emphasises user-oriented public services, competent civil servants, and an open and innovative public administration (MJU, 2024b). A comparison of sustainable governance indicators (Bertelsmann, 2024) shows that the institutional framework in Slovenia is well established, while the organisational framework for coordinating government policies across line ministries (supported by established mechanisms for horizontal and vertical coordination of policies and measures) is well developed compared with other EU countries (ranking 8th among 21 EU countries). Nevertheless, both the European Commission and the OECD highlight the need to strengthen strategic coordination and cooperation across ministries and with key stakeholders (for example in the areas of long-term public investment planning (EC, 2025i) and the innovation system (OECD, 2024e)). A more balanced and effective system of strategic governance would also be supported by stronger mechanisms for vertical coordination between the central government, regions, municipalities and other stakeholders, as well as by greater involvement of regional actors in the preparation of development strategies and policy measures with direct local impacts (OECD, 2026a). Compared with other countries, mechanisms supporting consensus-building, stakeholder participation in policy design, and data openness are assessed relatively favourably (5th place). By contrast, performance remains below average in the systematic evaluation of outcomes, ex post policy assessment, and the use of data and analytical evidence in policy design (11th place).

Effective strategic governance requires more than policy coordination and strategy design; it also relies on strong public governance, effective interministerial cooperation, and systematic monitoring of progress to support the design of appropriate policies and measures. Comparison with the innovation leaders shows that evidence-based policymaking is essential, grounded in strong analytical evidence, systematic evaluation of policy impacts, public participation, and strong institutional mechanisms for policy coordination, implementation and monitoring (Bertelsmann, 2024). Alongside improving the efficiency and responsiveness of public administration, a key priority is also to strengthen public trust in institutions, which remains very low in Slovenia (MJU, 2024b) (see Section 6.1). Public trust in institutions depends heavily on effective government performance (e.g. the provision of high-quality public services, effective policy implementation, responsiveness to shocks, etc.) and by transparent and fair decision-making (OECD, 2024i).

³³⁵ The Governing with Foresight index forms part of the broader system of Sustainable Governance Indicators (SGI), which enable cross-country comparisons of democratic oversight and governance, governments' forward-looking capacity, and the sustainability of policy design. Following a comprehensive methodological revision (and redesign) of the indicator system in 2023, comparisons with previous years are no longer feasible. Consequently, it is also no longer possible to monitor or compare the SDS target related to executive capacity, as the corresponding indicator has been discontinued.

/ Figure 148: Strategic governance of public institutions, as measured by the Governing with Foresight index, exceeds the EU average; however, Slovenia lags behind in the use of analytical evidence in policymaking



Source: Bertelsmann (2024). Note: The estimate is from 2024. The index ranges from 0 to 10 points (higher score is better). EU data refer to 21 Member States included in the SGI survey. For the EU-21, innovation leaders (IL) and the Visegrad Group (V4), an unweighted average is calculated.

The quality of strategic communication³³⁶ in Slovenia significantly affects trust in institutions and, consequently, on the effectiveness of governance and the implementation of public policies. Experience during the health crisis shows that inconsistent or frequently changing messages can erode trust and weaken policy implementation. The OECD (2024i) emphasises that clear, consistent and transparent communication is a key determinant of trust in government, particularly in times of crisis.³³⁷ Effective strategic communication also strengthens resilience, particularly institutional resilience, as higher trust facilitates the implementation of reforms, reduces the risk of social conflict, and strengthens the legitimacy of the public sector. In Slovenia, the use of digital communication channels and open data has increased in recent years. However, international comparisons highlight the need for improved inter-ministerial coordination and greater consistency in strategic communication, particularly in the context of public trust (Bertelsmann, 2024; OECD, 2025g).

E-government services in Slovenia have improved in recent years; however, Slovenia continues to lag slightly behind the EU average in this area, as other countries have made faster progress. In public administration, the government has focused on expanding digital public services and tailoring them more closely to user needs, with the Strategy for Digital Public Services 2030 serving as the central policy framework (MDP, 2023).³³⁸ In recent years, several digital tools have been introduced to facilitate interaction between citizens and the state (e.g. eUprava [eGovernment], eDavki [tax portal], zVem [eHealth entry point], eZakonodaja [eLegislation], SLO4D, and solutions in the

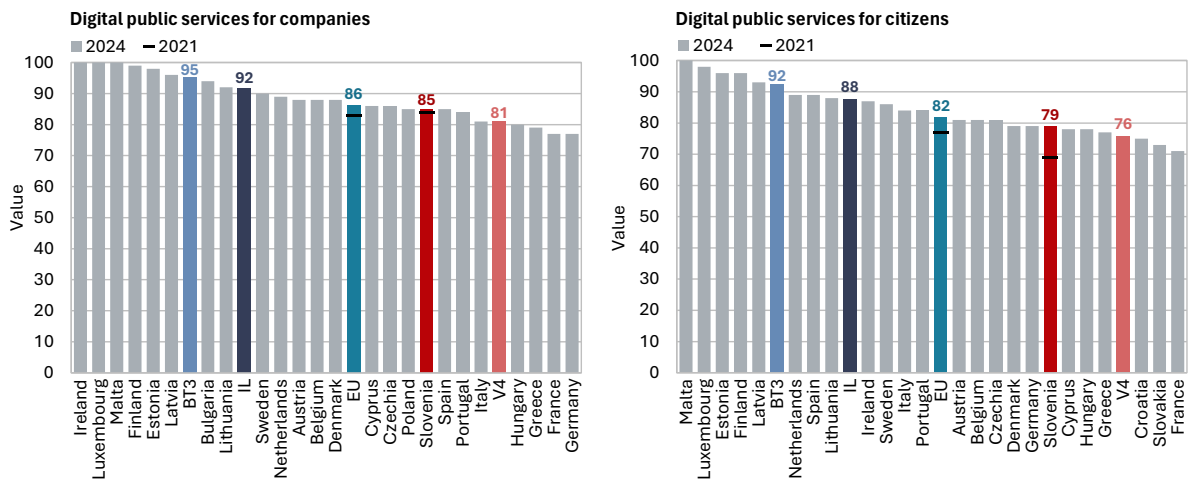
³³⁶ Strategic communication refers to purposeful use of communication and can be defined as the systematic planning and implementation of information flows and communication activities aimed at strengthening trust and credibility over the long term (Hallahan et al., 2007).

³³⁷ The OECD (2022a) notes that, during the health crisis, the quality of crisis communication was crucial for the successful implementation of measures, as countries with more consistent and evidence-based communication were more effective in securing public support. Eurobarometer data from the period of the health crisis indicate that trust in government and public institutions (including the police) in Slovenia declined significantly.

³³⁸ The Strategy envisages that by 2030 all key public services will be available online and accessible to all users; at least 80% of key public services that are digitally accessible will also be fully delivered digitally; and at least 80% of public service users will use their digital identity.

field of justice) as well as between businesses and public authorities (e.g. the SPOT portal [Slovenian business point]), with around 90% of public services now available online (EU: 88%). According to European Commission data (EC, 2025b), Slovenia has made progress in recent years across several indicators of digital public services, particularly in digital services aimed at citizens. Nevertheless, it still lags slightly behind the EU average in both business- and citizen-oriented services, and more noticeably behind the innovation leaders and the Baltic states. Slovenia performs above the EU average in user orientation (i.e. the availability and usability of digital services) and transparency, while further improvements are needed in the area of cross-border mobility.³³⁹ Digital access to public services is gradually improving; however, certain challenges remain, particularly in ensuring equal access for all population groups. The use of digital services is uneven, as it is influenced by the level of digital skills (47% of the population in Slovenia have at least basic digital skills – EU: 60%). Accessibility remains a particular challenge for older people, people with lower digital literacy, and vulnerable groups, which is also reflected in their lower use of digital public services (Eurostat, 2026).

/ Figure 149: Slovenia lags behind the EU average in digital public services for businesses (left) and for the population (right)



Source: EC (2025b). Note: The index ranges from 0 to 100 points (higher score is better). For the EU, the innovation leaders (IL), the Visegrad Group (V4) and the Baltic states (BT3), unweighted averages are calculated.

Slovenia has gradually improved its regulatory environment and reduced administrative burdens in recent years, although structural challenges persist, particularly in the services sector. According to data from the Ministry of Public Administration (MJU, 2026a), more than 396 measures to improve the legislative framework and the business environment had been implemented by the end of 2025, representing around 90% of planned activities. Most measures were adopted in the areas of finance, statistics, justice, agriculture and the business environment, with particular emphasis on the digitalisation of procedures (upgrading electronic services for citizens and business portals in the areas of the business environment,³⁴⁰ public administration, the judiciary, construction, etc.). Progress has also been made

³³⁹ Cross-border mobility refers to the ease with which users from other countries can access and use online public services, as well as the availability of support and feedback mechanisms for cross-border users.

³⁴⁰ With the aim of reducing administrative burdens for economic operators and improving the reliability, transparency and interoperability of data, the revised Business Register of Slovenia Act (2025) was adopted in 2025. The Act regulates the maintenance and management of the Slovenian Business Register, defines the entities subject to registration and the data recorded, simplifies uniform registration procedures for business entities, increases the accessibility and public disclosure of data on business entities, and enables a unified electronic registration via the SPOT system.

in regulatory impact assessment (RIA) procedures, which are mandatory for all primary legislation³⁴¹ and certain secondary regulations. In addition, a methodology for assessing the cross-sectoral effects of regulations has been introduced (MJU, 2023; OECD, 2025p). However, a significant gap remains in the use of ex-post evaluations, which is still below the EU and OECD average (EC, 2024b; OECD, 2025p). In the period 2016–2024, 118 evaluations of measures were carried out, identifying annual savings of EUR 172.8 million (MJU, 2026a). The business environment continues to be characterised by lengthy procedures in certain areas (e.g. construction permitting, see Section 6.3) and by regulatory restrictions in the services sector. Slovenia has a high number of regulated professions compared with other EU countries³⁴² (EC, 2026b), and according to indicators of regulatory restrictiveness in the services sector (OECD, 2025q, 2025t), it exhibits above-average barriers in certain regulated professions and selected business services, where market entry requirements, licensing regimes, and approval procedures remain complex and time-consuming. This weakens competition, discourages market entry, and slows productivity growth in the services sector, which plays a significant role in the economy. Although OECD survey suggests that Slovenia's regulatory environment is more favourable than the EU average (OECD, 2025t), businesses continue to point to the slow pace of reducing regulatory and administrative burdens, as well as only gradual progress in narrowing the gap with the EU average in the quality of the legislative and regulatory framework (IMD, 2025; World Bank, 2025).

