

Research for the REGI Committee: Economic, social and territorial situation of Slovenia

This briefing was prepared to provide information for the European Parliament's Committee on Regional Development delegation to Slovenia on 3-5 April 2018.

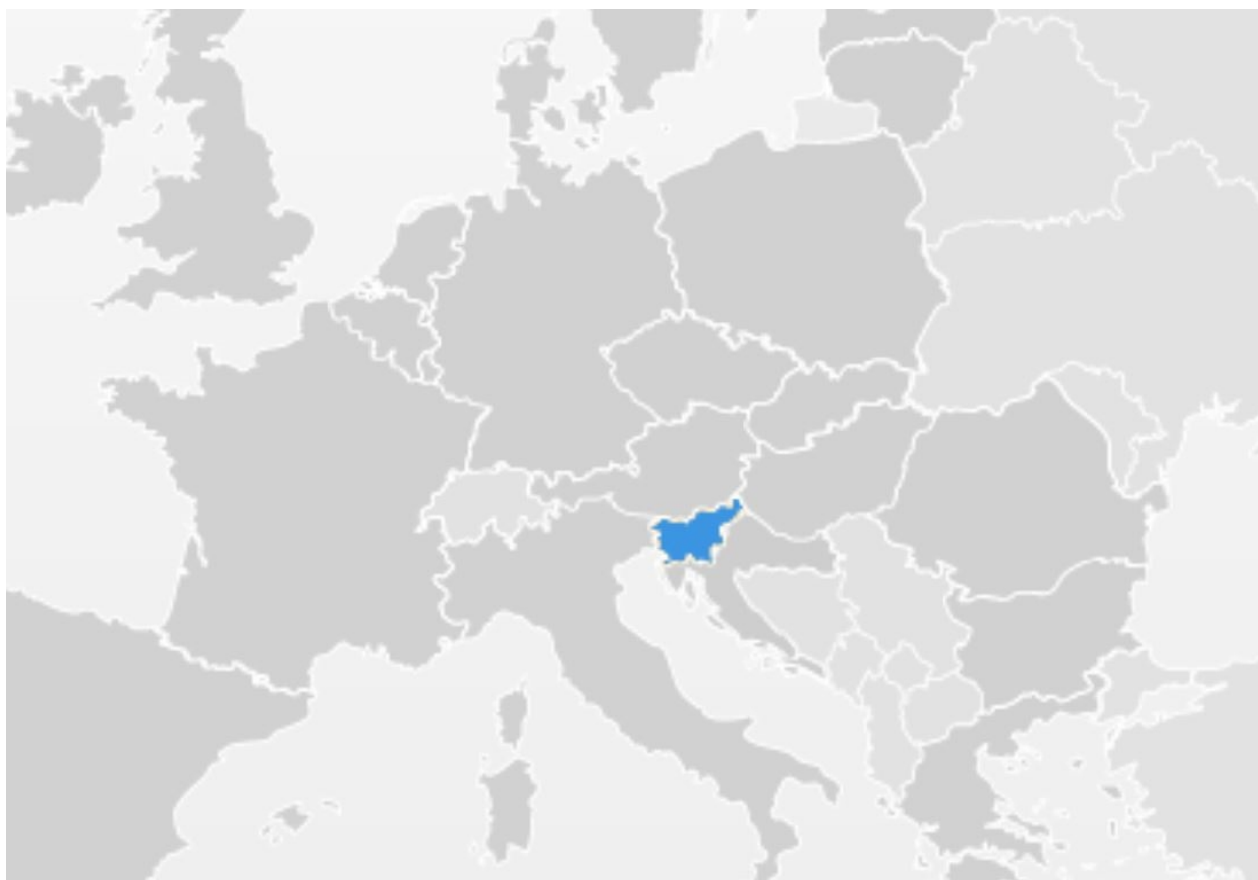
1. Introduction to Slovenia and its political and administrative system

Slovenia is located in the southern part of Central Europe. It borders Austria in the north, Croatia in the south, Italy in the west and Hungary in the east. Slovenia has access to the Adriatic Sea.

With the exception of its littoral region, the country is predominantly mountainous with a continental climate. Slovenia's coastal region has a Mediterranean climate. Its highest mountain is Triglav (2 864 m).

Slovenia has the sixth smallest population and the fourth smallest territory in the European Union. Over half its territory is covered by forests.


