



SLOVENIA  
INVESTMENT CLIMATE STATEMENT  
2015

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## **Executive Summary**

Several key factors make Slovenia an attractive location for foreign direct investment (FDI), including: modern infrastructure with access to main EU transportation corridors, a major port on the Adriatic Sea, a highly-educated and professional work force, close proximity to Central/Southeastern European and EU markets, and membership in the EU and Eurozone. However, potential investors in Slovenia have faced challenges including a lack of transparency in economic and commercial decision-making, unclear tender processes, and at times an inconsistent taxation and regulatory structure.

EU member states are the biggest investors in Slovenia. Together they account for over 80 percent of all inward investment in Slovenia. The share of inward FDI stock in GDP in 2013 in Slovenia stood at 25 percent.

Nevertheless, foreign companies are an important factor to Slovenia's economy. In 2013, they accounted for 19.2 percent of capital, 22.7 percent of assets and 22.1 percent of employees in the entire corporate sector. Their capital and workforce generated 29.4 percent of total net sales revenue and 28.0 percent of total operating profit. Foreign companies accounted for 39.5 percent of exports and 45.2 percent of imports by the Slovenian corporate sector.

Sectors of the economy that are most successful in attracting FDI to Slovenia include manufacturing, especially metal products, electrical and optical equipment (in particular production of components for electronic and automotive industry), chemical products and products from plastic materials, paper, pharmaceuticals, rubber, wholesale, retail, and financial and business consultancy.

An annual survey of foreign companies in Slovenia, conducted by the Slovenian Public Agency for the Promotion of Entrepreneurship, Innovation, Development, Investment and Tourism (SPIRIT Slovenia), indicates the most decisive factors for choosing Slovenia as a location for investment are the high quality production of export goods, the high skills and expertise of the labor force, prospects for long-term relationships with local customers and suppliers, market access (mostly for services), and geographic position.

## **1. Openness To, and Restrictions Upon, Foreign Investment**

### **Attitude toward Foreign Direct Investment**

While generally welcoming greenfield investments, there are a number of informal barriers that present challenges for foreign investors. According to SPIRIT's survey, the most significant barriers adversely impacting FDI in Slovenia are high taxes, high labor costs, an inefficient judicial system, difficulties firing employees, and a small domestic market size.

Foreign companies doing business in Slovenia and the local American Chamber of Commerce have cited additional factors that affect the local investment climate, including: the lack of a high-level FDI promotion strategy, a sizable judicial backlog, difficulties in obtaining building permits, a high-level of labor market rigidity, disproportionately high social contributions and personal income taxes coupled with excessive administrative tax burdens, the lack of

transparency in public procurement, unnecessarily complex and time-consuming bureaucracy, frequent changes in regulation, relatively high prices of real estate, and confusion over lead responsibility or jurisdiction regarding foreign investment among government agencies.

### **Other Investment Policy Reviews**

Slovenia underwent an OECD Investment Policy Review in 2002. The Economist Intelligence Unit and World Bank's "Doing Business 2015" provide current economic profiles of Slovenia.

### **Laws/Regulations of Foreign Direct Investment**

Foreign companies conducting business in Slovenia have the same rights, obligations and responsibilities as domestic companies. The principles of commercial enterprise, which include free operation and national treatment, apply to the operations of foreign companies as well. Their basic rights are guaranteed by the Law on Commercial Companies and the Law on Foreign Transactions.

Slovenia's Promotion of Foreign Direct Investment and Internationalization of Enterprises Act covers the main goals and measures for promotion of FDI. The SPIRIT agency promotes FDI and advocates for foreign investors in Slovenia. Its mission is to enhance Slovenia's economic competitiveness through technical and financial assistance to entrepreneurs, businesses and investors.

More information on how to invest and register business in Slovenia is available at:

- <http://www.spiritslovenia.si/>
- <http://www.eugo.gov.si/en/starting/business-registration/>

### **Industrial Promotion**

Slovenia particularly welcomes high-tech sector investments that create jobs and are linked to research and development (R&D) activities, for which special tax incentives are available. In some economically depressed and underdeveloped regions (such as the Prekmurje region near the Hungarian border), Slovenia offers special facilities, services and financial incentives to foreign investors. In 2011, when the share of FDI as a percentage of GDP amounted to 30.6 percent, the Government of Slovenia set a goal to increase the share to 37 percent by 2014. In the period from 2010 to 2012, Slovenia spent EUR 36.2 million to promote FDI and to increase integration into global value chains, mainly through financial incentives for investors.

Although Slovenia has some of the highest taxes in Europe, the government has introduced tax cuts which significantly reduced business costs, by eliminating payroll taxes in 2009, and lowering the corporate tax rate to 17 percent in January 2013. Similar to other EU countries grappling with the budget-related effects of the global recession, the government increased the VAT rate from 20 percent to 22 percent, (and the reduced rate from 8.5 percent to 9.5 percent) in July 2013.

## **Limits on Foreign Control**

Slovenia has relatively few limits on foreign ownership or control.

Professional services: limits on banking and investment services, private pensions, insurance services, asset management services, settlement, clearing, custodial, and depository services provided in Slovenia by undertakings headquartered in non-EU countries.

Gaming: 20 percent cap on foreign ownership.

Air transport: Registration of an aircraft is only possible for aircraft owned by Slovenian or EU nationals or companies controlled by them. Granting of an operating or AOC license for performing airline services is provided only to companies controlled by Slovenian nationals or to carriers complying with EU regulations on ownership and control.

Maritime transport: majority ownership by non-EU residents of a Slovenian flag maritime vessel, unless the operator is a Slovenian or other EU national.

## **Privatization Program**

Unlike other countries in Central and Eastern Europe, Slovenia never undertook a comprehensive privatization process, thus it still has a relatively high percentage of enterprises either owned or controlled, directly or indirectly by the state. State control is evident in several key sectors, such as energy, transport, public utilities, banking, telecommunication, and insurance. State participation in these sectors of the economy is among the highest in Europe. Large portions of the manufacturing, construction, retail and tourism sectors are owned or controlled (at least indirectly) by the state.

The government prepared a list of 15 state owned companies which it plans to sell, which the Parliament confirmed in 2013. To date the state has sold three of these companies. Foreign investors can participate in these public bidding processes on an equal basis. However, bidders often describe the bidding process as opaque with unclear or unenforced deadlines.

In 2015, the government initiated a process to prepare an asset management strategy that will classify state-owned assets into strategic and portfolio investments, partly in response to an EU recommendation that state participation be limited in the corporate and financial sectors, and that member states create comprehensive strategies for the management of core assets and divestment of non-core assets.

## **Screening of FDI**

Slovenia has an open economy and no screening or review process is needed for FDI.

## Competition Law

Slovenia's Competition Protection Agency supervises the application of the provisions of the Restriction of Competition Act and monitors and analyzes market dynamics, assessing alleged restrictive agreements and abuses of a dominant or monopoly position.

In Slovenia, highly concentrated market structures are not illegal per se; however, the abuse of market power is. The Law on the Protection of Competition prohibits acts that restrict competition in the market, conflict with good business practices relating to market access, or involve prohibited speculation. The law, which is fully harmonized with EU legislation, is applicable to corporate bodies and natural persons engaged in economic activities regardless of their legal form, organization, or ownership. The law also applies to the actions of public companies.