The main challenges in Slovenia's public procurement system are fragmentation and a low level of competition among bidders. In 2024, the volume of public procurement amounted to 13.4% of GDP,³⁴³ lower than in the previous three years but higher than a decade earlier. Public procurement remains highly fragmented, with more than 2,220 contracting authorities conducting procurement procedures. More than half of all procedures are low-value procurements (51.7% of procedures, accounting for 16.1% of total value), reflecting the frequent use of simplified procurement procedures. Joint public procurement, which could improve cost efficiency, accounted for only 4.9% of all procedures (7.1% of total value). Electronic auctions are also rarely used, used in less than 1% of awarded contracts, despite their potential to improve pricing and enhance transparency (MJU, 2025). In recent years, several measures have been adopted to modernise and digitalise the public procurement system (e.g. the e-JN information system, eRevizija and e-Dosje). These tools have helped reduce administrative costs for bidders, shorten procedures, and improve transparency. At the end of 2024, the Action Plan for Enhancing Competitiveness in Public Procurement 2025–2030 was adopted, containing a set of measures aimed at strengthening competitiveness in public procurement, greater professionalisation of contracting authorities and bidders, the standardisation and simplification of documentation, the promotion of dialogue between the market and contracting authorities, and the introduction of digital tools (MJU, 2024a). In 2026, an analytical tool (Odprta Skrinja) was also introduced, enabling greater transparency and real-time access to data on awarded public procurement contracts (MF, 2026). Despite these improvements, a key challenge remains the low level of competition in public procurement, with only a single bidder participating

³⁴¹ Except for proposals adopted under an urgent procedure and for the ratification of international treaties.

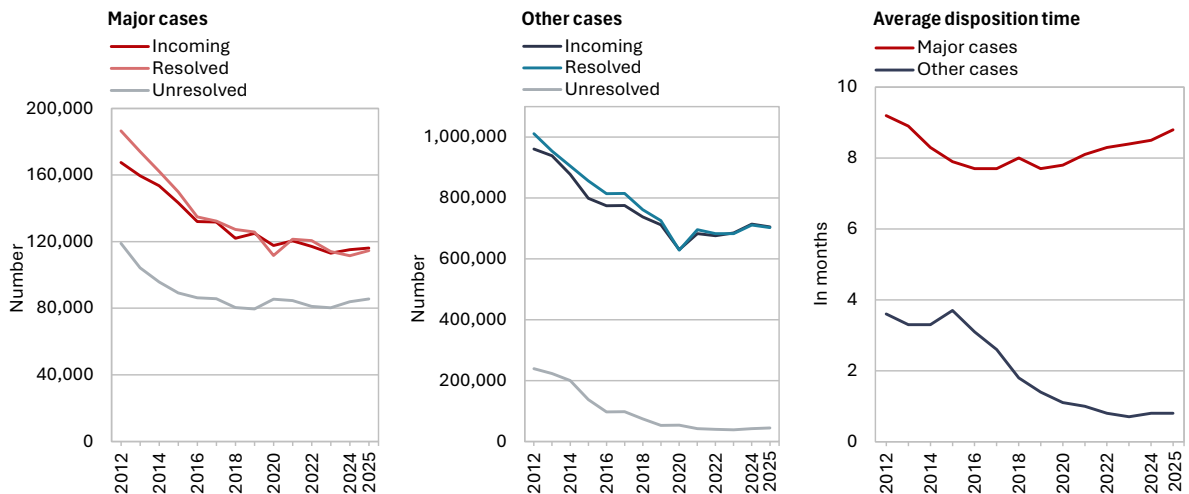
³⁴² Slovenia has 261 regulated professions, compared with an EU average of 211. The innovation leaders have, on average, significantly fewer regulated professions (190), while the Visegrad Group stands out with a considerably higher number (355). The Baltic states have the fewest regulated professions on average (121) (EC, 2026b).

³⁴³ Public procurement accounts for a significant share of Slovenia's public expenditure (37.66% in 2024).

in 47% of tenders,³⁴⁴ which may increase costs and heighten corruption risks (OECD, 2025l). A positive development is the reduction in the share of less transparent procedures (specifically negotiated procedures without prior publication), which declined from 13% in 2020 to 8.6% in 2024.

Progress in judicial efficiency has stalled in recent years, as reflected in longer disposition times and a growing backlog of pending cases. Data on the functioning and organisation of courts in Slovenia (Supreme Court of the Republic of Slovenia, 2026b, 2026a) indicate that efficiency gains, particularly in major cases, have stagnated in recent years, largely due to newly assigned responsibilities³⁴⁵ and shortages of judicial staff.³⁴⁶ In 2025, the number of incoming major cases increased slightly, while courts’ ability to keep up with incoming cases weakened somewhat. As a result, the backlog of pending major cases reached its highest level since 2017. Consequently, disposition times have increased, and the average age of pending cases has also increased slightly.³⁴⁷ The Supreme Court further notes that, compared with other legal systems, Slovenian courts handle a relatively large number of cases that are, in other countries, resolved outside the court system (e.g. by administrative authorities or notaries) (Supreme Court of the Republic of Slovenia, 2026a). Compared with other EU Member States, the expected disposition time for first-instance proceedings in Slovenia remains longer and has increased in recent years (to 344 days in 2023; EU: 247 days), thereby further widening the gap with the SDS target (200 days) (EC, 2025o). The European Commission also notes that the length of judicial proceedings remains a key challenge, particularly in money laundering³⁴⁸ and corruption cases.

/ Figure 150: Average court disposition times have increased in recent years, particularly for major cases



Source: Supreme Court of the Republic of Slovenia (2025).

³⁴⁴ Among EU Member States, only Greece (55%) and Poland (56%) record a higher proportion of tenders with a single bidder.

³⁴⁵ For example, the Act implementing Regulation (EU) on a single market for digital services (ZIUETDS, 2025) and the Act Implementing Regulation (EU) on the dissemination of terrorist content online (ZIUORTSV, 2024) have transferred responsibility for decisions on the removal of online content to the courts. Additional burdens arise from cases that are handled as priority and take precedence over older cases.

³⁴⁶ The Supreme Court also highlights a shortage of judicial police officers, which hampers the transfer of detained and imprisoned persons to court hearings, leading to cancellations of hearings and court sessions.

³⁴⁷ The average disposition time for major cases was 8.8 months, compared with less than one month for other cases.

³⁴⁸ In addition to the case complexity, disposition times are significantly influenced by the use of legal remedies by the defence (e.g. appeals and objections).

The corporate governance of state-owned enterprises in Slovenia has strengthened over the past decade and is now formally aligned with international guidelines, while the state continues to play a significant role in the economy. According to OECD (2024j, 2025m) data, the State directly or indirectly controls a significant share of Slovenia's corporate sector (around 34%, measured by the share of listed companies' market capitalisation). International comparisons suggest that Slovenia ranks among the more advanced EU countries in terms of the quality of governance of state-owned enterprises. However, the State's role in price setting (price regulation) and its role in managing network industries are assessed less favourably (OECD, 2025t). According to the OECD (2024j), Slovenia has established a centralised ownership model through the Slovenian Sovereign Holding (SSH), aligned with the OECD Guidelines on Corporate Governance of State-Owned Enterprises. At the end of 2024, the total book value of the SSH portfolio – the umbrella manager of State's financial assets – amounted to EUR 13.1 billion, covering 82 active capital investments.³⁴⁹ State ownership remains highly concentrated, with the ten largest investments accounting for 76.8% of the total portfolio value, while the two largest pillars (transport and energy) account for nearly three quarters of the portfolio. The portfolio's value increased over the past two years (by more than EUR 2 billion), driven primarily by strong corporate performance and, to a lesser extent, by changes in accounting standards in the insurance sector. Profitability remained robust across all segments in 2024 (ROE 9.6%), with the highest returns recorded in the energy segment. This was reflected in higher dividend payments (EUR 510.2 million for the 2024 financial year), with more than half originating from energy companies (SSH, 2025).

6.4.2

Safety and defence

People in Slovenia feel safe; however, the perceived level of safety in 2025 was somewhat lower than in previous years. In 2023, the share of population reporting problems with crime, vandalism and violence in their neighbourhood reached a record low (6.8%), remaining below the EU average and within the SDS 2030 target (below 10%) (Eurostat, 2026). Results from the 2025 European Social Survey indicate that personal experiences with crime remained limited;³⁵⁰ however, perceptions of personal safety in the local environment deteriorated somewhat compared with previous years.³⁵¹ Perceptions of safety are also influenced by public trust in the police, which in recent years has exceeded trust in most other national institutions. In 2025, trust in the police increased but remained below the EU average (SI: 67%, EU: 72%) (Eurobarometer, 2026).

After several years of decline, crime has increased again since 2021. In 2024, the number of criminal offences reached its highest level in eight years and exceeded the ten-year average. The increase was mainly driven by a rise in general crime, particularly property crime, with economic crime and juvenile delinquency also recording increases (Police, 2025a). By contrast,

³⁴⁹ More than three quarters of the portfolio consists of strategic investments, while the remainder are classified as important and portfolio investments. The classification of state investments into strategic, important, and portfolio categories is defined in the State Assets Management Strategy, based on predefined criteria (OdSUKND, 2015).

³⁵⁰ In 2025, 9% of respondents reported personal experience with burglary or physical assault, broadly in line with previous years (CJMMK, 2025a).

³⁵¹ 89% of respondents reported feeling safe when walking alone in their neighbourhood at night (CJMMK, 2025a). Between 2010 and 2023, this share ranged between 92% and 95% and was significantly higher than the average across EU countries participating in the survey (ESS ERIC, 2024).

fewer cases of organised crime were recorded, especially in the areas of drug-related offences and prohibited substances in sports, as well as offences involving illegal border or territorial crossings.³⁵² Preventing illegal crossings of the state border remains one of the police's key priorities. In October 2023, Slovenia temporarily reintroduced border controls on its internal borders with Hungary and Croatia, a measure that has since been extended until June 2026. After more than 60,000 illegal entries were recorded in 2023,³⁵³ their number declined over the following two years, reaching 28,200 in 2025 (Police, 2026a). In the first half of 2025, the total number of criminal offences (total crime rates) continued to increase (Police, 2025b).³⁵⁴

Natural and other disasters remain a persistent source of risk, with Slovenia having a well-established civil protection system in place.

In 2025, Slovenia recorded 18,297 incidents,³⁵⁵ an increase compared with 2024, primarily driven by a higher incidence of fires and explosions, traffic accidents, and accidents involving hazardous substances (URSZR, 2026). The number of natural disasters was the lowest in a decade, with strong winds and floods once again accounting for the majority of damage and interventions. Floods and wildfires are among the hazards becoming more frequent and intense as a result of climate change. Disaster risk assessments for 2015–2024 identify floods – alongside outbreaks of human infectious diseases – as the most significant risks in Slovenia, followed by earthquakes, aviation accidents, terrorism, ice storms, and nuclear accidents (URSZR, 2025). Slovenia's civil protection system is well established and institutionally well organised. A central role is played by the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief (URSZR), supported by an extensive network of professional and volunteer units (especially firefighters), which constitute one of the country's key operational strengths. International comparisons also place Slovenia among countries with an effective operational response to natural disasters, as demonstrated during floods, the ice storm event, and other major emergencies over the past decade. A distinctive feature of the Slovenian system is the strong involvement of volunteer structures, which enhances response capacity at the local level (EC, 2026d).

