Slovenia: Green, smart and creative

The Southeast European nation celebrates its 30th anniversary as one of the most advanced and sustainable economies in its region.

At the heart of Europe geographically, tiny Slovenia is also at the center of the European Union's efforts to engineer the bloc's economic recovery from COVID-19 this year. Over two-thirds of the way through its presidency of the EU Council, has it realized the main goal it had when it took on that responsibility in July?

The first priority of Minister of Finance Andrej Šircelj was to gain council approval for the 27 EU member states’ Recovery and Resilience Plans, which could see a combined €800 billion being invested in those countries’ economies. By the end of October, 22 plans had already been approved, including Slovenia's. Šircelj insists the EU funds will allow member states “not only to recover from the COVID-19 crisis, but also to create a resilient, greener and more digital, innovative and competitive Europe.”

Slovenia has a headstart in all of these areas. According to the International Monetary Fund, although its gross domestic product contracted by 4.2 percent in 2020 to fall to €47 billion, it has wiped out those loses and could achieve growth of 6.3 percent this year. "Slovenia's response to the pandemic was very swift, our measures were efficient, and the financial and economic data shows that we are on a good path to recovery—our unemployment level is currently lower than it was before the pandemic, for instance," says Šircelj. “In addition, our position on the capital markets is strong, our ratings are good and we’re recognized as a very stable and trustworthy country in the long term. In 2021, we issued a new 60-year government bond with 0.7-percent yield and a new 10-year benchmark bond at a negative yield, and demand was ample across the two tranches.”

A major reason for the country's rapid return to robust growth is that it has transformed its economy toward innovative, sustainable and high-tech export sectors over the 30 years since it gained its independence from the former Yugoslavia. “Slovenia is a small and open economy, highly exposed to foreign trade, international transport and communication. We have a strategic position in the middle of Europe and, as the most western of the Slavic countries, very strong connections with Western Europe. Our export-oriented position was developed as a consequence of losing the Yugoslav market, which forced us to do more business with EU countries and the rest of the world. Today, exports are the main driver of our economy and we reached almost €33 billion from exports of goods and services in 2020,” explains Sibil Svilan, president and CEO of SID Bank, the country's promotional development and export bank.

Blaž Brodnjak, CEO of NLB, Slovenia's largest international financial group, expands on this: "Even during the pandemic’s heaviest lockdowns, the production part of our economy was functioning and, today, we are looking at full utilization of capacity in the productive sector. There is now a demand for investment loans to expand capacity, and for automation, robotization and digitalization, which have become the name of the game in Slovenia.” He reveals that even the service industries worst hit by the crisis have come through it in great shape. “The hospitality sector was shut for six months, but Slovenia was in a good enough position to keep these businesses alive and this summer the sector was booming. It became impossible to book a room on our Mediterranean coast or visit our spas!"

The country offers numerous advantages that not only help its domestic businesses to thrive but are also attracting increasing numbers of foreign investors, notes Šircelj. “Our tax system is modernized, simple, efficient and stable, for instance. Slovenia also has an adequately capitalized and robust banking sector, a competitive and well-diversified economy, a strong health system, a good educational system, and we encourage companies and investments with many incentives.”

Svilan provides another perspective on why it is such an enticing place to be based: “Our workforce is our greatest asset. Slovenia has a well-educated workforce with high labor productivity compared to other countries in this part of Europe. We are also one of the safest and greenest countries in the world—the quality of life is very high here.”

That quality of life is set to rise even further as Slovenia starts to implement its own EU Recovery and Resilience Plan. “These EU funds will complement our national budget. We will support green and digital projects, strengthen health and social systems, support research and development, and also encourage education, reskilling and lifelong learning. I'm looking at the future with realistic optimism,” asserts Šircelj.
An extremely export-oriented country
Zdravko Počivalšek, Minister of Economic Development and Technology, reveals how digitalization is key to Slovenia’s competitiveness

In the years leading up to the pandemic, Slovenia recorded a robust economic performance with export levels increasing by over 85 percent within less than a decade, for example. How would you depict the Slovenian economy and what opportunities does it offer?

We are an extremely export-oriented country—exports are our main engine and 85 percent of what we produce in products and services, we export. Currently, 75 percent of our exports go to the European Union (EU). Our priority markets outside the bloc are in the Western Balkans, China and the U.S., while we also intend to strengthen our diversification in a number of other prospective markets around the world.

In terms of our key economic strengths, we have most export-development potential in the automotive industry and advanced technology, metal products, machinery, pharmaceuticals, the medical sector, electric equipment, electronics, information and communication technologies, and the food and beverage sector.

“Despite having the sixth-smallest population in the European Union, Slovenia ranks third highest in the bloc for eco-innovations, with companies of all sizes and ages developing technical products that prioritize sustainability for citizens and the economy. So far, eight anti-COVID packages amounting to €6 billion have been adopted. We decided to react quickly because of our experience of the 2008 global financial crisis, and our main task was to save as many jobs and companies as possible.

For instance, the pandemic has accelerated the development of Slovenian companies and their digitalization. The government reacted immediately to this acceleration and offered support to small and medium-sized enterprises (SMEs) for their digital transformation with the use of Recovery Assistance for Cohesion and the Territories of Europe (ReAct-EU) funding. In upcoming years, the government will invest further in the Slovenian economy’s recovery and to improve its resilience by transferring funds into green, digital and sustainable economic development.

The EU Recovery and Resilience Facility offers us an enormous opportunity to speed up Europe’s post-COVID recovery through massive investments in green and digital transitions.”

