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

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European Commission

Economic and Financial Affairs

Slovenia

2026 Country Report

ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Slower growth amid rising international tensions

In 2025, GDP growth in Slovenia continued, though at a slower pace compared with the average in the post-pandemic period. The year was marked by unfavourable international developments causing trade disruptions and heightened uncertainty. In response, the Slovenian economy slowed as the export performance weakened due to low growth in major trading partners and uncertainty that negatively impacted private investments. Nevertheless, real wage growth picked up substantially and resulted in increased consumer spending, especially in the second half of 2025. Furthermore, government investment increased significantly thanks to the funds from the Recovery and Resilience Facility. GDP grew by 1.1%, below the EU average of 1.6% in 2025.

Despite the temporary setback in 2025, Slovenia's economy is expected to resume its convergence path with the EU. Labour productivity in Slovenia is at around 85.8% of the EU average, indicating that Slovenia continues to converge gradually with more advanced economies. Some competitiveness concerns remain. The real effective exchange rate appreciated in 2025, and hourly nominal unit labour costs increased above the euro area average due to high wage growth. The current account recording a surplus of 3.5% of GDP in 2025 though export market share declined in both 2024 and 2025. Medium-term growth is projected above the euro area average, driven by robust consumption and investments, including housing. Growth is forecast to reach 1.9% in 2026 and 2.3% in 2027.

Labour market conditions remained tight, with employment growth constrained by structural supply-side factors. Employment decreased in 2025, due to fewer people employed in manufacturing. Nevertheless, it remains at historically high levels with employment rate at 78.3%, well above the EU average (76.1%) and on track to achieve its 2030 target (79.5%). The unemployment rate of 3.9% in 2025 was slightly up from 2024, but still historically low and well below pre-COVID levels (4.4% in 2019) (see Annex 11). In contrast, employment continued to grow in the public sector. Due to tight labour market, overall wage growth remained high (7.1%). This was supported by public sector wage increases and continued competition for skilled labour in the private sector. Over the next years, labour and skills shortages are expected to continue limit employment growth but be partly alleviated by the inflow of foreign workers, more people in work, and increased productivity.

Since the pandemic, Slovenia's inflation has remained on average higher than the euro-area average. Inflation averaged 4.6% in Slovenia and 4.2% in the euro area between 2021-25. In 2025, headline inflation as measured by the Harmonised Index of Consumer Prices was 2.5% and remained above the 2.1% in the euro area and the ECB's medium-term target. Inflation was primarily driven by rising food prices, driven by global commodity trends, and wage growth. Thus, core inflation also remained persistent, also reflecting strong price dynamics in market services. Inflation is expected to remain above the EU average due to higher cost for companies stemming from increases in (minimum) wages and increasing energy costs. Inflation is projected to reach 3.5% in 2026 and 2.5% in 2027.

The housing market in Slovenia remains strained. The strong increase in house prices in Slovenia in recent years resulted in a higher price-to-income ratio in the country than in the EU (106.9 against 98.9), which had not been the case for more than ten years. Rental prices (including standing and new rental contracts) have soared since 2021 due to a shortage of available housing, especially in large cities where residential and tourist demand remains strong. This further impacts vulnerable groups and hinders workers' mobility.

Urban rental markets are facing mounting pressure as surging demand collides with persistent supply constraints, exacerbating housing shortages across key cities. Demand for rental housing in cities is driven by a strong demand for student accommodation, foreign workers inflow, and rising single-person households. On the supply side, the Commission estimates a cumulative housing construction gap of almost 63 000 dwellings over the period 2025-2035 ([1]) (see Annex 16). Demand for loans increased in the first half of 2025, driven by lower interest rates and rising consumer confidence. A number of structural factors hinder the house market adjustment including rental income tax policies, insufficient legal protection for both lessors and tenants, lengthy legal and administrative procedures, limited availability of services land and underutilisation of the existing housing stock (see Annex 16).

Credit growth picked up in 2025, with notable differences between the household and corporate sectors. Housing and consumer loans accounted for most of the increase in bank lending with 7.5% year-on-year growth in September 2025. It was supported by the relatively favourable economic environment, including high employment and real wage growth, as well as declining borrowing costs following the fall in interest rates. Moreover, housing market pressures also continue to drive household lending. Despite stable financial conditions and lending standards, bank credit to non-financial corporations remained weak, reaching 2.2% year-on-year growth in September 2025, reflecting persistent uncertainty weighing on non-financial corporations' investment decisions (see Annex 6).

Slovenia faces several economic security challenges linked to its highly open, export-oriented economy. Slovenia has a small and open economy, with exports accounting for 78.6% of GDP in 2025. Geopolitical tensions are heightening uncertainty and weighing on trade and investment (see Annex 5). Disruptions and restrictions in global supply chains further affect export-oriented industries, particularly manufacturing, which remains closely integrated into European production networks. Moreover, Slovenia is heavily dependent on imports for fossil fuels (see Annex 9), which has led to significant energy price increases and competitive pressures for energy-intensive industries (accounting about 5.2% of total manufacturing gross value added in 2024([2])).

Increasing public sector spending will continue to weight on public finance

Slovenia faces increasing fiscal and structural challenges in a context of rising spending pressures from ageing, post-flood reconstruction and public sector wage increases. Under its medium-term fiscal structural plan for 2025-2028, Slovenia commits to limiting net expenditure growth, aiming to maintain its deficit below the 3% of GDP threshold and keep public debt on a stable-to-downward trajectory. According to the plan, achieving this target would require a sustained improvement in the structural primary balance of 1.8 percentage points of GDP between 2024 and 2028. Structural

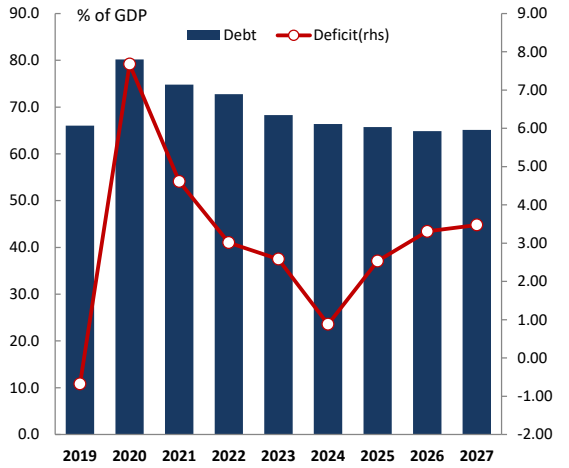
([1]) Balouktsi et al. (2026) Housing investment needs in the EU, JRC Technical Report 144703.

([2]) Eurostat, 2026, Gross value added and income by detailed industry (NACE Rev.2) (nama_10_a64), Ec.europa.eu.

reforms were adopted to ensure long-term fiscal sustainability given that Slovenia was facing some of the most acute long-term age-related spending pressures in the EU. However, additional fiscal consolidation measures are needed to meet the fiscal targets and support potential growth (see Annex 2).

The general government fiscal position weakened moderately in 2025 amid rising current expenditure and a cyclical slowdown in revenues. The government deficit in 2025 increased to 2.5% of GDP and government debt fell by 0.7 percentage point to 65.7% of GDP. The Commission spring 2026 forecast projects the deficit to rise further to 3.3% of GDP in 2026 and 3.5% of GDP in 2027. Public debt is expected to decrease to 64.9% in 2026 and then increase to 65.1% in 2027 (see Annex 2, Graph 1.1).

Graph 1.1: **Trends in general government debt and deficit (% of GDP)**



Source: European Commission Spring 2026 Economic Forecast.

Structural increases in current government expenditure complicates medium-term consolidation efforts. While the introduction of a new long-term care contribution and a higher CO_2 emissions tax increased revenues in 2024 and 2025, they have been entirely offset by a structural increase in primary spending in particular for public sector wages and social benefits. Alongside current spending, high levels of public investment including post-flood reconstruction and the increase in defence expenditure are adding up to budgetary pressures (see Annex 2).

Expenditure on defence in Slovenia is increasing over time. To facilitate an increase in public spending on defence, the Council of the European Union has activated the 'national escape clause' for Slovenia. Total government expenditure on defence amounted to 1.4% GDP in 2024 and 1.3% GDP in 2025 and is forecast by the Commission to be 1.6% in 2026 (Annex 2) with the objective of reaching up to 3% of GDP by 2030 under the Resolution on the General Long-Term Development and Equipping Programme of the Slovenian Armed Forces up to 2040 ([3]).

Climate change increasingly affects public finances. Scenario analyses show that the long-term costs of inaction significantly exceed those of climate action ([4]). Slovenia's climate insurance protection gap, estimated at almost 97%, highlights potential fiscal risks (see EEA data ([5])). Meeting Slovenia's mitigation and adaptation priorities will require additional resources. On a positive note, Slovenia is using tagging to include green considerations into its budgetary decision-making process (see Annex 2). This reform was introduced in 2024 as part Slovenia's Recovery and Resilience Plan.

Improving the quality of spending and revenue mix

In 2025, some important legislative changes were carried out in Slovenia addressing the fiscal sustainability of social protection, fulfilling key commitments under its Recovery and

([3])https://www.gov.si/assets/ministrstva/MO/Dokumenti/resolucija40_1_slo_eng_info.pdf.

([4])See European Commission (2026), Debt Sustainability Monitor 2025, Institutional Paper No 332, 12 February 2026.

([5])Economic losses from weather- and climate-related extremes in Europe | Indicators | European Environment Agency (EEA).

Resilience Plan (RRP). The government adopted the pension reform in September 2025 which became effective from January 2026. At the same time, amendments to the healthcare and long-term care legislations were implemented (see Annexes 12 and 15). Combined, the healthcare and pension reforms are projected to generate fiscal savings of 1.8% of GDP by 2040 ([6]). The pension reform is expected to lower the expenditures by around 1 percentage point, based on the simulations carried out by the Slovenian Institute of Economic Research.

However, Slovenia's rapidly-ageing population continues to exert pressure in the medium term. According to the IMF, spending on health and long-term care are projected to increase by 1.1% of GDP in 2040 ([7]). Concurrently, a projected shrinking of the workforce structurally limits revenue generation through social security contributions, increasing the risk of financing gaps and requiring efforts to improve the quality of public finance. Moreover, supplementary pensions play only a limited role in providing retirement income, with low coverage and limited financial depth (see Annexes 2 and 6).

Slovenia's medium-term fiscal sustainability depends on containing current expenditure and implementing recently adopted structural reforms. The public sector wage reform implemented in 2025 carries estimated total costs of 1.8% of GDP for the entire 2025-2028 period. However, in 2025 alone, public-sector wages already increased by 1.1 percentage point of GDP, including the introduction of a '14th-month' salary bonus. Subsequent measures, such as minimum wage increases, present risks of (I) overshooting initial salary increases, (ii) compressing the wage scale, and (iii) decoupling wage growth from productivity.

Recent legislative amendments on healthcare under the RRP have improved the quality, accessibility and fiscal sustainability of the system. However, structural bottlenecks including capacity constraints, labour shortages and long waiting times remain a long-term challenge (see Annex 15). The long-term success of the pension reform depends on executing its planned implementation schedule.

The regular assessment of spending efficiency provides a tool to address rising ageing costs and improve the overall quality of public finances. Slovenia has experience in producing analyses on public spending, but these are not yet integrated into the annual budget process (see Annex 2). Although Slovenia has set up a 'public internal financial control service' at the Ministry of Finance and addresses individual expenditure items, the country has not consistently implemented regular spending reviews to assess public spending, identify efficiencies and inform budget decisions. Systematic assessment of spending in largest areas - social protection (17.1% of GDP), healthcare (8% of GDP), economic affairs (5.7% of GDP including subsidies) and education (5.5% of GDP) ([8]) – could produce specific reform and efficiency recommendations and feed into the regular budgeting process to improve fiscal sustainability. Institutionalising reviews in these sectors increases accountability and facilitates the reallocation of resources and, therefore, improves the quality of public services ([9]).

Initiatives are needed to assess and improve the efficiency of both current and capital expenditures. On the current expenditure side, despite an increase in spending volumes for social transfers, the population rate of people at risk of poverty or

([6]) IMF, Republic of Slovenia-Staff report for the 2025 Article IV Consultation, January 2026. Link.

([7]) IMF, Republic of Slovenia-Staff report for the 2025 Article IV Consultation, January 2026. Link.

([8]) SiStat, https://pxweb.stat.si/SiStatData/pxweb/en/Data/-/0314950S.px/.

([9]) For example, Slovakia's Ministry of Finance–working with relevant sectoral ministries–conducts annual spending reviews of several major spending areas (e.g. health, transport, education, environment). Efficiency recommendations from these reviews inform medium-term budgeting and fiscal planning.

social exclusion has risen for the fourth consecutive year largely driven by an increase in the at-risk-of-poverty rate, notably among the elderly population ([10]). This suggests that the system is failing to reach the most vulnerable households (see Annex 13). Social benefits must be harmonised and better targeted to produce efficiency gains. For instance, harmonising the fragmented family support – currently split between child benefits, large family benefit and tax allowances – into a unified means-tested system with a gradual withdrawal mechanism would address the lack of integration, eliminate regressive overlaps, remove income traps and prioritise support for the most vulnerable ([11]). In parallel, sick leave rates have increased since the pandemic and the total expenditure on sick leave benefits ([12]) now exceeds 1% of GDP and measures are being introduced to improve efficiency while preserving the effectiveness of the social safety net, including through the recent health reforms. In the education system, there is a low teacher-students ratio (2023: 10.9 vs EU 13.4) in primary education. In higher education there are high dropout and non-completion rates and programmes with persistently low enrolment that are now being addressed by developing a new performance-based financing system to improve spending effectiveness (see Annex 13). Slovenia's public investments remain well above the EU average, but the Fiscal Council notes that composition and planning challenges persist ([13]).

There is significant scope to improve Slovenia's tax mix and make it more growth-friendly and sustainable. Recent measures have further increased the country's reliance on labour taxation, which accounts for 52% of total tax revenues. Social security contributions at 16.8% of GDP, remain well above the EU aggregate of 13% (see Annex 3). Capital taxes were temporarily increased to fund post-flood reconstruction. However, capital and wealth taxation generally remain below the EU average, leaving a persistently high labour tax wedge that can discourage job creation and have a negative effect on labour supply. In the context of a rapidly-ageing population and a shrinking working-age workforce, Slovenia's heavy reliance on labour taxes may pose a structural risk, and shifting the tax burden away from labour toward more sustainable bases could mitigate ([14]) this impact. Slovenia makes limited use of less-distortive revenue sources; recurrent property taxes generate revenues well below the EU average and starting point of a reform have not been put forward (see Annex 3) ([15]).

In line with the need for systematic expenditure reviews, there is significant scope to evaluate Slovenia's extensive system of tax expenditures to improve fiscal sustainability. Although these are regularly reported, the system – which amounted to EUR 3.3 billion or 5.2% of GDP in 2023 – lacks a framework to evaluate its economic efficiency or necessity ([16]). Integrating the evaluation of tax expenditures into the broader spending review process could simplify the tax code, reduce administrative complexity and broaden the tax base. Such an approach to both expenditure and revenue-side measures would generate the fiscal space required to support growth-enhancing

([10]) Social Scoreboard: https://ec.europa.eu/eurostat/cache/dashboard/social-scoreboard/.

([11]) OECD (forthcoming), The impact of harmonising benefit system on work incentives, redistribution and budgets: Supporting benefit reform design in Portugal and Slovenia. [under revision before publication].

([12]) European Commission, Eurostat [spr_exp_fsi].

([13]) Delakorda A. (2025), 'Public expenditure reviews: good practices and the situation in the EU and Slovenia', Fiscal Council document No. 30-3/2025/1, Fiscal Council, Ljubljana.

([14]) European Commission (2025), Annual Report on Taxation 2025: Review of taxation policies in the EU Member States, Directorate-General for Taxation and Customs Union, June 2025, page 26.

([15]) Ministry of Finance of the Republic of Slovenia (2025), Tax Expenditure Report 2023 (Poročilo o davčnih izdatkih v letu 2023), Analysis and Tax Policy Coordination Department, Ljubljana, September 2025.

([16]) European Commission (2025), Mind the gap – Challenges and opportunities for tax compliance and tax expenditures in the EU, Directorate-General for Taxation and Customs Union, December 2025, Country fiche: Slovenia.

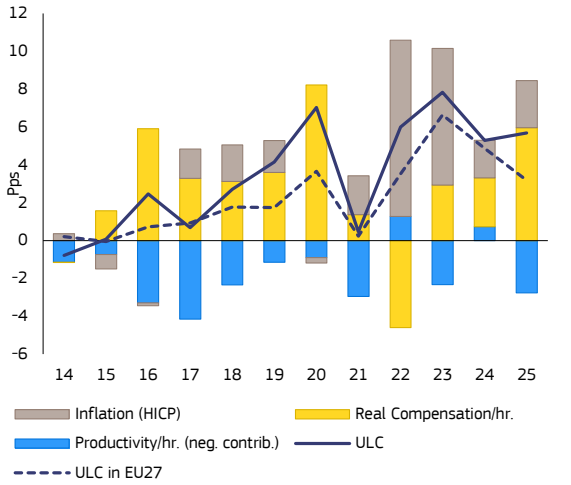
investments and improve the overall quality of public finances without raising statutory rates.

Key competitiveness challenges

Slovenia's competitiveness remained under pressure amid unfavourable price and cost dynamics. Price competitiveness deteriorated as domestic inflation, rising producer prices, and a stronger euro reduced exporters' relative price advantage. Despite greater external demand during the year, Slovenian firms faced tighter margins as higher labour and input costs were increasingly passed on in final prices, making them less competitive. Cost competitiveness also weakened since wage growth outpaced labour productivity growth (see Graph 1.2). Consequently, unit labour costs remain high (5.7%) and outpaced the EU growth (3.2%) and making Slovenia less competitive.

Despite gradual convergence of labour productivity with more advanced economies, the gap with productivity leaders such as Germany or Austria remains significant. This gap partly reflects lower capital intensity, as well as structural factors such as differences in innovation performance, sectoral composition and firm size distribution.

Graph 1.2: **Decomposition of rate of change of ULC**



(1) Unit labour cost (ULC) defined as the ratio between nominal compensation of employees per hour worked and real productivity per hour worked. Nominal compensation of employees per hour worked is further broken down into contributions from changes in real compensation and HICP inflation.
Source: European Commission.

Slovenia's growth-enhancing investment, productivity and innovations are lagging behind the EU innovation leaders. Private investments lag persistently behind the EU average, especially due to low levels of intangible investment which are crucial for labour productivity growth. The Slovenian business environment faces major challenges: unstable domestic and foreign environment; skills shortages, high administrative obstacles both for domestic companies and for foreign investors, including for service trade. Worsening education outcomes and relatively low participation in adult learning are further hampering economic growth and competitiveness. Furthermore, despite overall favourable access to finance for larger companies, it remains a challenge for SMEs, startups and scaleups. There are some instruments helping to fill the gap, but underdeveloped capital market continues to weight on innovative-investment opportunities.

Key regional challenges

Slovenia's regional competitiveness ([17]) exceeds the EU average, but disparities persist. High-value-added economic activities and innovation are concentrated in the west, particularly in the capital region, while eastern regions have low R&D investments and weaker productivity outcomes. GDP per capita is 136% of the EU average in Osrednjeslovenska (the capital region), while it is just 50% of the EU average in Zasavska region located in the east of the country.

Regional disparities continue to persist in labour-market outcomes. Between 2014 and 2024, employment growth was strongest in the Osrednjeslovenska and Obalno-kraška regions, while several northern and eastern regions, including Pomurska and Koroška, experienced noticeably slower growth. Inter-regional labour mobility is still low and skills development levels vary across regions. The just transition from coal continues to be a significant challenge, including in terms of job creation, in the Savinjsko-Šaleška and Zasavska regions, which are benefiting from the EU Just Transition Fund (see Annex 18).

Infrastructure gaps and accessibility issues are a clear bottleneck for regional development. Digital connectivity gaps in remote regions and in predominantly rural and geographically challenging areas limit the diffusion of digital technologies to households and SMEs outside major urban centres. Public transport use is lowest in the Koroška and Obalno-kraška regions and highest in the Osrednjeslovenska region, with particularly pronounced urban–rural gaps (see Annex 18). There is a structural shortage of non-profit rental housing, with the highest unmet needs in the Osrednjeslovenska (notably Ljubljana), Savinjska, Obalno-kraška and Podravska regions. Housing quality is particularly problematic in the Pomurska region.

Regional disparities also affect access to public services. Slovenia also has challenges in providing access to key local public services, such as education, healthcare and long-term care. The eastern regions record substantially lower accessibility levels than the western regions and Osrednjeslovenska, negatively impacting their economic development and residents' ability to remain in their region.

EU funding instruments provide considerable resources to Slovenia. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) provides Slovenia with an EU contribution of EUR 1.2 billion under the CAP strategic plan for 2023-2027 ([18]). A further EUR 238.8 million are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in Slovenia, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

([17]) As reflected by the Regional Competitiveness Index (RCI) 2022.

([18]) An overview of Slovenia's formally approved strategy to implement the EU's common agricultural policy nationally can be found at https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/slovenia_en.

Box 1

UN Sustainable Development Goals (SDGs)

Slovenia performs well on reduced inequalities (SDG 10) and poverty and basic needs (SDG 1). However, the percentage of people at risk of poverty and basic needs has been rising since 2021. Slovenia is further improving on most SDGs related to productivity, competitiveness and macroeconomic stability (SDGs 8, 9 and 16) but is moving away from the EU average on quality education (SDG 4).

Challenges persist in quality education, particularly due to negative trends in digital skills (SDG 4), as well as in responsible consumption and production (SDG 12), particularly in the target for per capita waste generation. Slovenia's performance is below the EU average on certain indicators, including on those related to environmental sustainability (SDGs 2, 9, 12, 13), gender equality (SDG 5) and the partnerships for the goals (SDG 17).

Box 2

Key achievements of the Recovery and Resilience Facility (RRF)

Slovenia's recovery and resilience plan represents a total budget of **EUR 2.082 billion**, corresponding to **3.3 % of GDP**, aimed at supporting reforms and investments contributing to the green and digital transitions, strengthening economic resilience, and addressing long-standing structural challenges identified in the European Semester.

As of **21 April 2026, EUR 1.77 billion** (around 85% of the total allocation) has been disbursed to Slovenia following the satisfactory fulfilment of 107 milestones and targets, [of which EUR 466 million in loans]. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering tangible results on the ground.

Spillover effects from other EU countries, estimated at EUR 0.9 billion, account for about 30% of the total impact.

Highlights and impact of the plan

- **Long-term care.** The entry into force of the long-term care act established long-term care as a new pillar of social rights. The RRP also financed investment for newly built institutional care facilities.
- **Pension reform.** The pension reform contributes to the long-term fiscal sustainability of the pension system and the adequacy of pension.
- **Cleaner commute.** By renovating and upgrading four railway stations and 49 km of railway lines, Slovenia is improving public passenger transport.
- **More resilient labour market.** Setting up of a permanent short-time work scheme activated in the event of natural disasters and sudden economic crisis.
- **Affordable housing.** Construction of public rental housing in Slovenia primarily for socially disadvantaged and marginalised groups.
- **Digitalisation of education and science.** Improved high-capacity connectivity for educational institutions and public research institutes.

Box 3

Contribution of cohesion policy funds

EU cohesion policy funding is supporting Slovenia's efforts to boost competitiveness, environmental sustainability, skills and social fairness. In the 2021-2027 programming period, EU cohesion policy funds ([19]) are providing EUR 3.24 billion (amounting to EUR 4.32 billion with national co-financing), or 4.8% of 2024 GDP, to Slovenia. This makes cohesion policy one of the main sources of public investment in the country. The value of selected projects corresponded to 65.5 % of the total allocation as of March 2026, with additional calls for projects in the pipeline.

- **Innovation, business environment and productivity.** Nearly EUR 775 million has been allocated for research, innovation and SMEs' competitiveness, and more than EUR 258 million for the regions most affected by the transition away from carbon-intensive activities, focusing on economic diversification and energy restructuring. Projects are already underway, with implementation progressing and expected to benefit nearly 10 000 enterprises of all sizes (micro, small, medium, and large).

- **Decarbonisation, energy affordability and sustainability.** EUR 765 million has been dedicated to clean transition projects, out of which more than EUR 171 million to climate change adaptation, resulting in better protection from floods, wildfires and other natural disaster for more than 1.1 million people. More than EUR 159 million has been allocated to drinking water and wastewater treatment projects, which are expected to improve facilities for 100 000 people. A further EUR 83 million has been allocated to supporting energy-efficiency projects and activities.

- **Skills, quality jobs and social fairness.** EUR 580 million has been allocated to supporting skills development, lifelong learning and improving the labour market relevance of education and training systems, as well as enhancing access to employment and social inclusion and strengthening digital and green skills. The European Social Fund Plus (ESF+) also supports better working conditions, social inclusion measures and access to education for vulnerable groups, alongside strengthening social and long-term care services. Over 32 000 participants have already benefited from ESF+ operations. In addition, EUR 30 million has been dedicated to addressing material deprivation, providing food and basic assistance to the most vulnerable people.

The mid-term review ([20]) increased cohesion policy's contribution to emerging strategic priorities, reallocating funds of more than EUR 539 million. More than half of these reallocations support defence and civil preparedness, particularly military mobility along the EU's main corridors and dual-use heath infrastructure. The mid-term review will also strengthen competitiveness, through support for critical technologies, improvements in energy efficiency and increased energy connectivity to secure clean electricity supply and investments in more affordable housing. Moreover, Slovenia will develop a nationwide skills action plan, address cybersecurity challenges, and further invest in improving digital skills and promoting quality employment and decent working conditions. In addition to the cohesion policy funding, Slovenia will be allocated almost EUR 357 million under the Social Climate Fund over 2026–2032 to help address the social impact of the new emissions trading system (ETS2), supporting vulnerable households and the most vulnerable groups affected by transport poverty.

([19]) ERDF, ESF+, CF and JTF.

([20]) The mid-term review is carried out halfway through the 2021-2027 programming period. It is as formal assessment process required under Article 18 of the Common Provisions Regulation that aims to assess the implementation of programmes and, where necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

In 2025 the Commission recommended that Slovenia simplify regulation, reduce barriers to services trade, promote business dynamism, strengthen venture capital, and invest in research, development and innovation. Since then, Slovenia has implemented several measures to foster business dynamism, such as creating a one-stop-shop for business, improving access to investment through improvements in tax regulation, and adopting a start-up strategy. However, it has done less to reduce barriers to services trade and improve access to finance for innovation-driven businesses.

Creating a stimulating environment to support investment in research, development and innovation remains a priority. Research spending remains below the EU average and the relevant national target. Venture capital financing is lower compared with peer countries. To strengthen Slovenian business and the single market, it is crucial that reducing cumbersome regulation and lengthy procedures remain a priority. Measures such as development of domestic venture capital markets and greater mobilisation of institutional and household savings to increase the supply of internally generated funds would help support business investment and strengthen Slovenia's innovation ecosystem. It remains to be seen whether current initiatives can deliver on these objectives.

Boosting productivity and business dynamism

Slovenian business investment, especially intangible investment, lagged behind the EU innovation leaders, increasing the productivity and innovation gaps. Despite a diverse industrial base and strong exports, private investment (11.7% of GDP in 2024) lags behind the EU average (12.5%), pointing to a persistent investment gap that constrains productivity growth (see Annex 5). Although investment in machinery and equipment is broadly in line with the EU average level, investment in R&D, software, databases, and organisational capital ([21]) remains low due to structural factors, creating a 4.5% GDP gap with EU innovation leaders ([22]).

Slovenia's labour productivity has continued to converge gradually toward the EU average, but too slowly to offset rising labour costs and sustain long-term competitiveness. Labour productivity remained close to around 86% of the EU average reached in 2025, despite weak and volatile growth. Productivity growth in recent years has been modest, reflecting subdued investment, especially in intangible capital, skill shortages, particularly in the ICT sector, and limited reallocation of labour toward higher value-added activities (see Annexes 4, 5, 11 and 18). The working-age population is shrinking, increasing the need for vital, intangible productivity-enhancing investments to maintain and increase output. Research indicates that intangible capital investment drives 40–50% of productivity growth across European economies, both economy-wide and sector-specific ([23]).

([21]) The IMF's organisational capital falls under the category of intangible assets, which also includes organisational structure, business strategy, brand, and intellectual property, in accordance with the established Corrado–Hulten–Sichel (2005) classification.

([22]) IMF Country Report No. 26/16: Republic of Slovenia: Selected Issues. January 2026.

([23]) IMF Republic of Slovenia: Selected Issues. January 2026, https://www.imf.org/en/publications/cr/issues/2026/01/23/republic-of-slovenia-selected-issues-573435.

Slovenia's company productivity growth is equally dispersed and to a lesser extent driven by the most productive companies. Based on the OECD micro-data study ([24]), Slovenia has seen high within-industry productivity growth. From 2010 to 2019, as well as 2019 to 2023, productivity growth in Slovenia averaged 1.9% and 1.7%, respectively, compared to 1.3% and 0.8% during that same period for the median country in the study. However, there is a lack of 'creative destruction', i.e. less productive firms giving way to new ideas and business models. The 10% least productive firms in an industry were on average about 25% as productive as the 10% most productive ones over 2010-2023, the second-highest in the study's sample of countries, while the 10% most productive firms' productivity grew slightly less than in the median country in the study. Slovenia thus has low productivity dispersion, and productivity gains were widespread across all parts of the productivity distribution, possibly indicating that there are too few rapidly rising high-productivity firms with radical innovations.

Policy uncertainty and regulatory inefficiencies continue to constrain the investment climate and weaken competitiveness within the EU single market. Slovenian firms cite uncertainty in the domestic and foreign economic environment, skills shortages, and regulatory and tax burdens as key investment barriers (see Annexes 4 and 5). While external risk lies beyond country's control, frequent revisions of the tax system, and uncertainties about the general policy framework have impacted negatively on the business climate. Furthermore, excessive regulatory requirements, slow permitting processes and the need to manage legal formalities physically are raising compliance costs and operating expenses. This discourages both domestic and foreign investment and hinders business dynamism (see Annex 5). Slovenia's taxation of earnings from labour (tax wedge) is high across different levels, particularly high for higher brackets, impacting negatively the attractiveness of Slovenia for foreign skilled workers (see Section 1). In addition, despite the significant progress in digitalising public services, Slovenia is still slightly below the EU average, and some challenges remain in ensuring the user-centricity, interoperability and reuse of data across levels of government (see Annex 7).

Slovenia continues to exhibit persistent labour shortages and skills mismatches, particularly in green and digital transition sectors. Despite a well-educated workforce, including a strong percentage of STEM graduates, employers report acute shortages of highly skilled labour, especially in ICT and green transition skills. In 2024, 63.9% firms reported ICT skill gaps (among the EU's highest), while adult digital proficiency (46.5%) lagged behind the EU average (60.4%). Skills shortages and the persistently low basic digital skills in the workforce are increasingly hindering business digitalisation and innovation, especially due to the lack of ICT specialists and advanced digital experts (country-specific recommendation CSR 5).

The skills gap limits the adoption of digital technologies, particularly among SMEs, and prevents the labour market from adapting to the needs of a digital economy (see Annexes 4, 5, 11 and 18). Through the 2026 skill action plan under preparation, Slovenia has an ambition to meet its 2030 target of 60% adult participation in lifelong learning. However, its ability to attract foreign talent is hindered by low income levels due to high labour taxation, limited retention programmes, and low digitalisation. Addressing these challenges is vital to drive innovation and sustain competitiveness.

Slovenia's business dynamism remains slightly below the EU average. In 2025 the Commission recommended that Slovenia strengthen competitiveness by promoting business dynamism and the creation of high-growth companies through improving the conditions for equity investment. Slovenia exhibits moderate business dynamism, with low entry and exit rates but strong early-stage performance among new firms. In 2024, the

([24]) OECD Insights on Productivity – Country Notes: Slovenia, January 2026.

number of active enterprises in Slovenia rose by 2.4%, but their turnover fell by 0.7% ([25]), the first decline since 2020. Moreover, high-growth firms and gazelles also declined in 2024 by 6.5% and 8.5%, respectively, reflecting weaker job creation. To counter this, a series of reforms including a one-stop shop, the 'STOP the Bureaucracy' portal, faster renewable permitting, and the *Startup Strategy 2030* aim to reduce administrative barriers, boost venture capital and provide systemic support for positioning Slovenia as a hub for high-growth start-ups (see Annex 5).

Slovenia's service trade remains among the EU's most restrictive, with little progress on reform. Barriers to the single market persist, affecting especially service trade which was reflected in the 2025 CSR 3.1. Foreign suppliers face high barriers, particularly in engineering, law, and architecture, where strict stay limits and complicated qualification recognition stifle market access and competition. Moreover, Slovenia regulates 261 professions, significantly more than the EU median (200). Other barriers are fragmented regulatory and administrative rules, including language requirements. Despite a gradual rise in services exports, Slovenia has fully implemented just one of the 2021 Commission recommendations ([26]) in the field of business services (and partially addressed two others), leaving key barriers in place. Finally, easing administrative requirements in the implementation of posting of workers rules could reduce regulatory fragmentation within the single market, facilitate cross-border mobility and foster competitiveness, without undermining workers' protections

([25]) Compared to 2023, turnover fell most sharply in energy sector (by 23.0%), and grew the most in real estate activities (20.6%).

([26]) European Commission, 2021, Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021, Eur-lex.europa.eu.

Closing the innovation gap

Slovenia's innovation ecosystem is at a critical juncture, where structural strengths are constrained by persistent underinvestment and systemic inefficiencies. Improving the conditions for investments in research, development and innovation, was among the 2025 CSRs. Despite a strong high-tech manufacturing sector and a dense pool of private-sector researchers, business R&D spending has fallen for three years to 1.5% of GDP (aligned with the EU average), particularly among SMEs.

Vulnerability to external shocks, including energy crises and supply chain disruptions, revealed fragility, particularly in services and incremental innovation. Slovenia's public R&D spending (0.64% of GDP in 2024) is rising but falls short of the 0.08% annual growth needed to hit its 2030 target (1.25%) (see Annex 4). Public financial support is broadly comparable to EU benchmarks, but it disproportionately benefits established firms, with grant caps potentially limiting breakthrough innovations. While there are some positive emerging initiatives, such as strategic funding projects, support for IPCEI projects and targeted support for high-potential proposals, the effective deployment of alternative investment instruments will help Slovenia's innovation capacity and its full realisation.

Slovenia performs well in public-private co-publications, but collaboration between science and industry remains fragmented. While 'strategic research and innovation partnerships' have helped maintain the high level of collaboration between business and academia, evidenced by the number of public-private co-publications, connections within the innovation ecosystem are lagging and long-term institutional partnerships are scarce. Public-private partnerships in Slovenia vary across regions. 'Smart specialisation strategies' align cohesion policy funding with regional innovation priorities, effectively strengthening regional innovation capacities (see Annex 18). Slovenia

struggles to turn excellent research into successful products, partly due to complicated rules and a lack of entrepreneurial culture, as well as limited investment in R&D by Slovenian businesses which is below the EU average.

Improving access to finance for innovation-driven business

Access to finance remains a challenge, especially for innovative start-ups, scale-ups and SMEs. Among the 2025 CSRs, Slovenia was encouraged to promote the creation of high-growth companies by improving the conditions for equity investment (including venture capital investment) for institutional investors. Slovenian firms rely heavily on internal funding and bank loans, while financing through capital markets (such as equity or corporate bond issuance) remains limited. Larger and older firms have good access to funding, but some companies, particularly SMEs ([27]) and late-stage start-ups and scale-ups, face difficulties in accessing funding, especially for intangible investment ([28]). Access to finance for these groups can be key to boosting innovative investment and long-term competitiveness.

Companies in Slovenia still face relatively limited access to non-bank funding, although the country has implemented several initiatives to address this issue. Listed shares and bonds represent only 9% (vs 24% in the EU) of external sources of non-financial corporations in Slovenia. This largely reflects the relatively underdeveloped capital market and the limited participation of domestic institutional investors in financing innovative companies and start-ups. Equity market capitalisation remains low, amounting to around 17.9% of GDP at the end of 2024 compared with an EU average of 67% (see Graph 2.1). The Slovenian government provides through specialised public financial institutions, including SID Bank and the Slovenian Enterprise Fund, various support mechanisms for start-ups and SMEs. These play an important role in filling financing gaps by providing guarantees, concessional loans and equity instruments (see Annex 4 and 6).

Less-developed local venture-capital and growth-capital markets further compound the lack of funding sources for innovation, which is a key element for competitiveness. Private equity and venture capital assets are significantly below EU averages with 0.04% and 0.01% of GDP in 2024, compared with the EU averages of 0.46% and 0.06% of GDP, respectively. Domestic institutional investors like insurance companies and pension funds provide little in the way of funding for start-ups and venture-capital investors due to the less developed capital market (see next paragraph and Annex 6). However, recent policy changes ([29]), including reforms to improve the business environment, facilitate access to finance and foster cooperation between public and private research sectors, could unlock some funding possibilities tailored to the specific needs of start-ups, although these measures may need to be complemented by further policy actions.

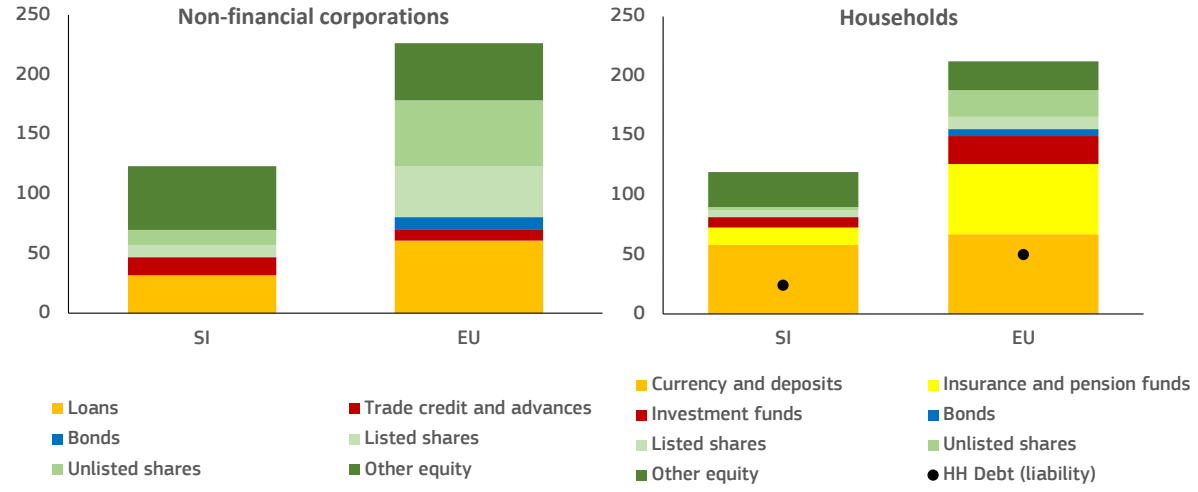
Due to less developed capital markets, Slovenia's financial system struggles to effectively channel household savings into productive corporate investment. Slovenian households hold a large proportion

([27]) According to the Bank of Slovenia on the Survey on the access to finance of enterprises 2025, access to finance improved for large enterprises, while SMEs reported worse access for almost all types of financing.

([28]) Bank of Slovenia data shows that intangible assets (like intellectual property or patents) secure around 20% of corporate loans across the euro area but just 5% in Slovenia, where their use has steadily declined. This contrasts with the EU's rising trend, highlighting untapped potential for businesses to use intangible collateral for financing. Review of macroeconomic developments, March 2026.

([29]) The government adopted amendments to the Income Tax Act, the Corporate Income Tax Act, the Investment Promotion Act (part of the RRP), and the Act on alternative forms of financing. It has also adopted the Slovenian 'Startup Strategy 2030'. A 'Slovenian Technology Fund' that invests in SMEs was also set up as part of the Slovenian Enterprise Fund (see Annexes 4 and 5).

Graph 2.1: **Composition of non-financial corporation's and household financial assets in 2024, % of GDP**



Source: Eurostat and European Commission calculations.

of their financial assets in cash and deposits rather than in market-based financial instruments. In 2024, Slovenian households held financial assets worth just 119% of GDP, below the EU average of 212%, with equity investments of only 52% of GDP (the EU average was 91%) (see Graph 2.1). This partly reflects lower participation in securities markets, pension funds and insurance products compared with the EU's more developed economies (see Annex 6).

While the percentage of household financial assets allocated to pension and investment funds has grown in recent years, it remains below the EU average. Pension assets amounted to only 7.1% of GDP in 2024 (vs 32.3% in the EU), representing the third lowest level in the EU. Also, the return on these assets is low due to the limited role of equities in the funds, possibly further discouraging participation. While the household saving rate stood at 13.3% of disposable income in 2024 (EU average: 14.6%), placing Slovenia around the middle of EU countries, only a limited proportion of these savings is channelled into productive investment. There is no automatic mechanism in place for Slovenian employees to join the supplementary pension system (see Annexes 2 and 6). In 2025, Slovenia introduced individual investment accounts to encourage individuals to invest long-term in financial markets to raise funds and diversify household savings beyond bank deposits and thereby strengthen the capital market. Moreover, for the third year in a row, the government issued new government retail bonds with a 3-year term and 3% interest rate.

Slovenia lacks stronger financial cross-border integration with the capital markets in other EU countries. This may help mobilise more capital over the longer term. At the same time, savings are less connected with productive investments in Slovenia than in some other EU countries. This reflects more limited depth and liquidity of capital markets, lower household participation in investment products, and a comparatively smaller role of equity, venture capital, and other market-based sources of financing.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

The 2025 country-specific recommendations (CSRs) called on Slovenia to accelerate the roll-out of renewables and energy storage, strengthen the electricity grid, accelerate the implementation of energy efficiency measures, promote sustainable transport and strengthen climate and water resilience. Some steps have been taken; but implementation remains partial and requires further attention.

Slovenia has made little progress on the deployment of renewables. Slowing deployment of solar photovoltaics and continued reliance on fossil fuels impacts competitiveness and affordability. While some measures have been taken to promote sustainable transport, Slovenia still faces significant challenges in transitioning away from high car dependency. It has also taken some measures to increase water resilience, but challenges remain in modernising water infrastructure, restoring fragmented freshwater ecosystems, and reducing flood risk. Significant steps have been taken towards strengthening Slovenia's climate adaptation governance with the adoption of the new Climate Act.

Accelerating the green transition to bolster competitiveness and energy affordability

Reliance on fossil fuels and limited non-fossil flexibility alternatives continue to affect economic competitiveness and energy affordability. Slovenia's 2025 CSRs called on it to accelerate the roll-out of renewables and energy storage to reduce its reliance on fossil fuels and increase non-fossil flexibility. However, in 2025, wholesale electricity prices in Slovenia averaged 106 EUR/MWh, which is higher than in 2024 and significantly above the EU average of 85 EUR/MWh. Slovenia remains vulnerable to price spikes because of its structural dependence on coal and natural gas, which still account for nearly a quarter of its electricity mix and are marginal price-setters (see Annex 9). Slovenia plans to gradually phase-out coal by 2033. A higher proportion of renewable energy in the mix is associated with a reduction in wholesale electricity prices as near zero-marginal-cost sources would displace expensive fossil fuel generation.

The deployment of solar photovoltaics (PV) has continued to slow down, while wind capacity remains stagnant. In 2025, only 147MW of new solar PV capacity was installed in Slovenia compared to 390 MW in 2024. This continues the downward trend following a surge in 2023 when over 405 MW of solar PV capacity was installed. Furthermore, the wind capacity in Slovenia has remained marginal (4 MW) and unchanged for over a decade (see Annex 9).

While Slovenia has implemented important reforms related to permitting as part of its recovery and resilience plan (RRP), administrative constraints hamper the full potential of renewables in the country. This includes the absence of designated renewable acceleration areas, which would remove the need for project-specific environmental impact assessment and significantly accelerate the permit-granting procedures. Another constraint is local municipalities' limited capacity to handle complex permitting applications and to engage better with local communities to support a more effective permit-granting process. Designating renewable acceleration areas and increasing the capacity of local municipalities could help ensure projects are implemented

smoothly, thereby providing benefits at both the local and national levels.

The integration of new renewable energy sources is increasingly hindered by current limitations in grid capacity. While Slovenia has increased its investment efforts in recent years, including by allocating funds from its RRP and cohesion policy programme, network challenges still persist (see Annex 9). Factors such as the decentralisation of electricity production, the rise of electrification in heating and transport, and the growing need for storage and flexibility mean the network needs continuous robust reinforcement.

Continued efforts are needed to implement energy efficiency measures across sectors, particularly in the building sector. The 2025 CSRs called on Slovenia to accelerate the implementation of energy efficiency measures, particularly in the building sector. Slovenia's final energy consumption rose by 2.4% in 2024 to 4.59 million tonnes of oil equivalent (Mtoe), reversing years of decline and nearing its 2030 target of 4.319 Mtoe. While industry, services and residential sectors cut energy use since 2019 (down 22.3%, 4.2% and 7.6% respectively), transport consumption increased slightly by 0.1%. Most residential savings came from technical upgrades like renovations, aligning with Slovenia's long-term renovation strategy, which targets a 17% energy reduction by 2030 (see Annex 9).

The country relies on a limited mix of grants and loans to fund energy efficiency investments. EU funds are supporting progress. Under the RRP, energy renovation of more than 80 000 m^2 of buildings is underway and 38 000 m^2 of upgrades of ventilation and cooling systems has been completed. Under cohesion policy programmes, energy renovation of more than 40 000 m^2 of buildings is underway. A draft national building renovation plan signals commitment to decarbonising buildings, which account for 30.5% of final energy use. Yet heating and cooling still dominate residential demand (77%), with renewables covering just 34% of the sector's needs (see Annex 9). Without stronger financing tools and faster renovation rates, Slovenia risks missing its energy efficiency targets while staying overly reliant on fossil fuels.

Increasing the availability and uptake of sustainable transport

Despite important efforts including recent reforms under the RRP, planned measures under the National Energy and Climate Plan as well as EU and national funds support to sustainable mobility, Slovenia faces a significant challenge in transitioning from high car dependency to sustainable mobility. The 2025 CSRs called on Slovenia to promote the electrification of the transport sector and focus investments on sustainable transport, particularly rail. Road transport remains the dominant source of growing emissions, air pollution and energy consumption in the sector. These values are all above the EU average (see Annex 8). This underscores the need for further action, particularly in industrial regions and urban transport hubs.

The electrification of transport is still lagging behind. Many large railway and e-mobility investments under the RRP, Cohesion Fund and Connecting Europe Facility (including Alternative Fuels Infrastructure Facility) are close to completion, contributing to important improvements to the railway network and to the increase in zero-emission vehicles and charging infrastructure. Yet, challenges remain. Access to alternative fuel infrastructure is only comparable to EU standards in the capital region, with other regions well below EU average (see Annex 18). Further efforts are needed to attain the Alternative Fuels Infrastructure Regulation targets. The infrastructure for charging heavy-duty vehicles remains limited across the country.

The railways also need more attention. For railways, advancing resilient infrastructure along the TEN-T corridors by 2030 (with a focus on removing the bottlenecks on the Koper-Divača and Divača-Ljubljana sections), and preparing high-speed rail lines (prioritising

the Ljubljana-Maribor section) would help achieving the modal shift. Further investments are also necessary on cross-border sections (see Annex 19). Decommissioning the legacy signalling system remains a priority. More attention must be given to the above-mentioned railway sections and to adapting the port of Koper adaptation to dual-use requirements.

Sustainable passenger transport supply and uptake remain low and uneven across the country (see Annex 18). The low uptake can be addressed by firstly improving the supply side - the frequency, reliability, accessibility and availability of national, regional and local rail and bus transport. This requires measures to address staff shortages in the sector as well as soft measures such as better coordination of timetables, single ticketing for different modes of urban and municipal transport, and accessible payment options. The significant gap in the availability of public passenger transport in urban and rural areas also needs to be addressed.