In 2025, Slovenia committed to increasing defence expenditure in the period 2025–2035, with the aim of strengthening its security resilience and capabilities. The share of defence expenditure, which had previously been among the lowest in the EU, increased from 0.97% of GDP in 2014 to 2.05% of GDP in 2025³⁵⁶ (MO, 2025a, 2026a). In the past year, a substantial share of the additional funding was allocated to the procurement of military

³⁵² Out of the 591 organised crime-related offences recorded in 2024, the largest share comprised offences of illegal crossing of the state border or territory (440 cases; compared with 515 in 2023), followed by offences related to drugs and prohibited substances in sports (69 cases; compared with 307 in 2023) (Police, 2025a).

³⁵³ With Croatia's accession to the Schengen Area at the beginning of 2023, illegal crossings of the external Schengen land border with Croatia were reclassified as illegal entries into Slovenia at internal borders. Consequently, data from 2023 onwards are not directly comparable with those from previous years (Police, 2025a).

³⁵⁴ Data for the first half of 2025 are compared with data for the first half of previous years.

³⁵⁵ These included: natural and other disasters, traffic accidents, fires and explosions, pollution incidents, accidents involving hazardous substances, nuclear and other incidents, discoveries of unexploded ordnance, supply disruptions, damage to buildings, and other events requiring technical and other assistance, and unnecessary or false interventions.

³⁵⁶ Data from the Ministry of Defence. In the initial years following NATO accession, Slovenia allocated around 1.5% of GDP to defence, with expenditure peaking at 1.6% of GDP in 2010. However, due to fiscal consolidation measures during the global financial crisis, defence spending declined to below 1% of GDP by 2014.

equipment,³⁵⁷ while a considerable share was also allocated to resilience-related investment. The medium-term development framework in this area is defined by the Medium-Term Defence Programme of the Republic of Slovenia 2023–2028, which provides the basis for the establishment and development of military and civil defence capabilities (MO, 2025b) and by the Strategy for the Development of the Defence Industrial and Technological Base (MO, 2025b). Within NATO, Slovenia supported an agreement in 2025 to gradually increase defence expenditure to 5% of GDP by 2035.³⁵⁸ The commitment combines core defence spending (e.g. military expenditure and stockpiling) with broader defence- and security-related investments (including dual-use investments, to which Slovenia and other allies are expected to allocate up to 1.5% of GDP annually). Slovenia plans to use the increase in defence spending to strengthen the integration of its economy into EU and NATO defence supply chains (e.g. by reinforcing the domestic defence industrial base), expand investment in dual-use capabilities (such as infrastructure serving both civilian and military purposes), enhance the protection of critical infrastructure and networks, and improve civil preparedness and resilience (MO, 2026a). At the EU level, a dedicated financial instrument was introduced under the ReArm plan, allowing temporary deviations from EU fiscal rules to support defence investments (EC, 2025h).

6.4.3

Global responsibility

Slovenia ranks among the world's most peaceful countries, which enhances its international attractiveness. According to the Global Peace Index,³⁵⁹ Slovenia has consistently ranked among the world's most peaceful countries over the past decade,³⁶⁰ in line with the SDS 2030 targets. Eight of the ten most peaceful countries in the world are located in Europe, six of which are EU Member States; however, the average peace index score for Europe has deteriorated. This reflects several factors, in recent periods most notably the wars in Ukraine and the Middle East which, because of their geographical proximity and strategic importance, have humanitarian, security and economic implications for the EU and, consequently, for Slovenia. The IEP (2025) notes that, in Europe, deteriorating security conditions are contributing to rising social tensions and declining public trust in institutions, as well as to a reallocation of public funds from social and development priorities towards defence, thereby increasing the risk of further tensions and conflict. Slovenia's active participation in international organisations – especially the United Nations – has further strengthened its global political visibility. In 2024–2025, Slovenia served as a non-permanent member of the UN Security Council,³⁶¹

³⁵⁷ Such as Spartan transport aircraft and air defence systems, among others.

³⁵⁸ In accordance with the Resolution on the overall long-term programme for the development and equipping of the Slovenian Armed Forces until 2040 (2025), a target level of defence expenditure was set, along with its gradual increase to 3% of GDP by 2030, of which at least 20% is to be allocated to investment in fixed assets and 2% to research and development.

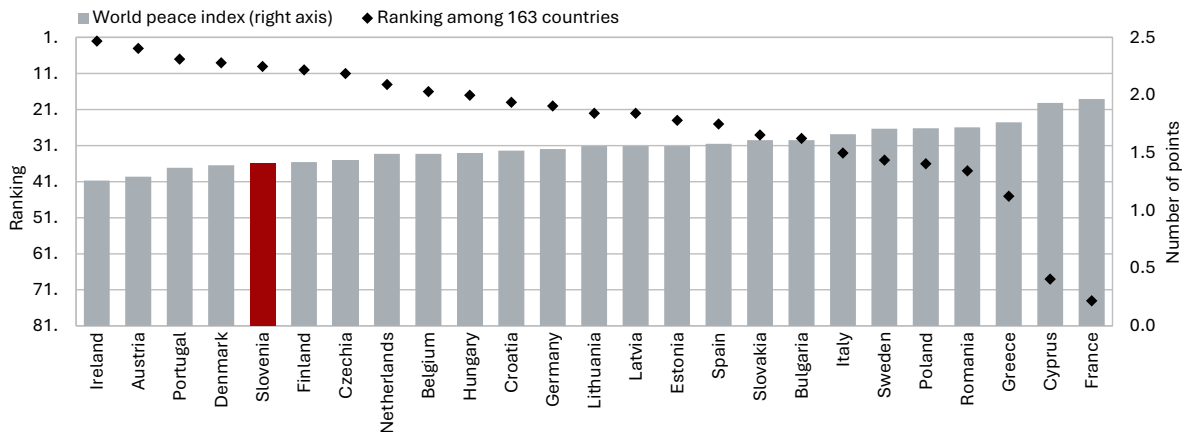
³⁵⁹ The Global Peace Index, published annually by the Institute for Economics and Peace, measures the level of peace across countries. It is based on 23 qualitative and quantitative indicators, scored on a scale from 1 to 5, and grouped into three domains: militarisation, societal safety and security, and ongoing domestic and international conflict. The 2025 edition of the index covers the period from 2019 to March 2025.

³⁶⁰ In 2025, Slovenia ranked 9th globally (out of 163 countries) and 5th among EU Member States, unchanged from the previous year. By dimension, Slovenia ranked 6th in militarisation and 13th in societal safety and security, while it performed less favourably in the domain of domestic and international conflicts (38th place). This was partly driven by weaker assessments of relations with neighbouring countries and the intensity of organised internal conflicts, pointing to certain vulnerabilities that, however, do not materially affect the country's overall level of peace.

³⁶¹ During its term in the UN Security Council, Slovenia held the presidency twice and proposed five resolutions. Four of these addressed the situation in Gaza; however, most were not adopted due to

and in 2026 it became a member of the UN Human Rights Council, where it will continue to strengthen multilateralism and promote the protection of human dignity worldwide.

Figure 151: According to the Global Peace Index, Slovenia ranks among the world's most peaceful countries



Source: IEP (2025). Note: Data cover 25 EU Member States (no data available for Malta and Luxembourg); scores range from 1 to 5, with lower values indicating better performance.

Expenditure on official development assistance (ODA)³⁶² has increased over the past decade but remains below internationally agreed commitments. ODA increased from 0.15% to 0.23% of GNI between 2015 and 2024, while in nominal terms it increased by around 168% to EUR 152.8 million. During this period, Slovenia's ODA recorded moderate but steady growth.³⁶³ In 2024, Slovenia maintained a rapid and flexible response to emerging needs arising from new crises, particularly those related to the war in Ukraine and the associated food crisis, natural disasters, the conflict in Gaza, and worsening humanitarian crises (MZEZ, 2025). Although total assistance increased slightly in 2024, its share of GNI declined by 0.01 p.p. Available bilateral assistance decreased,³⁶⁴ with the largest share allocated to tuition fee waivers and scholarships. At the same time, funding for project-based assistance increased markedly, while funding for awareness-raising activities related to international development cooperation and humanitarian aid also rose modestly. In 2024, Slovenia directed the largest share of its bilateral assistance to the Western Balkans. Multilateral assistance also increased for the seventh consecutive year, primarily through development cooperation within the EU framework.

vetoed. A notable development in 2025 was the adoption of Resolution 2805 on UN peacebuilding architecture review, which was unanimously endorsed and subsequently confirmed by the UN General Assembly.

³⁶² In 2018, Slovenia adopted the Development Cooperation and Humanitarian Aid Strategy of the Republic of Slovenia until 2030, which provides a framework for strengthening bilateral development cooperation and sets guidelines for active engagement at the multilateral level. The strategy is aligned with the implementation of the 2030 Agenda (MZZ, 2018).

³⁶³ Following the adoption of the 2030 Agenda, growth in official development assistance was particularly pronounced in certain years, notably in 2016 (reflecting the increased migration flows from Syria), 2021 (due to vaccine donations), and 2022 (driven by costs related to hosting refugees from Ukraine, debt relief measures, and an increase in the attributed share of EU contributions to development cooperation and humanitarian aid) (MZEZ, 2025).

³⁶⁴ Lower allocations were directed towards the care of refugees and migrants, tuition fee waivers, and special programmes of international organisations (MZEZ, 2025).

6.5 Regional policy and spatial planning

The amendment to the Promotion of Balanced Regional Development Act, together with the adoption of the Strategy for the Regional Development of Slovenia, marks a shift towards a more strategic and development-oriented approach to regional policy, centred on the economic transformation of regions. The reform addresses a key weakness of previous regional policy: the lack of a long-term, strategic and integrated approach, which in the past resulted in development and spatial fragmentation, as well as the predominance of uncoordinated, primarily infrastructure-based projects of local significance with limited regional development impact (OECD, 2026a; Court of Audit of the Republic of Slovenia, 2020). The Strategy for the Regional Development of Slovenia (MKRR, 2026b), introduced through the amended Promotion of Balanced Regional Development Act (ZSRR-2C, 2026), reorients regional policy in the medium term on towards fostering innovation-driven growth and supporting the economic transformation of regions. Through a comprehensive approach, the strategy aims to accelerate development across all regions and, consequently, enhance overall national performance. At the same time, border areas and transition regions (coal regions) remain priority areas, which face specific structural challenges and are supported by targeted policy measures. The strategy also identifies the centralisation of jobs in the Osrednjeslovenska region as a key development challenge, and the accompanying pronounced regional disparities in GDP per capita (see Box 1). It therefore proposes measures to strengthen the competitiveness of other regions and to create conditions for the development of higher value-added employment, particularly by promoting activities that are less prone to spatial concentration, while supporting the transition to innovation-driven growth. At the same time, it takes into account the untapped potential of even the most developed Osrednjeslovenska region, which remains, by European standards, among Europe's moderately developed capital city metropolitan regions, with productivity below the EU average (see Box 1). The new model therefore focuses on leveraging development potential and strengthening growth across all regions, while also addressing territorial challenges related to quality of life, with a particular emphasis on access to services.