Zdravko Počivalšek
Minister of Economic Development and Technology

We are intensively introducing advanced digital technologies into our business processes and governmental procedures as well, and we are frontloading investments into the digital transformation of businesses as a priority in the Slovenian Recovery and Resilience Plan, which was adopted in July this year.

Over the last 10 years, the stock of foreign direct investment (FDI) in Slovenia has doubled. What is the government's overall policy toward attracting investment?

We have put effort into attracting sustainable investments with higher added value. In the past, we have been very successful and, in 2020, FDI into the country amounted to €16.6 billion. Slovenia is a very beautiful, diverse place and I invite everyone to experience the only country in the world with the word “love” in its name. We have an attractive business ecosystem that promotes itself for green, creative and smart production, and custom-made support is given to investors through our national one-stop shop, SPIRIT Slovenia.

“We have an attractive business ecosystem that promotes itself for green, creative and smart production, and custom-made support is given to investors.”

Zdravko Počivalšek
Minister of Economic Development and Technology

A number of measures were taken both for citizens and the economy. So far, eight anti-COVID packages amounting to €6 billion have been adopted. We decided to react quickly because of our experience of the 2008 global financial crisis, and our main task was to save as many jobs and companies as possible.

Another of our priorities is to enable and increase internationalization of our companies through the greater use of information and communication technologies. A third is to strengthen the competencies of Slovenian employees and business management in the fields of digitalization and the economy, while our fourth priority has been to encourage industry 4.0, including in areas such as automation and robotics.

We currently have a program of digitalization and digital transformation measures that are complimentary to our core digital ecosystem and the financial support packages that we offer specifically for SMEs. We are also supporting networking through strategic RD&I partnerships, and are implementing demonstration and pilot projects in which key emergent technologies for industry 4.0 are required.

Environmentally focused, high-tech innovation
Far from being an idle boast, Slovenia’s claim to being a green, creative and smart country is an accurate reflection of an economy with a long tradition of combining experience and knowledge with innovative thinking and care for the environment. As a result, the country has a global reputation for its competitiveness in areas of the green economy, environmental technologies, robotics, mobility, digitization, biotechnology, research and development, organic food and the creative industries, among other sectors.

Despite having the sixth-smallest population in the European Union, Slovenia ranks third highest in the bloc for eco-innovations, with companies of all sizes and ages developing technical products that prioritize sustainability for numerous sectors. The country’s green credentials are also evidenced by the fact that it is a world leader in environmental health and ecosystem vitality. When it comes to creativity, Slovenia is placed 32nd on the latest Global Innovation Index, scoring well above average for its supportive institutions and business environment, human capital and research.

It’s being smart as well as green and creative that makes Slovene enterprises really stand out, however. By ensuring that their high-quality, sustainable and technologically advanced products and services are globally competitive, the country has become the worldwide leader in cross-border trade. Today, its innovative automotive components are integrated into almost every European vehicle, for example. As a consequence of this strength, Slovenia is ranked fifth by the Organisation for Economic Co-operation and Development for the generation of smart products.

Slovenia fact box
- Population: 21 million people
- Capital city: Ljubljana
- EU accession: 2004
- Neighboring countries: Austria, Croatia, Hungary and Italy
- Global Innovation Index: Ranked 32nd
- Global Peace Index: 8th-safest country

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A strategic location at the heart of Europe

Tomaž Kostanjevec, CEO, SPIRIT Slovenia, explains why the Central European country has become a prime destination for global investors.

SPIRIT Slovenia is the gateway into the country for foreign investors. Could you introduce the national agency?

From Asia to Central Europe, SPIRIT Slovenia is the central reference for potential investors and international companies looking for new business opportunities. We treat each investor individually, assign them a key contact within the agency and guide them throughout their entire investment process. We also cooperate closely with a network of regional development agencies who identify investment opportunities and locations. Once an investment is complete, we include the new business in our aftercare programme that helps them grow within the country and beyond.

SPIRIT Slovenia also connects foreign businesses with domestic suppliers and business partners. One of our biggest achievements in past few years is the establishment of new production in Slovenia.

How would you assess Slovenia’s attractiveness as a destination for foreign direct investment (FDI)?

We have been recording growth in FDI for several years, with companies investing in production, processing, finance and insurance activities. Especially in the manufacturing industry, investors have recognised the potential of Slovenian companies and have included them in their supply chains as key players. One of our biggest achievements in past few years is the establishment of new production in Slovenia.

In terms of our relationships with our neighbours, we have excellent long-term connections with Austria and Germany; plus good connections with all the countries of the former republic of Yugoslavia, which are well linked to our industry. Additionally, we are proud of our very skilled and highly productive workforce, and our well-developed education system. Almost 50 percent of our population has a tertiary education, with 41.2 percent of students graduating in science and engineering. Slovenian people are also known for their foreign languages, with many speaking at least two, most commonly English, German or Italian. Slovenia offers the perfect environment to live in as well, ranking as the eighth-safest country in the world, with people speaking at least two, most commonly English, German or Italian. Slovenia offers the perfect environment to live in as well, ranking as the eighth-safest country in the world.

SPIRIT Slovenia plays a critical role in building capacities of the country’s entrepreneurs. How are you promoting the internationalization of Slovenia’s business environment?