Restriction of competition through cartel agreements, unfair competition (i.e., false advertising, promises/gifts in exchange for business, trade secrets, etc.), illicit speculation during times of irregular market situations, and dumping and subsidized imports are all prohibited. The Government may, however, prescribe market restrictions in the following instances: in cases of natural disasters, epidemics, or in a state of emergency; in cases of appreciable market disturbances due to the shortage of goods; or when necessary to satisfy requirements for the products, raw materials, and semi-finished goods of special or strategic importance to the defense of the nation.

The Competition Protection Office (CPO) is responsible for ensuring fair competition in the marketplace. Investigations can be initiated by the CPO or conducted at the request of private companies. The CPO can issue a decree against any company found to be violating the Law on the Protection of Competition, although the power to fine companies rests solely in the hands of the courts. Any party trading in goods or services on the market may initiate legal proceedings in cases of unfair competition. Injured parties are entitled to compensation and the injunction of the unfair acts.

The court may issue a penalty of EUR 125,000 (USD 137,000) to EUR 1,000,000 (USD 1,100,000) against companies found to have engaged in cartel agreements, abused a dominant market position, committed an act of unfair competition, or engaged in illicit speculation. The managers and directors of the sanctioned company may be liable for a minimum fine of EUR 4,000 (USD 4,400). Self-employed persons found to have committed any of the legally prohibited actions are liable to pay a fine of no less than EUR 40,000 (USD 44,000). There are also fines for noncompliance with the CPO in the range of EUR 2,000 to EUR 4,000 (USD 2,200 to USD 4,400) for every week that requested documentation is not submitted. The same range of fines also applies if the sanctions are not carried out.

## Investment Trends

FDI in Slovenia is relatively low, despite Slovenia's overall mix of qualities as an attractive investment location. The stock of inward FDI in Slovenia stood at EUR 8.9 billion at the end of 2013 or 25 percent of GDP. As with trade, the bulk of FDI in Slovenia originates in Europe. There were an estimated 3,403 foreign investments in Slovenia at the end of 2013. 62 percent of

these were new (greenfield) investments and 35 percent were existing investments. In 2013 the highest concentration of FDI was in financial services, (16.7 percent), followed by retail trade (9.1 percent), wholesale trade (8.9 percent), real estate activities (8.4 percent), pharmaceutical manufacturing (7.6 percent), manufacture of motor vehicles (4 percent) and electricity supply (3.6 percent). Service activities are prevalent for inward FDI, accounting for 63.7 percent of total inward FDI in 2013, while investments in production activities accounted for 33.8 percent and real estate for 2.5 percent of inward FDI.

*Table 1*

Measure	Year	Index or Rank	Website Address
<b>TI Corruption Perceptions index</b>	2014	39 of 175	<a href="http://transparency.org/cpi2014/results">transparency.org/cpi2014/results</a>
<b>World Bank's Doing Business Report "Ease of Doing Business"</b>	2015	51 of 189	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2014	28 of 143	<a href="http://globalinnovationindex.org/content.aspx?page=data-analysis">globalinnovationindex.org/content.aspx?page=data-analysis</a>
<b>World Bank GNI per capita</b>	2013	USD 23,210	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## 2. Conversion and Transfer Policies

### Foreign Exchange

Slovenia adheres to Article VIII of the IMF Article of Agreement, thus committing itself to full current account convertibility and full repatriation of dividends. In order to repatriate profits joint stock companies must provide the following: evidence of the settlement of tax liabilities; notarized evidence of distribution of profits to shareholders; and proof of joint stock company membership (Article of Association). All other companies need to provide evidence of the settlement of tax liabilities and the company's act of establishment.

For the repatriation of shares in a domestic company, the party must submit its act of establishment, a contract on share withdrawal, and evidence of the settlement of tax liabilities to the authorized bank.

Slovenia replaced its previous currency, the Slovenian tolar, with the euro in January 2007.

The euro area has a freely floating exchange rate. In the first half of 2014, the euro was broadly stable against the dollar, but subsequently has depreciated by over 9 percent through mid-October 2014.

*Remittance Policies*

Not applicable/information not available.

**3. Expropriation and Compensation**

According to Article 69 of Slovenia's Constitution, the right to possess real property can be taken away or limited by the government for public purpose in exchange for compensation in kind or financial compensation under conditions determined by law on the basis of public interest.

There are currently no expropriation-related investment disputes with regards to the current Government of Slovenia; national law gives adequate protection to all investments. However, there is an ongoing dispute over private property expropriated by the Socialist Yugoslav government for state purposes. After the fall of Yugoslavia, the 1991 Denationalization Act established a basis for the process of denationalization of these properties, returning them to the rightful owners or to their heirs, or paying some sort of compensation if it was not possible to return the property "in nature."

Some of those rightful owners and heirs are now U.S. citizens. Since the 1993 deadline for filing a claim, roughly 99.6 percent of all cases have been resolved.

The percentage of resolved claims involving American owners is lower (approx. 88 percent). Cases regarding expropriation of property belonging to U.S. citizens take longer for several reasons, most of which are tied to the fact that the claimants usually do not live in Slovenia. First, the Ministry of Justice must determine the nationality of the former owner at the time the property was seized – a simple question for Slovenians who never acquired another citizenship, but more complicated in cases involving naturalized American citizens. Second, many non-resident claimants fail to engage local attorneys, or only did so at the start of the process and have since let those retainers lapse. Third, simple communication/postal delays mean non-resident claimants take longer to respond to paperwork and other needs relating to their cases. Finally, there are also concerns that some claims involve property currently controlled or owned by prominent members of Slovenian society, thereby creating an additional and often unseen obstacle to restitution.

**4. Dispute Settlement****Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts**

There have been no major investment disputes in the past five years. Investment disputes are handled in the same manner as all other business disputes.

Slovenia has a well-developed, structured legal system. It is based on a five-tier (district, regional, appeals, supreme, and administrative) court system. These courts deal with a wide array of legal cases including criminal, probate, domestic relations, land disputes, contracts, and other business-related issues. A separate social and labor court system, comprised of regional, appeals, and supreme courts, deals strictly with labor disputes, pensions, and other social welfare

claims. Similar to most European countries, Slovenia also has a Constitutional Court which hears complaints alleging violations of human rights and personal freedoms. The court expresses its opinions on the constitutionality of international agreements and state statutes, and deals with other high profile political issues. In keeping with European legal standards, in 1997 the Slovenian Parliament established an administrative court to handle disputes among local authorities, between state and local authorities, and between local authorities and executors of public authority.

The Parliament passed a law on Legal Proceedings in 1999 to speed up court proceedings. The law stipulates a stricter and more efficient procedure for serving court documents and providing evidence. For commercial cases, defendants are now required to file their defense within 15 days of receiving a notice of a claim. As a result of EU warnings and GoS programs to reduce case backlogs, the efficiency of Slovenian courts has increased. The number of cases assessed as backlogs reduced from 199,923 in 2012 to 175,040 in 2013. There were; however, 268,376 open cases at the end of September 2014.

Unless parties have agreed to binding arbitration, the regional court specializing in economic issues has jurisdiction over business disputes. However, the parties may agree in writing to settle disputes in another court of jurisdiction.

The parties may also exclude the court as the adjudicator of the dispute if they agree in writing that contractual disputes will be solved by arbitration, whether ad hoc or institutional. In the former case, the applicable procedure and law must be determined. In the case of institutional arbitration, the type of arbitration must be clearly defined.