The successful implementation of the new regional development model will depend primarily on stronger coordination of development policies and a more effective financing framework, which – through better integration of national policies – would also help overcome narrow local interests. Past regional policy was characterised by fragmentation, weak linkages with other policy areas, and the predominance of local interests (OECD, 2026a). The strategy therefore emphasises the need to strengthen the governance system by enhancing both horizontal (inter-ministerial) and vertical coordination across national, regional and local levels. To this end, the strategy envisages the establishment of a working group on regional development as a strategic advisory body to the Government of the Republic of Slovenia, alongside strengthened coordination among ministries, development regions, municipalities, and other stakeholders in the implementation of the strategy. The effectiveness of enhanced coordination will already be tested in the preparation of the new action programme for the implementation of the strategy, scheduled for 2026. To strengthen horizontal coordination, the strategy also emphasises the role of functional regions, whose scope and boundaries can be adapted to the specific needs and challenges of individual policy areas. Functional regions are particularly

important in the context of economic transformation and enhancing the competitiveness of areas outside the Osrednjeslovenska region, to achieve the necessary critical mass of resources. Given the relatively small size of most regions,³⁶⁵ this will primarily be achievable through interregional and cross-border functional integration. However, this may pose challenges in the implementation process, which still primarily takes place through calls for the preparation of regional development agreements. The second major challenge concerns financing. The legislative amendments and the Strategy do not clearly establish a link between strategic development priorities and the project financing system within the framework of regional policy implementation. This could undermine both the economic transformation of regions and the effectiveness of the integrated territorial approach. An additional risk stems from the strong dependence on EU cohesion policy funding, which – through the territorial allocation of resources between the two cohesion regions and narrowly defined thematic priorities – significantly constrains regional policy in financial, thematic and territorial terms (OECD, 2026a).

More integrated and balanced territorial development can also be supported through the simultaneous preparation of regional strategic documents across different policy areas, although the key challenge remains ensuring strong coordination and interlinkages. At the beginning of 2025, all regions began preparing the first generation of Regional Spatial Plans (RSPs), which, in accordance with the Spatial Planning Act (ZUreP-3, 2025), are expected to be completed by early 2027. These plans are intended to define the spatial framework for regional development, including priority areas for economic activity. A key challenge will be to ensure close alignment and effective coordination between the RSPs and the next generation of Regional Development Programmes (RDPs), whose preparation is expected to begin in 2026. In 2025, all regions also began preparing Regional Sustainable Mobility Plans in line with the Integrated Transport Planning Act (ZCPN, 2025), while the Climate Act (PoZ, 2025b) introduced regional action plans for climate change adaptation. The simultaneous introduction of new strategic approaches at the regional level across several policy areas reflects a growing awareness among policymakers of the importance of the intermediate (regional) level for effectively steering development, as also emphasised in the new regional strategy. The preparation of these regional documents thus represents a significant opportunity to move away from the previous silo-based approach towards more integrated policy planning and implementation, tailored to the specific potentials and needs of individual regions. A remaining challenge lies in the differing timelines for the preparation of these documents, although this is partly mitigated by the fact that their coordination is the responsibility of regional development agencies (in cooperation with municipalities and the relevant national line ministries). The new regional strategy further strengthens their role through specific measures aimed at enhancing their institutional capacity.

In 2025, spatial planning legislation was amended to address a key structural challenge – lengthy and complex procedures. Amendments to spatial planning and construction legislation (GZ-1, 2025; ZUreP-3, 2025) introduced measures to increase flexibility and shorten procedures for preparing spatial planning acts and issuing permits, including enhanced inter-ministerial coordination and the introduction of a legal fiction of a

³⁶⁵ Eight out of the twelve regions have fewer than 150,000 inhabitants. The smallest regions are the Primorsko-Notranjska (around 54,000 inhabitants) and the Zasavska regions (around 57,000).

positive opinion in cases where spatial planning authorities fail to respond. These changes aim to streamline procedures, improve legal certainty, and accelerate the siting of development projects. At the same time, digitalisation is advancing with the establishment of the spatial information system (PIS) (<https://pis.eprostor.gov.si/>), which is expected to enhance transparency and efficiency in spatial planning. By the end of 2025, the roll-out of eGraditev (eConstruction) had been completed, fully digitalising the building permit procedure (MJU, 2026b; MNVP, 2025). In 2026, development of the ePlan (ePlanning) system is ongoing, aiming to digitalise spatial planning processes. Further improvements could be achieved by adopting more advanced digital tools (e.g. artificial intelligence) to further optimise procedures.

An attempt to integrate strategic development and spatial planning is reflected in a government project for the siting of industrial and business zones of national and regional importance. Slovenia has a relatively large number³⁶⁶ of predominantly small zones (under 10 hectares), which lack adequate management and clear development orientation, and are frequently constrained in their potential for spatial expansion (Bizjak, 2019). Many zones also lack access to basic infrastructure³⁶⁷ (SPIRIT Slovenija, 2026). This situation reflects years of zone development promotion³⁶⁸ in the absence of a comprehensive national policy that would prioritise zones of broader regional or national significance, thereby supporting more balanced territorial development in line with the polycentric urban system. In addition, responsibility for planning business zones lies with municipalities, which often lack the spatial, infrastructural, organisational, and human resource capacities required for their effective development (Bizjak, 2020). The absence of strategic planning for business zones – ensuring the coordinated and timely preparation of spatial conditions – has contributed to an uncertain and unpredictable environment for investors, further exacerbated by lengthy permitting procedures, a shortage of adequately developed land, and the high costs of municipal infrastructure provision. In response, in 2025 the Ministry of the Economy, Tourism and Sport (MGTŠ), the Ministry of Cohesion and Regional Development (MKRR), and the Ministry of Natural Resources and Spatial Planning (MNVP) launched a strategic project for the siting of industrial and business zones of national and regional importance (MGTŠ et al., 2025)³⁶⁹. Under this initiative, the designation of three to seven industrial and business zones of national importance is envisaged through a thematic action programme, alongside the designation of at least one zone of regional importance in each development region through regional spatial plans.

³⁶⁶ According to the SPIRIT portal, Slovenia currently has 648 business zones, about one third of which are manufacturing or industrial zones (SPIRIT Slovenija, 2026).

³⁶⁷ 7% of business zones lack access to a water supply, 15% are not connected to the electricity grid, and 20% lack sewerage infrastructure. Only five zones are fully equipped with access to electricity, water supply, sewerage, telecommunications, gas pipelines, district heating, process water, and industrial heating infrastructure (SPIRIT Slovenija, 2026).

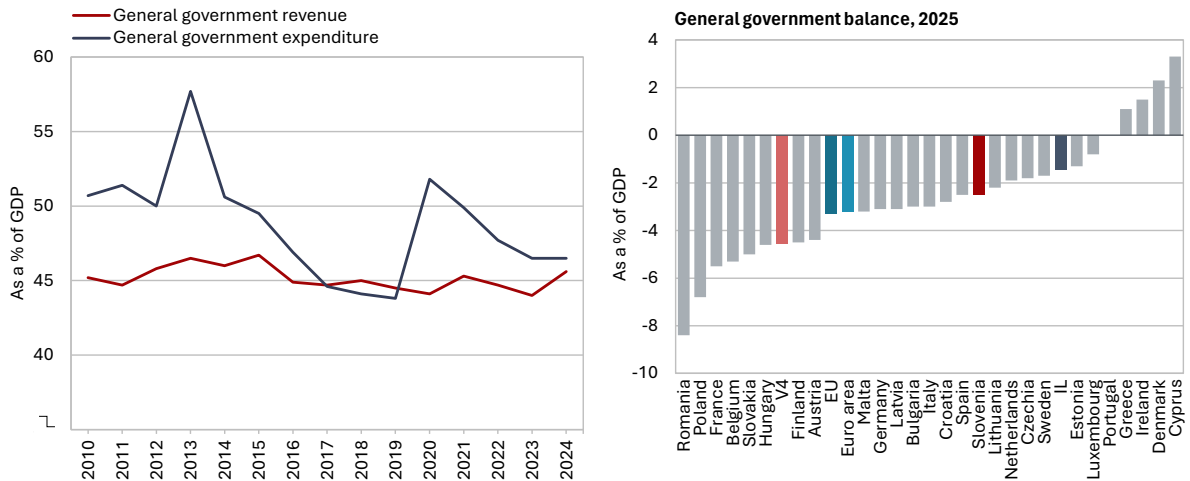
³⁶⁸ Primarily within the framework of regional policy measures implemented during the 2007–2013 and 2014–2020 programming periods.

³⁶⁹ There is a risk that, during project implementation, deviations from the initial premises and a divergence from the set objectives may occur.

6.6 Developmental role of public finances

Through its developmental role, fiscal policy influences long-term economic potential, resilience to shocks, long-term fiscal sustainability, and the achievement of other objectives, while helping to mitigate macroeconomic shocks in the short term. In recent years, fiscal policy has played a key role in mitigating the effects of the pandemic, the energy crisis and natural disasters, contributing to an increase in the deficit after 2019. Although the deficit declined between 2021 and 2024, it increased again in 2025 (to 2.5% of GDP), while public debt continued to decrease (65.7% of GDP), remaining close to its pre-shock level (66.0% in 2019). The decline in the deficit up to 2023 was driven mainly by a decline in the expenditure-to-GDP ratio, while in 2024 the revenue-to-GDP ratio also increased markedly. The increase in the deficit in 2025 was mainly attributable to a relatively strong rise in the expenditure share (Figure 152, left). A more detailed analysis of developments in general government revenues and expenditures provides further insight into fiscal policy priorities (higher economic potential, resilience to shocks, and long-term fiscal sustainability) which are closely related to the quality of public finances.

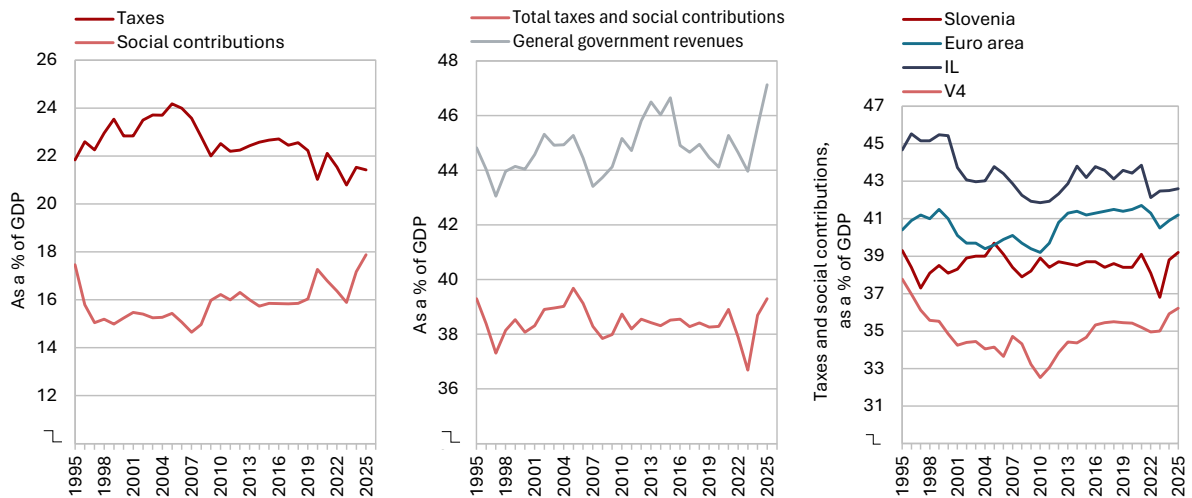
/ Figure 152: Slovenia's general government deficit (as a % of GDP) increased in 2025 due to a higher expenditure share (left) but remained among the lowest in the EU (right)



Source: SURS (2026a), EC (2025g). Note: For Slovenia, data for 2025 are based on SURS data, while data for other EU countries are based on the European Commission's Autumn Forecast.