One of the main projects we are focusing on is the Expo Dubai 2020. Under the motto “Slovenia: Green and Smart Experience”, the country will symbolize the green heart of Europe, addressing visitors with extraordinary multimedia presentations that will allow them to experience the parts of the country Slovenia is most proud of. By entering our beautiful pavilion with its unique green façade, visitors will be able to explore the singular Slovenian interplay of nature, knowledge, innovation and breakthrought businesses. More than 130 Slovenian companies will take part in the event, as well as the best of our education system and entrepreneurs—we will be showcasing the top level of the Slovenian economy within our sustainable pavilion.

We are also a partner of Slovenian Digital Center: Technology for the People, the central economic event of Slovenia’s presidency of the EU Council. Our European Union presidency is a great opportunity to raise awareness of our potential and we hope that international investors will realize that Slovenia is a good partner, not only in relation to the EU, but also the U.S., Russia, China, Japan and the Far East. Slovenia is a land of infinite potential for business.

A dynamic hub for startups, entrepreneurs and hidden champions

With a wide range of support available from SPIRIT Slovenia for startups and entrepreneurs, including mentoring, networking, technology parks, incubators, generous grants and other financial resources, it’s no wonder that Slovenia ranks sixth in Europe in terms of the proportion of its population that believes entrepreneurship is a good career choice. Over the years, Slovenia has nurtured hidden champions in niche technology areas—highly positioned in their sectors on the global stage, but unknown to wider audiences. Slovenia ranks sixth for hidden champions in Europe, with 3.5 percent of its population, “explains CEO, Tomaž Kostanjevec. Possibly the largest concentration of them is in the automotive industry, where front runners include Akrapovic in titanium exhaust systems and Polytron in gas springs plus hybrid thermoplastic and metal parts, while a number of smaller names are gaining reputations for everything from wheel technologies to electric-car batteries and self-drive vehicles.

To illustrate the expanse of Slovenia's expertise, it has also nurtured hidden champions in the aerospace sector, such as drone creator C-Astral, electrical equipment manufacturer like biomass-combustion specialist Asa- ech elektronika and vacuum-cleaner motor producer Domet: in machining and fabricated metal, Tajfun Planina stands out for logging winches and firewood processors; and among its ICT stars is Goyab, which is preeminent in particle-accelerator systems. "Another example is biotech, where we have dominant firms in innovative healthcare based on genetic testing, and the production of cellulose nano-crystals and bacteriophages," notes Kostanjevec. There are many more champions in Slovenia and the number keeps growing, he adds. "They may be hidden, but they certainly are not sleeping!"

Top 5 reasons to invest in Slovenia

• A strategic position at the heart of Europe
• An excellent transport and ICT infrastructure
• Easy access to a 500-million consumer market
• A corporate culture of transparency and accountability
• A qualified workforce with high levels of education and skills

www.country-reports.net
Innovation-driven domestic enterprises

Entrepreneurial Slovenian businesses have cultivated strong external trade links that capitalize on the country’s unique position.

Prior to gaining its independence in 1991, Slovenia was the main hub for trade in Yugoslavia. At that point, however, the Central European country positioned its business focus west toward the European Union (EU), as the links with its traditional markets to the east temporarily broke down.

Today, the EU accounts for over three-quarters of Slovenia’s external trade but its connections with markets like the former Yugoslav countries and Russia have blossomed again, putting Slovene firms and their partners in prime position to capitalize on the EU market of 500 million people as well as hundreds of millions more in Central and Eastern Europe (CEE). After its independence, Slovenia rapidly transitioned to a modern economy and has remained ahead of others in CEE in terms of, for example, its utilization of technology, and the excellence of its communication, transport and logistics infrastructure and services. Key to that ongoing competitiveness is a talented population that is more enterprising than most: according to the Global Entrepreneurship Monitor, 59 percent of Slovenians believe they have the knowledge, skills and experience to be an entrepreneur. As well as driving the economy’s modernization, its domestic businesses are internationally focused. In 2020, for example, 46 percent of its early-stage entrepreneurs already had foreign customers.

“Slovenia is a real opportunity for business. It’s a very well-connected entry point to the EU and CEE, a region with untapped potential that is under the radar and which is not always straightforward for players from outside to access,” reveals Jan Heere, CEO of Studio Moderna. A huge local success story, Studio Moderna’s development mirrors—and in some ways has catalyzed—the country’s modernization over the last three decades. Established in 1992 as a startup selling one innovative product via direct-response television (DRTV), the group is now a leading home and living omnichannel e-commerce and direct-to-consumer retailer across CEE, with a vertically integrated network that reaches more than 360 million consumers in 20 markets.

Hitting disrupted the local retail market through DRTV, Studio Moderna started to build its portfolio of proprietary brands that includes names like Dormeo, the top sleep brand in most CEE markets. By the end of the 1990s, it had pioneered teleshopping in Slovenia under its Top Shop brand, started expanding internationally and opened the first of what is now a chain of 360 physical stores in the region. To manage those sales channels, the group set up some of the country’s first call centers and logistics services, which continue to support its own brands as well as ones from local and international partners. Milestones over the next decade included the launch of a first homeshopping TV channel in Russia, direct-to-consumer marketing and e-commerce.