The Permanent Court of Arbitration within the Chamber of Commerce is an independent institution that solves domestic and international disputes arising out of business transactions among companies. The procedure before the Permanent Court of Arbitration at the Chamber of Commerce of Slovenia is governed by the Regulations on the Procedure before the Permanent Court of Arbitration at the Chamber of Commerce of Slovenia. Arbitration rulings are final and subject to execution.

## **Bankruptcy**

Competition is keen in Slovenia and bankruptcies are an established and reliable means of working out firms' financial difficulties. Slovenian law provides three procedural methods for dealing with bankrupt debtors. The first, compulsory settlements, allows the insolvent debtor to submit a plan for financial reorganization to the Court. The Compulsory Settlement Plan is then voted upon by the creditors and must be accepted by those creditors whose claims represent more than 60 percent of the total claimed. If the settlement is accepted, the debtor is excused from the obligation to pay the creditor the amount that exceeds the percentage of payment set forth in the confirmed settlement. The payment terms are then extended in accordance with the conditions of forced settlement. Confirmed compulsory settlement affects creditors who have voted against compulsory settlement and creditors who have not reported their claims in the settlement procedure.

The creditor or debtor may also initiate bankruptcy procedures. The court names a bankruptcy administrator who sells the debtors property according to the bankruptcy senate, president's instructions and supervision. As a rule, the debtor's property is sold at public auction. Otherwise, the creditors' committee may prescribe a different mode of sale such as collecting offers or placing conditions for potential buyers. The legal effect of the completed bankruptcy is the termination of the debtor's legal status to conduct business, and the distribution of funds created from the sale of assets to creditors according to their share of total debt.

The third method, bankruptcy as a forced liquidation, is distinguished from voluntary liquidation (without court intervention) as set forth in the Law on Commercial Companies. Forced liquidation is imposed on a debtor for whom the law determines the liquidation procedure and the legal conditions for ending his existence as a business entity. This would occur, for example, in cases where the management has not operated for more than twelve months, if the court finds the registration void, or by court order.

In 2013, the Parliament adopted an amendment to the Financial Operations, Insolvency Procedures and Compulsory Dissolution Act, with a view to simplify and speed up the bankruptcy procedures and deleveraging of companies. For example, Parliament established new criteria for declarations of insolvency: declaring companies insolvent in cases when their bank accounts were continuously blocked bank account for at least 60 out of 90 days.

### **Investment Disputes**

There have been no major investment disputes in the past ten years. Investment disputes are handled similar to all other business disputes.

### **International Arbitration**

Slovenia is a signatory to the 1961 European Convention on International Commercial Arbitration.

#### *ICSID Convention and New York Convention*

Slovenia is a contracting state to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID) and a signatory to the New York Convention on Recognition of Foreign Arbitral Awards, meaning local courts must enforce international arbitration awards that meet certain criteria.

### **Duration of Dispute Resolution**

The average duration of dispute resolution is slowly decreasing; in 2014 it was generally 3.3 months for all cases and 7.1 months for more complex cases.

## **5. Performance Requirements and Investment Incentives**

### **WTO/TRIMS**

Slovenia is a signatory member of the WTO since its inception and to date there are no cases of violation of WTO rules. Legally, all investors, domestic and foreign, are treated equally. No performance requirements are imposed as a condition for establishing, maintaining, or expanding an investment.

### **Investment Incentives**

There are some incentives offered to potential investors through the "FDI Incentive Scheme." The Inward Investment Cost-Sharing Grant Scheme co-funds those investments in industry, strategic services, or research and development, which will result in the creation of at least 10 new jobs. More information and application forms can be found at <http://www.investslovenia.org>.

#### *Research and Development*

All companies registered in Slovenia are able to participate in government-financed or subsidized research and development programs, regardless of the origin of capital.

### **Performance Requirements**

Rigid procedures necessary to acquire work permits serve as an impediment for foreign investors. It can take two to three months to obtain a work permit, which is required for local employment. The Ministry of Labor has established a fast-track procedure for foreigners who are registered in the court registry as authorized persons or representatives of companies, managers of branch offices, and foreigners who are temporarily sent to work in organizational units for foreign legal persons (corporate entities) registered in Slovenia. More information on work permits and employment services can be found at <http://www.ess.gov.si>.

### **Data Storage**

The government does not force foreign investors to use domestic content in goods and technology, or use local data storage.

## **6. Right to Private Ownership and Establishment**

Private enterprise and ownership are protected in Slovenia, both by statute and the Constitution. Slovenia's laws on foreign investment are fully harmonized with the EU legislation. As stated in the Law on Commercial Companies, all business activities within Slovenia are open to domestic and foreign natural and legal persons who may establish wholly or partially owned companies in any legal form provided by the Commercial Companies Act (General; Joint Stock Companies, Limited Liability Companies, and Partnerships Limited by Shares; and Economic Interest Groups). Foreign investors may freely invest in Slovenian companies in most industries with the exception of the banking and insurance industries, where a permit from the Bank of Slovenia or

Insurance Supervision Agency is needed. Furthermore, current regulations limit the foreign ownership stake in gaming interests to 20 percent. Foreign investors are permitted to obtain concessions for the exploitation of renewable and non-renewable natural and public goods. In addition, foreign and domestic investors have the same reporting requirements to the Bank of Slovenia.

Some restrictions also apply to foreign investment in the field of military supply. For example, direct investments made by non-residents in companies or other entities that are engaged in the production of, or trade in, weaponry and military equipment are allowed only if specifically authorized by the Government of the Republic of Slovenia.

Any company registered in Slovenia is granted the status of a Slovenian legal entity under which they enjoy national treatment. Foreign investors are subject to the same legal treatment as domestic companies and enjoy the same rights and obligations. The registration process is straightforward and usually takes between three weeks and one month to complete. Registered foreign-owned companies may also become members of the Ljubljana Stock Exchange.

Foreign-owned companies are entitled to own property in Slovenia. All citizens and enterprises of the European Union or the United States have the same rights of use of land and natural resources as citizens and domestic enterprises. Once a foreign citizen or legal person from a non-EU country establishes a company in Slovenia, it is considered a Slovenian legal person and as such can buy, own and sell real estate. However, while the law provides for these rights, some foreign companies have experienced unexplainable delays in obtaining land even after all the necessary paperwork was submitted.

Foreign shareholders are entitled to free and unrestricted transfer of their profits abroad in foreign currency, providing that they meet their tax obligations. The 17 percent corporate tax rate in Slovenia applies to domestic and foreign companies and is among the lowest in Europe.

Credits and guarantees between residents and non-residents are regulated by the Foreign Exchange Act. The law differentiates between commercial and financial credits. Commercial credits are those credits relating to trade and rendering international services that involve a resident as one of the contracting parties. Commercial credits include contractual trade credits (deferred payments and/or advances) and financing by banks. Factoring operations are also considered to be commercial credits, on the condition that the underlying operations from which the claims arise have the nature of commercial credits. All other operations are considered to be financial credits, including mortgage-backed and consumer loans as well as financial leasing operations.

All credit transactions, except commercial credits with payment delay or prepayments less than 12 months, must be in written form and contain all obligatory parts of the credit business. Authorized banks can undertake credit operations with non-residents for their own accounts in their own name and for someone else's account as their proxy. Institutions that are not banks can undertake credit operations with non-residents for their own accounts and in their own name. Residents must report all credit operations with non-residents to the Bank of Slovenia within 10 days of signing the loan contract.