Much remains to be done in this sector. While the governance of the sector has been reformed, the results are yet to be seen. Together with ensuring additional availability of sustainable passenger transport, commuting costs policies could be reformed to support more low carbon options. Under the EU's TEN-T Regulation, Slovenia must develop at least one multimodal passenger hub equipped with recharging infrastructure for buses and coaches in both TEN-T urban nodes by 2030 to increase efficiency and optimal integration of urban nodes. The finalisation of the Ljubljana Hub with the largest population of commuters would be a priority in this regard.

Strengthening climate and water resilience, sustainable water management and environmental protection

Slovenia has significantly strengthened its climate adaptation governance framework. Slovenia is highly vulnerable and frequently exposed to climate-related risks, particularly to heavy floods, heatwaves, droughts and forest fires, whereby these risks are unevenly distributed across regions (see Annex 18). The intensifying impact of climate-related risks has also had a clear negative impact on the Slovenian economy in the past years. Some progress has been made to further strengthen climate resilience, adaptation and preparedness, as set out in the 2025 CSRs. In this regard, Slovenia has adopted a new Climate Act in 2025, which put in place a comprehensive top-down governance framework and represents an important step forward (see Annex 10). However, this is only the beginning of the process, and the effective implementation of resilience and adaptation policies is still lagging at national, regional and local level.

However, further challenges remain. Despite national efforts and support from EU funds to ensure the implementation of the necessary measures, challenges also remain in implementing the already delayed flood protection measures, the insufficient administrative capacity, and the sub-optimal coordination between different stakeholders. Nature-based solutions play a key role for increasing climate and water resilience. Some steps were taken to mainstream and accelerate the deployment of such solutions in 2025, but they have not yet been deployed widely and systematically across all sectors in Slovenia (see Annex 10). In addition, Slovenia has one of the lowest insurance coverage rates against natural disasters in the EU, which is particularly problematic in the case of floods and coastal floods (see Annex 10).

Despite Slovenia's efforts, there continue to be persistent inefficiencies in water management. The law on drinking water supply and on the collection and treatment of urban wastewater - adopted in 2025 under the RRP - is expected to ensure the long-term sustainability of water infrastructure financing and make water management more efficient. There are ongoing efforts to modernise the wastewater and drinking water infrastructure both with EU and national funds. However, there is still an investment gap in the water

sector, particularly for wastewater collection and treatment, which leaves many agglomerations without an adequate level of wastewater treatment (see Annex 10). Challenges also remain in terms of ensuring sustainable water management. Some measures have been taken to reduce water abstraction, but rivers continue to suffer from fragmented ecosystems, a poor ecological status of surface water and the risk of floods.

Slovenia has a biodiversity-rich natural environment, which is under substantial pressure. Almost 41% of Slovenia is designated as a protected area and its economy is highly dependent on its natural resources and ecosystem services. Key economic sectors (such as tourism, the food sector, agriculture, forestry and construction) are particularly vulnerable to nature loss and nature degradation (see Annex 10). Despite efforts to protect Slovenia's nature and ecosystems, their status continues to deteriorate, which further weakens the country's climate and water resilience and highlights the financing gap.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

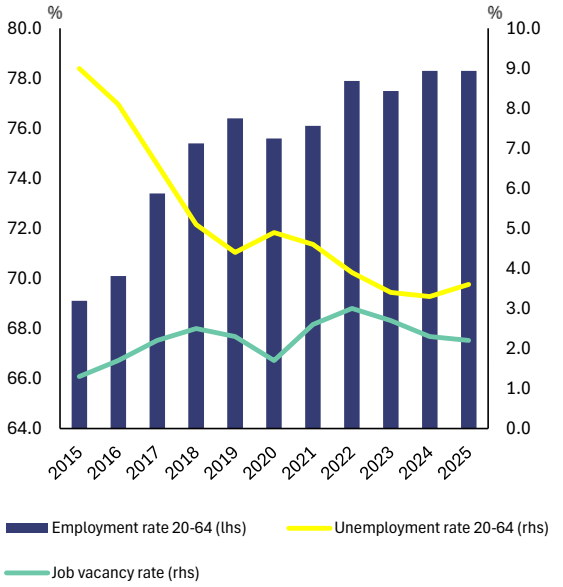
In 2025 the Commission recommended that Slovenia address labour shortages by strengthening the provision of skills and competences, including basic skills among pupils, and increasing participation in adult learning. It encouraged Slovenia to make the country more attractive for highly skilled foreign workers and to improve working conditions, particularly in the healthcare, social and long-term care and education sectors. Slovenia stepped up reforms and investments under its recovery and resilience plan (RRP) and through cohesion policy, but their results remain uneven. Low participation in adult learning and workforce shortages (particularly teachers, doctors, nurses, caregivers, and IT experts) risk slowing the delivery of reforms and limiting their impact.

Labour shortages and skills mismatches persist

Persistent labour shortages and skills mismatches undermine competitiveness. With an employment rate of 78.3% in 2025, Slovenia is well on track to reach the 2030 national employment rate target of 79.5%. Overall, job vacancy remained stable (2.2%) and slightly above the EU average (2.1%) but were higher in several professions (see Annex 11). In 2025, Slovenia's macroeconomic skills mismatch exceeded the EU average (19.9% compared to 19.2% in the EU), with half of the workforce unable to utilise their skills or lacking basic skills. This suggests a possible misalignment between education programmes and labour market demands.

More than half of Slovenian companies report difficulties in recruiting suitable workers. There is a notable shortage of ICT professionals to support the demands of the digital and green transition, with even greater deficits observed in healthcare, long-term care, and education sectors (see Annex 11). Roughly 80% of employers in these sectors report difficulties finding workers, also reflecting demanding working conditions and uncompetitive renumerations. The latter is also influenced by higher tax wedge than in neighbouring countries.

Graph 4.1: **Labour market developments**



Source: Eurostat, LFS

The Slovenian economy increasingly relies on foreign workers. Because of negative demographic trends and persistent labour shortages, Slovenia rapidly employed more foreign workers ([30]) mainly from non-EU countries ([31]). Slovenia introduced free language courses, information points and a

([30]) The number of foreign workers residing in Slovenia rose by 37.5% between 2020 and 2025 to 214.931, while the number of employed foreign workers in the same period increased by 48.4% to 148.074.

([31]) Slovenia had the highest proportion of foreign residents among eastern EU countries before Russia's full-scale invasion of Ukraine.

single permit system for work and residence, but integration remains difficult. Nevertheless, the environment for foreign workers presents challenges for rapid and inclusive integration, including cumbersome work permit procedures and qualification recognition, difficulties with the access to affordable housing, healthcare, education, and childcare, and varying public perception of migration (see Annex 11).

Slovenia faces challenges in attracting high-skilled foreign talent, essential for boosting economic competitiveness. Slovenia took important steps to attract highly skilled workers from abroad, including tax incentives for high-skilled non-residents, easing EU Blue Card requirements and introducing a digital nomad visa, but their impact remains limited. A comprehensive talent strategy could help further simplify immigration and qualification-recognition procedures and expand English-language higher education programmes and international partnerships to attract foreign students. Competitive wages in high-skill sectors such as ICT and research, along with strengthened integration and family support measures, could also help retain talent.

Slovenia adopted a reform of the pension system that applies from 1 January 2026. Adopted as part of the RRP, the reform will gradually raise the legal retirement age from 65 to 67 with minimum 15 years of insurance period and from 60 to 62 with minimum 40 years of pension qualifying period. (see Annex 12). The reform extends the reference period of pension calculation and increases the accrual rate from 63.5% to 70% for 40 years of work, thus improving both sustainability and adequacy aspects of the pension system. Moreover, an increase of survivor's pensions and other benefits such as the newly introduced winter allowance are expected to further improve pension adequacy and living standard of retirees. A complementary RRP reform restricted older employees' access to a very long unemployment benefits period. In combination these measures are expected to increase both the effective retirement age and the workforce. Older people were also overrepresented among the long-term unemployed (see Annex 11). Labour market reforms are expected to improve this situation when fully implemented. In addition, further inclusion of older workers in the active labour market policies, which have a positive impact on this group, is important ([32]).

Improving working conditions to tackle the shortage of workers

Slovenia continues to face workforce shortages in certain sectors, particularly healthcare, social and long-term care (LTC). In 2025 the Commission recommended improving job attractiveness in these sectors. Despite several reforms and policy measures under the ESF+ and the RRP, there is still a critical shortage of care workers and healthcare professionals, both in hospitals, homes for elderly and in home-care services. The number of doctors, nurses and caregivers per inhabitant in Slovenia is below the EU average, while social workers are also in short supply (see Annexes 12 and 15). Workforce shortages are exacerbated by poor working conditions ([33]), absenteeism ([34]), high workload, high turnover and an ageing workforce.

Salary levels and the public sector pay structure have been a source of tensions and strikes in recent years and important steps have been taken to improve the public sector wage system. The recent public sector wage reform is expected to address many of the problems in some of these key sectors. Workforce shortages in LTC result in the inadequate provision of LTC services (especially home-based care), long waiting times, and empty beds in homes for the elderly. Tacking these shortages requires

([32]) Amendments to the Labor Market Regulation Act and Employment Relationships Act were adopted in 2025.

([33]) Physically and emotionally demanding work conditions paired with low wages relative to responsibilities.

([34]) Health professionals in Slovenia report some of the highest rates of depression across the EU. Mental Health of Nurses and Doctors survey in the European Union, Iceland and Norway.

further improving working conditions and professional development, setting up the IT system to speed up the delivery of LTC services, developing sustainable recruitment strategies, effectively integrating migrant workers and establishing community-based service models with the assistance of social economy entities.

Addressing teachers' shortages, particularly in STEM subjects and languages, presents a challenge. According to the 2024 TALIS Survey, Slovenian teachers are less satisfied with their salaries and report a higher administrative burden. The increasing diversity of the student population makes teaching more challenging. The country has already taken measures to address teacher shortages by raising funding for scholarships for students in teacher-education programmes and by gradually raising teacher salaries. However, the effects are not yet visible. Teacher shortages persist, particularly in STEM subjects, English, Slovenian and special needs education. Other challenges include the low prestige of teaching in Slovenia and limited promotion of alternative pathways into the profession (see Annex 13).

Slovenia performs well on most job quality dimensions, but certain challenges remain. Though boasting low in-work poverty rates and a rather low percentage of low-wage earners, earnings satisfaction in Slovenia is constrained by relatively lower wage levels and perceived gaps between effort and remuneration ([35]). The Slovenian labour market is characterised by high levels of job and career security, but working conditions require attention, particularly health at the workplace. Absenteeism is above the EU average and the number of fatal accidents at work is higher than in other EU countries (2.23 vs 1.63 per 100 000 workers in EU in 2023). Another challenge is limited employee representation and participation in decision-making processes ([36]).

Basic skills are key for a competitive economy

The declining basic skills level poses a risk to human capital development and the competitiveness of the economy. The 2022 OECD PISA survey on students' skills revealed a concerning trend: nearly 25% of 15-year-olds failed to reach the minimum proficiency level in mathematics and reading. Overall declining basic skill levels weaken the skills foundation needed for upskilling and reskilling in a fast-changing economy. Moreover, according to the 2023 International Computer and Information Literacy Study, around half of the students are low achievers in digital literacy. Widespread teacher shortages contribute to the declining basic skills. Nearly 80% of basic schools employ at least one teacher without adequate qualifications, while in special schools it is almost 33% of the staff.

Slovenia has taken measures to reverse the declining basic skills trend for pupils. The revised curricula for basic and secondary schools are expected to be gradually introduced from the 2026/2027 school year. Digital skills gaps will be addressed by a new compulsory subject on Informatics and Digital Technology introduced in the seventh grade of basic school starting in the 2028/2029 school year. At the same time, digital competences are being strengthened already through the revised curricula for primary and secondary education, to be introduced gradually from the 2026/2027 school year. Challenges involve (i) ensuring targeted training for all teachers to support the effective implementation of the revised curricula, (ii) improving the general level of basic skills, and (iii) tackling inequalities in education, by introducing measures to help disadvantaged schools and

(35) Wages in Slovenia are strongly concentrated close to the minimum wage, and two thirds of employees receive a lower-than-average wage. Source: IMAD Analysis on Minimum Wage, August 2025.

([36]) IMAD Quality of Life in Slovenia, Development Report 2025, p.104.

students, such as targeted financing or additional methodological support.

Strengthening adult learning is crucial to unlock the reskilling potential across the workforce

Low participation in adult learning combined with labour shortages hamper Slovenia's competitiveness. In 2025 the Commission recommended that Slovenia boost the acquisition of skills and competences and lifelong learning. While past efforts concentrated on vulnerable groups in particular, improving the participation of the overall adult population in adult learning remains a challenge for reaching the 2030 national target on adult learning (60%). Slovenia is developing a national skills action plan and is committed to expanding measures to promote lifelong learning, strengthening career guidance, and ensuring labour market relevance of upskilling and reskilling. The action plan will be based on broad consultations of relevant authorities, social partners and other stakeholders, taking account of evaluations of past measures and a new labour market platform for long-term skill forecasting. The plan is set to be adopted in 2026 with a view to boosting adult learning, both under the European Social Fund Plus (ESF+) and other EU and national funding.

Adult digital skills remain a challenge in Slovenia. The percentage of Slovenian adults with at least basic digital skills further decreased in 2025 (46.5% vs an EU average of 60.4%) and is slowing the digital transition. At the same time, the highest future shortages in Slovenia are expected in the digital sector. Inequalities in digital inclusion risk increasing existing digital skills gaps, particularly affecting those furthest from the labour market. Slovenia is currently revising the 'Digital Slovenia 2030' strategy to strengthen its governance and delivery of digital transformation policies, including digital inclusion**.** Through a reform of the vocational education and training system, Slovenia incorporated digital, green skills and financial competencies into curricula which will be gradually introduced as of the 2026/2027 school year. Several EU and nationally funded projects are in preparations or ongoing, however the overall impact remains limited.

Lack of affordable housing limits labour mobility

Lack of affordable and social housing has been a long-term challenge. Slovenia has an estimated shortage of roughly 20 000 public rental apartments. The shortage is greatest in the capital and other urban areas, where jobs and universities are concentrated. It hinders the reduction of homelessness and the provision of affordable and adequate housing to vulnerable groups. This may also have a negative impact on labour mobility and on the attractiveness of the country for foreign workers. With the support of the RRP, Slovenia adopted a reform increasing the stock of public rental housing and providing 480 new public rental dwellings across Slovenia. The public housing stock will be further boosted with EUR 53 million from the cohesion policy programme. Moreover, systemic financing has been ensured until 2035 (with up to EUR 100 million committed annually), while the 2026-2035 national housing programme is being prepared (see Annexes 16 and 18).

KEY FINDINGS

In areas covered by existing country-specific recommendations, Slovenia would benefit from:

- **improving the quality of public finances** through spending reviews as part of the budgetary process in particular in the largest spending areas by achieving efficiency gains through harmonisation and improved targeting of social transfers; and by rebalancing taxes away from labour towards more sustainable and growth-friendly sources;

- **further reducing the administrative burden for businesses** and easing business regulation by making further progress regarding digitalisation of public services and interoperability and reuse of data, simplifying the permitting process, relaxing restrictions, particularly in regulated professions, and reducing Single Market barriers to service providers from other EU countries;

- **accelerating the increase of the public spending on R&D** to improve the quality of the public science base and provide talent for the public and private sector;

- **strengthening the link between research and industry**. A broader and more structured strategy could be developed, including by expanding collaborative R&D funding and developing innovation hubs that would help close the productivity and innovation gaps with the EU's frontrunners;

- **boosting private investment in R&I and business development by improving access to finance**, in particular by expanding capital availability, channelling savings into productive investment, including venture capital and strengthening alternative investment funds and risk-sharing instruments;

- **further developing financial markets** by implementing the capital markets development strategy and expanding investment through supplementary pension funds, including by providing a varied spectrum of investment options;

- **increasing the percentage of renewables in the electricity mix** by designating renewable acceleration areas for renewable energy installations to reduce reliance on fossil fuels and minimise exposure to volatile fuel prices (also enhancing economic security);

- **continuing to upgrade the electricity grid infrastructure** to help integrate renewable energy installations;

- **increasing the availability and uptake of sustainable modes of transport** for both passengers and freight, particularly through helping complete the TEN-T railway network, including cross border sections and high-speed railway lines, and enhanced development of urban mobility and alternative fuels infrastructure;

- **further strengthening climate adaptation and water resilience,** including by ensuring the implementation of the established climate governance framework, as well as by strengthening sustainable water management, nature protection and restoration;

- **addressing worker and skills shortages in** affected sectors, notably healthcare, education and long-term care, also by improving non-wage working conditions, raising Slovenia's attractiveness for highly skilled foreign workers, facilitating the recognition of professional qualifications,

increasing participation of under-represented groups and further integrating non-EU workers into the job market and society;

- **promoting human capital development by strengthening basic skills and participation in STEM programmes,** through targeted trainings for teachers to complement changes in the education system and further supporting disadvantaged schools and students.

- **Boosting lifelong learning and labour productivity** across the entire adult workforce by promoting upskilling and reskilling, further measures supporting activation and participation of groups with low employment rate; a special emphasis on green and digital skills is needed, including basic digital literacy.

ANNEXES

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Table A1.1: **CSR Implementation and Commission assessment**

Slovenia faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). Slovenia was recommended, among other things, to accelerate the roll-out of renewables, promote the electrification of the transport sector, address labour shortages, boost life-long learning and improve working conditions.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by Slovenia to date*. To do so, the Commission has taken into account the information provided by Slovenia in its Annual Progress Report as well as other information sources. This annex provides summary information on the policy actions taken or planned by Slovenia for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

**CSR 2 is not assessed in CeSaR. RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.*

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 1.6% of GDP, corresponding to an increase of 0.2 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 1.8% of GDP, corresponding to an increase of 0.4 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, while making use of the allowance under the national escape clause for higher defence expenditure.	Cumulated deviation in 2025 amounted to 0.5% of GDP and is only partially explained by the NEC flexibility (0.2pps. of GDP). Cumulated deviation in 2026 projected at 1.7% of GDP and is only partially explained by the NEC flexibility (0.5pps. of GDP)		Limited progress
1.3 Ensure the fiscal sustainability of social protection	In 2025, the key reforms addressing fiscal sustainability of social protection, namely pension, long term care (LTC) and health-care reform were adopted. All three reforms were part of the RRP. Two TSI projects support the on-gong long-term care reform.		Substantial Progress
1.4 rebalance tax revenues towards more growth-friendly and sustainable sources	- environmental tax for air pollution by carbon dioxide emissions increased -some growth-friendly incentives (for high skilled foreign workers, deferred taxes from stock options in start-ups and targeted measures for administrative simplification).	- ETS2 carbon tax should be implemented as of 2028 and it will substitute the tax for air pollution by carbon dioxide emissions.	Limited Progress
1.5 Improve the quality of public finances by implementing spending reviews	Slovenia took initial steps by establishing a Public Internal Control Service and analysing healthcare spending.		Limited Progress
3.1 Simplify regulation, improve regulatory tools and reduce administrative burden on businesses, including in certain services and regulated professions, as well as reducing barriers to services trade.	-a single point of contact system for businesses and two Debureaucratisation Acts - the Companies Act (aim to simplify reporting obligations); - revised Business Register Act (increasing legal certainty and	-Si is implementing the Slovenian Startup Strategy (addressing administrative obstacles and strengthen the startup ecosystem) - Slovenia has also announced	Some Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	security of transactions). - amendment to the Income Tax Act (supports innovative start-ups) - an amendment to the Corporate Income Tax Act (improved tax treatment for investment funds) - The Investment Promotion Act (to facilitate domestic and foreign investment), and Slovenia's business portal (SPOT) provided targeted support to entrepreneurs - Slovenia adopted the Startup Strategy	an action plan on the sustainable development of public administration.	
3.2 Strengthen competitiveness by promoting business dynamism and the creation of high-growth companies by improving the conditions for equity investment, including venture capital investment, for institutional investors, as well as	-Income Tax Act (supporting innovative start-ups), -the Corporate Income Tax Act (improving tax treatment for investment funds), -Investment Promotion Act (capital markets development strategy), and -Act on alternative forms of financing. - Within the framework of the Slovenian Enterprise Fund (SEF), the so-called Slovenian Technology Fund has been formed (investing in SMEs). -Slovenia adopted the Startup Strategy	-amendments to the Act on the Supportive Environment for Entrepreneurship and the Public Finance Act are envisaged (to allow greater investments by the SEF in the form of equity financing and to enable a broader and clearer use of financial engineering instruments)	Some Progress
3.3 for investments in research, development and innovation.	The amendment of the Scientific Research and Innovation Activity Act (ZZrID) was adopted in May 2025 increasing the target for financing for research and innovation activities, although the previous target and budget increase is not reached.		Limited Progress
4.1 Accelerate the roll-out of renewables and energy storage by streamlining and expediting administrative and permitting procedures by means of designating areas for wind power installations and by stepping up capacity building for permitting at local level.	In 2024, Slovenia adopted a decree allowing municipalities to benefit from one-time compensation from the state of EUR 200k per MWh if on their territory wind installations are deployed.	Renewable Acceleration Areas (RAAs): Slovenia is mapping the potential for RAAs as a first step before their designation (expected only in 2027 or 2028). New RES Support Scheme: A new support scheme is being prepared based on the Clean Industrial Deal State Aid Framework (CISAF). This will cover a wide range of technologies, including energy storage, the production of gaseous fuels, renewable heating and cooling, utilization of waste heat, hydrogen	Limited Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
		production, and biofuels. Energy Community support scheme (2026–2029): A public call is planned for co-financing investments in community self-sufficiency, specifically addressing solar PV, energy storage, and geothermal heat pumps for the period between 2026 and 2029. Draft amendments concerning Spatial Planning to simplify and accelerate spatial planning in Slovenia. The key draft amendments include: Mandatory Digital Transparency ; Stricter Deadlines for Authorities; Refined Environmental Assessments; Formal Community Engagement.	
4.2 Strengthen the electricity grid infrastructure at distribution level and introduce smart grid components.	Investments in the distribution grid have grown progressively over the years. In 2025, they reached over EUR 250 million, while in 2024 they were just over EUR 200 million. Part of the funds invested are earmarked for introduction of smart elements. According to Slovenia, 100% of customers are equipped with advanced/smart meters as of the end of 2025. However, based on network development plans, the investment gap is still significant – amounting to EUR 4 billion until 2034. Furthermore, the expected demand for electrification in transport and industry will require a significant increase of the grid capacity.		Some Progress
4.3 ...accelerate the implementation of energy efficiency measures, particularly in the building sector.	Implementation of investments under the RRP on Renovations of Buildings (T25 and T27bis with around 80 000 m2 renovated) and on Upgrades of technical building systems (T26 and T27ter with around 38 000 m2 renovated). Implementation of EE measures continued also through cohesion policy programme. However, Slovenia's final energy consumption rose by 2.4% in 2024 to 4.59 Mtoe, reversing	Finalisation of investments under the RRP, on Upgrades of technical building systems (T26 and T27ter with around 38 000 m2 renovated) is expected to be completed. In addition, further continued implementation under the RRP on Renovations of Buildings (T25 and T27bis with around 80 000 m2 renovated) is expected.	Limited Progress

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Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	years of decline. A draft National Building Renovation Plan signals commitment to decarbonising buildings, which account for 30.5% of final energy use. Yet heating and cooling still dominate residential demand (77%), with renewables covering just 34% of the sector's needs (Annex 9). Without stronger financing tools and faster renovation rates, Slovenia risks missing energy efficiency targets while staying overly reliant on fossil fuels.		
4.4 Promote the electrification of the transport sector and focus investments on sustainable transport, particularly rail.	Under the RRP, the Act on alternative fuels infrastructure has been adopted and a Public Transport Authority to integrate rail and bus services was established. Under the RRP and cohesion policy, many large railway and e-mobility investments have been implemented or are in progress,		Limited Progress
4.5 Further strengthen climate and water resilience by improving the environmental and climate adaptation governance and accelerating the implementation of targeted climate adaptation and environmental measures.	Under the RRP, Slovenia adopted the Drinking Water Supply and Municipal Wastewater Treatment and Collection Act, and continued with the implementation of drinking water supply, wastewater treatment and flood protection investments. The mentioned investments are also being implemented in the scope of cohesion policy. In 2025, the Climate Act was adopted.		Some Progress
5.1 Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition	- Pension reform increasing labour supply, removed „bridge to retirement ". -Short-TimeWork Scheme Act (2025) introduced compulsory training during reduced working hours. -Primary School Act (2025) introduced computer science and digital technology into the curriculum. -new scholarship policy for 2025–2029 offers 1,000 annual scholarships for deficit professions. -Act on the Promotion of Digital Inclusion funded 36 projects, enhancing digital skills among 38,500 youths and 25,530 adults by October 2025.	- The new National Curriculum Framework begins its gradual implementation in September 2026, with further updates continuing through 2027. As part of modernising vocational education and training, 25 secondary and 16 higher education programmes will be reformed by mid-2026. - Most recent PISA results are expected to be published in Q3 2026 and will enable better assessment of progress.	Some Progress

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Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	-Several calls launched under Cohesion Policy targeting training and education for employees, unemployed persons, workers at risk of job loss and residents of restructuring regions (Zasavje and SAŠA).		
5.2 Boost lifelong learning and training, especially for low-skilled and older workers	- SI launched a nationwide lifelong learning campaign in 2024, implementing the Resolution on the National Programme of Adult Education 2022–2030 (ReNPIO22–30) to improve adult education and literacy. - Higher Education Act, adopted (2025), introduce micro-credentials and flexible study options to modernise lifelong learning (part of MFF 2021-2027). - Call for tender to support age-management strategies and training for older employees, including soft, vocational, digital, and green competences. - January 2026: SI adopted guidelines for active employment policy measures (2026–2030), setting targets to reduce long-term unemployment and accelerate the activation of older and low-skilled workers.	- Slovenia commits to develop an Action Plan. Together with the existing Resolution on the National Programme for Adult Learning 2022-2030, Slovenia will aim at achieving the EU target of at least 60 % of adults participating in learning by 2030. The plan should be adopted by the MC by the end of 2026 at the latest. The plan will be developed in cooperation between many ministries and will provide an essential contribution from social partners.	Some Progress
5.3 Raise Slovenia's attractiveness for foreign workers with advanced skills.	-Personal Income Tax Act (Jan. 2025): introduced tax incentives for highly skilled professionals, featuring a preferential tax regime for new residents under 40 with above-average wage and beneficial tax treatment for employee stock options. -Act on Employment, Self-Employment and Work of Foreigners (adopted May 2025) implements the EU Blue Card system aimed at attracting highly qualified foreign workers. - Digital Nomad Visa (Nov. 2025): allows non-EU remote workers to reside in SI for up to a year, while working for employers or clients abroad.		Some Progress
5.4 Improve working conditions, particularly in the healthcare, social and long-term care and teaching sectors.	As part of the RRP, the Public Sector Salary System Reform (Jan. 2025) increased public sector wages, including teacher, healthcare and LTC workers; Salaries are increased gradually	- New pilot internship program for nurses (as in 2024) to be launched in 2026 which aims at developing training models for healthcare, improve service quality, and tackle labour	Some Progress

(Continued on the next page)

Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	by 2028, with lower-paid and entry-level roles benefiting the earliest. The reform ensures that no basic salary is lower than the national minimum wage, while simultaneously it expands the pay ratio between the lowest and highest grades to 1:7. Real growth of gross wage per employee in the public sector in 2025 was 6.8% and a further 3.8% is expected in 2026. Alongside the wage reform, a new winter allowance has been introduced in October 2025. In January 2026, statutory minimum wage has been increased by 16%. According to latest OECD data[1] (from 2023), ratio to average wage of hospital nurses and general practitioners is close to OECD average. -Act on Temporary Measures to Improve Staffing and Working Conditions and Capacity for Social Care Services and LTC: enhances social assistance services, including co-financing vocational qualifications, volunteer engagement, foreign employee integration, and training in care professions as well as scholarships for nursing and social work. -Organization and Financing of Education Act (July 2025): Allows current teachers to take on an additional 20% workload at the same institution; issued a call for retired teachers to return; scholarships for pedagogy students, subsidies for teacher development. - Scholarships for pedagogy students, subsidies for continuing professional development of existing teachers, and funded internship schemes with mentoring. -Act on Recognition of Professional Qualifications in Healthcare (June 2025): Provides a streamlined framework for employing foreign healthcare	shortages - Action Plan for Skills, which will be developed in 2026, will also cover the needs for skills in the Healthcare sector.	

[1] OECD (2025), *Health at a Glance 2025: OECD Indicators*, OECD Publishing, Paris, https://doi.org/10.1787/8f9e3f98-en.

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Table (continued)

Recommendation text	**Main measures adopted or implemented** *By 30 April 2026*	**Preparatory steps/ credibly announced measures** *By 30 April 2026*	**Assessm. of progress**
	professionals. -Social Security Act: permits hiring of social care workers without professional exams. Aligns qualifications recognition for EU and foreigners. -pilot internship programme for nurses (2024–2026) establishes a training model for healthcare and LTC. -Public calls for scholarships published for the 2025/2026 school year aim to attract youth to healthcare and social work. - A TSI 2025 project is supporting the SI authorities in the implementation of Slovenia's new Long-Term Care Act (ZDOsk-i), as well as enhancing the staff capacity in assessing the eligibility of individuals for LTC coverage under insurance, ensuring a uniform application of criteria across all regions - The National Strategy for the Development and Management of Human Resources in Healthcare 2026–2036, which is a comprehensive framework for recruitment and retention of healthcare staff, was adopted by the government in March 2026.		

Source: Commission assessment

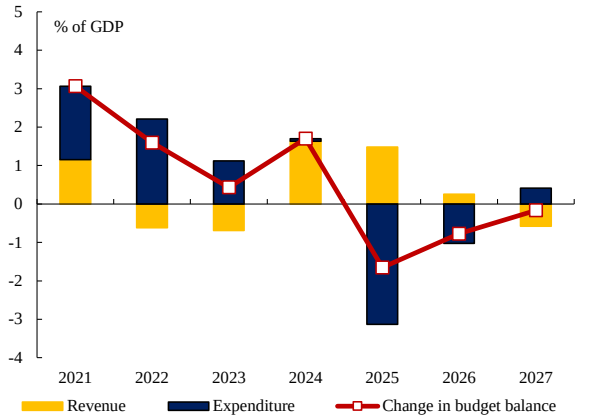
This annex discusses selected topics in public finance and developments in fiscal-structural country-specific recommendations (CSRs) addressed to Slovenia in July 2025. These CSRs include a call to strengthen defence spending and readiness while implementing a fiscal strategy in line with the Council Recommendation of 21 January 2025. Slovenia also received a recommendation to take decisive action to ensure that social protection is fiscally sustainable, rebalance tax revenues towards more growth-friendly and sustainable sources, and improve the quality of public finances by implementing spending reviews.

On 21 January 2025, the Council of the European Union adopted the Recommendation endorsing Slovenia's medium-term fiscal-structural plan ([37]). The plan includes a fiscal adjustment over four years. On 8 July 2025, the Council also activated the national escape clause for Slovenia to facilitate its transition to higher levels of defence spending ([38])([39]).

Developments in the government balance, debt and public expenditure ([40])

Slovenia's government deficit was equivalent to 2.5% of GDP and the government debt-to-GDP ratio amounted to 65.7% at the end of 2025. Based on the Commission Spring 2026 Forecast, Slovenia's government deficit is projected to increase to 3.3% of GDP in 2026 and 3.5% of GDP in 2027 (see Graph A2.1). The increase in deficit in 2025 was largely driven by Slovenia's rising general government expenditure, which reached 49.6% of GDP. Expenditure is expected to keep increasing reaching 50.6% of GDP in 2026 and then ebb to 50.2% of GDP in 2027.

Graph A2.1: **General government balance: expenditure and revenues contribution to the change, euro area**



Source: European Commission Spring 2026 Forecast

Public investment is projected to remain at an all-time high. Public investment rose during the COVID-19 pandemic and it reached 5.6% of GDP in 2025, up from 3.9% in 2019. The end of the Recovery and Resilience Facility (RRF) will result in a reduction in public investment, which is nonetheless set to remain at the high level of 5.1% of GDP in 2027 despite the lower support from the RRF thanks to strong nationally financed investments, including defence investments, and the continued use of EU cohesion funds under the 2021–2027 multiannual financial framework. Slovenia is projected to spend more on nationally financed investment than it did before the pandemic.

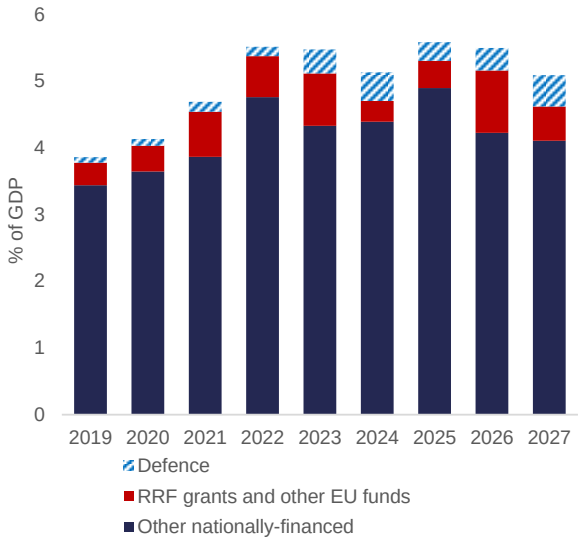
([37]) OJ C, C/2025/640, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/640/oj.

([38]) OJ C, C/2025/3973, 20.08.2025, ELI: https://eur-lex.europa.eu/eli/C/2025/3973/oj.

([39]) Slovenia's compliance with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

([40]) Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

Graph A2.2: **Public investment evolution and composition (% of GDP)**

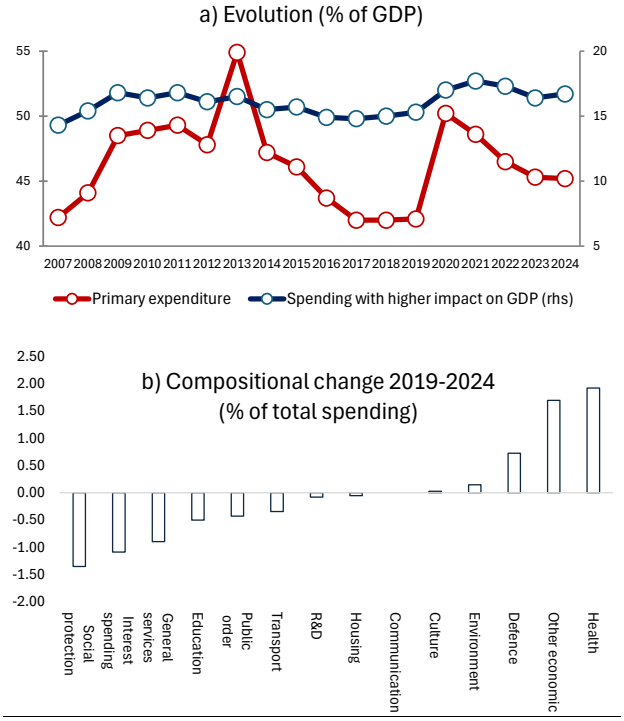


Source: European Commission Spring 2026 Forecast

The type of expenditure that has a greater impact on GDP has increased since 2019. This is related to higher nationally financed investments and the impact of the RRF, which facilitated a more quality-based fiscal strategy. Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure (around 37%), followed by health (17%), economic affairs (12%), education (12%) and general public services, each of which constitutes at least 10% of total spending (see Graph A2.3a). Since 2019, public expenditure on health and other economic affairs has increased significantly (See Graph A2.3b). Spending on defence and environment has risen more modestly since 2019, with the rise in defence spending reflecting recent security developments. By contrast, spending on R&D, transport and education expenditure has declined. This trend deserves attention, as these spending categories are generally considered growth-friendly.

Slovenia's tax burden is slightly below the EU average but relies heavily on labour taxes, while some growth-friendly taxes remain underused. Slovenia has made limited progress in making its tax system more growth-friendly (see Annex 3). In 2025, Slovenia's total tax revenues as a percentage of GDP (including compulsory social contributions) amounted to 39%, which is 0.9 percentage points (pps) below the EU aggregate of 39.9%. Total tax revenues are projected to increase to 40.1% of GDP in 2026 and 40.2 % of GDP in 2027 according to the Commission's Spring 2025 Forecast ([41]). The tax mix in Slovenia is characterised by a heavy reliance on labour taxation, which accounts for 52% of total tax revenues, slightly above the EU average of 51.5%. Revenue from social contributions specifically is significantly higher than the EU aggregate, standing at 17.2% of GDP compared with the EU average of 14.0%. In contrast, recurrent property taxes which are considered least detrimental to growth remain underused compared with the EU average.

Graph A2.3: **Primary spending evolution and composition**



(1) Based on economic literature, the categories considered to have a greater growth impact include education, R&D, health, transport and communication (see Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al. (2018), Cepparulo and Mourre (2020) and OECD (2025)).
Source: Eurostat

([41]) Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en).

Table A2.1: **Projected change in ageing-related expenditure in 2025-2040 and 2025-2070**

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
SI	22.5	*1.9*	*0.7*	*0.4*	*-0.4*	***2.5***	25.0	**SI**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	*healthcare*	*long-term care*	*education*	*total*		
SI	22.5	*3.4*	*0.9*	*0.9*	*-0.2*	***5.0***	27.5	**SI**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.3*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

Table A2.2: **Supplementary pension schemes – Scope for expansion**

	Assets in 2024 (% GDP)	**Gross replacement rate at retirement:** (pps change 2025-2040)	**Participation in 2024** (% working-age population)	
SI	7.1	*-2.0*	45.3	**SI**
EU	32.4	*-2.8*	55.9	EU

Source: European Commission.

The costs of ageing

Total ageing-related spending in Slovenia is projected to rise by 2.5 pp. of GDP between now and 2040, to 25% of GDP, with a further 2.5 pps increase by 2070 (see Table A2.1**).** The overall increase in spending in this area is the result of a projected rise in pension expenditure, with smaller increases for healthcare and long-term care. Total spending on ageing-related items would rise to above the EU average. These projections do not account for the 2025 pension reform.

Public pension spending as a share of GDP is projected to increase by about 2 pps over the next decades and by around 3.5 pps between now and 2070. Gross spending on public pension benefits would represent around 14% of GDP in 2070, compared to around 12% on average in the EU. However, these figures do not yet incorporate the pension reform adopted in 2025 ([42]).

Supplementary pension schemes makes the pension system more resilient by diversifying retirement income sources. In Slovenia, however, the uptake of these supplementary schemes remains limited: at the end of 2024, private pension assets amounted to around 7% of GDP while participation in supplementary schemes covered only around 45% of the working-age population ([43]). This coincides with both: (i) rising medium-term pressures on public pension spending; and (ii) a projected decrease in the replacement rate by 2 pps between 2025 and 2040 (Table A2.1 and A2.2).

Public healthcare expenditure is projected to be 6.9% of GDP in 2025 (slightly above the EU average of 6.6%) and is expected to increase by 0.7 pps between now and 2040 and by a further 0.3 pps between now and 2070. While the overall increase is driven by an ageing population, it is further influenced by a recent increase in access to mental health services and increase in healthcare workers' salaries.

Public expenditure on long-term care is projected to be 1.1% of GDP in 2025 (below the EU average of 1.7%) and is expected to increase by 0.4 pps of GDP between now and

([42]) The 2025 pension reform is projected to reduce long-term pension expenditures by about 1 percentage point of GDP. According to the IMF projections, the pension-to-GDP ratio is expected to stabilise at around 12.5%, which is roughly one percentage point lower than in the pre-reform scenario. IMF, Republic of Slovenia-Staff report for the 2025 Article IV Consultation, January 2026.

([43]) OECD Pensions at a Glance 2025

2040 and by a further 0.5 pps of GDP between 2040 and 2070. The projected increase is due to an ageing population but does not yet reflect the budgetary impact of the latest reforms on long-term care ([44]).

Slovenia has made substantial progress in addressing the 2025 CSR on social protection sustainability by adopting and implementing key reforms in the pension, healthcare and long-term care systems. The adopted reforms provide financing frameworks that significantly strengthen the long-term fiscal sustainability of these systems. However, these improvements can only be fully realised through consistent implementation over time. Further structural efficiency measures could increase the cost-effectiveness of the social protection system, such as conducting healthcare spending reviews and integrating the governance and provision of healthcare and long-term care services.

National fiscal framework

Two institutions carry out Independent Fiscal Institution (IFI) tasks. The Slovenian Fiscal Council (FC) is a small IFI with a relatively narrow mandate, focusing on monitoring compliance with fiscal rules and assessing the government's fiscal forecast, while the other IFI (The institute of Macroeconomic Analysis and Development of the Republic of Slovenia - IMAD) is responsible for producing the macroeconomic forecasts. The recent adoption of a revised Fiscal Rule Act implied a strengthening of the status of the IFI, for example by removing the previous four-person limit on secretariat staff. FC reported also some difficulties with accessing micro data from the National Statistics Office. The FC is developing its outreach activities to broaden the awareness of fiscal issues.

There is scope for improving management of public investment in Slovenia, particularly in the early phases of planning and selection. Long-term strategic planning of public investment is carried out mostly at the level of line ministries, with limited coordination across sectors and limited involvement of the Ministry of Finance ([45]) Although a standardised methodology for project assessment is in place, it seldom applies before the budget has been allocated, which can lead to delays and significant cost increases when the project is carried out. Moreover, systematic external quality assurance to assess larger projects is lacking. This also contributes to cost increases later in the project process. The national development programme presents expenditure by project over a four-year period. This increases transparency, and capital expenditure ceilings are set two years in advance. There is, however, no standard methodology for estimating maintenance costs. *Ex post* reviews of projects are carried out on an ad hoc basis, and asset registers are required to be kept updated across the general government ([46]).

The spending reviews framework is partially developed. Slovenia has made limited progress in improving the efficiency of public spending by implementing spending reviews. The country has experience in producing analyses of public spending, but the main challenge is to convert the reviews' findings into actual budgetary decisions. The Fiscal Council has published a comprehensive analysis on spending reviews ([47]). There have been recent institutional developments, such as the creation of the Ministry of Finance's Public Finance Internal Control Service, which is supposed to make a material contribution to improving the efficiency of public expenditure and also contribute to building the skills needed to manage spending reviews. Although spending reviews need to be updated on a regular basis, feeding results into the budgetary process could help Slovenia fulfil medium-term budgetary targets.

([44]) The adequacy and quality of the Slovenian long-term care system are covered in Annex 12.

([45]) Belu Manescu, C. (2024), The planning of public investments in EU Member States: long-term strategy, selection and budgeting issues, DG ECFIN Discussion Paper No 213.

([46]) Republic of Slovenia: Technical Assistance Report Public Investment Management Assessment, October 2024, https://www.imf.org/en/Publications/technicalassistance-reports/Issues/2024/10/04/Republic-ofSlovenia-Technical-Assistance-Report-PublicInvestment-Management-Assessment-555893.

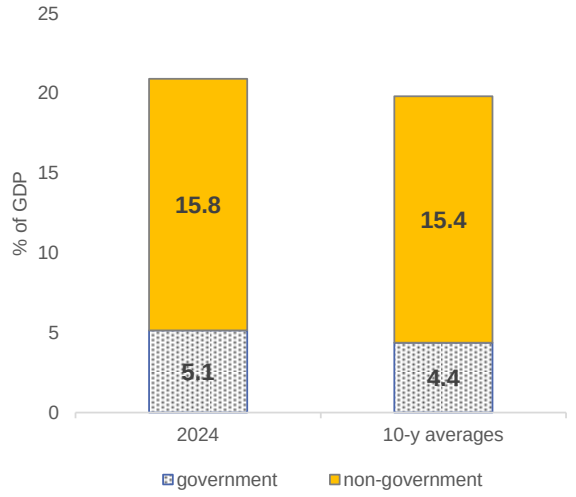
([47]) https://www.fs-rs.si/wp-content/uploads/2025/06/Public_expenditure_reviews_June-2025.pdf.

Table A2.3: **Fiscal Governance Database indicators and Public Accounting Maturity**

2024	Slovenia	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	8.47	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.63	0.72
2025 Public accounting maturity of general government	58%	65%

(1) The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on: i) the legal base; ii) how binding the rule is; iii) monitoring bodies; iv) correction mechanisms; and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on: i) coverage of targets/ ceilings included in national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. Higher scores are associated with higher rule and MTBF strength. The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).
Source: Fiscal Governance Database, European Commission

Graph A2.4: **Investment composition, % of GDP**



Source: AMECO

Slovenia is using green budget tagging to include environmental and climate considerations in its budgetary process. In connection with its commitments under the recovery and resilience plan, the government adopted a methodology requiring responsible line ministries to systematically tag expenditures, revenues and tax expenditures according to their environmental and climate impacts ([48]).

Accrual accounting makes a public body's financial position and performance more transparent and can boost sustainability and intergenerational equity. Most (14) Member States have implemented accrual accounting across the general government sector and five are set to do so by 2030 ([49]). Slovenia is close to the EU average (see Table A2.3) but has not yet implemented accrual accounting in particular for social security funds and has no medium-term plans to transition towards accrual accounting ([50]).

([48]) Government decision No 41000-11/2023/3, http://vrs-3.vlada.si/MANDAT22/vladnagradiva.nsf/71d4985ffda5de89c12572c3003716c4/4fa4b1792bc0ddd6c1258a32003cb7fa?OpenDocument and Government decision No 41000-3/2024/, https://podatki.vlada.si/zapis.aspx?mandat=22&id=2322.

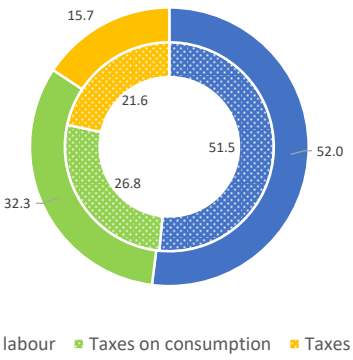
([49]) Report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396). Countries with an accounting maturity of 70% or more in relation to International Public Accounting Standards are deemed to apply accrual accounting.

([50]) Annexes 3.1 and 3.4 of SWD(2025)396.

This annex provides an indicator-based overview of Slovenia's tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 country-specific recommendations for Slovenia highlighted challenges in rebalancing tax revenues towards more growth-friendly and sustainable sources.

The tax burden in Slovenia is 0.9 percentage points (pps) below the EU average. In 2024 Slovenia's tax revenues were equivalent to 38.5% of GDP, slightly lower than the EU aggregate of 39.4%. The percentage of labour taxes in Slovenia's tax mix (52% of the total tax revenues) is slightly above the EU average (51.5%), which reflects Slovenia's strong reliance on labour taxation. Revenues from social security contributions expressed as a percentage of GDP were above the EU aggregate (16.8% vs 13%). In January 2024, Slovenia abolished its voluntary complementary health insurance and replaced it with an additional mandatory health contribution. As of 1 July 2025, a mandatory contribution to long-term care of 2% of gross wages has been charged (1% paid by employers and 1% by employees) and at 1% of net pensions.

Graph A3.1: **Tax revenue by economic function in 2024, SI (outer ring) and EU-27 (inner ring)**



Source: Taxation Trends Data, DG TAXUD

The share of capital taxes in the tax mix increased by 0.8 pps in 2024 against 2023. This is due to the December 2023 Act on Reconstruction, Development and the Provision of Financial Resources, which increased the corporate income tax (CIT) rate by 3 pps to 22% and introduced a tax on banking assets for 2024-2028. The revenue from these taxes is used to finance reconstruction after the August 2023 floods. Revenues from CIT as a percentage of GDP were, however, still below the EU aggregate (2.7% vs 3.1%).

Recurrent property taxes, which are considered to be one of the taxes least detrimental to growth, are underused. Revenues from recurrent property taxes were below the EU aggregate. Total property taxes were equivalent to 0.7% of GDP in Slovenia in 2024 (compared with 1.8% for the EU aggregate), of which the equivalent of 0.4% of GDP came from recurrent property taxes (compared with 0.9% for the EU aggregate).