Currently, Studio Moderna’s 6,500-strong workforce assist over 500,000 daily customers on 180-plus websites and social-media platforms, broadcasts on more than 220 TV stations and handles over 85 million calls in 20 languages every year. “The foundations of our success have been leveraging the region’s geography, creating our proprietary home and living and, more recently, beauty brands, and then transforming into a digital company. Our founder was visionary in looking at what was happening in the U.S. in terms of innovation and communication. We brought those things into this region at an early stage and they had a real impact. A lot of market leaders in Slovenia today grew through Studio Moderna,” summarizes Heere. In the last two years, the contribution of e-commerce to the group’s revenues has grown from 17 percent to 25 percent, and it aims to increase that to 50 percent in the near future, making e-commerce the number-one channel for the group. Heere believes the group’s evolution into an omnichannel retailer with a primary focus on e-commerce has been a logical development. “E-commerce in CEE accelerated by 25 percent during the pandemic and Studio Moderna will continue to be a pioneer in how we engage with customers going forward. For example, we are testing live streaming on social media across the region,” he says.

As the group has developed, so have the number of international brands wanting to access the group’s platform, marketing capabilities and knowledge of CEE in order to enter and be more present in the region. “A major advantage is that we are based in the region, unlike other players such as Amazon and Alibaba. We offer ourselves as an enabling interface: we know how to trade with all of these countries, we have been doing it for the last 30 years, and we understand their complexity and customer perspectives.” While geographical expansion has been one of the defining elements of Studio Moderna’s success to date, it is currently focused on seizing opportunities in its existing markets, which are growing at a faster rate than economies in Western Europe, Heere states. “We want to be the reference for customers looking for innovative, modern products, and we want to be the leading home and living platform in the region in CEE, with a primary focus on e-commerce.”
According to Sandi Češko, probably the country’s most internationally respected entrepreneur, the opportunities available to emerging Slovene innovators have never been greater. “They just need to think out of the box and redesign everything. They have to create new concepts and improvements in sustainability, quality and service. I always say, don’t assume, test different things and you’ll get a new answer.”

By following that mantra, Češko has transformed various industries over the last 30 years. After setting up one of Slovenia’s first computer firms in the late 1980s, he founded Studio Moderna, Central and Eastern Europe’s (CEE) leading home and living omnichannel retailer. “We bootstrapped the company from zero to $500 million in revenue, which we achieved with a winning combination of investment in talent, technology and innovation,” he states.

Having sold his stake in the main Studio Moderna platform, Češko gained the rights to Octaspring, a patented spring-from-foam technology, and then in 2016 he launched Vanema, a Slovenian startup that is exploiting the full potential of this groundbreaking technology in order to revolutionize the way we sleep, sit, travel and walk. “An advantage of Octaspring is that it uses half the foam in the same volume of product, so we can take 50 percent of the material out of any foam-based product, such as mattresses, coach cushions, car, airplane and train seats. Octaspring is at least 50 percent more eco-friendly than traditional foam and, because it’s a spring, it’s around 100 percent more comfortable. The product is also much lighter, so it reduces weight when used in transport sectors and, therefore, we reduce energy consumption and dramatically reduce carbon-dioxide footprint, while increasing comfort at the same time,” explains Češko.

The award-winning technology is thought to be the first genuinely innovative foam in the industry for 20 years. Because the springs that move in three dimensions are placed individually in products, different smart zones with varied firmness can be created to optimize weight distribution, pressure relief, comfort and support. In addition, the springs’ open structure offers eight-times better ventilation than traditional foam—which means that users of Octaspring beds get a satiating effect. It essentially brings the body to homeostasis and has an exciting effect. Examples include Marles hiše Maribor, which sets global standards in its construction of buildings made from sustainable materials, and footwear manufacturer Alpina, which designed the first biodegradable boot for cross-country skiers. Currently, for instance, it is developing the first completely personalized and customisable mattresses on the market, Češko reveals.

“The concept is that you take a photo of yourself with your smartphone, we are sent a digital avatar of your body and from that we can take precise measurements. Then we ask you some questions about how you sleep: if you prefer a softer or a firmer surface, if you have shoulder or back pain, what sleeping position you prefer and so on. Our artificial-intelligence algorithm can then create your personal mattress that is perhaps only 20 percent more expensive than a regular mattress. Personalization is coming not only to mattresses but to everything. We are working on these projects with leading scientists and universities, and we can address them without a significant increase in production costs.”

To produce its personalized bedding products, Vanema is investing heavily in state-of-the-art facilities. At the moment, its manufacturing is concentrated in large third-party factories in the U.S., Europe and China, but it is now developing its own smart-factory template, which will be completely robotized and digitalized.

The company’s goal is to establish a micro-manufacturing hub that manages its customized processes in every major city worldwide, starting in Slovenia, the entrepreneur says. “We are always striving to create solutions, instead of only pushing products. To succeed today, you have to create a completely new philosophy or paradigm across the whole supply chain and you have to locate your manufacturing facilities as close to the buyer as possible. This is our aim: small-factory concepts, with an innovative marketing and distribution strategy, which our technology can enable. Simply put, we are revolutionising everything.”

Sustainability permeates manufacturing

Slovenian manufacturers offer a case study in how to mix tradition with innovation to have a global impact on the environment and society

Manufacturers in some of the world’s oldest industries are among Slovenia’s strongest ambassadors for the country’s emerging reputation for environmentally friendly innovation and creativity. Examples include Marles hiše Maribor, which sets global standards in its construction of buildings made from sustainable materials, and footwear manufacturer Alpina, which designed the first biodegradable boot for cross-country skiers. Another illustration is Medex, a company that has been driving the development of beekeeping since 1974. Medex is a pioneer in food supplements made from hive-gathered ingredients, including honey, royal jelly, pollen, the reemerging propolis and bee venom. Enriched with other natural resources such as herbs and plant essences, Medex’s products form the foundation of apitherapy, in which bee-produced substances are used in the treatment of medical conditions and to promote health. “Our products are especially green. We work directly with nature, taking advantage of the natural active ingredients without altering them at all. We make all kinds of supplements, although our liquid formats, such as syrups, tinctures and gels, may be the most popular,” reveals general manager Aleša Mižigoj.