Larger banks in Slovenia also have specialized International Desks, which offer bank services to foreign companies and persons. The 1999 Law on Banking allows foreign banks to establish branch offices in Slovenia. Since 1999, local borrowers have faced no restrictions with regards to borrowing abroad, which was strictly regulated before the new legislation. Once Slovenia joined the EU, its banking regulation was entirely harmonized with the banking regulation of the EU.

As of June 2001, all restrictions on portfolio investments by foreigners in Slovenia have been abolished and the purchase of foreign equities by Slovenians has been fully liberalized.

There is no law, statute, or regulation that specifically deals with mortgage banking services in Slovenia. Since there is no specific mortgage instrument, borrowers take classic loans with certain specifics related to real estate. The government also adopted a law which increased consumer protection levels for loans with real estate collateral. However, the Government has committed itself to creating a mortgage banking system to include property assessments and deeds that will replace the current Land Registry system. Currently, there are no special mortgage banks in Slovenia. Accordingly, only a few Slovenian banks offer mortgage loans all of which are secured or backed by mortgages and frequently granted to corporate clients, entrepreneurs and private individuals.

In order for mortgages to be effective against any owner of real estate, the mortgage must be registered in the Land Registry Book at the Land Registry Office. The Land Registry Book was introduced within the present territory of Slovenia in the 19th century and serves to inform the general public on the ownership of land, buildings, and parts of buildings that individuals have. Within the legal system, the Land Registry Book is, in part, connected with substantive civil law, which regulates default procedures on real estate.

Even though many banks give priority to cash flow statements over collateral of the loan, using mortgages to finance real estate developments is common in Slovenia. Mortgages are used as collateral for corporate financing of development projects. The creditor often requires the debtor to own, in equity, one and a half to two times the amount of the loan, depending on the debtor's credit rating. Once the mortgage is consummated between the creditor and debtor, it is registered in the Land Registry Book. If the debtor defaults on the loan, the law provides for a foreclosure procedure on the mortgaged property.

Slovenian banks also offer financial service programs for construction and development projects. Under this program, banks offer to finance up to 70 percent of the construction or development project while 30 percent of the project cost is usually paid for by the investor. The banks also offer advisory services pertaining to Slovenian regulations on building and sales of real estate as well as transfer of ownership of the mortgaged real estate. As collateral, banks usually require a mortgage on the building being constructed.

## 7. Protection of Property Rights

### Real Property

According to data collected by Doing Business, registering property in Slovenia requires an average of 5 procedures, takes 109.5 days and costs 2.0 percent of the property value. Globally, Slovenia stands at 90 in the ranking of 189 economies on the ease of registering property.

Even so, Administration reform in 2011 and 2012 simplified property registration. Greater automation in Slovenia's land registry reduced delays in property registration by 75 percent. Slovenia has also made transferring property easier and less costly by introducing online procedures and reducing fees. Virtually all land has a clear title.

The land registry court (Local court) initiates the registration process for the entry of title in the land register. The land registry procedure is completely automated. Amendments to the Land Registry Act adopted on 27 March 2009 and implemented on 1 May 2011 require the mandatory submission of proposals with appendixes in electronic form to the courts. Submissions are tendered via a notary public or attorneys and real estate agencies acting on behalf of the applicant. In some cases, the applicant can submit registrations directly. Other amendments to the Land Registry Act have transferred responsibility for depositing original documents (e.g. contracts) that were attached to the submissions from the courts to the notary, whereby the notary's confirmation of authenticity renders the evidence value of the electronic version equal to that of the original. The amendments also enable free access via a web-portal to the contents of the land register, including pending notations, and land register extracts, neither of which were free of charge prior to the reform.

Land registry proposals are automatically assigned to the least burdened local court. Once the proposal is filed with the competent land registry court, the registration process is initiated ex officio and the priority of entry is ensured by way of a land registry seal. The seal in the land registry that safeguards the priority order is obtained immediately. The priority order takes effect of the day on which the proposal has been filed. The buyer can theoretically dispose of the property as soon as the purchase agreement is signed and the (direct or indirect) possession of the property is obtained by the buyer. The possibility to dispose with the property at this stage would depend on the other party to the new contract. The buyer whose title is not yet entered into the land register but has already obtained the possession of the property enjoys the position of a proprietary possessor in good faith - the presumed owner. The latter has, among others, the right to claim the return of a property in the event of its dispossession from a proprietary possessor in good faith who has the property with a weaker legal title. In any case the buyer has a possibility to claim the return of the purchase price but has no claims under the law of property until the title is entered into the land register. Since May 1st, 2011 the proposal has to be filled in an electronic form. The Land registration fee had also changed and fees are not in points anymore. The documentation shall include: Land registry proposal Document including the registration clause with certified signature of the seller Confirmation of the payment of the tax or taxes Purchase contract (if not same as document including the registration clause).

## Intellectual Property Rights

Slovenia has enacted advanced and comprehensive legislation for the protection of intellectual property that fully reflects the most recent developments in the TRIPS (Trade Related Aspects of Intellectual Property) Agreement and various EU directives. Slovenia negotiated its TRIPS commitments as a developing country and implemented the policy as of January 1, 1996. Slovenia is a full member of the TRIPS Council of the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). Slovenia has ratified the WIPO Copyright Treaty and the Cyber Crime Convention.

Slovenia's Intellectual Protection Office actively participates in the Intellectual Property Working Group of the Council of Europe, the Trademark Committee and other EU bodies engaged in the formulation of new EU legislation. The Copyright and Related Rights Act amended in 2001 and 2004 deals with all aspects of modern copyright and other related laws, including traditional works and their authors, computer programs, audiovisual works, and rental and lending rights. The act also takes into account new technologies such as storage and electronic memory, original databases, satellite broadcasting, and cable re-transmission. The 2004 harmonization with the EU legislation introduced a new system of collective management of intellectual property rights compliant with the latest directives.

The 1994 Law on Courts gives the District Court of Ljubljana exclusive subject matter jurisdiction over intellectual property disputes. The aim of the law is to ensure specialization of the judges and the speed of relevant proceedings. For enforcement of TRIPS Agreement provision, Slovenian law provides for a number of civil legal sanctions, including injunctive relief and the removal of the infringement, seizure and destruction of illegal copies and devices, the publication of the judgment in the media, compensatory and punitive damages, border (customs) measures, and the securing of evidence and other provisional measures without the prior notification and hearing of the other party. These infringements also constitute a misdemeanor charge with fines ranging from EUR 400 (USD 440) to EUR 45,000 (USD 50,000) for legal persons and a range of fines, from EUR 40 (USD 44) to EUR 2,000 (USD 2,200), for supervisors of individual offenders, provided that the reported offenses are not criminal in nature. In such a case, the Slovenian Criminal Code would apply, which may result in fines or in extreme cases, imprisonment. While Slovenian laws regarding intellectual property are clearly defined, there have been complaints by foreign investors regarding the slow nature of the court system.

