

Key findings and recommendations

- Positive shifts in the last few years** In 2016–2018 Slovenia was narrowing its development gap with the EU average, the development in the period of economic growth was generally inclusive and the efficiency of energy and resource consumption increased slightly. Since 2016 the gap with the average gross GDP per capita in the EU, which widened in 2009–2012, has been rapidly narrowing amid strong economic growth, but Slovenia is still quite far from the Slovenian Development Strategy (SDS) target for 2030. With the adoption of comprehensive measures to stabilise public finances and the recovery of economic activity, the public finance situation has also improved significantly since 2013. With the recovery of all statistical regions, regional disparities have remained stable. Disparities between the cohesion regions have increased somewhat, but remain below the highest level from 2007. The economic upturn was reflected in an increase in employment and income and accelerated robotisation and automation of production. Since 2015 the number of researchers has also been growing rapidly, especially in the business sector, which may underpin development momentum. The indicators of social exclusion and income inequality have improved after a deterioration in 2009–2013 and are close to the SDS 2030 targets. With forests covering a large part of the land, a large proportion of protected areas and moderate agricultural intensity, the natural environment in Slovenia remains, on average, well preserved. During the period of the economic upturn (2014–2019), resource and energy consumption started to increase again and with it greenhouse gas emissions. The efficiency of resource and energy consumption has otherwise improved, but it still lags behind the EU average and thus behind the SDS 2030 target.
- Development risks** In some areas, developments have deviated from the strategic orientations of the SDS 2030, the slow response to technological, demographic and climate change being particularly problematic. Growth in investment and, in particular, productivity, which is a key long-term factor of economic development and the well-being of the population, has remained modest since the economic and financial crisis. Slovenia's gap with the EU average in the field of innovation, the most important long-term productivity factor, had widened by 2016 (the latest available data). In 2013–2017 R&D investment was decreasing and the introduction of the most sophisticated technological solutions for digital transformation was too slow. In recent years the problem of the shortage of appropriate knowledge and skills has been exacerbated by demographic change and labour market mismatch. The labour market segmentation of young people also remains high. In the health dimension, the shortening of waiting times is a major challenge, as well as reducing health risk behaviours (alcohol and drug abuse, smoking, being overweight), especially among the most vulnerable groups. Moreover, social protection systems are insufficiently adapted to demographic change. Slovenia has so far managed to keep age-related expenditure below the EU average, but long-term expenditure projections show strong negative impacts on the long-term sustainability of public finances if current policies remain unchanged and people continue to retire relatively early. The dedicated resources (social contributions) are already insufficient to cover all expenditure necessary to retain adequate pensions and easily accessible public health services. Unresolved funding issues are also among the main obstacles to establishing a new systemic regulation of long-term care. From the aspect of the environmental dimension, sustainable development is negatively affected particularly by a further increase in GHG emissions from transport, several-year stagnation in the use of renewable energy sources and insufficiently sustainable land use.
- Recommendations for development policy** In view of the rapid COVID-19 spread in the world and Slovenia, the short-term economic policy priorities are related to preventing the spread and mitigating its socio-economic consequences; at the same time, it is also reasonable that measures to revive the economy would address the development weaknesses identified in the Development Report. In March 2020 Slovenia declared a coronavirus epidemic, which, with its enormous negative socio-economic impacts, will significantly change the baselines for the realisation of the SDS 2030. In the short term, an absolute priority is measures to support the functioning of the health

system and, in the economic area, measures to alleviate the consequences of the epidemic, which will help businesses and the population bridge liquidity problems due to loss of income and ensure, as much as possible, the preservation of jobs and social potential. For an effective exit from the crisis, the period of the epidemic should also be used to the greatest possible extent for addressing developmental changes (for example for training, education, research and development, acceleration of digitisation, etc.). The current situation has shown that in areas where Slovenia has not taken appropriate action in the past or where progress has been too slow, it is even more vulnerable in the time of the epidemic (e.g. a high share of precarious jobs, no systemic regulation of long-term care, waiting times in health care, lack of digital skills among the population, administrative barriers and length of certain procedures). Measures to normalise the economic and social situation should therefore be designed in such a way that they are also geared, as much as possible, towards solving Slovenia's main development challenges. Among these, we highlight the following areas:

- **Accelerating productivity growth** by increased investment in (i) R&D and innovation, (ii) digital transformation and industry 4.0, (iii) knowledge or the provision of appropriately qualified human resources, in particular the so-called skills and competences of the future, and (iv) infrastructure for digital connectivity and sustainable development;
- **Adapting to demographic change** by (i) reforming social protection systems in such a way as to ensure high-quality health and long-term care services and adequate income, (ii) ensuring a sufficient workforce, (iii) strengthening lifelong learning and adapting workplaces to allow older people to remain active longer and to better integrate into society, and (iv) promoting healthy lifestyles;
- **Transitioning to a low-carbon circular economy** by (i) accelerating introduction of sustainable mobility solutions, (ii) introducing low-carbon and circular business models, including more efficient dealing with waste disposal problems, and (iii) significantly increasing capacity for greater use of renewable energy sources, particularly by more efficient siting of new development projects.
- **Strengthening the developmental role of the government and its institutions** by (i) improving the strategic governance of public institutions for early identification and coordinated and effective dealing with developmental challenges, (ii) improving the legislative and business environment, and (iii) restructuring general government revenue and expenditure in line with development challenges.