



Slovenia Country Strategy 2024-2029

Approved by the Board of Directors on 24 July 2024



European Bank
for Reconstruction and Development

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| Annex – Political Assessment | 18 | EU | European Union | PPS | Purchasing Power Standard |
| | | FDI | Foreign Direct Investment | PTI | Portfolio Transition Impact |
| | | FI | Financial Institution | R&D | Research and Development |
| | | GCAP | Green City Action Plan | RE | Renewable Energy |
| | | GDP | Gross Domestic Product | RLF | Resilience and Livelihood Framework |
| | | GEFF | Green Economy Financing Facility | RO | Resident Office |
| | | GET | Green Economy Transition | RRF | Recovery and Resilience Facility |
| | | GHG | Greenhouse Gas | RSF | Risk Sharing Facility |
| | | GVA | Gross Value Added | SCF | Strategic and Capital Framework |
| | | GVC | Global Value Chains | SME | Small and Medium sized Enterprise |
| | | HIPCA | High Impact Partnership on Climate Action | SOE | State-owned Enterprise |
| | | ICA | Industry, Commerce & Agribusiness | TC | Technical Cooperation |
| | | ICDF | International Cooperation and Development Fund | TFP | Trade Finance Programme |
| | | ICT | Information and Communications Technology | TMT | Technology, Media, Telecom |
| | | IEA | International Energy Agency | VC | Venture Capital |
| | | IFI | International Financial Institution | | |

Slovenia's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy.

Slovenia stands at the forefront of the CEB region in terms of alignment with EU average GDP per capita; however, recent years have seen stagnant progress in its journey towards further convergence. The country's growth, disrupted by the Covid-19 pandemic, experienced a strong recovery in 2021, facilitated by fiscal expansion, but faced setbacks in 2022 and 2023, due to rising inflation, the energy crisis, and heightened external vulnerabilities. Growth should recover in 2024 as financing conditions ease, consumer confidence improves, and reconstruction following the 2023 floods accelerates. Medium-term growth will be close to potential of around 2.5 per cent, driven primarily by domestic demand. Exports will be contingent on Eurozone growth rebounding.

Despite a strong integration in global value chains and a wealth of export-oriented companies, challenges persist in private sector competitiveness, particularly with regard to investment in digitalisation and innovation. Hindered by an underdeveloped equity market and a shortage of specialized skills, innovation at the firm level remains constrained. Boosting private sector productivity and competitiveness, essential for a sustained long-term growth, will involve enhancing the business environment, streamlining bureaucratic processes for businesses and improving access to long-term financing.

In the next strategy period, a key challenge will be accelerating the green transition. This includes the need to diversify the energy mix away from fossil fuels and boost renewable energy capacity to support the decarbonisation of the economy and meet Slovenia's climate neutrality targets. The full deployment of renewables requires the removal of procedural barriers and significant investment in energy infrastructure upgrades and necessitates coordinated efforts of the public and private sector and international organisations. In addition, the impacts of the August 2023 floods underscore the critical need for Slovenia to bolster its climate adaptation measures, focusing on developing infrastructure resilient to climate change.

Leveraging the momentum provided by the successful implementation of the National Recovery and Resilience Plan, EBRD is well positioned to continue supporting Slovenia's convergence journey. In view of recent macroeconomic developments and structural challenges, together with the severe impact of Russia's war on Ukraine and increased economic uncertainty, EBRD's approach during the next strategy period will focus on specific areas where pressures are the highest and the Bank remains additional. The strategy will be reviewed as part of an extended Country Strategy Delivery Review for 2026, which will be informed by an analysis of market level additionality. As a consequence of such review, the Bank's objectives in the remainder of the strategy period will be adjusted as needed to focus on strategic sectors and products where the Bank's additionality and the transition gaps are evident and material. Focusing on the dual objectives of digital and green transition and in close coordination with the EU and EIB, the Bank will pursue the following strategic priorities in Slovenia in 2024-2029:

- Enhance **Competitiveness** through Diversified Financing, Innovation and Good Governance
- Advance Slovenia's **Green Economy Transition**

Slovenia – EBRD Snapshot



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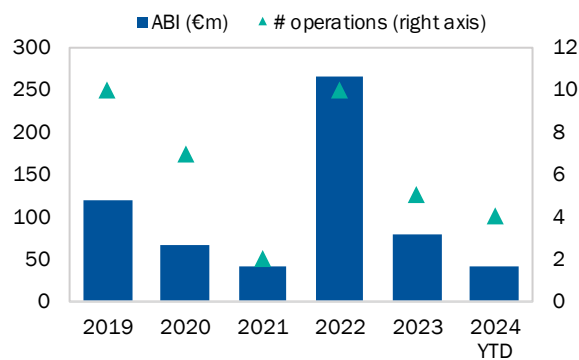
EBRD investment activities in Slovenia (as of May 2024)

| | | | |
|-----------------------------------|-------|---------------------|---------|
| Portfolio | €591m | Active projects | 40 |
| Equity share | 30% | Operating assets | €524m |
| Private Sector Share ¹ | 90.6% | Net cum. investment | €1,597m |

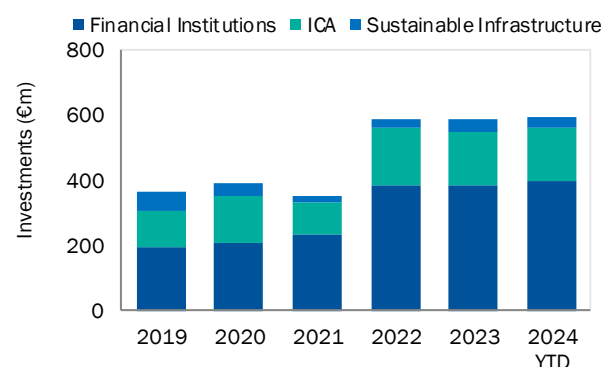
Slovenia context figures

| | Slovenia | Comparators |
|----------------------------------------------------------------------------------|----------|-------------------------------------------|
| Population (million) ³ (2022) | 2.107 | CZ - 10.828 SK - 5.435 HR - 3.854 |
| GDP per capita (PPP, USD) ³ (2022) | 48,756 | CZ - 47,955 SK - 40,211 HR - 40,128 |
| New Business Density ⁴ (New registrations per 1,000 population, 2020) | 2.4 | CZ - 3.8 SK - 5.1 HR - 4.4 |
| Unemployment (%) ⁵ (2022) | 4.0 | CZ - 2.2 SK - 6.1 HR - 7.0 |
| Youth unemployment (%) ⁵ (2022) | 10.1 | CZ - 6.7 SK - 19.9 HR - 18.0 |
| Female labour force participation (%) ⁵ (2022) | 54.2 | CZ - 52.2 SK - 56.2 HR - 46.8 |
| Energy intensity TES/GDP (MJ/2015 \$) ⁶ (2021) | 3.5 | CZ - 4.5 SK - 4.1 HR - 3.1 |
| Emission intensity/GDP (kgCO ₂ /2015 \$) (2021) ⁶ | 1.55 | CZ - 2.3 SK - 1.7 HR - 1.3 |