The combined share of general government taxes and social contributions in GDP increased in 2024 and 2025, after reaching a low point in 2023. Developments in the tax revenue-to-GDP ratio, which reached its lowest level in 2023 (Figure 153), reflected exemptions and reductions introduced to mitigate various shocks, particularly during the pandemic and the energy crisis, and were subsequently influenced by the increase in the corporate income tax rate and the introduction of a tax on banks' balance sheet totals (amounting jointly to 0.5% of GDP in 2025) to finance recovery following the August 2023 floods over the period 2024–2028. In 2025, the tax share remained broadly unchanged from the previous year (21.4% of GDP) and was lower than in 2019. The social contributions-to-GDP ratio increased; in 2024 mainly due to the transformation of voluntary health insurance into a mandatory health contribution (an increase of 0.9% of GDP), and in 2025 due to the introduction of a long-term care contribution (0.4% of GDP).

/ Figure 153: Over the long term, the share of general government tax revenue in GDP in Slovenia has declined, while the share of social contributions has increased (left); their combined share approached a record high in 2025 (middle), yet remains below the euro area average and higher than in the Visegrad Group (right)



Source: SURS (2026a), EC (2025g). Note: For Slovenia, data for 2025 are based on SURS data, while data for other euro area countries for 2025 are based on the European Commission's Autumn Forecast.

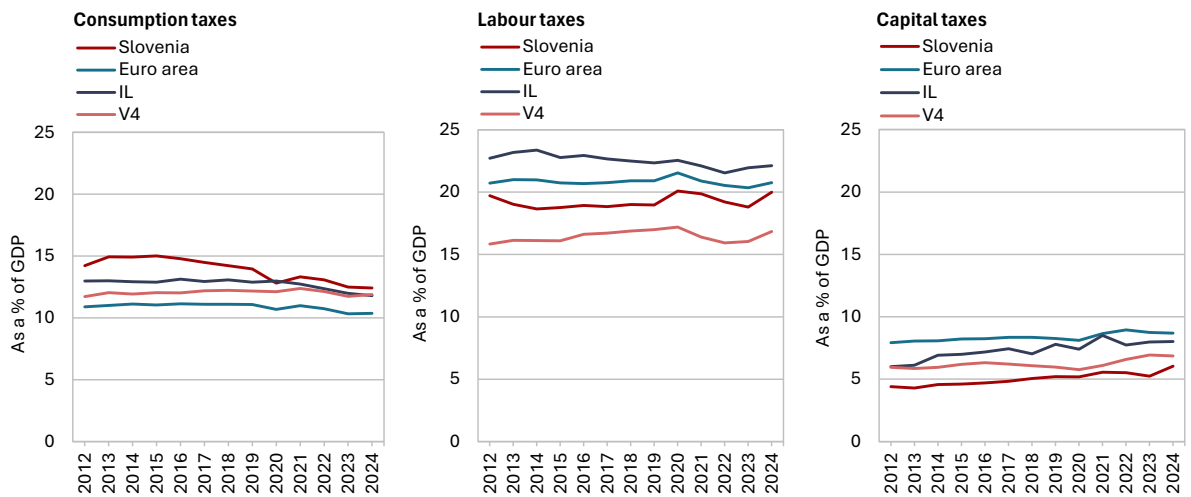
Over a longer period, the tax structure has not shifted in a direction that empirical analyses associate with favourable effects on economic potential (i.e. towards greater reliance on consumption and other less distortionary taxes), or with strengthening incentives for sustainable development (environmental taxes). According to the latest internationally comparable data for 2024, taxes on labour³⁷⁰ accounted for the largest share of tax revenues relative to GDP in both Slovenia and the euro area (Figure 154, left). In Slovenia, following the restructuring of the compulsory health contribution, the share of taxes on labour increased to 20.0% of GDP in 2024, which is close to the euro area average (20.5% of GDP), but higher than in the Visegrad Group. At the same time, the tax wedge indicator, which measures the tax burden on labour costs through taxes and social contributions, remains high (Figure 156).³⁷¹ The share of consumption tax revenues has declined over a longer period in both Slovenia and the euro area, but remained higher in Slovenia (12.4% compared with 10.4% of GDP). The decline in Slovenia was due to reductions in environmental taxes (excise duties on energy, CO₂

³⁷⁰ According to their economic function, taxes are classified as taxes on labour, consumption and capital. *Taxes on consumption* are defined as taxes levied on transactions between final consumers and producers and on the final consumption of goods. *Taxes on labour* comprise all taxes, directly linked to wages and mostly withheld at the source, paid by employers and employees, including compulsory social security contributions. Capital is defined broadly, including physical capital, intangibles, and financial investment and savings. *Taxes on capital* include taxes on business income in a broad sense: not only taxes on profits but also taxes and levies that could be regarded as a prerequisite for entering into production/earning profit, such as the real-estate tax. For further details, see Data on Taxation Trends (EC, 2026a).

³⁷¹ The tax wedge is defined as the sum of personal income taxes and social security contributions (paid by both employers and employees), net of cash social transfers, expressed as a percentage of the total labour costs. It is calculated for different household types. For a single person with no children earning an average wage, the tax wedge in 2023 was 43.3%. Among EU countries, only Belgium, Germany, Austria, France, Italy and Finland recorded higher tax wedges (OECD, 2024m). The tax wedge is similarly high for a two-earner couple with two children. These calculations are based on a harmonised methodology. However, wage systems vary considerably across countries. In Slovenia, reimbursements for commuting costs, meal allowances and the holiday allowance are not included in the gross wage paid under an employment contract and are therefore excluded from the OECD's tax wedge calculation. An indicative adjusted and theoretical calculation of the tax wedge, prepared by the Ministry of Finance, shows that for a single person with no children earning an average wage, the tax wedge in Slovenia would be 3 p.p. points lower if reimbursements for commuting and meals were included in the calculation (MF, 2024).

charges, etc.) introduced to mitigate the impact of the energy crisis, as well as cyclical factors. Environmental tax revenues decreased from their peak levels in 2015–2016 (4.4% of GDP) to 2.8% of GDP in 2023–2024. The share of taxes on capital in Slovenia and the euro area increased over a longer period; in Slovenia, the increase was more pronounced in 2024, mainly due to higher tax burdens introduced to finance post-flood recovery. At 6.0% of GDP, however, it remained lower than in the euro area (8.7% of GDP)³⁷² and in the Visegrad Group. To better support economic competitiveness and ensure long-term fiscal sustainability, a more comprehensive restructuring of the tax system will be required going forward. Empirical analyses and recommendations for Slovenia (EC, 2020a, 2022b; IMF, 2019, 2026a, 2026b; OECD, 2022b), suggest that such restructuring should focus on reducing the burden on labour – particularly through lower social security contributions – while offsetting the resulting revenue shortfall by increasing less distortionary taxes (consumption taxes), introducing a property tax,³⁷³ and broadening tax bases. The tax package adopted in 2024³⁷⁴ represents a partial step in this direction. Restructuring the tax burden could also increase work incentives (i.e. reduce inactivity and low-wage traps), while taking into account the combined effects of labour taxation and social transfers on household income (MDDSZ, 2024). To achieve environmental objectives, it is also necessary to reverse the downward trend in the share of environmental tax revenues. A shift towards a greater role for taxes and a smaller role for social contributions would also alter the financing of social protection systems; their long-term sustainability will also depend on continuous measures to contain expenditure growth. A key step in this direction was the adoption of pension reform (see Section 3.1.5), which will reduce the growth of ageing-related expenditure in the long term; continued measures to mitigate fiscal risks are also needed in the areas of healthcare and long-term care (see IMAD, 2019a).

/ Figure 154: In Slovenia, compared with the euro area average, relatively more revenue from consumption taxes was collected in 2024 (left), and less from taxes on labour (middle) and capital relative to GDP (right)



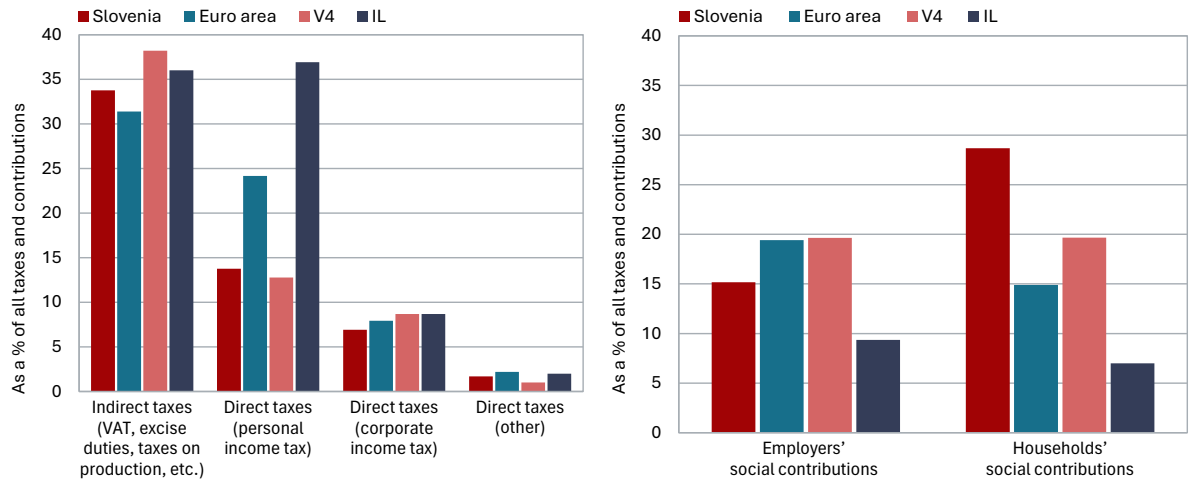
Source: EC (2026a).

³⁷² In addition to lower taxation in certain segments (notably lower taxation of real estate), the data also reflect a lower share of profits relative to GDP in Slovenia.