Map 1: Slovenia



Source: European Parliament

Slovenia joined the EU on 1 May 2004. On 1 January 2007, it became the first New Member State to join the Euro area. Slovenia is a member of both NATO (since 2004) and the OECD (since 2010). The official language is Slovenian.

Table 1: Key data

| | Slovenia |
|--|--|
| Flag |  |
| Total area | 20 273 km ² |
| Population (2017) | 2 065 895 |
| Population density (2015) EU-28 estimate: 117.1 inhabitants per km ² | 102.4 inhabitants per km ² |
| Language | Slovenian |
| Currency | Euro |

Source: Eurostat

Slovenia is a parliamentary democratic republic with a head of government – the Prime Minister, elected by Parliament – and a head of state – the President, elected in direct elections. The President can serve for a maximum of two consecutive terms of five years. The current President, Borut Pahor, was elected for his second term in 2017. From 2004 to 2008, he served as a Member of the European Parliament (Socialist Group). The current Prime Minister is Miro Cerar of the Party of the Modern Centre (SMC), which has formed a coalition with the Democratic Party of Pensioners of Slovenia (DeSUS) and the Social Democrats (SD). The next parliamentary elections are expected to take place in mid-2018¹.

The Slovenian Parliament comprises the National Assembly (*Državni zbor*) and the National Council (*Državni svet*)². The National Assembly is the highest representative and legislative body. Ninety deputies are elected to the National Assembly by direct, secret ballot on the basis of the principle of universal and equal suffrage. The two representatives of the Italian and Hungarian national communities are each guaranteed a seat in the National Assembly. Members of the National Assembly are elected for a term of four years.

The National Council is the representative body for social, economic, professional and local interests; it represents the functional interests of different interest organisations and the interests of the local communities. Forty members are elected to the National Council from the relevant interest organisations and local communities through indirect suffrage by electoral bodies. The National Council comprises four representatives of employers, four representatives of employees, four representatives of farmers, the craft and trade sector and independent professions, six representatives of non-commercial interests and 22 representatives of local interests. Members of the National Council are elected for a term of five years.

The following political groups sit in the National Assembly:

- Party of the Modern Centre (SMC) – Member of ALDE (but not represented in the European Parliament);
- Slovenian Democratic Party (SDS) – Member of the EPP;

¹ On 14 March 2018, Miro Cerar announced his resignation in response to the Supreme Court's decision to annul the September 2017 referendum on the Koper-Divača rail project. On the day of preparation of this briefing, the new government had yet to be elected.

² Description of the parliamentary system based on the webpage of the National Assembly of Slovenia: <http://www.dz-rs.si/wps/portal/en/Home>

- Democratic Party of Pensioners of Slovenia (DeSUS) – Member of ALDE;
- Social Democrats (SD) – Member of S&D;
- The Left (Levica);
- New Slovenia – Christian Democrats (NSi) – Member of the EPP.

Representatives of the Italian and Hungarian minorities and non-affiliated members also sit in the National Assembly.

Slovenia has eight representatives in the European Parliament. They are members of the EPP group (5), the S&D (1), ALDE (1) and the Greens/EFA (1).

Table 2: Political summary³

| | |
|---|---|
| Head of State – President | Borut Pahor |
| Head of Government – Prime Minister | Miro Cerar (Party of the Modern Centre (SMC)) |
| Minister responsible for cohesion policy | Alenka Smerkolj, Minister without portfolio responsible for Development, Strategic Projects and Cohesion, Government Office for Development and European Cohesion Policy. |
| Presidential elections | Most recent: November 2017 Next: 2022 |
| Legislative elections | Most recent: July 2014 Next: May 2018 ⁴ |
| Local elections | Most recent: October 2014 Next: November 2018 |

Slovenia is divided into 212 municipalities (*občina*). This figure includes 11 urban municipalities (*mestna občina*). Municipalities are bodies of local self-government. They are headed by a mayor (*župan*) who is directly elected for a term of four years.