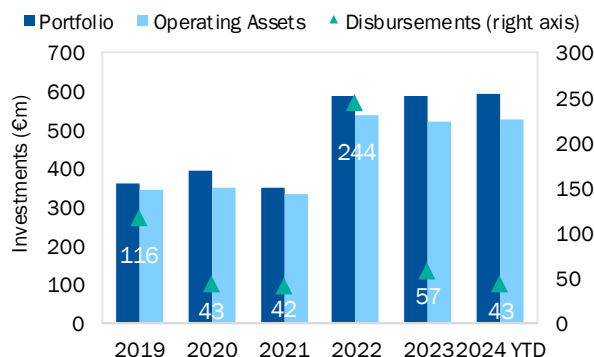
ABI and operations



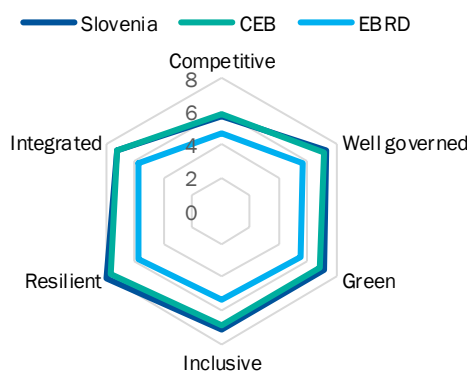
Portfolio composition



Portfolio dynamics



Transition Gaps²



1 Cumulative Bank Investment: 5 year rolling basis on portfolio; 2 Cf. EBRD Transition Report 2023-2024; 3 IMF WEO; 4 WB Entrepreneurship Survey and database; 5 ILO; 6 IEA

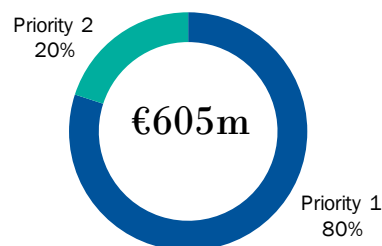


1. Implementation of Previous Strategy (2019-2023)

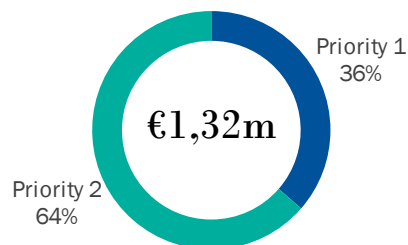
1.1. Key Transition Results Achieved during Previous Strategy (1/2)

Strategic Alignment 2019-2023

Annual Business Investment (ABI)¹



Technical assistance and investment grants



Transition impact performance²



Priority 1

Boost Competitiveness and Good Governance by championing privatisations, while deploying cutting-edge instruments to support private companies

Key quantitative results

Results indicators 2019-2023

Number of new financial products or services introduced or expanded

3

Volume of new capital market transactions facilitated

€251m

Key transition results

- Continued to deploy diversified financing structures to support growth of competitive companies, such as €16.7m investment in ETEX's (building material company) ESG-linked Schuldschein to expand production of thermal insulation materials.
- Contributed to the expansion of private equity and venture capital as asset classes (with equity accounting for 31% of overall portfolio), through 10 investments in 8 regional equity funds, targeting micro, small and medium-sized companies, including technology based and early and growth-stage companies.
- Deployed RLF (totalling €83.4m) to mitigate the impact of the energy crisis caused by Russia's war on Ukraine, contributing to maintain supply of vital energy services and continue investments in the electricity grid.
- Improved digital connectivity in underserved areas by financing a leading regional cable and media operator to support broadband expansion and investing in the rollout of the latest generation fixed broadband infrastructure (Fibre-To-The-Home). The project is expected to benefit 300.000 households once fully implemented.
- Finalised EU-funded policy dialogue initiative aimed at strengthening performance and governance of SOEs.
- Further contributed to capital market development by supporting the first Solvency II subordinated bond issuance by the insurance group Pozavarovalnica Sava, d.d., the first AT1 capital instrument placed by Nova Ljubljanska Banka d.d., and participating in other 11 MREL-eligible bond issuances.

1. The chart includes investments signed from 19 February 2019, date of approval of the previous Country Strategy, to 31 May 2024.

2. Transition impact performance reflects how likely projects are to achieve the transition impact expected of them at signing. Calculated based on active mature (> 2 years) portfolio



1. Implementation of Previous Strategy (2019-2023)

1.1. Key Transition Results Achieved during Previous Strategy (2/2)

Priority 2

Support Green Economy Transition by Promoting New Green Technologies

Key quantitative results

Results indicators 2019-2023

| | |
|-----------------------------------------|---------|
| Emission reductions (ktonnes CO2e/year) | 41 |
| Primary energy saved (GJ/year) | 228,739 |

Key transition results

- Helped private companies set higher green ambitions and achieve environmental standards, with €254m GET finance commitments (around half of total ABI) extended in 2019-2023. 78% of GET financing was deployed to the FI sector, where EBRD's participation in MREL-eligible issuances resulted in partner banks allocating amounts equivalent to 100%-150% of the EBRD's investments to GET-eligible projects.
- Invested €35m in the first green bond issued by a commercial bank in Slovenia (Nova Ljubljanska banka d.d) and supported the setting up of its Green Bond Framework.
- Assisted in the expansion in the e-mobility segment of a tier-one supplier to the automotive industry, through €25m participation in its Schuldschein issuance.
- Supported decarbonisation targets of private sector clients, including financing of energy efficiency measures (€25m) of a specialised steel producer.
- Provided comprehensive assistance to the authorities for the application to the EU's Solidarity Funds, following the devastating impacts of the floods in August 2023.