Since the enactment of the Law on Copyright and Related Rights Act, there have been relatively few reported prosecutions regarding copyright infringements and violations. The most notable cases usually involve computer software piracy. In 2004, a long-running software piracy court case ended with a prison sentence and monetary fine. With piracy prosecution still in the early stages of implementation, Slovenia has dedicated resources to training prosecutors and public authorities. Slovenia also continues to address the preservation of evidence in infringement procedures and border measures through amendments to existing legislation. Moreover, the Ministry of Culture has established the Intellectual Property Fund, the Slovenian Copyright Agency, and the Anti-Piracy Association of Software Dealers (BSA) to combat the problem of piracy in a collective manner.

The Law on Industrial Property grants and protects patents, model and design rights, trademark and service marks, and appellations of origin. The holder of a patent, model, or design right is entitled to: exclusively work the protected invention, shape, picture, or drawing; exclusively market any products manufactured in accordance with the protected invention, shape, picture, or drawing; dispose of the patent, model, or design right; prohibit the use of a protected invention, model, or design, by any person without consent.

The holder of a trademark has the exclusive right to use the trademark in the course of trade to designate products or services. The authorized user of a protected appellation of origin has the right to use the appellation in the course of trade for marking products to which the appellation refers.

The patent and trademark rights granted by the Law on Industrial Property take effect from the date of filing the appropriate applications. Patents are granted for twenty years from the date of filing and model and design rights are granted for ten years. Trademarks are granted for ten years, but may be renewed an unlimited number of times. The term of an appellation of origin is unlimited. All patents and trademarks are registered through the Slovenian Intellectual Property Office with all registers open to the public. Patent and trademark applications filed in member countries of the International Union for the Protection of Industrial Property are afforded priority rights in Slovenia. The priority period is 12 months for patents and six months for model and design rights.

Any person who infringes upon a patent or trademark right may be held liable for damages and prohibited from carrying on the infringing acts.

The Law on Industrial Property also provides for the contractual licensing of patents, model and design rights, and marks. All license agreements must be in writing and specify the duration of the license, the scope of the license, whether the license is exclusive or non-exclusive, and the amount of remuneration for use when compensation is agreed upon.

Compulsory licenses may be granted to another person when the invention is in the public interest or the patentee misuses his rights granted under the patent. A misuse of a patent occurs when the patentee does not use or insufficiently uses a patented invention and refuses to license other persons to work the protected invention or imposes unjustified conditions on the licensee. If a compulsory license is granted, the patentee is entitled to compensation. Slovenian industrial property legislation fully complies with EU standards.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

#### *Resources for Rights Holders*

Contact at Mission:  
Nathan Ringger  
Economic Officer,  
+386 1 200 5500  
Email: RinggerNP@state.gov

**Country/Economy Resources:**

American Chamber of Commerce in Slovenia  
AmCham Slovenia  
Dunajska cesta 156  
1000 Ljubljana  
Phone: +386 8 205 13 51  
E-mail: office@amcham.si

U.S. Embassy's public list of local lawyers:  
[http://slovenia.usembassy.gov/attorneys\\_list.html](http://slovenia.usembassy.gov/attorneys_list.html)

**8. Transparency of the Regulatory System**

Generally, the bureaucratic procedures and practices are sufficiently streamlined and transparent for foreign investors wishing to start a business in Slovenia. In order to establish a business in Slovenia, a foreign investor must produce a sufficient amount of capital of at least EUR 10,000 (USD 11,000) for a limited liability company and EUR 25,000 (USD 27,500) for a stock company. The investor must also establish a business address, and file appropriate documentation with the court. The entire process usually takes three weeks to one month, but may take longer in Ljubljana due to backlogs in the court.

Slovenia has a reciprocal taxation treaty with the United States. The rate of taxation of profits in Slovenia is lower than in the United States. Slovenia introduced the Value Added Tax (VAT) in July 1999 which has only two tiers, 9.5 percent and 22 percent. The standard VAT is 22 percent with 9.5 percent for some specialty items such as food products.

**9. Efficient Capital Markets and Portfolio Investment**

The financial sector remains relatively underdeveloped for a country with Slovenia's level of prosperity and remains significantly affected by the turmoil of the economic crisis. Enterprises rarely raise capital through the stock market and instead tend to rely solely on the traditional banking system to meet their needs.

The Ljubljana Stock Exchange (LSE), established in 1990, is a member of the International Association of Stock Exchanges (FIBV). In 2008, the LSE was acquired by the Wiener Stock Exchange. However, the number of companies listed on the exchange is limited and their trading volume is very light, with annual turnover similar to a single day's trading on the NYSE.

In 1995, the Central Securities Clearing Corporation (KDD) was established. KDD runs the central registry securities and trade clearings conducted on the LSE electronic trading system. The Securities Market Agency (SMA), established in 1994, has powers similar to the SEC in the United States. The SMA supervises investment firms, the LSE, the KDD, investment funds, and management companies, and shares responsibility with the Bank of Slovenia for supervision of banking and investment services.

The LSE uses different dissemination systems, including real time online trading information via REUTERS or the BDS System. The LSE also publishes information on the Internet at <http://www.ljse.si>.

Foreign investors in Slovenia have equal rights as domestic investors, including the ability to obtain credit on the local market.

### **Money and Banking System, Hostile Takeovers**

The banking sector in Slovenia is marked by a relatively high degree of concentration. The country's two largest banks (NLB and NKBM, both state-owned) account for almost 60 percent of the market share, while foreign-owned banks account for less than 30 percent. There are 19 banks and 3 savings banks in a country of 2 million people. The total assets of the banking sector account for nearly EUR 50 billion, approximately 140 percent of GDP. The 2008 Financial Crisis, the collapse of Slovenia's construction sector, and a diminished demand for exports (nearly 70 percent of Slovenia's GDP is derived from exports), led to severe capital inadequacy issues as many loans were not appropriately collateralized. Bank assets have been steadily in decline since December 2009.

In the past, a number of Slovenian banks have been partially or fully taken over by foreign banks and a number of Slovenian banks have announced mergers. In 2001, French Societe Generale took over Slovenia's largest private bank, SKB Banka. In October 2001, Italian banking group San Paolo IMI purchased 82 percent of the Bank of Koper, the fifth largest bank in Slovenia. In spring 2002, the Government sold 34 percent of the largest commercial bank, Nova Ljubljanska Banka (NLB), to the Belgian KBC Group, with another 5 percent sold to the European Bank for Reconstruction and Development (EBRD). After nearly a decade, the Belgian-based KBC announced their withdrawal from NLB in December in 2012, with the government stepping in again to recapitalize the bank.

The Slovenian banking sector has been hit hard by the recent economic crisis. The largest Slovenian banks (NLB and NKBM, both state-owned) have been downgraded several times by credit rating agencies due to the large number of non-performing loans in their portfolios. As of the end of 2014, approximately 19 percent of NLB's total assets remained non-performing. An estimated 17 percent of Slovenian banking assets were non-performing as of December 2014.

In 2013, the government of Slovenia established a Bank Asset Management Company (BAMC) with a management board comprised of financial experts to promote stability of the financial system and restore trust in its functioning. BAMC has agreed to take over non-performing assets of three major state banks in exchange for bonds. Three such operations were conducted from December 2013 through March 2014. The government also injected EUR 3.5 billion in three of the biggest banks (NLB, NKBM, and A Banka). These measures helped recapitalize and revitalize the country's biggest commercial banks. The GoS has announced that it is searching for a strategic investor for NKBM (Nova Kreditna Banka Maribor), the nation's second largest bank.