Revenues from consumption and environmental taxes as a share of total taxation in Slovenia were above the EU aggregate. In 2024, revenues from VAT expressed as a percentage of GDP were 0.8 pp. above the EU aggregate (7.9% vs 7.1%). In 2025 VAT rates for sweet drinks increased from 9.5% to 22%. At 2.8%, environmental tax revenue as a percentage of total tax revenue and GDP was above the EU aggregate of 2.1% and composed almost entirely of energy and transport taxes.

Slovenia has made some progress in rebalancing its tax mix by increasing CO_2 taxation and introducing targeted growth-friendly incentives for high-skilled workers and start-ups. While these measures enhance environmental sustainability and support the innovation ecosystem, the overall tax burden remains heavily concentrated on labour. The shift toward less distortive sources like recurrent property taxation has yet to be realised.

In February 2026 a new Employee Participation in Profit Sharing Act was adopted, enabling employees to participate in profits to a greater extent. The new profit-sharing scheme for employees introduces a more favourable tax treatment for companies, which can claim a 100% tax relief on profits distributed to employees, and for employees, as cash payments are taxed at 30%, while shares and equity at 25%, with no social security contributions applicable.

Plans for broader tax reforms, have been put on hold. In 2025, the initial policy orientations/starting points were presented aimed at launching a discussion on introducing a new real estate tax and reducing labour taxation. However,

Table A3.1: **Taxation Indicators**

		Slovenia					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	38.1	37.8	36.5	38.5		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	19.0	19.2	18.8	20.0		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	15.8	16.1	15.5	16.8		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	14.0	13.1	12.5	12.4		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	8.2	8.3	8.0	7.9		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	5.2	5.5	5.2	6.0		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	5.3	5.2	5.1	5.3		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	2.0	2.3	2.3	2.7		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	0.6	0.6	0.5	0.7		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	0.5	0.5	0.4	0.4		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	3.8	2.9	2.8	2.8		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	na	na	81.7	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	38.3	39.4	39.3	41.8	41.4	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	44.8	44.3	44.5	45.6	45.6	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	17.2	17.2	17.2	19.9		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	9.3	8.3	8.2	8.3		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	6.7	4.3	3.7	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	4.8	8.4	4.9	4.5		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the Data on Taxation Trends webpage.
Source: European Commission, OECD, ISORA.

following their public consultation the Slovenian authorities decided that a more comprehensive and coordinated approach to housing policy was needed before developing new real estate tax measures. In response, the Ministry of Solidarity-Based Future prepared a national housing programme for 2026-2035 and submitted it for public consultation at the end of 2025. Broader reforms in the area of labour taxation have also been put on hold.

Slovenia uses generous expenditure–based tax incentives, such as tax incentives for R&D expenses, investment tax incentives, depreciation of tangible fixed assets, amortisation of intangible assets, and depreciation of investment property. These incentives are all aimed at stimulating additional investment as they directly target investment expenses.

Slovenia also allows for the use of retained tax losses, which is limited to a maximum of 50% of the actual tax base. An amendment to the Corporate Income Tax Act, which entered into force on 1 January 2025, has limited the possibility of utilising tax losses to five tax periods, while also providing for a transitional regime. Carry-back of losses is not permitted.

Slovenia has an investment allowance for investing in digital transformation and the green transition. The tax allowance for investment in equipment and intangible assets is limited to 40% of the cost of investing in: (i) cloud computing; (ii) artificial intelligence; (iii) big data; (iv) environmentally-friendly technologies; (v) cleaner, cheaper public and private transport; (vi) decarbonising the energy sector; (vii) improving the energy efficiency of buildings; and (viii) implementing other standards for climate neutrality. As of 1 January 2025, this allowance can be claimed in five tax periods following the investment period.

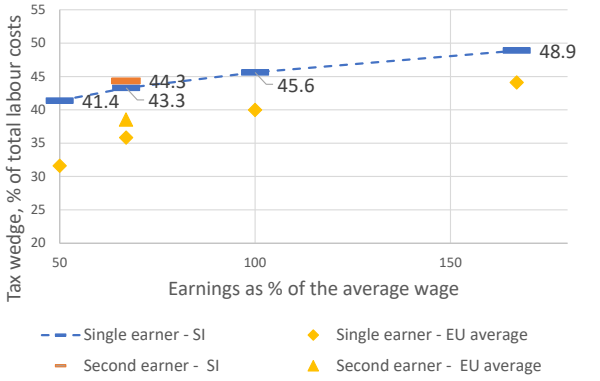
Slovenia does not have a specific tax regime or tax incentives for venture capital. Well-designed venture-capital incentives could help with the supply of venture-capital financing, particularly given that Slovenia ranks last in venture-capital financing as a percentage of GDP among the 24 EU countries for which data are available.

The Individual Investment Accounts Act adopted in 2025 has introduced a new type of investment accounts for Slovenian tax residents with a beneficial tax treatment and a simplified tax procedure. Its purpose is to encourage individuals to invest in financial instruments instead of bank deposits. Such income

is only taxed when money is paid out of the individual investment account (IIA) into a transaction account before the expiry of 15 years from the opening of the IIA or last payment from the IIA. This means that: (i) income and profits earned by the IIA holder though the IIA and not paid out from the IIA are not taxable; and (ii) a taxpayer who uses interests, dividends, or capital gains received for further trading in financial instruments within the scope of the IIA is exempt from income tax on the receipt of such income in the IIA. Only payments made from the IIA before the expiry of 15 years are taxable at the 15% tax rate, which is lower than the one generally provided (i.e. 25% for interests and dividends) or for capital gains (i.e. 25% which decreases to 20% after a 5-year holding, to 15% after a 10-year holding and to 0% after a 15-year holding). The IIA consists of two sub-accounts: a basic sub-account, and a special sub-account, the latter allowing only investments in Slovenian financial instruments. The Act will be applicable as of 5 March 2026.

While Slovenia's labour-tax wedge is high across different wage levels, inequality appears to be not too pronounced. In 2025, Slovenia's labour-tax wedge ([51]) was higher than the EU average for single person households at various income levels, including the average wage and high incomes at 167% of the average wage. However, the difference from the EU average was particularly strong at 50% of the average wage, where Slovenia's tax wedge was the second-highest of all Member States at 41.4%, almost 10 pps higher than the EU average at 31.6%, and at 67% of the average wage, where Slovenia had the highest tax wedge of all Member States at 43.3%, compared to an EU average of 35.8% (see Graph A3.2). The difference between the tax wedge at 167% and at 50% of average wage is substantially below the EU average. Second earners at a wage level of 67% of the average wage, whose spouses earn the average wage, were also subject to a tax wedge that is considerably above the EU average. However, the difference between their tax wedge and that of single earners at the same wage level was below the EU average. Inequality of disposable income as measured by the Gini coefficient stood at 23.8% in 2024 and was the third-lowest in the EU ([52]). The redistributive effect of taxes and benefits taken together appears rather strong: in 2024, Slovenia's tax-benefit system reduced inequality as measured by the Gini coefficient ([53]) by 8.3 pps, which was above the EU average of 7.8 pps (see Table A3.1).

Graph A3.2: **Tax wedge for single and second earners as a % of total labour costs, 2025**



Note: The second earner tax wedge shows a household's tax wedge resulting from the wage that a second earner taking up a job at 67% of the average wage receives. It does not show the total tax wedge of the household. The household is assumed to have a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD (2024), Taxing Wages 2024.
Source: European Commission

Slovenia regularly monitors and publishes the type and size of tax expenditures in annual reports on tax expenditure ([54]). These cover tax expenditures in personal income tax

([51]) The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions and other mandatory contributions, expressed as a percentage of total labour costs (composed of the net wage, personal income tax, social security contributions, and other mandatory contributions). Tax wedge data in the 2026 country reports are calculated by the Joint Research Centre of the European Commission and based on the EUROMOD model, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

([52]) European Commission based on EU-SILC.

([53]) The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

([54]) See European Commission: Directorate-General for Taxation and Customs Union, Mind the gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Full report, Publications Office of the European Union, 2025.

(PIT), corporate income tax (CIT), excise duties, VAT and taxes on motor vehicle traffic. However, it neither reviews nor evaluates them. The report is prepared by the Ministry of Finance as part of the annual budget accounts. According to the 2023 Report, tax expenditures amounted to EUR 3.3 billion or 5.2% of GDP in 2023, a 0.1 pp. increase against the previous year. EUR 1.5 billion of this (or 2.3% of the GDP) comes from PIT-related tax reliefs and exemptions. The second largest percentage comes from VAT relief (EUR 1.1 billion or 1.7% of GDP). Next come CIT reliefs and incentives (at EUR 491 million or 0.8% of GDP) and excise duties refunds and exemptions (at EUR 182 million or 0.3% of GDP).

Slovenia displays a low VAT compliance gap, supported by a well-established VAT collection and administration system. In 2023, Slovenia's VAT compliance gap was estimated at 4.9% of the VAT total tax liability, well below the EU average (9.5%), with a gap of 4.5% for 2024. The country performs very well in the area of identification for VAT purposes (identification and deregistration), with VAT identification and return filing being fully digitalised, and the identification process including several risk checks. Slovenia does not perform CIT and PIT gap estimation, although it has recently taken steps to strengthen its tax gap estimation capabilities ([55]).

Slovenia shows strong performance in e-filing across all tax types, with near-universal digital filing rates. In particular, Slovenia has had full uptake of VAT e-filling since 2018, and above EU-average e-filling rates for corporate income taxation and personal income taxation. Since mid-2025 taxpayers can receive pre-filled VAT returns. These high e-filing rates reflect an effective digital interface, likely due to user-friendly systems and mandatory digital submission for VAT. Slovenia's reduction of its compliance burden is among the EU's better performances.

([55]) See European Commission: Directorate-General for Taxation and Customs Union, Mind the gap – Challenges and opportunities for tax compliance and tax expenditures in the EU – Full report, Publications Office of the European Union, 2025.

Slovenia continues to fall short on the implementation of its ambitious targets for research and development (R&D) investment and access to finance for innovative SMEs. According to the 2025 edition of the European Innovation Scoreboard ([56]), Slovenia remains a moderate innovator, although its performance (at 95% of the EU average) is catching up to the EU average. One of the main shortcomings is the mediocre performance of the public science base underpinned by low public R&D spending, stagnating at 0.64% of GDP with the total R&D intensity ([57]) at 2.16% of GDP in 2024 (EU average is 2.24%). Additional challenges stem from the underdeveloped startup ecosystem, the result of a combination of regulatory barriers, low levels of investment and risk-averse business culture. In both cases, increased and stable public funding for R&D, in line with the 2025 country specific recommendation (CSR), and long-term initiatives would be beneficial. While firms are gradually increasing their uptake of digital technologies, with relatively stronger results in artificial intelligence, progress remains uneven, as both the basic digital intensity of SMEs and the overall uptake of data analytics continue to lag behind EU averages.

Excellent science

Slovenia's public expenditure on R&D continues to lag behind the EU average as well as the national target. In 2024, public spending stood at 0.64% of GDP ([58]). This is below the 1.25% target set out in the Slovenian scientific research and innovation (R&I) strategy ([59]) for 2030 and, although it is increasing, it does not follow the 0.08 percentage point increase stipulated by the Act on Research, Development and Innovation Activities ([60]). Low investments also result in the low quality of the public science base as indicated by the highly cited publications, which have declined over time and were below the EU average in 2022 ([61]). However, the increasing ratio of international co-publications shows that Slovenia is well-integrated in the international research ecosystem. Increasing the volume of public spending on R&D, in line with the 2025 CSR on *investments in research, development and innovation*, is important for strengthening the Slovenian science base.

The historical fragmentation of R&I governance still holds back the performance of the public science base. The fragmentation was due to the lack of coordination and frequent changes of responsibilities and funding implementation between ministries and agencies ([62]). Slovenia has made efforts in this regard by consolidating most R&I policies into one ministry, updating the Act on Research, Development and Innovation Activities and creating horizontal coordination mechanisms to streamline policy initiatives, which were part of the Slovenian recovery and resilience plan (RRP). However, the impact of these reforms is not tangible yet and the mechanisms might need reinforcing. Under a technical support instrument project, the OECD provides recommendations to address these issues, including better alignment between various strategies, among ministries and between ministries and agencies and long-term predictable R&I funding programmes ([63]). Some elements, like reorganising funding agencies, has already taken place while others, such as the interministerial R&I strategy and a multiannual financial framework, are yet to be implemented. The continuous implementation of these recommendations as well as the creation of a

([56]) The EIS provides a comparative analysis of innovation performance in EU countries, including the relative strengths and weaknesses of their national innovation systems (also compared to the EU average). EIS 2025 - Country profile: Slovenia.

([57]) defined as gross domestic expenditure on R&D as a percentage of GDP.

([58]) EU average 0.72%.

([59]) Resolution-on-the-Slovenian-Scientific-Research-and-Innovation-Strategy-2030.pdf.

([60]) Act on Research, Development and Innovation Activities in Slovenian: Zakon o znanstvenoraziskovalni in inovacijski dejavnosti (ZZrID) (PISRS).

([61]) Scientific publications in the top 10% most-cited publications worldwide in 2022 for SI 6.95%, EU 9.44%.

([62]) Policy Support Facility - Specific Support to Slovenia 2017.

([63]) European Commission/Ministry of Higher Education, Science and Innovation/ OECD Technical Support Instrument project: Improving the Governance Model of the Research and Innovation System in Slovenia' (2022) Improving the Governance Model of the Research and Innovation System in Slovenia - Reform Support.

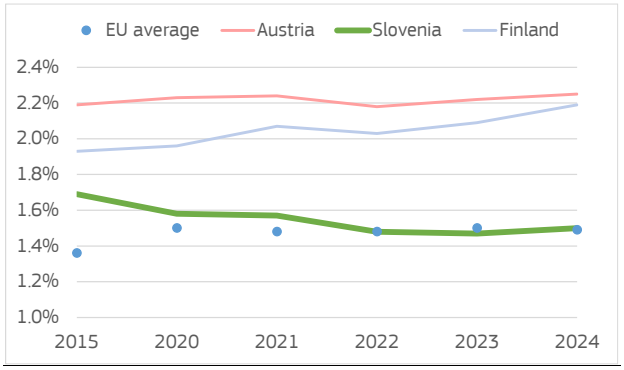
monitoring system is important to improve the Slovenian public science base.

Business innovation

Business expenditure in R&D in Slovenia stand at the EU average, but there has been a strong decline in the past few years. Despite being in line with the EU average, business spending on R&D has dropped from 1.57% in 2021 to 1.50% of GDP in 2024 ([64]), which was mostly due to the drop in R&D activities in SMEs ([65]) (see Graph A4.1). Both energy-related innovation ([66]) and energy-intensive industries ([67]) are dominant in Slovenia so the country was particularly susceptible to recent crises, which could be one of the factors reducing business spending on R&D. Moreover, the openness of the Slovenian economy makes it sensitive to global conflicts and supply chain disruptions (see also Annex 5). R&D expenditure has also decreased in the services sector, while the pharmacological sector has increased its spending on R&D ([68]). The proportion of high-tech manufacturing is high (3.59% compared to the EU average of 2.14%) ([69]) and the private sector employs a high number of researchers (6.5 per thousand active population compared to the EU average 5.9 in 2024), which creates a fertile ground for innovation. Nonetheless Slovenia has fewer patent applications (2.1) than the EU average (2.8) ([70]), and most R&D focuses on incremental innovation ([71]).

Public financial support to business is comparable to the EU average, but its impact is uneven. Slovenia forewent 0.09% of its GDP as tax incentives for innovation in 2023 ([72]) although this disproportionately benefits larger and older firms, as the OECD has reported ([73]). The OECD also suggests evaluating the tax policy and diversifying the rules to help startups benefit more from the incentives. Innovation grants amounted to 0.1% of GDP in 2024 and are seen as impactful, especially for SMEs. However, the relatively low cap of these grants (EUR 300 000) could limit their impact, in particular for radical innovation ([74]). This is why projects like the Gravity and Strategic projects organised by the Slovenian Research and Innovation Agency (ARIS) in 2024 could help extend the impact of financing business innovation, as could funding proposals that receive the Seal of Excellence label under Horizon Europe calls ([75]).

Graph A4.1: **Business R&D intensity as % of GDP**



Source: Eurostat

Slovenia performs well in terms of public-private co-publications, but businesses seem reluctant to finance public research. The strategic R&I partnerships have helped maintain

([64]) The EU average was 1.49% of GDP in 2024.

([65]) Business expenditure on R&D performed by SMEs dropped from 0.63% of GDP in 2021 to 0.51% of GDP in 2024.

([66]) 9.2% of highly cited publications and 11.4% of patent applications are in the field of energy in 2020. The EU averages are 9.8% and 18.4%.

([67]) 23.5% of energy is consumed by industry in Slovenia, (23.1% in EU) and 23% of value added is from manufacturing (14% in EU)
source IEA Slovenia - Countries & Regions - IEA and OECD.

([68]) Private expenditure on R&D in services of business economy went from 0.39% of GDP in 2021 to 0.35% in 2024 while in manufacturing pharmaceutical products it grew from 0.49% of GDP in 2021 to 0.56% in 2024.
source: Eurostat - BERD by NACE Rev. 2 activity.

([69]) Value added in high-tech manufacturing as % of total value added in 2024,Source: Eurostat.

([70]) Patent Applications filed under PCT per billion GDP (in PPS EUR). Last year available: 2022.

([71]) Quality of life in Slovenia – Development report 2025.

([72]) EU average is 0.10% of GDP in 2023
source: OECD.

([73]) A review of Slovenia's industrial strategy (EN).

([74]) JRC Publications Repository - An evaluation of the impact of RDI State aid in Slovenia on firms' performance.

([75]) Seal of Excellence is awarded to proposals under specific Horizon Europe calls that were evaluated as excellent but could not be funded due to budgetary restrictions
Seal of Excellence - Research and innovation - European Commission.

the high level of collaboration between business and academia, shown by the proportion of public-private co-publications ([76]). On the other hand, public R&D activity financed by Slovenian businesses only amounted to 0.02% of GDP in 2024, lower than the EU average (0.06%). The main reasons cited for this reluctance are complicated rules and a lack of culture ([77]). The updated Act on Research, Development and Innovation Activities has removed some barriers, such as the restriction on researchers setting up companies. The public-private research calls run by ARIS have the potential to increase collaboration, although continuous monitoring and evaluation is needed.

Slovenia's performance on digital technologies shows a mixed picture depending on the technology. Slovenia performs around the EU average in the uptake of cloud computing, with 42.95% of businesses using cloud services and shows a comparatively stronger performance in artificial intelligence (AI), where adoption has increased to 21.61% of enterprises, above the EU average (19.95%). By contrast, the adoption of digital technologies remains weaker among SMEs, with only 65.67% of SMEs reaching at least a basic level of digital intensity, compared to an EU average of 71.39%. The uptake of data analytics also remains below the EU average, at 30.87% of enterprises compared to 39.85% at EU level. To support the digital transformation of SMEs, Slovenia has two European Digital Innovation Hubs – the Digital Emergency Response for Slovenia (EDIH DIGI-SI) and the Smart, Resilient and Sustainable Communities (SRC EDIH). Recovery and Resilience Facility (RRF) funding has supported investments in digital tangible and intangible assets, as well as in the twin transition, combining digitalisation with circular business models. As no new initiatives of a comparable scale and scope are currently planned, ensuring continuity and maximising the impact of these measures will be important. The newly launched competence centre for AI is expected to further support AI uptake by companies by providing guidance, training and advisory support, and by facilitating cooperation between businesses, research organisations and solution providers. At the same time, Slovenia is active in several cutting-edge technology projects, notably in quantum technologies, semiconductors, cloud computing and AI, including as indirect and/or associated partners in EU-level initiatives such as the IPCEI on Microelectronics and Communication Technologies and the IPCEI on Next Generation Cloud Infrastructure and Services. In this context, comparatively strong performance in selected technologies and existing support measures have not yet translated into a broader base of high-growth firms.

Entrepreneurial dynamism

Slovenia has a low proportion of startups, and the limited availability of venture capital (VC), particularly for later-stage scaleups, poses a significant challenge for their growth ([78]). Slovenia has one of the lowest levels of VC in the EU ([79]) and does not offer incentives for business angels. Although the VESNA Venture Capital Fund and the Slovenian Enterprise Fund attempt to fill the gap in the VC market, government venture capital only represents 5% of all deals. The capital market development strategy ([80]), part of the RRP, includes relevant measures, such as the new act on alternative investment funds. Nevertheless, the strategy could be further strengthened by a single digital portal for investing in SMEs ([81]).

Slovenia lags behind in startups creation. According to an OECD report, while the percentage of startups is close to average in manufacturing, this proportion drops for the non-financial services sector ([82]). Despite the high survival rate and fast growth of young companies, the low entry rate of

([76]) 8.7% of publications are public-private co-publications in Slovenia in 2024, 7.6% in EU.
Source: Science-Metrix.

([77]) View of Technology Transfer Offices for Better Management of The University-Industry Collaboration: Comparison of Slovenia, Italy, And Malta.

([78]) Venture Capital is 0.007% of GDP in Slovenia in 2024. The EU average is 0.063% of GDP.

([79]) OECD 2025, A review of Slovenia's industrial strategy (EN).

([80]) OECD DPP - Policy Detail - Strategy for the development of the capital market in Slovenia by 2030.

([81]) OECD Economic Surveys: Slovenia 2024 (EN).

([82]) Startups (firms 0-2 years) represent 12% of all businesses in Slovenia in 2022
source: OECD Insights on Productivity and Business Dynamics 2025 – Country Notes: Slovenia (EN).

firms points toward low business dynamism in the country. It might be due to high barriers to entry, for example limited access to finance and the administrative and regulatory burden, which deter riskier ventures, like break-through innovators ([83]). The recently adopted Slovenian startup strategy ([84]) identifies pertinent challenges to startups like administrative obstacles, lack of talent and underdeveloped capital market. It sets out ambitious goals including creating 476 startups per thousand inhabitants (currently 238 ([85])), investing at least EUR 410 per thousand inhabitants by 2030 and 25% year-on-year growth of the sector. The implementation of this ambitious plan, needs to accelerate to achieve the goals as set out in the document by 2030, in line with the CSR 2025, *strengthening competitiveness by promoting business dynamism and the creation of high-growth companies by improving the conditions for equity investment, including VC investment*.

Administrative burden is one of the main regulatory barriers for business innovation. The OECD finds that regulatory barriers are average and regulatory restrictiveness is higher than the EU average limiting business dynamics. Slovenia has made strong progress in the implementation of the Startup Nations Standard, especially on stock options, where it reached full alignment with the standards ([86]). However, the standards in 'innovation in regulation' are lagging behind due to the lack of any regulatory sandboxes and of any exemption or alternative procedures, such as simplified or phased reporting requirements, reduced audit or registration obligations, transitional regimes for newly established firms or risk-based application of impact assessments, to ease administrative burdens for startups. The Development Council ([87]) aims to bring political coordination for research and innovation regulation, including startups, although its function could be strengthened by more regular meetings or sub-groups holding preliminary discussions on topics of high interest before the high-level meetings.

Skills mismatch hinders progress in Slovenia. Although having a high portion of the population attained tertiary education, including a good proportion of STEM graduates, and both public and private sector employs more researchers than the EU average ([88]), employers report shortages of highly skilled labour, especially in the ICT sector (see Annex 11). This suggests a skills mismatch and the need to improve upskilling, reskilling programmes (see also Annex 13). Although Slovenia's talent attractiveness index for highly skilled workers and for entrepreneurs is significantly lower the EU average ([89]). It is due to the lengthy visa processes and the low number of programmes to attract and retain talent. In this respect the newly established researcher mobility scheme and the Promoting Entrepreneurship grant with around EUR 90 million, which includes mentoring, training and access to resources for entrepreneurs, are examples of promising initiatives ([90]). Another positive development is the amendment of the Income Tax Act (2024) which allows the use of stock options for startups as incentives for employees ([91]) although it requires registering in the startup database, which is reported to be cumbersome (see also Annex 3).

Entrepreneurial education is well established but lacks systematic evaluation. In 2025, Slovenia's curricula reform for basic and upper secondary schools introduced common goals, including entrepreneurship, to be addressed across all subjects. Entrepreneurial education is also well developed in higher education, where study programmes explicitly promote entrepreneurship

([83]) OECD Insights on Productivity and Business Dynamics 2025 – Country Notes: Slovenia (EN).

([84]) Slovenian startup strategy (in Slovenian).

([85]) Source: Dealroom.

([86]) European Startup Nations Alliance, Startup Nations Standards report 2025.

([87]) The Development Council of the Republic of Slovenia is an expert advisory body to the government of the Republic of Slovenia in the field of scientific research and innovation and is an important body for the mutual coordination of views and consensus-building on policies in the field of scientific research and innovation.

([88]) Slovenia has 17.30 new graduates in science and engineering and 4.09 in the field of ICT per thousand population in 2024 compared to the EU averages of 16.82 and 3.84.

The public sector employs 5.0 research FTEs per thousand active population, while the private sector 6.5 FTEs in 2024. EU averages are 4.3 and 5.9 respectively.

([89]) Talent Attractiveness 2023 | OECD.

([90]) OECD 2025, A review of Slovenia's industrial strategy (EN).

([91]) Amendment of the Income Tax Act (ZDoh-2AB), 6th December 2024
Content of the Official Journal | Official Journal.

through startups, spin-offs and innovation projects. National strategies reinforce this focus: the 2030 national higher education programme supports personal initiative, employment creation and integration with international entrepreneurial environments, while the 2022-2030 national adult education programme emphasises skills for industrial transition and entrepreneurship, targeting groups such as women. Despite these efforts, there is still limited systematic research and evaluation of entrepreneurial education.

Table A4.1: **Key innovation indicators**

Slovenia	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.07	2.22	2.16	2.10	2.13	2.16	:	2.24	3.44
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.67	0.53	0.56	0.60	0.64	0.64	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	6.54	6.82	7.99	6.95	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	4.2	3.8	4.1	4.6	5.0	5.0	:	4.3	:
International co-publications as % of total number of publications	39.15	47.38	51.61	52.28	53.70	57.25	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.40	1.69	1.58	1.48	1.47	1.50	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.55	0.73	0.63	0.54	0.50	0.51	:	0.47	0.30
Researchers employed by business per thousand active population	3.4	4.3	6.6	6.5	6.6	6.5	:	5.9	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	3.74	2.17	2.38	2.13	:	:	:	2.81	2.20
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.83	0.85	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	50.36	:	65.67	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	19.06	:	30.87	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	36.00	:	42.95	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	11.37	20.89	21.61	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	7.87	9.13	9.56	9.59	9.55	8.65	:	7.62	:
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.08	0.05	0.04	0.02	:	0.02	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.29	0.22	0.22	0.20	0.20	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.05	0.12	0.08	0.10	0.09	:	:	0.10	0.16
BERD financed by the public sector (national and abroad) as % of GDP	0.24	0.10	0.14	0.10	0.11	0.10	:	0.11	:
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.001	0.010	0.003	0.007	0.005	0.007	:	0.063	:
Seed stage funding share (% of GDP)	0.000	0.001	0.000	0.001	0.001	0.001	:	0.005	:
Start-up stage funding share (% of GDP)	0.001	0.006	0.002	0.005	0.003	0.003	:	0.030	:
Later stage funding share (as % of GDP)	0.000	0.003	0.001	0.002	0.001	0.003	:	0.027	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	:	14.7	15.2	16.5	17.3	17.3	:	16.8	:
Graduates in the field of computing per thousand population aged 25-34	:	2.3	2.6	3.2	3.7	4.1	:	3.8	:

(1) EU average for the last available year or the year with the highest number of country data.
* break in series
Source: Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

Slovenia's business environment is impacted by insufficient investment, slow innovation, administrative burdens and regulatory barriers, which drag down competitiveness and productivity growth. In addition, skills shortages, energy costs, uncertainty, and limited access to finance weigh heavily on an already low level of business investment. In this vein, the 2025 country-specific recommendations called for measures to strengthen long-term competitiveness, targeting, simplification and the reduction of administrative burden, restrictions in services and regulated professions, as well as barriers to services trade, and the promotion of business dynamism by improving the conditions for equity investment (CSR 3 2025). In addition, the 2025 recommendations also called on Slovenia to expedite administrative and permitting procedures for wind power installations as well as step up capacity building for permitting at local level (CSR 4 2025).

Some significant steps have been taken in recent years to improve the business environment, but a prevalence of legislative unpredictability and lengthy, complex procedures remains, while access to finance also continues to be a barrier. However, Slovenia is also continually taking steps to improve in this area (see also Annex 6). Despite being highly integrated into the Single Market and a good performance on many indicators, restrictions persist in services, including some professions, an area that is not being actively addressed with recent policy action. Furthermore, a lack of competition in public procurement remains a concern, although steps into the right direction have been taken and further efforts to improve the situation are ongoing.

Business dynamics

Slovenia has a small, open and diversified economy. Industry makes up 22% of total gross value added ([92]), one of the highest shares among EU Member States. In 2025 exports accounted for 80% of the country's GDP, with Switzerland ([93]), Germany, Croatia, Italy and Austria as Slovenia's main exporting partners. Slovenia's largest exported product groups include pharmaceutical products, electrical machinery and equipment, machinery and mechanical appliances, motor vehicles and mineral fuels and oils ([94]). 99.9% of Slovenian companies are SMEs which employ 74.3% of the workforce and generate 66.8% of value added ([95]).

While the share of public investment relative to GDP remains higher than the EU average, a low level of business investment continues to hamper competitiveness, productivity growth and the country's innovation capacity. Also thanks to the continued deployment of RRF-financed investment, public investment remained high at 5.1% of GDP in 2024. However, private investment as a share of GDP stood at 11.7% in 2024 (EU average 12.56%), the exact same level as in 2021 and a slight decline compared to 2022 and 2023. The perceived investment gap reported by companies in Slovenia was higher than the EU average, with 17% of firms reporting underinvestment (EU average, 12%). However, Slovenian firms invest marginally more in new products or services than the EU average (14% vs 13% EU average) and slightly less in replacing existing equipment (50% vs 54%) ([96]). Slovenia also remains among the EU Member States with the lowest inward FDI-to-GDP ratio, with inflows of FDI having decreased in 2023 and 2024 ([97]). At the same time, labour productivity growth has slowed in the past five years due to weaker total factor productivity gains ([98]). Despite a slightly narrowing gap,

([92]) Eurostat, 2026, Gross value added and income by main industry, Ec.europa.eu.

([93]) Mainly processing transactions in pharmaceuticals without change of ownership, see Institute of Macroeconomic Analysis and Development, 2025, Pregled poslov oplemenitenja blaga v statistiki zunanje trgovine Slovenije, Umar.gov.si.

([94]) Slovenia Business, 2025, Slovenia is highly open to foreign trade, Sloveniabusiness.eu.

([95]) European Commission, 2025, SME Performance Review, Ec.europa.eu.

([96]) European Investment Bank, 2025, EIB investment survey 2025, Eib.org.

([97]) Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([98]) International Monetary Fund, 2026, Republic of Slovenia 2025 Article IV Consultation – Press Release and Staff Report, Imf.org.

Slovenia continues to lag behind the EU average in terms of its labour productivity, which reached 86% of the EU average in 2025 (see Table A5.1). Nevertheless, the manufacturing sector remains a significant driver of productivity growth, with annualised labour productivity increasing by 4.5% between 2004 and 2024. Other sectors, including financial and insurance activities and energy, also posted significant productivity gains, growing 4.6% and 4.3% annually, respectively.

Slovenia's business dynamism, an issue addressed in the 2025 CSRs, remains slightly below the EU average. Entry and exit rates tend to be low ([99]) but 2024 saw an increase of 2.4% more enterprises operating in Slovenia compared to the year before. However, their turnover was 0.7% less than in 2023, which constitutes the first decline since 2020 ([100]). Of enterprises born in 2018, 50.3% were still operating after five years. Most enterprises survived in real estate activities (64.0% of enterprise births were active after five years), followed by water supply, sewerage, waste management and remediation activities ([101]). New firms, in particular manufacturing businesses, tend to perform well in early years. However, the importance of large firms is declining ([102]), with the share of large enterprises, their value added and share of persons employed being below the EU average, while SME employment is growing ([103]). In 2024, Slovenia also saw fewer high-growth enterprises and gazelles operating – it had 893 high-growth enterprises (in terms of the growth in the number of employees) in industry, construction and business services, which is 6.5% fewer than in 2023. They also employed 10.5% fewer persons. Overall, Slovenia also had 74 gazelles (high-growth enterprises up to 5 years old) in 2024, down by 7.5% at the annual level ([104]). A dedicated cluster policy using cluster organisations to facilitate Slovenia's innovation ecosystem could be beneficial.

To increase investment and strengthen its business dynamism, Slovenia has taken and is implementing several measures. While these challenges persist, with its Investment Promotion Act, whose amendment was adopted as part of the RRP, Slovenia has legislation in place which aims to promote domestic and foreign business investment. Slovenia's business portal also aims to provide investor support. In addition, a 2025 amendment to the Income Tax Act has been adopted in order to support innovative start-ups and increase investment and an adopted amendment to the Corporate Income Tax Act aims to establish a more favourable tax treatment for investment funds (see also Annex 6). Furthermore, initiatives part of Slovenia's new start-up strategy should also strengthen business dynamism (see also further below as well as in Annex 4).

A lack of skilled labour, high energy costs, and uncertainty are the main reported investment obstacles. According to the EIB Investment Survey, the main long-term obstacles to investment reported by Slovenian firms in 2025 were the availability of skilled staff (85%, 2024: 85%), uncertainty about the future due to geopolitical tensions and weak economic outlook (78%, 2024: 77%), and high energy costs (77%, 2024: 75%) ([105]). Coupled with the country's rather low attractiveness to foreign workers (see also Annex 11) and slow automation, Slovenia continues to exhibit some persistent labour shortages and labour market mismatches ([106]). Demographic factors as well as the slow adaptation of education and training to meet the needs of the transition to a net-zero and digitalised economy exacerbate already existing constraints. A slightly above-EU average vacancy rate as well as a particular shortage of ICT specialists and a bottleneck in green skills may also complicate the transition (see also Annexes 11 and 13). In addition, energy-intensive industries have felt the burden of energy costs on business revenues since the energy crisis (see also Annex 9).

Although there has been a recent increase, the number of bankruptcy proceedings

([99]) OECD, 2025, Slovenia: Business Dynamics, Oecd.org.

([100]) Statistical Office of the Republic of Slovenia, 2025, Enterprises 2024, Stat.si.

([101]) Statistical Office of the Republic of Slovenia, 2025, Business demography, 2023, Stat.si.

([102]) OECD, 2025, Slovenia: Business Dynamics, Oecd.org.

([103]) European Commission, 2025, SME Performance Review, Country Fact Sheet Slovenia, Ec.europa.eu.

([104]) Statistical Office of the Republic of Slovenia, 2025, High-growth enterprises, 2024, Stat.si.

([105]) European Investment Bank, 2025, EIB investment survey 2025, Eib.org.

([106]) Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

remains low, with only a moderate share of companies having a high exposure to insolvency risks. Indicators of profitability, liquidity, indebtedness, and debt-servicing capacity remained relatively favourable even after the COVID-19 pandemic, the energy crisis, and 2023 floods. Despite increases in debt, over-indebtedness and interest rates, companies' debt-servicing capacity reached its most favourable levels since 2006 in 2025 ([107]). In terms of its legal insolvency framework, Slovenia has already adopted an amendment to its Insolvency Act to transpose the EU Directive on Restructuring and Insolvency into national law ([108]).

Business environment

Despite some simplification and efforts to cut red tape, administrative burdens are still significant and challenges to the business environment remain. This is a key 2025 CSR area and also links to Slovenia's aforementioned low level of business investment, as a predictable business environment is essential for investors. Business regulation as such is perceived to be less of an obstacle to investment than on average in the EU. While still an issue for 54% and a major obstacle for 16%, this is considerably lower than the EU averages of 69% and 34% ([109]). However, regulatory density and the lengthy procedures required for interactions with public services as well as frequent unpredictable changes in legislation and tax policy are often cited by business executives as factors that undermine the predictability and stability of Slovenia's business environment ([110]). In particular, permitting can also still constitute a major obstacle, significantly impacting firms' ability to invest in new technologies. Specifically, Slovenia's Regulatory Impact Assessment (RIA) procedure remains complex and lengthy ([111]).

In the field of simplification, burden reduction and promoting business dynamism, as well as permitting, which are addressed by the 2025 country-specific recommendations, several measures have been taken in recent years, and further efforts have been announced. For instance, Slovenia has aimed to make doing business easier by setting up a single point of contact system for businesses, or also through the Slovenian RRP, which includes the two already adopted Debureaucratisation Acts as well as a shortening of permit and authorisation procedures for renewable energy installations (for further information on permitting for renewable energy sources, see Annex 9). Furthermore, according to Slovenia's 'STOP the Bureaucracy' portal, almost 400 measures to eliminate administrative barriers have already been implemented, contributing to reported annual savings of around EUR 420 million ([112]). Slovenia's start-up strategy, which is part of the country's medium-term fiscal structural plan, also has administrative burden reduction and increased competitiveness and productivity as key objectives. Moreover, amendments to the Act on the Supportive Environment for Entrepreneurship and the Public Finance Act aim to allow greater investment by the Slovenian Enterprise Fund in the form of equity financing and enable a broader and clearer use of financial engineering instruments. Furthermore, amendments to the Companies Act, which aim to simplify some of the existing sustainability reporting obligations and reduce the related administrative burden for companies, were implemented. In 2025, Slovenia also adopted an Act on the Promotion of the Use of Renewable Energy Sources, which, among other things, aims to enable easier and electronic applications by investors and defines new activities of the RES contact point to further assist investors and authorities involved in permit-granting, including at local level.

Slovenia has also made notable progress in e-government. While their uptake is higher than

([107])Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([108])OECD, 2022, Enhancing insolvency frameworks to support economic renewal, Oecd.org.

([109])European Investment Bank, 2025, EIB investment survey 2025, Eib.org.

([110])International Institute for Management Development, 2025, World Competitiveness Ranking 2025 Slovenia, Imd.org and Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([111])Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([112])Republic of Slovenia, STOP the Bureaucracy portal, Stopbirokraciji.gov.si.

on EU average, the availability of digital public services ([113]) in Slovenia is somewhat less widespread than in the EU, especially when it comes to cross-border services ([114]). This is expected to improve with the advancement of the implementation of the Single Digital Gateway (see Annex 7).

Businesses in Slovenia benefit from strong fibre and 5G networks, while further progress in very high-capacity network deployment remains important to fully support competitiveness. Progress in fixed connectivity continues. Very high-capacity network (VHCN) coverage in Slovenia reached 79.6% of households in 2024, up from 78.5% in 2023, but remained below the EU average of 82.5%. By contrast, fibre-to-the-premises (FTTP) coverage stood at 79.6% in 2024, significantly above the EU average of 69.2%, reflecting a comparatively advanced fibre roll-out and providing a solid basis for high-quality fixed connectivity for households and businesses. Mobile connectivity has improved markedly, with overall 5G coverage increasing to 96.7% in 2024, exceeding the EU average of 94.3%. Coverage in the 3.4–3.8 GHz band, which is particularly relevant for advanced industrial and business use, also expanded substantially, reaching 68.1%, significantly above the EU average (51.06%). These developments are supported by roadmap measures, including RRF-funded investment providing high-speed internet access to educational institutions and very high-speed connectivity between public research institutes, measures to strengthen network resilience, and the co-financing of open 5G base stations, including a EUR 4.2 million scheme targeting flood-affected areas. In addition, Slovenia's Cohesion Policy Programme 2021–2027 provides support for open, very high-capacity broadband, with EUR 19.7 million co-financing the construction of backbone and access networks in white-spot areas where private operators have no investment interest. The networks will provide households, businesses, and public institutions with connectivity of at least 100 Mbps, upgradeable to 1 Gbps, supporting the deployment of advanced digital services, including e-business, e-learning, Internet of Things, smart homes/buildings and 5G applications.

Access to equity finance remains an investment obstacle. While Slovenia has been taking action via its recovery and resilience plan (RRP) and has included further commitments to develop its capital market and improve access to finance in its MTP, financing remains heavily reliant on bank loans, despite some relative improvement vis-a-vis other Member States in 2023 and 2024 (see Table A5.1). To address the 2025 recommendation in this policy area, Slovenia has started taking some steps (see Annex 6).

While some companies experience late payments ([115]), this appears to be a less widespread problem than in many other Member States. Slovenia has one of the narrowest payment gaps (i.e. the gap between the agreed and actual payment times) for payments from the public sector. However, the gap for business-to-business payments increased to 18.1 days and is now slightly above the EU average. 56.7% of SMEs also experienced late payments from other business entities in 2025, which is above the EU average, while the share SMEs experiencing late payments from the public sector is among the lowest in the EU (see Table A5.1).

Rules for corporate governance in Slovenia's many state-owned enterprises (SOEs) seem to have improved over recent years ([116]). The OECD Product Market Regulation (PMR) ([117]) database indicates that Slovenia is among OECD countries whose rules for public ownership and governing of SOEs induce the lowest distortions to competition and lowest shelter from market discipline ([118]). The largest SOEs by value operate in infrastructure, energy and transport. Nevertheless, Slovenia continues to maintain stakes in companies in highly competitive sectors

([113])Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report

([114])European Commission, 2025, Digital Decade Country Report Slovenia, Ec.europa.eu.

([115])Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report

([116])OECD, 2024, Ownership and Governance of State-Owned Enterprises 2024, Oecd.org.

([117])OECD, 2024, Product Market Regulation Policy Simulator 2023-2024 Edition, Oecd.org.

([118])OECD, 2023, Descriptions of the components of the OECD PMR economy-wide indicator, Oecd.org.

that have little or no economic rationale for state ownership (e.g. tourism) ([119]).

Single Market

Recent economic volatility and trade tensions underlined the importance of the EU Single Market for growth and resilience. Slovenia has one of the highest rates of trade integration for goods in the Single Market. Intra-EU trade represented 57.8% of GDP in 2025 (mostly due to this high level of trade in goods). 85% of Slovenian firms either imported and/or exported goods and/or services (within the Single Market or beyond), according to the EIB Investment Survey, which is considerably above the EU average of 66% ([120]). The largest investors in Slovenia are from EU and EFTA Member States, with Slovenia's main trading partners (Austria, Germany, Italy, Croatia and Switzerland) contributing about three fifths of the total value of direct investment ([121]).

Slovenia continues to perform well on key Single Market indicators. Over the last few years, Slovenia caught up on its lag in transposing and conforming with Single Market directives ([122]) and increased its resolution rate for SOLVIT, the EU network for solving cross-border problems of citizens and businesses. In 2025, Slovenia solved 100% of the SOLVIT cases it handled as lead centre (EU average 84.6%) ([123]). The percentage of Single Market directives not transposed on time (transposition deficit) stands at 0.8% (below both the EU average of 1.1% and the 1% target set by the EU Council). The conformity deficit (i.e. the percentage of all Single Market directives transposed incorrectly) is one of the narrowest in the EU, despite increasing from 0.5% to 0.7% in 2025, with Slovenia outperforming the EU average (1.1%). The country also remains considerably below the EU average for the number of Single Market-related infringement cases.

Compliance of products circulating in the Single Market ([124]) is key to ensuring both a level-playing field for law-abiding companies and the safety of consumers. In Slovenia, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 170.4 investigations per one million inhabitants, which is higher than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system. The upcoming revision of the Market Surveillance Regulation will upgrade ICSMS to a fully interoperable EU digital platform.

Regulatory and administrative barriers to the Single Market persist, affecting goods trade, and particularly the provision of services. For goods, businesses report that general driving bans for heavy goods vehicles can hamper cross-border operations ([125]). For services, cross-border trade remains comparatively restrictive. To address the 2025 country-specific recommendation on reducing administrative burden and regulatory restrictiveness in regulated professions and services trade, Slovenia has not yet taken any specific measures. While the country's services export market share has gradually increased since 2015 ([126]), barriers to services trade remain. Insurance is the most open sector, while engineering services are the most restricted when compared with other countries. Limitations on the duration of stay for service suppliers and limited recognition of foreign qualifications are potential hindrances ([127]).

([119])Republic of Slovenia, 2025, Press release, Vlada dopolnila strategijo upravljanja državnih naložb, Gov.si.

([120])European Investment Bank, 2025, EIB Investment Survey 2025, Eib.org.

([121])Institute of Macroeconomic Analysis and Development, 2024, Development Report, Umar.gov.si.

([122])Part of the barriers highlighted in the Single market strategy ('Terrible 10') and the 2026 Annual Single Market and Competitiveness Report.

([123])European Commission, Single Market and Competitiveness Scoreboard, Ec.europa.eu.

([124])Part of the barriers highlighted in the Single market strategy ('Terrible Ten') and the 2026 Annual Single Market and Competitiveness Report.

([125])European Round Table for Industry (ERT), 2025, Single Market Compendium of Obstacles, ert.eu.

([126])Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([127])OECD, 2026 Services Trade Restrictiveness Index (STRI), Oecd.org.

Barriers also persist in professional services ([128]). Regulatory restrictiveness is higher than the EU average for professions such as lawyers, real estate agents, civil engineers and architects ([129]). Overall, 261 specific professions are regulated, which is considerably above the EU median ([130]). Moreover, language requirements can act as an obstacle to market entry for foreign providers ([131]). Reducing regulatory barriers in the professional services sector will make entry easier and improve quality and prices (the RRP does not cover this). In particular, the profession of lawyer is more strictly regulated than in other Member States and the fragmented system regulating civil engineers could hinder the free movement of professionals. In addition, variations in regional regulations governing tourist guides may hinder market access and affect both national and cross-border service providers ([132]). So far, progress in addressing barriers in the field of business services has remained limited. In answer to a survey carried out by the Commission between December 2025 and February 2026, Slovenia reported it fully implemented 1, and partially implemented 2, out of 9 of the 2021 Commission recommendations ([133]). The Commission is currently assessing Slovenia's answer to measure actual progress in implementing the 2021 recommendations.

Also related to the 2025 recommendation on reducing administrative burdens and strengthening business dynamism, the government aims to accelerate and simplify procedures for setting up a business ([134]). Slovenia's newly adopted start-up strategy aims to create a supportive environment to make Slovenia more attractive for start-ups, with the aim of doubling the number of start-ups per million of inhabitants and increasing investments per capita tenfold by 2030 (see also Annex 47). In terms of overall entrepreneurial conditions, Slovenia has started several initiatives over the past few years to develop entrepreneurial skills among young people ([135]). SPIRIT, Slovenia's Business Development Agency, also operates an entrepreneurship programme aimed to equip women with entrepreneurial skills, as women are still considerably less likely to start a business than men ([136]).

Competition in public procurement remains a challenge. In 2025, 44% of contracts were awarded to single bidders, in comparison to 47% in 2024. Following a progressive decline from a high of 26% in 2020 to 9% in 2024, the share of direct awards once again increased slightly to 11% in 2025, which is nevertheless below Slovenia's RRP target of 14%. A low share of contracts also tends to be awarded to bidders from other countries (part of the Single Market and beyond) ([137]), resulting in a business environment with few new entrants. This further aggravates the lack of competition in what is a very small procurement market, featuring only a limited number of economic operators.

However, Slovenia continues to work on addressing the challenges with its public procurement system and has already implemented various initiatives, including through its RRP. For example, in 2024, two multi-year action plans for 2025-2030 (on increasing competition and the digital transformation of public procurement) were adopted. The plans aim to strengthen professionalisation and analytics, enhance market access for suppliers, and upgrade e-procurement capabilities. Further measures to improve competition in procurement procedures include

([128])Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report.

([129])OECD, 2024, Product market regulation – country note Slovenia, 2024, Oecd.org.

([130])European Commission, Regulated professions database, Ec.europa.eu.

([131])Official Gazette of the Republic of Slovenia, 2016, Act Regulating the Procedure for the Recognition of Professional Qualifications for Practising Regulated Professions (ZPPPK), pisrs.si.

([132])European Commission, 2021, Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021, Eur-lex.europa.eu.

([133])European Commission, 2021, Communication on updating the reform recommendations for regulation in professional services, COM(2021)385. 9/7/2021, Eur-lex.europa.eu.

([134])Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report.