1. Implementation of Previous Strategy (2019-2023)

1.2. Challenges to Implementation and Key Lessons

Context for implementation

Slovenia is at the forefront in the CEB region in terms of economic alignment with EU standards; however, in the recent country strategy period progress in further convergence has largely been stagnant. Slovenia's growth trajectory, initially disrupted by the Covid-19 pandemic, was further weakened by a surge in inflation, which translated into a real wage decline and lower productivity throughout 2022. Following the fallout from the Russia's war on Ukraine and the energy crisis, Slovenia attracted unprecedented amounts of EBRD financing in 2022, surpassing highs from previous crises, including the Covid-19 pandemic. This underscored EBRD's increased additionality in the crisis response, effectively helping the economy, especially the private sector, weather the economic shock. While Slovenia's performance is overall more advanced than the average of EBRD CoOs, significant challenges persist in the green area, where the need to intensify efforts in expanding renewable energy capacity and enhancing preparedness of energy infrastructure, face a critical funding gap. Further steps to remove barriers to innovation, digital transition and business environment, are needed to support private sector competitiveness domestically and internationally and accelerate Slovenia's convergence path. In the following strategy period, EBRD will continue to focus on areas where it remains fully additional, ensuring complementarity with EU support and continue offering innovative financing instruments. Since starting operations in 1992, the EBRD has invested over €1.5bn in 107 projects in Slovenia.

Implementation challenges

- Complex regulatory environment and lengthy permitting procedures slow down development of infrastructure and energy projects.
- Illiquidity of capital markets, further exacerbated by disruptions and lower appetite of investors ultimately caused by Russia's war on Ukraine.
- Limited opportunities to support municipalities through Green Cities Programme due to their small scale and heavy reliance on EU grants.
- Slow pace in commercialisation / privatisation and limited appetite for public-private partnerships.

Key lessons & way forward

- Support to authorities to develop commercially viable projects in renewables, and strengthen energy transmission, distribution and interconnections.
- Scale up policy dialogue to support capital market development and act as anchor investor in local capital market transactions.
- Continue policy engagement on the deployment of EU instruments, including leveraging InvestEU.
- Collaborate with the government to explore opportunities for PPPs and promote SOE restructuring and privatisations.



2. Economic Context

2.1. Macroeconomic Context and Outlook for Strategy Period

Slovenia – Main Macroeconomic Indicators

| | 2020 | 2021 | 2022 | 2023 |
|------------------------------------------------|-------|------|------|------|
| GDP growth (% y-o-y) | -4.2 | 8.2 | 2.5 | 1.6 |
| CPI inflation (% avg.) | -0.1 | 1.9 | 8.8 | 7.5 |
| Government balance (% of GDP) | -7.6 | -4.6 | -3.0 | -2.5 |
| General government gross debt (% of GDP) | 79.6 | 74.4 | 72.5 | 69.2 |
| Current account balance (% of GDP) | 7.2 | 3.3 | -1.0 | 4.5 |
| Net FDI (% of GDP) [minus indicates inflow] | 0.6 | -0.8 | -2.3 | -0.8 |
| External debt (% of GDP) | 101.6 | 97.2 | 90.9 | 91.8 |
| Gross reserves (% of GDP) | n.a. | n.a. | n.a. | n.a. |
| Unemployment rate (%) | 5.0 | 4.7 | 4.0 | 3.7 |
| Nominal GDP (€bn) | 47.0 | 52.3 | 57.0 | 63.1 |

Source: Eurostat, IMF, ILO estimates and EBRD calculations.

The Covid-triggered fiscal expansion facilitated a strong rebound, but fallout from the war in Ukraine was significant. Prior to the Covid-19 crisis, growth was driven by recovering domestic demand and a positive trade balance, which was interrupted in 2021 amid a strong rebound of domestic demand and thus imports. In 2022, exports were again unable to compensate the expensive imported energy. In 2023, growth decelerated further due to weaker private consumption and demand for exports. Retail sales recorded annual declines from February 2023, while industrial production declined in all months since October 2022 but one until end-2023.

Inflation remained high in 2023, depressing consumption. The increase in energy prices, but more importantly supply chain issues and food inflation, fuelled headline and core inflation, with the former peaking at 11.7 per cent in July 2022. After phasing out the wage support from 2020 and 2021, real wages declined notably in 2022, but have recovered by 2.3 per cent in 2023, which was not enough for a rebound of consumption. Inflation moderated by January 2024 to 3.3 per cent, but has slightly picked up in the first quarter of 2024, suggesting a bumpier outlook.

Post-flood reconstruction will accelerate in 2024. Despite committing to a significant deficit in 2023, post-flood relief has been slow to start, resulting in a milder deficit. Instead, the government envisages a 3.8 per cent of GDP deficit in 2024, with deficits to decline below 2 per cent of GDP only by 2027. Public debt will thus slowly decline towards 60 per cent of GDP by 2029.

The labour market has continued tightening. Despite more adverse conditions, the employment rate has stabilised at high levels compared to the pre-Covid period, while unemployment has been at record low levels. Facing increasing labour shortages, labour immigration has been growing.

Growth should rebound towards potential. After the 2023 slowdown, recovering consumption and robust investments should support higher growth in the medium term of around 2.5 per cent, while uncertain foreign demand is a downside risk given the high openness of the economy.



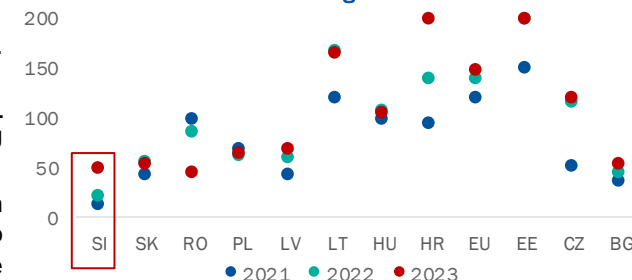
2. Economic Context

2.2 Key Transition Challenges (I/II)

Competitive (5.65)

- **Despite relatively high productivity and income levels, market institutions can be improved.** Slovenia lags behind peers in terms of institutions and regulations enabling private sector competition, while the state maintains a relatively large presence in the economy. These pertain to improving competition policy, insolvency procedures and the business environment in general. Recent reforms should improve these areas.
- **Slovenian firms are less intensive on business service exports and business-oriented innovation.** Firms report less business process improvements, although digitalisation levels are similar to EU average. At a macro level, the share of business services exports is lower than in CEB peers.
- **Shallow venture capital market hinders private innovation and business dynamism.** Slovenian firms also report weaker than the EU average investments in innovation, as well as access to finance. This is related to a smaller venture capital market than the leading countries in the region, at similar levels to Bulgaria, Romania, and Slovakia.