³⁷³ The Ministry of Finance has prepared a proposal of starting points for property taxation and measures for restructuring and reducing the tax burden on labour (MF, 2024).

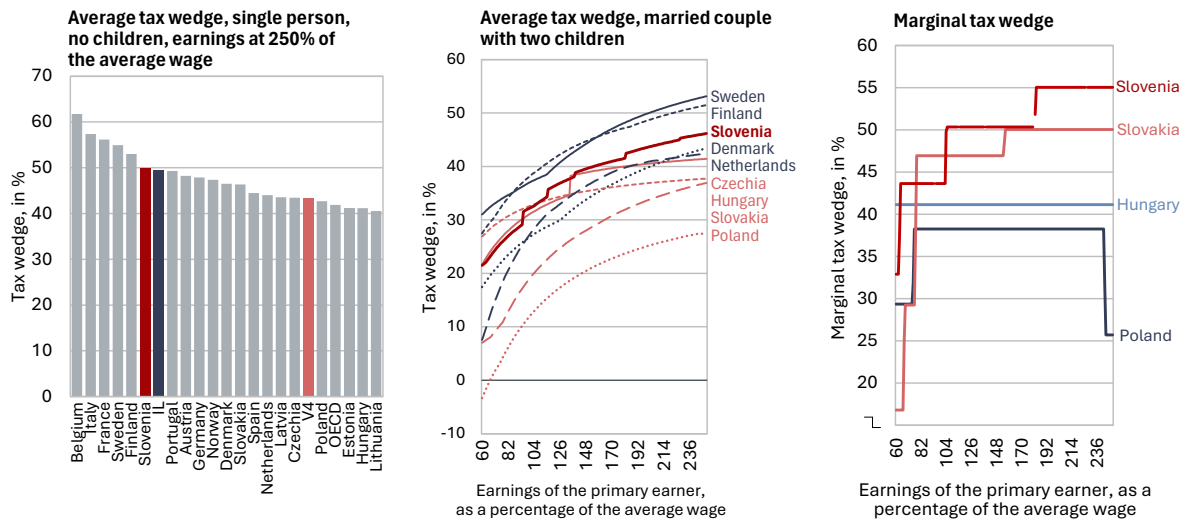
³⁷⁴ Several legislative amendments (to the Personal Income Tax Act, Corporate Income Tax Act, VAT Act, etc.) have been introduced, including measures to attract foreign talent, provide tax incentives for green and digital investment, tax sugar-sweetened beverages, and adjust rules on tax loss carry-forwards and lump-sum expenses for sole proprietors.

/ Figure 155: In the structure of total taxes and social contributions in Slovenia, social contributions accounted for the largest share in 2024



Source: EC (2026a).

/ Figure 156: The tax wedge was high in Slovenia in 2024



Source: OECD (2025r).

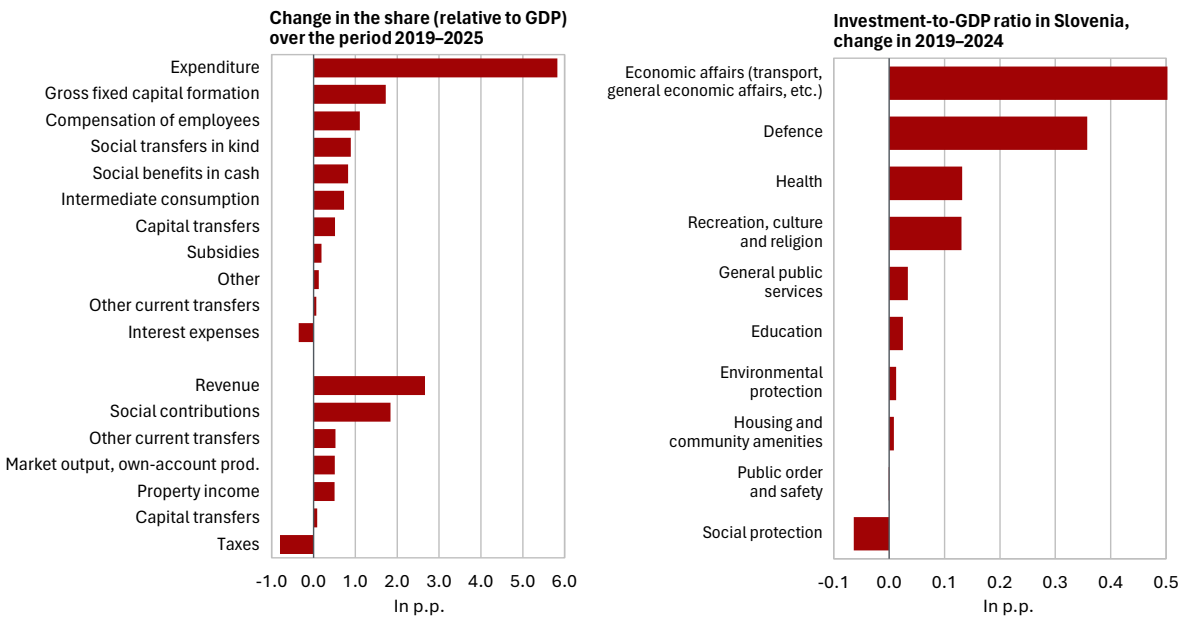
The share of general government expenditure in GDP increased in 2025; compared to 2019, expenditure was higher mainly for investment, compensation of employees, and healthcare. After peaking in 2020 amid extensive fiscal support measures introduced during the pandemic and energy crisis, the expenditure share declined until 2023, remained broadly unchanged in 2024, and then rose again in 2025, exceeding its 2019 level by 5.8 p.p. The largest increases compared to 2019 (Figure 157, left) are observed in investment expenditure (by 1.7 p.p.), reflecting stronger absorption of EU funds³⁷⁵ and higher nationally financed investment in recent years.³⁷⁶ In particular, the share of transport investment (especially in railway infrastructure), as well as investment in defence and healthcare,

³⁷⁵ This was driven by the conclusion of the 2014–2021 cohesion policy multiannual financial framework, EU support for the post-pandemic recovery (ReactEU), the Recovery and Resilience Plan, and EU Solidarity Fund assistance allocated in response to the floods of August 2023.

³⁷⁶ Due to post-flood reconstruction following the 2023 floods and the implementation of the Act on Securing Funds for Investment in Healthcare (2021–2031) and the Act on Securing Investment in the Slovenian Armed Forces for the period 2021–2026.

has increased (Figure 157, right). The share of compensation of employees, which increased during the pandemic, had declined to its 2019 level by 2024. However, it rose again in 2025 due to the implementation of the wage reform (by 1.2 p.p., from 11.3% of GDP in 2024 to 12.5% of GDP in 2025). The shares of social transfers in kind and intermediate consumption were also higher in the past two years than in 2019. In 2024, this was mainly due to the transformation of the voluntary health contribution into a mandatory one, as expenditures previously financed privately through voluntary health insurance became publicly financed; in 2025, it also reflected the implementation of the Long-Term Care Act.³⁷⁷ The share of social benefits in cash is also higher than in 2019, largely reflecting higher expenditure on old-age and pensions (increasing from 9.6% of GDP in 2019 to 10.4% of GDP in 2025). Following the withdrawal of crisis measures, subsidies to the corporate sector had largely returned to pre-crisis levels by 2025 (1.1% of GDP), while the share of interest expenditure on public debt was lower than in 2019. Compared with the euro area average, Slovenia's total expenditure-to-GDP ratio was lower in 2025 (EC, 2025c), reflecting lower shares of social benefits, subsidies and interest expenditure, but higher shares of investment, compensation of employees and intermediate consumption.

/ Figure 157: In 2025, compared with 2019, the largest increases in Slovenia were observed in the shares of investment and compensation of employees (left); within investment, the shares allocated to transport infrastructure, defence and healthcare recorded the strongest growth between 2019 and 2024 (right)



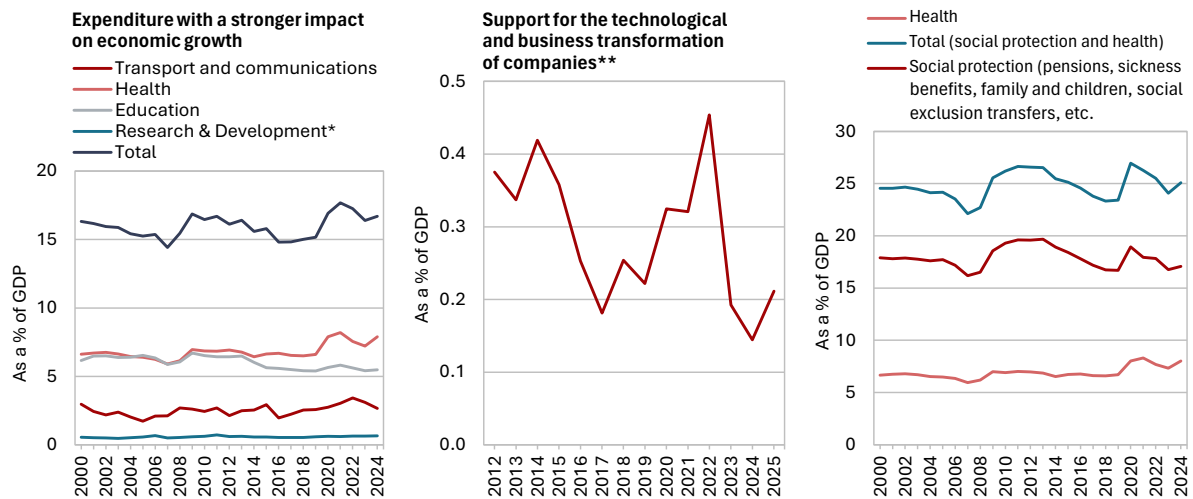
Source: SURS (2026a).

Since 2019, some categories of general government expenditure traditionally associated with stronger effects on economic growth (e.g. transport infrastructure) have increased; going forward, greater attention should be given to expenditure with a stronger effect on productivity and the transition to innovation-driven growth. According to the literature, categories of public expenditure with stronger effects on GDP growth (ECB, 2024) include spending on transport and communications, health, education and R&D across all ten COFOG (Classification of the

³⁷⁷ The increase in the share of intermediate consumption in 2025 was also influenced by the reclassification of two companies into the general government sector (TEŠ 6 and Premogovnik Velenje), which also affected other general government revenue and expenditure aggregates.

Functions of Government) categories (data according to this classification are available up to 2024). These categories of expenditure rose from 15.2% of GDP in 2019 to an average of 17.0% of GDP in the period 2020–2024 (Figure 158, left). Data for the 2019–2022 period, for which international comparisons are also available (ECB, 2024), show that the increase in this expenditure in Slovenia was among the highest in the euro area. In Slovenia, over the five-year period, investment in transport infrastructure and healthcare spending recorded the largest increases, particularly during and after the pandemic;³⁷⁸ healthcare investment also increased, having stagnated for a prolonged period prior to 2019. The increase in the share of expenditure on research and development was modest in this period (from 0.6% to 0.7% of GDP in 2024), while the share of expenditure on education and on the technological, business and digital transformation of the corporate sector³⁷⁹ has been declining over a longer period. Support for expenditure with stronger effects on growth – particularly those that enhance productivity and support the transition to innovation-driven growth (see Sections 4.4 and 4.5) – remains crucial going forward, in line with certain policies already adopted.³⁸⁰ The increase in certain expenditure categories (healthcare, education) in the coming years will also reflect wage growth resulting from the wage reform; however, the long-term impact on economic potential will also depend on other measures within these systems (see Section 3).