([135])EACEA, 2023, Youthwiki Slovenia, Eacea.ec.europa.eu.

([136])OECD, 2023, The Missing Entrepreneurs 2023, Oecd.org.

([137])Republic of Slovenia, 2025, Statistical report on public contracts awarded in 2024, Ejn.gov.si.

enhanced training through the Public Procurement Academy, established through the RRP. In 2025, the Academy introduced 'train the trainer' sessions for consultants at local Slovenian Business Points (SPOT), which provide information for businesses, in particular SMEs, searching for public contracts. Furthermore, Slovenia's public procurement system underwent an independent analysis by the OECD funded by the Technical Support Instrument of the European Commission in 2024, which offered recommendations for potential improvements to the institutional and regulatory frameworks that would foster competition and improve the public procurement capacity of both contracting authorities and bidders ([138]).

Slovenia has made considerable progress on strategic public procurement, in particular Green Public Procurement (GPP), which accounted for 29.92% of contracts awarded in 2024 ([139]). Under Slovenia's national legislation, it is mandatory for all public procurement entities to take environmental aspects into account when procuring goods or services from 22 product and service groups (from electricity, building and road construction to electronic office equipment) ([140]). The government also established a single contact point on GPP and guidance to contracting authorities for each of the 22 product and service groups. Slovenia's GPP Decree was further amended in 2025 with the aim of reducing environmental impacts across the procurement lifecycle, embedding the principle of 'energy efficiency first' and aligning national practice with EU energy efficiency and clean transport objectives (see Annex 8) ([141]).

Slovenia has also progressed in socially responsible public procurement, accounting for 12.61% of contracts awarded ([142]), while procurement could be used more to strategically encourage innovation. By 2018, Slovenia had already published guidelines to combat 'social dumping' within the procurement of security and cleaning services ([143]). To enable the development and use of innovative solutions by public authorities, the government adopted guidelines on innovative public procurement in 2022. However, a lack of awareness and reluctance from contracting authorities seems to persist, with the uptake of innovation partnerships also very low. Making effective use of Slovenia's Public Procurement Academy could help improve the situation.

Businesses' views on corruption risks in public procurement are above the EU average. In Slovenia, 78% of companies (EU average: 51%) consider collusive bidding in public procurement procedures, and 74% (EU average: 51%) involvement of bidders in the design of specifications, 'very' or 'fairly widespread' practice. Among companies that have experience in and participated in a public procurement procedure, 28% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ([144]). 53% of companies perceive the level of independence of the public procurement review body (National Review Commission) as 'very' or 'fairly good' when it is reviewing public procurement cases ([145]). As part of continued efforts to improve transparency and competition in public procurement, the Commission for the Prevention of Corruption conducted investigations of misconduct in several large investment projects and issued recommendations to the government and respective ministries on handling corruption risks. In addition, it continued to carefully monitor state-owned enterprises, which are considered especially prone to undue influence and conflicts of interest situations because of the close interaction between the public and the private spheres ([146]).

([138])OECD, 2025, Maximising the Benefits of Effective Competition in Public Procurement in Slovenia, Oecd.org.

([139])Republic of Slovenia, 2025, Statistical report on public contracts awarded in 2024, Ejn.gov.si.

([140])Official Gazette of the Republic of Slovenia, 2023, Green Public Procurement Regulation, Pisrs.si.

([141])Republic of Slovenia, 2025, Green Public Procurement Regulation, Ejn.gov.si.

([142])Republic of Slovenia, 2025, Statistical report on public contracts awarded in 2024, Ejn.gov.si.

([143])European Commission, 2024, Procurement Monitoring Report – Slovenia, Ec.europa.eu.

([144])European Commission, 2025, Flash Eurobarometer 557, Data.europa.eu.

([145])European Commission, 2025, EU Justice Scoreboard, Ec.europa.eu and European Commission, 2025, Flash Eurobarometer 555, Ec.europa.eu.

([146])European Commission, 2025, Rule of Law Report – Country Chapter Slovenia, Ec.europa.eu.

Slovenia's fragmented eProcurement landscape and data quality issues highlight the need for interoperable systems, common standards, and stronger data governance. Given Slovenia's decentralised eProcurement landscape, with two to five separate Procurement services in operation ([147]) economic operators must use several systems to access all public procurement procedures, creating complexity and barriers to participation. This fragmentation underscores the need for introducing interoperability and common standards. The once-only principle is only partially implemented at national level (see Annex 7), and buyers across the EU still lack digital access to relevant evidence. The Slovenian national authorities provide many public procurements data set publicly. Additionally, the authorities are establishing a public procurement data strategy on the objectives and management of public procurement processes. Further integrating dedicated public procurement data collection and analysis service within the government to support data-driven oversight of the procurement lifecycle would benefit the Slovenian public procurement system ([148]).

A resilient and forward-looking European Standardisation System relies on strong national infrastructures capable of translating market needs into effective and timely standards. In this regard, National Standardisation Bodies play a pivotal role in addressing long-standing frictions ([149]) that continue to constrain the efficiency of the Single Market and the competitiveness of European industry. Addressing these pressures requires a deliberate effort to reinforce the institutional and human capacities of the Slovenian Institute for Standardisation. Strengthening expertise, ensuring stable funding, and enabling broader stakeholder participation will be key to maintaining responsiveness and relevance in standard-setting activities. Such investment would also enhance Slovenia's ability to contribute meaningfully to international standardisation, thereby supporting its industrial base and innovation ecosystem.

Industry and economic security

Energy-intensive industries have been facing particular challenges. Nevertheless, productivity in manufacturing overall recovered recently, slightly exceeding its pre-energy crisis level by the end of 2024. While production in energy-intensive industries, which had decreased during the energy crisis, increased in 2024, it remained below the 2021 levels ([150]). Energy-intensive industries accounted for approximately 5.2 % of Slovenia's total manufacturing gross value added (GVA) in 2024 ([151]). The competitiveness of these industries is impacted by high energy costs and insufficient investment in clean technologies. Despite a recent decline, the wholesale price of electricity continues to be higher for industry than before the energy crisis ([152]), an issue consistently highlighted by businesses as a concern (see also Annex 9). Recent years also saw the reduction and eventual shutdown of energy-intensive primary aluminium production, which – due to the energy crisis – was replaced by imports of primary aluminium and more modern recycling-based production of secondary aluminium ([153]). The decarbonisation of industry is supported through several measures, including through the co-financing of at least 27 energy-efficiency and decarbonisation projects as part of the REPowerEU chapter of Slovenia's RRP (see also Annex 8).

Similar to other parts of Europe, Slovenia's automotive industry is struggling for global competitiveness in the midst of the e-vehicle transformation. The launch of the production of a new electric passenger car model in Slovenia is expected to have a positive yet limited impact, as

([147])As reported in the eProcurement matrix.

([148])European Court of Auditors, Special Report 28/2023: Public Procurement in the EU. Less competition for contracts awarded for works, goods and services in the 10 years up to 2021, 2023, Special report 28/2023: Public procurement in the EU.

([149])Part of the barriers highlighted in the Single market strategy ("Terrible 10") and the 2026 Annual Single Market and Competitiveness Report.

([150])Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

([151])Eurostat, 2026, Gross value added and income by detailed industry (NACE Rev.2) (nama_10_a64), Ec.europa.eu.

([152])Statistical Office of the Republic of Slovenia, 2025, Prices of energy sources, 4th quarter 2025, Stat.si.

([153])Institute of Macroeconomic Analysis and Development, 2025, Quality of life in Slovenia – Development Report 2025, Umar.gov.si.

exports in this sector have been impacted by difficulties in industrial production in some key Slovenian trading partners ([154]). The Slovenian automotive industry comprised around 300 companies in 2024 and provided around 17 600 jobs, with Germany by far being the biggest export market for this sector ([155]), which means that difficulties in the German market also impact Slovenian companies in the value chain. Higher costs than those of Asian competitors and a weak demand for electric cars further impact the sector's competitiveness as well as the sustainable mobility transition in a country which has a comparatively low share of newly registered electric cars (see also Annex 8).

Slovenia's high level of industrialisation provides opportunities regarding the manufacturing of net zero technologies, although its production capacity is currently modest. For solar PV modules, it amounts to between 700 and 800 MW/y, which is 4% of the EU's capacity ([156]). However, the country is a competitive exporter of grid technology components and hosts at least five battery production facilities that mainly produce lead-acid batteries, including one giga factory which opened in 2024, and at least six facilities producing heat pumps ([157]). Slovenia also participates in several Important Projects of Common European Interest (IPCEI) related to strategic technologies for Europe. Notably, is part of the EuBatIn IPCEI, approved in 2021, and the IPCEI on microelectronics (IPCEI ME/CT) and the IPCEI on cloud and communication/information technologies (IPCEI CIS). Projects in IPCEI ME/CT and IPCEI CIS are supported by Slovenia's recovery and resilience plan.

Slovenia has made some progress in implementing the Net-Zero Industry Act (NZIA). It has successfully designated a single point of contact, which is crucial for streamlining communication and coordination among stakeholders. Furthermore, Slovenia has established a national contact point to administer applications, facilitating the advancement of Net-Zero Strategic Projects. However, so far, Slovenia has not confirmed any Net-Zero Strategic Projects and has not designated any Net-Zero Acceleration Valleys.

Manufacturing depends heavily on imports of critical raw materials. While Slovenia's overall raw materials import concentration was lower than the EU average in 2025, 47.3% of material inputs in manufacturing production originated from imports in 2024, the fifth highest share in the EU (EU average: 22.4%) ([158]), showing Slovenia's particular vulnerability to supply chain disruptions. To mitigate such vulnerabilities and to help integrate domestic raw material supply chains in line with the European Union's strategic objectives, Slovenia is preparing its National Research Programme. It will identify the national potential for critical raw materials, support research and innovation in the field of sustainable extraction and processing. In 2018, Slovenia already adopted a National Mining Strategy ([159]). In addition, recycling might also still offer some further potential to reduce the need for critical raw materials. While Slovenia's overall circular material use rate is below the EU average, the recycling rate for e-waste, a key source of critical raw materials, is slightly above the EU average in Slovenia (at 82.9% vs. 82.2% in 2023) ([160])

([154])Institute of Macroeconomic Analysis and Development, 2026, Spring Forecast of Economic Trends, Umar.gov.si.

([155])Slovenia Business, 2024, Automotive industry, Sloveniabusiness.eu.

([156])European Commission, 2025, The net-zero manufacturing industry landscape across the Member States, Op.europa.eu.

([157])European Commission, 2025, The net-zero manufacturing industry landscape across the Member States, Op.europa.eu.

([158])Eurostat, 2025, Material import dependency, Ec.europa.eu.

([159])Republic of Slovenia, 2018, National Mining Strategy, Energetica-portal.si.

([160])Eurostat, 2025, Recycling rate of waste of electrical and electronic equipment (WEEE) separately collected, Ec.europa.eu.

Table A5.1: **Single Market and Industry**

Slovenia								
POLICY AREA	**INDICATOR NAME**		**2021**	**2022**	**2023**	**2024**	**2025**	**EU-27 average**
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27[1]		83.5	83.7	86.5	84.2	86.0	100.0
	Business investment (share of GDP)[1]		11.7	12.2	12.0	11.7	-	12.6
	Public investment (share of GDP)[1]		4.7	5.5	5.5	5.1	-	3.9
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle[2]		16.4	13.1	17.0	16.0	16.0	34.0
SME liquidity	EIF Access to Finance for SMEs index - loans[3]		0.62	0.69	0.64	0.79	-	0.43
	EIF Access to Finance for SMEs index - equity[3]		0.10	0.05	0.11	0.14	-	0.19
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[4]		11.7	12.3	11.8	10.3	18.1	17.4
	Payment gap - public sector, difference in days between offered and actual payment[4]		11.1	12.9	9.3	12.0	12.4	13.6
	Share of SMEs experiencing late payments, %[5]	from private entities in the previous or current quarter	-	-	-	47.4	56.7	47.1
		from public entities in the previous or current quarter	-	-	-	12.7	12.1	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, %[1]		61.9	70.4	61.1	59.0	57.8	40.7
	EEA Services Trade Restrictiveness index[6]		0.064	0.064	0.064	0.064	0.064	0.050
Public procurement	Single bids, % of total contractors[7*]		44	51	45	47	44	27
	Direct awards, % of negotiated procedures[7*]		19	12	10	9	1	6
Compliance	Transposition deficit, % of all directives not transposed[8]		1.2	1	0.8	0.7	0.8	1
	Conformity deficit, % of all directives transposed incorrectly[8]		1.3	1.3	0.8	0.5	0.7	1.1
	SOLVIT, resolution rate per country, %[8]		90	80	50	92.3	100	84.6
	Number of pending infringement proceedings[8]		24	23	23	18	14	25
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers[1]		0.1006	0.1897	0.2321	0.1782	-	0.1462
	Electrification (electricity as a share of total energy consumption in industry)[1]		40.3	40.1	37.7	-	-	32.7
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption)[1]		25.0	25.0	25.1	25.0	-	25.2
Critical raw materials	Material import dependency, %[1]		45.6	46.9	45.8	47.3	-	22.4
	Circular material use rate[1]		8.9	8.2	9.9	10.1	-	12.2
Operational cleantech manufacturing capacity in 2025[9]	- Solar PV (c: cell, w: wafer, M:module), GW		0.75 (m)		- Electrolyzer, GW		-	
	- Heat pump assembly		0.0013		- Battery, GW		-	

Source: 1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: **Savings and Investments Union summary diagnostic**

Topic	*Main features*	*Relative EU positioning*
Asset-backed pension schemes	Assets at 6.7% of GDP (32.4% in the EU) 10-year real return of 1.5% (1.4% in the EU)	Slovenia has very low pension fund assets that yield a modest return. Equity exposure is low. Slovenia has no mandatory or auto-enrolment pension schemes. Slovenia has a low gross replacement rate and will face a strong increase in pension expenditures.
Households' financial assets	EUR 37 800 per capita (EUR 85 100 in the EU) o/w 3.3% in listed shares and bonds (7.6% in the EU) o/w 6.7% in investment funds (11.1% in the EU) o/w 4.5% in life insurance (13.4% in the EU) o/w 6.9% in pension claims (13.6% in the EU)	A very small share of households' low financial assets is invested in equity, investment funds and pension funds.
Venture capital (VC) **Private equity (PE)**	VC at 0.007% of GDP (0.064% in the EU) PE at 0.059% of GDP (0.487% in the EU)	Very low capital and low private equity investments.
Capital taxation	Corporate income tax of 19% (temporarily 22% in 2024-2028) with interest deductibility, withholding tax of 25% but lower if SIA	Equity is taxed slightly more than other financial assets, but the SIA partly corrects it.
1-3 **4-10** **11-17** **18-24** **25-27**	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

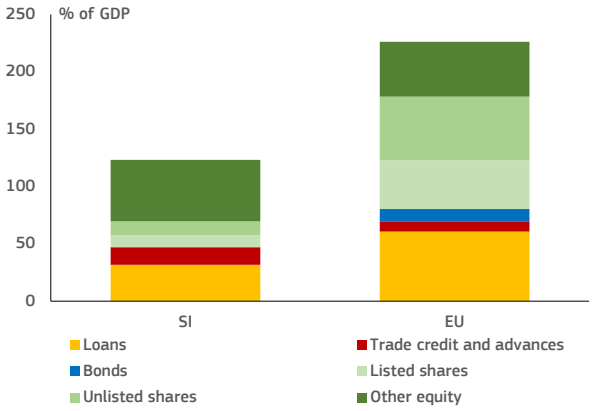
Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

Slovenia lags behind most Member States on the key progress indicators for the Savings and Investment Union (see Table A6.1). The financial sector in Slovenia continues to be dominated by banks, and the country's capital markets are comparatively small. Firms in Slovenia rely on funding from banks rather than from capital markets. Slovenian households do not invest enough in financial assets and equity. Slovenia has recently introduced a new individual investment account, but it seems to discriminate against foreign financial instruments. Slovenia's banking sector has performed well and is therefore not constrained in its role of financing the economy. Insurance premiums dropped and profitability and solvency have improved due to the abolition of complementary health insurance. The protection gap for earthquake and flood is significant. Asset-backed funded pensions remain very small and generate only modest real returns. Encouraging the development of universal funded pension schemes alongside the prevailing pay-as-you-go system would help channel investment into equities and, in turn, support growth and innovation.

Business landscape and company funding

In terms of structure and size, the Slovenian economy is more reliant on micro-sized companies than the EU average. In Slovenia the relative importance of medium and large businesses is about the same as the EU average, but the micro-sized companies ply a stronger role in the structure of the economy, at the expense of small companies (see Annex 5 for more details). This has implications for the corporate sector's demand for funding.

Graph A6.1: **Composition of NFCs' funding**



Source: Eurostat. End-2024.

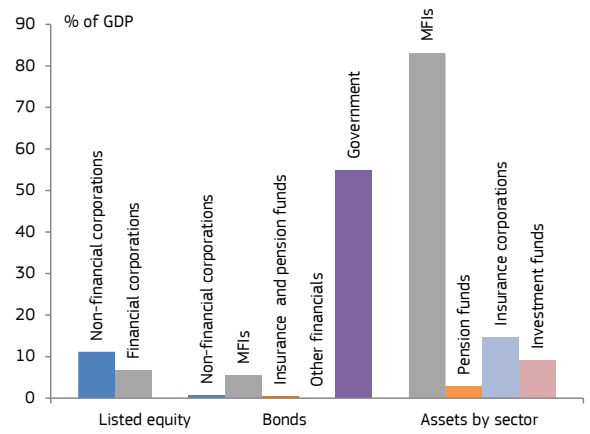
Firms in Slovenia rely more on internal funding and funding from banks and less on funding from capital markets than the EU average. Slovenian businesses depend more on internal financing than their European peers. According to the 2025 EIB Investment Survey, 69% of the investment needs of Slovenian firms are covered by internal funding, compared with an EU average of 66%. At the end of 2024, bank finance through loans constituted 26% (vs 27% in the EU) of all external funding sources for Slovenian non-financial corporations (NFCs), while listed shares and bonds represented only 9% (vs 24% in the EU) of external funding sources. Expressed in terms of GDP, the overall level of NFC

funding was much lower in Slovenia (124% of GDP) than in the EU (226%) (see Graph A6.1).

Size and structure of the financial sector

All Slovenian financial intermediaries, and in particular banks, are small in terms of GDP. Banks' assets were equivalent to 83% of GDP in September 2025 (vs 246% in the EU), one of the lowest in the EU, sharply down from 150% in 2012. The banking sector is quite concentrated, since the top five banks accounted for 74% of total assets (vs 51% in the EU) at the end of 2024. The banking sector is dominated by the state-controlled NLB, followed by the Hungarian OTP bank and the two Italian subsidiaries, Intesa Sanpaolo and Unicredit. Foreign-owned banks accounted for about 46% of the banking sector's assets in 2024 compared with the 30% figure that prevailed before the sovereign crisis of 2013. Most banks are privately owned, with the notable exception of the largest bank, NLB, which is still 25% (+1 share) state-owned, effectively a controlling stake. The insurance sector, with total assets equivalent to 15% of GDP at Q3-2025, dominates non-bank intermediation, though well below the EU average (54% of GDP). The pension funds' assets are much smaller: they were only equivalent to 7% of GDP in 2024 (vs 23% in the EU). Investment funds are equivalent to a relatively small level of 10% of GDP.

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO. End-2024.

Slovenia's capital markets are under-developed. The main stock exchange in Slovenia is the Ljubljana Stock Exchange. The equity market is very small in terms of capitalisation (17.9% of GDP vs an EU average of 67% as of end-2024) and volumes traded, and even more so when compared with the US (213%). The breadth ([161]) of bond markets has steadily decreased since 2018 and is largely below the EU average (0.6 vs 1.5). The bid-ask spread ([162]) on equity markets is much higher than the EU average (12.6 vs 1.6). In late 2024, eight CEE stock exchanges (Bratislava, Bucharest, Budapest, Ljubljana, Skopje, Sofia, Warsaw, and Zagreb), together with the EBRD, signed a memorandum of understanding (MoU) to foster the joint development of national capital markets through closer cooperation, regulatory alignment, and increased market integration. This initiative was endorsed by the respective finance ministers in August 2025.

Most bonds are issued by the government. At end-2024, financial corporations accounted for 37% of the market capitalisation of listed equity, which reflects the extent to which the stock market in Slovenia is geared towards funding the financial segment of the real economy. The outstanding volume of debt securities is very low and reached 61% of GDP at end-2024. Bonds issued by the government accounted for 89% of the total. This reflects the very high weight of gross public debt in the Slovenian bond market.

Households' participation in capital markets

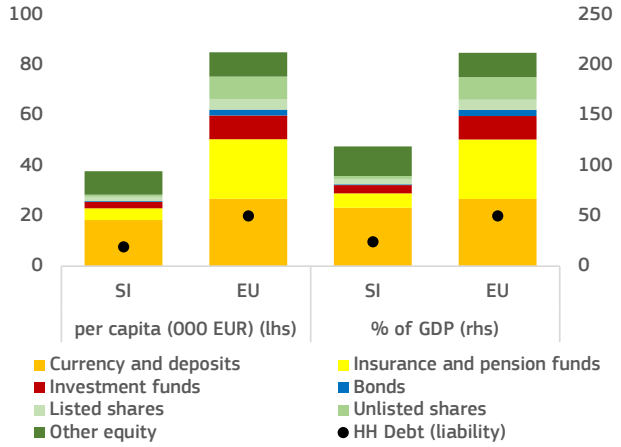
Slovenian households do not invest enough in financial assets and, more importantly, equity. Slovenian households' financial assets equated to 119% of GDP in 2024, less than the EU average (212%) and far less than the US (446%). Worse, assets invested in equity equated to only 52% of GDP, below the EU average (91%) and almost six times below the US (291%). Slovenian households invest relatively little in investment funds, bonds, shares and insurance and pension funds, while allocating a significant portion to

([161])The ratio of bonds outstanding to GDP.

([162])Median of bid-ask spread as a % of the mid-price.

deposits and cash, which generate much lower returns than equity.

Graph A6.3: **Composition of HHs' financial assets**



Source: Eurostat. End-2024.

Slovenia's new individual investment account may discriminate against foreign financial instruments. On 27 May 2025, Slovenia adopted a law introducing individual investment accounts aimed at promoting retail investment in financial instruments (shares, bonds, treasury bills, exchange trade funds and undertakings for collective investment in transferable securities. To benefit from the preferential scheme, investors may invest up to EUR 5 000 per year, with an additional EUR 5 000 permitted, but only if invested in Slovenian securities. The total outstanding amount on the account is capped at EUR 150 000. This distinction between domestic and foreign financial products, if confirmed, would incentivise investment in Slovenian-issued instruments and put foreign companies at a disadvantage. Since it raises concerns about the measure's compatibility with the EU single market's fundamental freedoms (particularly the free movement of capital), the Commission is currently in a dialogue with the Slovenian authorities.

The banking sector: resilience and financing of the economy

Slovenia's banking sector has performed well and is therefore not constrained in its role of funding the economy. Return on equity has constantly exceeded 9% since 2017, and reached 13.8% in the first three quarters of 2025 (vs 9.6% in the EU). The capital adequacy ratio has slightly decreased from 19.8% in December 2024 to 19.5% in Q3-2025 (vs 20.2% in the EU). The average MREL (Minimum Requirement for own funds and Eligible Liabilities) level of Slovenian banks stood at 35.7% of TREA (Total Risk Exposure Amount) in Q2-2025, up from 33.7% of TREA in December 2024. Against an average MREL binding target (including combined buffer requirements, CBR) in Q2-2025 of 29.7% TREA, no bank reported a MREL shortfall ([163]). In December 2024 Slovenia published information on its national bail-in mechanic, in line with the EBA guidelines ([164]). The non-performing-loan ratio has slightly increased from 1.6% in December 2024 to 1.9% in September 2025 (vs 1.9% in the EU) driven solely by a few manufacturing firms. The banks' asset quality outlook is increasingly uncertain due to the current conflict in the Middle East and its impact on energy prices and economic growth. With a loan-to-deposit ratio of 74.3% in September 2025 (vs 93.2% in the EU), banks benefit from a substantial excess of deposits over loans, which ensures a relatively stable funding base. The liquidity coverage ratio fell from 287% in December 2024 to 263% in Q3-2025 but remains one of the highest in the EU. However, this generally positive outlook could be threatened in the future by political or legal developments. There is still no lasting solution to the legacy portfolio of loans issued by Slovenian banks in Swiss francs, and adverse court rulings on this issue remain a real possibility, even if the issue only concerns a few banks.

Household credit growth is strong, but NFC credit growth remains modest. Due to the recent moderate decline in interest rates and a relatively favourable economic situation featuring high employment and real wage growth, year-on-year household credit growth in Slovenia has increased from a low of 3.4% in September 2023 (vs 0.8% in the euro area) to 7.5% in September 2025 (vs 1.8% in the euro area). This very dynamic growth was partly driven by the substantial growth of 12.6% in the consumer loan segment (vs 7.4% in the housing loan segment). In contrast, lending to NFCs was more moderate, even if its rebound was substantial: its year-on-year growth reached 2.2% in September 2025 (vs

([163])See the MREL Dashboard published by the SRB.

([164])EBA, Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool.

1.8% in the euro area), steeply up from a low of minus 6.9% in November 2024.

Interest rates on new loans to the private sector have receded from the peak reached end-2023. In September 2025, interest rates on new loans to Slovenian households for house purchases reached 2.83% (vs 3.3% in the euro area), down from a high of 4.07% in July. Interest rates on new loans to NFCs followed a similar but even steeper pattern. They reached 3.97% (vs 3.52% in the euro area) in September 2025, steeply down from the peak of 5.69% observed in October 2023. Overall, even if they have somewhat declined from their peak, interest rates remain quite high compared with those observed over the last decade. But the spread between Slovenian and euro area interest rates has been much smaller (and even sometimes negative) since 2022, while historically it was quite substantial. This lower spread is probably due to the lower NPL ratio and the better quality of the credit portfolio of Slovenian banks.

In Q4-2025 Banks reported no change in their credit standards for NFC loans and a slight tightening in credit standards for housing loans. In the January 2026 Bank Lending Survey, Slovenian banks indicated no change in their credit standards for NFC loans in Q4-2025, while the euro area reported a tightening on average. Slovenian banks reported a slight tightening in credit standards for loans to households for house purchases in Q4-2025 (vs a small easing in the euro area). Because of lower fixed investment, firms' net demand for corporate loans slightly decreased in Q4-2025 (vs a slight increase in the euro area). Housing loan demand remained stable in Q4-2025 (vs a moderate increase in the euro area).

Role of non-bank financial intermediaries

Insurance premiums dropped but profitability and solvency improved due to the abolition of complementary health insurance. The gross written premium of Slovenian insurers dropped by 12.8% between 2023 and 2024 due to the abolition of complementary health insurance. Excluding health insurance, gross written premium would have risen by 10.8% in year-on-year terms. In 2025, the sector's performance continued to strengthen: in the first half of the year, insurance companies collected EUR 1.4 billion in gross premiums, 10.8% more than in the same period of the previous year. The non-life combined ratio ([165]) improved from 96% in December 2023 to 90% in December 2024. Part of the improvement is due to the abolition of complementary health insurance, which tended to exhibit a higher combined ratio than other non-life insurance segments due to the regulatory cap imposed on its premiums. Profit grew from a low of EUR 49 million in 2023 to a record high EUR 228.6 million in 2024. This exceptional growth in profit was attributable in particular to the increase in insurance premiums, the large decline in claims, and buoyant financial markets, while insurers that had previously provided supplemental health insurance received compensation for loss of earnings in 2023, which were paid in 2024. Overall capital adequacy improved from 247% in 2023 to 267% in 2024 (vs 243% in the EEA) and hovered around 258% in Q3-2025 (vs 249% in the EEA), confirming the sector's strong resilience to potential shocks.

The investment portfolio of Slovenian insurers mostly comprises bond holdings. The Slovenian insurance sector, which is small by EU standards (with an assets-to-GDP ratio of 15% vs an EU average of 53% in Q2-2025), invested 52% of its assets in bonds in Q4-2024 (compared with 37% for the EEA as a whole) ([166]). Government bonds (domestic at 20%) represented 34% of the portfolio (vs 19% in the EEA), investment funds 26% (vs 36% in the EEA), corporate bonds 17% (vs 18% in the EEA), equity 16.0% (vs 16% in the EEA), cash and deposits 2% (vs 4% in the EEA), and mortgage and loans 1% (vs 4% in the EEA).

The protection gap for earthquake is significant. EIOPA's 2025 dashboard on insurance protection gap for natural catastrophes gives scores 3.5 and 2.5 respectively for earthquake and for flood protection gaps on a scale from 0 (lowest gap) to 4 (highest gap). On 4-5 August 2023, Slovenia experienced its most catastrophic natural disaster (flash floods) since independence, with total direct and indirect

([165]) The combined ratio is equal to the sum of the incurred losses and expenses divided by the earned premiums. It is inversely related to profitability.

([166]) Source: EIOPA Insurance Statistics.

damage estimated at EUR 10 billion (16% of GDP). Although the insurance penetration for floods has increased from 0-25% in 2024 to 25%-50% in 2025, the insurance penetration for earthquake remains particularly low, between 0% and 25%.

The domestic pension fund industry has an even more conservative investment profile than insurers, with a greater focus on bonds, and in particular corporate bonds. The assets of Slovenian pension funds were equivalent to 7% of GDP in Q2-2025 (vs 23% in the euro area) and bonds accounted for 64% of assets held by IORPs (institutions for occupational retirement provision) as of end-2024 (vs 35% in the EEA). Corporate bonds represented 39% of the assets (vs 12% in the EEA), government bonds 25% (vs 23% in the EEA), investment funds represented 17% of the assets (vs 38% in the EEA), equity 13% (vs 20% in the EEA) and cash and deposits 3% (vs 3% in the EEA).

Asset-backed (funded) pensions remain very small and fail to deliver a significant real return. Well-developed asset-backed pension systems are critical in providing financial security to the public, particularly in light of demographic trends; they also help develop capital markets and mobilise investment to finance growth and innovation. Pension assets ([167]) amounted to only 7.1% of GDP in 2024 (vs 32.3% in the EU and 162.0% in the US), the third lowest level in the EU. Slovenia has no public pension reserve fund, even though the Ordinance on State Assets Management Strategy adopted in 2025 envisaged the creation of a demographic reserve fund. Contributions to occupational pension schemes are not mandatory, and there is no auto-enrolment, even though the Pension Reform Act requires employers with more than ten employees to conduct collective bargaining to set up collective supplementary insurance by no later than 1 January 2028. Slovenia has not yet developed a single, nationwide pension tracking system and pension dashboard that aggregates all pension entitlements. Over the past ten years the average real return generated by Slovenian pension assets has been mediocre (1.0% vs 1.4% in the EU), largely because of low equity exposure and high bond holdings. In general, encouraging the build-up of universal, funded pension schemes alongside the prevailing pay-as-you-go system would help channel investment into equities, support growth and innovation and diversify retirement income.

Venture capital ecosystem

The domestic venture and growth capital market is significantly under-developed. The value of private equity relative to nominal GDP is extremely low. It has hovered around 0.04% since 2017 with an exceptional high of 0.82% in 2021 and a low of 0.01% in 2024 (vs 0.46% in the EU). Worse, the value of venture capital has remained negligible, never exceeding 0.01% of GDP (vs 0.06% in the EU in 2024).

The participation of domestic institutional investors in providing funding for start-ups and venture capital investors is low. A 2024 paper by the think tank Centre for European Policy Studies showed that, on average, pension funds in Croatia, Slovenia and Slovakia accounted for only 6% of private equity and venture capital funds raised annually between 2007-2023, a figure that falls far short of the 19% for the Baltic states or 20% for the Nordic Member States ([168]).

There are some policies in place to promote start-up funding. To address the low volumes of PE and VC, on 23 March 2022, Slovenia adopted the Resolution on the Slovenian scientific research and innovation strategy 2030. The Slovenian recovery and resilience plan (RRP) also allocates EUR 143 million to supporting productivity and innovation, creating a more business-friendly environment for investors. This includes reforms to improve the business environment, facilitate access to finance and foster cooperation between public and private research sectors. The Slovenian government also offers various support mechanisms for start-ups and SMEs via the Slovene Enterprise Fund (SEF), which proposes grants, loans and co-investment opportunities, or via EU funding, which is used for small scale incentives, with vouchers, or for a start-up consortium to improve the support environment for innovative start-ups through services like

([167])Pension assets consist of pension providers' assets and public pension fund reserve assets. See OECD, Pension Markets in Focus 2025 for details.

([168])Source: Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS.

Table A6.2: **Statistical Annex**

		2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU
Banking sector	Total assets of MFIs, % of GDP	89.4	88.6	98.8	95.0	91.1	85.1	83.1	82.5	246.1
	Common equity Tier 1 ratio	17.6	17.8	16.7	16.9	15.9	17.7	17.6	17.4	16.8
	Total capital adequacy ratio	17.9	18.5	18.3	18.4	18.5	20.4	19.8	19.5	20.2
	Overall NPL ratio, % of all loans	6.0	3.4	3.0	2.1	1.8	1.5	1.6	1.9	1.9
	NPL ratio, loans to NFCs	13.3	6.9	6.5	3.9	2.9	2.8	2.9	3.5	3.5
	NPL ratio, loans to HHs	3.0	2.4	2.5	2.5	2.1	1.8	1.8	1.7	2.1
	Return on equity ratio[1]	10.7	10.3	11.3	9.5	13.3	16.8	14.9	13.8	9.6
	Loans to NFCs, % of GDP	20.2	19.3	19.5	18.4	18.9	15.9	14.9	14.8	29.3
	Loans to HHs, % of GDP	22.8	22.8	23.5	22.2	21.9	20.1	20.3	20.5	43.6
	NFC credit growth rate, %	0.2	2.8	-1.1	5.7	12.7	-5.0	-1.6	2.2	2.5
	HH credit growth rate, %	6.8	6.1	0.7	5.2	7.7	3.7	6.4	7.5	2.6
Non-banking sector	Stock market capitalisation, % of GDP	14.0	14.7	14.9	17.7	13.4	14.4	17.8	25.2	69.9
	Initial public offerings, % of GDP	-	-	-	-	-	-	-	-	0.06
	Market funding ratio	34.0	32.2	32.0	30.3	27.7	28.6	28.5	-	49.7
	Private equity, % of GDP	0.082	0.045	0.042	0.300	0.329	0.331	0.059	-	0.487
	Venture capital, % of GDP	0.005	0.003	0.003	0.004	0.007	0.005	0.007	-	0.064
	Financial literacy, composite index	-	-	-	-	-	54.5	-	-	45.5
	Bonds, % of HHs' financial assets	0.5	0.4	0.3	0.2	0.2	0.5	0.9	-	2.8
	Listed shares, % of HHs' financial assets	3.0	3.2	3.4	4.1	3.3	3.7	4.4	-	4.8
	Investment funds, % of HHs' financial assets	3.9	4.5	4.5	5.5	4.8	5.5	6.7	-	11.0
	Insurance/pension funds, % of HHs' financial assets	15.0	14.9	14.1	13.4	12.5	12.2	12.2	-	27.8
	Total assets of insurers, % of GDP	17.5	18.0	19.6	17.8	14.8	14.2	14.8	15.4	53.9
	Pension assets, bn EUR	-	-	-	4.1	4.0	4.3	4.8	-	5813.8
	Pension assets, % of GDP	-	-	-	7.8	7.0	6.7	7.1	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	1.5	1.0	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	7.0	6.9	7.2	7.3	23.0

1-3 | 4-10 | 11-17 | 18-24 | 25-27 — Colours indicate performance ranking among the 27 EU Member States.

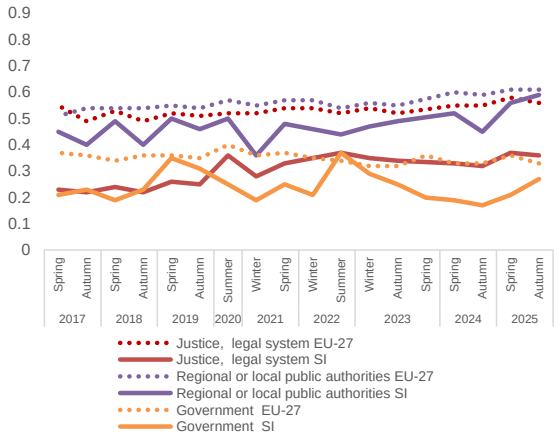
(1) Annualised data.
For ECB data on credit growth and pension fund assets, EU data refer to the EA average.
Private equity and venture capital, % of GDP is calculated as a three-year moving average.
Source: ECB, ESTAT, OECD, CMU Dashboard, AMECO.

advisory support and mentoring. (see Annex 4 for more details).

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, high-quality legislation, regulatory simplification and efficient services for people and businesses. The 2025 country specific recommendations (CSRs) highlighted challenges for Slovenia in terms of i) simplifying regulation, ii) improving regulatory tools, iii) identifying administrative burdens (see Annex 5) and improving working conditions, particularly in the care and teaching sectors (see Annex 11).

Public trust

Graph A7.1: **Trust in the justice system, regional / local authorities and in government**



(1) EU-27 since 2019; EU-28 before
Source: European Commission, Standard Eurobarometer surveys.

Public trust in Slovenia remains below the EU average. In Slovenia 27% of people trust the government, which is below the EU average of 33%. (Graph A7.1) Trust in regional and local authorities continues to be higher than trust in central government. Both people and businesses retain confidence in the ability of public administration to protect their personal data and to handle their data securely and responsibly ([169]).

Quality of lawmaking

Slovenia's rules for lawmaking demonstrate partial alignment with best practice in reducing the regulatory burden and ensuring effective implementation (Table A7.1). Slovenia has a good framework for stakeholder engagement and providing information about the development of all primary laws and secondary regulations. When assessing the impact of new primary legislation emphasis is placed on competitiveness and compliance costs for small and medium-sized businesses.

Administrations are not required to consider non-legislative options when developing new primary legislation. Accordingly, an opportunity is missed simplify and reduce unnecessary legislation without losing sight of the policy objectives. Moreover, the absence of a formal requirement for the government to assess the level of compliance when developing new primary legislation undermines its ability to monitor implementation. The mechanisms and scope of *ex post* evaluations remain discretionary, and Slovenia continues to perform below the EU average. The oversight of better regulation tools is hindered by the absence of i) an external body responsible for reviewing the quality of regulatory impact assessments and *ex post* evaluations, ii) assessments of the effectiveness of *ex post* evaluations in enhancing the regulatory stock ([170]).

Public service delivery and digitalisation

Slovenia has made good progress in digitalising its public services but in terms of user friendliness there is room for improvement. Overall, 52% of people and 37% of companies are satisfied with administrative services, compared with an EU average of 45% and 42%, respectively ([171]). Moreover, the number of people in Slovenia finding public administration

([169])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([170])OECD, 2025, Better Regulation Practices across the European Union 2025, https://doi.org/10.1787/6f007516-en.

([171])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Table A7.1: **Slovenia. Selected indicators on better regulation practices for primary legislation**

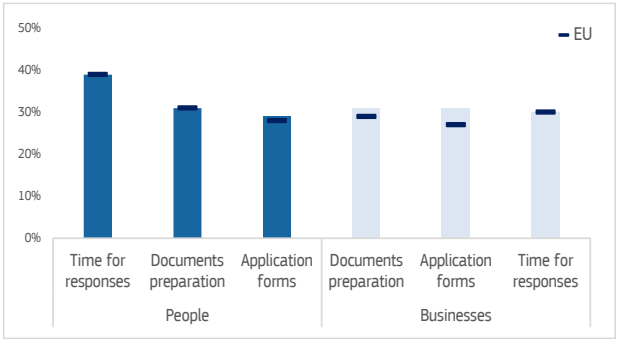
Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evacuations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●

● High / yes / for all primary laws ● Medium / in part / for major primary laws ● Low / for some primary laws ● Very low / no / never

Source: OECD, 2025, Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025

complex and burdensome has fallen from 38% in 2023 down to 26% in 2025 ([172]). For businesses, the most time-consuming aspects when dealing with public administration are i) preparing documents, ii) submitting application forms iii) processing and iv) waiting for responses, which affects almost a third of companies (slightly above the EU average, see Graph A7.2). While businesses report no negative operational impacts from administrative delays, there is clear demand for improvement and call for transparent and clear information together with step-by-step guidance or tutorials to further improve usability.

Graph A7.2: **Most time-consuming aspects of service delivery**



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Slovenia is gradually making more public services available online for people and businesses, but the country remains below the EU average (Table A7.2). Slovenia had made mixed progress in offering cross-border access to its services ([173]). Access to electronic health records is above the EU average (Slovenia 87; EU 83). Businesses are making extensive use of e-government platforms and 85% of companies find that digital public-administration services save time and effort ([174]). The business registration process is one of the most streamlined in Europe ([175]). Slovenia is revising the Business Register of Slovenia Act (ZPRS-2) to further simplify the process and introduce a digital corporate identity ([176]).

In early 2026, Slovenia launched a new digital construction-permit platform ([177]). The platform is linked to the spatial information system (PIS) and the land registry, and offers a comprehensive range of online services. It marks

([172])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([173])European Commission, 2025, Digital Decade 2025: Country reports.

([174])European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

([175])European Commission, forthcoming, Simplification of key life events.

([176])Government of the Republic of Slovenia, Draft budgetary plan of the General Government 2026.

([177])Ministrstvo za naravne vire in prostor, 2026, Pridobitev gradbenega dovoljenja po elektronski poti je odslej možna po celotni Sloveniji | GOV.SI.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	Slovenia			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	71	77	79	82
Digital public services for businesses (0 to 100)	83	84	85	86
Access to electronic health records (0 to 100)	80	88	87	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data was collected in the previous year.
Source: European Commission, State of the Digital Decade report 2025

an important milestone in the digital transformation of public administration, but its success still depends on providing good user support and ensuring that different institutions interpret procedures consistently ([178]).

To address the 2025 CSRs, Slovenia is working to strengthen its digital government infrastructure and improve online public services, as there is room for improvement of interoperability and reuse of data across levels of government ([179]). Slovenia's cohesion policy programme 2021–2027 provides support for government ICT solutions, e-services and applications ([180]). Under its recovery and resilience plan (RRP) and in line with the digital public services strategy for 2030, Slovenia is further developing its central government portal for companies and business entities, to provide more integrated, coordinated, and safe interaction between businesses and public administrations ([181]).

Slovenia has enabled the cross-border exchange of data and documents between authorities through the EU once-only technical system ([182]). When once-only-enabled services ([183]) become accessible, people and businesses will no longer have to search for their data, download upload documents manually across e-government portals in different Member States. Slovenia has authority registries connected in the populations domain. The country has yet to identify the types of documents and data needed for this exchange and shift from exchange of documents to exchange of structured data.

Civil service

Slovenia has been implementing reforms to improve the attractiveness of employment in its the civil service. Under the RRP, the country introduced a new public-sector wage system, which adapted pay in the various parts of the public sector and linked it to work performance. The new system is expected to be better tailored to the different professions and help address shortages in fields such as social care) ([184]) (see Annexes 11 and 12).

Compared to their peers across the EU, civil servants in Slovenia demonstrate relatively strong motivation. Civil service employees tend to be immersed in work and willing to do extra effort. Employee engagement is highest among new starters (less than a year in post) and experienced employees (those who have been in the job more than 26 years). Staff satisfaction may be improved by i) better strategic leadership, ii) stronger focus on organisational development

([178])Gospodarska zbornica Slovenije, 2026, ZGIGM | Arhiv: Po vsej Sloveniji odslej možna elektronska pridobitev gradbenega dovoljenja.

([179])European Commission, forthcoming, Simplification of key life events.

([180])European Commission, 2020, Slovenia's EU Cohesion Policy Programme 2021-2027.

([181])Government of the Republic of Slovenia, Draft budgetary plan of the General Government 2026.

([182])European Commission, *Once-Only Technical System Accelerator meter*, Ec.europa.eu.

([183])Procedure types under Annex II of the SDGR (2018/1724/EU) and directives 2005/36/EC, 2006/123/EC, 2014/24/EU and 2014/25/EU.

([184])Government of the Republic of Slovenia, Draft budgetary plan of the General Government 2026.

and iii) more opportunities for career development ([185]). This would help Slovenia's civil service have a younger age profile, 43% of which is aged above 50 ([186]). Among public administration employees 75% have completed higher education, well above the EU average of 55% ([187]).

Integrity

While the perception of corruption when doing business in Slovenia is high, the reported level of experienced corruption is below the EU average. The figures suggest a high perceived level of corruption, with 84% of companies saying corruption is widespread (EU: 63%) and 86% stating that overly close links between business and politics lead to corruption (EU: 76%). In a similar vein, 42% of businesses report that corruption is a problem when doing business (EU: 35%) ([188]). A smaller proportion of firms than across the EU report direct requests for gifts or extra payments in dealings with permits, services and public procurement (Slovenia 9%; EU: 10%). However, confidence in enforcement is lower, with only 13% believing that those caught bribing senior officials are appropriately punished (EU: 33%) ([189]). The sector that is most vulnerable to corruption in Slovenia is public procurement, with investigations of wrongdoing carried out in a number of large investment projects (e.g. purchase of real estate, acquisition of IT equipment, water concessions and state-owned enterprises) ([190]) (see Annex 5).

Slovenia has taken major steps to improve the prevention and detection of corruption. In 2025, Slovenia adopted a new resolution on the prevention of corruption (anti-corruption strategy) and an accompanying action plan covering the period to 2030. This provides sector- and policy-specific objectives to mitigate corruption risks and increase transparency, integrity and accountability. Its purpose is also to strengthen the enforcement of the rules on conflicts of interest, lobbying, political-party financing, public procurement, public spending and whistleblower protection.

The commission for the prevention of corruption upgraded its publicly accessible online portal (ERAR) to modernise and enhance the accessibility and transparency of data on public expenditure. With a view to improving transparency, reducing the risk of corruption and boosting integrity, the portal is also intended to provide information on asset declarations, lobbying and business restrictions. It also clarifies lobbying guidelines on exemptions from the registration obligation, although reporting of lobbying contacts remains low at local level. The legislation entered into force in 2026, meaning that this commission now has jurisdiction over all public employees concerning conflicts of interest ([191]). Despite awareness-raising campaigns, few reports of corruption have so far been submitted through whistleblowing channels ([192]).

Slovenia has also taken measures to improve the prosecution of corruption. The country has managed to reduce the backlog of unresolved reports of crime and the police concluded several open investigations. However, there were fewer charges and convictions than in previous years, and no foreign bribery cases were reported or investigated. No high-level judgments in corruption cases have been delivered since 2020 and there is clear room for improvement ([193]).

([185])OECD, 2025, Workforce Insights from Central Governments.

([186])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employed persons by economic activity (NACE Rev. 2) (2008-2026).

([187])European Commission, Eurostat, 2026, European Union Labour Force Survey, Employees by educational attainment level and NACE Rev. 2 activity (2008-2026).

([188])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([189])European Commission, 2025, Flash Eurobarometer survey 557 on businesses' attitudes towards corruption in the EU and selected enlargement countries.

([190])European Commission, 2025, Rule of Law Report, p. 14.

([191])The new Public Employees Act (ZJU-1) reproduces the legislative provisions on conflicts of interest laid down in the Integrity and Prevention of Corruption Act (IPCA) (ZIntPK) to all public employees and office holders. Previously, this commission was responsible only for overseeing conflicts of interest of high-level officials that fell within the scope of the IPCA. information gathered during the country visit for Rule of Law Report.

([192])European Commission, 2025, Rule of Law Report, p. 13.

([193])OECD, 2025, Slovenia must promptly strengthen independence of investigations and implement longstanding

Amendments have been proposed to the State Prosecution Office Act to make the prosecution of corruption more effective. An internal peer review was carried out, which found shortcomings in the effectiveness of prosecutions of local officials, mainly relating to abuse of functions and misuse of public financing resources. Following the peer review, a specialised working group was set up to develop and to promote uniform, comparable approaches to conducting pre-trial proceedings ([194]).