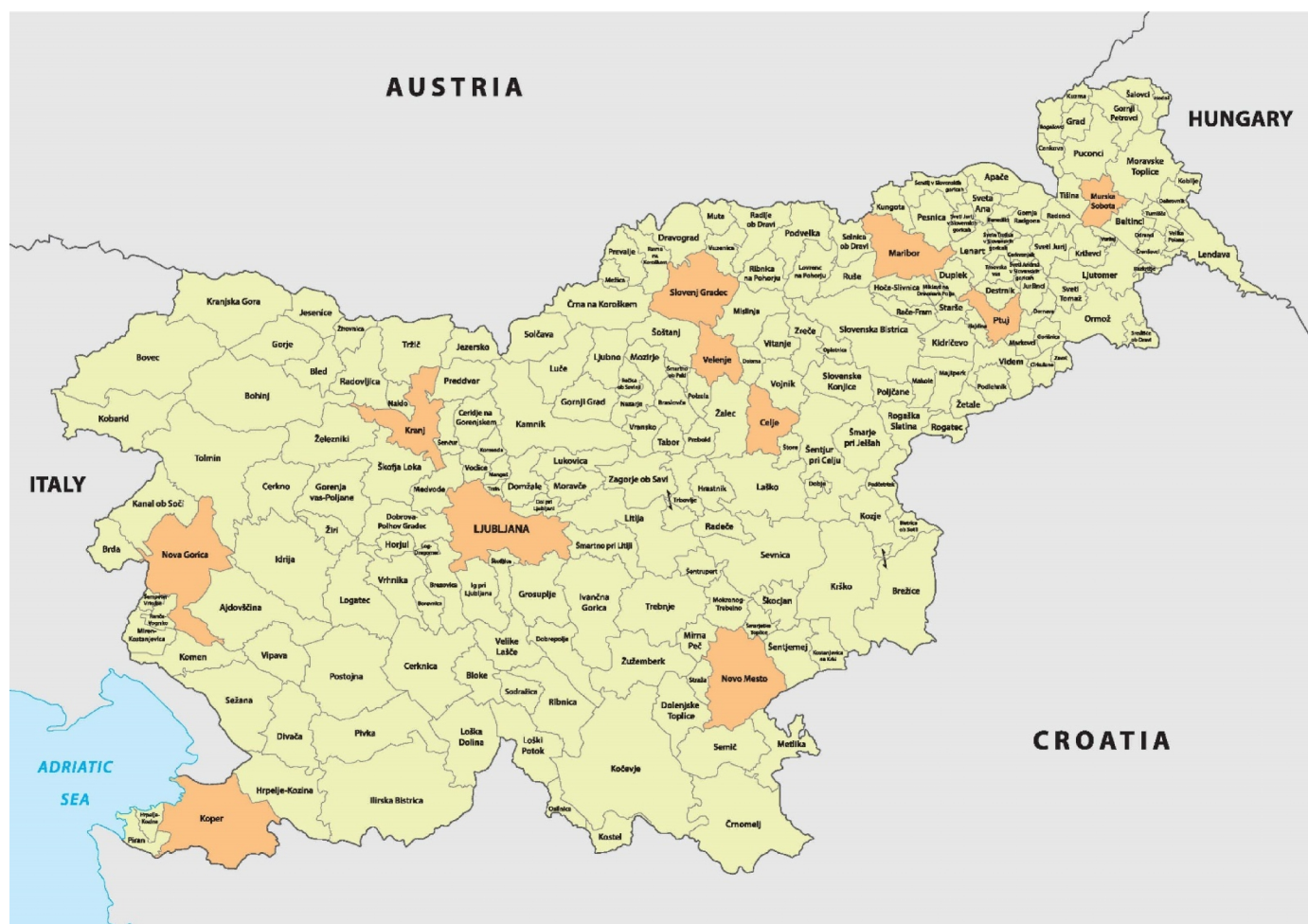
The municipal council (*občinski svet*) is the municipality's deliberative and decision-making body and is composed of members elected by direct universal suffrage for a four-year term. It is responsible for making the municipality's main decisions, such as adopting local land and development plans and the municipal budget. The council also nominates the head of the municipal administration, who is a civil servant.

Slovenia does not have administrative regions. For the purposes of EU regional policy, it is divided into two NUTS 2 regions: Western Slovenia (*Zahodna Slovenija*) and Eastern Slovenia (*Vzhodna Slovenija*). There are also twelve statistical regions at NUTS 3 level without established self-government structures.

³ On 14 March 2018, Miro Cerar announced his resignation in response to the Supreme Court's decision to annul the September 2017 referendum on the Koper-Divača rail project. On the day of preparation of this briefing, the new government had yet to be elected.

⁴ Originally scheduled for June 2018.

Map 2: Municipalities in Slovenia (urban municipalities in orange)



Source: Shutterstock.