Today, Medex is one of the world’s leading manufacturers of bee-related dietary supplements and its products are available in over 30 countries worldwide. Some of its supplements have been on the market with the same traditional recipes for 50 years, but the firm also pushes apitherapy forward through research and development. In collaboration with Slovenia’s University of Primorska, for instance, Medex carried out the first double-blind study into the impacts of royal jelly in humans. Mižigoj says, “It was shown to improve antioxidant activity, decrease inflammation, lower cholesterol levels and it has a satiating effect. It essentially brings the body to homeostasis and has an excellent effect on hormones.” Medex also introduces innovative new products every year to meet the changing needs of its customers. As an example, last year it launched a product enriched with vitamin D in response to research suggesting that nutrient is useful in staving off the effects of COVID.

According to Mižigoj, however, “Medex’s first priority is to imprint onto people the importance of taking care of bees and their products.” In 2018, it began a scheme to develop beekeeping in Bangladesh in order to modernise that country’s practices and create employment opportunities, particularly for women, the states. “We’re now starting a project in Ghana with Exim Bank. We would like to build training centers that educate women especially because, in Africa, women can support their family with just a few beehives. It’s a win-win situation where we create jobs and help bees, which are the most important link in the chain of our human ecosystem. At Medex, we say everyone should be like bees: connect, work together and do good in the world.”

That philosophy is shared by Marij Feguš, owner of Donar, a manufacturer of top-quality, sustainably designed furniture. “It’s my strong belief that we have to put our planet first and that business should mostly be about social impact. Donar has upgraded design thinking in furniture to make it circular and we’ve added a new vision of compassion design. For us, it’s not important to just make another chair, it has to be revolutionary. That technology that uses waste plastic bottles, then started working with the best architects and designers we could find, and used our vision to make unique, long-lasting, award-winning and sustainable chairs. That’s our story.”

Feguš wants to continue to innovate to create design icons that are cherished by their owners for decades, he says. “Recycled is not enough for us. We’re always considering how we can turn waste into something beautiful and long lasting, and we’re going to launch, for example, new materials made out of wasted wood. The furniture industry has been the same for the last hundred years—let’s make something different.” Highly sought after in Eastern Europe, Feguš wants to extend the presence of Donar’s unique technologies in other global markets. “We would be really happy to share our knowledge on other continents, but there is no environmental sense in using waste in Slovenia and shipping it to the U.S. We’re a small company in a small country, but I believe Slovenia should be a case study for others. As a country, we have so much knowledge about sustainability and decarbonization.”

Getaway: 2021 – Central & Eastern Europe

SLOVENIA

SLOVENIA
Retail innovators provide support through crisis

During the pandemic, the market leader in fast-moving consumer goods made good on its claim to be the best local partner and retailer.

“In common with the rest of the world, COVID-19 introduced uncertainty and change to the lives of Slovenia’s citizens. One thing the population could rely on as normal, however, was ready access to all essential consumer goods. A key contributor to that was Mercator Group, the biggest retailer in Southeast Europe (SEE) with 1,240 stores in Slovenia, Serbia, Montenegro, and Bosnia and Herzegovina. Its portfolio includes wholesale, manufacturing, technical goods stores and real estate, but Mercator’s core activity is fast-moving consumer goods retail. “Our role in Slovenia during the pandemic was extremely important, as we are the number-one player in the country with almost a third of the market. Any major disruption in our supply chain would have meant a massive crisis for citizens,” says its president, Tomislav Čizmić.

Mercator saw its responsibility to keep the region supplied without shortages as an extension of its role as a defacto ambassador for Slovenia, he adds. “For over 70 years, Mercator has been among the country’s most recognized and valued brands and it’s one of the symbols that best represents Slovenia. We have a vital place in the economy, society and culture.” To illustrate the importance of the group to SEE, it has a workforce of almost 21,000 people in total and is Slovenia’s largest employer. In 2020, its revenues amounted to €2.1 billion and it buys over €500-million in goods from Slovenian manufacturers alone every year, Čizmić recalls. “We are the largest partner for our suppliers in the countries we operate in. We offer more than 1,500 goods from local farmers and small producers in Slovenia alone, and we develop special marketing platforms for them.” During the pandemic, the group managed 10-times growth in its online sales relatively smoothly being a driver of retail innovation. “Mercator had notable advantages. We opened our online business in 1999 and were the first to launch a mobile payment app, so we are leaders in those fields. We also have by far the biggest loyalty program with 1.8 million members in the region, 780,000 active members in Slovenia, and we are the only retailer covering almost all of the country for home delivery,” he states.

One reason for this is the density of its distribution and retail network. With a portfolio valued at about €900 million that includes outlets of all sizes from small grocery stores to shopping centers, plus other facilities associated with its business and investment properties, Mercator is among the largest real estate operators in SEE. In 2020, it invested €11.8 million into its facilities, much of which was spent on modernisation and launching new retail concepts. However, he says, “Our biggest project is a new, highly automated €170-million distribution center in Slovenia. It will be the heart of our logistics operation.”