Justice

The justice system generally performs efficiently, but some challenges remain. Despite maintaining the improved number of resolved cases, the overall backlogs further increased (by 3%) and the length of trials remain a challenge, particularly in financial and economic crime cases. The average time taken to reach a decision in commercial cases in first-instance courts increased slightly from 344 in 2023 to 355 days in 2024. The estimated time to resolve administrative cases in first-instance courts decreased from 627 days in 2023 to 570 days in 2024 ([195]).

The digitalisation of the Slovenian justice system is advanced. This is especially true of case management. Some improvements have been made to close the digitalisation gap, especially regarding digital solutions to initiate and follow proceedings in civil/commercial and administrative cases, as it is possible, since April 2026, to send and receive court documents in civil cases. The country lags behind in online access for the public to published judgments and in the arrangements for producing machine-readable judicial decisions. As part of Slovenia's RRP, investment in the digitalisation of services in the justice system is expected to be completed by the end of 2026 ([196]).

recommendations, says OECD Working Group on Bribery following High-Level mission in Ljubljana.

([194])European Commission, 2025, Rule of Law Report, p. 10.

([195])European Commission, 2025, EU Justice scoreboard.

([196])For a more detailed analysis of the performance of the justice system in Slovenia, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

Slovenia has been advancing with reducing CO_2 emissions in industry and improving waste management, yet it faces challenges including in mapping renewable energy priority zones and the circular economy. In 2025, Slovenia received country-specific recommendations which highlighted the need to implement energy efficiency measures and invest in sustainable and electric transport. Since these recommendations, Slovenia rolled out financial incentives to promote energy efficiency in industry, but several challenges remain. They include the slow mapping of renewable energy priority zones, and the low uptake of industry decarbonisation funds under the Recovery and Resilience Facility. Challenges persist in the improvement of public transport and reducing transport emissions. Slovenia has one of the highest recycling rates and lowest landfilling rates in the EU. Nonetheless, progress has been limited in making products more circular from design to end-of-life. This is reflected in circular economy indicators such as resource productivity and circular material use rate, which are below the EU average. Industrial heavy metals remain a pressure on water quality in Slovenia, primarily due to localised sources and historical pollution. The increase in industrial heavy metal releases to water is concerning, as it exacerbates water pollution and contributes to environmental costs that are not yet fully borne by polluters.

Industry decarbonisation

Greenhouse gas emissions from industry

Slovenia's industrial base is undergoing a transformation to meet climate targets and remain competitive as it transitions to a net-zero and circular economy ([197]). Although manufacturing in Slovenia contributes less to overall greenhouse gas emissions than the EU average, the key climate and energy metrics of the sector are close to the EU average. Industry generates 16% of Slovenia's total greenhouse gas emissions ([198]). Industrial decarbonisation has made measurable progress, with improvements in energy efficiency and reductions in emission intensity, broadly in line with EU trends. Manufacturing emission intensity has fallen, particularly energy-related emissions, and energy consumption per unit of output is significantly lower. Nevertheless, Slovenia's pace of improvement lags behind the EU average in key areas, and the share of renewable energy in industrial energy use has slightly decreased. A State aid scheme provides indirect compensation to energy-intensive companies for electricity charges that are higher due to carbon prices ('indirect emission costs') under the ETS. Emissions from industrial processes also remain a challenge. The lack of a specific national industrial policy for net-zero manufacturing limits the scope to scale up these activities and weakens long-term investment signals ([199]).

Policies to promote industry decarbonisation

Energy efficiency is an important aspect of Slovenia's policies to promote cleaner industry production. Several regulatory schemes and financial incentives are in place to promote energy efficiency and industry (and services), in line with the country-specific recommendation (CSR) that called for the *acceleration of the implementation of energy efficiency measures [...]*. This includes the Energy Efficiency Obligation Scheme (2015-2030), which aims to mobilise

([197]) This Annex discusses the transition of Slovenia's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing Slovenia's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), 2025 Country Report - Slovenia, Commission staff working document, SWD (2025) 224 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

([198]) Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

([199]) At the same time, coal-region transition policies offer new opportunities to invest in skills development and clean technology deployment (see also Annex 19). On the environmental pollution from industrial activities, see further below in this annex.

private investment in energy efficiency by requiring energy suppliers across all sectors to achieve annual energy savings of about 0.8% of final energy sales through a continuous scheme (with industry delivering the largest share of savings). The Eco Fund business programme offers SMEs and large companies grants covering up to 30% of efficient equipment, insulation, heat recovery and process improvements. Its Energy Audit programme provides 50% in subsidies (up to EUR 15 000) to conduct energy audits or implement ISO 50001 energy management systems. National figures indicate that industrial energy efficiency ([200]) improved by approximately 38% between 2000 and 2023. However, in late 2025, Slovenia cancelled a planned EUR 42 million public call under the recovery and resilience plan to support decarbonisation, energy efficiency in industry and buildings, renewables, hydrogen and biofuels investments due to insufficient eligible bids. This illustrates some of the challenges of the implementation of decarbonisation policies. Slovenia would benefit from clearer eligibility, smaller thematic sub-calls and blended finance to lower co-financing barriers, while providing technical support to help companies prepare strong applications. Streamlining administrative bottlenecks in permitting, enhancing outreach and aligning the scheme with national decarbonisation roadmaps and complementary fiscal incentives will increase take-up and ensure effective deployment of decarbonisation investments.

Slovenia's hydrogen eco-system is at an emerging stage. The Slovenian Ministry of Environment, Climate, and Energy launched a tender in 2025 to draft an action plan to achieve the hydrogen targets set in the national energy and climate plan. Slovenia is also involved in Important Projects of Common European Interest on hydrogen and report innovation in the hydrogen sector, particularly in mobility and energy systems, as well as expanding take-up by industry. Slovenia has joined the EU Clean Hydrogen Partnership alongside Croatia and the Italian region of Friuli Venezia Giulia to support the North Adriatic Hydrogen Valley ([201]).

Slovenia provides a business tax incentive for investment in the green and low-carbon transition under its Corporate Income Tax Act, allowing companies to reduce their taxable base by up to 40% of the value of eligible investments in areas such as energy efficiency, renewable energy, and decarbonisation of industrial processes ([202]). There is also a government-backed State aid scheme for indirect cost compensation, which provides partial refunds to certain companies for the higher electricity costs caused by the EU emissions trading system (EU ETS). For energy-intensive industries, this is a temporary electricity price relief, but it can blunt the price signal that drives companies to reduce energy use or shift to low-carbon electricity.

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

For 2030, Slovenia is projected to overachieve its effort sharing target ([203])**.** In 2024, greenhouse gas (GHG) emissions from Slovenia's effort sharing sectors are expected to have been 12.2% below 2005 levels. By 2030, with current and planned policies and measures, these emissions are expected to decrease by 28.3%, resulting in a surplus of 1.3 percentage points relative to the 2030 target, a 27% reduction. Slovenia is projected to exceed its effort sharing emissions limits temporarily in the 2021-2030 period but could cover the gap with unused

([200])As measured by the ODEX index.

([201])Slovenia Joins the EU Clean Hydrogen Partnership to Advance Hydrogen Innovation, Slovenia Joins the EU Clean Hydrogen Partnership to Advance Hydrogen Innovation - NAHV.

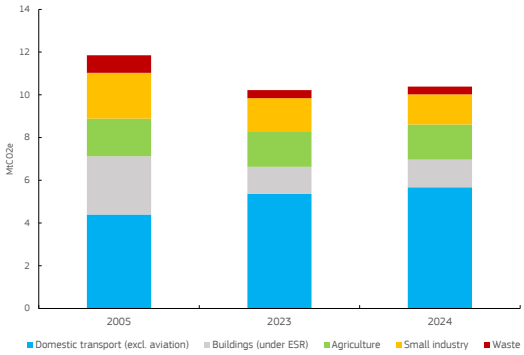
([202])Corporate Income Tax Act (ZDDPO-2), Article 55.c (Facilitation of investments in the digital and green transitions).

([203])The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per Slovenia's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), Climate Action Progress Report 2025 – Technical Information, Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

annual emission allocations from other years to achieve compliance with the Effort Sharing Regulation.

Sustainable transport

Graph A8.1: **Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024**



Source: European Environment Agency.

Slovenia's 2025 CSRs highlighted challenges concerning the need to electrify the transport sector and focus investments on sustainable transport, particularly rail. Nonetheless, road transport emissions in Slovenia have continued to grow. In 2024, road transport generated 55% of Slovenia's effort sharing emissions, an increase of 29% from 2005 levels ([204]). In 2025, the share of new car sales that are zero-emissions reached 11%. This marks quite a substantial growth from 2024, when the share of zero-emission vehicles was 6%. In line with the Alternative Fuels Infrastructure Regulation (AFIR), Slovenia is mandated to facilitate the installation of publicly accessible charging stations for light-duty vehicles along the TEN-T network. While significant investments have been made with funding under the recovery and resilience plan and the Alternative Fuels Infrastructure Facility, more is needed to attain the AFIR targets ([205]). Regarding heavy-duty vehicles, Slovenia does not internalise the external-cost of CO_2 emissions of heavy-duty vehicles by charging an external-cost charge for CO_2 emissions in tolls, a measure that would make zero-emission trucks more cost-competitive and thereby support their faster deployment.

Slovenia has taken measures to promote more sustainable transport, notably public transport and rail infrastructure. In 2023, Slovenia established a Public Transport Authority to integrate rail and bus services. It expanded bus services from approximately 50 to 60 million km per year and adjusted peak-hour and weekend coverage, along with measures to better coordinate timetables. An integrated ticketing and pricing system is now in place, and a new digital back-office and payment platform is under procurement, with implementation expected within 12–18 months. Slovenia is bringing in demand-responsive transport and adapted vehicles to improve accessibility for people with reduced mobility. Rail investments have increased, including new lines, TEN-T corridor upgrades, station modernisation (notably in Ljubljana) and rolling stock adapted for accessibility. Major projects such as the second Divača–Koper rail track, are expected to be completed in 2026 ([206]) and to reduce travel times and enhance competitiveness with cars. Overall, good progress has been made in railway development. However, to achieve the modal shift and reduce dependency on cars, further action is needed, first and foremost to improve public transport and develop infrastructure along the TEN-T corridors, due to be completed by 2030. It is also important to advance preparations for high-speed rail lines, the priority being the Ljubljana-Maribor section. Additional investment is required to improve multimodal passenger hubs in TEN-T urban nodes and to equip them with charging infrastructure for buses and coaches, the priority being on finalising the Ljubljana Hub. To aid strategic planning, Slovenia has a new national mobility plan and a transport policy framework for 2030 which will systematically integrate ongoing and planned measures outlined, amongst others, in the National Energy and Climate Plan, alongside environmental impact assessments.

Slovenia allocates a substantial portion of its Climate Fund, financed primarily through revenue from the EU emissions trading system, to mobility and transport initiatives, including electric public transport and support for low-emission vehicles. Slovenia has a growing e-mobility sector, anchored by a large electric vehicle manufacturer and several smaller firms. Public charging infrastructure is expanding,

([204])See Graph A8.1, and Table A8.1 at the end of this Annex.

([205])AFIR fleet-based target tracker, Link

([206])TTR Capacity Strategy 2025, page 2, Link.

particularly along the main transport corridors. Municipalities can access subsidies for electric buses and shuttles, and Ljubljana has brought in its first renewable-powered buses. Electric vehicles accounted for approximately 10% of new registrations, supported by sustained state subsidies and expanded charging infrastructure. This now includes around 2 500 public charging points, approximately one charger per six electric vehicles. But the infrastructure for heavy-duty vehicles remains limited; a new tender is planned after the initial call that failed to attract bids. Between 2022 and 2026, Slovenia has allocated around EUR 124 million for electric vehicles and buses. Its long-term plans include developing 12 high-capacity charging hubs along the TEN-T network by 2035, highlighting progress and the areas where further investment and policy support are needed.

Despite recent initiatives, Slovenia's transport sector still lacks strong, targeted policies to significantly reduce emissions, as road transport remains the dominant source of GHG and energy consumption in the sector. Slovenia's current policy of reimbursing employees' commuting costs effectively subsidises fossil fuel use, as fossil fuel–based transport is eligible. This policy could be reformed to prioritise support for public transport and electric vehicles, helping to shift commuting habits toward low-carbon options. To accelerate the process of decarbonisation, Slovenia could integrate demand-side incentives for sustainable commuting, stronger disincentives for fossil-fuel use, and invest in rail and active transport infrastructure as a competitive alternative to car use. This is possible under Slovenia's national transport and climate strategies, supported by coherent planning and implementation at all governance levels.

Sustainable industry

Circular economy

Slovenia's circular economy roadmap ([207]) is ambitious, with the objective for the country to become the leader in central-eastern Europe in the transition to a circular economy, but implementation remains slow.

The very good results on waste management contrast with rather poor performance on circular economy indicators, indicating a high untapped potential. Slovenia is one of the top EU performers on recycling rates, with over 62% of municipal waste recycled in 2024 (against the EU average of 48%) and almost 52% of plastic packaging recycled in 2023 (above the EU average of 42% ([208]). This is also reflected in a low and decreasing use of landfilling, used for only about 10% of municipal waste in 2023, already in line with the 10% EU target for 2035. Despite the 47% surge in the number of people employed in the sector since 2014 ([209]), the key circular economy indicators are improving only slowly and still trail the EU average. In 2024, the circular material use rate was 10.1% (EU average: 12.2%) ([210]), and the resource productivity rate was EUR 2.3 per kg (EU average: almost EUR 3 per kg). The rate of integrating secondary raw materials into new products is also slow, as is the take-up of products under the EU ecolabel scheme ([211]) and the eco-management and audit scheme (EMAS) ([212]). The low results on the circular economy indicators might be partially explained by the high share (about 50%) of waste produced by demolition and construction and the technical and permitting obstacles to reusing those materials.

Material consumption per capita has decreased over the past five years by 8.2% ([213]) but the volume of total waste generation (including mineral waste) has increased over the last 10 years, exceeding the EU average ([214]). These data underscore a persistent reliance on primary raw materials, with

([207])Ministry of the Environment and Spatial Planning of the Republic of Slovenia, Roadmap towards the Circular Economy in Slovenia, Ljubljana, 2018, Link.

([208])European Commission, 2025 Environmental Implementation Review, Country Report – Slovenia. Link.

([209])Circular economy sector covers the recycling sector, repair and reuse sector and rental and leasing sector. Eurostat definition code [cei_cie011].

([210])Eurostat, circular material use rate.

([211])European Commission, 'EU Ecolabel facts and figures'.

([212])European Commission, 'EMAS register'.

([213])Eurostat, Material footprints, 2024.

([214])Eurostat, Waste generation per capita, European Commission, Waste Management Country Profile, Slovenia, March 2025 Link (includes mineral waste).

a high level of dependence on imports. A positive milestone in the transition to a circular economy is the new Slovenian Center for Circular Economy set up in December 2024. The Center is a one-stop shop for policy support, innovation services and capacity building for policymakers, businesses, research organisations and the public.

Slovenia's fiscal tools for circular practices support revenue and waste reduction. Total environmental tax revenue is higher than the EU average (at 2.9% of GDP in 2022; EU average: 2%) ([215]). Taxes on pollution and resources form a low share of total taxes (0.1%) but slightly above the EU average (0.08%). Bringing in a CO_2 tax on incineration could lead to a reduction in the volume of mixed municipal waste ([216]) and generate additional revenue ([217]). Likewise, an effective measure to encourage producers to design for recycling and therefore create the conditions for higher recycling rates would be to bring in criteria for advanced fee modulation in extended producer responsibility schemes, which do not yet exist in Slovenia ([218]). Reaching its circular economy objectives require additional investment of EUR 88 million per year.

Bioeconomy industry

Between 2018 and 2023, the value added generated by the bioeconomy has grown by 4.6% on average, below the EU average of 5.1%. Wood products and furniture saw the highest growth in value added (6.1% on average between 2018 and 2023) ([219]).

Overall employment in the bioeconomy has slightly fallen. However, the bioeconomy sub-sectors of food and beverages, wood products and furniture, and bio-based chemicals and plastics all recorded growth in total employment between 2018 and 2023 (1.6%, 1.4% and 3.5% on average respectively) ([220]). Labour productivity in the bioeconomy – measured as value added per person employed – stood at 57.3% of the national average, down from 58.5% in 2018 ([221]). Research and development (R&D) business expenditure from bioeconomy sub-sectors has grown slightly more than overall R&D business expenditure in Slovenia (6.7% compared to 6.0% on average between 2018 and 2023) ([222]).

Slovenia's bioeconomy is anchored by its wood products and furniture sector. The food and beverage market is a vital pillar, focusing on organic production and creating value from agricultural residues into functional ingredients. The textile sector is also transitioning by integrating natural fibres such as hemp and recycled cellulose into a more sustainable value chain. Slovenia's bioeconomy policy is framed in various strategic documents such as the Slovenian Development Strategy 2030, the Slovenian Agriculture and Food Strategy, the Slovenian Smart Specialization Strategy (S5) ([223]). Slovenia also promotes the development of the bioeconomy under the recovery and resilience plan, which invests in the sustainable use and processing of wood and the sustainable renovation of buildings using bio-based materials ([224]).

Zero-pollution industry

Over the past decade, Slovenia has made significant progress in reducing key air pollutants through cleaner energy production, tighter vehicle emission standards and improvements in industrial technology.

From 2010 to 2022, Slovenia has achieved a 26% reduction in air pollutant emissions (NOx, NMVOC, PM10, PM2.5 SOx) in kg per capita ([225])**.** Despite this achievement, the costs of air pollution,

([215])2025 Environmental Implementation Review, Country Report – Slovenia, Link.

([216])An average 25% reduction in municipal waste can be achieved when PAYT is applied, (Dornbusch et al., 2020). In 2024 Slovenia incinerated 15,7% of its municipal waste.

([217])EEA, Early warning assessment related to the 2025 targets for municipal waste and packaging waste.

([218])European Commission, Waste Management Country Profile, Slovenia, March 2025.

([219])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([220])Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

([221])Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, Link.

([222])Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, Link,.

([223])Bioeast, Slovenia's Bioeconomy policy framework. Link

([224])About the Recovery and Resilience Plan | GOV.SI.

([225])Eurostat, Air emissions accounts.

especially from road traffic, are still high ([226]) and estimated at EUR 4.6 million per year. Air pollution by PM2.5 is estimated to lead to 629 years of life lost per 100 000 in 2024, still above the EU average of 527. This underscores the need for further action, particularly in industrial regions and urban transport corridors. The environmental taxation system is well developed, but there is still scope to improve it. Small changes in pollution taxes for major air pollutants such as NOx, SO_2 or particulate matter could help improve air quality, particularly in urban and industrial areas that still face challenges with particulate pollution ([227]).

Water pollution from industry remains a challenge. Concerning developments for water pollution in Slovenia include a 102% increase in industrial heavy metal releases (cadmium, mercury, nickel and lead), while total organic carbon emissions to water have fallen by 66% since 2010, as reported under the Industrial Emissions Directive (IED) ([228]). 100% of Slovenia's surface water bodies still fail to achieve good chemical status due to the presence of ubiquitous, persistent, bioaccumulative and toxic priority substances (uPBTs). In Slovenia, these are primarily mercury and PBDEs (polybrominated diphenyl ethers). Excluding uPBTs, 98.7% of surface water bodies in Slovenia would achieve good chemical status. Water pollution by industry imposes direct and indirect costs of EUR 72 million a year, not yet sufficiently borne by the polluters. There is scope to improve the taxation system in the water sector as rates are modest compared with the environmental costs they should cover. Adjusting wastewater charges for households, industry and agriculture could raise additional revenue ([229]) that could be used for wastewater infrastructural upgrades and to improve compliance with the Water Framework Directive.

The total economic cost of industrial pollution in Slovenia is EUR 1.6 billion a year, encompassing healthcare expenses, lost productivity and environmental degradation ([230]). Investment still falls short of this need. Meeting national and EU targets for pollution prevention and control would require an additional EUR 55 million in investment every year (0.09% of GDP), mainly on improving air quality and particularly in the road transport and energy sectors ([231]).

([226])Report, 'Update of the costs of not implementing EU environmental law'. The damage cost is estimated as VOLY.

([227])Green taxation study, 2025 [ref. TBD].

([228])European Environmental Agency (EEA), Water pollutant releases changes from 2010 to 2022 for the EU Member States.

([229])Green taxation study, 2025 [ref. TBD].

([230])The cost of health and the environment from industrial air pollution in Europe, 2024 update. EEA. The costs reported are calculated as value of a statistical life.

([231])Environmental Implementation Review 2025 (SWD(2025) 324 final), Country Report Slovenia, Link.

Table A8.1: **Key clean industry and climate mitigation indicators: Slovenia**

Climate mitigation	Slovenia							Trend	EU	
Industry decarbonisation	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emissions intensity of manufacturing production, g/€ (1)	315	288	281	259	251	227	223	↘	330	-
Share of energy-related emissions in industrial GHG emissions (2)	60.4	59.2	59.7	60.7	59.7	60.1	-	↗	55.5	57.9
Energy-related GHG emissions intensity of manufacturing and construction, g/€ (3)	199.1	178.6	178.6	163.8	156.0	144.0	-	↘	203.9	163.0
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	47.3	47.4	46.3	46.2	46.3	44.9	44.8	↘	42.8	43.9
Energy intensity of manufacturing, GWh/€ (4)	1.61	1.50	1.45	1.35	1.25	1.12	1.09	↘	1.27	1.05
Share of energy-intensive industries in manufacturing production, % in GVA (5)	15.07	15.31	14.99	14.34	14.96	14.38	13.13	↘	-	-
GHG emissions intensity of production in sector [...] g/€ (6)										
- paper and paper products (NACE C17)	1 636	1 466	1 239	1 157	1 679	1 282	1 328	↗	722	619
- chemicals and chemical products (NACE C20)	355	320	311	243	272	342	214	↘	-	-
- other non-metallic mineral products (NACE C23)	2 971	2 899	2 949	2 498	2 388	2 311	2 896	↘	2 495	2 352
- basic metals (NACE C24)	1 392	1 109	1 107	1 861	3 606	1 894	1 513	↗	2 842	3 099
Reduction of effort sharing emissions	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2023**
GHG emission reductions relative to base year, %				-12.2	-9.5	-13.4	-12.2			
- domestic road transport	32.6	27.8	4.0	18.3	31.7	21.9	29.0	↗	-1.4	-5.6
- buildings	-49.4	-49.9	-49.8	-53.4	-53.0	-53.5	-52.4	↘	-20.3	-33.5
	2005			**2021**	**2022**	**2023**	**2024**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	11.8			10.4	10.7	10.2	10.4	-27.0%	-9.4%	-28.3%
Sustainable road transport	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**		**2018**	**2021**
New zero-emission vehicles, electricity motor, % (7)	0.70	0.96	3.22	3.26	5.02	8.89	6.00		↗	1.03	8.96
Number of publicly accessible AC/DC charging points (8)	-	-	363	1247	1601	1608	2156	2545	↗	446956	n/a
Share of electrified railways, % of total (9)	50.45	50.45	50.45	50.45	50.08	50.08	50.08		↘	55.47	56.49

Sustainable industry	Slovenia							Trend	EU-27	
Circular economy transition	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**latest data**
Material footprint, tonnes per person	17.0	15.8	14.3	16.6	17.0	17.3	15.3	↘	14.8	13.7
Circular material use rate, %	10.1	10.2	9.9	8.9	8.2	9.9	10.1	↗	11.6	12.2
Resource productivity, €/kg	1.5	1.7	1.7	1.7	1.8	2.0	2.3	↗	2.1	3.0
Employees in circular economy	2.2	2.3	3.1	2.9	2.5	2.7	-		2.1	2.0
Patents in circular economy	0	1.0	0.5	1.0					12.3	12.0
Recycling rate	58.9	59.2	59.3	60.8	62.6	59.8	62.4		46.40	48.1
Plastic recyling	49%	50%	45%	50%	51%	52%	-		41%	42%
Construction and demolition waste (CDW) recovery	98	-	97						88	89
Bioeconomy industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**CAGR 2018-2023**	**2018**	**2023**
Value added, million EUR	2 629	2 758	2 939	2 975	3 404	3 433	-	4.6%	642 438	863 436
Employment, total number of people employed	116 496	116 998	115 315	115 244	116 332	115 551	-	-0.1%	17 649 040	17 085 642
Productivity										
Valued added per worker, thousand EUR	22.6	23.6	25.5	25.8	29.3	29.7	-	4.7%	36.4	50.5
Valued added per worker, % of national average	58.5	58.9	64.3	59.6	63.4	57.3	-	-	62.2	70.7
R&D business expenditure										
Total bioeconomy (biomass producing and converting sectors)	127	136	157	157	176	187		6.7%	15 672	23 335
Total R&D business expenditure	662	731	739	816	840	938	-	6.0%	196 587	259 525
Zero pollution industry	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**		**2018**	**2021**
Damage cost for industrial pollution	2.0	1.6	1.5	1.6	-	-	-		414.9	352.7

Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosporus			
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)		
	454	90%	253 441	-76%	12 274 100	-57%	40 061	-76%		
Water chemical status		Good	-	Good (%)	-		Poor	155.0	Poor (%)	100%

Sources and notes: **Industry decarbonisation:** All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. **Reduction of effort sharing emissions:** Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. **Sustainable road transport:** (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). **Sustainable industry**: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations.

The 2025 country-specific recommendations highlighted the need for Slovenia to: (1) accelerate the roll-out of renewables and energy storage by simplifying permitting and boosting local authorities' capacity to accelerate approvals; (2) strengthen the electricity grid infrastructure at distribution level and introduce smart grid components; and (3) accelerate the implementation of energy efficiency measures, particularly in the building sector. The development of Slovenia's electricity sector remains largely reliant on a mix of renewables and nuclear power, while progressively reducing the share of coal (until coal is finally phased out by 2033 ([232])). Despite Slovenia recently undertaking several reforms to simplify permitting in the context of its recovery and resilience plan, deployment of wind capacities has stalled for more than a decade. Regarding energy system integration, Slovenia has taken steps to promote the installation of electricity storage and demand-response systems, and put in place the regulatory framework to enable development.

Energy prices and costs

Alongside the government's continued measures to reduce final retail energy prices ([233]), Slovenia recorded significant decreases in household and non-household electricity and gas prices, which remained below the EU average, whereas gas industrial prices remained at the EU level.

In the first half of 2025, both household electricity and household gas prices in Slovenia decreased and remained well below the EU average, at EUR 0.1810/kWh and EUR 0.0849/kWh respectively. Similarly, non-household gas prices have stabilised since 2024 and reached the average EU level, while industrial electricity prices (EUR 146/MWh) have decreased significantly and remained below the EU average (EUR 164/MWh). While 70% of the electricity price for industry is accounted for by wholesale cost, network cost, carbon cost and taxes represent 12%, 10% and 8% respectively of the electricity bill.

In the first half of 2025 gas remained significantly cheaper than electricity in Slovenia, partly due to higher taxation on electricity than on gas. For large businesses, electricity was 2.8 times more expensive than gas in the first half of 2025, with taxes and levies (excluding VAT) accounting for 8% of electricity bills and 6% of gas bills. Excluding taxes and levies, the electricity-to-gas price ratio would have decreased to 2.7, indicating that Slovenia's fiscal measures did not have any balancing effect. For household consumers, the impact of taxes and levies on the electricity-to-gas price ratio was almost the opposite, reducing it from 2.3 to 2.1 once taxes and levies were eliminated, indicating a positive balancing effect ([234]).

Due to a combination of reliance on expensive fossil fuels for electricity generation and limited non-fossil flexibility, Slovenia's wholesale electricity prices averaged EUR 106/MWh in 2025 ([235]) – significantly above the EU average of EUR 85/MWh. Fossil fuels accounted for 20% of electricity generated in Slovenia, maintaining their structural role as dominant, and costly, marginal price-setting technologies (56% of price-setting hours for 21% electricity generation). Average day-ahead electricity prices in Slovenia increased by 15% in 2025 (compared to 2024) amid rising natural gas costs. Although daytime wholesale electricity prices have fallen in recent years owing to the surge in solar power, Slovenia remains vulnerable to severe price spikes during peak-demand hours. This is because falling solar output in the evening and early morning and higher imports from neighbouring countries, combined with limited non-fossil flexibility, have led to a significant ramp-up of thermal plants to cover the

([232])National strategy for coal phaseout, january 2022.

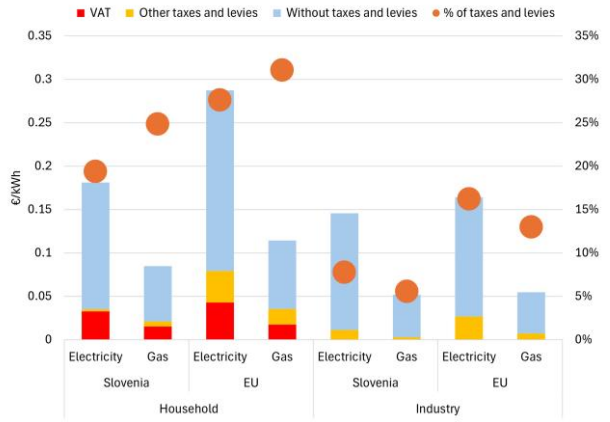
([233])Eurostat.

([234])Based on Eurostat data first half of 2025.

([235])Ember.

supply–demand gap. As a result, price spreads ([236]) in Slovenia averaged EUR 136/MWh in 2025, down 2% compared to 2024 but above the EU average of EUR 121/MWh.

Graph A9.1: **Electricity and gas prices for household and non-household consumers, first half of 2025**



(i) For household consumers, the consumption band is DC for electricity and D2 for gas.
(ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the '% of taxes and levies', which is shown excluding VAT and recoverable charges for non-household consumers.
(iii) 'Without taxes and levies' indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat's six-monthly price dataset.
Source: Eurostat

([236])'Spread' refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**

Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.
Source: Eurostat

Flexibility and electricity grids

Slovenia's energy sector is characterized by a high capacity for cross-zonal electricity trade and a growing need to grid investment. The country has implemented measures to promote flexibility and consumer empowerment, with ongoing efforts to increase electrification across various sectors. The 2025 CSRs highlighted the need to increase investments in the distribution grid in order to achieve Slovenian national energy policy objectives.

Slovenia's capacity for cross-zonal electricity trade remains consistently high ([237]), with no action plan or timeline derogation ([238]) needed to achieve the 70% ([239]) threshold. Since 2020, EU Member States have

([237])According to 2024 estimates from ACER (2025 Market Monitoring Report).

([238])A transitional period was granted under Article 15 of the Electricity Regulation, allowing Member States with structural congestion issues to gradually reach compliance by 31 December 2025 through action plans approved by the European Commission.

([239])Transmission system operators are required under EU law to make 70% of transmission capacity available for electricity trading with neighbours by the end of 2025.

been required to ensure that at least 70% of electricity interconnection capacity is made available for cross-border trade. Slovenia is part of the Core and Italy North capacity calculation regions (CCRs) ([240]). While the Italy North CCR largely meets this target, greater efforts are needed in the Core CCR.

Slovenia is well interconnected with neighbouring EU Member States. Slovenia is a net electricity exporter (4% of its own consumption), exporting significant volumes to Croatia, while importing from Austria. Although there has been a decrease in allocated capacity at its cross-border points, Slovenia has maintained an electricity interconnection level of 74.7%, well above the EU target, for 2026. The transit role of Slovenia is projected to further increase in the years to come, with rising cross-border electricity flows, mainly from north to south. Cross-border interconnections with Austria and Croatia are therefore expected to receive greater attention along with necessary internal reinforcements, while the interconnections with Hungary and Italy remain important ([241]).

Since 2023, Slovenia, together with Austria and Croatia, has been implementing the 'GreenSwitch' project with support from the Connecting Europe Facility, which seeks to modernise and digitise these countries' electricity grids at transmission and distribution level and increase their hosting capacity. Another smart grid electricity project which Slovenia is currently developing together with Hungary and Slovakia is 'TUNE'. This project has been included in the second Union PCI/PMI list and is due to be implemented by 2031. ELES, the combined transmission and distribution system operator, plans to invest EUR 1.21 billion in transmission grid modernisation and expansion between 2025 and 2034.

Slovenia has already taken steps both to promote the installation of electricity storage and demand-response systems and to put in place the regulatory framework to enable development of flexible energy resources. Slovenia has introduced economic incentives for local storage integrated with renewable energy sources (RESs) and a support scheme for advanced devices enabling flexibility services.

The introduction of an advanced metering system has been completed: almost 100% of customers were equipped with advanced meters by the end of 2025. Further measures, such as the introduction of economic incentives for combined RES storage projects, should follow by 2030, as outlined in the country's updated national energy and climate plan (NECP). Furthermore, there are no barriers to the development of flexible resources in Slovenia's regulatory framework, as it allows for demand-side response (DSR) and storage to sell and buy electricity in the day-ahead and intraday markets. DSR and storage are allowed to participate in ancillary services. Aggregators, including independent aggregators, can participate in these services as well. Further reflecting the need for increased flexibility, 245 hours of negative prices were recorded in 2025, a growth of 12% compared to 2024 (218 hours).

In October 2024, a new system of electricity network charges for both businesses and households entered into operation. It is based on the 2022 Act on the methodology for the charging of network charges for electricity operators, which has been amended on several occasions since then. The reform introduced high seasons (November-February) and low seasons (March-October), as well as five time blocks determined in accordance with the load on the network. Other important changes were made in the areas of capacity and the calculation of network charges. There have been ongoing disputes between the Slovenian regulator (responsible for approving network charges) and the government on the content of the tariff methodology adopted by the regulator in October 2024. In February 2025, parliament passed an urgent bill to reduce the network charges during Block 1, the most expensive block, for household consumers in January and February 2025, with the shortfall in the network charges collected to be covered by ELES, the electricity system operator. In June 2025, parliament adopted another bill fully exempting pumped hydro and battery storage facilities from network charges.

([240])A CCR is a group of countries which calculate cross-border electricity trade flows together. Core is the CCR which covers central European countries, namely Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia, Slovakia and, once connected, Ireland. France, Italy, Austria and Slovenia belong to the Italy North CCR.

([241])Updated 2021-2030 national energy and climate plan of the Republic of Slovenia.

Decarbonisation, decentralisation of renewable energy production, the uptake of flexibility and storage, and electrification in sectors such as transport and heating mean that the distribution grid needs to be strengthened. While an increase in the level of investment in Slovenia has been seen over recent years, the investment required for 2025 to 2034 has been projected at EUR 3.94 billion ([242]). In response to the growing need for grid investment, the 2021-2027 cohesion policy programme was amended to make energy transition and energy security a priority, allocating funding to modernise transmission and distribution networks, support energy storage facilities and develop charging infrastructure to increase resilience and facilitate the integration of renewable generation. The 2025 Country specific Recommendations highlighted the need for Slovenia to increase investments in the distribution grid in order to achieve its national energy policy objectives.

In Slovenia, consumer empowerment is well advanced with the adoption of smart meters and dynamic contracts, but progress still need to be done to facilitate switching between energy suppliers and to foster the growth of energy Communities. The roll-out of smart meters has progressed well in Slovenia, with almost 100% of households being equipped with them in 2024 (up from 95% in 2023). Furthermore, 6.2% of consumers are also producers, an increase of 1.5 percentage points compared to the previous year ([243]). As of 2024, there were 60 245 self-consumption systems in operation in Slovenia, with a total installed capacity of 779 MW. Dynamic contracts are available and recorded an uptake among households of + 3% in 2024. There are now comparison tools available to compare dynamic-price contracts.

Despite the positive trends, the number of consumers supplied on the basis of dynamic pricing remains small and still makes up an insignificant share of the retail market. 32% of household consumers remain on regulated fixed-price contracts. The switching rate of household consumers in 2024 is 0.5%, unchanged from the previous year. 92.6% of household consumers have not switched supplier in the past three years. AGEN, the national regulatory authority in Slovenia, found that government measures had significantly reduced the expected benefits of switching. The number of energy communities is very limited, although it is increasing. In 2024, it grew to 126, representing a 16.7% increase compared to the previous year ([244]). In 2024, electricity accounted for 22.9% of Slovenia's final energy consumption, slightly below the EU average of 23.4%. When it comes to households, electricity accounts for 35.4% of final energy consumption, while in industry it represents 38.5% (see also Annex 8). For the transport sector, this share remains negligible, at 1.3%. Further progress in electrification across sectors is required in order to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Renewables and long-term contracts

Slovenia's renewable energy development is hindered by lack of growth in wind power capacity, lengthy permitting procedures, despite efforts to introduce new support schemes, digitalize permitting processes, and provide state aid to stimulate investment in renewables.

In 2025, 39.3% of Slovenia's electricity mix was supplied by renewable energy sources (hydro, wind, solar, biomass), compared to 47% in the EU overall ([245]). Hydro represented 30.1%, biomass 1.8% and solar 9.6% of the electricity mix.

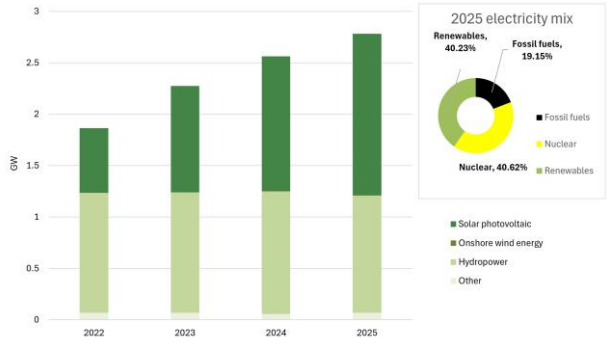
([242])ELES_RNDS_okt-2025_digital_spread.pdf.

([243])Report on the energy situation in Slovenia, AGEN 2024 report), p. 30.

([244])Report on the energy situation in Slovenia, AGEN 2024 report.

([245])Eurostat 2026.

Graph A9.3: **Slovenia's installed renewable capacity vs electricity generation mix**



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.
"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Eurostat

Slovenia has recorded no increase in wind power capacity in the past decade and has maintained modest goals for increasing its share of renewable energy by 2030. Slovenia's total renewable energy capacity in 2025 was 2 781 MW (year-on-year increase of 4,3% – considerably below the 12% in 2024) ([246]). This was driven by 147 MW of newly installed solar photovoltaic capacity, resulting in a total installed capacity of 1 568MW in 2024. For utility-scale solar photovoltaics, the grid connection waiting time is 1-4 years. By contrast, the situation looks slightly better for small-scale photovoltaics, with a connection time of 3-12 months. On the other hand, the wind capacity currently deployed in Slovenia remains insignificant (3 MW), with limited plans for its deployment by 2030. In addition, Slovenia's 2030 renewable energy target of at least 33%, as part of its final NECP, falls short of the 46% recommended by the European Commission. By 2030, Slovenia aims to generate 55% of its electricity from renewable sources.

Slovenia has begun mapping work to designate renewable energy priority zones, but progress is slow, and wind power continues to face strong local opposition. Following the 2025 CSR *on designating areas for wind power installations and stepping up capacity building for permitting at local level*, an initial assessment of potential solar and wind areas was completed in 2023. The assessment is being updated and is expected to be completed in summer 2026 in order to meet Slovenia's NECP objectives. The results will feed into a thematic spatial action plan under the Spatial Planning Act, which will require a strategic environmental impact assessment and is therefore unlikely to be adopted before 2028. Slovenia has become a part of two Important Projects of Common European Interest in the field of hydrogen: on hydrogen technologies and industrial deployment.

Spatial planning remains one of the main bottlenecks in the permitting process, as national and municipal plans often lag behind project needs. And although the Spatial Planning Act was recently amended to simplify the procedure, comprehensive local plans can still take many years to finalise. Slovenia provides financial compensation to municipalities hosting renewable projects through an annual production-based fee and a one-off government-funded payment for new installations, but members of the public are not direct beneficiaries. Although community energy initiatives, particularly for solar, are supported at local level, wind projects face significant opposition from residents, parts of the political sector and NGOs, and Slovenia currently has no schemes that directly share project benefits with local communities. Public awareness-raising campaigns promoting renewable energy were launched in the first half of last year and are expected to continue in the coming year.

Despite undertaking a number of permitting reforms between 2023 and 2024, Slovenia continues to face systemic permitting bottlenecks for wind. Slovenia's 2025 final NECP states that the country plans to designate renewable acceleration areas by preparing a thematic action programme for potential priority areas for solar and wind energy, but it does not provide any further details. The programme needs to be underpinned by a strategic impact assessment, which may make it difficult to implement the revised Renewable Energy Directive promptly. The NECP also proposes to remove administrative obstacles to permitting procedures by setting up and detailing the role of a single point of contact.

([246])2026 renewable capacity statistics, IRENA.

To complement this, the eBuilding (eGraditev) system (which will be fully operational by 2026 ([247])) will fully digitalise the process both of obtaining a building permit and of communication with the competent authorities (with a few exceptions). On the other hand, despite the legal improvements made, the installation of wind power plants is still being delayed by strong local opposition from inhabitants and lengthy municipal permitting procedures. Measures to involve the public and share the benefits of projects with them, together with targeted training and the boosting of resources available to local authorities, could help speed up permit processing and reduce potential bottlenecks in the system. A significant limitation in Slovenia is that is not possible to apply for more than one permit at a time, as each permit or approval typically requires the previous one to have been obtained first.

So far, Slovenia has not set up any auctions to support the uptake of renewable energy. Slovenia lacks transparency in its project pipeline, as it has not published a long-term auction schedule containing details of the timing, frequency and expected capacity for the next 3-5 years. Power purchase agreements (PPAs) are relatively new in much of south-eastern Europe, with Slovenia entering the market for the first time in 2023 to supply a total of 200 GWh of electricity. The first physical PPA was signed in October 2024, with a duration of only five years. While interest in the market is growing and there is potential to scale up, there is still a need to tackle barriers to PPAs, such as legislation restricting the construction and connection of new facilities. Slovenia's final updated NECP updates the support scheme for the promotion of renewable energy by introducing new forms of incentive, including measures to promote renewable energy communities, self-consumption, the uptake of guarantees of origin, and power purchase agreements. The support scheme is due to be upgraded once every three years (for the next time in 2028) in order to contribute at least 1%, or 500 GWh, annually to the share of RESs in gross final energy use, but no further details have been provided.

Slovenia has complemented the carbon price incentive of the EU emissions trading system (ETS) with a State aid scheme that stimulates investment in renewables, in accordance with the 2025 CSRs. Slovenia's renewable energy support schemes cover electricity generation from solar power, wind, biomethane, energy storage and renewable heat and are implemented under a State aid scheme approved by the European Commission within the temporary crisis and transition framework (in effect until the end of 2025), with a budget of about EUR 150 million. The scheme provides direct grants to stimulate investment in decarbonisation, particularly renewable capacity, storage, and heat technologies. The Slovenian authorities are preparing a new support scheme, currently pre-notified to the Commission, to succeed the existing arrangement and align it with the post-2025 EU State aid framework. At the same time, the government is finalising a new act on renewables that will create the legal basis for renewable energy support under a new framework, streamline permitting and planning processes and introduce a single point of contact to facilitate project approvals and grid connections ([248]).

Energy efficiency

Few measures have been taken by Slovenia to address concerns highlighted in the country-specific recommendation on energy efficiency.

In 2024 final energy consumption (FEC) increased by 2.5%, compared to 2023, to 4.59 Mtoe, reversing the declining trend since 2019. Slovenia's FEC in 2024 was however in line with the trajectory to its expected 2030 national contribution of 4.319 Mtoe. A decrease in FEC can be observed across three sectors: in 2024 industry displayed a 18.2%, services a 4.0% and residential a 7.1% reduction compared to 2019, while in the transport sector energy consumption increased slightly, by + 0.1% (see also Annex 8).

Slovenia deploys a supportive, but limited, national financing framework that mobilises

([247]) Gradual introduction of e-commerce in the field of construction of buildings.

([248]) Act on the promotion of the use of renewable energy sources (ZSROVE).

energy efficiency investment and is composed mainly of grants and soft loans (see also Annex 8). In 2024, Slovenia continued to implement its eco-fund and energy savings obligation schemes. In terms of sectors supported, Slovenia tends to take a multisectoral approach, with some focus on public and residential buildings, including by implementing different EU-supported programmes, such as the recovery and resilience plan (with energy renovation of buildings of more than 80 000 m^2 under way and 38 000 m^2 of upgrades of ventilation and cooling systems completed) and the 2021-2027 cohesion policy programme.

The 2025 CSRs for Slovenia highlighted the need to implement energy efficiency measures, particularly in the building sector, more quickly. Between 2019 and 2024, the decrease observed in residential FEC was driven primarily by technical savings (such as renovations). The variation (decrease) in residential FEC referred to above is in line with the objectives set in Slovenia's 2020 long-term renovation strategy, which forecast a 17% reduction in energy consumption between 2020 and 2030. Slovenia submitted its draft national building renovation plan, indicating a clear commitment to setting up a predictable pathway towards an energy-efficient and decarbonised building stock, which is currently responsible for 30.5% of total final energy consumption, and therefore acknowledging the importance of the sector in increasing the country's energy security. Heating and cooling account for 77% of the country's residential final energy consumption, with renewables supplying 34% of the total energy used for heating and cooling in all sectors.

Security of supply and diversification

Despite having made progress in renewables, Slovenia's overall energy mix in 2024 remained fairly reliant on fossil fuels. Oil accounted for 35.5%, coal 12% and natural gas 11% of gross inland consumption ([249]), while nuclear heat contributed 21% and renewables (and biofuels) 19.7% (vs 20.2% in 2023) ([250]).

Until 2030 the development of Slovenia's electricity generation sector will remain largely reliant on a mix of renewable energy sources and nuclear power, while gradually reducing reliance on coal. Slovenia has a 696 MWe Westinghouse nuclear reactor in operation, Krško 1, which is jointly owned by Croatia. At strategic level, Slovenia supports the continued use of nuclear energy for electricity production, including the potential construction of a new nuclear power plant and small modular reactors (SMRs), under the Resolution on the long-term peaceful use of nuclear energy – Nuclear energy for the future of Slovenia, adopted in May 2024. The Slovenian parliament cancelled the consultative referendum on the construction of the new Krško 2 nuclear power plant. In June 2025 Slovenia began a three-month public consultation as part of the planning process before potentially constructing a second reactor. Technical feasibility studies completed in August 2025 confirmed the suitability of both the US company Westinghouse's and the French company EDF's technology for the project. At its session on 17 February, the government adopted a resolution on the preparation of a national spatial plan for the Krško 2 nuclear power plant, which was drawn up on the basis of an initiative of the ministry responsible for energy – the Ministry of the Environment, Climate and Energy – and of an analysis of the policies and data of spatial planning authorities, municipalities and proposals from the public ([251]).

In response to rising energy prices following the regional crisis in the Middle East, Slovenia has reduced excise duties on petrol (€0.499→€0.475/litre), diesel (€0.439→€0.363/litre), and heating oil (€0.177→€0.112/litre), while suspending the CO_2 tax until 4 May 2026. Slovenia has also released 30 million litres of diesel from state reserves, imposed fuel rationing, and accelerated subsidies for heat pumps and renewables.

([249]) Electricity and heat are excluded to avoid double counting, focusing on primary energy sources.

([250]) Gross inland consumption (Eurostat).

([251]) Decision on the preparation of the national spatial plan (NSP) for the Krško 2 nuclear power plant.

Fossil fuel subsidies

In 2024, environmentally harmful ([1]) fossil fuel subsidies without a planned phase out before 2030 represented 0.10% ([2]) of Slovenia's GDP ([3]). However, Slovenia's 2023 effective carbon rate ([5]) averaged EUR 81.74 per tonne of CO_2 – slightly below the EU weighted mean of EUR 84.80 ([252]).

([1]) Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

([2]) European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition,* Enerdata.

([3]) 2024 gross domestic product at market prices, Eurostat.