2. Socio-economic situation

Slovenia is characterised by a large number of small settlements (over 6 000), with 90 % of all settlements having fewer than 500 inhabitants. Only seven towns have populations exceeding 20 000 inhabitants. Ljubljana, the capital and biggest city in Slovenia, has 287 000 inhabitants. The second biggest city is Maribor, with 112 000 inhabitants⁵. Urban centres consist of larger and medium-sized towns. Most of Slovenia's municipalities are situated in sparsely populated areas. Remote hilly and mountainous areas are for the most part unpopulated.

Slovenia has over 2 million inhabitants. The cohesion region of Western Slovenia has a population of around 969 000 inhabitants and the total population of the cohesion region of Eastern Slovenia is approximately 1 083 000 inhabitants. With 102.4 people per square kilometre, Slovenia is among the least densely populated Member States (117.1 inhabitants per km² in the EU-28). The total fertility rate is 1.58 and is close to the EU average. Since 1991, the population of Slovenia has increased by 107 000 inhabitants. 80 % of the total increase was due to net migration. In 2016, around 15 600 people emigrated from Slovenia and around 16 600 immigrated to Slovenia⁶. The Slovenian population is well educated. In 2015, 27 % of the Slovenian population had a tertiary education.

⁵ Eurostat, 2015.

⁶ Statistical office of the Republic of Slovenia.

Slovenia is among the most prosperous of the New Member States. In 2016, its GDP per capita reached EUR 19 576⁷. In purchasing power standards (PPS), this amounts to 83 % of the EU average (compared with 87 % in 2005)⁸, making Slovenia 16th in the EU. The cohesion region of Eastern Slovenia reached only 82.7 % of Slovenia's average GDP in 2010, while the cohesion region of Western Slovenia reached 119.5 % of the national average in the same year.

The Slovenian economy was hit hard by the economic crisis. The costs of bailing out the country's troubled banks inflated the budget deficit to 14.7 % of GDP in 2013 and 5.3 % in 2014. Public debt shot up from 53.8 % of GDP in 2012 to 82.6 % in 2015⁹.

However, since 2014, the economy has been showing visible signs of recovery and stable growth has been helping to reduce unemployment and the budget deficit. After reaching 10.1 % in 2013, the unemployment rate has been decreasing steadily and in 2017 dropped to 6.8 %. The employment rate stands at over 70 %. Fiscal consolidation efforts and solid growth helped to bring the deficit back down to below 3 % of GDP in 2015. A sharp acceleration in economic growth since mid-2016 has helped to reduce the deficit even further, to an estimated 0.7 % of GDP in 2017.

Table 3: Real GDP growth rate (%)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------|------|------|------|------|------|------|------|------|------|
| Slovenia | -7.8 | 1.2 | 0.6 | -2.7 | -1.1 | 3.0 | 2.3 | 3.1 | 5.0 |
| EU | -4.3 | 2.1 | 1.7 | -0.4 | 0.3 | 1.8 | 2.3 | 2.0 | 2.4 |

Source: Eurostat

Table 4: General government deficit/surplus (% of GDP)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|-------|------|------|------|
| Slovenia | -1.4 | -5.8 | -5.6 | -6.7 | -4.0 | -14.7 | -5.3 | -2.9 | -1.9 |
| EU | -2.5 | -6.6 | -6.4 | -4.6 | -4.2 | -3.3 | -3.0 | -2.4 | -1.7 |

Source: Eurostat

Table 5: General government gross debt (% of GDP)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|------|------|------|------|
| Slovenia | 21.8 | 34.6 | 38.4 | 46.6 | 53.8 | 70.4 | 80.3 | 82.6 | 78.5 |
| EU | 60.7 | 72.7 | 78.3 | 81.0 | 83.7 | 85.6 | 86.5 | 84.5 | 83.2 |

Source: Eurostat

Table 6: Employment rate, age group 20-64

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------|------|------|------|------|------|------|------|------|------|
| Slovenia | 73.0 | 71.9 | 70.3 | 68.4 | 68.3 | 67.2 | 67.7 | 69.1 | 70.1 |
| EU | 70.3 | 69.0 | 68.6 | 68.6 | 68.4 | 68.4 | 69.2 | 70.1 | 71.1 |

Source: Eurostat.

⁷ Statistical office of the Republic of Slovenia.

⁸ Eurostat.