Venture capital investments, normalised scores based on EU27 average

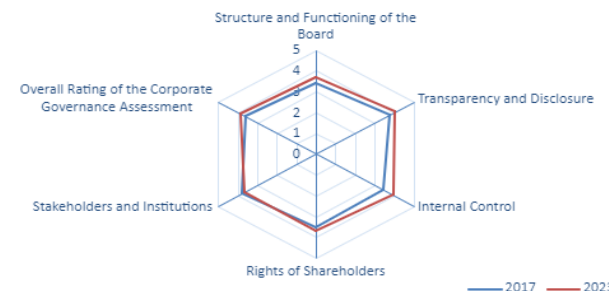


Source: European Innovation Scoreboard 2023

Well-governed (7.22)

- **Quality of governance is generally better than in most CEB peers, but large gaps remain in comparison to advanced OECD countries.** According to the Worldwide Governance Indicators, Slovenia displays considerable gaps with high-income OECD countries in terms of regulatory quality and control of corruption, which has deteriorated in 2021 compared to 2018. In addition, Slovenia's gap with advanced comparators is considerable in policy stability, private property rights, and intellectual property protection. Strong prioritisation of digital transformation should improve some parts of public administration.
- **Amid a considerable participation of the state in the economy, SOE corporate governance standards need to be reinforced.** The state manages its considerable portfolio in line with OECD practices. However, while management in most SOEs remains professional, cases of mismanagement exist, and corporate governance practices need improvements.

Corporate governance legislation and practices

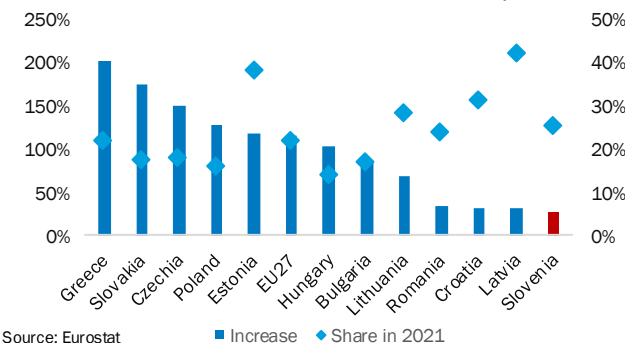


Source: EBRD Corporate Governance assessment, 2023

Green (7.15)

- **The increase in renewable energy capacity over the past 15 years was the smallest in the EU.** Slovenia has lagged in the ambition to increase renewable energy capacity, with wind and solar representing only 5 per cent of electricity supply. Nevertheless, Slovenia benefits from existing hydropower infrastructure (25 per cent) and nuclear (41 per cent), while coal accounts for around 24 per cent of electricity production.
- **Green financing is at an incipient stage.** Compared to CEB peers, Slovenia issued the lowest amount of green bonds, although the issuance of sustainability-linked bonds are more prevalent, including in the government sector.
- **Slovenia needs to step up climate adaptation measures.** As the August 2023 floods have shown, Slovenia remains vulnerable to extreme weather events. Even before the 2023 floods, estimated damages were among the highest in the CEB region.

Increase in share of renewables, 2021/2005



Source: Eurostat

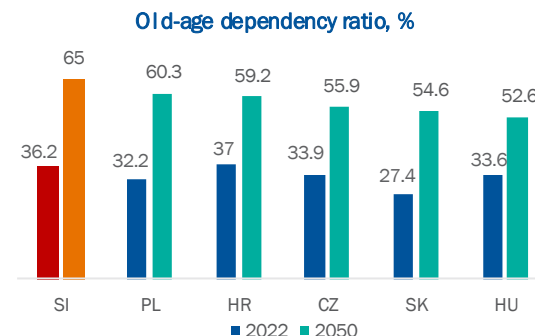


2. Economic Context

2.2 Key Transition Challenges (II/II)

Inclusive (7.13)

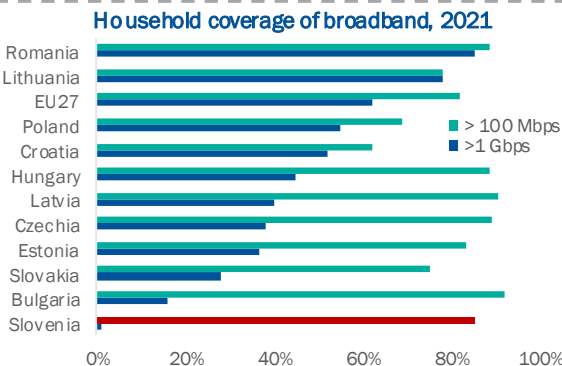
- **Amid strong employment growth in recent years, labour shortages have worsened.** Employment levels across segments is close to EU levels except for lower-educated and older people. While these segments could be better integrated in the labour market, firms report the highest shortages of skilled labour in construction and manufacturing, as well as ICT professionals. Attracting skilled immigrants is challenging given stronger incentives to choose countries like Austria and Germany.
- **Demographic issues are the most acute among regional peers.** Old-age dependency ratio is projected to reach 65 per cent while pension expenditure will be the second-highest in the EU by 2050. The retirement age is the second lowest among OECD.
- **Decarbonisation will affect jobs in coal mining regions.** Slovenia has a relatively high share of employment in energy-intensive sectors, such as coal mining in the Savinjsko-Saleška (SAŠA) and Zasavje regions. Ongoing initiatives aim at reinventing the local economies and support affected workers.



Source: Eurostat

Integrated (7.24)

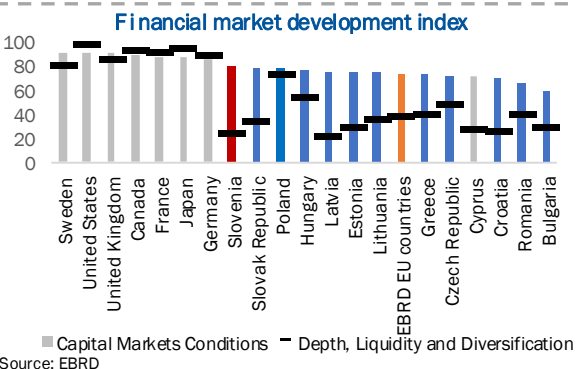
- **Despite strong trade integration, financial openness is lower than in CEB peers.** Partly for historical reasons related to privatisation paradigm, Slovenia has been a lower recipient of both FDI and non-FDI capital flows. Moreover, there is potential for more outward FDI in the region that Slovenian firms can leverage.
- **Grid infrastructure investments are essential for the green transition.** The quality of energy supply in Slovenia is at adequate levels, but the electricity grid will nonetheless need significant strengthening, estimated at around €3.5 bn, to accommodate the pipeline of renewable energy projects.
- **Rail infrastructure needs to be upgraded.** After years of prioritising road infrastructure, authorities stepped up investment in rail given its role in minimising CO2 emissions.
- **Ultra high-speed broadband is almost non-existent.** Despite having a decent coverage of high-speed broadband (more than 100 Mbps), Slovenia lacks infrastructure for broadband of at least 1 Gbps, essential for the EU's Gigabit Society strategy.