([5]) The effective carbon rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([252])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

While Slovenia has established an overarching legal and governance framework for resilience and climate adaptation, and implemented some water saving reforms, a number of challenges remain. For Slovenia, the 2025 CSRs highlighted challenges in strengthening climate and water resilience, environmental and climate adaptation governance, and the implementation of targeted climate adaptation and environmental measures. Remaining challenges include effective implementation of resilience and adaptation policies – particularly at the sectoral, regional and local levels – the need to scale up investment in adaptation, progress in closing the climate insurance protection gap, ensuring climate resilience of infrastructure (notably transport infrastructure), and accelerating the uptake of nature-based solutions. In terms of water resilience, while some measures have been taken to reduce water abstraction, pressure remains particularly strong on rivers that continue to suffer from fragmented ecosystems, poor ecological status of surface water and risk of floods. No plans have been adopted to make rivers free flowing by removing obsolete barriers that hinder river continuity.

Climate adaptation and preparedness

Slovenia is highly exposed to climate change impacts with significant climate adaptation investment needs across sectors. Slovenia belongs to one of the three regions identified as hotspots of climate risks, namely southern Europe ([253]), and is particularly vulnerable to heavy floods, heatwaves, droughts and forest fires ([254]). Extreme weather events, such as the devastating floods in 2023 which triggered multiple landslides ([255]) and caused damage to almost 90% of all municipalities in Slovenia ([256]), have imposed substantial fiscal pressure on Slovenia. In 2024 Slovenia's heat-related mortality rate was 132 per million ([257]). A recent study commissioned by DG CLIMA ([258]) estimates that Slovenia will need to invest almost EUR 297 million per year up to 2050 (0.4% of annual GDP, below the EU average of 0.5%): first and foremost in infrastructure retrofitting and reinforcement (more than 57% of the total), followed by ecosystems restorations (around 16% of the total) and food adaptation (around 12.5% of the total) ([259]).

Slovenia is taking some measures to *improve environmental and climate adaptation governance.* However, *accelerating the implementation of targeted climate adaptation and environmental measures* remains an issue at all levels. In 2025, Slovenia significantly strengthened its climate adaptation governance framework through the adoption of the new Climate Act (PoZ). This Act created a comprehensive legal basis for adaptation. It mandated the preparation of a new national adaptation strategy, the development of climate vulnerability and risk assessments across 10 priority sectors, and the creation of regional adaptation action plans identifying vulnerabilities in given regions based on their specificities. While a comprehensive and a legally binding policy framework is now in place, the actual implementation, monitoring and evaluation are at the beginning of the process.

Administrative capacity on climate adaptation at national, local and regional level are currently insufficient. However, Slovenia has launched the LIFE4ADAPT project (2025-2032) to strengthen national climate adaptation by improving climate data and services, governance and coordination across sectors and different levels of government. It will support the

([253])The three regions are Southern Europe, low-lying coastal regions and EU outermost regions. EEA, 2024, European Climate Risk Assessment, Link.

([254])4EC, 2025, Commission Staff Working Document 2025 Country report -Slovenia, COM(2025), 211 final, Link.

([255])EEA, 2024, European Climate Risk Assessment, Link.

([256])EEA, 2024, European Climate Risk Assessment, Link.

([257])Janoš, et al. (2025). Heat-related mortality in Europe during 2024 and health emergency forecasting to reduce preventable deaths. Link.

([258])European Commission (2026), Assessment of EU and Member States adaptation investment needs, Table 25, Link. The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States per type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

([259])Typical investments in ecosystems include soil restoration, wildfire prevention, biodiversity protection and coastal ecosystems restorations.

implementation of Slovenia's adaptation strategy through capacity building, pilot adaptation measures and enhanced support for municipalities and vulnerable sectors ([260]). There is further work to be done to ensure that adaptation is better incorporated into policies across ministries. MECE is currently supporting other ministries to carry out their vulnerability assessments as part of the sectoral risk assessments work under PoZ. However, this work is delayed. At the subnational level, MECE has established a public partnership with the Association of Municipalities of Slovenia to operate a Climate Office that provides municipalities with expert support, guidance, training and tools to plan and implement climate adaptation measures and integrate climate risks into local decision-making ([261]). Furthermore, the regional action plans for adaptation, which will align strategic planning between national to subnational levels ([262]), have not yet been drafted. The share of Slovenia's population covered by EU Covenant of Mayors signatories has been steadily increasing and stood at 23.41% (vs EU27: 34%) in 2024. Furthermore, 30% of signatories have submitted a sustainable energy and action plan (SECAP) on time, and 4% of signatories have submitted at least one monitoring report within the recommended timeframe ([263]). While this indicates a growing commitment among Slovenian municipalities to increase climate resilience, it also shows that implementation of policies is lagging behind at the local level.

Climate risks have a direct and significant effect on Slovenia's economy, while the insurance coverage remains low. The latest studies show that extreme weather events are likely to have a prolonged and increasing impact on economic activity in Slovenia ([264]). Slovenia belongs to a group of countries with the highest share of natural disaster damages in relation to GDP. In August 2023 alone, flash floods caused an estimated EUR 10 billion of damage, corresponding to 16% of national GDP. At the same time, Slovenia has one of the lowest rates of insurance coverage against weather- and climate-related extreme events in the EU (3% vs EU27: 19%). For the two highest risks (floods and coastal floods) ([265]) it is not mandatory to have an insurance coverage, while in the case of a disaster the compensation is on an ad hoc basis. At the moment there is no national insurance scheme ([266]) in place which could help improve insurance coverage and reduce the insurance protection gap ([267]). In 2025, losses of gross value added (GVA) in Slovenia were at -142.73 million euros, which is a share of -0.24% of Slovenia's GVA in 2024 ([268]).

Climate proofing has not been systematically applied across sectors and key infrastructure so far. Slovenia has identified the energy sector as being moderately vulnerable in the current climatic conditions. However, the sector contains critical elements whose outage could lead to large-scale supply disruptions and significant economic and social consequences. There are also marked regional differences in exposure and the degree of vulnerability: the Notranjska region is at greater risk from frost, the southwest from fires, and the east of the country to a faster rise in temperatures. According to the Slovenian climate vulnerability and risk assessment for the energy sector, the greatest threat to the energy sector is posed by floods, which threaten fuel storage facilities, transformer stations, electricity distribution networks and other elements of supply chains. Significant risks are also posed by fire, storms and windbreaks, frost and wet snow, as well as heat waves, which affect the efficiency of devices and increase energy consumption for cooling. A national study finds that the weighted overall vulnerability score of the energy sector is around 2.3 on a scale of 1 to 5, with the electricity subsector having the highest vulnerability (around

([260])Republika Slovenija News, Link.

([261])Republika Slovenija News, Link.

([262])The Climate Act, Article 15, Link.

([263])European Commission, Link.

([264])Usman, Parker & Vallat (2025), Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather, Link.

([265])The estimated protection gap score for 2025 is 2.5 for floods (medium high) and 1.5 for coastal floods (medium low). EIOPA, 2025, Dashboard on insurance protection for natural catastrophes. Link.

([266])These types of schemes supplement private insurance cover for natural catastrophes by improving risk awareness and prevention, while increasing insurance capacity through more affordable (re)insurance.

([267])ECB & EIOPA (2024), Towards a European system for natural catastrophe risk management, Link.

(268)Usman, Parker and Vallat, 2025, Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather, Link.

2.6) ([269]). Systems for electricity distribution, photovoltaic power plants and transport and logistics routes for fuels also show high vulnerability ([270]). Slovenia's NECP contains few new concrete measures and objectives, beyond the objective to increase the share of underground distribution grid to 50% (from 35% currently) to increase resilience against extreme weather events ([271]).

Furthermore, the transport vulnerability index of the TEN-T network to climate change has been assessed to be at a medium level in Slovenia. This is mainly driven by the lack of alternative routes on the TEN-T, the low interoperability on the TEN-T, and the lack of trained human resources on the network ([272]). Estimates show that in total EUR 0.35 billion will need to be invested until mid-century in the TEN-T, of which the majority should be in railways (EUR 287 million) and roads (EUR 61 million) ([273]). The need to make infrastructure more resilient is recognised both in the NECP and in the National Strategy for transport development in preparation.

There is scope to tap into nature-based solutions more widely and systematically. Nature-based solutions and prevention play a key role in increasing resilience. So far, nature-based solutions have not been deployed at a large scale and widely across sectors in Slovenia. If used, they are mostly applied in the context of pilot or research projects (e.g. the NBS4RESILIENCE project for climate resilience) or flood risk management contexts. These are usually project-based, such as the transnational cooperation on restoring degraded forests through NBS in the RE-ENFORCE project funded under Interreg Central Europe. However, in 2025 certain steps were taken to mainstream and accelerate the uptake of such nature-based solutions, for example the official preparation of Slovenia's national nature restoration plan to implement the EU Nature Restoration Regulation (aiming to restore ecosystems by 2030 and beyond) ([274]), and government guidelines to integrate nature-based solutions into flood risk reduction projects ([275]).

Water resilience

Slovenia suffers from occasional water scarcity and drought, which can become more severe during the summer season. Agriculture, water utilities, energy production (particularly hydropower and nuclear) and freshwater aquaculture are among the most water-dependent sectors. The national water exploitation index plus (WEI+) ([276]), indicates low overall pressure due to abundant renewable freshwater resources. Slovenia faces a moderate risk of drought impact ([277]), with some persistent regional disparities ([278]). Water shortage events are becoming more frequent. In summer 2025, a drought hit most of the Slovenian territory with severe impact for agricultural production and energy production from hydropower and nuclear plants.

Inefficiencies in water management persist in Slovenia, particularly for abstraction-heavy sectors like energy and agriculture. This poses competitiveness risks, especially during peak seasons. Water productivity ([279]) stood at EUR 49 per m^3 of abstracted water in 2023 (with a limited increase since 2018), far below the EU-27 average of EUR 153 (2022) per

([269])Assessment of climate vulnerabilities and risks at national level for the energy sector, link. Chapter 7, Page 52.

([270])Assessment of climate vulnerabilities and risks at national level for the energy sector, link. Chapter 7, Page 52.

([271])Staff Working Document accompanying the EU-wide assessment of the final updated national energy and climate plans Delivering the Union's 2030 energy and climate objectives, NECP assessment COM (2025/274 final) Link.

([272])Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network. Publications Office of the European Union, 2024. Link., Table 4.6.

([273])Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network. Publications Office of the European Union, 2024. Link., Table 4.28.

([274])Republika Slovenija News, Link.

([275])Republika Slovenija, Usmeritve za vkljucevanje NBS v projekte za zmanjsevanje poplavne ogrozenosti, Nov 2024, Link.

([276])The WEI+ measures of how much water is being used compared with the total renewable freshwater resources available for a given territory and period.

([277])JRC, European Drought Risk Atlas, Link.

([278])Agricultural droughts, Okoljski kazalci, Link.

([279])Water productivity is a metric that is calculated by dividing GDP (in chain-linked volume) by total water abstraction. It indicates the average economic value (GDP) a Member State creates for each unit of water it takes from nature.

m^3. In 2023, electricity cooling accounted for 76.1% of freshwater abstraction, with public water supply at 19.8 ([280]). Since 2014, water abstraction has been stable, but high compared to countries in the region, particularly in the energy sector, which remains very vulnerable to water availability. The water used for turbine drive in hydroelectric power plants amounted for almost all water use in industry ([281]). To discourage excessive consumption of drinking water, Slovenia adopted the 'Drinking Water Supply Act' in April 2025. The act increases the price of water supply by 50% if a certain consumption threshold is exceeded. Furthermore, as of 2026 a new methodology for calculating water abstraction fees for holders of water rights considers volume of permitted water use, duration, environmental and socio-economic impact.

The good ecological status of Slovenia's surface water bodies has declined. Compared the first River Basin Management Plan (RBMP) the share of surface water bodies classified as having good ecological status has decreased from 57.6% in the first RBMP to 48.7% in the third RBMP. Hydro-morphological pressures and broader degradation processes remain the primary factors contributing to surface water bodies not achieving good ecological status ([282]). The high density of barriers and obstacles ([283]) on Slovenia's larger rivers like the Sava, Drava and smaller streams impacts the good ecological status of surface water. It isolates and fragments habitats, reduces the migration of fish species and blocks the transport of sediments, leading to an increased risk of floods ([284]). According to the latest river management plan, 19 out of 155 water bodies in Slovenia are heavily modified. Slovenia is addressing the need to give more space to rivers by integrating nature-based solutions into flood protection projects where possible and by implementing projects that promote river restoration mostly funded by the LIFE programme and Cohesion Policy ([285]). While there is no or small information about plans to remove obsolete barriers to rivers, and nature-based solutions as an alternative to flood protection infrastructural projects Slovenia plans to reduce the knowledge gap on river barriers in the framework of the Nature Restoration Regulation implementation. Moreover, new hydropower projects in the pipeline could put further strain on river ecosystems. By investing in nature-based solutions and free flowing rivers, Slovenia could generate broad socio-economic benefits, including enhanced rural landscape quality, new recreation and tourism opportunities, strengthened local job creation, improved water quality, better sediment transport and protection against floods. This is particularly urgent following the tragic floods of summer 2023.

Freshwater and marine resources are increasingly affected by climate change and biodiversity degradation through strain on water availability, quality and warming water temperatures in northern Adriatic heighten the vulnerability of marine ecosystems. Strengthened environmental monitoring, data collection and fisheries control support early detection of ecosystem shifts and help safeguard biodiversity and the resilience of sectors dependent on healthy freshwater, coastal and marine environments.

Slovenia continues to modernise its wastewater and drinking water infrastructures, both with EU and national funds. As part of RRP reforms, Slovenia adopted the Act on drinking water supply and collection and treatment of urban wastewater to ensure the long-term sustainability of infrastructure investments, to upgrade the information system and to increase efficiency in water management, including by allowing the reuse of urban wastewater. Compared to 2020, Slovenia has increased its compliance rate with the Urban Waste Water Treatment Directive (91/271/EEC) reaching 65% in 2022 (from 58% in 2020). Despite progress, wastewater remains a major pressure to the quality of water and Slovenia still has a significant load not treated in line with the

([280])EEA (2025). Water abstraction by source and economic sector in Europe.

([281])About 100 billion m^3 out of about 101 billion m^3 of water used. Statistical Office of the Republic of Slovenia (2024). Exploitation of water in industry, 2024. Link.

([282])Agencija Republike Slovenie za Okolje (2021), Chemical and ecological status of surface water bodies. Link.

([283])AMBER, Adaptive Management of Barriers in European River.

([284])Načrt upravljanja voda na vodnem območju Jadranskega morja za obdobje 2023-2027.

([285])e.g. LIFE2Rivers, Life Restore for MDD, LifelineMDD, LIFE Stržen,„LIFE-IP NATURA funded by the LIFE programme and Natura Mura, zaDravo, Kras.Re.Vita, VIPava by Cohesion Policy.

requirements of the directive ([286]). Consequently, compliance remains below the EU average, leaving many agglomerations without an adequate level of wastewater treatment, particularly in the western region, where almost half of the generated load is not compliant.

Slovenia's investments in the water sector do not yet cover its needs. The annual investment needs for water reach EUR 701 million, while investments only reach EUR 441 million, with the largest part of the gap linked to wastewater measures (EUR 85 million) ([287]). Even if general government expenditure has increased for wastewater management and for protection and remediation of soil, groundwater and surface water between 2021 and 2023 ([288]), a problem of absorption capacity persists, and projects often face delays. This was notably the case of the RRP.

Nature restoration

Slovenia's economy is exposed to nature loss. Roughly one third of GVA relies directly on the ecosystem, comparable to the EU average ([289]). This vulnerability is particularly acute in the tourism and food sectors, which are directly dependent on healthy ecosystems. Other key sectors like forestry, agriculture, healthcare and construction are also heavily dependent on ecosystems ([290]). The degradation of ecosystems might directly impact the competitiveness of companies working in these sectors.

Slovenia's habitats continue to degrade, reducing the country's climate resilience and impacting its economy. While 40.5% of Slovenia's territory is designated as a protected area, there are substantial pressures on Slovenia's biodiversity. Grasslands are among the most threatened habitats in Slovenia, mainly due to changes in agricultural practices like abandonment and intensification. Natural water bodies quickly become artificially modified. Wetlands and peatlands that deliver essential water-retention and climate-regulation functions are also at risk. The protection of those habitats and the reduction of hydro-morphological pressures are key for the country's economic sustainability.

Nature degradation is further amplified by invasive alien species. In 2024, 21 invasive alien species of Union concern were recorded in Slovenia ([291]), inflicting damages for about EUR 80 million up to 2020, primarily affecting agriculture and public health ([292]). At the same time, eutrophication - a threat to biodiversity and ecosystem integrity - has shown partial improvement, with the areas at risk declining from 93% to 76% since 2005 ([293]). Nitrogen deposition from agriculture and industrial combustion remains a critical driver of this degradation.

Slovenia's biodiversity gap continues to be substantial. The biodiversity gap reached an estimated EUR 202 million annual shortfall in funding dedicated to conservation priorities. Despite significant EU funding available (cohesion policy, RRP, CAP, etc.), this shortfall underscores the need for increased investment in habitat restoration ([294]).

Sustainable agriculture and land use

Slovenia's carbon removals are expected to exceed its 2030 target for land use, land-use change and forestry (LULUCF). Slovenia is one of the most heavily forested countries in the EU, with approximately 58% of its total surface area being forested. The country's forests are responsible for a major share of these removals. To meet its 2030 LULUCF target, additional carbon removals of 0.2 million tonnes of CO_2 equivalent

([286])UWWTD compliance (2022), internal documents.

([287])2025 Environmental Implementation Review, Country Report - SLOVENIA.

([288])Environmental subsidies and similar transfers, 2023.

([289])Dataset from JRC, based on The EU economy's dependency on nature, JRC (2024).

([290])40 JRC, The EU economy's dependency on nature. Link.

([291])European Commission, 2025, Environmental Implementation Review, Slovenia Country Report. Link.

([292])Economic Cost of invasive alien species across Europe (2021), NeoBiota and Report 'Update of the costs of not implementing EU environmental law' (2025).

([293])Eutrophication caused by atmospheric nitrogen deposition in Europe. EEA (2024).

([294])Environmental Implementation Review, 2025.

(CO_2-eq) are needed ([295]). The latest available projections show an overachievement of the target by 6.5 Mt CO_2eq for 2030 ([296]).

Forest management plans and subsidies for public and private forests are the key measure influencing net emissions trends. Around 80% of Slovenia's forests are privately owned, making management challenging. The state supports forest owners through subsidies from the integral budget for investments in forests, the forest fund and the rural development programme. These funds support sustainable forest management, infrastructure, restoration, equipment and timber processing, all implemented through mandatory forest management plans for public and private forests ([297]), which set felling limits and guide activities such as reforestation and species composition adjustment ([298]). Continued investments in healthy forests and soils are key to building resilient biobased product value chains and enabling a growing, competitive EU bioeconomy. Improvements in the monitoring system for net removal data and projections will also be crucial in supporting timely and effective action in the sector.

Slovenia faces environmental and public health risks in certain regions due to persistent agricultural pollution pressures and rapid transfer of contaminants in vulnerable groundwater systems, especially in areas with intensive agricultural use. Slovenia's functional urban area expanded more slowly that the EU average between 2012 and 2018 – increasing by 0.44% in cities and by 1.32% in commuting areas, where most land has been taken from arable land. Land take and the associated soil sealing causes less resilient ecosystems, decreased carbon sequestration, and impaired flood protection ([299]).

Water quality pressures reamain a concern. Under the EU Nitrates Directive, 26% of Slovenia's groundwater monitoring stations recorded average nitrate concentrations exceeding 25 mg/l (and 9% above 50 mg/l, the EU threshold for safe drinking water) between 2016 and 2019 ([300]). This trend underscores systemic agricultural pressures, confirmed by Slovenia's relatively high livestock density – 1.01 livestock units per hectare in 2020([301]), compared to the EU average of 0.75. While an 8% reduction in agricultural ammonia emissions between 2018 and 2023 underscores improvements in emission control, nitrate pollution persists, indicating gaps in nutrient management strategies ([302]).

Pesticide contamination is limited for rivers, lakes and soils but high for groundwater bodies. While only 12% of rivers and no lakes exceeded regulatory thresholds for pesticide residues between 2018 and 2023 less than the EU average of 27% for rivers and 18% for lakes, Slovenia's groundwater bodies are reported among the most affected by pesticides in the EU, with 40% of them surpassing the threshold ([303]) (the EU average is 19%) ([304]). Pesticides not only threaten aquatic ecosystems but also pose long-term risks to human health through contaminated drinking water and food chains. Slovenia ranks relatively well for soil contamination, as the concentration of pesticides exceeds 0.05 mg kg only in 33% of samples ([305]), less than most EU Member States.

([295])44) National LULUCF targets of the Member States in line with Regulation (EU) 2023/839 Link.

([296])Climate action progress report 2025. Link.

([297])These plans, developed by the Slovenia Forest Service and valid for 10 years, define allowable felling levels and management practices such as reforestation and tree species composition adjustment.

([298])Slovenia's Eight National Communication and Fifth Biennial Report under the United Nations Framework Convention on Climate Change, Page 164. Link.

([299])Land take and land degradation in functional urban areas, Publications Office of the European Union, 2022.

([300])Nitrate in groundwater in Europe, EEA (2025).

([301])Livestock density index, Eurostat.

([302])Ammonia emissions, Eurostat.

([303])Pesticides in rivers, lakes, and groundwater in Europe, EEA (2024).

([304])National monitoring data show that exceedances in groundwater occur at a relatively small proportion of sampling sites (4.3% in 2024) and have been decreasing over time, indicating strong spatial variability and improving trends.

([305])Pesticides residues in European agricultural soils, JRC Technical Report.

Table A10.1:**Key Adaptation Indicators**

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems *[area impacted by drought as % of total]*	0.29	0.69	5.58	55.48	0.26	-	2.76
Forest fires burned area (1) *[burned area in ha. per year]*	80	168	76	4 388	112	76	354 510
Economic losses from extreme events *[EUR million at constant 2022 prices]*	207	10	-	173	10 243	33	40 452
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	2	2	2	-
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	12	17	21	24	23	23	34

Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ (3) *[total water consumption as % of renewable freshwater resources]*	0.57	0.61	0.54	0.66	0.42	-	4.53
Water productivity *[EUR per m^3]*	46	41	48	56	49	-	151
Water abstraction							
Water abstraction by source (% from surface water)	80.09%	81.64%	79.66%	76.51%	78.72%		-
	Agriculture	Electricity cooling	Manufactu-ring	Public water supply	Mining and Quarrying	Construc-tion	
Water abstraction by sector	0.49%	76.12%	3.47%	19.80%	0.12%	0.00%	
Status of water bodies (4) *[% of water bodies in a good status]*							
Surface water bodies (ecological)	-	-	-	-	-	49%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	95%	93%

Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency *[% of direct dependency]*	-	-	-	43%	-	-	44%
Protected area *[% of terrestrial protected areas]*	40.5	40.5	40.5	40.5	40.5		26.4
Invasive alien species (IAS) *[number of IAS of Union concern]*	-	-	-	-	-	21	29.2
Damage cost of IAS *[EUR billion]*	-	-	-	-	0.08		1.69
Eutrophication *[AAE of area at risk of euthrophication]*				298	298		295

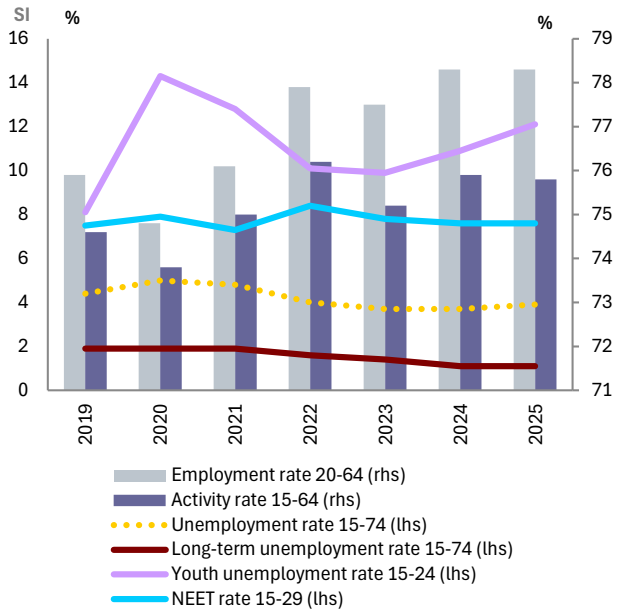
Sustainable agriculture and land use:							EU-27
			2012-2018		2018-2021		latest data
Yearly net land taken by country *[ppm of total urban surface per country]*			159		384		670
Land conversion in functional urban area *[% of total land taken from 2018-2021]*							
Arable land					35%		
Complex and mixed cultivation					0%		
Forests					29%		
Herbaceous vegetation associations					3%		
Open spaces with little or no vegetation					0%		
Pastures					32%		
Permanent crops					0%		
Water					0%		
Wetlands					0%		
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater (5) *[mgNO_3/l]*	14.8	14.9	15.1	15.3	15.5		
Livestock density *(number of livestock units per hectare of utilised agricultural area)*		1.01			:		0.75
Ammonia emissions *[% of total utilised agricultural area]*	97%	98%	97%	97%	97%	-	94%
Pesticide contamination on rivers and lakes water bodies *[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]*				rivers	12%		27%
				lakes	0%		18%
Pesticide contamination in soil *[% of samples with a concentration over 0.5 mg/Kg^{-1}]*					33%		57%
Net greenhouse gas removals from LULUCF (6) *[ktCO_2-eq]*	-4528.2	-4336.9	-4318.7	-4218.6	-4291.1	-	-198 421

(1) EFFIS (European Forest Fire Information System). Link.
(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires, windstorms, and the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.
(3) Measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20 % are generally considered to be a sign of water scarcity, while values equal or greater than 40 % indicate situations of severe water scarcity.
(4) European Commission, 2024, seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(5) Indicator refers to concentrations of nitrate (NO3) in groundwater, measured as milligrams per litre (mg NO3/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mg NO3/L to avoid threats to human health.
(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA, JRC

ANNEX 11: LABOUR MARKET

Slovenia's labour market continues to perform well, but significant structural challenges weigh on productivity and competitiveness. Economic growth remains constrained by labour and skills shortages, driven by an ageing workforce and unattractive working conditions in certain sectors. The slow adaptation of the workforce to the digital and green transitions and continued under-representation of some groups in the labour market, particularly older and low-skilled workers, remain a challenge. Slovenia is progressing rapidly towards its 2030 employment rate target. However, unlocking untapped potential, tackling skills mismatches, further integrating foreign workers and improving job quality will be key to addressing pronounced labour shortages and supporting an even more inclusive labour market and a thriving economy. The 2025 country-specific recommendations for Slovenia highlighted the need to raise the country's attractiveness for foreign workers with advanced skills and improve working conditions, particularly in the healthcare, social and long-term care and teaching sectors.

Graph A11.1: **Key labour market indicators**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a, lfsi_emp_a].

The labour market remains robust with high employment and low unemployment but is still marked by structural headwinds. On the back of a moderate economic expansion, the employment rate (20-64) remained at its record high of 78.3% in 2025. The rate remains well above the EU average (76.2%), and Slovenia is on track to achieve its 2030 national employment rate target of 79.5%. Employment is projected to stagnate both in 2026 and in 2027 ([306]). Regional disparities persist, with a gap of 3.1 pps in 2025 in employment rates between West Slovenia (79.9 %) and East Slovenia (76.8 %) (see Annex 18). The labour force participation rate, at 75.8% (15-64) in 2025, was slightly above the EU average. The unemployment rate edged up to 3.9% in 2025 but remains far below the EU average of 6%, with only limited regional differences. At 12.1% in 2025 (EU: 15.2%), the youth unemployment rate (15-24) remains significantly higher than that of the overall population, which suggests challenges for this group transitioning from education to work.

Despite some improvements, labour shortages and skills mismatches still persist, affecting certain sectors in particular, which is hindering Slovenia's growth and competitiveness. The job vacancy rate remained stable but above the EU average in 2025 (2.2% vs 2.1%). Although they have gradually declined from their peak in 2022, vacancy rates remain high in the private sector and public services. There are particularly acute pressures in construction, a key sector for the green transition, followed by repair and installation of machinery activities ([307]). Employers' expectations corroborate these tight conditions: in October 2025, the share of firms expecting labour shortages to limit their production was higher than the EU average, reaching 36.5% in services (EU: 23.1%), 39.4% in industry (EU: 17.5%) and 60.8% in construction (EU: 27.5%). Around half of Slovenian companies report staff shortages, 75% of which are large companies ([308]). Shortages are even more acute in the public sector, particularly in healthcare, long-term care and education. 80% of employers in these sectors struggle to find staff, with public administration also facing difficulties, at 50%. Significant skills gaps across various sectors are affecting both low- and medium-skilled jobs, such as electricians, carpenters, construction workers, chefs, truck drivers and nurses, and high-skilled

([306])European Commission, Spring Forecast for Slovenia, 2026.

([307])European Commission, Business and Consumer Surveys.

([308])Public employment services (PES) employment forecast.

occupations in healthcare, engineering and technical fields and education ([309]). The macroeconomic skills mismatch was 19.9% in 2024, above the EU average of 19.2% (see Annex 13). This highlights the relatively greater difficulties people with low- and medium-level qualifications face in entering the labour market.

In this context, the low labour market participation of certain groups weighs on the country's growth potential ([310])**.** Older and low-skilled workers, young people, women with a foreign background and persons with disabilities tend to have relatively lower employment rates than the overall working-age population. They often work in low-paid jobs with unfavourable working conditions and are often caught in inactivity or low-wage traps ([311]). Despite recent improvements, the employment rate for older workers (55-64) remained below the EU average in 2025 (57.6% vs 66.4%), especially in the 60-64 age group. Similarly, the percentage of adults with lower qualifications has seen a significant increase, from 47.4% in 2020 to 54.9% in 2024, yet it remains well below the EU average of 58.2% and stagnated at the same level in 2025. Both groups also face higher rates of long-term unemployment. In 2025, youth (20-29) employment exceeded the EU average, and the share of young people neither in employment nor in education and training remained among the lowest in the EU. There is still an ongoing challenge in further aligning the education system with the needs of the labour market, speeding up the completion of studies, and encouraging apprenticeships ([312]) (see Annex 13). The disability employment gap has narrowed significantly, from 21.7 pps in 2020 to 14.2 pps in 2024 (EU: 24 pps) and is among the lowest in the EU. However, in 2025, the gap so a slight uptick to 15.7 pps.

Various measures are being taken to tackle the challenges described above ([313])**.** The European Social Fund Plus (ESF+) supports active labour market measures, focusing on young people and vulnerable groups, such as older workers, low-skilled people, people in long-term unemployment and migrants. Using forecasts by the Labour Market Platform, co-financed by the ESF+, the government plans to tailor existing active labour market programmes even more to address skills shortages. In January 2026, Slovenia adopted the Guidelines for Implementing Active Labour Market Policy for 2026–2030. The main objectives are to: (i) reduce long-term unemployment; (ii) accelerate the activation of unemployed people, especially those over 50, people with lower levels of education, and people receiving social assistance; (iii) help young people (under 29) find employment faster under the Youth Guarantee; and (iv) boost skills to meet labour market needs. The 2025 pension reform (see Annex 12) and changes to the Labour Market Regulation Act aim to extend working lives and reduce the gap between the age at which people stop working and the legal retirement age. The Recovery and Resilience Facility supports workplace adaptations for people with disabilities and youth employment transitions: approximately 1 950 unemployed young people secured permanent contracts between 2022 and 2024. There is scope for further action to ensure accessible and systemic early occupational activation to address the challenges of an ageing workforce.

Attracting and retaining foreign talent, including highly skilled workers, could help counter the effects of adverse demographic trends and ease labour shortages ([314])**.** It is essential to continue activating under-represented groups and improving training. However, greater reliance on legal migration could help close labour and skills gaps, in particular through improved skills recognition and more effective integration policies. In this context, Slovenia has steadily increased the number of work permits issued to non-EU nationals, who accounted for 16% of the workforce in 2025 and are projected to reach 26% by 2030. These workers, mainly from former Yugoslav republics, predominantly work in low-wage, labour-intensive sectors, such as construction, accommodation and food services,

([309])Skills intelligence material provided by AL network, Cedefop and PES.

([310])CSR 2025.5.1 Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.

([311])See Proposal for a Joint Employment Report 2026.

([312])IMAD, Quality of Life in Slovenia-Development Report 2025.

([313])CSR 2025.5.2. Boost lifelong learning and training, especially for low-skilled and older workers.

([314])CSR 2025.5.3. Raise Slovenia's attractiveness for foreign workers with advanced skills.

and transport ([315]). Only around one third of these workers have post-secondary education, leaving them more exposed to material disadvantage than Slovenian nationals (see Annex 12). In 2024 and early 2025, to support integration, Slovenia introduced free language courses, information points for foreigners and a single permit system to streamline work and residence authorisations. Nevertheless, ongoing challenges remain in further accelerating work permit procedures and improving access to housing, healthcare, education, diploma recognition, childcare and pension rights, alongside promoting more positive attitudes towards migrants. Moreover, the absence of comprehensive studies on integration outcomes limits the possibility to assess migrants' effective participation in the labour market and society. At the same time, boosting competitiveness will require a marked improvement of the country's capacity to attract and retain highly skilled foreign talent, especially in high-growth areas such as ICT and science, technology, engineering and mathematics (STEM). Slovenia is one of the less attractive Member States for highly qualified workers ([316]), reflecting factors such as income levels, low digitalisation and workplace inclusion. Recent steps have begun to yield results. These include tax incentives for highly skilled professionals, recognition of professional experience and facilitated mobility under the revised Foreigners Act in line with the EU Blue Card Directive. While these measures led to a 50% increase in EU Blue Card permits issued in the first 10 months of 2025 compared with 2024, overall numbers remain low (119 EU Blue Card permits issued in 2024) ([317]).

Although Slovenia performs well across job quality indicators, there are still challenges, including the adequacy of wages, working conditions and training ([318])**.** The share of low-wage earners is among the lowest in the EU, at 9.4% in 2024, and the country also has one of the highest minimum-to-average wage ratios; it is one of the few Member States that met the objectives set out in the Directive on Adequate Minimum Wages ([319]). The challenge lies in increasing average earnings, developing transparent, performance-based pay-setting systems, and scaling up investment in training ([320]). Working conditions also present an ongoing challenge, including ergonomics and the prevention of physical strain: one third of employees report musculoskeletal problems, alongside high levels of emotional and physical stress. Employee participation in decision-making processes at work and flexibility also remain limited, with only 40% feeling involved, below the EU average ([321]). Absenteeism has increased over the past decade and remains above the EU average ([322]). This has been driven not only by an ageing workforce but also by weaknesses in work organisation and working conditions, pointing to challenges at both company and national levels. In July 2024, Slovenia adopted measures to improve working conditions in social assistance and the long-term care sector. However, these measures are temporary, their full effects are expected only in 2026, and they appear insufficient, especially in tackling significant staffing shortages in the care sector (see Annex 12).

Wage developments have been broadly in line with EU trends. Nominal wage growth reached 6.2% in 2024 and 7.9% in 2025, driven by public sector wage reform. In 2026, nominal wages are forecast to increase by 6.5%, primarily driven by the continued impact of the public sector wage reform, the minimum wage hike, and continued tight labour supply. In turn, real wages grew by 3.8% in 2024 and 5.2% in 2025. In 2026, they are expected to grow by 3%. These positive wage developments place Slovenia in the top quartile of Member States in both nominal and real terms. The rebound in real wages reflects both remaining robust nominal wage growth and inflation decreasing from 6.0% in 2023 to 2.5% in 2025. In 2026, inflation is projected to average 3.5%, due to rising global energy and food prices and continued pressure on food and service prices. The statutory minimum wage increased by 19% between January 2022 and January 2025, but

([315])Imad, Autumn forecast of Economic Trends 2025.

([316])IMAD, Quality of Life Report – Development Report 2025.

([317])Eurostat, Migration and asylum in Europe – 2025 edition.

([318])CSR 2025.5.4. Improve working conditions, particularly in the care and teaching sectors.

([319])See Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union PE/28/2022/REV/1

([320])Ibid., p. 41 and 104.

([321])Ibid.

([322])Health Insurance Institute of Slovenia, Annual Report 2024.

stagnated in real terms. However, in January 2026, in response to rising living costs in the previous years, it was raised by 16% to EUR 1 482. In addition, Slovenia has introduced a new mandatory tax-free Christmas bonus (i.e. *winter allowance*) equal to about half the minimum wage, to be paid by mid-December each year. This aims to ensure all workers receive a guaranteed extra payment annually and improve their income, satisfaction and motivation. Collective bargaining in Slovenia is highly structured and takes place at both industry and company levels in the private sector. The collective bargaining coverage rate stood at 83.1% (2016); however, according to the data transmitted by Slovenia under the Directive on Adequate Minimum Wages, the collective bargaining coverage rate is 63.3%. (2023). Trade union density and employer organisation density stood at 15.3% (2022) and 72.5% (2016), respectively. Slovenia is currently consulting the social partners on measures to be included in the future action plan on promoting collective bargaining.

Skills shortages hinder the green and digital transitions ([323])**.** The ICT sector remains under-developed, with ICT specialists accounting for 4.5% of those in total employment in 2024, compared to 5% in the EU, despite an increase of 0.2 pps from 2024. Skills gaps are acute: in 2024, 63.9% of companies faced a shortage of ICT professionals, one of the highest rates in the EU. This shortage, along with the low level of digital skills among employees, is increasingly hindering business digitalisation ([324]). Demand for ICT specialists remains high across many sectors, with a growing focus on AI-related profiles ([325]), while supply continues to lag behind demand despite a rising number of ICT graduates. The growing challenge of this shortage of ICT specialists is reflected in the frequency of ICT security incidents, which continue to rise ([326])). Slovenia also faces shortages in skills needed for the green transition. Green job vacancies are expected to make up 40% of all openings, while positions requiring digital skills will account for 54% between 2025 and 2039. Against this backdrop, upskilling and reskilling of the workforce is far below the 2030 target of 60% of adults participating in learning (see Annex 13). Slovenia also lags behind in digital skills among the broader population, with only 46.5% of individuals aged 16–74 having at least basic digital skills in 2025, compared with 60.4% in the EU. Low participation in digital skills development among low-skilled and older workers may further limit the contribution of lifelong learning in helping workers adapt to the digital transition (see Annex 13). While several EU and national funded trainings to improve digital skills are underway further efforts are necessary to ensure wider outreach to the overall adult population including vulnerable groups. Slovenia has committed to tackling this challenge also by developing a comprehensive skills action plan by 2026.

A continued reliance on emission-intensive activities further hinders the transition to climate neutrality. Although the emission intensity of employment decreased by 24.1% between 2018 and 2023, Slovenia continues to have an above-average share of workers in emission-intensive industries (4.6% vs EU: 3.5% in 2025). At the same time, employment in the environmental goods and services sector is slightly below the EU average (2.9% vs 3.1% in 2024).

([323])CSR 2025.5.1 Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.

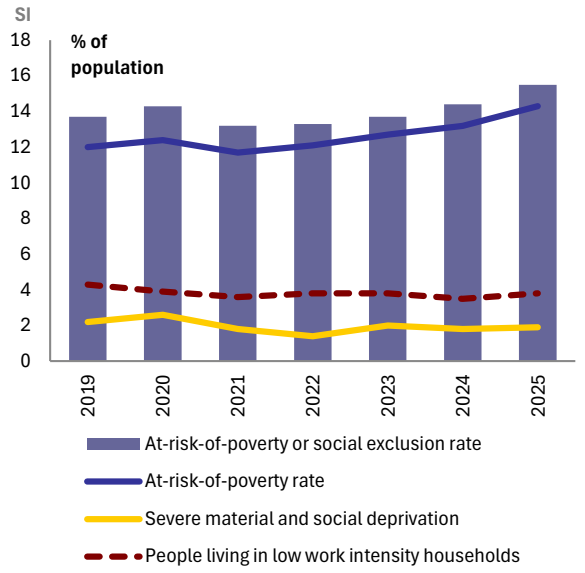
([324])IMAD, Quality of Life in Slovenia-Development Report 2025. In 2024, 47.6% of companies reported shortages of workers or skills an obstacle to the digital transformation.

([325])Ibid. In 2024, 65.2% of companies did not opt to introduce GAI technology due to the lack of skills (SURS, 2025a), p. 97.

([326])European Commission, 2025, Digital Decade 2025: Country Report Slovenia.

Slovenia has a well-functioning welfare system, with some of the lowest inequality and poverty rates in the EU. Despite the generally positive social situation, poverty levels have been trending in the wrong direction since the Covid-19 pandemic, leading Slovenia to move further away from its national 2030 poverty reduction target. Challenges related to poverty and social exclusion are particularly pronounced for certain vulnerable groups and rural communities, especially in eastern Slovenia. Access to long-term care (LTC) services remains insufficient and uneven across the country, with rural areas being particularly impacted by a lack of availability, amid rising demand and severe staff shortages. In addition, there is a lack of affordable and social housing, especially for older people, young people, foreign workers and to some extent homeless people, especially in the capital and other urban areas where jobs are concentrated, and this is having a negative impact on labour mobility, on the attractiveness of the country for foreign workers and, consequently, on productivity (see Annex 16).

Graph A12.1: **AROPE and its components**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n].

Despite having one of the lowest levels of poverty, Slovenia is moving away from its 2030 poverty reduction target. The AROPE rate has risen for the fourth consecutive year, reaching 15.5% in 2025, which further distances Slovenia from its 2030 national target of reducing the number of people in poverty by 9 000, including 3 000 children, compared to 2019 levels. Given the recent increase, the country now needs to decrease the figure by 54 000 by 2030. Certain demographics, such as single-person households, are particularly affected, with a high and rapidly rising AROPE rate of 46.4% in 2025. For people aged 65 and over, the AROPE rate rose markedly by 3.5 pps in 2025 and is significantly higher than the EU average. Older women face higher risks than older men (30.2% vs 22.7%), which also reflects inadequate pensions. Other vulnerable groups include unemployed people (53.8%), those born outside the EU (23.8%), persons with disabilities (26.9%), and tenants renting at market prices (27.1%). Regional disparities also exist, with eastern Slovenia reporting a higher AROPE rate of 17.7% in 2025 compared to 13.1% in western Slovenia. Following a brief increase in 2024 compared to 2023 (2.2 percentage points (pps) to 37.7%), the impact of social benefits (other than pensions) on poverty reduction resumed its decline in 2025 (3.3 pps to 34.4%). A comprehensive approach, as set out in the EU anti-poverty strategy, support progress towards achieving the national anti-poverty target.

Despite being at a relatively low level, poverty risks are becoming more persistent. The at-risk-of-poverty (AROP) rate has increased in recent years, up from 11.7% in 2021 to 14.3% in 2025. Almost half of those affected are characterised by persistent poverty, meaning they were at risk of poverty during at least two of the three previous years. At the same time, Slovenia has a high and increasing concentration of people with incomes up to 10% above the at-risk-of-poverty threshold. As a result, economic shocks or similar events could swiftly drive a significant portion of the population below the poverty-risk threshold. For some groups, notably homeless people, Roma and non-nationals, poverty can be hidden due to a lack of insufficient monitoring ([327]). Overall in 2025, the relative poverty gap, measuring the intensity of poverty, was at 17.4%, below the EU average of 22.5%. However, it has been climbing since 2020. To counter this rise and to accelerate progress towards Slovenia's 2030 poverty reduction target, the implementation of the action plans adopted based on the 2022-2030 National Social Assistance Programme are crucial. The European Social Fund Plus (ESF+) supports social activation programmes designed to connect vulnerable

([327])IMAD, Quality of Life in Slovenia-Development Report 2025.

groups with the labour market, facilitating cooperation among key social protection institutions to deliver comprehensive support and improve Roma community integration. Additionally, the ESF+ aids in combating severe poverty by providing non-financial assistance, such as food packages, to promote social inclusion among materially and socially deprived individuals.

Despite relatively low child poverty rates overall, some vulnerable children still face higher risks. In 2025, the AROPE rate for children increased by 0.7 pps to 12.5% (EU: 24.3%). Despite efforts to address this, some vulnerable children in Slovenia, including Roma children, children in single-parent families, children of parents with a low level of education, and migrant children, are at a much higher risk. The challenge lies in improving the effectiveness of the tax and social benefit systems and accelerating the implementation of the European Child Guarantee ([328]). Ongoing initiatives aim to improve social inclusion, education incentives and systemic support, but further policy adjustments may be needed to address these gaps effectively ([329]). Additional measures, such as attracting qualified workers from abroad, could help mitigate staff shortages in social services and support single parents in alternative (especially institutional) care ([330]).

Slovenia adopted a reform of the public pension system to ensure sustainability and adequacy amid negative demographic trends ([331]). The recent Slovenian pension reform, which was adopted as part of the recovery and resilience plan (RRP), has been in force since 1 January 2026. From 2028 to 2035, it will gradually raise the legal retirement age from 65 to 67 for those with at least 15 years of insurance contributions. For those with a 40-year contribution record, the minimum retirement age will increase from 60 to 62. The reform is expected to have a positive effect on pension adequacy, especially for the lower quintile classes. The pensions of the latter are projected to increase the most (approximately 12%) while the increase will be lower for higher quintile classes (4-6%). On average, the first pension received will be 8% higher than under the baseline scenario by 2045 ([332]). The legislation also increases the accrual rate from 63.5% to 70% for 40 years of work and to 30% for 15 years of work. These measures are expected to improve pension adequacy and lower poverty risks among older people. Further measures are envisaged to strengthen the link between pension adjustments and inflation. As single pensioners, especially women, are among the most vulnerable groups, the new legislation includes an increase to the survivor's pension from 70% to 80%. The newly introduced annual winter allowance, in the amount of EUR 250 paid to pensioners and recipients of disability benefits on top of their regular pension ([333]), will further improve the situation of standard retirees. While various measures, such as the guaranteed pension for 40 years of work ([334]) and pension indexation, contributed to growth in real pensions in recent years, challenges remain for certain groups of pensioners ([335]) who continue to receive very low pensions. Approximately half of pensioners receive a pension below the poverty threshold ([336]). The impact of social benefits (other than pensions) on poverty reduction is the least effective among older people (65 and over). This is reflected in the high AROPE rate among women aged 75 and over, which is almost twice as high as that of the general population. At 41%, the aggregate pension replacement ratio in Slovenia is below the EU average of 61% in 2025, as are median relative incomes of people aged 65 and over (75% compared to 91%).

Even with the full entry into force of the 2023 long-term care act, the sector continues to grapple with challenges in

([328])Ibid.

([329])Eurochild, 2024 Biennial report on the implementation of the Child Guarantee in Slovenia.

([330])See Slovenia Country Report 2025.

([331])CSR 2025.1.3. Ensure the fiscal sustainability of social protection.

([332])Institute for Economic Research, Slovenia, Analysis of the fiscal and adequacy effects of the pension reform proposal.

([333])The amount of winter allowance will increase gradually from EUR 150 in 2025 to EUR 250 in 2030.

([334])Due to the pension adjustment of 4,2 % in January 2026 (regular) and 1% in March 2026,, the guaranteed pension for 40 years of work increased to EUR 826 as of 1 March 2026.

([335])European Commission, 2024 pension adequacy report, 2024. Pensioners with incomplete or short working lives, the self-employed, people working in intermittent jobs, and those with a low level of contributions.

([336])ZPIZ, Annual Report 2024, p. 37.

improving accessibility ([337]). Slow implementation due to necessary adjustments to staffing poses challenges. Through the Technical Support Instrument, Slovenia benefits from support for the implementation of its new long-term care act. The project aims to improve administrative processes for the delivery of LTC services both in institutional and community settings, and increase staff capacity to assess the eligibility of individuals for LTC coverage under insurance, ensuring a uniform application of criteria across all regions. Despite an increase in public spending, reaching 1.0% of GDP (EU: 1.7%), unmet needs remain high. Public funds cover 78.7% of LTC expenditure, while private out-of-pocket payments account for 20.6%. Residential care – mainly homes for the elderly – dominates spending (61.4%). Home care accounts for 38.6% of expenditure but saw increased public investment in 2022 (24.5%). In 2023, of the 76 841 individuals benefiting from LTC services, only around 29 200 received care at home, followed by users of LTC in institutions (22 900), highlighting a need for improved home and community-based services ([338]). Delays in issuing decisions for determining entitlement to the LTC rights at entry points may hinder timely access, particularly in rural areas. Strengthening community care services and increasing accessibility remains crucial to addressing growing demand. Addressing these issues could support ongoing reform efforts and help meet the growing demand, without leaving too many people reliant on institutional care.