⁹ Economist Intelligence Unit Country Report and Eurostat.

Table 7: Unemployment rate (%)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------|------|------|------|------|------|------|------|------|------|
| Slovenia | 5.9 | 7.3 | 8.2 | 8.9 | 10.1 | 9.7 | 9.0 | 8.0 | 6.8 |
| EU | 9.0 | 9.6 | 9.7 | 10.5 | 10.9 | 10.2 | 9.4 | 8.6 | 7.6 |

Source: Eurostat.

The Slovenian economy is very export-oriented. In 2017, exports of goods and services accounted for 82.2 % of Slovenian GDP. At the same time, imports of goods and services accounted for 72.6 % of Slovenian GDP¹⁰. Major export destinations are Germany (20.7 %), Italy (11 %), Croatia (8.3 %) and Austria (7.9 %). Slovenia's main import partners are Germany (19.2 %), Italy (15.4 %), Austria (11.3 %), and Croatia (6.2 %). Its main exports are road vehicles (14.8 %), medical and pharmaceutical products (10 %), electrical machinery (9.9 %) and general industrial machinery (5.4 %). Its main imports are road vehicles (13.3 %), electrical machinery (6.6 %) and petroleum products (5.8 %). In 2016, Slovenia's exports exceeded its imports by almost 4 %¹¹.

With regard to the economy, Slovenia's eastern region is considered to be less developed. It is characterised by agricultural activity, accounting for more than 70 % of Slovenia's agricultural holdings and the majority of its agricultural land. Nevertheless, agriculture makes only a limited contribution to Slovenia's Gross value added (GVA). Industry, combining traditional and modern branches (mining, textile, automotive, pharmaceutical and electro-technical activities), makes a much greater contribution (approximately 40 %). This region also plays an important role in supplying energy to the country, since it is home to the majority of Slovenia's energy infrastructure and its only nuclear power plant. Industry provides the majority of jobs, accounting for 44 % of total jobs in the region¹².

3. EU cohesion policy in Slovenia, 2014-2020

Over the 2014-2020 programming period, Slovenia has been **allocated EUR 3.87 billion from the ESI Funds** (including the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF)) which, together with a national contribution of EUR 1.02 billion, adds up to a total of EUR 4.9 billion in support for the socio-economic development of the country¹³.

Slovenia is eligible for EUR 3.255 billion under the **EU cohesion policy funds** (the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF)), of which EUR 159.8 million will be allocated to the Connecting Europe Facility (CEF) for investment in transport, EUR 9.2 million to the Youth Employment Initiative (YEI), EUR 21 million to the Fund for European Aid to the Most Deprived and EUR 64 million for European Territorial Cooperation (ETC) programmes. An additional EUR 837.8 million will be devoted to the development of the agricultural sector and rural areas under the EAFRD and EUR 24.8 million will be allocated to the EMFF¹⁴.

¹⁰ Eurostat.