/ Figure 158: The share of general government expenditure (as a % of GDP) traditionally associated with a stronger impact on economic growth has increased since 2019, while the share of expenditure on education and the technological transformation of enterprises has declined (left and middle); within social protection expenditure, healthcare spending in particular is higher than in 2019 (right)



Source: IMAD calculations based on the ECB (2024) methodology for identifying growth-enhancing public expenditure, using data from SURS (2026a) 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. **Central government budget expenditure on: support for technological development projects, the business environment for entrepreneurship and competitiveness, incentives for enterprise growth and development, and the promotion of foreign investment and economic openness.

³⁷⁸ The increase in healthcare expenditure in 2024 is partly related to the introduction of the mandatory health contribution.

³⁷⁹ The implementation of central government budget programmes supporting technological development projects, the business environment for entrepreneurship and competitiveness, enterprise growth and development, and the promotion of foreign investment and economic openness amounted to 0.22% of GDP in 2019 and 0.21% of GDP in 2025. A declining trend is also evident over the longer term, with average expenditure for these purposes decreasing from 0.3% of GDP in 2012–2019 to 0.27% of GDP on average in 2020–2025. For expenditure in education, see Section 4.4.2.

³⁸⁰ Recent policy changes that are gradually increasing resources allocated to these areas include higher funding for research and development (ZZrID, 2021) and the new Higher Education Act, which allows budgetary expenditure on higher education to increase to 1.5% of GDP or more, provided that funding is secured (ZViS-1, 2025). Amendments to the Primary School Act also introduce Informatics and Digital Technologies as a compulsory subject in primary schools from September 2028 onwards (ZOsn-L, 2025).

To maintain adequate fiscal space for crisis response and support the developmental role of public finances, further adjustments on the expenditure side will be needed. The increase in the general government deficit in 2025 was partly cyclical and partly structural, and therefore of a more permanent nature. Last year's economic slowdown constrained tax revenue growth and, consequently, total general government revenue, while expenditure increased mainly due to more permanent measures, most notably the wage reform and the winter bonus, which raised compensation of employees by 1.2 p.p. (from 11.3% of GDP to 12.5% of GDP). Some other expenditure increases are also more permanent in nature – related to the green transition for TEŠ 6, defence and healthcare³⁸¹. Such an increase in the deficit reduces fiscal space for maintaining the pace of consolidation set out in the Medium-Term Fiscal-Structural Plan (Government of the Republic of Slovenia, 2024b) and creates pressure on flexible expenditure, particularly investment expenditure, which is projected to remain elevated in the coming years and other development-oriented expenditure. This is all the more relevant as the oil price shock resulting from the war in Iran is already requiring policy action this year,³⁸² further narrowing fiscal space; the measures will therefore need to be considerably more targeted than during the 2022 energy crisis. Going forward, it will therefore be essential to clearly prioritise public spending financed from both national and EU sources, mobilise private financing for certain policy objectives (e.g. the green transition), and carry out systematic expenditure reviews to identify consolidation measures. This would help avoid linear expenditure cuts, which are typically less sustainable and less development-oriented (Delakorda, 2025). Research (IMF, 2023) also points to considerable scope for improving the efficiency of investment expenditure, particularly through better planning and project selection within budgetary frameworks, as well as by reducing administrative constraints.

³⁸¹ The increase in healthcare expenditure was partly one-off, reflecting the adoption of the Intervention Act in Healthcare (ZDIUPZ, 2025), under which funds were also allocated to cover the liabilities of public healthcare institutions (predominantly hospitals), and partly more permanent, linked to the transformation of voluntary health insurance into a mandatory health contribution. In 2024, this contribution was not indexed despite rising healthcare expenditure by the Health Insurance Institute of Slovenia (ZZS) (it was first adjusted in 2025 in line with wage growth in the previous year). As a result, transfers from the central government budget to the ZZS increased to EUR 509 million, or 0.7% of GDP, in 2025.

³⁸² Due to high oil prices, excise duties on petroleum products were reduced in March 2026 and the CO₂ levy was temporarily abolished. Additional emergency measures are also being prepared to ensure energy security and reliability of supply in the energy sector and agriculture, as well as to strengthen overall resilience.

7

Achievement of target indicator values under the Slovenian Development Strategy 2030 (SDS 2030)

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 1:

Healthy life years at birth, number of years	Men: 64.6 years; 81.6% of LE ³⁸³ (2023)	Men: 62.8 years, 79.8% of LE (2023)	Men: 64.5 years (80% of LE)	Eurostat (2026)
	Women: 68.8 years; 81.0% of LE (2023)	Women: 63.3 years, 75.4% of LE (2023)	Women: 64.5 years (75% of LE)	
Gender equality index, index	58.0 (0–100) (2025)	63.4 (0–100) (2025)	³⁸⁴	EIGE (2025a)

SDS 2030 performance indicators for Development Goal 2:

Participation in lifelong learning, in %	23.1 (2024)	13.3 (2024)	19	Eurostat (2026)
Share of the population with tertiary education,³⁸⁵ in %	34.6 (2024,3)	36.1 (2024)	35	Eurostat (2026)
PISA results (in points), ranking among the EU Member States	Mathematical literacy: 9th Science literacy: 4th Reading literacy: 19th (2022)		Ranking in the top quarter of EU Member States	OECD (2023c)

SDS 2030 performance indicators for Development Goal 3:

AROPE rate,³⁸⁶ in %	15.5 (2025), 324,000 persons	21.0 (2024)	< 270,000 persons ³⁸⁷	Eurostat (2026), SI: EU-SILC 2025 (based on 2024 income)
Income distribution inequality, income quintile share ratio (80/20)	3.6 (2025)	4.7 (2024)	< 3.5	Eurostat (2026), SI: EU-SILC 2025 (based on 2024 income)
Experience of discrimination, in %	13 (2023)	21 (2023)	< 10	Eurobarometer (2009, 2012, 2015, 2018, 2019, 2023)

³⁸³ LE – life expectancy.

³⁸⁴ In 2025, the methodology for calculating the GEI was revised, meaning that the index values are no longer directly comparable with those from previous years and the SDS 2030 target can therefore no longer be monitored. An index value of 1 means total inequality and 100 full equality. The 2025 edition of the index was calculated predominantly using 2024 data.

³⁸⁵ In 2023, SURS revised the weighting of education levels in the Labour Force Survey data, calibrating it to education data from the population database (SURS, 2024).

³⁸⁶ A new target was adopted in 2021 to monitor progress towards the objectives of the European Pillar of Social Rights, accompanied by a revised measurement methodology.

³⁸⁷ As of 2021, the national statistical institutes, Eurostat and the European Commission have applied a new methodology for calculating the AROPE rate in the context of the EU 2030 targets, which means that the SDS 2030 target is no longer measurable. The new methodology, implemented within the EU-SILC survey, has been used since 2015, with results published for the first time in 2021. The new national target defined in ReNPSV22–30 (2022) aims to reduce the number of people at risk of poverty or social exclusion by 9,000 (of whom 3,000 are children), compared to 2019, when the number stood at 279,000.

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 4:

Attendance at cultural events, ³⁸⁸ visits per capita	4.0 (2024)	N/A	8	SURS (2026a) and SFC (2025); IMAD calculations
Share of cultural events held abroad, ³⁸⁹ in %	2.7 (2024)	N/A	3.5	SURS (2026a)
Open source language resources and tools, number	685 (2025)	N/A	153	CLARIN (2025)

SDS 2030 performance indicators for Development Goal 5:

GDP per capita (in PPS), index EU-27=100	91 (2025)	100 (2025) ³⁹⁰	100	Eurostat (2026); IMAD calculations
Government sector debt, as a % of GDP	65.7 (2025)	82.0 (2024)	60	SURS (2026a), Eurostat (2026)

SDS 2030 performance indicators for Development Goal 6:

Labour productivity, EU index = 100	86 (2025)	100 (2025)	95	Eurostat (2026); IMAD calculations
European Innovation Index, EU 2018 index=100	106.6 (2025)	112.6 (2025)	> 125, i.e. ranked among innovation leaders	EC (2025e); IMAD calculations

SDS 2030 performance indicators for Development Goal 7:

Employment rate (20–64 age group), in %	78.3 (2024)	75.8 (2024)	> 75 (79.5) ³⁹¹	Eurostat (2026)
In-work at-risk-of-poverty rate (persons aged 18 and over), in %	5.6 (2025)	8.2 (2024)	< 5	Eurostat (2026), SI: EU-SILC 2025 (based on 2024 income)

SDS 2030 performance indicators for Development Goal 8:

Resource productivity, in PPS/kg	2.7 (2024)	3.0 (2024)	3.5	Eurostat (2026); IMAD calculations
Share of RES in gross final energy consumption, in %	24.6 (2024)	25.2 (2024)	27.0	Eurostat (2026)
Emission productivity, in PPS/million kg CO ₂	5.0 (2023)	5.6 (2023)	EU average in 2030	Eurostat (2026); IMAD calculations

³⁸⁸ This indicator measures attendance at theatre events, visits to museums and galleries, cinema screenings and cultural events organised by cultural associations (amateur cultural activity).

³⁸⁹ This indicator represents the ratio of cultural events held outside Slovenia to the total number of events organised by the respective cultural institutions. The data on cultural events cover the following types of institutions: (i) museums and galleries, (ii) theatres and operas, (iii) musical institutions, and (iv) houses of culture and cultural centres.

³⁹⁰ The data for the EU refer to the 2023 EC forecast (EC, 2023a).

³⁹¹ The employment rate target of 75% is set under SDS 2030, a goal that the country has already surpassed. In 2022, a more ambitious target of 79.5% was adopted to align with the objectives of the European Pillar of Social Rights Action Plan 2030.