Banking legislation authorizes commercial banks, savings banks, and stock brokerage firms to purchase securities abroad. Investment funds may also purchase securities abroad provided that certain diversification requirements are met.

Slovenia's takeover legislation has been fully harmonized with EU regulations. Slovenia implemented EU Directive 2004/25/ES on takeover legislation in July 2006 by adopting a new takeover law. The law was amended in July 2008 to reflect the country's adoption of the Euro. The law defines a takeover as a party's acquisition of 25 percent of a company's voting rights and requires a takeover offer for all current shareholders be publicly announced. The acquiring party must publicly issue a takeover offer for each additional acquisition of 10 percent of voting rights until it has acquired 75 percent of voting rights. The law stipulates that the acquiring party must inform the share-issuer whenever its stake in the target company reaches, surpasses or drops below 5, 10, 20, 25, 1/3, 50 or 75 percent. The law applies to all potential takeovers. However, acquisitions are often blocked or delayed regularly and easily, and drawn out negotiations and stalled takeovers have hurt Slovenia's reputation. Current efforts to privatize national teleco Telekom Slovenije are crucial for reestablishing trust in the commitment of Slovenia's government to make its economy open to the international capital market. Similar challenges came about with Slovenia's biggest retailer, Mercator, which was sold in 2014 to a Croatian buyer after lengthy procedure and strong domestic opposition.

Slovenia's insurance sector is characterized by its high level of concentration in a few companies, with the largest, state-owned Triglav d.d., holding 37 percent of the total market. The four largest insurance companies in Slovenia account for over 70 percent of the market, while foreign insurance companies hold less than 10 percent of the market. Insurance companies primarily invest their assets in non-financial companies, state bonds, and bank-issued bonds.

Since 2000, there have been significant changes in the legislation regulating the insurance sector. The Ownership Transformation of Insurance Companies Act, which seeks to privatize insurance companies, has been delayed several times due to ambiguity in the act concerning the estimated share of state-controlled capital. Although plans for insurance sector privatization have been discussed since 2005, nothing has been implemented.

Currently, Slovenia has three registered health insurance companies and a variety of companies offering other kinds of insurance. However, under EU regulations, any insurance company registered in the EU can market its services in Slovenia as well, so long as the insurance supervision agency of the company's country of origin has notified the Slovenian Supervision Agency of the company's intentions.

## **10. Competition from State-Owned Enterprises**

Private enterprises compete on the same terms and conditions as public enterprises with respect to access to markets, credit, and other business operations.

State-owned and partially state-owned enterprises are present across most industries in Slovenia since the state has never undergone a wholesale privatization program, but rather has retained significant ownership shares in many large companies since its independence. Those sectors considered to be of strategic national interest are more likely to be dominated by state owned

companies, such as energy, transport, banking, and insurance. Other sectors of the economy, including retail, entertainment, construction, tourism, and manufacturing, contain important firms that are either wholly state owned or in which the state maintains a controlling interest by virtue of holding the largest single block of shares.

In general, SOEs do not receive a larger share of contracts/business than private sector competitors in sectors open to private and foreign competition. SOEs supply goods and services from private and foreign firms. SOEs have to follow strict Government Procurement Agreement which requires transparent procedure open to all firms. Private firms can compete under the same terms and conditions with respect to market share, products and incentives. All firms have the same access to financing.

SOEs are subject to the same laws as private companies. They must submit their books for independent audits and publish annual reports if required, for example if the SOE is listed on the stock exchange or the size of the company meets the required threshold. The reporting standards are comparable to international financial reporting standards. SOEs fully comply with their legal obligations.

### **OECD Guidelines on Corporate Governance of SOEs**

Slovenia is an active participant in the OECD Working Party on State Ownership and Privatization Practices, and adheres to the OECD Principles of Corporate Governance, as well as the Guidelines for SOEs.

Following OECD recommendations, the GoS established the Capital Assets Management Agency (AUKN) in November 2010 to increase transparency and promote more efficient management of State-Owned Enterprises (SOE). AUKN was transformed into Slovenian Sovereign Holding SSH in 2013. Parliament formally approved the SSH in January 2013, after the Constitutional Court rejected a request to hold a referendum on the establishment of SSH. The goal, according to the government, is to simplify and shorten the administrative process to privatize state assets. SSH took over all AUKN portfolios as well as the portfolios of two other smaller state owned funds. More than 95 percent of SSH funds are invested domestically. SSH is an independent state authority that reports to the National Assembly of the Republic of Slovenia. It provides the National Assembly with annual reports regarding the previous year's implementation of the Annual Plan of the Corporate Governance of Capital Investments. The GoS then adopts the Annual Plan of the Corporate Governance of Capital Investments based on SSH's proposal.

### **Sovereign Wealth Funds**

Slovenia does not have a sovereign wealth fund.

## **11. Corporate Social Responsibility**

The concept of corporate social responsibility (CSR) has recently grown among the business community, but it is not yet a common practice. Larger companies have increasingly undertaken CSR activities such as sponsoring sports teams and community events in the name of social

responsibility, in order to raise their public profile and promote their reputations, as such ventures are thought to be viewed favorably by Slovenian consumers.

### **OECD Guidelines for Multinational Enterprises**

As a member of the OECD, Slovenia adheres to the OECD Guidelines for Multinational Enterprises and encourages foreign and local enterprises to follow generally accepted CSR principles including the United Nations Guiding Principles on Business and Human Rights. Slovenia's National Contact Point for the OECD Guidelines is located in the Ministry of Economic Development and Technology:

<http://mneguidelines.oecd.org/ncps/slovenia.htm>

### **12. Political Violence**

Except for a brief, ten-day conflict in 1991, there have been no incidents of political violence in Slovenia since independence.

### **13. Corruption**

Similar to many other European countries, Slovenia does not have a bribery statute equal in stature to the U.S. Foreign Corrupt Practices Act. However, Chapter 24 of the Slovenian Criminal Code (S.C.C.) provides statutory provisions for criminal offenses in the economic sector. Corruption in the economy can take the form of corruption among private firms or corruption among public officials.

The S.C.C. provides for criminal sanctions against officials of private firms for the following crimes: forgery or destruction of business documents; unauthorized use or disclosure of business secrets; insider trading; embezzlement; acceptance of gifts under certain circumstances; money laundering; and tax evasion.

Specifically, Articles 241 and 242 of the S.C.C. make it illegal for a person performing a commercial activity to demand or accept undue rewards, gifts, or other material benefits that will ultimately result in the harm or neglect of his business organization. While Article 241 makes it illegal to accept gifts, Article 242 prohibits the tender of gifts in order to gain an undue advantage at the conclusion of any business dealings.

Public officials are held accountable under Article 261 of the S.C.C., which makes it illegal for a public official to request or accept a gift in order to perform or omit an official act within the scope of his official duties. The acceptance of a bribe by a public official may result in a fine or imprisonment of no less than one year, with a maximum sentence of five years. The accepted gift/bribe is also seized.

While Article 261 holds public officials accountable, Article 262 holds the gift's donor accountable. Article 262 makes it illegal for natural persons or legal entities to bribe public officials with gifts. Violation of this article carries a sentence of up to three years. However, if the presenter of the gift discloses such bribery before it is detected or discovered, punishment

may be omitted. Generally, the gift is seized. In cases when the presenter of the gift discloses a violation, the gift may be returned.