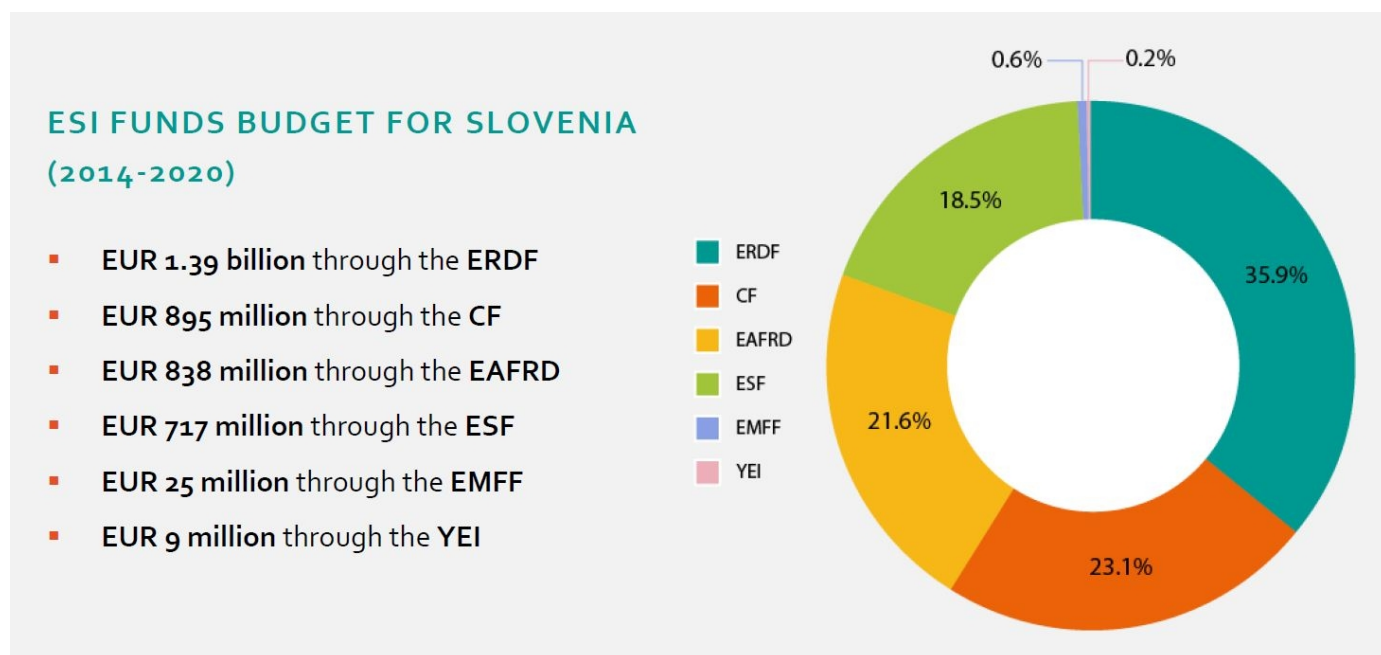
¹¹ Statistical office of the Republic of Slovenia.

¹² Partnership Agreement between Slovenia and the European Commission for the period 2014–2020.

¹³ European Commission, [European Structural and Investment Funds – Slovenia: Country Factsheet](#), 2016.

¹⁴ European Commission – Summary of the Partnership Agreement for Slovenia, 2014-2020.

Figure 1: ESI Fund allocations in Slovenia, 2014-2020



Source: European Commission, European Structural and Investment Funds – Slovenia: Country Factsheet, 2016.

For the purposes of EU cohesion policy, Slovenia is subdivided into two NUTS 2 regions: the more developed cohesion region of Western Slovenia and the less developed Eastern Slovenia. Western Slovenia is eligible for EUR 847 million while the less developed region of Eastern Slovenia is eligible for EUR 1.26 billion. The Cohesion Fund is available for the whole country (EUR 1.055 billion, including the CEF).

Map 3: NUTS 2 regions in Slovenia



Source: European Commission.

The **Partnership Agreement** for Slovenia identified the following challenges and priorities for investment:

- research, development and innovation (RDI), competitiveness, employment and training (ERDF and ESF);
- infrastructure, with a view to achieving a better environmental status, sustainable energy use and sustainable mobility, as well as the efficient management of resources (CF and ERDF).

Cohesion policy will be delivered through one operational programme (OP), co-financed by the ERDF, ESF and CF (compared with three operational programmes in the 2007-2013 period).

The concentration of funds on a limited number of priorities is one of the main features of the reformed cohesion policy. For Slovenia, approximately 80 % of ERDF expenditure (77 % in the less developed region of Eastern Slovenia and 83 % in the more developed region of Western Slovenia) will be concentrated on the thematic priorities of research and innovation, information and communication technology, the competitiveness of small and medium-sized enterprises and the low-carbon economy. Around 70 % of ESF funding for Slovenia will go towards employment and life-long learning.

The ESF share of the ESI Fund budget amounts to 34 % (EUR 716.9 million) and is above the required minimum share of 29.3 %. Furthermore, 20.2 % of the ESF will be allocated to measures supporting social inclusion.

Significant attention is given to the territorial dimension of cohesion policy, in particular in the area of sustainable urban development and access to public services. At least 5.12 % of the total ERDF allocation will be invested in sustainable urban development actions implemented in Slovenia, mainly through Integrated Territorial Investment (ITI) in urban municipalities. At least 5 % (EUR 41.8 million) of the EAFRD contribution will be reserved for community-led local development (CLLD), with an additional EUR 5 million from the EMFF and EUR 30 million from the ERDF. Around 20 % of the allocations will go towards the realisation of climate change objectives.

EU cohesion policy in the period 2014-2020 is implemented by the Slovenian **Government Office for Development and European Cohesion Policy**. It is currently led by Minister Alenka Smerkolj and is cooperating closely with the Ministries of Agriculture and the Environment.