Source: Digital Economy and Society Index 2023

Resilient (8.01)

- **The financial sector development is stagnating.** Following the banking crisis, the private sector has been deleveraging, and credit penetration in the economy declined significantly.
- **Despite very good enabling conditions, capital market development remains underwhelming.** Compared to regional peers, Slovenia has put in place better regulations and infrastructure, but market outcomes remain very weak. This is mostly tied to the small size of the market and lack of liquidity, which inhibits demand. Large corporates prefer international issuances, inhibiting the development of the local debt market, while the equity market has slowly declined in recent years.
- **Energy supply sources are relatively diversified but Slovenia is key to improving energy security of the region.** Regional gas infrastructure projects are planned to connect Croatia, Hungary, and Germany.



Source: EBRD

3. Government Priorities and Stakeholder Engagement



3.1 Government Reform Priorities

Following the adoption of the Coalition Agreement for 2022-2026, the Government's priorities center around:

- **Digital Transformation:** Enhance transparency in public administration, increase uptake of innovative technologies, artificial intelligence, elevate cybersecurity levels, and promote digital transformation of companies, including SMEs, including through regulatory improvements.
- **Education and youth inclusion:** Improve the education system at all levels, particularly in higher education, fostering collaboration with innovative companies to address skill gaps and brain drain, establish a knowledge economy, and attract an international skilled workforce.
- **Ageing population and Welfare:** Ensure high quality living standards, improved access to social welfare programs, along with establishing a sustainable pension system and implementing targeted measures to support the elderly population.
- **Green Transition:** improve energy security and self-sufficiency, increase investments in RES and update national climate plan to achieve 2030 goals. Accelerate decarbonization in district heating and intensify investments in electricity distribution. Enhance just transition strategies for phasing out coal.
- **Entrepreneurship and Innovation:** Expand support for start-ups and increase venture capital, especially in the context of green and digital transition. Strengthen internationalization of companies, including SMEs, and supporting development of technology parks, establishing networks for professional exchange, and attract high-tech foreign investments.
- **Infrastructure and Sustainable Mobility:** Increase investments in railway infrastructure and green railway logistics, promote sustainable mobility, and advance the electrification and digitization of transport.
- **Healthcare System:** Improve healthcare system through increased financing, good governance and professionalization, development and implementation of preventive healthcare programs.

3.2 EBRD Reform Areas Broadly Agreed with Authorities

- Foster capital market development and continue support the development of a VC/PE ecosystem; promote innovative financing structures that can assist with digital transformation, innovation, and regional expansion.
- Provide support to reduce dependence on fossil fuels and increase renewable energy capacity to accelerate green transition and achieve energy security.
- Strengthen and expand electricity distribution networks in light of large investment needs to integrate renewable energy sources and enhance energy efficiency.

3.3 Key Messages from Civil Society to EBRD

- CSOs highlighted that the emergence of new technologies, like robotics and AI, represents a crucial opportunity and a challenge, set to reshape the labour market and pose inclusion challenges, suggesting the necessity for EBRD to be involved in this area.
- Civil society representatives identified SME succession as a critical challenge for the country's future development. As limited opportunities to sell companies often lead to closures and job losses, employee buyout mechanisms were identified as a potential solution.
- While emphasising the importance to scale up efforts for a green economy transformation, CSOs highlighted the need to introduce adequate and compliant green procurement criteria in public administration, including adopting technologies, engagement mechanisms and business architecture models to further enhance green procurements in the country.
- CSOs also mentioned the importance of PPPs, suggesting EBRD's involvement in this area through awareness raising, capacity building, and investments.



4. Defining Slovenia Country Strategy Priorities

| What needs to change? (Country Diagnostic) | Can it be changed? (Political Economy) | What can the Bank do? (Institutional Capabilities) | Strategic Priorities (2024-2029) | What We Want to see in 2029 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Slovenia lags the EU average and CEB peers in firm investments in innovation and minimal presence of venture capital financing is a significant barrier to private sector innovation Despite advanced market infrastructure and conducive regulatory environment, the small size of the economy hinders financial and capital markets development. Corporate governance framework is relatively advanced but needs strengthening in boards structure and functioning, internal control and shareholder rights. | <ul style="list-style-type: none"> The RRP includes several reforms that could improve the performance of innovation and R&D. The 2022 Strategy of Digital Transformation of Economy focuses on establishing an efficient ecosystem for a digital and competitive economy, advancing digital technologies and skills. The newly adopted Capital Markets Development Strategy 2023-2030 focuses on digitalisation and SMEs, creating additional bond supply on capital markets, with the aim to obtain Emerging Market Status. Limited appetite for SOEs restructuring and commercialisation. | <ul style="list-style-type: none"> Expertise in supporting clients' growth, competitiveness and innovation levels with diversified financing structures and technical advice. Track record in fostering capital market development, through deployment of innovative financial instruments and policy advisory. Demonstrated experience helping corporates and SOEs achieving higher corporate and climate governance standards, via investments and advisory services. | <p>Enhance Competitiveness through Diversified Financing Innovation and Good Governance</p> | <ul style="list-style-type: none"> Boost financial penetration, innovation and digitalisation Strengthen corporate and economic governance practices |
| <ul style="list-style-type: none"> Fossil fuels accounted for 27% of electricity generation, with wind and solar accounting for only 5% in 2022. Increase in RE use between 2005-2021 was the smallest among EU countries. Grid infrastructure requires about €3.5 bn in investments to effectively integrate renewables in the country's electricity mix. Need to step up sustainable climate resilience and adaptation measures to cope with increased economic damage caused by more frequent and extreme weather events. Need to accelerate efforts to green Slovenia's transport sector and promote sustainable mobility. | <ul style="list-style-type: none"> NECP targets for EE and RES share in energy consumption are considered unambitious by the European Commission. The climate adaption framework laying down climate adaptation priorities was adopted in 2016 and needs to be updated. The Just Transition Mechanism, the RRP (Strategy for Greening Education and Research Infrastructure) and the European Social Fund Plus (ESF+) contribute to addressing skill gaps in green transition. | <ul style="list-style-type: none"> Expertise in supporting RES projects and meeting needs for EE/RE through investments and advisory to clients on green technologies/practices. Tailored support coupling policy dialogue and financing for climate resilience and climate mitigation measures, and decarbonisation strategies. Proven expertise in assisting with Just Transition-related initiatives and investing in JT projects. | <p>Advance Slovenia's Green Economy Transition</p> | <ul style="list-style-type: none"> Increase renewable energy in the fuel mix and support decarbonization Improve energy and resource efficiency, energy security and climate resilience |