	Latest data		Target value for 2030	Sources
	Slovenia	EU average		

SDS 2030 performance indicators for Development Goal 9:

Share of utilised agricultural area, in %	23.5 (2024)	38.7 (2024)	>24	Eurostat (2026)
Watercourse quality, in mg O ₂ /l	0.8 (2023)	2.7 (2023)	< 1	Eurostat (2026)
Ecological footprint, gha/person	5.2 (2024)	4.4 (2024)	3.8	Global Footprint Network(2025)

SDS 2030 performance indicators for Development Goal 10:

Rule of law index, ranking among EU Member States	16th (2025)	–	Ranking in the top half of EU Member States	World Justice Project (2025)
Estimated time needed to resolve civil litigious and commercial cases, number of days	344 (2023)	247 (2023)	200	EC (2025o)

SDS 2030 performance indicators for Development Goal 11:

Share of population reporting occurrences of crime, vandalism or violence in their area, in %	6.8 (2023)	10.0 (2023)	< 10	Eurostat (2026)
Global Peace Index, rank ³⁹²	5th (in the EU) (2025) 9th (163) (2025)	–	Ranking among the top five countries in the EU and top ten in the world.	IEP (2025)

SDS 2030 performance indicators for Development Goal 12:

Trust in public institutions, %	Parliament: 26 Government: 27 Local authorities: 59 (2025, autumn survey)	Parliament: 34 Government: 33 Local authorities: 61 (2025, autumn survey)	At least half the population trusts public institutions (average of the most recent three surveys)	Eurobarometer (2025i)
Executive capacity, ³⁹³ average score on a 1–10 scale	N/A	N/A	EU average in 2030	Bertelsmann (2024)

³⁹² Scores range from 1 to 5, with a lower score indicating better performance.

³⁹³ Due to a change in methodology, the indicator is no longer available, making it impossible to monitor the target using this indicator. At the last measurement in 2022, Slovenia scored 5.33, compared with the EU average of 6.05 (Bertelsmann, 2022).

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Abbreviations

ADP	automatic data processing
AI	artificial intelligence
AIS	Agricultural Institute of Slovenia
AJPES	Agency for Public Legal Records and Related Services
AKOS	Agency for Communication Networks and Services of the Republic of Slovenia
ARSO	Slovenian Environmental Agency
BAMI	basic amount of minimum income
BMI	body mass index
BoS	Bank of Slovenia
BT3	the Baltic states (Estonia, Latvia, Lithuania)
CBAM	Carbon Border Adjustment Mechanism
Cedefop	European Centre for the Development of Vocational Training
CHI	complementary health insurance
CHI	compulsory health insurance
CHP	combined heat and power
CJMMK	Public Opinion and Mass Communications Research Centre
CLARIN	the Slovenian national consortium within the European research infrastructure CLARIN ERIC
CNVOS	Centre for Information Service, Co-operation and Development of NGOs
CO₂	carbon dioxide
COICOP	Classification of Individual Consumption According to Purpose
CPC	Commission for the Prevention of Corruption
CRM	customer relationship management
CIT	corporate income tax
DEA	data envelopment analysis
DI	digital intensity
EA	Euro area
EAPN	European Anti-Poverty Network
EBA	European Banking Authority
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EC	European Commission
ECA	European Court of Auditors
ECB	European Central Bank
ECHR	European Court of Human Rights
ECRI	European Commission against Racism and Intolerance
EEA	European Environment Agency
EIB	European Investment Bank
EIGE	European Institute for Gender Equality
EII	European Innovation Index
EII	Energy Intensive Industries
EPO	European Patent Office
ESC	Economic and Social Council
ESIR	Expert Group on the Economic and Societal Impact of Research and Innovation
ESNA	Europe Startup Nations Alliance

ESS	Employment Service of Slovenia
ESSPROS	European System of Integrated Social Protection Statistics
ETS	Emissions Trading System
EU	European Union
EU13	EU Member States since 2004 (Estonia, Latvia, Lithuania, Poland, Czechia, Slovakia, Hungary, Slovenia, Malta, Cyprus, Bulgaria, Romania and Croatia)
EUIPO	European Union Intellectual Property Office
EU KLEMS	EU level analysis of capital, labour, energy, material and service inputs
EUR	euro
Eurofound	European Foundation for the Improvement of Living and Working Conditions
EUROSTAT	Statistical Office of the European Union
EU-SILC	EU Statistics on Income and Living Conditions
FAO	Food and Agriculture Organization of the United Nations
FDA	functionally derelict areas
FDI	foreign direct investment
FF UL	Faculty of Arts, University of Ljubljana
FRA	European Union Agency for Fundamental Rights
FSA	financial social assistance
FSDN	Farm Sustainability Data Network
FS	Faculty of Sport
GBit	gigabit
GDP	gross domestic product
GEI	Gender Equality Index
GEM	Global Entrepreneurship Monitor
GFN	Global Footprint Network
GHG	greenhouse gas
gha	global hectare
GNI	gross national income
GRECO	Group of States against Corruption
H₂	hydrogen
ha	hectare
HDI	Human Development Index
HICP	Harmonised Index of Consumer Prices
HPC	health promotion centre
ICT	information and communication technology
IDEA	International Institute for Democracy and Electoral Assistance
IEA	International Energy Agency
IER	Institute for Economic Research
IL	Innovation Leaders (Denmark, Finland, the Netherlands and Sweden)
IMAD	Institute of Macroeconomic Analysis and Development
IMD	Institute for Management Development
IMF	International Monetary Fund
INTANProd	Database for industry productivity accounts with intangibles
IRSSV	Social Protection Institute of the Republic of Slovenia
ISRIC	International Soil Reference and Information Centre

JAK	Slovenian Book Agency
JRC	Joint Research Centre
LE	life expectancy
LE	large enterprises
LGBTIQ+	lesbian, gay, bisexual, transgender, queer or questioning, and intersex
LTC	long-term care
LULUCF	Land Use, Land-Use Change and Forestry
MDDSZ	Ministry of Labour, Family, Social Affairs and Equal Opportunities
MDP	Ministry of Digital Transformation
MF	Ministry of Finance
MGTS	Ministry of the Economy, Tourism and Sport
MIRA	Mental Health Programme
MJU	Ministry of Public Administration
MK	Ministry of Culture
MKRR	Ministry of Cohesion and Regional Development
MKGP	Ministry of Agriculture, Forestry and Food
MNZ	Ministry of the Interior
MNVP	Ministry of Natural Resources and Spatial Planning
MO	Ministry of Defence
MOPE	Ministry of the Environment, Spatial Planning and Energy
MP	Ministry of Justice
MSP	Ministry of a Solidarity-Based Future
MTFSP	Medium-Term Fiscal-Structural Plan
MVI	Ministry of Education
MVZI	Ministry of Higher Education, Science and Innovation
MZ	Ministry of Health
MZEZ	Ministry of Foreign and European Affairs
MzI	Ministry of Infrastructure
N₂O	nitrous oxide
NATO	North Atlantic Treaty Organization
NEC	National Electoral Commission
NECP	National Energy and Climate Plan
NEET	neither in employment nor in education and training
NEIG	Non-Energy Industrial Goods
NIJZ	National Institute of Public Health
NNRP	National Nature Restoration Plan
NPE	non-performing exposure
NRP	National Research Programme on Critical Mineral Raw Materials and Their Hosts for Slovenia
NULC	nominal unit labour costs
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
PA	personal assistance
PI	prosperity index
PIRLS	Progress in International Reading Literacy Study
PISA	Programme for International Student Assessment

PM	particulate matter
p.p.	percentage point
PPS	purchasing power standard
R&D	research and development
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
REER HICP	real effective exchange rate based on harmonised index of consumer prices
REER PPI	real effective exchange rate based on producer price index
REER ULC	real effective exchange rate based on unit labour cost
ReNPVO20-30	Resolution on the National Environmental Protection Program for 2020-2030
REPowerEU	EU plan for saving energy, producing clean energy, and diversifying our energy supplies
RES	renewable energy resources
RDP	Regional development plan
ROA	return on assets
ROE	return on equity
ROS	return on sales
RS	the Republic of Slovenia
RSP	regional spatial plan
RULC	real unit labour costs
SES	Structure of Earnings Survey
SFA	Stochastic Frontier Analysis
SME	small and medium-sized enterprises
SHARE	Survey on Health, Ageing and Retirement in Europe
SIWB	sustainable and inclusive wellbeing index
SKD	Standard Classification of Activities
SKIS	Standard Classification of Institutional Sectors
SSH	Slovenian Sovereign Holding
SKP	Standard Classification of Occupations
SPI	Social Progress Index
SPIRIT	Public Agency of the Republic of Slovenia for Entrepreneurship, Internationalisation, Foreign Investments and Technology
SPOT	Slovenian Business Point
SRDAP	Slovenian Statistical Register of Employment
SRIP	Strategic Research and Innovation Partnerships
SDS	Slovenia's Development Strategy
SSRS	Housing Fund of the Republic of Slovenia
SURS	Statistical Office of the Republic of Slovenia
SVRK	Government Office for Development and European Cohesion Policy
TALIS	Teaching and Learning Survey
TEŠ	Šoštanj Thermal Power Plant
TFP	total factor productivity
TIMSS	Trends in International Mathematics and Science Study
TPI UK ITL3	The Productivity Institute – United Kingdom – International Territorial Level 3
UAA	utilised agricultural area
UN	United Nations
USD	US dollar

V4	Visegrad countries (Czechia, Hungary, Poland, Slovakia)
WEF	World Economic Forum
WEI+	water exploitation index plus
WHI	world happiness index
WHO	World Health Organization
WHR	World Happiness Report
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization
ZDOsk	Long Term Care Act
ZDR	Employment Act
ZIUZDS	Act on intervention measures in the field of health, labour and social affairs and health-related content
ZJRM	Protection of Public Order Act
ZNUZJV	Act Determining Emergency Measures to Ensure Public Security
ZOA	Personal Assistance Act
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZUDDob	Employee Participation in Profit Sharing Act
ZUreP-3	Spatial Management Act
ZZZS	Health Insurance Institute of Slovenia

Abbreviations of the Standard Classification of Activities (SKD):

A – agriculture, forestry and fishing; **B** – mining and quarrying; **C** – manufacturing; **D** – electricity, gas, steam and air-conditioning supply; **E** – water supply, sewerage, waste management and remediation activities; **F** – construction; **G** – wholesale and retail trade, repair of motor vehicles and motorcycles; **H** – transportation and storage; **I** – accommodation and food service activities; **J** – information and communication; **K** – financial and insurance activities; **L** – real estate activities; **M** – professional, scientific and technical activities; **N** – administrative and support service activities; **O** – public administration and defence, compulsory social security; **P** – education; **Q** – human health and social work activities; **R** – arts, entertainment and recreation; **S** – other service activities; **T** – activities of households as employers; undifferentiated goods- and services-producing activities of households for own use, **U** – activities of extraterritorial organisations and bodies

Country abbreviations:

AT – Austria, **BE** – Belgium, **BG** – Bulgaria, **CZ** – Czechia, **CY** – Cyprus, **DK** – Denmark, **DE** – Germany, **ES** – Spain, **EE** – Estonia, **GR** – Greece, **FR** – France, **FI** – Finland, **HR** – Croatia, **HU** – Hungary, **IE** – Ireland, **IT** – Italy, **LU** – Luxembourg, **LT** – Lithuania, **LV** – Latvia, **MT** – Malta, **NL** – the Netherlands, **PL** – Poland, **PT** – Portugal, **RO** – Romania, **SE** – Sweden, **SI** – Slovenia, **SK** – Slovakia, **US** – the United States, **CA** – Canada, **CH** – Switzerland, **CN** – China, **KR** – South Korea, **JP** – Japan, **SG** – Singapore, **TW** – Taiwan



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