4. European territorial cooperation and macro-regional strategies¹⁵

In the 2014–2020 programming period, Slovenia is participating in 13 European Territorial Cooperation (ETC) programmes: four cross-border, five transnational and four interregional.

The **cross-border programmes** in which Slovenia is participating in the 2014-2020 period have received on average 26.98 % less funding from the ERDF than in the previous programming period. Slovenia is participating in the following cross-border programmes:

- Cooperation Programme 'Interreg V-A Slovenia-Austria' (Programme budget: EUR 57.2 million);
- Cooperation Programme 'Interreg V-A Slovenia-Hungary' (Programme budget: EUR 18.6 million);
- Cooperation Programme 'Interreg V-A Slovenia-Croatia' (Programme budget: EUR 55.7 million);
- Cooperation Programme 'Interreg V-A Italy-Slovenia' (Programme budget: EUR 91.7 million).

Slovenia is participating in the following five **transnational programmes**: Alpine Space, Central Europe, Adriatic-Ionian, Mediterranean and the Danube Region.

¹⁵ This section is based on the Partnership Agreement and the webpage of the Government Office for Development and European Cohesion Policy: <http://www.svrk.gov.si/en/>

Map 4: Transnational programmes: Alpine Space and Central Europe

Alpine Space

Interreg
Alpine Space



Central Europe

Interreg
CENTRAL EUROPE



Source: Government Office for Development and European Cohesion Policy: <http://www.svrk.gov.si/en/>

Map 5: Transnational programmes: Mediterranean and Adriatic-Ionian

Mediterranean

Interreg
Mediterranean



ADRION

Interreg
ADRION
ADRIATIC-IONIAN



Source: Government Office for Development and European Cohesion Policy: <http://www.svrk.gov.si/en/>

Map 6: Transnational programme for the Danube Region

Danube

Interreg
Danube Transnational Programme



Source: Government Office for Development and European Cohesion Policy: <http://www.svrk.gov.si/en/>

Table 8: Total budget of the transnational programmes (EUR millions) including technical assistance

| Programme | Total | ERDF | IPA | National |
|-----------------|-------|-------|------|----------|
| Central Europe | 299 | 246.6 | 0 | 52.4 |
| Alpine Space | 139.8 | 116.6 | 0 | 23.1 |
| Mediterranean | 264.9 | 224.4 | 9.5 | 31.0 |
| Adriatic-Ionian | 117.9 | 83.5 | 15.7 | 18.8 |
| Danube | 263 | 202.1 | 19.8 | 41.1 |

Source: Transnational and interregional European Territorial Cooperation programmes in Slovenia in the period 2014-2020, Government Office for Development and European Cohesion Policy: <http://www.svrk.gov.si/en/>

Slovenia is participating in the following four **interregional programmes**: INTERREG EUROPE, INTERACT, ESPON and URBACT.

Slovenia is also actively participating in the implementation of three **EU macro-regional strategies**:

- the **EU Strategy for the Danube Region** (EUSDR). This strategy covers parts of 9 EU Member States (Germany, Austria, Hungary, the Czech Republic, Slovakia, Slovenia, Bulgaria, Romania and Croatia) and 5 non-EU countries (Serbia, Bosnia and Herzegovina, Montenegro, Ukraine and Moldova);
- the **EU Strategy for the Adriatic and Ionian Region** (EUSAIR). This strategy incorporates the Maritime Strategy for the Adriatic and Ionian Seas. It involves 4 EU Member States (Croatia, Greece, Italy and Slovenia) and 4 non-EU countries (Albania, Bosnia and Herzegovina, Montenegro and Serbia);
- the **EU Strategy for the Alpine Region** (EUSAR). This strategy involves 5 EU Member States (Austria, France, Germany, Italy and Slovenia) and 2 non-EU countries (Liechtenstein and Switzerland).

Map 7: EU Strategy for the Danube Region



Source: Webpage of the EU Strategy for the Danube Region: <https://www.danube-region.eu/>

Map 8: EU Strategy for the Adriatic and Ionian Region



Source: Webpage of the EU Strategy for the Adriatic and Ionian Region: <http://www.adriatic-ionian.eu>

Map 9: EU Strategy for the Alpine Region



Source: Webpage of the EU Strategy for the Alpine Region: <https://www.alpine-region.eu>

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