According to Čizmić, this size of investment was made possible by Mercator’s recent incorporation into Croatia-based Fortenova Group, one of the largest enterprises in SEE that operates in retail, food and agriculture. “With Fortenova’s support, we are entering the next phase of our plan, which is development, investments and growth. We will continue to deliver the very best stores, distribution system and an omnichannel approach; and Mercator will continue to be the best local partner and retailer in every market in which we are present.”
Thriving life sciences led by pharmaceuticals

Innovative businesses operating in advanced healthcare industries make up one of Slovenia’s key economic sectors

Bolstered by three centuries of tradition in the chemical industry, Slovenia is a major international force in life sciences in general and pharmaceuticals in particular.

Today, the country boasts hundreds of innovative, export-led healthcare businesses operating not just pharmaceutically, but in advanced sectors as diverse as biotechnology, medical devices, genetics and digitalization solutions for laboratories. They are supported by renowned research organizations like Institute Jozef Stefan and the National Institute of Chemistry that have a strong focus on life sciences, plus research-oriented higher education institutions—especially the Universities of Ljubljana and Maribor—in which around 5,200 Slovenian undergraduates finish every year to study chemical technology, biology, pharmacy and veterinary medicine.

As one of Slovenia's most developed and extensive industrial sectors, its life-sciences ecosystem contains companies of all sizes and ages. Among its most recent startups to gain international recognition, for instance, is one of the world’s leading generic pharmaceutical companies, with a global reputation for high-quality, safe, efficient and value-for-money products. However, explains president and CEO Jože Colarič, “Until the 1980s, we were a bridge between the Western pharmaceutical industry and Eastern Europe. We got product licences from their sources in Japan, the U.S., other parts of Europe and elsewhere, and we manufactured products based on that know-how, which we sold in the former Yugoslav and socialist countries. With the fall of the Berlin Wall in 1989, everything changed—we weren't needed as the bridge between West and East anymore. We had to go our own way, which was into generics.”

Currently, the company that achieved revenues of €1.5 billion and a net profit of €269 million in 2020 employs more than 13,000 people, 46 percent of whom work outside Slovenia in subsidiaries and representative offices in 49 countries that serve 70 markets. “50 million patients all over the world take Koka's pills every day, and, on a yearly basis, we produce and sell in little over 30 billion and tablets. We have products that are registered and sold on various continents, but the majority of our business concern Europe, from Vladivostok in the far east of Russia to Reykjavik in Iceland,” he states.

Perception pharmaceuticals represent more than 85 percent of Koka’s sales, with it being particularly strong in products targeted at cardiovascular diseases, such as high blood pressure or cholesterol issues; central nervous system concerns, including antidepressants and tranquilizers; gastrointestinal diseases; the treatment of pain; diabetes, and oncology. The majority of the rest of its sales come from over-the-counter pharmaceuticals, predominantly cough and cold treatments and low-dose painkillers. According to Colarič, the key to Koka’s success is a vertically integrated business model that allows us to efficiently channel the entire pharmaceutical value chain and enables it to respond to market changes. “It’s a different model to other generic producers, which usually outsource some elements.”

Koka’s automated factory in the country, for example,” Colarič comments. “We do everything by ourselves, and practically everything we produce and sell today is based on our own know-how. we manage the entire production and work with a high level of quality assurance. we have a high percentage.”

Colarič believes that the trust the firm has built up in patients and partners comes from not just its know-how, professionalism and standards, but also from its ethical approach to business. “As an illustration of our endeavors, our company is named after the River Koka, which flows a few meters away from our headquarters. Over the years, that river has retained its characteristic green color as a result of our efforts to prevent pollution, which is something we’re really proud about.”

All our actions are socially and environmentally responsible in order to further improve nature’s preservation, and the health and safety of patients, society and our employees. As an illustration of our endeavors, our company is named after the River Koka, which flows a few meters away from our headquarters. Over the years, that river has retained its characteristic green color as a result of our efforts to prevent pollution, which is something we’re really proud about.”

Over the last two decades, Novartis has invested in excess of €2.7 billion into Slovenia, much of which has gone into modernising and expanding Leka’s R&D and manufacturing capacities so that, today, Slovenia plays an increasingly important role within Novartis, with Slovenian teams involved in the development and manufacturing of some key pharmaceutical products and breakthroughs for patients worldwide. “Our center for the development and production of biological medicines is the only of its kind in the country,” Robert Ljoljo, President, Lek and Country President Slovenia, Novartis

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Digitalization: A catalyst for biotech success

Transformative digital products and services from Slovenia take an interdisciplinary approach to solve challenges faced by global scientists.
The Slovenian government and leading energy companies are investing heavily to accelerate the green transition. "Slovenia is convinced that the recovery and modernization of the European Union (EU) economy must be based on the European Green Deal," says Minister of Infrastructure, Jernej Vrtovec, in reference to the bloc’s plan to become climate neutral by 2050.

The country has been using its presidency of the EU Council this year to push for measures to move forward with this ambition. "For example, transport is a sector that can contribute most toward decarbonization and Slovenia welcomes the transition to smart and sustainable mobility. The Slovenian presidency is putting a special effort into alternative fuels and e-mobility," Vrtovec stresses. Furthermore, the rush to digitalization and the introduction of alternative fuels. "We also want to promote countries putting more money into rail to protect the environment. Slovenia itself has put over €500 million into new tracks this year," Vrtovec asserts.

75 percent of the EU’s current emissions come from the production and use of the member-state’s fossil fuels. In September, Vrtovec led a meeting of EU transport and energy ministers that reached agreement on the need to speed up the transition to a greener energy system. Slovenia is committed to phasing out its coal and oil installations by 2030. Currently, it supplies customers in eight European countries with electricity and is also globally present in wholesale energy, with operations in over 20 countries. What lies behind that success?