The State Prosecutor's Office is responsible for the enforcement of the anti-bribery provisions. The number of cases of actual bribery is small and generally limited to instances involving inspection and tax collection. Although the Prosecutor's Office may suspect bribery and related corruption practices in government procurement offices, obtaining evidence is difficult, thereby making it equally difficult to prosecute. In addition, in 2010 Slovenia established the Commission for the Prevention of Corruption (CPC), an independent state body, with a broad mandate to prevent and investigate corruption, breaches of ethics, and integrity of public officials. The CPC is not part of the law enforcement or prosecution system of Slovenia and its employees do not have traditional police powers. The CPC does, however, have broad legal powers to access and subpoena financial and other documents, question public servants and officials, conduct administrative investigations and proceedings and instruct different law enforcement bodies to gather additional information and evidence within the limits of their authority. While the CPC cannot prosecute cases (only recommend to the State Prosecutor's Office), it can issue fines for different violations (sanctions can be appealed to the Court).

In 2011, to combat Slovenia's ongoing problems with corruption and nontransparent procedures in public procurement, the GoS established a new government-wide Public Procurement Agency to carry out all public procurements over established EU thresholds (which vary from sector to sector, i.e. goods and services above EUR 40,000 and works above EUR 80,000). The agency reports to the Ministry of Justice. By law, the National Review Commission also provides non-judicial review of all public procurements.

While corruption remains an important problem in Slovenia, its prevalence remains relatively minor. In 2001, Slovenia convicted its first senior public official for accepting a bribe. The second such case occurred in 2010, resulting in the imprisonment of a member of parliament. The small size of Slovenia's political and economic elite contributes to a lack of transparency in government procurement and widespread cronyism in the business sector. Currently, multiple prominent national and local political figures have been charged or are on trial for corruption in public procurements. The CPC has instituted a new system for tracking corruption in public procurement at the municipal level and in one week discovered 61 violations involving seven municipalities and hundreds of suspect deals in 86 municipalities.

The Slovenian Commission for the Prevention of Corruption (CPC) operates with a broad mandate to prevent and investigate corruption, breaches of ethics and integrity of public office. The CPC reports to the Parliament and its leadership is appointed by the President.

Contact information:

Commission for the Prevention of Corruption  
56 Dunajska cesta  
1000 Ljubljana  
Slovenia  
Tel: +386 1 400 5710

Fax: +386 1 400 8472  
Email: [info@kpk-rs.si](mailto:info@kpk-rs.si);  
Web: [www.kpk-rs.si/en](http://www.kpk-rs.si/en)

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

The Republic of Slovenia ratified the UN Anticorruption Convention on April 01, 2008.

Slovenia is a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business transactions.

*Resources to Report Corruption*

Commission for the Prevention of Corruption  
56 Dunajska cesta  
1000 Ljubljana  
Slovenia  
Tel: +386 1 400 5710  
Fax: +386 1 400 8472  
Email: info@kpk-rs.si;  
Web: www.kpk-rs.si/en

**14. Bilateral Investment Agreements**

Slovenia does not have a Bilateral Investment Treaty (BIT) with the United States.

Slovenia has signed BITs with Albania, Austria, Belgium - Luxembourg Economic Union, Bosnia & Herzegovina, Bulgaria, China, Croatia, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Israel, Kuwait, Lithuania, Macedonia (F.Y.R.), Malta, Moldova, Montenegro, Netherlands, Poland, Portugal, Romania, Slovak Republic, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, the United Kingdom, Uzbekistan, and Serbia. Slovenia is currently negotiating BITs with Iran and Kazakhstan.

**Bilateral Taxation Treaties**

Slovenia has a bilateral taxation treaty with the United States.

Slovenia has signed Bilateral Taxation Treaties with Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Canada, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Iran, Ireland, Isle of Man, Israel, Italy, Kosovo, Kuwait, Latvia, Lithuania, Luxembourg, Macedonia (F.Y.R.), Malta, Moldova, Monte Negro, Netherlands, Norway, Poland, Portugal, Qatar, Republic of Korea, Romania, Russian Federation, Serbia, Singapore, Slovakia, Spain, Sweden, Switzerland, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, and Uzbekistan. The treaty with Egypt has not yet entered into force.

**15. OPIC and Other Investment Insurance Programs**

Slovenia signed a bilateral agreement with the U.S. Overseas Private Investment Corporation (OPIC) on April 24, 1994. There are currently a number of OPIC investment finance and insurance programs available in Slovenia, including loan guarantees, direct loans, and political violence and expropriation insurance.

The U.S. Export-Import Bank offers short-, medium-, and long-term private sector, as well as short-term public sector, programs in Slovenia. In July 1999, the Slovenian Export Corporation (SEC) and the U.S. Export-Import Bank signed a memorandum on cooperation in financing, insuring, and reinsuring exports to Southeast European countries. In January 2007, the SEC

restructured to become the Slovenian Export and Development Bank. More information is available on its website [www.sid.si](http://www.sid.si).

## **16. Labor**

In September 2008, the unemployment rate stood at a record-low 4.4 percent (according to the ILO). However, the global financial crisis impacted Slovenia's labor markets substantially. In 2012, the unemployment rate stood at 8.8 percent and rose to 10.7 percent in 2013 before slowly beginning to stabilize in 2014. Since 2008, Slovenian companies have undertaken significant layoffs and bankruptcies, especially in the construction, automotive, textile and other sectors of industrial production. The government's economic reforms propose to address this problem through a combination of retraining and investment in new technologies. The regions where unemployment is the highest are primarily in the northeast. After several years of recession, Slovenia achieved economic growth in 2014 and the rate of unemployment dropped slightly to 10.45 percent. Youth unemployment is disproportionately high in Slovenia – around 15 percent.

Slovenia fully harmonized its labor legislation with the EU in 2004. In line with this legislation, Slovenia has retained strict rules on issuing work permits to non-EU applicants. The 2001 Employment of Aliens Act introduces a quota system for work permits and simplifies the procedure for obtaining work permits for foreigners who have worked and lived in Slovenia for an extended period of time.

Slovenia's wage-setting practice follows the "social partners" model, designed to contain upward pressure by centralizing wage decisions. In practice, however, high wage expectations have pushed Slovenia's wage levels far above those of its central European neighbors. In addition, growing labor unrest has placed pressure for wages to rise further. However, Slovenia's well-educated labor force and position as a productive transition economy allows it to remain competitive in niche markets.

Slovenia adopted an Employment Relationship Act that entered into force in January 2003. The Act defines a full time workweek as 36 to 40 hours (made up of six to eight-hour days including a 30-minute lunch break). The act increases protection of critical working groups (including women and children), and eases the conditions under which an employer may terminate employees. The amendments to the Act in 2013 further ease the conditions for termination of employment, but Slovenia still needs to introduce major labor and education reform if the country wants to compete effectively in the global economy.

Slovenia's labor force performs well in the higher value-added activities that utilize its skilled technicians and engineers at a somewhat lower cost than in the developed West. Despite the introduction of greater labor market flexibility, the market for workers remains quite rigid and investors will find that laying off workers is more difficult than in the United States.

In February 2010, the government implemented an increase to the minimum wage that was phased in over a 3 year period. The minimum wage has risen from EUR 597 per month (USD 776) in 2010 to EUR 763 (USD 992) in 2012. In 2014 the minimum wage was EUR 789.15 (USD 1,025). Due to such a rapid increase of the minimum wage, Slovenia has lost its cost

competitiveness in many sectors; some studies suggest that Slovenia lost 7,000 jobs in the short term and up to 20,000 jobs in the long term.