Slovenia faces significant and persistent staff shortages in long-term care ([339]). Slovenia has only 2.2 LTC workers per 100 people aged 65 and over (vs an EU average of 3.3 workers), with around 70% of staff in residential care and only 30% in home care. Structural issues, such as burnout, poor working conditions ([340]), high turnover rates, and an ageing workforce, exacerbate existing shortages. The workforce is highly gender segregated (83% women) and concentrated in lower- and medium-skilled occupations such as nursing assistants. Shortages also persist due to low interest in LTC work among Slovenian workers and recruitment challenges for foreign workers. In 2024, Slovenia adopted several measures under the 'act on temporary measures to improve staffing and working conditions and capacity at providers of social care services and long-term care'. These include measures to improve social assistance services, including: (i) co-financing the cost of obtaining national vocational qualifications, engaging volunteers and establishing quality models, and (ii) ensuring funding for deploying modern technologies, integrating foreign employees (including subsidies for accommodation and Slovenian language courses), training employees in care professions, co-financing of a personnel scholarships for professions in social and long-term care and financing additional tasks of the Employment Service of the Republic of Slovenia. These initiatives aim to address working conditions, improve service quality, promote the integration of foreign workers, and renew interest in the care professions among workers. However, many of these measures are still to bear fruit or be fully implemented. Through the Technical Support Instrument, Slovenia will receive support to design a roadmap for retaining and strengthening the community-care workforce in line with both the LTC reform and the objective of helping people with disabilities to be able to live independently, including by attracting and integrating foreign care workers in a fair, responsible and sustainable way. Despite these measures and increasing wages for care assistants and nurses ([341]), vacancies remain high. The challenge involves addressing shortages by improving working conditions, fostering professional development, developing sustainable recruitment strategies, and establishing community-based service models with the assistance of social economy entities. Additionally, integrating migrant workers effectively and expanding multidisciplinary teams to deliver preventive, person-centred care remain key areas requiring attention.

Energy poverty in Slovenia is relatively low. Based on the national definition, 6.8% of Slovenian households were estimated to be

([337])On 1 December 2025, new institutional LTC services and the payment of cash benefits were introduced.

([338])See SURS, Long-term care, 2023, 2025.

([339])CSR 2025.5.4. Raise Slovenia's attractiveness for foreign workers with advanced skills. Improve working conditions, particularly in the care and teaching sectors.

([340])Physically and emotionally demanding work conditions paired with low wages relative to responsibilities.

([341])Public sector reforms increased wages by 8% to 15% for care assistants and nurses.

experiencing energy poverty in 2025 ([342]) and only 3.6% of the population was unable to keep their homes adequately warm (EU average: 8.8%). In addition, 5.4% of individuals faced arrears on utility bills in 2025, which marks an improvement of 4 pps compared to 2020 (EU: 9.2%). To address energy poverty, Slovenia has introduced a range of measures including financial incentives to support vulnerable households. Under the 2021-2027 cohesion policy programme, Slovenia allocated EUR 23.5 million to measures addressing energy poverty, including energy-efficiency renovations targeting vulnerable households. The national energy and climate plan for 2030 ([343]) established overarching energy poverty targets, including reducing the share of energy-poor households to between 3.8% and 4.6% by 2030. Slovenia also has a national action plan to alleviate energy poverty for 2024-2026, with an allocated budget of EUR 34 million focusing on structural measures such as energy-efficiency renovations for the energy poor, decarbonising district heating systems and transitioning away from outdated biomass heating technologies. The action plan also set targets for the uptake of energy efficiency and renewable energy by energy-poor households until 2026 and 2030, respectively. The introduction of the EU emissions trading system for buildings and road transport (ETS2) is expected to put additional pressure on households, although heating expenditure is projected to increase less than in the EU owing to Slovenia's very low exposure to ETS2-covered fuels. From 2026, the EU's Social Climate Fund will help mitigate these impacts through targeted energy-efficiency investments.

Transport poverty does not seem to pose a particular challenge, but in certain regions public transport is not very accessible ([344]). The regions most affected are Pomurska, Podravska, Koroška, Savinjska, Zasavska, Posavska, Jugovzhodna Slovenija, Primorsko-notranjska, Goriška and Obalno-kraška. Transport poverty, measured by the share of households unable to afford a car, was well below the EU average in Slovenia at 2.1% in 2024 (compared with 5.6% in the EU). Similarly, the percentage of people at risk of poverty who cannot afford a car was 9.8% in 2024 – below the EU average of 15.9%. However, the continued dominance of private cars and the stagnation in public transport use highlight challenges in promoting sustainable and inclusive transportation systems. Slovenia's reliance on cars for land transport is among the EU's highest (85.5% vs 82% in the EU), with a very low propensity for taking the train (2.6% vs 8.4% in the EU). These challenges may be more pronounced in rural areas, which are home to a larger share of the population (45.1%) than towns, suburbs or cities ([345]) (see Annex 18). Transport fuel expenditures are projected to increase under ETS2 more than the EU average. Strengthening the affordability and availability of public transport will be essential while in areas with limited access support could focus on zero-emission vehicle options to be used for an on-call transportation system.

([342])See Energy poverty, 2024.

([343])See National Energy and Climate Plan for 2030.

([344])Data from Commission's Transport Poverty Hub.

([345])See Slovenia Country Report 2025.

The resilience and competitiveness of the Slovenian economy can be improved by strengthening basic skills, addressing teacher shortages and expanding comprehensive upskilling and reskilling. Deteriorating basic skills and persistent teacher shortages pose a risk for competitiveness. Adult education faces multifaceted challenges, as participation in upskilling and reskilling is low across the entire workforce, most notably among vulnerable groups. Moreover, while the vocational education and training (VET) system is well developed, alignment with labour market needs remains a challenge, including for the digital and green transitions. Enhancing the inclusiveness and labour-market relevance of education and training could help overcome skills gaps and mismatches. The 2025 country-specific recommendations for Slovenia called for skills acquisition to be stepped up, including basic skills among pupils and skills relevant for the green and digital transition. They also called for improved lifelong learning and training, especially for low-qualified and older workers.

Slovenia has a well-developed early childhood education and care (ECEC) system. In 2024, the participation rate in ECEC for children aged three and over was 93.6%, close to the EU average of 95%, but still below the EU 2030 target of 96%. Between 2015 and 2025, Slovenia made substantial progress in increasing participation among children under three, with the rate rising by more than 20 pps. In 2024, the participation rate reached 57.8%, well above the EU average at 39.2% and the national Barcelona target of 45%. Even though municipalities received funding to cover higher labour costs ([346]), some municipalities decided to raise fees for childcare in light of increases in public sector wages and broader cost pressures ([347]). As of the 2025/2026 school year, an updated kindergarten curriculum is in place to strengthen early learning outcomes, increase parental involvement, promote more individualised pedagogical approaches, and support the inclusion of children from diverse backgrounds. This will be followed by a revised curriculum for children with special educational needs in the school year 2026/2027.

Declining basic skills, including digital skills, are a risk to human capital development ([348]). The share of underachievers in education increased between 2018 and 2022 in all three subjects, especially in mathematics (from 16.4% to 24.6%) and reading (from 17.9% to 26.1%). The share of top-performing pupils in 2022 dropped in mathematics (from 13.6% in 2018 to 9.4%) and in reading (from 7.8% to 4.4%). Overall, deteriorating basic skill levels weaken the skills base and exacerbate future skills shortages (see 2025 country report). Positively, the rural-urban gap in PISA 2022 results was well below the EU average for all three subjects. The share of 15-year-old students from a disadvantaged socio-economic background performing well in at least one subject was in line with the EU average (16.3%) in 2022 but had dropped from 25.7% in 2018. Moreover, according to ICILS 2023, around half of students are low achievers in digital literacy (51% vs EU average: 43%), far off the EU 2030 target of 15%. Positively, the share of early leavers from education and training remained stable at 5.5% in 2025, well below the EU average (9.1%). In 2025, the National Knowledge Test (NPZ) became compulsory for all third-grade students. The results are expected to help teachers better adapt methods and forms of work to students' needs. Revised curricula for primary and secondary education are being finalised and are planned to be gradually introduced starting from the 2026/2027 school year. To address digital skills gaps, a new compulsory subject on Informatics and digital technology will be introduced in the seventh grade from the 2028/2029 school year.

Slovenia is facing teacher shortages, with the highest needs in science, technology, engineering and mathematics (STEM) subjects and in languages. Data indicate a shortfall of 3 611 teachers, including 1 846 teachers in primary and lower secondary education ([349]). However, according to estimates by the Association of Principals, using a different methodology, the gap may be significantly larger, at around 7 000 ([350]), with the biggest needs being reported in Slovenian, English and STEM subjects.

([346])See Government of Slovenia, 2025.

([347])Modre novice, 2025, Letos višje cene vrtcev v več občinah.

([348])CSR 2025.5.1. 'Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.'

([349])According to a government report on teacher shortages.

([350])See N1, 2025, Teacher shortages.

TALIS 2024 data show that 55.1% of teachers over 50 intend to leave the profession, which is higher than the EU average (42.7%). To sustain the learning process, schools increasingly hire partially qualified staff. Nearly 80% of basic schools report employing at least one teacher without adequate education, while in special schools almost one third of staff do not hold the required qualifications ([351]).

The teaching profession currently has low prestige, yet reforms to increase teachers' salaries are under way ([352])**.** Recent reforms aim to improve teachers' pay and strengthen the attractiveness of the profession in response to persistent shortages. A new law envisages a gradual increase in salaries by 2028 for all public sector employees, including teachers. The reform is explicitly designed to correct distortions at the bottom of the pay scale ([353]). New rules in force since 2025 allow an additional workload for teachers already employed at the same school or institution (up to 20% of working time beyond 100%), helping to address teacher shortages. According to TALIS 2024, Slovenian teachers report lower satisfaction with their salary (32.7%) than on average in the EU (37.3%). A significantly lower share of teachers feel valued in society compared to their EU peers (7.4% vs EU average: 15.4%). However, this was a slight improvement on 2018 (5.6% vs EU: 17.7%).

The VET system is well developed yet not fully aligned with labour market needs. The share of learners enrolled in medium-level VET reached 70.0% in 2024, well above the EU average of 52.9%. In 2025, the vast majority of recent VET participants (72,0%) had undertaken work-based learning, exceeding the EU average (66,0%), while the employment rate after completion of VET, at 77.6%, was slightly below the EU average (80.2%). The share of VET students enrolled in STEM was also above the EU average (41.9% vs EU: 36.6% in 2024), although the participation of women remained lower (14.1% vs 15.9%). Despite these overall positive outcomes, employers still struggle to find workers with vocational qualifications. While the number of apprenticeship programmes and partner schools increased markedly from 35 in 2017 to 228 in 2024, only a small share (4.7%) of students in the 2025/2026 school year opted to do an apprenticeship ([354]). Factors contributing to the low uptake include a limited number of large companies able to host apprentices, lack of mentors, low interest among students (due to the specific status of apprentices and low pay) and the limited resources of small businesses.

Slovenia is taking steps to enhance the appeal and alignment of VET with labour market needs, including digital and green competencies ([355])**.** In 2025, 48 revised upper-secondary VET programmes were adopted, incorporating digital, financial and green skills in the curricula. They are gradually being introduced starting from the 2026/2027 school year. In 2024, work carried out included updating pilot programmes such as pharmaceutical technician and nursing assistant. A national study examined the expansion of apprenticeships to four-year technical and higher VET levels, with digital tools developed to aid work-based learning. Slovenia also promoted apprenticeships through initiatives such as 'Promoting Excellence in VET' and WorldSkills.si. The labour market platform for long-term skills forecasting is under development and already provides projections of future skill needs. Its aim is to establish a comprehensive system to forecast labour market needs by occupation and skill, identify supply–demand gaps, present data and inform the development of education and training programmes. This is expected to reduce mismatches and strengthen the competitiveness of the Slovenian economy. Active labour market policy programmes will also be aligned with the identified skills shortages. Additionally, Slovenia is enhancing careers guidance and tracking VET participants' employability ([356]).

Participation in higher education is increasing but remains low for people born

([351])According to a government report on teacher shortages.

([352])CSR2025.5.4 'Improve working conditions, particularly in the care and teaching sectors.'

([353])ZSSS, 2025; Government RS, 2025.

([354])National Assembly of the Republic of Slovenia, Committee on Education, Science and Youth, 9 May 2024.

([355])CSR 2025.5.1. 'Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.'

([356])European Commission, 2025, Education and Training Monitor – Slovenia.

outside the EU. The share of the population with tertiary education (25-34) rose from 31.3% in 2015 to 42.8% in 2025, however, it remains below the EU average of 44.8% and the EU-level target of 45%. Participation is much lower among those born outside the EU, at 18.6%, compared to an EU average of 39%. Positively, the urban-rural gap in tertiary education attainment of young people (aged 25-34) is one of the lowest in the EU (9.4pps vs 22 pps). The gender gap in higher education participation (in favour of women) remains among the widest in the EU (23.8 pps vs EU: 11.3 pps). Participation in STEM programmes in 2023 was at 29.7%, above the EU average (26.9%), but still below the proposed EU target of 32%. The share of students enrolled in STEM at PhD level as a share of total ISCED 5-8 enrolments stands at 1.5%, just above the EU average of 1.4%. The proportion of PhD students in ICT (4.1%) is around the EU average (3.8%), but still below the proposed EU-level target of 5%. Around one third (31.6%) of STEM students at tertiary level in 2024 were women, very close to the EU average (32.2%), but below the proposed EU-level target of 40%. The government plans to expand the network of public universities by changing the legal status of some existing private universities or independent higher education institutions to public.

The new Higher Education Act aims to strengthen labour-market relevance, quality and flexibility in creating new study programmes. The reform adopted in 2025 focuses on aligning study programmes more closely with skills demand by increasing funding for higher education and introducing a legal framework for micro-credentials. It also enhances quality assurance, supports the development of study programmes in foreign languages and promotes modern learning environments. Additional measures are planned to strengthen cooperation between higher education institutions and employers, improve data collection on graduate competences and increase investment in the professional development of academic staff.

Universities are taking steps to adapt to the digital and green transitions. The University of Ljubljana adopted a sustainability strategy in 2025 (Vision to 2040), while the University of Primorska adopted a 2025-2030 development strategy to enhance the provision of skills for the digital and green transition. Cohesion policy funding (EUR 15 million) supports universities in offering more flexible learning pathways, including short courses and micro-credentials developed jointly with employers ([357]). European Regional Development Fund (ERDF) investments enhance ICT infrastructure in universities and public libraries, supporting in-class and remote learning and boosting students' digital skills. These initiatives facilitate graduates' transition into employment and ensure that the skills acquired in higher education better match labour market needs.

Skills mismatches and the shortage of skilled labour hamper growth while constraining business activity ([358])**.** In 2025, the vacancy rate, at 2.2%, exceeded the EU average (2.1%) but remained broadly stable. The macroeconomic skills mismatch, which highlights the relative difficulty for people with low- and medium-level qualifications to enter the labour market compared to highly qualified people, increased and exceeded the EU average in 2024, while the EU average decreased. At the same time, 20.8% of those with tertiary education (25-34) were employed in occupations requiring at most upper-secondary education (EU average: 21.2%), highlighting challenges in taking advantage of existing highly skilled labour. This comes against the background of a rapidly changing skills profile in the economy. Between 2025 and 2030, 37% of core skills of workers are expected to face changes, particularly related to AI, big data, cybersecurity and technological literacy ([359]). In 2025, shortages were reported in more than 100 ([360]) occupations with only a few occupations having a surplus, further pointing to tight labour market conditions ([361]). Companies reported skills shortages to be the most significant business constraint, affecting their investments, operations, productivity and growth as well as the adoption of new technologies ([362]).

([357])Ibid.

([358])CSR 2025.5.1. 'Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.'

([359])WEF, 2025, Future of Jobs Report.

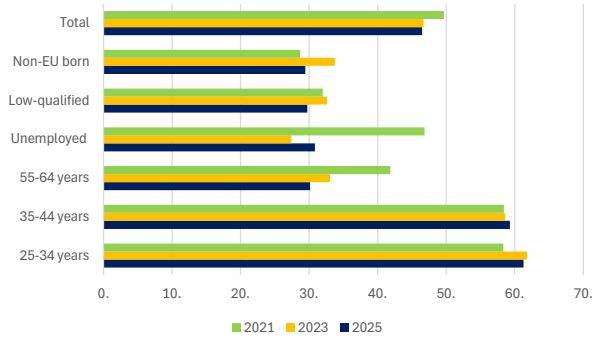
([360])https://sibiz.eu/slovenia-expands-list-of-shortage-occupations-for-2025/.

([361])EURES, 2025, Labour shortages and surpluses in Europe.

([362])IMAD, Quality of Life in Slovenia-Development Report 2025.

Slovenia also faces increasing skills needs for the transition to a green economy. Persistent labour shortages in occupations linked to the green transition and climate adaptation have been reported since 2022, including civil and electrical engineers, forestry and other related workers, electrical mechanics and fitters, and a substantial number of construction-related professions, such as insulation workers and air conditioning and refrigeration mechanics. Labour shortages in construction, one of the key sectors for the green transition, remain well above the EU average (4.6% vs EU: 3% in 2024). The share of workers in energy-intensive industries who receive training is almost twice the EU average for the sector (20% vs EU: 12% in 2025), helping to ensure that skillsets in the workforce are adapted to the changing needs. However, this is still less than the all-industry average (24.7%).

Graph A13.1: **Basic or above basic digital skills**



Source: Eurostat, [isoc_sk_dskl_i21].

The level of digital skills in the population is low and stagnating, threatening to delay the digital transition. In 2024, 47.6% of companies reported that a shortage of appropriate workers or skills was an obstacle to the digital transformation of their operations. And even though the highest future shortages in Slovenia are expected to be among qualified digital specialists and engineers ([363]), between 2023 and 2025 the level of basic digital skills stagnated (-0.2 pps) while it increased significantly in the EU overall (around 5 pps). At 46.5% (EU average: 60.4%, 2025), less than half the population (16-74) had at least basic digital skills. Moreover, vulnerable groups, including the unemployed, older people and those with lower education or limited access to digital tools, continue to lag significantly behind, underscoring ongoing inequalities in digital inclusion. Launched in 2023, the government's Digital Slovenia 2030 strategy aims to boost digital skills across the whole of society, by enhancing digital literacy and rights through the integration of digital skills into the school curriculum, creating a unified training programme and improving educators' digital skills. Several EU and nationally funded projects are in preparation or ongoing. However, according to recent assessments ([364]), and as reflected in decreasing digital skills in society, implementation and impact remain limited and there is significant scope for further measures.

Participation in adult learning and training is slowly increasing, but this masks differences across population groups ([365])**.** According to the adult education survey, adult learning participation (25-64) decreased from 40.3% in 2016 to 26.5% in 2022, well below Slovenia's 2030 national target of 60% (see 2025 country report). More recent data from the Labour force survey suggest a possible increase in participation rates between 2022 and 2024. There were substantial disparities across population groups in 2022, with participation among low-qualified individuals at 7.8% (EU average: 18.4%), while almost half of adults with tertiary education participated. Women participated significantly more than men (31.2% vs 22%). Other groups, such as older workers (55 and over), those with a migrant background and those outside the labour force, are particularly in need of up- and reskilling yet also have low and decreasing participation. These patterns reflect structural, demographic and socio-economic factors and contribute to persistent skills gaps amid widespread shortages.

Slovenia is investing significantly in training opportunities, including for green and digital skills, but measures have yet to bear fruit. Several measures funded by the European Social Fund Plus (ESF+) and the Recovery and Resilience Facility (RRF) aim to foster basic skills and lifelong learning, with priority given to vulnerable groups. In 2024, a nationwide campaign to increase

([363])IMAD, Quality of Life in Slovenia-Development Report 2025.

([364])Digital Skills and Jobs Platform, 2025, Slovenia.

([365])CSR 2025.5.1. 'Address labour shortages by stepping up the provision and acquisition of skills and competences, including basic skills among pupils and those relevant for the green and digital transition.' CSR 2025.5.2. 'Boost lifelong learning and training, especially for low-skilled and older workers.'

lifelong learning was launched. EUR 423 million (67% of the ESF+ allocation) has been allocated to initiatives under the theme 'skills and responsive labour market', including for the integration of green skills within all levels of the education system. Furthermore, the ESF+ is investing in strengthening key skills (EUR 37 million) and supports opportunities for upskilling and reskilling, including in digital skills. Additional support from the ERDF (EUR 13.2 million) and the Just Transition Fund (EUR 7 million) expands lifelong learning opportunities, focusing on green skills and flexible study options. Moreover, with the support of the RRF, roughly 16 000 professionals and managers in education and training have received training in digital and green skills and financial literacy. However, significant shortages along weak outcomes regarding overall but in particular in digital skills pose significant challenges. Furthermore, existing schemes do not reach the broader working-age population, including low-qualified and older people. The authorities will carry out a comprehensive needs assessment and develop a skills action plan ([366]), building on the 2022-2030 national adult education programme. The aim is to scale up, simplify and enhance availability and the quality of training measures. Slovenia has already begun a large-scale evaluation of adult education in 2026.

([366])Adopted at the Cohesion Policy Monitoring Committee, 27.11.2025.

Table A14.1:**Social Scoreboard for Slovenia**

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	26.5
	Early leavers from education and training (% of the population aged 18-24, 2025)	5.5
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	46.5
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	7.6
	Gender employment gap (percentage points, population aged 20-64, 2025)	4.9
	Income quintile ratio (S80/S20, 2025)	3.55
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	78.3
	Unemployment rate (% of the active population aged 15-74, 2025)	3.9
	Long term unemployment (% of the active population aged 15-74, 2025)	1.1
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	122.4
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	15.5
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	12.5
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	34.4
	Disability employment gap (percentage points, population aged 20-64, 2025)	15.7
	Housing cost overburden (% of the total population, 2025)	3.5
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	60.3
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	3.2

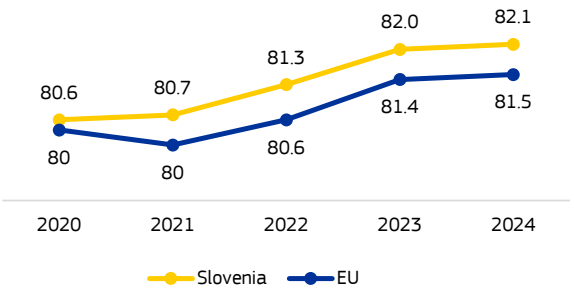
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat

Slovenia's health system faces challenges that negatively affect the health of its population and productivity. Slovenia faces a challenge with access to healthcare, mainly caused by shortages of healthcare workers and increasing demand for services due to population ageing. The 2025 country-specific recommendations (CSRs) referred to the need to address labour shortages by stepping up the provision and acquisition of skills and competences and improving working conditions, including in the healthcare sector. They also raised the issue of fiscal sustainability of social protection.

Graph A15.1: **Life expectancy at birth, years**

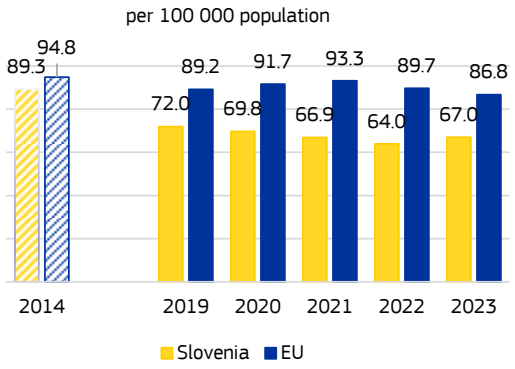


Source: Eurostat (indicator: demo_mlexpec)

Life expectancy at birth in Slovenia was higher than the EU average in 2024, with significant differences between men and women. As in other EU countries, women can expect to live longer than men (5.2 years) However, unlike in other EU countries, they can also expect to live considerably longer in good health (around 4.2 years longer than men). Slovenia fares comparatively well in avoiding deaths from treatable causes, which have fallen steadily over the last 10 years. Diseases of the circulatory system (cardiovascular diseases) and cancer are the leading causes of death, with mortality rates for cancer considerably higher than the EU average. Investments under the recovery and resilience plan (RRP) are being directed towards improving emergency care and infectious disease treatment facilities in an effort to strengthen the resilience of the health system.

Preventable mortality in Slovenia in 2022 was higher than the EU average, while treatable mortality was lower. After peaking at 212 deaths per 100 000 population in 2021, mortality from preventable causes decreased to 168 per 100 000 in 2023, below the pre-pandemic levels (173 per 100 000 in 2019). Meanwhile, the treatable mortality was lower than the EU average (see Graph A15.1). At the same time, spending on prevention in Slovenia in 2023 accounted for 3.3% of total spending on health, below the EU average of 3.7% (of which 0.9% was spent on immunisation). Cancer prevention forms a significant aspect of Slovenia's health strategy, with screening programmes for breast, cervical and colorectal cancer achieving participation rates well above the EU average. Slovenia's National Cancer Control Programme presents a population-focused approach emphasising prevention, early detection and standardised treatment, and ensuring fair access to advanced oncology care. Simultaneously, a National Committee for Cancer Screening was established to guide evidence-based early detection efforts. In addition, mortality linked to air pollution is high (see Annex 8). Slovenia participates in EU4Health-funded joint actions aimed at reducing the burden of cardiovascular diseases, cancer, diabetes and respiratory diseases, and improving mental health. The EU Technical Support Instrument is also providing support for the development and implementation of strategies, procedures and actions focused on organised, population-based screening for lung, prostate and cervical cancer.

Graph A15.2: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.
Source: Eurostat (indicator: hlth_cd_apr)

A considerable proportion of deaths in Slovenia is closely linked to behavioural risk factors. Smoking, dietary risks, alcohol consumption and low levels of physical activity contribute to over one third of all deaths. Obesity rates, particularly among adolescents, exceed the EU average, with 18% of adults and 25% of

15-year-olds affected ([367]). This, together with poor diet, contributes to high incidence rates of cardiovascular diseases. Initiatives like Slovenia's National Nutrition and Physical Activity Strategy (2015-25) aim to address these concerns. Alcohol-related causes contributed to 15% of preventable deaths in Slovenia in 2022. Although alcohol consumption is close to the EU average, standardised death rates linked to alcohol-related mental disorders are among the highest in the EU (around five times higher than the EU average). To mitigate the negative impact of alcohol consumption, Slovenia has authorised a 2025–26 Programme for Limiting Alcohol Consumption and Reducing Harm. Its focus is on reducing alcohol-related harm through strengthened prevention, early intervention and public awareness measures. A variety of programmes aimed at preventing, reducing exposure to and quitting smoking have also been carried out, including the latest 2021-30 Strategy for Decreasing the Consequences of Tobacco Use for a Tobacco-Free Slovenia. The 2025–2035 National Strategy for Health Literacy aims to further improve public awareness and access to preventive services. Mental and behavioural disorders due to alcohol and particularly drug use are higher than the EU average. Suicide rates are also a cause for concern, remaining among the highest in the EU. The 2018-2028 National Mental Health Programme is partially addressing mental health challenges. Despite the range of health programmes available in Slovenia, low levels of public awareness and participation rates pose a significant challenge.

Health expenditure in Slovenia was lower than the EU average in 2023, with recent reforms expected to increase the share of public spending. In 2023, health spending per inhabitant (adjusted for differences in purchasing power) was below the EU average (see Table A15.1). Due to population ageing, public healthcare spending in Slovenia is projected to increase, raising concerns about fiscal sustainability, as highlighted by the 2025 CSR (see Annex 2). 87% of health spending was publicly funded in 2024 and it was the first year since the transformation of the voluntary complementary health insurance scheme into a social health insurance scheme financed by a new mandatory contribution. This change is expected to have a major impact on the share of publicly funded health expenditure. Key reforms include tighter regulation of sickness benefits and absenteeism, stronger provider oversight, clearer division of budgetary responsibilities, and new tools for cost analysis and pricing, all supporting transparency, discipline, and value for money. These measures could potentially address the 2025 CSR on fiscal sustainability. The share of out-of-pocket (OOP) payments remains below the EU average (12.4% of total health expenditure in 2023 vs an EU average of 15%). The largest share of OOP payments went on outpatient medical goods (38%), followed by outpatient care (26%) and dental care (11%) ([368]).

The largest share of health expenditure – above the EU average – went on outpatient care. This, together with a relatively low number of hospital beds (343 per 100 000 population in 2023, lower than the EU average of 440) is partly a result of reforms over the past decade aimed at transitioning patients from hospital settings. In 2023, investments in health capital formation, as a share of total health expenditure, were well below the EU average. This could partially explain the low availability of medical imaging. However the situation is improving using, among others, the EU funds. RRP investments are being directed towards the physical infrastructure of public healthcare institutions, medical equipment, including linear accelerators for Maribor university clinic, emergency and preventive health services, and the digitalisation of healthcare.

Slovenia's pharmaceutical sector is a significant contributor to the EU's trade and innovation landscape, marked by robust employment and research activities. Employment in pharmaceutical manufacturing consistently exceeds the EU average, with Slovenia being one of the powerhouse countries driving the sector's growth. The country demonstrates strong research and innovation metrics, particularly in patents granted for pharmaceuticals, where Slovenia is well above the EU average. The country has a strong manufacturing base, particularly in generics and biosimilars. Clinical trial participation is also noteworthy, maintaining a relatively high level of trials per million population in 2024. Trade

([367]) OECD/European Observatory on Health Systems and Policies (2025), Country Health Profile 2025: Slovenia. State of Health in the EU.

([368]) Country Health Profile 2025: Slovenia - see earlier footnote.

Table A15.1:**Key health indicators**

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	290.7	277.3	280.5	286.9	n.a.	0.96	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	377.1	361.2	332.9	352.0	n.a.	0.78	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	2 443	2 697	2 956	3 121	3 417	1.81	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	73.2	73.8	74.0	73.6	87.0	1.21	80.6 (2023)
Spending on prevention, % of current health expenditure	3.2	5.4	4.7	3.3	n.a.	1.07	3.7 (2023)
Available hospital beds per 100 000 population***	364	361	350	343	n.a.	0.89	440 (2023)
Doctors per 1 000 population*	3.3	3.3	3.4	3.5	n.a.	1.28	4.3 (2023)*
Nurses per 1 000 population*	4.3	4.5	4.9	5.1	n.a.	2.11	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	13.4	14.6	14.1	13.8	13.2	0.72	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	10.2	10.2	12.4	13.4	14.4	1.08	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.
** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.
***'Available hospital beds' covers somatic care, not psychiatric care.
Source: Eurostat

performance is a highlight, with extra-EU exports showing exceptional growth, well above the EU average in 2025 (66.3% vs 13.9%), positioning Slovenia as one of the top contenders in pharmaceutical export growth within the EU. Despite rising pharmaceutical spending, Slovenia has implemented pricing and funding mechanisms, supported by the Slovenian Quality Health Care Agency, to maintain affordability and ensure sustainable growth in the sector.

Challenges in accessing healthcare persist, particularly in rural areas. In 2025, the proportion of the Slovenian population reporting unmet needs for medical care was higher than the EU average (3.2% vs 2.4%). The main reason for unmet needs is long waiting times. The share of people with medical needs who reported unmet needs is also higher than the EU average (4.3% vs 3.6% at EU level). Comparatively high unmet needs for medical examination are reported in rural areas. This is also linked to the issue that only 41% of Slovenia's population live within a 10-minute drive of a hospital (see Annex 18). Waiting times in Slovenia are currently not measured in a reliable or consistent way and require refinement. A reform of the booking system is underway, and more accurate data are expected from June 2026. Access to primary care remains challenging, although incentives for GPs to increase patient lists have shown early positive results.

Slovenia is advancing reforms to improve the organisation and delivery of healthcare services, particularly by strengthening primary care and optimising specialised care provision. The 2024-2031 Primary Healthcare Development Strategy tackles challenges such as ageing population, technological advances and changing patient needs, focusing on strengthening the primary healthcare workforce. It aims to improve equitable access, promote health and empower communities, while also prioritising integrated, high-quality care, better management, financial incentives, research and digital transformation. Recent amendments to the Health Services Act further support these objectives by reinforcing the role of public providers, reducing dual practice and clarifying the boundaries between public and private provision. The introduction of non-profit public providers and a revised concession model is expected to improve equity of access and limit patient diversion to private services. In tertiary care, international comparisons point to the need to strengthen coordination among providers and foster closer cooperation with academic institutions. Advancing these areas could support a better concentration of highly specialised services, ensuring high-quality care for the most complex cases ([369]). Slovenia participates in the EU4Health-funded CIRCE joint action ([370]), through which EU countries share good practices and expertise in primary care.

([369])Best practice in the regulation and financing of tertiary care based on case studies from five OECD Countries | OECD.

([370])Home | CIRCE-JA.

Quality of care is closely looked at. According to the 2023-24 OECD Patient-Reported Indicator Survey (PaRIS) ([371]), 89% of patients in Slovenia were satisfied with the quality of care and 85% with person-centred care. Trust in the health system, confidence in managing health, and care coordination received ratings of 63%, 61% and 57%, respectively, similar to other EU countries, with overall positive experiences reported but room for improvement identified. In line with its RRP, Slovenia adopted the 2021-31 National Strategy for Quality and Safety in Healthcare and passed the Healthcare Quality Assurance Act in November 2024. An independent body to monitor and control quality in the healthcare system was also established.

Shortages of health workers in Slovenia limit the availability of care. The number of nurses per inhabitant in Slovenia is below the EU average (5.1 per 1 000 population vs 7.6 ([372]), as is the number of doctors (3.5 per 1 000 population vs 4.3 in 2023). Shortfalls in primary-care doctors and hospital nurses in Slovenia are linked to the low appeal of these careers, including relatively low pay. Graduation numbers for both doctors and nurses remain among the lowest in the EU. Health professionals in Slovenia report some of the highest rates of depression across the EU ([373]). Workforce constraints are recognised as affecting service quality, care continuity and patient satisfaction. Slovenia is making efforts to improve the situation through higher wages, improved working conditions, easier recruitment of foreign workers, scholarship schemes and actions addressing workplace violence. These measures could potentially address the 2025 CSR on working conditions in the care sector. Slovenia lacks a complete, up-to-date overview of its health workforce. However, a forecasting model is being developed. In 2025, Slovenia also adopted a new Act on the Recognition of Professional Qualifications in Healthcare - intended to reduce administrative barriers and processing times for foreign-trained health professionals seeking to practise in Slovenia, while retaining high standards for assessing competence. Investments under the Slovenian RRP focus on improving the skills of health personnel, enabling nurses to work more independently and expanding doctors' competencies in primary care. Moreover, Slovenia participates in the EU4Health-funded HEROES joint action ([374]), through which EU countries share best practices and expertise on health workforce planning.

Slovenia aims to scale up the digitalisation of its health system, with support from EU programmes. The shares of people accessing their personal health records online and using online health services (excluding phone) instead of in-person consultations increased between 2020 and 2024. However, their use by patients is slightly below the EU average. In December 2025, Slovenia adopted the Healthcare Digitalisation Act, which establishes a centralised national digital health infrastructure, including a dedicated public entity responsible for managing core digital systems. It aims to improve healthcare access and quality by strengthening interoperability, standardising data across national health registries and enabling secure data exchange for care delivery, public health and research. The RRP investments focus on improving access to high-quality healthcare data by integrating digital services, enhancing communication between patients and stakeholders and using real-time data for quality monitoring and planning. Key initiatives include: (i) expanding the Patient Data Register; (ii) creating a central image storage system; (iii) implementing a telemedicine platform; (iv) upgrading the eMedical appointment system; and (v) boosting digital skills in healthcare (see Annex 13). In addition, Slovenia participates in joint actions and benefits from direct grants under EU4Health to improve the semantic interoperability of health data and facilitate the implementation of the European Health Data Space.

([371]) Patient-Reported Indicator Surveys | OECD.

([372]) Under the newly adopted Eurostat definition of nurses (following the EU Directive 2005/36/EC on the recognition of professional qualifications) nurse density numbers shown below are signifcantly lower than numbers using a broader definition, as for instance used for the OECD health statistics (10.5 compared to 8.4 at the EU).

([373]) Mental Health of Nurses and Doctors survey in the European Union, Iceland and Norway.

([374]) The project – JA HEROES | Health Workforce Planning Project.

Housing affordability disproportionately affects vulnerable people at risk of poverty, with housing quality also a concern. The house price-to-income levels increased by 16.9% between 2015 and 2024, compared with an average increase of 5.7% in the EU, and are currently among the highest in the EU. The proportion of rent to disposable household income decreased slightly from 17.4% to 16.8% between 2018 and 2025 and is below the EU average of 22.5%. The proportion of people facing housing cost overburden in Slovenia was well below the EU average (3.5% vs the EU average of 7.7% in 2025) ([375]) amid easing energy and utility price growth. However, the housing cost overburden rate was still about five times higher for those living in households at risk of poverty or social exclusion (18.7%) and also much higher for tenants renting at market prices (19.7%). In 2025, households experiencing poverty spent a much larger proportion of their disposable income on housing (27.3%) compared with other households (10.2%). In 2023, 18.5% of the population in Slovenia, vs the EU average of 15.6%, experienced housing deprivation, defined as homes with a leaking roof, damp walls, floors or foundations or rot in window frames or floors. The proportion is even higher for the lowest-income households (29.3% in 2023) and for families with dependent children. The issue is particularly pronounced in the Pomurska region and in south-east Slovenia ([376]). The proportion of people unable to keep their homes adequately warm was at 3.6% in 2025 below the EU average of 8.8% ([377]). However, the proportion was about three times higher for those in households at risk of poverty and social exclusion (10%). In 2025, 6.3% of individuals faced arrears on utility bills, vs the EU average of 9.2%, which marks an improvement of 4 percentage points compared with 2020. Under the 2021-2027 cohesion policy programme, Slovenia allocated EUR 23.5 million to measures addressing energy poverty, including energy efficiency renovations targeting vulnerable households. Therefore, it would be beneficial to pay attention to improving housing quality while keeping housing affordable, especially for those at risk of poverty.

Housing markets developments

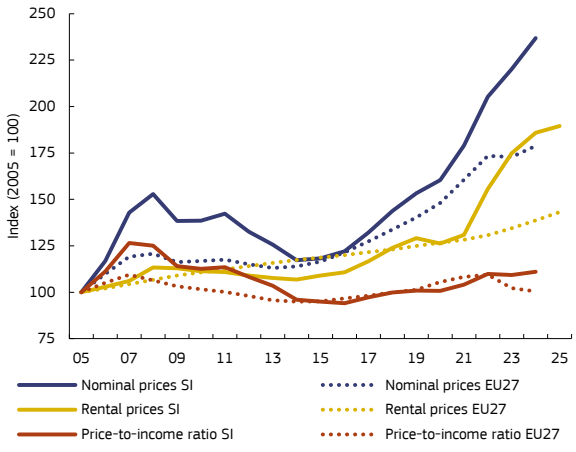
House prices, as well as rental prices, continue their steep increase. Between 2015 and 2024, the nominal house prices doubled for Slovenia, while it increased only by 50% for the EU-27. However, the rate of increase slowed down from 2023, with modest 4.3% year-on-year growth recorded in 2025. The Bank of Slovenia (BoS) noted that residential real estate prices in the second quarter of had increased by more than 50% in nominal terms compared with 2008, while they had increased by only 12.6% in real terms. The strong price increase in recent years in Slovenia has resulted in a higher price-to-income ratio in the country than in the EU-27, which has not been the case since the financial crisis. In fact, Slovenia had one of the highest ratios in the EU in 2024, exceeding its long-term average by around 5%, while the ratio for the EU as a whole (including existing and new rental contracts) have increased significantly since 2021 due to a shortage of available housing, especially in large cities where residential and tourist demand compete. Demand for rental housing is rising further because of insufficient student accommodation, the inflow of foreign workers and an increase in the number of single-person households.

([375])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

([376])One of the main reasons for poor housing condition is the old and poorly maintained housing stock. About 80% of dwellings were built before 1990 and only about 2% between 2016 and 2021, with the highest proportion in the Central Slovenia region and the lowest in the Zasavska region. See Institute of Macroeconomic Analysis and Development, Development report 2024.

([377])Eurostat: ilc_mdes01_r. The share of those unable to keep their homes adequately warm was two times higher in East Slovenia (4.2% in 2024) compared to West Slovenia (2.4%).

Graph A16.1: **House prices, rents and price-to-income evolution in SI and EU27 since 2005**



Source: Eurostat

Both the square metre prices of dwellings and house prices continue to rise, with the former reaching new records. In the first half of 2025, the country-wide median price of a dwelling on the secondary market reached EUR 3 070/m², exceeding the EUR 3 000/m² threshold for the first time. In Ljubljana, the average price of a second-hand dwelling (EUR 4 890/m²) increased in the first half of 2025 by EUR 520/m² compared with the first half of 2024. In the same period, the median price of a house in Slovenia was EUR 180 000, having increased by EUR 20 000 compared with the same period in 2024 ([378]). Between the second half of 2022 and the first half of 2025, the prices of dwellings, houses and building land increased by 24%, 22% and 23%, respectively (Geodetic Administration 2025. According to indicative data of the Geodetic Administration, more than 2 000 new housing units were completed in Slovenia in the first half of 2025 and around 4 400 were under construction. It is predicted that housing investment needs will remain substantial, with the Commission estimating a cumulative housing construction gap of almost 63 000 dwellings in 2025-2035, reflecting accumulated demographic-driven shortfalls net of projected construction ([379]).

Growth in housing loans continued to recover in 2025. The increased demand for loans in the first half of 2025 was driven by the fall in interest rates and by a rise in consumer confidence. At the end of June 2025, the stock of housing loans totalled EUR 8.8 billion. The fall in interest rates, low unemployment and rising wages have increased the number and value of residential property sales by 30.5% and 32.9%, respectively in the first three quarters of 2025 (SORS).

Activity in residential construction remains down in year-on-year terms. The BoS does not expect a sharper increase in the supply of residential properties over the next few years, as the number of new building permits issued remains relatively low despite a slight increase in 2025. The corresponding floor space was even lower than in 2024 ([380]).

Structural policies

Social and affordable housing construction is increasing but still falls significantly short of demand. Between 2015 and 2024, the supply and provision of additional non-market housing have lagged behind demand. Currently, the stock of different types of public rental apartments amounts to just over 36 000 units, representing around 4% of the housing stock. Slovenia thus falls significantly behind the EU average, where such units represent around 8% of the stock. There are also noticeable regional differences in both the number and quality of these units. An even greater challenge is the pace of providing new units, which lags far behind needs. Since 2022, 2 000 public rental dwellings have been built, with just over 2 500 dwellings under construction or in the phase before permitting. The government's newly proposed 2026-2035 national housing programme aims to deliver an additional 20 000 non-market apartments over the next 10 years, namely: 16 000 public rental units ([381]) and 1 000 units to be activated through the renovated public rental service.

([378])Geodetic Administration of the Republic of Slovenia; Semi-annual report on the Slovenian real estate market for 2025; https://www.gov.si/novice/2025-10-17-polletno-porocilo-o-slovenskem-trgu-nepremicnin-za-leto-2025/.

([379])Balouktsi et al. (2026) Housing investment needs in the EU, JRC Technical Report 144703.

([380])Bank of Slovenia, Review of macroeconomic developments, October 2025, Review of macroeconomic developments, October 2025 | Banka Slovenije.

([381])There is no definition yet for the term '"affordable housing" for the purpose of the national housing programme; it will be defined over the course of the housing programme.

Productivity in Slovenia's construction sector is low compared with other European countries and there are significant labour shortages. Slovenia had one of the highest vacancy rates in the construction sector in the EU (4.5% in 2025) which was also well above the EU average (2.8% in 2025) ([382]). Slovenia reports labour shortages for several construction related occupations, including construction supervisors, carpenters and joiners, building construction labourers, concrete placers, concrete finishers and related workers, civil engineers, civil engineering labourers, electrical engineers and technicians, floor layers and tile setters, insulation workers, roofers and plumbers and pipe fitters ([383]). Labour shortages in construction sectors stem from demographic pressures, structural skills mismatches, a tight labour market overall, high reliance on foreign workers (with almost half of workers in construction being foreigners ([384]) job attractiveness issues and below-average wages ([385])([386]). To address these issues, it would be beneficial to: (i) align the education and vocational system more strongly with current market needs, (ii) develop the workforce; and (iii) improve job attractiveness for the domestic workforce.

Vulnerable groups

There is a severe shortage of social and affordable housing, which represents a long-term challenge. Non-profit housing supply constraints are hindering the provision of affordable and social housing for vulnerable groups, as well as efforts to reduce homelessness ([387]). To date, no national-level database has been set up that would allow waiting times to be estimated. According to a survey conducted in 2025, there is an estimated need in Slovenia for 20 407 public rental apartments. This includes non-profit rental housing units (11 719), housing units intended to temporarily address the housing needs of the socially disadvantaged (1 028), designated housing units for young people (3 790), purpose-built housing units for older people (2 587) of which 1 550 would be serviced, housing units for employees (369) and other types of public rental housing units (914). There is a need for non-profit rental apartments in all regions. The need is highest in the central region (4 347), with the capital Ljubljana at the forefront. Ljubljana is followed by the ([388]) Karst region (1 409) and the Podravska region (1 333). The highest need for public rental apartments is in larger cities (Ljubljana, Koper, Maribor), where there is the greatest demand. Under the National Recovery and Resilience Fund, Slovenia committed to establishing the conditions for increasing the stock of public rental housing through a housing policy reform. This increase is to be achieved, among other things, through purchasing, renovating or building non-profit flats. This reform package also includes the construction of 480 flats, financed by the Recovery and Resilience Facility to improve access to non-profit rented housing primarily for young families and other disadvantaged groups. However, the full implementation of these measures remains subject to monitoring ([389]). The Just Transition Fund allocates EUR 6.5 million for social and affordable housing to the Housing Fund of the Republic of Slovenia. This enables apartments to be purchased or transferred from closing coal-related companies in SAŠA to protect existing tenants, preserve affordable housing stock and ensure continued public rental provision, while in Zasavje it supports the renovation of existing housing units to improve functionality and accessibility.

([382])[[jvs_q_nace2] Job vacancy statistics by NACE Rev. 2 activity - quarterly data (2001-2025)].

([383])ELA EURES report on Labour Shortages and Surpluses. 2024.

([384])Pomanjkanje-kadrov-v-gradbenistvu.pdf.

([385])Plače zaposlenih pri pravnih osebah, julij 2025: The average monthly gross salary in the construction sector in July 2025 was below the national average by almost 20%, while construction is the fifth -worst industry in terms of salaries.

([386])Zaposlovanje v gradbeništvu raste, plače pa ostajajo skromne | Sobotainfo.com.

([387])The latest national estimates found that 3 545 people, representing 0.17% of the total population, were homeless. According to 2022 data, there were 352 accommodation places for homeless people in Slovenia or 16.7 per 100 000 inhabitants.

([388])Source: data provided by the Slovenian authorities during the Semester mission. An additional 4 956 public rental apartments are needed in Ljubljana (of which, 4 010 non-profit rental apartments), 1 056 public rental apartments in Maribor (of which, 871 non-profit rental apartments) and 2 879 public rental apartments in Koper (of which, 1 100 non-profit rental apartments).

([389])2025 Country report.