38.4 percent of electricity generated in Slovenia last year came from the Kriško nuclear power plant. "I’m a promoter of nuclear energy. It’s cleaner than carbon-based energy, and we need it if we want to achieve our 2050 goals. This is crucial, not just for Slovenia but also for other countries, if we want to phase out coal and be energy independent," he insists. Nevertheless, the remaining 61.6 percent of electricity comes from renewable sources.

What are GEN-I’s goals for decarbonizing its own operations? "By 2025, we believe we can fully decarbonize all our activities. As of January 1 2021, we no longer supply electricity produced from fossil fuels," Robert Golob, President of the Management Board, GEN-I+, states.

Why did you decide to become the first Slovenian utility to provide domestic solar-panel installations? We have a customer base of 400,000 end customers, which is our greatest asset in Slovenia. When it came to offering them a product that would help lower their carbon footprint and create long-term savings, the answer was rooftop solar. This year alone, we will have installed more than 1,000 installations. We have also expanded our offering to include medium-size installations and we will start constructing our first utility-scale solar power plant this year.

How are you using your extensive international trading network to further your ambitions for decarbonization of the energy sector? Due to our strong presence in SEE, we are already linking our trading infrastructure and large-scale power plants, and now we want to offer power purchase agreements to all the renewable power plants in the region. This is a natural evolution of a business idea that is adjacent to our existing business. We are continuously rethinking our business for the future, always looking for trends we can explore.

Why is it easier to demonstrate in a small, concentrated country like Slovenia? "Transformation needs people to work hand in hand, and this is something that is easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia. It’s easier to demonstrate in a small, concentrated country like Slovenia.

What role does Slovenia have in the EU’s green transition? Where you operate on a small scale, it’s much easier to test and prototype various ideas. Slovenia is already offering an example of how to make players in the energy field work together. We have established a green consortium for accelerating the transformation of electrical power, within which is the transmission system operator, distribution operators, and GEN-I as a supplier and trader. We are trying to devise new rules to make the transition not just faster, but more efficient in terms of the amount of investment needed. The green transformation needs people to work hand in hand, and this is something that is easier to demonstrate in a small, concentrated country like Slovenia.

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Nuclear energy to reach climate goals

For nearly 40 years, Slovenia has been able to rely on a clean, cost-efficient, stable and safe supply of electricity from Krško.

In 2020, 38.4 percent of the electricity generated in Slovenia came from just one source: the Krško nuclear power plant (NPP), which has been providing the country with electricity ever since it was established in 1983.

The 700-megawatt generating station supplies around 20 percent of Slovenia's annual electricity needs, 16 percent of neighboring Croatia's and also helps stabilize the wider European grid as a node within the European Network of Transmission System Operators for Electricity network. It is jointly owned by the states of Slovenia and Croatia, and operated by the publicly-owned company Nuklearna elektrarna Krško (NEK). “We operate the facility according to the bilateral agreement between the two states, which sets the fundamental principles for our operations, and not as a profit organization. It's a unique situation as both parties have equal 50:50 shares, so governance is based on consensus, as are strategic decisions about, for example, business planning, waste management and financing,” explains NEK president Stanislav Rožman.

According to Rožman, almost forty years after it was built, Krško remains a vital component in Slovenia’s electricity mix. “We consider nuclear to be a clean source of energy, very comparable to renewables, and Slovenia’s strategic orientation is that we will only achieve our climate goals with a combination of renewables and nuclear energy. Based on this, we are planning for the long-term operation of the Krško NPP.”

The cleanliness of NEK's operation is borne out by independent analysis of airborne emissions and wastewater releases, both of which show that its impact on the environment is low enough to be practically imperceptible. In addition, the Intergovernmental Panel on Climate Change has demonstrated that nuclear generating stations contribute to lowering carbon footprint by outputting less carbon dioxide (CO2) than even solar or hydropower plants. Indeed, while NEK supplies around one-fifth of Slovenia’s electricity, it is responsible for less than 1 percent of the total carbon footprint from its energy sector. And on the occasions when Krško NPP is not operating, Slovenia's CO2 emissions increase by the equivalent of almost 76,000 tons a month.

The facility has also helped keep electricity bills down: in the first half of 2021, Slovenia's power prices were 24 percent lower than the European Union average. “We are very competitive compared to other sources of electricity production in the region. Operating costs of fossil-fuel units in particular are much higher,” says Rožman. Krško NPP’s reliability was proved in 2020 with an above-average 99.5 percent of the time and beat its targets by an additional 1.2 percent. “We're not satisfied with being positioned as an average operating company. Our vision is to be globally recognized for our safety standards and quality of operation, and there are performance indicators that suggest we are among the 10-percent best-performing nuclear units worldwide.” Those indicators are drawn from expert independent safety assessments that are carried out regularly at Krško NPP, he adds. “We are transparent, open and very exposed to the international community. We accept inspections and assessments basically on a yearly basis from a range of organizations, including the World Association of Nuclear Operators, the International Atomic Energy Agency and the American Institute of Nuclear Power Operations. We see this exposure as a positive pressure on our continued development.”