5. Activities and Results Framework (1/2)



Priority 1: Enhance Competitiveness through Diversified Financing, Innovation and Good Governance

| Key Objectives | Activities | Tracking Indicators |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Boost financial penetration, innovation and digitalisation | <ul style="list-style-type: none"> • Enhance corporate capital structures, support regional expansion and introduction of innovative technologies. • Support capital market development through policy dialogue, potentially including REITs, and investments in financial products (e.g. MREL, SLBs, green bonds). • Support corporate bond issuance via capacity building and incentive mechanisms. • Enhance existing and introduce new products for financial intermediation such as structured finance e.g. synthetic securitization, portfolio risk sharing, and supply chain financing structures, including products benefitting local SMEs. • Support development of public and private equity, including through debt, mezzanine, and equity funds. • Finance digital infrastructure and technology-based solutions, and support skills upgrade. | <ul style="list-style-type: none"> • Number of new financing products introduced and/or expanded • Volume of capital market transactions facilitated |
| Strengthen corporate and economic governance practices | <ul style="list-style-type: none"> • Support improvements in corporate governance resulting in increased SOEs' transparency and effectiveness. • Increase commercialisation, equity participations and corporate enhancement in the state sector, including tourism. • Enhance climate corporate governance practices across enterprises and FIs, supporting adequate disclosure of ESG and climate risks. | <ul style="list-style-type: none"> • Number of clients with improved corporate governance |



5. Activities and Results Framework (2/2)



Priority 2: Advance Slovenia's Green Economy Transition

| Key Objectives | Activities | Tracking Indicators |
|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <p>Increase renewable energy in the fuel mix and support decarbonization</p> | <ul style="list-style-type: none"> Scale up renewable energy sources and storage solutions, including for corporates and public sector through direct or indirect financing Finance innovative solutions and development of circular economy (incl. waste management, recycling, waste-to-energy, bioenergy). Support green CAPEX and investments that accelerate decarbonisation of the economy, leveraging InvestEU. Explore opportunities to support development of training programmes on skills for green economy transition. | <ul style="list-style-type: none"> Renewable energy capacity installed (MW) Primary energy saved (GJ/year) |
| <p>Improve energy and resource efficiency, energy security and climate resilience</p> | <ul style="list-style-type: none"> Improve energy efficiency through investments across all segments in the economy Provide financial and advisory support to promote sustainable and climate resilient practices. Support climate change adaptation and mitigation measures, prioritising Nature-Based Solutions wherever possible. Strengthen energy transmission, distribution and interconnections to reduce losses, integrate renewable energy, facilitate electrification, regional cooperation and diversification. Support regional integration and greening of transport infrastructure. Enhance Just transition, coupled with reskilling and redeployment initiatives for affected workers. Finance sustainable and inclusive urban development and regeneration. Explore opportunities to roll out Green Cities Programme. | <ul style="list-style-type: none"> CO2e emissions reduced (Ktonnes/year) |



6. Mapping of International Partners' Complementarity in EBRD Business Areas

EBRD Business Areas

| | | Sectors | | | | | | | | Cross-cutting Themes | | | | |
|---------------------------------------------------------------|-------|-----------------------------------|--------------------------|--------------------|-----|----------------------------|--------|----------------|---------|-----------------------|---------------|--------------------|----------------------------------|----------------|
| | | Industry, Commerce & Agribusiness | | | | Sustainable Infrastructure | | FI | | Strategic Initiatives | | | | |
| Indicative annual average investments/ grants (€m, 2019-2023) | | Agribusiness | Manufacturing & Services | Property & Tourism | TMT | Natural resources | Energy | Infrastructure | Banking | Non-Bank Fis | Green Economy | Inclusion & Gender | Local Currency & Capital Markets | Small Business |
| EU ¹ | 2,837 | € | € | € | € | | €P | €P | | | € | € | | € |
| EIB | 155,4 | | | | € | | € | € | € | | € | | | € |
| COEBANK ² | 120 | | | € | | | | € | | | | € | | |
| EIF ³ | 91,4 | | | | | | | | € | € | | | | € |
| EBRD | 113 | € | | | € | € | € | | € | € | € | € | €P | € |

Potential Areas of Cooperation



Green

Leverage InvestEU and EU funds to continue support green transition of corporates and municipalities.



Competitive

Explore cooperation with EIB to co-finance larger projects in the infrastructure sector.

- € Area of significant investments
- Focus mostly on private sector
- P Area of significant policy engagement
- Focus mostly on public sector

Note: IFI activity mapping based on publicly available information. Significant IFI investment defined as projects exceeding 5% of annual investment and signed from 2019

¹ Based on planned financing under 2014-2020 European Structural and Investment Funds and 2021-2027 Cohesion Policy and Other funds, data available at [Cohesion Open data Platform](#)

² Amount refer to two projects extended in 2021

³ Based on EIF annual reports for 2019-2021 period



7. Implementation Risks and Environmental and Social Implications

| Risks to the strategy implementation | Probability | Effect | Environmental and Social Implications |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Uncertain economic outlook worsened by inflationary pressures, disruptions to global value chains, and energy security concerns could negatively impact EBRD's support for longer term investments. | ● | ● | <ul style="list-style-type: none"> Assessment and Management of Environmental & Social Impacts, Stakeholder Engagement: Ensure that direct, indirect, and cumulative E&S impacts (including gender impacts) of projects are appropriately assessed and mitigated under meaningful stakeholder engagement. TC support to regulating E&S risks and impact and strategic assessments may be needed, as well as support to public sector clients with the implementation and monitoring of E&S management systems and contractor management according to EU and international standards. |
| <ul style="list-style-type: none"> Ageing population and demographic challenges could weigh on labour force dynamics, hindering structural growth drivers. | ● | ● | <ul style="list-style-type: none"> Labour and Working Conditions: Ensure that clients' labour practices comply with EBRD's PR2, in particular wages, benefits and conditions of work; non-discrimination and promotion of equal opportunities for women and young workers. Ensure prevention of GBVH and forced labour risks in contractors and supply chain by developing and implementing appropriate policies and response mechanisms with special attention on vulnerable groups, informal workers |
| <ul style="list-style-type: none"> Limited political appetite to progress in commercialisation / privatisation agenda could restrict EBRD's capacity to offer financing and specialised expertise for improving governance of SOEs. | ● | ● | <ul style="list-style-type: none"> Decarbonisation, Resource Efficiency and Pollution Prevention and Control: Support country ongoing implementation of the LCP for the energy sector and development of the pathway for other energy-intense sectors to reduce GHG emissions, natural resources consumption, pollution. ESG: promote implementation of ESG standards for responsible investments. Health and Safety: Aim to improve occupational and community health and safety standards across all sectors and address security issues |
| <ul style="list-style-type: none"> Vulnerability to climate change, resulting in more frequent extreme weather events (such as the floods in August 2023), may impact viability of projects. | ● | ● | <ul style="list-style-type: none"> Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that any project requiring acquisition of land and resettlement comply with requirements of the Bank, with special attention on preserving livelihoods of vulnerable groups (e.g., Roma communities, informal land users and refugees). Biodiversity Conservation and Sustainable Management of Living Natural Resources: Support clients to ensure species and habitats of conservation importance are protected and ecosystem services and natural capital are sustainably managed and, where appropriate, recovered. TC funds may be needed to support these activities or pursue nature-related activities and reporting. Cultural Heritage: Work with clients to ensure appropriate assessment of construction projects to identify impacts, consult with key stakeholders and preserve cultural heritage. Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place with a focus on capital market participation. |