Graph A16.2: **Housing affordability selected indicators**

		EU27				SI							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	105.2	106.9		YoY%	-0.6	1.6	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	97.5	97.9	93.1	YoY%	4.2	0.5	-4.9
Overburden rate, total	%	9.9	8.8	8.2		4.6	3.7	3.8	3.5	PPS/y	-0.4	0.1	-0.3
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		19.4	17.9	16.5	19.7	PPS/y	0.0	-1.4	3.2
Overvaluation gap	%					-0.3	6.9	9.1	8.4				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	99.9	115.8	117.7	119.9	YoY%	0.1	1.9	2.2
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	471.5	471.6	423.2	422.1	YoY%	-9.6	-10.3	-0.2
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	2.9	3.0	2.8	2.5	YoY%	3.4	-6.7	-10.7
Share of ownership	%	70.0	69.1	68.4		77.3	75.2	74.8	74.2	PPS/y	-0.3	-0.5	-0.8
Share of people living in overcrowded homes	%	17.7	16.8	16.9		20.3	10.3	10.6	10.5	PPS/y	-0.7	0.3	-0.1

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

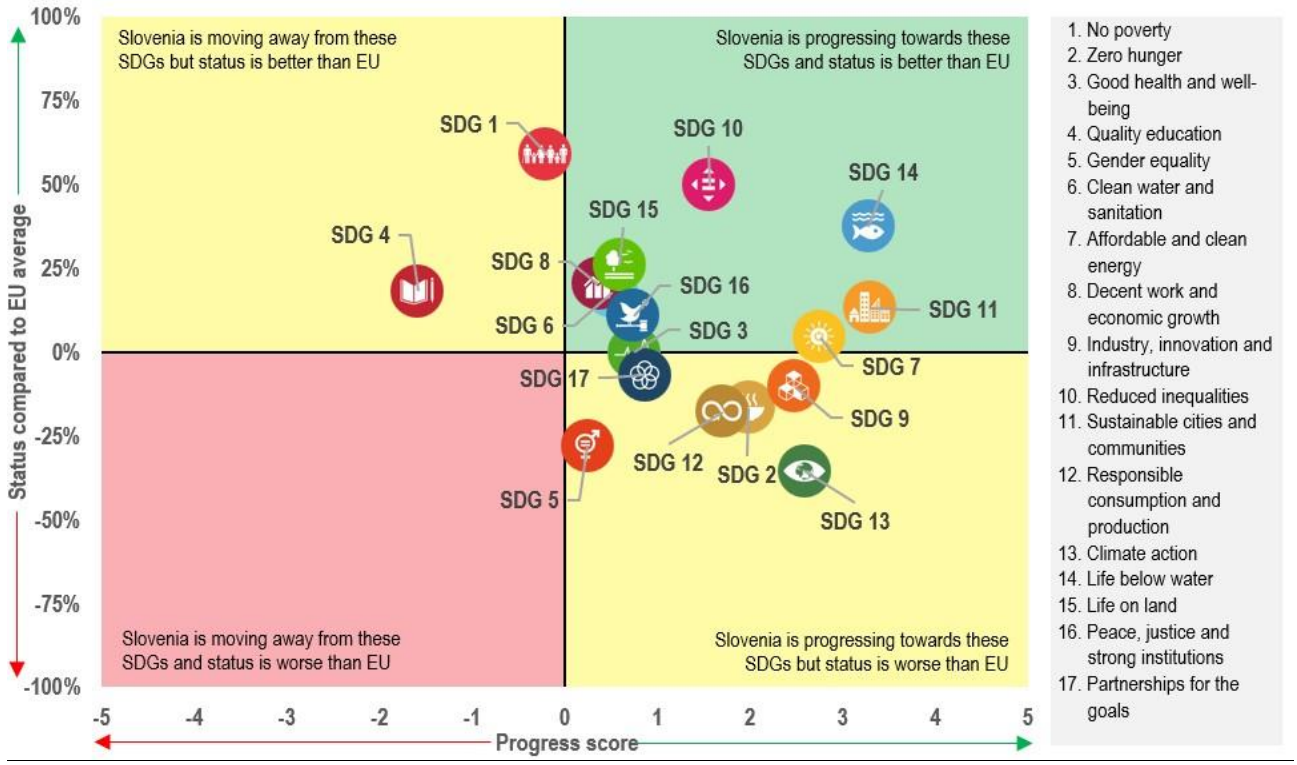
The 2025 legislative changes (a new housing financing law and updates of the Housing Act) ensure systematic financing of up to EUR 100 million per year from 2025 to 2035 specifically for public rental housing to help reach the target of 20 000 units by 2035. The government will also reallocate cohesion funds for this purpose, providing an additional EUR 42 million for the construction of public rental apartments and public rental assisted apartments.

This annex assesses Slovenia's progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

Slovenia performs well on most SDGs related to *competitiveness* (SDGs 4, 8, 9) but still needs to catch up with the EU average for SDG 9. On SDG 9, Slovenia has made progress on R&D and innovation, namely in increasing gross domestic expenditure on R&D from 2.06% of GDP in 2019 to 2.16% in 2024, but this is still below the EU average of 2.24%. It has also made significant progress in increasing the share of households with a high-speed internet connection from 63.8% in 2019 to 79.6% in 2024.

Although it performs well on the quality of education (SDG 4) there are some challenges related in particular to adult digital skills and learning outcomes. The percentage of adults with at least basic digital skills is below the EU average (46.5% in 2025; EU average: 60.4%) and Slovenia needs to catch up. The percentage of the population aged 25 to 34 completing tertiary education has improved from 40.7% in 2023 to 42.8% in 2025 but remains slightly below the EU average of 44.8%. The measures under Slovenia's recovery and resilience plan (RRP) will drive progress here by helping to digitalise the country's

Graph A17.1: **Progress towards the SDGs in Slovenia**



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for extensive data on the short-term SDG progress of EU countries, see Key findings – Sustainable development indicators; for an interactive visualization of SDG progress of EU countries, see SDG country overview. A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

public and private sector and boost digital skills.

Slovenia performs well or is improving on most of the SDGs related to *sustainability* (SDGs 2, 6, 7, 9, 11, 13, 15) but needs to catch up with the EU average on four of them (SDGs 2, 9, 12, 13). Slovenia has made some progress in increasing the share of renewable energy in gross final energy consumption from 22% in 2019 to 25.1% in 2023, although this decreased slightly to 25% in 2024 (SDG 7). Moreover, it has reduced its energy import dependency a little from 52.0% in 2019 to 46.4% in 2024. Through the RRP, Slovenia is expected to boost its production of renewable energy by investing in the distribution grid, which would lower wholesale electricity prices and strengthen the case for electrification across sectors.

Slovenia has made some progress on climate action (SDG 13) over the last few years. It has reduced its net greenhouse gas emissions from 6 tonnes per capita in 2019 to 5.2 tonnes in 2024 but still needs to catch up with the EU average on other aspects. In particular, the average CO_2 emissions per kilometre from new passenger cars was 128.2g in 2024 (EU: 107.9g).

Despite improvements on industry, innovation and infrastructure (SDG 9), Slovenia still needs to catch up with the EU average on certain indicators. In particular, the share of buses and trains in inland passenger transport is very low (14.5% in 2023 against the EU average of 16.9%) despite having increased from 13.9% in 2022. Slovenia's RRP contains several measures aimed at increasing the use of public transport and significantly improving the country's railway infrastructure, which will help the country tackle this challenge.

Slovenia needs to catch up with the EU average on responsible consumption and production (SDG 12) (see Annex 8). Particularly noteworthy is the increase in generation of waste from 3 964 kg per capita in 2018 to 5 398 kg in 2022 (EU average 4 981 kg).

Slovenia performs well or is improving on some SDGs related to *social fairness* (SDGs 1, 7, 8, 10) but needs to catch up with the EU average on good health and wellbeing and gender equality (SDG 3, 5). Slovenia performs well on poverty and basic needs (SDG 1). While the percentage of people at risk of poverty or social exclusion increased from 13.7% in 2023 to 14.4% in 2024, it is still significantly lower than the EU average of 21%. The country has improved on most fairness-related gender equality indicators (SDG 5), but it remains below the EU average, particularly on the percentage of positions held by women in senior management which was 29.2% in 2025 against the EU average of 33.6%. The gender gap for tertiary education attainment stands above the EU average at 23.8 pp in 2025 (EU average 11.3 pp) with more females attaining tertiary education.

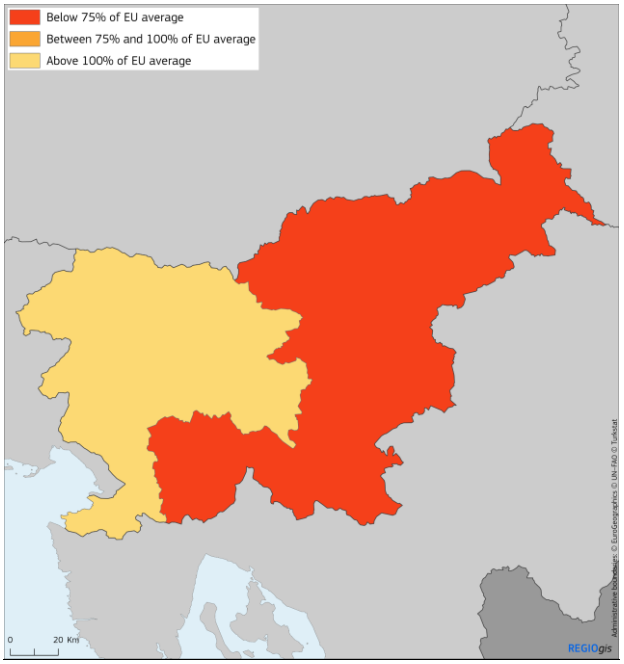
Slovenia's quality of education (SDG 4) is above the EU average, though there is room for improvement. The percentage of the population aged 25 to 34 completing tertiary education reached 42.8% in 2024, close to the EU average of 44.1%. According to the 2022 PISA survey, about a quarter of Slovenian students lack the minimum level of proficiency in mathematics and reading. While this performance is better than the EU average, Slovenia's performance in the PISA survey categories has deteriorated. The percentage of early leavers from education stands at 5.5% in 2025, well below the EU average of 9.1%, but is higher than the 4.0% of 2022.

Slovenia performs well on SDGs related to *macroeconomic stability* (SDGs 8, 16) and, although it is improving, it needs to catch up with the EU average on 'partnerships for goals' (SDG 17). The country performs well on indicators measuring employment (SDG 8) and has a low percentage of young people not in employment, education or training compared with the EU average (2025 figures: 7.6% vs 11%). The long-term unemployment rate is also below the EU average (1.1% in 2025 against the EU average of 1.9%). On SDG 16 (Peace, justice and strong institutions), the level of perceived independence of the justice system in Slovenia increased from 39% in 2019 to 56% in 2025, higher than the EU average of 54%. On 'Partnership for goals' (SDG 17), Slovenia is improving. For example, its general government gross debt fell from 68.4% of GDP in 2023 to 65.7% in 2025. However, the share of households with high-speed internet connection remains slightly below the EU average (79.6% in 2024, EU average 82.5%). As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

Slovenia has strengthened its relative economic performance in recent decades, with a slow convergence towards the EU average, but the pace of growth has been uneven across regions. The country's GDP per head (in PPS) increased from 87% of the EU average in 2004 to around 90% in 2024, supported by a strong industrial base, high employment rates and stable economic growth. However, convergence with the EU has progressed at a different pace in different regions, resulting in uneven economic and demographic outcomes at subnational level. Regional disparities have increased with the gap between the two larger (NUTS 2) regions rising 3 pps from 35 percentage points in 2004 to 38 in 2024. During this time, the gap between NUTS 3 regions widened even more, rising 15 pps from 72 pps in 2004 to 87 pps in 2024.

Map A18.1: **GDP per head compared to the EU average**

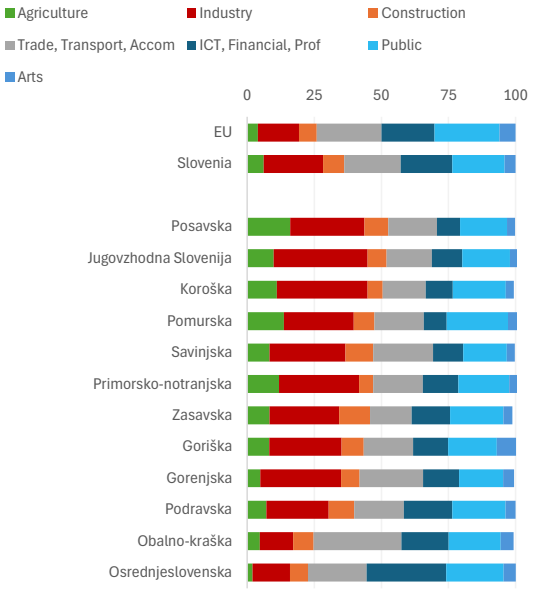


Source: 2021-2023 average GDP per head in purchasing power standard compared with the EU average.
Source: Commission calculations based on Eurostat 16 July 2025 data

Development trends in recent years reflect persistent territorial disparities between the capital region and structurally weaker regions in the eastern part of the country. Zahodna Slovenija scores above the EU average on GDP per head, driven by the strong performance of the capital region of Osrednjeslovenska, where GDP per head is around 135% of the EU average in 2024. Vzhodna Slovenija remains below 75% of the EU average GDP per head across most of its NUTS 3 regions, with the lowest levels observed in several northern and eastern regions, including Zasavska, where GDP per head is around 50% of the EU average (see Map A18.1 and Table A18.2).

Labour productivity has increased steadily across all regions in recent years but remains below the EU average. In 2024, productivity reached 85% of the EU average at national level, with higher levels in the capital region and western Slovenia (ranging between 81% and 96%) and lower levels in eastern regions (between 72% and 86%). Productivity growth in Slovenia between 2014 and 2024 has exceeded the EU average, and although it has been relatively stronger than the EU average in several eastern regions, gaps with higher-performing regions persist (see Annex 5).

Graph A18.1: **Share of employment in different sectors (2024), Slovenia (NUTS 3 regions)**



Source: Commission calculations based on JRC data

Productivity growth has been supported by Slovenia's industrial base, but there are significant structural differences across regions. Employment in industry exceeds the EU average in most regions, particularly in Koroška, Gorenjska and Jugovzhodna Slovenija, where it accounts for more than 30% of total employment, compared with an EU average of 15.3%. This reflects specialisation in chemicals,

Table A18.1:**Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed region (population 1.11 million)	Eastern Slovenia has a GDP per head that is less than 75% of the EU average. It also has labour productivity levels significantly below both the national and EU averages. Economic activity in this region is characterised by a higher concentration in industry and agriculture, alongside a lower presence of knowledge-intensive services and high value added activities. Although productivity growth has been relatively strong in some eastern regions in recent years, gaps in productivity growth with Western Slovenia persist due to weaker innovation capacity, lower business R&D investment and infrastructure constraints. Labour market outcomes in Eastern Slovenia are less favourable, with lower employment rates and slower employment growth. Another shortage faced by this region is the workforce shortage in healthcare, particularly of family doctors, nurses and specialists. Demographic challenges, including an ageing population and outward migration, continue to weigh on the area's long-term growth prospects and potential for economic and social convergence.
More developed region (population 1.01 million)	Western Slovenia is a more developed region, with GDP per capita above the EU average, driven by the strong performance of the capital region. This region benefits from greater labour productivity, a more diversified economic structure, and a greater concentration of knowledge-intensive services and innovative activities. Stronger innovation ecosystems, higher R&D intensity and better integration into international value chains all bolster the region's competitiveness. Labour market outcomes in Western Slovenia are also more favourable, with higher employment rates and faster employment growth. However, sustaining recent productivity gains will require continued investment in skills, digitalisation and innovation diffusion, particularly outside the capital area.
Specific territories	Urban areas, particularly the capital region in and around Ljubljana, concentrate economic activity, high value added services, innovation capacity and employment growth. They benefit from: (i) greater labour productivity; (ii) stronger labour market outcomes; (iii) greater uptake of advanced digital technologies; (iv) stronger collaboration between innovation actors, including universities and PPPs; and (v) better access to services. At the same time, they face increasing pressures related to housing affordability, congestion, commuting flows and infrastructure capacity, which weigh on quality of life and functional efficiency. Rural and sparsely populated areas face structural challenges linked to: (i) lower productivity levels; (ii) a greater reliance on traditional sectors; (iii) weaker access to services and digital connectivity; and (iv) less favourable labour market outcomes. Underserved rural regions also face shortages of workers in healthcare, and in particular a shortage of family doctors, nurses and specialists. In these rural and sparsely populated areas, the limited availability and uptake of public transport reinforce car dependency and reduce accessibility, particularly for ageing populations. Demographic pressures, including ageing populations and outward migration, continue to weigh on long-term development prospects. At the same time, these areas hold untapped potential in renewable energy, agri-food value chains and ecosystem services, provided that connectivity, skills, transport accessibility and governance capacity are strengthened.
National cohesion aspects	Territorial connectivity in Slovenia remains uneven, with a strong reliance on road transport and private car use, particularly outside urban areas, reflecting gaps in the coverage and attractiveness of public transport. Although the country's main transport links and cross-border connections are relatively well developed, differences in accessibility persist between urban centres and more remote or sparsely populated areas. Improving the take-up and effectiveness of public transport and light mobility in these remote or sparsely populated areas would help to address a number of regional development bottlenecks. In recent years, progress has been made in Slovenia's environmental infrastructure, especially in wastewater treatment. However, regional disparities remain in water supply efficiency, flood protection and climate resilience, with environmental risks weighing more heavily on less developed and disaster-prone regions. Fragmented local procedures and the absence of fully coordinated approaches to spatial planning can contribute to delays in planning and infrastructure development. Differences in administrative capacity and coordination between national, regional and local levels may also affect policy implementation on the ground.

Source: European Commission based on Eurostat data; categories of regions based on Map A18.1

pharmaceuticals, machinery and automotive activities. The country's northern and eastern regions also have a relatively high concentration of employment in agriculture, exceeding 13% in regions such as Pomurska and Posavska, compared with an EU average of 4%. By contrast, the capital region, Osrednjeslovenska, has a more service-oriented economic structure, with a stronger focus on financial, professional, scientific and technical activities.

Key challenges for regional competitiveness

Slovenia's overall competitiveness, as measured at the national level, is above the EU average, but performance varies substantially between the western and eastern regions. At the NUTS 2 level, these disparities are reflected in the Regional Competitiveness Index (RCI) 2022, where Slovenia records an overall score of 104 (against an EU average of 100), with Zahodna Slovenija (in the

west) performing around 10 points higher than Vzhodna Slovenija (in the east). These differences are reflected across all components of the index. In the basic sub-index, infrastructure remains a key constraint, particularly in Vzhodna Slovenija, which scores 37 percentage points below the EU average, compared with 18 points below the EU average in Zahodna Slovenija.

Weak and uneven regional R&D expenditure and innovation bottlenecks are a drag on the competitiveness of lagging regions. The concentration of high-value-added activities in the western part of the country are underpinned by higher business sophistication and innovation capacity there ([390]). There are significant disparities between the regions in terms of R&D expenditure. In particular, Obalno-kraška, Podravska, Primorsko-notranjska, Pomurska and Koroška have low levels of business R&D investment and weaker productivity outcomes ([391]). Cooperation between firms, universities and public research organisations in Slovenia is uneven, reflecting differences in regional capacity and economic structure ([392]). There are 21 cluster organisations, 14 of them in Zahodna Slovenija. Patent activity is heavily concentrated in the capital region, with only two other NUTS3 regions recording patent applications (Jugovzhodna and Podravska) in 2022 (see Annex 4). Smart specialisation strategies are an effective instrument for strengthening regional innovation capacities while accounting for regional specificities. However, Slovenia's current strategy (S5) could benefit from: (i) stronger implementation capacity, particularly in addressing delays in RRI infrastructure and policy measures; (ii) improved coordination across its innovation ecosystem; and (iii) more effective mechanisms to translate research and innovation into marketable products.

Disparities in labour-market outcomes and uneven participation in adult education are further constraining the growth potential of some of Slovenia's regions and rural areas. Regional disparities in the employment rate persist, with western Slovenia exceeding 80% employment and the eastern regions being around 76% in 2024 (see Annex 11). Employment growth between 2014 and 2024 has been fastest in the capital region and Obalno-kraška, at over 2% annually, while several northern and eastern regions, including Pomurska and Koroška, recorded growth below 1%, increasing the gap between stronger and weaker labour markets. Low inter-regional mobility and uneven skills development between the different regions further widen regional labour-market disparities. Unemployed residents in Vzhodna Slovenia are less likely to move west despite stronger job creation there, limiting the reallocation of workers. At the same time, although rural-urban gaps in both PISA results and tertiary attainment among Slovenia's 25–34 year-olds remain below the EU average (see Annex 13), significant regional differences also persist in adult learning. Participation in adult learning among 25–64-year-olds is highest in Osrednjeslovenska (47.3 % in 2022) and lowest in Primorsko-Notranjska (32.7%).

Digital connectivity gaps persist, reflecting a clear urban-rural divide and limiting the diffusion of digital technologies outside major centres. Access to high-speed fixed broadband remains uneven across Slovenian regions. In 2024, fibre-to-the-premises coverage reached 78.5% nationally (compared with the EU average of 64%), while rural coverage stood at 56.8%, slightly above the EU rural average of 55.6%. Although Slovenia's rural performance for broadband coverage is broadly in line with the European average, a clear rural-urban divide remains, with rural areas continuing to lag behind the national level. Persistent pockets of low connectivity in remote regions reflect the difficulty of extending infrastructure to these 'white areas' where existing subsidies for providing fibre do not sufficiently cover the higher costs of installation ([393]). These areas are predominantly rural and largely characterised by hilly terrain and geographically challenging, hard-to-access locations with low population density. Broadband operators do not have a market incentive to invest in the construction of broadband networks in these

([390])Regional Competitiveness Index (RCI) 2022.

([391])Statistical Office of the Republic of Slovenia.

([392])Regional Innovation Scoreboard 2025 - Country profile Slovenia.

([393])Digital Decade country report 2024: Slovenia.

Table A18.2:**Key regional indicators (at NUTS 3 level) for Slovenia**

	GDP per head (PPS, index)	Population growth	Net migration	Real GDP per head growth	Population aged 20-64	Change in working age population (20-64)	Access to healthcare - Rural areas	Access to primary schools - Rural areas	Access to alternative fuel infrastructure
	EU27=100	Average annual change per 1000 residents	Average annual change per 1000 residents	Average annual % change	% of total population	Average annual % change	Population within 10 minutes by car from nearest hospital (%)	Children under 15 within 15-minute walk to primary school (%)	Electric vehicles charging points within 10 km
	2024	2015-2024	2015-2024	2014-2024	2025	2016-2025	2023	2023	2022
EU	100	1.8	3.5	1.4	58.3	-2.6	30	34	288
Slovenia	90	3.2	4.4	2.6	58.3	-3.6	13	20	90
Vzhodna Slovenija	72	1.8	4.1	2.3	58.1	-5.9	11	20	31
Zahodna Slovenija	110	4.8	4.8	2.8	58.4	-1.0	20	20	156
Pomurska	62	-3.0	1.8	2.6	57.1	-13.2	16	21	23
Podravska	74	2.6	5.6	2.5	58.9	-4.1	10	18	60
Koroška	65	-1.3	0.5	1.7	57.3	-11.0	3.2	30	5.0
Savinjska	77	3.4	4.8	2.0	58.6	-3.5	12	19	25
Zasavska	49	-1.1	1.8	2.1	57.5	-10.2	4.2	22	6.5
Posavska	75	0.5	2.6	4.0	57.5	-8.1	21	18	17
Jugovzhodna Slovenija	82	4.3	4.3	2.1	57.8	-3.7	3.2	17	20
Primorsko-notranjska	58	2.4	4.6	1.4	57.3	-5.2	3.0	28	7.2
Osrednjeslovenska	135	6.3	5.3	3.0	59.5	1.7	20	13	252
Gorenjska	76	2.9	3.0	2.0	57.5	-2.9	20	19	35.2
Goriška	80	-0.1	2.4	2.3	55.9	-8.9	13	29	26.5
Obalno-kraška	83	5.9	7.8	1.8	57.8	-3.3	38	27	38.1

Dark green - the indicator is 120% or more of the EU average.
Light green - the indicator is 100% or more, but less than 120% of the EU average.
Yellow - the indicator is 90% or more, but less than 100% of the EU average.
Light red - the indicator is 75% or more, but less than 90% of the EU average.
Dark red - the indicator is below 75% of the EU average.
This colour scale applies to 'positive' indicators, where higher values are favourable.
For 'negative' indicators (where higher values are unfavourable), the colours are reversed.
Source: Eurostat and JRC

areas ([394]). Slovenia's urban-rural gap in connectivity also limits the diffusion of digital technologies outside major centres for both households and SMEs. At NUTS 2 level, regional disparities are evident, with enterprises in Vzhodna Slovenija reporting more barriers to digital transformation compared with enterprises in Zahodna Slovenija ([395]) (see Annex 4 and Annex 5).

Differences in multi-level governance and coordination across regions affect the implementation of place-based development policies. Governance quality varies across Slovenia, with Zahodna Slovenija performing above the EU average and Vzhodna Slovenija slightly below, reflecting weaker outcomes in perceived impartiality and corruption in public services. Limited horizontal coordination between municipalities and limited vertical coordination between municipalities, regional development agencies at NUTS-3 level, both cohesion region development councils at NUTS-2 level and national authorities continue to constrain the effective delivery of integrated territorial investments, particularly in less developed and more rural regions ([396]).

Constraints in administrative capacity continue to affect the effectiveness of Slovenia's regional development. These constraints are compounded by fragmented spatial planning and permitting practices across municipalities, which contribute to delays in housing, infrastructure and renewable energy

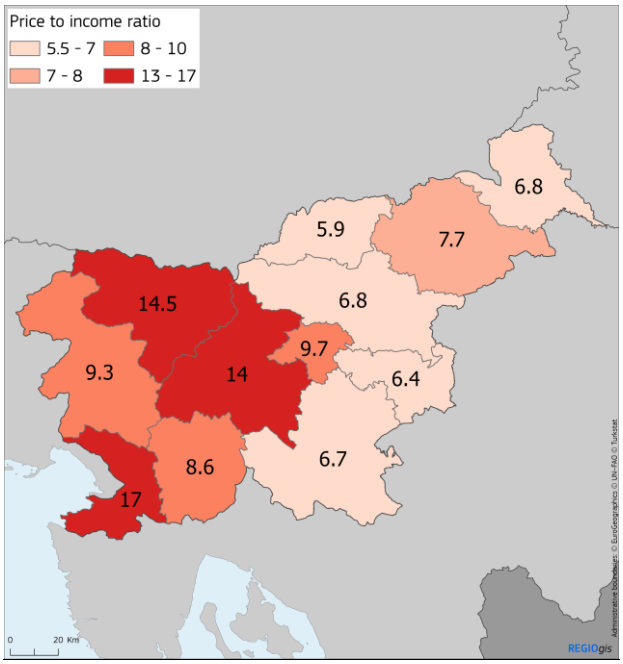
([394])Slovenia's Cohesion Policy Programme 2021-2027.

([395])Statistical Office of the Republic of Slovenia (SiStat, 2025).

([396])OECD report (2025): Building More Competitive Regions in Slovenia.

projects, particularly outside the capital region ([397]). Regional development agencies play a central role in programming, coordination and implementation of regional development but face uneven capacity in terms of staffing, technical expertise and project pipelines ([398]). Ongoing reforms (including the recently adopted amendment of the Promotion of Balanced Regional Development Act and Regional Development Strategy to 2050) aim to strengthen regional governance, support functional regionalisation and improve inter-municipal cooperation. The effective implementation of these reforms will be critical for reducing territorial disparities.

Map A18.2: **Ratio of the price of housing to income in Slovenian regions, 2025**



Source: REGIO elaboration based on Eurostat

Housing affordability pressures differ markedly across Slovenian regions and are reinforced by the tenure, age and energy performance of the housing stock. House prices relative to income vary widely at NUTS-3 level. In Koroška, an average household requires around 5.9 years of income to purchase a 100 m² dwelling, compared with around 17 years in Obalno-kraška and about 14 years in Osrednjeslovenska, where higher wage levels partly offset the strong demand and higher prices. Affordability has weakened in most regions in 2025 as house prices have increased more quickly than incomes, particularly in urban and coastal areas. These pressures are compounded by a housing market dominated by owner occupation and a comparatively small rental sector, limiting mobility across regions. In addition, around 35% of the public housing stock is more than 40 years old, and typically less energy-efficient, contributing to higher housing-related costs. There is a structural shortage of non-profit rental housing across all regions, with the highest unmet needs in Osrednjeslovenska (notably Ljubljana), followed by Savinjska, Obalno-kraška and Podravska (see Annex 16). This further constrains mobility and intensifies affordability pressures in high-demand areas. Housing quality also shows marked regional variation, with the quality challenges being particularly pronounced in Pomurska and Obalno-kraška region. More broadly, social vulnerability compounds these pressures, as the at-risk-of-poverty or social exclusion rate is 17.1% in Vzhodna Slovenia compared with 11.6% in Zahodna Slovenia (see Annex 12). Energy poverty shows clear regional variations, ranging from around 4% in Osrednjeslovenska to over 10% in regions such as Koroška and Obalno-kraška, underlining the importance of improving the energy performance of Slovenia's housing stock.

Access to key local public services in Slovenia remains below the EU average and varies considerably across regions, challenging residents' ability to stay in their region. In Slovenia, municipalities are responsible for providing several local public services, including: (i) primary healthcare; (ii) education from primary to secondary school; (iii) elderly and child care; (iv) housing; (v) local roads; (vi) waste management; (vii) sewerage; and (viii) the water supply ([399]). Geographical accessibility to primary education is limited, with only 33% of the population living within a 15-minute walking distance of a primary school in 2023, compared with 59% in the EU. Accessibility is highest in Osrednjeslovenska (44% are within a 15-minute walk of a primary school) and generally better in western regions, while northern and eastern regions record substantially lower levels, at around 28%. Access to healthcare services is similarly uneven (see Annex 15). Around 41% of the

([397])OECD report (2025): Building More Competitive Regions in Slovenia.

([398])OECD report (2025): Building More Competitive Regions in Slovenia.

([399])See SNG-WOFI Country profile: Slovenia.

Slovenian population can reach the nearest hospital within 10 minutes by car, well below the EU average of almost 69%. Coverage exceeds 50% in Osrednjeslovenska, Gorenjska and Obalno-kraška, but falls sharply in rural areas, where only around 13% of the population enjoys such access. Access to long-term care services is also affected by territorial disparities. There are labour shortages in all regions for core long-term-care occupations. However, certain municipalities are more affected by these shortages than others ([400]). Regional variation arises primarily from factors such as cross-border wage differentials, urban cost-of-living pressures, and local labour-market competition, all of which affect the severity and operational impact of shortages rather than their existence (see Annex 12). These disparities weigh on quality of life and the capacity of several regions to retain population.

The performance of drinking water and wastewater infrastructure varies considerably across Slovenian regions. Drinking water networks record losses of around 29% of treated water - above the EU average of about 23% - with pressures particularly pronounced in smaller rural and karst supply systems and in coastal areas exposed to drought risk. Regional differences in supply systems also persist: while around 91% of residents in Obalno-kraška and about 75% in Osrednjeslovenska are served by large water supply systems, regions such as Koroška rely mainly on medium-sized and small systems and have no large supply networks, increasing operational costs and vulnerability to leakages. Wastewater treatment outcomes differ across regions. Pomurska treats nearly all wastewater discharged from public sewage systems (around 98%), while Primorsko-notranjska and Zasavska also record similarly high treatment rates, followed by Jugovzhodna Slovenija (around 96%) and Obalno-kraška (about 92%). By contrast, Goriška and Osrednjeslovenska record the highest shares of untreated wastewater (around 44% and 43%, respectively), pointing to significant gaps in wastewater collection and treatment infrastructure. Moreover, regions such as Koroška and Posavska still rely more heavily on secondary treatment (around 34% and 36%, respectively), indicating slower progress in upgrading treatment systems, particularly in smaller municipalities with more limited technical and financial capacity.

Slovenian regions face persistent challenges in transitioning to sustainable mobility, with strong territorial disparities. Public transport uptake is lowest in Koroška (24%) and Obalno-kraška (25%) and highest in Osrednjeslovenska (54%), with urban-rural gaps particularly pronounced. In rural areas, 20% of residents cite the lack of service availability as the main reason for not using public transport, compared with 2% in cities, and only 17% report regular monthly use of public transport (vs 42% in urban areas). High levels of car dependency is closely linked to commuting patterns: in 2024, 55.5% of workers in Slovenia commuted daily to another municipality, including 141 500 into Ljubljana (population 298 000), increasing pressure on the capital and its surroundings (Annexes 8 and 12). Access to electric vehicle charging infrastructure is similarly uneven: Osrednjeslovenska records around 252 points within 10 km of a residence, while all other NUTS 3 regions remain below 65, with five regions – mostly in eastern Slovenia – below 20 (see Annex 8). Despite the 2023 introduction of the integrated 'Slovenia ticket' for nationwide public transport across different transport modes, targeted regional solutions could be useful to improve mobility, reduce car dependency and support the green transition. In this context, municipal and regional integrated transport strategies (OCPS/RCPS), supported by national policies, help improve accessibility and reduce regional disparities, while the national strategy (DCPS) will provide overarching coordination.

Climate risks are unevenly distributed across Slovenian regions, reflecting differences in geography, settlement patterns and exposure to natural hazards. Northern and alpine regions (Gorenjska and Koroška) are particularly exposed to flooding and landslides, while other regions, namely Obalno-kraška face rising risks from wildfires. Overall, around one quarter of the population lives in flood-prone areas and nearly 30% of land is susceptible to landslides ([401]). Climate change is increasing the frequency and severity of extreme events, as illustrated by the catastrophic August 2023 floods in northern

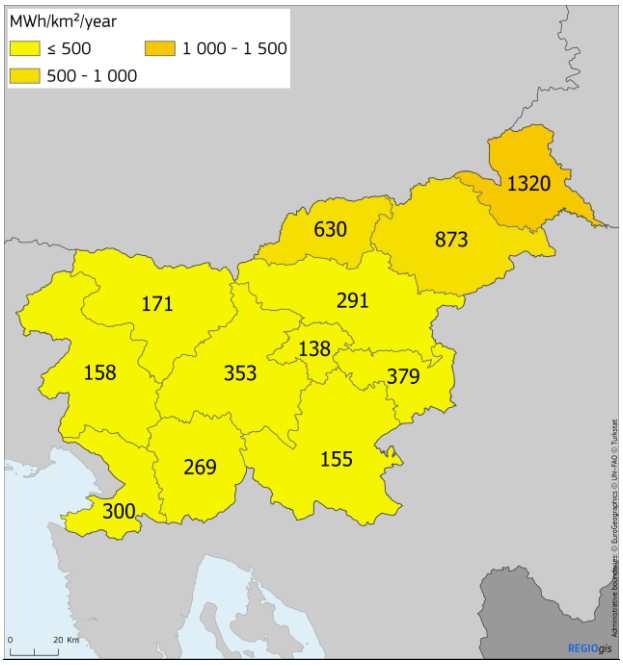
([400])Employer expectations collected in the Employment Forecast (Napovednik zaposlovanja 2025/I) indicate that OS Murska Sobota, OS Sevnica, and OS Novo mesto report the highest shares of employers anticipating recruitment difficulties, while OS Ptuj and OS Ljubljana report comparatively lower shares.

([401])Ministry of Natural Resources and Spatial Planning.

Slovenia, underlining the need for territorially differentiated climate-adaptation and disaster-resilience approaches (see Annex 10).

Renewable energy generation([402]) remains limited despite substantial untapped potential in Slovenia's regions. There is almost no onshore wind generation in Slovenia, while solar photovoltaic production remains slightly below the EU average and is largely concentrated in rural areas. The estimated untapped potential for renewable energy is highest in Pomurska, followed by Podravska and Koroška, where land availability and solar irradiation conditions are favourable. However, deployment remains modest. Spatial planning restrictions, lengthy permitting procedures and limited grid capacity, particularly in eastern and more rural regions, constrain the development of larger renewable energy projects.

Map A18.3: **Untapped potential from solar, wind and hydro power by NUTS 3 region in Slovenia (2024 estimates)**



Source: JRC study (2024)

The just transition away from coal represents a major regional challenge for Slovenia. At the same time, it offers opportunities for employee reskilling/upskilling and the development of renewable energy sources. These challenges are most acute in the Savinjsko-Šaleška region, where coal mining in Velenje and lignite-based power generation at the Šoštanj power plant are scheduled to be phased out by 2033 at the latest. The region faces transition needs related to: (i) the expansion of renewable energy; (ii) the transformation of district heating systems; (iii) economic diversification; (iv) job creation; and (v) the remediation of mining-related land degradation ([403]). At the same time, the Zasavska region continues to address the legacy of an incomplete transition away from coal, with GDP per head around 49% below the national average in 2024. Savinjsko-Šaleška faces the most significant challenges in the just transition, followed by Zasavje. Both regions are currently benefiting from the EU's Just Transition Fund. The transition offers an opportunity to make the most of governance mechanisms for delivery, including the operational capacity of just transition centres within regional development agencies, to support balanced and effective transition outcomes.

Although there are economically significant blue economy activities in Slovenia's only coastal region, Obalno-kraška, the sector faces several challenges. The country's limited coastline (47 km) creates: (i) infrastructure constraints; (ii) limited marine research capacity compared with larger coastal EU Member States; and (iii) difficulties in scaling up emerging activities, including sustainable aquaculture and marine technology innovation. Slovenia already has skilled workers in blue economy sectors, but training opportunities in this area are relatively narrow in scope. The size of the country's fishing fleet decreased by 12% from 2013 to 2023, with many vessels being inactive due to their age, owners retiring without successors, fishers finding other jobs, and high operating costs ([404]).

Tourism in Slovenia is highly concentrated in Alpine, coastal and capital destinations, while several interior regions remain underdeveloped. In 2023, Gorenjska accounted for around 28% of all overnight tourist stays, followed by Osrednjeslovenska (around 23%) and the coastal region Obalno-kraška (around 21%), meaning that these three regions together generated around 70% of overnight stays nationally. By contrast, interior regions contribute a much smaller share: Pomurska accounted for

([402])See Annex 9.

([403])National strategy for phasing out coal (Slovenia).

([404])BLUNEW: Report on Innovation in the Blue Economy.

about 6% of overnight tourist stays in 2023, while Koroška and Zasavska made up only around 1.1% and 0.1% respectively of overnight stays, underlining their marginal role in national tourism. These regions also have limited capacity to attract visitors. For example, Zasavska only has around 471 official tourist beds (compared with 40 000 in Gorenjska). Tourism demand is further characterised by a high reliance on international visitors, who generated around 72% of overnight stays in 2023, and a relatively short average length of stay of about 2.6 nights. This reflects strong seasonality and short-break patterns common in Slovenian tourism markets. Expanding accommodation capacity, connectivity and tourism services in these less visited regions could help redistribute visitor flows and economic benefits more evenly across the country, in line with the objectives of the Slovenian Tourism Strategy 2022–2028.

This Transport Annex presents the state of play and the challenges Slovenia faces with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS) and road safety.

Slovenia is crossed by three European Transport Corridors (Baltic – Adriatic, Mediterranean, Western Balkans – Eastern Mediterranean). The TEN-T in Slovenia comprises 987 km of rail (475 of which are on the core network) and 603 km of road (446 of which are on the core network). Slovenia has three airports (one core), one core port and two urban nodes ([405]).

The main capacity bottlenecks on the Slovenian railway network are concentrated on the Koper-Divača and Divača-Ljubljana sections, where daily train volumes exceed available capacity. Considering Slovenia's strategic location, all these bottlenecks as well as port infrastructure, should be adapted to the dual use requirements. Bottlenecks have also been identified in national strategic plans.

Further investments are also necessary on cross-border sections linking Divača with Trieste, Ljubljana with Zagreb, Maribor with Graz. Zidani Most, where the railway line bifurcates towards Croatia and Austria, is a key railway node in Slovenia. Upgrades to the existing railway infrastructure are principally aimed at improving the speed parameter (speed of at least 160 km/h) as well as increasing capacity of the lines.

Preparations will also start on the construction of a high-speed line from Ljubljana in the direction of Maribor. The top priority is the further improvement of cross-border section with Italy and the further upgrade of the railway connection between the port of Koper and Divača and further east towards Ljubljana. This could be complemented by further modernisation of the following railway lines on the Slovenian territory: Borovnica-Sežana, Maribor-Graz, Zidani Most towards Zagreb.

The ERMTS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

ERTMS was operational on 39.4% of the network the end of year 2024 ([406])**.** To meet its national plan's ERTMS roll-out target by 2035, Slovenia aims to deploy ERTMS on an additional length of 133 km, for an estimated investment of EUR 32 million. Decommissioning of the legacy signalling system remains a priority.

Delays in implementing major infrastructure projects mainly result from the lengthy preparation of the procurement documentation as well as subsequent questions, complaints and appeals submitted by the bidders. In some cases, the public procurements had to be cancelled and repeated, since no bids were submitted or they exceeded the available budget. To streamline procedural bottlenecks and shorten approval timelines, the administrative and technical capacities of the relevant bodies need to be strengthened.

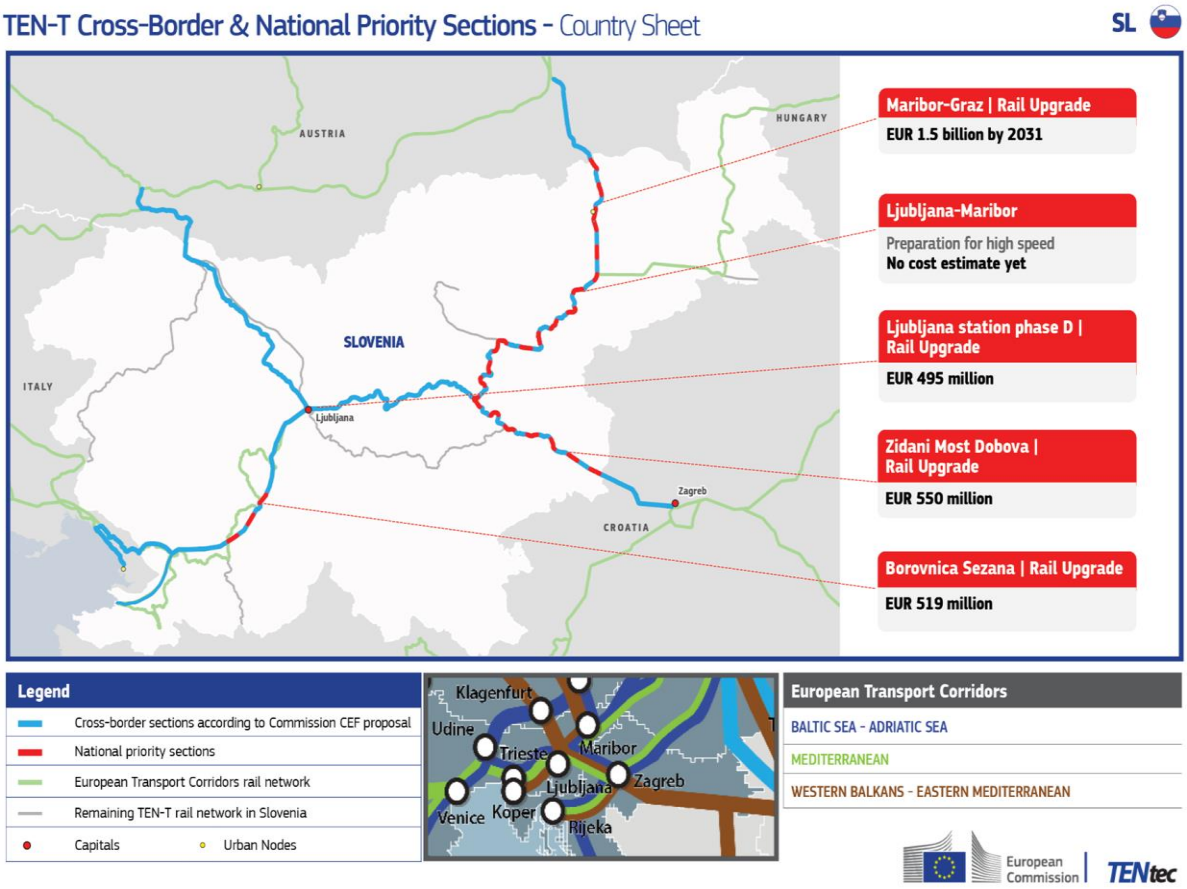
The harmonisation of technical and operational rules, together with the reduction of national rules in line with EU rail interoperability and safety legislation, remains essential to ensure seamless cross-border rail transport. The proper notification and clean-up of its numerous national rules by committing to the envisaged processes at EU level is not yet completed.

Building on the lessons learned of the cross-financing model used in the Koper-Divača project, Slovenia should consider applying a diversified financial model for large infrastructure projects that combine multiple

([405])TENtec Information System, according to Reg. 2024/1679.

([406])Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Map A19.1: **TEN-T cross-border and national priority sections in Slovenia.**



funding sources, such as national funding, EU grants, international financial institutions support as well as contributions from road tolls.

Table A19.1:**ERTMS deployment in Slovenia**

ERTMS in Slovenia				
TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
987 km	end 2024	389 km	39,4 %	
	By 2035	522 km	52.8 %	EUR 32 million

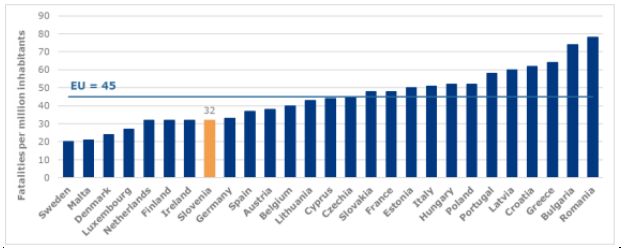
Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

Road crashes impose an enormous social, economic and health burden on the EU economy. The external socio-economic costs of fatal, serious and minor injuries have remained persistently high despite the progress made in reducing crash frequency and severity. These resources could otherwise fuel innovation, education, healthcare and other crucial public investments ([407]).

In 2024, Slovenia performed better than the EU average (45) with 32 fatalities per million inhabitants. In 2023, 829 people were seriously injured in road crashes, which is 2% higher than the figure for 2019. Compared to the EU average, the distribution of fatalities in Slovenia showed a high proportion of cyclists and powered two-wheeler riders. Most road crashes between 2013 and 2022 were caused by participants aged 25-34. Over the same period, there was an upward trend in the number of serious injuries in all age groups. Also, speeding was the main cause for 38.5% of fatal road crashes, which was 8.5% higher than the EU average.

To systematically address these challenges, Slovenia is implementing the Resolution on the National Programme of Road Traffic Safety for the period 2023–2030, enforcing the 'Vision Zero' approach." **Despite of Slovenia's efforts and taken measures on speed management, infrastructure safety, and enforcement deriving from national strategic documents, the reduction in the number of serious injuries is still not sufficient to reach the target set for this period.** A possible way forward to address this could be by reviewing the degree of implementation of the various road safety measures, focusing on those targeting serious injuries; accelerating the implementation of the delayed measures; linking police and hospital injury databases to better investigate and monitor serious injury trends in the country, as well as to identify the critical factors contributing to serious road crash injuries and consider adapting ([408]).

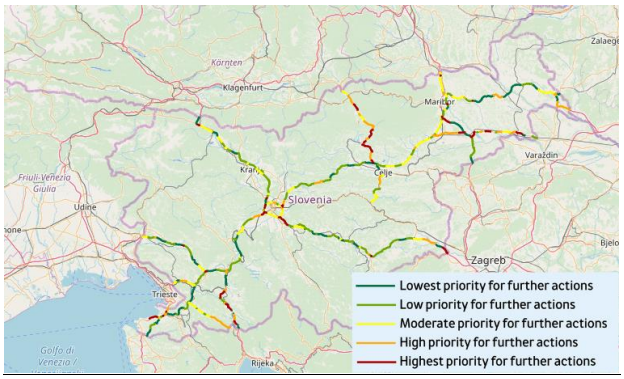
Graph A19.1: **Slovenia's road fatalities per million, 2024**



Source: Report at the Mid-Point - Slovenia, SWD(2026) 57 final.

The map below presents the roads where infrastructure safety is poor and urgent works are required.

Map A19.2: **Slovenia's road safety map**



Source: TENtec Information System and TEN-T map library – European Commission

([407]) Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, COM(2026) 77 final.

([408]) More details in Report on the implementation of the EU Road Safety Policy framework at the Mid-Point – Slovenia, SWD(2026) 57 final.