Under Slovenian law, NEK also carries out a major safety review of all its activities once a decade for its regulator, the Slovenian Nuclear Safety Administration. The results of this are presented with a 10-year safety upgrade plan, which has to be approved in order for NEK to keep its operating license. “We are approaching the final stage of our latest 10-year safety upgrade program in which we have invested approximately €350 million. The program focused on natural disasters. We didn’t need additional measures to be protected against the magnitude of the earthquake in our vicinity in 2020. But we have to be prepared for higher magnitudes or other extreme events, such as flooding or an aircraft hitting the site. All of these things have been addressed.”

Stanislav Rožman, President, NEK

“This year we need to pay attention to how it uses energy, how to restructure the energy sector and how to make it cleaner.”

With systems as modern as those of a newly built nuclear station, NEK relies on cutting-edge, digitalized technology and a highly qualified workforce, he comments. “We can be at risk of any deviations or incidents. We employ about 640 degree-educated people and pay tremendous attention to increasing their skills with yearly training. I'm really proud of our team and of the relationship we have with the local community.”

Rožman believes that Krško NPP’s contribution to Slovenia’s electricity supply and climate goals will remain crucial for many years to come. “We have to take global warming extremely seriously. The world needs to pay attention to how it uses energy, how to restructure the energy sector and how to make it cleaner. We believe that a realistic solution in the short-term is a hand-in-hand combination of renewables and nuclear energy. We don’t have much time to act and react to what is happening to our environment.”

Safety: The first priority

When it comes to operating the facility, however, NEK’s overriding concern is safety, Rožman stresses. “We're not satisfied with being positioned as an average operating company. Our vision is to be globally recognized for our safety standards and quality of operation, and there are performance indicators that suggest we are among the 10-percent best-performing nuclear units worldwide.” Those indicators are drawn from expert independent safety assessments that are carried out regularly at Krško NPP, he adds. “We are transparent, open and very exposed to the international community. We accept inspections and assessments basically on a yearly basis from a range of organizations, including the World Association of Nuclear Operators, the International Atomic Energy Agency and the American Institute of Nuclear Power Operations. We see this exposure as a positive pressure on our continued development.”

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The scope of the program is comparable to what has been done at most European nuclear facilities and went beyond the average in some aspects,” Rožman reassures.

Stanislav Rožman, President, NEK
"The strong position of Slovenia’s banking system enabled a swift reaction to the COVID crisis and supported the economy as a whole," states Stanislava Zadravec Caprirolo, managing director of the Bank Association of Slovenia.

In 2020, the 16 banking institutions in the country increased their combined balance sheet by over 8 percent to €44.7 billion and went into 2021 with 6.7 billion in excess liquidity. “Our banking system is one of the most liquid in the European Union (EU). The savings rate of Slovene households, which was already very high before the pandemic when compared across the EU, has further increased. Additionally, the sector entered the crisis with a low level of non-performing assets at around 2 percent,” she reveals.

Amidst the pandemic, work also continued on strengthening a capital market that includes Ljubljana Stock Exchange (LJSE), which saw its revenues grow 8.9 percent to €1.6 billion in 2020. “Our capital market is very safe and stable, as evidenced by the fact that foreign investors make 40 percent of the transactions on LJSE,” asserts Anka Čadež, director of Slovenia’s Securities Market Agency (ATVP). Both ATVP and the country's banks are committed to sustainable financing. “Within the EU, Slovenia’s banking sector has been one of the important players in green finance since 2017, when it supported the first green bond issuance of electricity supplier GEN-I. Since then, it has offered a palette of sustainable, green and socially supportive products to companies, households and municipalities. All banks have addressed this, with the frontrunners being SID Bank and NLB,” says Zadravec Caprirolo.

SID Bank is the country’s promotional development and export bank, explains its president and CEO, Sibil Svilan. “We’re the central institution for financing the sustainable development of the Slovenian economy. We’re working intensively toward transforming our economy to a green one through different financial instruments that we offer Slovenian companies.” SID Bank is also helping the public sector to transform. In October, for instance, it agreed to a €50-million loan with the Council of Europe Development Bank that will be used to co-finance municipal sustainable projects.

NLB was the first company in Slovenia to set strong ESG goals

NLB Group, on the other hand, is Slovenia’s largest private-sector financial group and one of the top-three biggest banking institutions in five other Southeast European countries as well. “NLB is among the first in the regional finance industry to have strong environmental, social and governance goals. For example, we no longer support coal technologies, are dealing with our own carbon footprint and are introducing new underwriting criteria for corporate clients. We’ve also been working on introducing products that will stimulate sustainability, and seek out energy-efficiency and renewable-energy projects throughout the region,” says Blaž Brodnjak, NLB’s CEO.

NLB has been an active participant in an ongoing consolidation of the regional banking sector. According to Zadravec Caprirolo, “In Slovenia, the number of banks has decreased by around 30 percent in the last decade. However, the advanced digitalization that has taken place in the sector has increased and enhanced their efficiency.” Brodnjak confirms this: “You can make 95 percent of your transactions with NLB online today. We’ve also been working on a contemporary platform for data management and transformation. We’re delivering the client experience of fintech, while also offering the entire portfolio of universal financial services.”

Slovenia’s banks are assisting in the digitalization of the wider economy as well, he comments. “The production sector is crying out for new investment to expand automation and digitalization.” Zadravec Caprirolo believes Slovenia’s EU-backed Recovery and Resilience Plan gives banks the opportunity to participate in more projects in this area. “The sector is well equipped to support and finance the envisaged investment needs within the EU framework of green and digital orientation. Financing is going to be an important catalyst in the process of investing in green and socially responsible growth, and we are ready to play our role in the shift to sustainable and inclusive development.”