● High ● Medium ● Low



8. Donor Partnership Assessment

Needs Assessment for the New Country Strategy Period

Donor Funds are needed to support the achievement of the upcoming Country Strategy in Slovenia, which focuses on enhancing competitiveness and advancing Green Economy transition:

- InvestEU technical cooperation funds are available if needed to develop the capacity of financial intermediaries in Slovenia.
- TC grants will be needed for policy work to support capital market development, improve cooperate governance, and enhance ESG practices.
- TC grants will also be essential to explore financing opportunities under the Green Cities Programme and providing support for climate adaptation and mitigation measures.
- Planned capex and investment financing for energy efficient infrastructure may also require further donor funds.

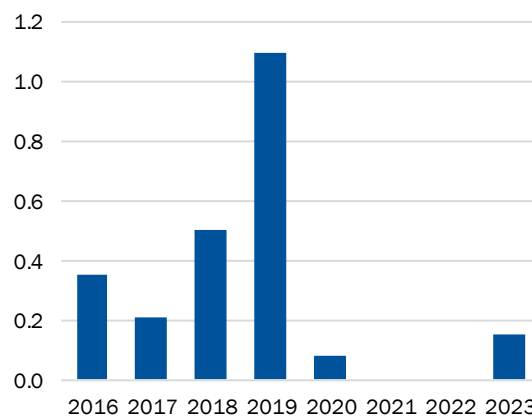
Potential Sources of Donor Funds

- EU funding can be available via the Technical Support Instrument to finance the preparation and implementation of institutional, administrative and structural reforms. Project promoters in Slovenia may also partner with the EBRD to access investment grants from the EU's Alternative Fuels Infrastructure Facility.
- Slovenia is an eligible country under the InvestEU programme which provides EU budgetary guarantees and TC to partners to increase their risk-taking capacity and mobilise public and private investments.
- Central European countries can also access TC grants for policy and business advice, through the Central European Initiative funds currently supported by Italy.
- While Slovenia remains an eligible country to receive support from the HIPCA ICDF subaccount, HIPCA donors preferences for ODA eligible countries suggest that future support is likely to be limited.

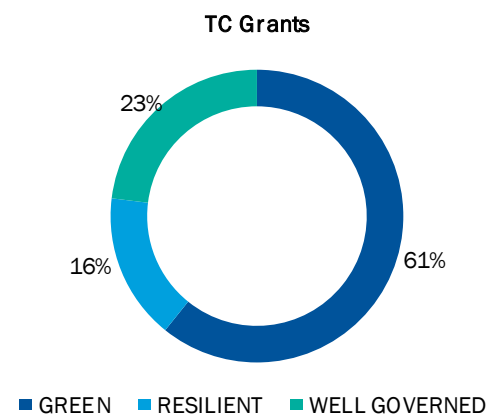
Selected Affordability Indicators

| | |
|--------------------------------------------------------|--------|
| GDP per capita (PPP, USD) ² | 48,756 |
| ODA Country | No |
| ODA as share of Gross National Income (%) ³ | N/A |
| ODA per capita (\$ - current prices) ³ | N/A |

Donor finance during 2016-2023 (€m)⁴



Use of grants in 2016-2023⁵



1. Simple percentile rank reported as the share of EBRD economies represented below Slovenia (for which data is available). 2. IMF WEO (2022) 3. OECD (2021) 4. TC amounts are based on earmarks at commitment level. 5. Based on the primary Transition Quality of earmarked donor funds.

Annex



European Bank
for Reconstruction and Development



Annex 1 – Political Assessment in the Context of Article 1 (1/4)

Slovenia's commitment to and application of principles set out in Article 1 continued over the period since the previous Country Strategy.

Slovenia is an advanced parliamentary democracy. The constitutional and legislative framework for pluralistic democracy is in place. The separation of powers and checks and balances in the political system, guarantees for fundamental rights and the protection of minorities, and for a meaningful role of civil society are largely in line with international and European standards. Elections are conducted in a manner deemed by the Organization for Security and Co-operation in Europe (OSCE) and the Council of Europe to be free and in line with international standards. Challenges concerning perceived corruption remain, but some progress regarding the adoption of a new anti-corruption strategy has been noted.

Free Elections and Representative government

Slovenia is a multiparty parliamentary republic with separation of powers and a functioning checks and balances system enshrined in the Constitution and upheld in practice. The President, who is elected directly, is the Head of State with largely ceremonial functions. Executive power is vested in the Government, which represents a majority party or a majority coalition in the bicameral parliament (composed of the National Assembly and the National Council). The 40-seated National Council is elected indirectly. The members of the National Assembly are elected for a four-year term by two methods: 88 MPs are elected by an open list proportional system and two MPs representing the Hungarian and Italian national communities are elected under the first-past-the post system from two special constituencies. Democratic procedures of legislative oversight are in place. The National Election Commission, overseeing and implementing elections, is an independent and impartial body.

Previous elections in Slovenia have been assessed as free and fair by observers from the OSCE Office for Democratic Institutions and Human Rights (ODIHR), as well as by other competent international observers. The latest Election Assessment Mission published by ODIHR in December 2022 noted that the legal framework is comprehensive and generally conducive for the conduct of democratic elections.¹ However the report also mentions that despite some improvements of the legal framework in 2021, most previous ODIHR recommendations remain unaddressed, including those concerning limitations on the right to vote, criminal liability for defamation, lack of clear system of election dispute resolution, insufficient transparency of campaign finance, and the establishment of an independent media oversight body. The report also called for further efforts to protect the public media from political pressure.

1. OSCE, Office for Democratic Institutions and Human Rights, Republic of Slovenia, Parliamentary Elections 24 April 2022, ODIHR Election Assessment Mission, Final Report, published on 2 December 2022.