In the aftermath of the global financial crisis, Slovenia has encountered protracted labor unrest related to public sector salaries. The unions are viewed by some to have contributed to halting major economic reform measures proposed by the government in 2011, which weakened the government and in part spurred early elections later that year. Further negotiations in 2012 on public sector salaries were unsuccessful, leading unions to organize a series of strikes and protests aimed at galvanizing support for workers' rights. The current government, formed in 2014, negotiated a reform of the public sector pay system with the unions that lowers salaries from 0.5 percent to 4.86 percent, depending on the pay scale. The agreement went into force in July 2014 and is valid through 2015; however, new negotiations will be needed to address public sector pay for 2016. The GoS restarted negotiations in March 2015, with unions stating they will not agree to more pay cuts, especially as Slovenia is back on the path of economic growth.

### **17. Foreign Trade Zones/Free Ports/Trade Facilitation**

There are two types of Free Trade Zones in Slovenia: Free Economic Zones (FEZ) and Free Customs Zones (FCZ).

#### Free Economic Zones

Slovenia used to have two FEZs in Koper and Maribor. The following activities were eligible to be performed within FEZs: production and services; wholesale trade; banking and other financial services; and insurance and reinsurance regarding the above mentioned activities. After obtaining an appropriate tax authority decision, users of FEZs were entitled to the following benefits:

- i. VAT exemption for imports of equipment, production materials, and services necessary for export production or performance of other permitted activities;
- ii. a reduction in corporate tax rates from the normal 21 percent to 10 percent;
- iii. a tax allowance amounting to 50 percent of invested resources on investments in tangible assets in the FEZ; and
- iv. a reduction in the taxable base amounting to 50 percent of the salaries of apprentices and other workers formerly unemployed for at least 6 months.

While FEZ Koper was fully operational, there were only a few companies operating in FEZ Maribor. Despite the lack of success in Maribor, the government adopted an amendment to the Law on Free Economic Zones in January 2010, guaranteeing the FEZs' operations until December 31, 2013. In 2013, the government considered extending FEZs' operations, but eventually decided against prolonging them and they were phased out.

#### Free Customs Zones

As of December 2009, the only FCZ in Slovenia is the Port of Koper. Under the Customs Act, subjects operating in FCZs are not liable for payment of customs duties, nor are they subject to other trade policy measures until goods are released into free circulation.

Duties and rights of users include the following:

- i. Separate books must be kept for activities undertaken in FCZs;
- ii. Users may undertake business activities in a FCZ on the basis of contracts with the founders of FCZs;
- iii. Users are free to import goods (customs goods, domestic goods for export) into FCZs;
- iv. Goods imported into FCZs may remain for an indefinite period, except agricultural produce, for which a time limit is set by the government;
- v. Entry to and exit from FCZs is to be controlled;
- vi. Founders and users must allow customs, or other responsible authorities, to execute customs, or other, supervision; and
- vii. For the purposes of customs control, users must keep records of all goods imported into, exported from, consumed or altered in FCZs.

The Customs Act also allows the establishment of open FCZs that will allow for more flexible organization and customs' authorities' supervision.

In such FCZs, users may undertake the following activities:

- i. Production and service activities, including handicrafts, defined in the founding act or contract, and banking and other financial business transactions, property and personal insurance and reinsurance connected with the activities undertaken;
- ii. Wholesale transactions; and
- iii. Retail sales, but only for other users of the zone or for use within the FCZ.

Slovenia has recently developed land sites designed for greenfield investments. Most of the newly developed industrial zones have direct access to well-developed infrastructure, including highways and rail service. Land prices can vary greatly. Municipalities and the State often subsidize infrastructure and land costs, as incentives to increase employment opportunities, reducing the rate for fully equipped land in industrial zones.

For example, in Lendava, a town located in the eastern part of the country, the price per square meter of land is roughly 5 Euro, while prices in the vicinity of Ljubljana can run to 50 Euro or more. Potential investors may also count on a full range of free services and concessions provided by local development agencies for start-ups. The assistance may also include help in completing all the necessary paper work (permits) and, in some cases, organizing and financing construction in line with investor requirements. Interested investors can contact the U.S. Embassy in Ljubljana for further information.

## 18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
<b>Economic Data</b>	<b>Year</b>	<b>Amount</b>	<b>Year</b>	<b>Amount</b>	
<b>Host Country Gross Domestic Product (GDP) (\$M USD)</b>	2013	48,003	2013	47,987	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
<b>Foreign Direct Investment</b>	<b>Host Country Statistical source*</b>		<b>USG or international statistical source</b>		<b>USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other</b>
<b>U.S. FDI in partner country (\$M USD, stock positions)</b>	2013	30	2013	D	<a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=363">http://bea.gov/international/factsheet/factsheet.cfm?Area=363</a>
<b>Host country's FDI in the United States (\$M USD, stock positions)</b>	2013	47	2013	D	<a href="http://bea.gov/international/factsheet/factsheet.cfm?Area=363">http://bea.gov/international/factsheet/factsheet.cfm?Area=363</a>
<b>Total inbound stock of FDI as % host GDP</b>	2013	25%	2013	26%	<a href="http://data.imf.org/?sk=D732FC6E-D8C3-44D1-BFEB-F70BA9E13211">http://data.imf.org/?sk=D732FC6E-D8C3-44D1-BFEB-F70BA9E13211</a>

\*Statistical Office of the Republic of Slovenia

(D) indicates that investment levels are so small that U.S. BEA has suppressed the data to avoid disclosure of data of individual companies.

*Table 3: Sources and Destination of FDI*

N.B.: The Bank of Slovenia (BoS), in its official data, lists U.S. FDI at approximately USD 22 million or 0.2 percent of total inward FDI. However, this amount does not take into account significant investments by U.S. firms, not listed as U.S. in origin by the BoS, as U.S. funds are often routed through a third country. The share of U.S. FDI in Slovenia, as calculated by the U.S. Embassy, is approximately 5 percent of total inward FDI.

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**Direct Investment from/in Counterpart Economy Data**


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**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**


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Inward Direct Investment			Outward Direct Investment		
Total Inward	12,310	100%	Total Outward	7,132	100%
Austria	4,226	34%	Croatia	1,992	28%
Switzerland	1,514	12%	Serbia	1,657	23%
Italy	1,037	8%	Bosnia and Herzegovina	657	9%
Germany	944	8%	Macedonia, FYR	553	8%
France	898	7%	Russian Federation	496	7%

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey, 2013

*Table 4: Sources of Portfolio Investment*


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**Portfolio Investment Assets**


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**Top Five Partners (Millions, US Dollars)**


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Total			Equity Securities			Total Debt Securities		
All Countries	15,619	100%	All Countries	4,021	100%	All Countries	11,598	100%
Germany	2,400	15%	United States	1,093	27%	Germany	2,071	18%
France	2,259	14%	Luxembourg	544	14%	France	1,997	17%
United States	1,453	9%	Austria	354	9%	Netherlands	1,355	12%
Netherlands	1,410	9%	Germany	329	8%	Italy	897	8%
Austria	1,026	7%	Ireland	299	7%	Austria	672	6%

Source: IMF Coordinated Portfolio Investment Survey, 2013

**19. Contact for More Information**

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