Annex 1 – Political Assessment in the Context of Article 1 (2/4)

Civil society, Media and Participation

Slovenia has an extensive and dynamic civil society, with relatively high levels of volunteering. The procedures for the registration of civil society organisations (CSOs) are straightforward, which explains the large number (over 27,000), given the size of the country. CSOs operate at international, national and regional levels. Legislative procedures are in place securing public access to information and public consultations. A dedicated online tool has been set up for the public to propose new measures to the government.² The Non-Governmental Organisations Act, adopted in 2018, laid down the definition of a non-governmental organisation in the Slovenian legal system and introduced the status of a non-governmental organisation in the public interest.³ In 2022, the authorities set up a working group for civil society collaboration.

The right to join trade unions is enshrined in the law and respected in practice. Article 76 of the Slovenian Constitution provides that the freedom to establish, operate and join trade unions shall be guaranteed. The freedom to form political parties is guaranteed and implemented in practice, as highlighted by the existence of a significant opposition able to campaign freely and oppose government initiatives.

The Constitution and law provide for freedom of expression, including for members of the press and other media. Press freedom is guaranteed but defamation remains a criminal offence. Slovenia has a diverse media environment, which includes public and private broadcasters and which offers citizens a wide range of political views. Television remains an important source of public information. The public broadcaster, RTV Slovenia, includes three national television channels and three national radio channels. There are also regional channels, and special programmes for the Italian, Hungarian and Romani communities. The role of Internet and social media as source of public information is constantly increasing.

During the Covid-19 pandemic, political pressure on public media increased, while journalists reported online harassment.⁴ In a Memorandum, published in 2021 and following protests organised by civil society, the Council of Europe Commissioner for Human Rights stressed that hostile public discourse, as well as smear campaigns and intimidation targeting civil society activists and those who express critical opinions, harm free expression and can have a chilling effect on media freedom.⁵ In the 2023 Rule of Law report, the European Commission noted positive developments with respect to media environment, while the authorities have taken initial steps with regard to the protection of journalists.⁶

2. <https://predlagam.vladi.si/>. 3. <https://www.gov.si/en/topics/non-governmental-organisations/>. 4. European Commission, Rule of Law Report (2022), Slovenia.

5. <https://rm.coe.int/memorandum-on-freedom-of-expression-and-media-freedom-in-slovenia/1680a2ae85> . 6. European Commission, Rule of Law Report (2023), Slovenia.



Annex 1 – Political Assessment in the Context of Article 1 (3/4)

After taking office in 2022, the new government adopted a bill that would replace RTV Slovenia's two governing bodies and introduce a single supervisory board, whose members will be selected by staff members and civil society. The bill was supported in a national referendum by Slovenian voters in November 2022.

Rule of Law and Access to Justice

Legislative and institutional safeguards for the supremacy of the law and the independence of judiciary are in place. The Constitution guarantees everyone the right to a fair trial and citizens are free from arbitrary arrest and detention. The government and the citizens are equally subject to the law. According to the 2023 EU Justice Scoreboard, the level of perceived judicial independence among the general public has consistently increased in the last years.⁷ The efficiency in administrative courts worsened during the Covid-19 period, due to a large number of incoming cases and despite an 11 per cent increase in resolved cases, backlog increased by 2 per cent at the end of 2022 (compared to 2021). In 2023, the government proposed amendments to the Administrative Disputes Act, which would allow simpler administrative cases to be decided by a single judge, increase procedural discipline and introduce new incentives for reaching a court settlement, in order to address shortcomings in the efficiency of administrative courts.⁸

In 2019, the Council of Europe's Group of States against Corruption (GRECO) launched an ad hoc procedure and was in close dialogue with the Slovenian authorities on several occasions, warning of the risks of interference with judicial independence. Following the termination of unconstitutional parliamentary inquiries in respect of judges' and prosecutors' performance, GRECO closed its ad hoc procedure in 2023.⁹

A well-developed legal framework for preventing and fighting corruption is in place. However, further efforts are required to tackle problematic areas. According to the 2022 Transparency International Corruption Perceptions Index (CPI), Slovenia ranks 41st globally, dropping a few places since the 2019 rankings.¹⁰ The 2023 Special Eurobarometer on corruption shows that 83 per cent of respondents consider corruption widespread in their country (EU average at 70 per cent) and 28 per cent of respondents feel personally affected by corruption in their daily lives (EU average at 24 per cent).¹¹

7. EU Justice Scoreboard (2023). 8. European Commission, Rule of Law Report (2023), Slovenia. 9. Council of Europe (2023), Group of States against Corruption (GRECO), Follow-up to the ad hoc Report on Slovenia. 10. Highest ranking indicates less perceived corruption. 11. European Commission, Rule of Law Report (2023), Slovenia; and Special Eurobarometer 534 on Corruption (2023).



Annex 1 – Political Assessment in the Context of Article 1 (4/4)

According to the European Commission (EC) Rule of Law Report 2023, some progress has been achieved regarding the adoption of an anti-corruption strategy. The EC has recommended to Slovenia to adopt the new anti-corruption strategy and action plan with concrete measures and a timeframe for their implementation and step-up efforts to ensure a track record of investigations, prosecutions, and final judgments in corruption offences, including in high level cases.

Civil and Political Rights

Slovenia is a signatory to all major international human rights instruments. The Constitution guarantees the basic freedoms and rights of citizens. Freedom of speech, information, religion and conscience, movement, association and assembly and private property are fully guaranteed. Overall civil and political rights continue to be well respected in Slovenia.

The Constitution recognises Hungarians and Italians as national minorities and guarantees that special rights of the Romani community shall be regulated by law. As elsewhere in the wider region, the Romani community is marginalised in some parts of the country. The latest assessment of the track record of Slovenia in the area of human rights in the framework of the United Nations Universal Periodic Review (UPR) was conducted in 2019. The top three recommendations related to rights of the child (17 per cent of recommendations); women's rights (16 per cent); and minority rights (13 per cent). Slovenia supported 83 per cent of a total of 223 recommendations made through the review process.¹²

Slovenia ranks 39th globally in the 2022 Global Gender Gap index of the World Economic Forum.¹³ According to Eurostat, the gender pay gap stands at 3.8 per cent (with the EU average standing at 12.7 per cent).¹⁴ Following the 2022 parliamentary elections, the share of women parliamentarians reached a record level at 40 per cent (OECD average at 31.6 per cent, as of the end of 2021). Women are also well represented in the judiciary. In addition, in 2022, Slovenia elected both its first ever female President, and Speaker of the National Assembly.

Constitutional guarantees against harassment, intimidation and torture are in place and are largely upheld in practice. The Council of Europe's European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) has announced a periodic visit to Slovenia scheduled for 2024.

12. UPR Statistics, available at <https://upr-info-database.uwazi.io/en/>. 13. World Economic Forum, Global Gender Gap Report (2022). 14. European Commission, Eurostat, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics