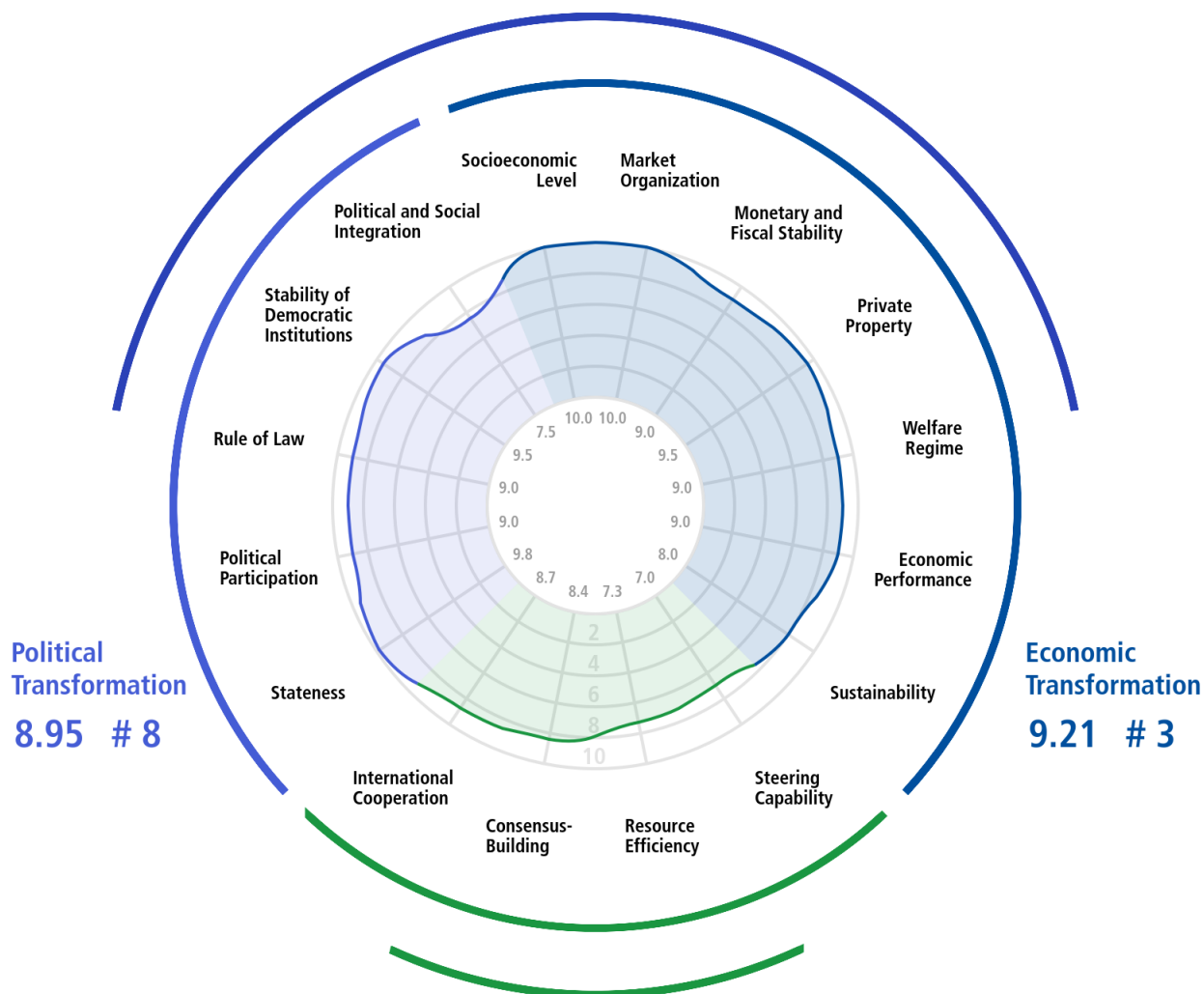


# Slovenia

## Status Index

**9.08 # 6**

on 1-10 scale out of 137



**Political Transformation**  
**8.95 # 8**

**Economic Transformation**  
**9.21 # 3**

## Governance Index

**6.41 # 16**

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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**Key Indicators**

Population	M	<b>2.1</b>	HDI	<b>0.918</b>	GDP p.c., PPP \$	<b>50032</b>
Pop. growth <sup>1</sup>	% p.a.	<b>0.0</b>	HDI rank of 189	<b>23</b>	Gini Index	<b>24.0</b>
Life expectancy	years	<b>80.9</b>	UN Education Index	<b>0.917</b>	Poverty <sup>3</sup>	% <b>0.0</b>
Urban population	%	<b>55.8</b>	Gender inequality <sup>2</sup>	<b>0.071</b>	Aid per capita \$	-

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

The period between February 2021 and January 2023 was marked by two ideologically opposed governments, each with distinct approaches to governing and differing relationships with civil society. Accordingly, this report frequently highlights the contrasting characteristics of these two administrations. A right-wing minority coalition, led by Janez Janša's Slovenian Democratic Party (SDS) and supported by the nationalist Slovenian National Party (SNS) in parliament, held power until June 2022. Despite public discontent expressed through protests, Janša's government completed its term without any successful no-confidence motions against its ministers.

The period through the end of 2021 was still strongly marked by the COVID-19 pandemic. Janša's government continued to rule through decrees rather than parliamentary acts, despite the warnings of the Constitutional Court not to resort to the use of decrees, particularly on decisions that would restrict citizens' rights. Demonstrations continued to be a standard routine of political life throughout the year. Besides anti-government "Friday protests," a new wave of occasionally violent protests by anti-vaccination activists and COVID-19 deniers occurred.

The next year, 2022, was a super-election year, as Slovenians went to the polls several times – for parliamentary elections, presidential elections, local elections, and three referendums on legislative amendments. The whole year was characterized by a heated political climate. Several new parties were founded in early 2022, including the Freedom Movement (GS) led by Robert Golob, which won a historic record number of seats (41) in the April 2022 parliamentary elections. However, the result was mostly seen as a vote against Janša's government and policies, rather than specifically in favor of Golob and GS. Over the coming four years, the new party, with its politically inexperienced members of parliament, will have to define its identity and clarify its program. In the presidential elections, the majority of voters supported the independent candidate Nataša Pirc Musar, electing her as the first female head of state in Slovenia, while Urška Klakočar Zupančič (GS) became the first female speaker of the National Assembly.

Slovenia's economy experienced a rapid rebound in 2021, thanks to significant government interventions that helped maintain relative financial stability for the population. However, the government's assumption of the financial burden caused by the epidemic was reflected in a substantial increase in public debt, which reached 79.6% of GDP in 2020 and remained high at 74.5% in 2021. Although 2020 concluded with a 1.1% deflation rate primarily driven by lower prices for petroleum products, the inflation rate surged to 4.9% in 2021 and was projected to reach 10.3% in 2022. In response, the left-wing government implemented extensive measures in 2022 to address the energy crisis. The economic impact of these measures remains unclear; however, the projected budget deficit for 2023 stands at 5.5%.

In foreign policy, Slovenia held the presidency of the Council of the European Union from July to December 2021. The country continued to provide humanitarian and military aid to Ukraine. Slovenia also decided to apply for membership in the U.N. Security Council for the period from 2024 to 2025, which represents a new national project drawing significant consensus among the parties.

## History and Characteristics of Transformation

In December 1990, Slovenians voted for independence from the Socialist Federal Republic of Yugoslavia. Shortly thereafter, Slovenia sought membership in various international organizations. In 1992, it joined the Conference (as of 1995, renamed as Organization) for Security and Co-operation in Europe (today: OSCE). In 1993, Slovenia became a member of the Council of Europe. In 2004, it joined the European Union and NATO. In 2007, Slovenia became a member of the Schengen Area and the European Monetary Union. Finally, it joined the OECD in 2010.

Slovenia's new constitution introduced a parliamentary political system with a president who holds a primarily ceremonial role. The country's bicameral parliament is composed of the National Assembly (the lower house) and the National Council (the upper house). While the National Council represents local and functional interests, its power is limited. Constitutional amendments implemented in 2013 abolished the National Council's power of suspensive vetoes. Under a proportional representation electoral system with a 4% electoral threshold, seven to nine parties consistently gained representation in the parliament until 2022. However, the 2022 election brought significant change. The strong political polarization and strategic voting resulted in only five parties securing seats in parliament. As a result, three parties formed a governing coalition with a comfortable parliamentary majority.

Slovenia's first government (1990 – 1992) was led by Lojze Peterle from the Christian Democratic Party, which formed the DEMOS coalition consisting of seven noncommunist parties. The following 12 years were dominated by the center-left Liberal Democracy of Slovenia (LDS) and Janez Drnovšek, who served as prime minister from 1992 to 2002 at the helm of various ideologically heterogeneous coalitions. From 2004 to 2008, the so-called Spring parties, led by the Slovenian Democratic Party (SDS) and Janez Janša as prime minister, brought a change to politics

with their center-right orientation. Following LDS's decline, the Social Democrats, led by the popular Borut Pahor (president of Slovenia from 2012 to 2022), shifted politics again to the left by forming a center-left government (2008 – 2012). Since 2011, Slovenia has experienced political turbulence with three consecutive early elections and new parties built around well-known public figures winning the elections against established political parties and experienced politicians.

After the 2008 global financial crisis, the Slovenian government implemented several budgetary policy measures aimed at improving debt sustainability and achieving fiscal consolidation. These measures included reducing public sector wages, pensions and social benefits; increasing taxes; cutting public spending; adopting a fiscal rule (including a debt rule, which limited public debt to 60% of GDP); implementing pension reforms (including an increase in the retirement age and a reduction in the level of pension benefits); privatization; and investments in infrastructure. However, with the onset of the COVID-19 pandemic, the situation deteriorated once again. The government had to bear the burden of the epidemic by implementing numerous expensive policies, which consequently led to a substantial increase in public debt.

The Slovenian political crisis was exacerbated by the economic and financial crises of 2008 to 2013, the migrant crisis of 2014 to 2016, and most recently, the pandemic crisis of 2020 to 2022. The failure of the political elite to effectively handle these crises, along with their involvement in numerous corruption scandals, the economic enrichment of elites through these crises, and the processes of privatization, have greatly eroded public trust in political institutions, particularly the National Assembly and the country's political parties. This is likely the primary reason behind the national-level success of new parties led by political newcomers, which have moved away from the traditional divisions in Slovenian politics between collaborators and opponents of occupation forces during World War II. However, this division, still prominent, is increasingly apparent in the growing split over social democratic and neoliberal economic policies and has grown even more pronounced in the past two years.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

In Slovenia, there is no competition with the state's monopoly on the use of force throughout the entire territory. The police and armed forces are the two most important actors in the security system in Slovenia. They aim to preserve society's values against potential external and internal threats, as well as to maintain peace and freedom for the country's people.

Question  
Score

Monopoly on the  
use of force

10



The majority of the population accepts the nation-state as legitimate. Two recognized minorities – Hungarian and Italian – each have special rights of access to education and media, are allowed to communicate with local public administrations in their own languages, and are each granted one reserved seat in the National Assembly. In addition, the Roma have reserved seats on local councils in areas with an indigenous Roma population. Other minorities, such as the German minority and citizens of the former Yugoslav states, have no special status. Some conditions are set for obtaining citizenship through naturalization, but these are not discriminatory.

State identity

10



In February 2022, President Borut Pahor issued an apology to individuals who did not apply for Slovenian citizenship and were subsequently “erased” from key population registers and denied various rights after independence. This marked the 30th anniversary of the “erasure.” The percentage of foreign-born citizens is consistently rising and reached 8.2% in January 2022. The majority of these are men (64.5%), and more than half are in the country for employment reasons.

Slovenia is a secular country in which religious dogmas have little influence on political institutions. According to the 2002 census, 57.8% of citizens were Catholics, 10% were atheists, 2.4% were Muslims and 2.3% were Orthodox. More recent data from the Slovenian Public Opinion 2022 shows a similar figure (60%) for Catholics but a higher proportion of atheists (31%). While there are 57 registered churches and religious communities in Slovenia, the Catholic Church remains an important interest group that tends to support the positions taken by right-wing parties and has more influence when these parties are in power. In June 2022, the Constitutional Court ruled that the Family Code, which previously defined marriage as a union between a man and a woman and therefore allowed adoption only within such unions, was unconstitutional. In October 2022, the National Assembly amended the Family Code to define marriage as a lifelong union between two persons and to allow same-sex partners in a civil partnership to jointly adopt children. However, just one week after the amendments were introduced, the National Council (the upper chamber) passed a suspensory veto on the amendments, arguing that they bypassed the will of the people and did not align with the Constitutional Court's rulings. Nevertheless, the National Assembly readopted the law with 51 votes in favor and 24 votes against. At the same time, representatives of the coalition "Za otroke gre!" (For children!) submitted an initiative to the National Assembly to start collecting signatures for a referendum to overturn the amendments. Slovenia's bishops often call on all Catholics to participate in elections and referendums and to cast their votes responsibly. In this case, they also actively supported the collection of signatures to prevent the adoption of legislation that would grant equal adoption rights to same-sex and heterosexual couples.

Because of its widespread influence, the Catholic Church has an indirect role and presence in social systems such as education, health care and welfare. Public attention – and often criticism – continues to be drawn to the actions of several anti-abortion civil society groups supported by the Catholic Church. In 2021/22, they continued to organize "A March for Life," which opposes the right to abortion, seeks to raise awareness of its dangers and calls for compassion for its alleged victims.

In April 2020, the Constitutional Court ruled that the state is obligated to fully finance the mandatory part of the public program (but not the extended program) in private schools, the majority of which are church-run. In July 2021, an amendment to the Organization and Financing of Education Act was finally adopted, according to which the state provides 100% of the funding for the compulsory program and 85% of the funding for the extended program (supplementary classes, extended stay and morning care).

No interference of religious dogmas

9



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The Slovenian state possesses a differentiated administrative structure that offers essential public services across the entire country. Local governments are represented by 212 municipalities. Furthermore, certain fundamental administrative functions are carried out by 58 decentralized administrative units. There are no regions or provinces in Slovenia; although the constitution provides for their establishment to perform certain tasks under state jurisdiction, agreement has not yet been reached on the number of regional bodies to be created, or on their prospective borders and financing.

The effects of the COVID-19 epidemic strongly affected the functioning of the tax authorities, the judiciary and law enforcement. However, the pandemic also served to speed digitalization in all areas. In 2021, the state was responsible for implementing numerous aid measures to mitigate the consequences of the COVID-19 crisis. This, among other tasks and activities, required further digitalization and upgrading of information systems. In the fall of 2021, the mobile application eDavki (the state tax portal) was upgraded to include a user-registration feature using biometric data.

Within the judiciary, the computerization of court proceedings has also gained significant importance. For several years, the Slovenian judiciary has been making rapid progress in fully computerizing court proceedings, including e-service, e-filing and e-storage. Additionally, electronic court auctions began in 2021.

The influx of Ukrainian refugees in 2022 exacerbated already-significant delays in registering foreign citizens and issuing them work permits. This highlighted the degree to which the administration is thinly stretched, as well as the fact that other parts of the administration suffer from low staffing levels and a high average employee age. Primary school teachers are particularly affected by this problem in the medium to long term, as are care workers. Ensuring mobility has also become an issue. The rail infrastructure is underdeveloped, and air connections are among the worst in Europe. Ljubljana airport has the lowest number of passengers of any European capital.

In 2022, more than 130,000 Slovenians remained without a general practitioner. In January 2023, the main cities opened clinics to serve residents who lacked a general practitioner.

Basic  
administration

10



1



## 2 | Political Participation

Elections in Slovenia are free and fair. Parliamentary, presidential and local elections are held regularly, and voters are automatically registered when they turn 18. Voters have easy and quick access to polling stations throughout the country. Voting is also organized in hospitals, prisons and retirement homes. Citizens abroad can vote in person at consulates and by post. Slovenia uses a proportional representation electoral system with a 4% threshold to enter the 90-seat National Assembly. The country is divided into eight constituencies, with representatives of the Hungarian and Italian minorities elected separately.

The Election Campaign Act requires public television to provide all parties with equal opportunities to participate in debates. However, nonparliamentary parties frequently complain of difficulties in gaining media attention, partly due to the distinction between debates for parliamentary and extraparliamentary parties. Private television stations possess the authority to determine which parties to invite to the debates, often resulting in the inclusion of only those parties that draw substantial public support.

Several elections were held during the review period. In July 2021, a popular referendum was organized on a government-initiated amendment to the Water Act. Despite Slovenia's good track record of holding free and fair elections, this referendum was characterized by some controversies. These included voting limitations for retirement home residents, where polling stations were not organized. Additionally, eligible voters abroad did not receive notifications about the referendum, and the online application to vote in a location different from their permanent residence was partially unavailable. The State Election Commission is widely recognized as an efficient and impartial institution and is supported by both the left and right political poles.

Parliamentary elections were held in April 2022. Only five parties met the 4% threshold to enter the parliament – a historic low. Since 1992, at least seven parties had previously entered the National Assembly, thanks to the proportional electoral system. The electorate was mainly divided between the two leading parties, the Freedom Movement (Gibanje svoboda, GS) and the Slovenian Democratic Party (SDS). Almost half of the voters strategically voted for the party most likely to win on the left or right side of the political spectrum. In November 2022, presidential and local elections were also held.

Free and fair elections

10



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In Slovenia, democratically elected political representatives possess the effective power to govern. No individual or group holds de facto veto power. The upper house of parliament, known as the National Council, has the authority to issue a suspensive veto on laws approved by the National Assembly. This veto, however, can be overturned by a majority vote in the National Assembly. The National Council exercised the suspensive veto three times in 2021 and seven times in 2022. In 2021, the veto succeeded twice, and in 2022, it succeeded twice again, as the National Assembly failed to confirm the laws. Nationwide referendums can be requested with the signatures of 40,000 voters. In 2021, a referendum on an amendment to the Water Act was initiated by the government. In November 2022, three referendums were organized, focusing on amendments to the act on long-term care, amendments to the Government of the Republic of Slovenia Act and amendments to the Radiotelevizija Slovenija Act. These referendums confirmed voters' support for the center-left government, as all the proposed measures put forth by the new government garnered support.

The Slovenian Constitution guarantees citizens' freedoms of association and assembly. Although the COVID-19 pandemic affected civil society organizations (CSOs), they were able to adapt to new conditions in 2021 and 2022, thanks to digitalization, and were less affected by the pandemic than in 2020. In 2020, anti-government protests increased in frequency and continued throughout the Janša government era in 2021 and early 2022. The "Friday protesters" continued regularly demonstrating in front of the National Assembly, calling for early elections. In September and October 2021, new anti-COVID protests were organized by the extraparlimentary party Resni.ca, and sometimes turned violent. Although the Constitutional Court decided that government decrees forbidding rallies and limiting the number of participants due to the COVID-19 pandemic were unconstitutional, the protests faced reactions from the police in the form of tear gas, water cannons and fines. Protests ceased following the change of government in April 2022.

Although civil society sometimes struggled with constraints and interference under Janša's (SDS) government, CSOs were able to associate effectively and form various advocacy coalitions and campaigns. For instance, they were able to redefine sexual violence and organize a successful referendum to block an amendment to the Water Act. Additionally, at the end of 2021, the civic initiative Glas ljudstva (Voice of the People) was established. This new coalition included more than 100 NGOs and was focused on challenging political parties during the 2022 election campaign. This initiative played an important role in mobilizing voters during the election campaign. In October 2022, a man attacked Nika Kovač, the director of the Institute 8 March. The attack was linked to Kovač's critical views on SDS's policies.

Effective power to govern

10



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Association / assembly rights

9



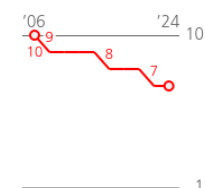
1

The Slovenian Constitution guarantees freedom of expression and freedom of the press. Both freedoms were challenged in 2020 with the introduction of various bans on gatherings due to the COVID-19 pandemic, and a similar situation continued in 2021. The most controversial event occurred when several students from a prestigious high school in Maribor, the second-largest city in the country, were each fined €400, and four minors were brought to court after protesting and demanding a return to school. In 2021, Janša's (SDS) government began to interfere in the media and replaced numerous members of the program council at the national public television (RTV). These new council members sought to influence RTV's programming, causing dissatisfaction among employees, while people close to Janša and SDS were given positions at RTV.

Although legislation on the freedom of information is in place in Slovenia, it is not effective enough in practice. The Center for Media Pluralism and Media Freedom's 2021 report on media plurality identifies a high level of risk for Slovenia, especially in the areas of market plurality and political independence, which are respectively assigned risk levels of 73% and 71%. In terms of the criterion of fundamental protection in the field of the media, which includes the existence of effective measures to protect freedom of expression and the right to seek, receive and disseminate information, Slovenia was rated as a medium-risk country with a 47% rating. Media freedom was particularly threatened during the Janša government, which cut off funding to the Slovenian Press Agency (STA) for nine months until it signed a new restrictive contract that increased government control through the government's communications office. The ruling SDS party was also frequently accused of political interference in newsrooms through the dismissal of editors and changes in the programming of RTV Slovenia, which led to staff protests. In 2020 and 2021, a considerable increase in the number of cases of insults and defamation campaigns directed against journalists was recorded in Slovenia. The incoming Golob government started by adopting measures that would increase media freedom. For example, in 2022, with the aim of resolving the situation at RTV, Golob's government proposed an amendment to the Radiotelevizija Slovenija Act that would reorganize the leadership, management and monitoring of RTV. Opponents of the act warned that the appointment of representatives to a new program council would not follow an open and transparent process. In January 2023, the government began naming new members of the program council. Nevertheless, the media space in Slovenia remains highly politically polarized, and the misuse of state funds to promote government-friendly propaganda channels is increasingly common, regardless of the government in power.

## Freedom of expression

7



### 3 | Rule of Law

The Slovenian parliamentary system divides power between the legislative, executive and judicial branches, providing for a system of checks and balances. Independent courts and the Constitutional Court provide judicial review of legislation and administrative actions.

The Slovenian parliament consists of the National Assembly and the National Council. Since the National Council has very weak powers, the Slovenian parliament is often called a one-and-a-half chamber parliament. The relationship between the parliament and the government is crucial, as disagreements between them can lead to a change of government, as well as the dissolution of the parliament.

Parliament has several institutes at its disposal to ensure parliamentary supervision over the government's work, including parliamentary questions, interpellation and a vote of no confidence. Governments are virtually always coalitions, and decision-making processes in the National Assembly often align with the majority government coalition. For this reason, the parliamentary majority frequently only confirms the decisions made by the government.

Slovenian political actors have identified respect for the rule of law as one of Slovenia's values. However, Janša's government was often criticized for not respecting the rule of law. An example of this disregard included governance by decrees – in the period from March 2020 to September 2021, Janša's government adopted more than 2,700 decrees.

Slovenia has a functional court system, and the judiciary is generally free from unconstitutional interference by institutions and private interests. Judges are independent, serve for life and are elected by the National Assembly after being nominated by the Judicial Council – an independent, autonomous body. Nevertheless, in 2021, Janša's government tried to interfere with or influence the public image of the judiciary. It obstructed the appointment of two prosecutors delegated to the newly established European Public Prosecutor's Office (EPPO). The two candidates did ultimately take up office in the EPPO, but only after tensions that resulted in the resignation of the minister of justice, the relaunch of the procedure, and a row between the government and the Administrative Court.

Several new members of the Constitutional Court were appointed in 2021 and 2022. In November 2021, Rok Svetlič, a candidate criticized by the opposition due to his lack of qualifications and inappropriate attitudes regarding the treatment of refugees, received the required 46 votes in parliament only on the fourth vote. He replaced a judge whose term had already expired in 2020. In October 2022, Neža Kogovšek Šalamon, a former director and researcher of the non-governmental organization Peace Institute, was elected as a constitutional judge. She is known for her persistent commitment to the protection of human rights, especially those of vulnerable groups.

Separation of powers

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Independent judiciary

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In October 2022, the new prime minister, Robert Golob, announced possible constitutional changes aimed at reducing the workload of the Constitutional Court and facilitating the process of appointing judges without the parliament. The parties proposed transferring the power to appoint judges proposed by the Judicial Council from the National Assembly to the president of the Republic.

The May 2022 EU Judicial Scoreboard for Slovenia reported that the number of new court cases continued to decline, with the judiciary resolving almost all the civil and commercial cases it received and resolving an increasing number of administrative cases. Much as during the previous year, the data on case resolution rates and times indicate stable court operations, despite operating at a reduced level due to the global health crisis. Trust in the independence of the judiciary is gradually improving in Slovenia.

In general, elected officials who break the law or are corrupt are investigated or placed under police suspicion for abuse of power. However, the performance of various supervisory institutions is rather weak, and there are many political, legal and procedural loopholes in the prosecution of office abuse in Slovenia.

According to the 2021 Global Corruption Barometer, more than half of respondents in the country believed that the incidence of corruption in Slovenia increased in 2020. Among them, 83.9% believed that corruption in the government is widespread and a serious problem. The percentage of citizens who believed they could contribute to the fight against corruption in 2020 was relatively high at 66.1%.

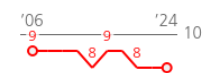
The Slovenian Commission for the Prevention of Corruption has long warned that the “gap between theory and practice” in the prevention of corruption in Slovenia is too wide. According to some estimates, up to €3.5 billion, or 7.5% of Slovenian GDP, is lost each year to corruption. Corruption scandals rarely result in real consequences or punishment for the perpetrators. A lack of political will and commitment prevents greater progress in the prevention of corruption. However, in October 2022, the government adopted a whistleblower act that provides protection for those who report violations of regulations in the work environment, both in the public and private sectors.

Civil rights are codified in the constitution and the law and are respected by state institutions. Certain institutions are responsible for dealing with human rights violations, including the Ombudsman, an office that continues to be respected by the public. All citizens, regardless of gender, sexual orientation, race, ethnicity, religion or political preference, have equal access to justice and due process under the rule of law.

During the COVID-19 pandemic, certain civil rights were infringed upon due to restrictions on movement. The new government, under Robert Golob’s leadership, made efforts to address these issues. First, it halted ongoing procedures and then proceeded to prepare refunds for all fines paid during the pandemic. These fines were imposed on illegal or unconstitutional grounds.

#### Prosecution of office abuse

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#### Civil rights

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In 2016, during the refugee crisis, Miro Cerar's government decided to erect fences along Slovenia's border with Croatia in order to limit illegal migration. The new minister of interior affairs decided to remove all such fences in July 2022.

In November 2022, the Supreme Court submitted a request for an assessment of the constitutionality of the regulation of extradition of foreign defendants, as it believes that the rules do not adequately protect human rights. Specifically, the Supreme Court argues that the law in question is fundamentally flawed and unconstitutional because it fails to clearly establish both the substantive and procedural criteria for the minister's decision-making process. This lack of clarity raises concerns about potential violations of human rights as outlined in the European Convention on the Protection of Human Rights and the constitution, particularly with regard to the prohibition of torture.

Since 2020, the Ombudsman has also dealt with the issue of the lack of personally chosen doctors. This issue became especially severe in 2022, when more than 130,000 patients were without a personally chosen general practitioner.

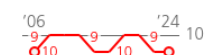
#### 4 | Stability of Democratic Institutions

National democratic institutions in Slovenia generally function efficiently and effectively. Slovenia is a parliamentary republic where the legislative power rests with the parliament, the executive power with the government, and judicial power is separate from both. The Slovenian parliament is bicameral, consisting of the National Assembly and the National Council. The National Assembly includes 88 representatives from political parties and two representatives from the Italian and Hungarian national communities. In the National Council, state councilors, who are nominated and elected by individual interest groups in society, represent organized social interests and the interests of local communities. The government is accountable to the members of the National Assembly, who confirm its formation. The prime minister is elected by secret ballot from the National Assembly and proposes ministerial candidates to the National Assembly. These candidates must be approved by the deputies. The president of the Republic, who also serves as the commander-in-chief of the Slovenian defense forces, holds primarily ceremonial responsibilities but is nevertheless selected through direct elections for a five-year term.

The Slovenian constitution requires that all courts be impartial, independent and established by law, while judges are independent in the performance of their duties, bound only by the constitution and the law. The inhabitants of Slovenia exercise local self-government in municipalities and other local communities. The mayor and members of the municipal council are elected by the residents in local elections every four years. Slovenia has 212 municipalities, including 12 with the status of urban municipality.

Performance of democratic institutions

9



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Especially in 2022, the opposition used otherwise legal means and procedures normally supposed to ensure a higher level of democracy with the aim of preventing the effective adoption of measures and governance. The SDS and New Slovenia – Christian Democrats (NSi) submitted over 30 legislative proposals on the first day of the new assembly following the elections, causing unavoidable delays in the public policy process. Another tactic employed by the new opposition (i.e., the governing parties until the April 2022 elections) was to propose laws for consultative referendums, further slowing down the process of establishing a new government and its policies. In November 2022, three referendums were held: one on the amendment of the act of long-term care, another on the amendment of the Government of the Republic of Slovenia Act, and a third on the amendment to the Radiotelevizija Slovenija Act. The referendum results confirmed voter support for the center-left government, as the government’s proposals were supported. However, it was not until January 2023 that the 20-member ministerial team of Golob’s government was able to assume their positions after the amendments to the Government of the Republic of Slovenia Act came into effect.

Slovenia’s democratic institutions are generally accepted as legitimate. The government and ministers are accountable to the National Assembly, and opposition parties can submit interpellations to ministers if they believe their performance is not in the national interest. However, recent years have been marked by significant political polarization along the left-right continuum. Consequently, accusations of a lack of democracy and clientelism have increasingly emerged from opposition parties, regardless of who currently holds power. This lack of trust has resulted in widespread changes in leadership positions throughout the state and public administration following elections. Particularly, the legitimacy of the government led by Janez Janša (SDS) was frequently challenged by civil society, leading to numerous protests during Janša’s tenure and calls for early elections. While several interpellations were submitted in 2021/22, none received sufficient support as the governing parties rallied behind their ministers. Nevertheless, this procedure affords citizens greater insights into ministers’ decisions and performance.

Commitment to  
democratic  
institutions

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## 5 | Political and Social Integration

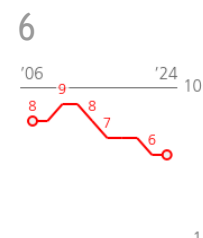
Slovenia's proportional representation system allows several parties to enter parliament, resulting in party system fragmentation that is somewhat contained by the 4% entry threshold. Since independence, between seven and nine parties have won seats in the National Assembly. However, after the 2022 elections, only five parties managed to secure seats due to substantial polarization between the political left and right paired with strategic voting. Support for the parties on the right of the political spectrum remains relatively stable, while the center and center-left parties exhibit higher volatility.

From 1992 to 2011, the party system was very stable with low volatility. Since 2011, a series of early elections have been held, in which new parties led by political newcomers have emerged and won elections, although they have not always been able to form a government. Moreover, not only did the established parties begin to lose electoral support to new parties, but the newcomers also began to lose support to even newer parties. Although the 2022 elections were the first regular elections in a decade, new parties continued to dominate. The relatively new Party of Alenka Bratušek (SAB) (founded in 2014) and List of Marjan Šarec (LMŠ) (founded in 2018), both led by former prime ministers, dropped out of the parliament and shortly afterward merged with the winner of the 2022 elections, the new Gibanje svoboda (Freedom Movement) party led by entrepreneur (and former state secretary for energy) Robert Golob. The Left, a party founded in 2014, narrowly entered parliament (reaching a vote total of 4.46%). Another established party, the Democratic Party of Pensioners of Slovenia (DeSUS), also dropped out of the parliament, leaving the Slovenian Democratic Party, the Social Democrats and New Slovenia-Christian Democrats as the only three established parties in the parliament.

Due to the growing political polarization along the left-right continuum and increased distrust in the cadres of opposing political groupings, recent years have been marked by the so-called personnel tsunami and, as a result, clientelism. A particularly significant problem is the interference with professional jobs in many positions within the public administration. The installation of political appointees, who are generally not experts, allows for the dismantling of central political and administrative institutions, which in turn may affect the stability and efficiency of their functioning.

Thus, it is not surprising that Slovenian voters express very low trust in political parties, although this has improved slightly. According to the Slovenian Public Opinion Survey in 2018, 32.9% expressed no trust in political parties, and in 2022, only 15.3% expressed the same level of distrust (0 on a scale from 0 to 10).

Party system





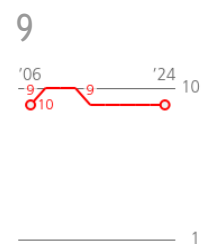
In Slovenia, the interest group system developed from traditional interest groups that had close ties to the government during the socialist period. It rapidly evolved during the early transition period, receiving less international financial support than other Central and Eastern European countries but benefiting from a stronger grassroots base. Consequently, the Slovenian interest group system is highly developed at both the national and local levels, with organizations that actively participate in EU policymaking. It exhibits characteristics of neocorporatism, as trade unions and employers' organizations regularly engage in negotiations with the government through the Economic Social Council, a tripartite body. Despite a decline in membership, trade unions maintain considerable influence, particularly those representing the public sector.

In January 2023, Slovenia had 27,566 registered active NGOs, representing a slight decrease compared to 2020. The number of people employed by NGOs is gradually increasing, with 12,561 individuals employed by NGOs in 2021. However, the majority of NGOs (92.17%) operate without any employees, and on average, each NGO employs only 0.48 individuals. This figure still represents an increase compared to previous years.

In Slovenia, there is a long-standing tradition of social partnership, which involves cooperation between decision-makers and social partners in the preparation of legislation. However, in 2021, trade unions and the president of the Economic and Social Committee raised concerns that the government led by Janša intentionally violated the rules of social partnership. As a result, they called on the deputies in the National Assembly to reject laws that had not been agreed upon with social partners beforehand.

The autumn and winter of 2022 witnessed demands from several groups in the public sector for salary increases. In January 2023, the doctors' trade union Fides and the government reached an agreement to avert a planned warning strike. Additionally, an agreement was reached in January 2023 with the trade unions representing education workers to raise the salaries of teachers' assistants in kindergartens. The prime minister himself pledged a salary supplement for judges. However, other groups in the public sector, including firefighters, police officers, postal workers, bus drivers, and trade unions in culture and education, have also joined the call for higher wages.

## Interest groups



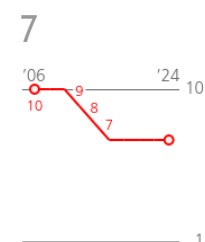
According to 2022 Slovenian Public Opinion Survey data, Slovenian citizens are more satisfied with democracy than in 2020/21. The share of citizens who expressed satisfaction, and those that rated their opinion of the state of democracy as somewhere between satisfied and dissatisfied, has increased. In 2022, 15.6% (22.3% in 2020) expressed dissatisfaction with democracy, and 10.7% (8.8% in 2020) expressed satisfaction with the practice of democracy. At the same time, the share of respondents who think that democracy is the best system of government when problems arise continues to rise. In 2022, 39.7% (28% in 2018, 26.1% in 2020) of respondents agreed with this statement. Still, the majority of respondents (43.7%) believe that a strong leader is needed in problematic situations.

After the most recent parliamentary elections and the replacement of Janša's government, there has been a noticeable increase in trust in most political institutions, many of which previously ranked at the bottom of the scale for practically all the years in which the survey was conducted (measured on a scale of -100 (I don't trust at all) to +100 (I trust a lot)). According to a survey conducted in October 2022, the institution of the prime minister experienced the largest jump (+55 points). The government (+36), the parties in the government coalition (+33) and the speaker of the parliament (+30) also saw a difference of more than 30 points in the direction of increased trust. The president of the Republic (+25) and the National Assembly (+23) followed closely behind. Conversely, the opposition parties experienced a significant decrease in trust (-14) following the April elections.

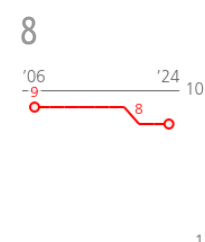
According to the 2022 Slovenian Public Opinion Survey, the percentage of respondents who believed that people can be trusted decreased from 13.6% in 2018 to 12.5% in 2022 and remained nearly unchanged from the 2020 level. Meanwhile, the percentage of respondents who believe it is necessary to exercise caution in this regard is 20.2%. Additionally, the proportion of public funding in NGOs' income continued to rise, increasing from 35.57% in 2017 to 46.54% in 2020.

A sense of solidarity and trust among citizens can be seen in many successful permanent or ad hoc initiatives that help members of underprivileged groups, individuals in extraordinary circumstances or people with rare diseases improve their quality of life. In the summer of 2022, Slovenia was hit by historic fires. The fires were brought under control without human casualties or loss of homes, thanks primarily to the efforts of volunteer firefighters. More than 1,500 professional and volunteer firefighters participated in extinguishing the fires. Many companies and individuals donated drinks and food to the firefighters. Posters thanking the firefighters and volunteers were displayed in many locations. Numerous individuals and companies have also provided support to the residents of the affected areas. In August 2022, the national television service, in cooperation with the Firefighters' Association, broadcast a special charity show titled "Let's Stand Together for Slovenian Firefighters," which raised over €790,000 for the purchase of much-needed firefighting equipment.

### Approval of democracy



### Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

The Slovenian economy experienced a rapid recovery in 2021 following the COVID-19 pandemic, thanks to substantial government measures that helped maintain a relatively stable financial situation for the population. However, the pandemic's impact is evident in a significant surge in general government debt, which reached the equivalent of 79.60% of GDP in 2020 and decreased to a still considerable 74.5% of GDP in 2021.

In 2021, the at-risk-of-poverty rate in Slovenia was 11.7% (threshold: €771 per month), while 13.2% of the population was at risk of poverty or social exclusion. Most of those living below the at-risk-of-poverty threshold were retired persons (35%), but this category also included some people in employment, underage children, the unemployed and those unable to work. A significant gender gap remains, as 19.5% of women aged 60 and over live below the at-risk-of-poverty threshold. Social transfers continue to play a crucial role in reducing the at-risk-of-poverty rate. If these transfers were excluded from income, the at-risk-of-poverty rate would be 21.2%. Additionally, if pensions were excluded, the rate would rise to 40.3%.

In a 2019 Eurobarometer survey, only 9% of Slovenian respondents reported feeling discriminated against, one of the lowest such figures in the European Union. Among those individuals, the highest percentage – 33% – stated they experienced discrimination in the workplace. Of those who felt discriminated against, 2% cited age, gender, religion or beliefs, or general physical appearance as reasons for the discrimination, while 1% mentioned discrimination based on disability, ethnic origin, sexual orientation, social class, political opinions, skin color or being Roma.

With a Gini coefficient of 23% and a quintile share ratio of 3.2, the income inequality indicators in Slovenia continue to show among the lowest levels of inequality in the European Union (EU). This is mainly a result of progressive taxation and social transfers.

Other data confirm Slovenia's relatively low socioeconomic barriers. In 2021, the country's Human Development Index (HDI) score was 0.918, while its Gender Inequality Index score was 0.071. With a score of 67.5 out of 100, Slovenia ranks 12th in the European Union on the Gender Equality Index, just 1.1 points below the EU average, primarily due to a lower amount of political participation of women. The gender pay gap is stable but small compared to other EU member states. While a relatively large portion of Slovenia's population resides in rural areas (44% compared to the EU's average of 28%), certain parts of the countryside are experiencing a population decline due to poor transportation connections and consequently limited economic opportunities.

Question  
Score

Socioeconomic  
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	54331.6	53706.8	61748.6	<b>62117.8</b>
GDP growth	%	3.5	-4.3	8.2	<b>5.4</b>
Inflation (CPI)	%	1.6	-0.1	1.9	<b>8.8</b>
Unemployment	%	4.5	5.0	4.7	<b>4.2</b>
Foreign direct investment	% of GDP	4.0	0.9	3.6	<b>3.5</b>
Export growth	%	4.5	-8.6	14.5	<b>6.5</b>
Import growth	%	4.7	-9.6	17.6	<b>9.8</b>
Current account balance	\$ M	3185.2	3882.3	2072.6	<b>-617.4</b>
Public debt	% of GDP	65.4	79.6	74.4	<b>72.6</b>
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	0.6	-7.9	-4.8	-
Tax revenue	% of GDP	18.3	16.9	18.3	-
Government consumption	% of GDP	18.3	20.6	20.6	<b>18.8</b>
Public education spending	% of GDP	4.9	5.4	5.7	-
Public health spending	% of GDP	6.2	6.9	-	-
R&D expenditure	% of GDP	2.0	2.1	-	-
Military expenditure	% of GDP	1.1	1.1	1.2	<b>1.2</b>

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

## 7 | Organization of the Market and Competition

In general, Slovenia complies with EU regulations on the distribution of state subsidies to ensure market-based competition. Prices are mainly determined by market forces, with the help of the Association of Consumers, an influential NGO. Prices have been fully liberalized since the government liberalized the prices for petroleum products in October 2020. However, in response to rising inflation, the government took a number of measures, including limiting the price of oil and petroleum derivatives (excluding gas stations on the highways), the profit margins for heating oil, and the price of electricity and natural gas.

The Financial Administration of Slovenia collected €19.215 billion in revenue in 2021, which is 18% more than in 2020 and 9.3% more than in 2019. The downward trend in tax debt continued, with the total at the end of December 2021 standing at €918.5 million, 8% lower than a year earlier. According to World Economics, Slovenia's informal economy is estimated to account for 23.8% of GDP.

In Slovenia, starting a business is relatively easy without overly complex administrative burdens. A foreigner who comes from one of the EU countries can register in Slovenia as an independent entrepreneur, known as an “s.p.” (s.p. stands for *samostojni podjetnik* in Slovenian), or open a limited liability company, known as a “d.o.o.” (d.o.o. stands for *družba z omejeno odgovornostjo* in Slovenian). The conditions that must be met in order to open a company are the same as those for Slovenian citizens. However, a foreigner from a third country who wants to establish an s.p. must have resided in Slovenia for 12 months as a requirement. Due to this one-year residence requirement, many foreigners from third countries decide to register a d.o.o., as this condition is not necessary. The cross-border mobility of capital and labor is ensured through the fundamental freedoms of the EU single market.

The Slovenian Competition Protection Agency addresses issues of monopolization and concentration while ensuring nondiscrimination. The Slovenian Competition Act is based on the European Commission's competition rules and applies to all sectors and businesses. In 2021, the agency handled 55 administrative cases, which is comparable to the number in 2019 (54 cases). Within the same year, the agency issued 26 decisions in completed administrative procedures, including two cases related to restrictive practices and 24 cases involving concentration assessments. All concentration cases subject to the agency's decisions complied with competition rules. Additionally, the agency made one decision regarding a misdemeanor concerning unauthorized practices in the agricultural and food product supply chain. It imposed fines totaling €118,061.

From 2020 to 2022, the distribution of state aid was shaped by the COVID-19 crisis and the energy crisis. In 2020, €1.77 billion of state aid was disbursed, of which €1.265 billion was earmarked for dealing with the consequences of COVID-19. In comparison, state aid totaled only €481.64 million in 2018. The 2020 package was

Market  
organization

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Competition policy

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approved by the European Commission under the Temporary Framework for State Aid, which approved a €2 billion scheme for Slovenia. In September 2022, a law determining aid to the economy due to high electricity and natural gas prices provided non-reimbursable grants to businesses to co-finance the energy costs. The temporary measure, valid until the end of 2022, was adopted on the basis of the European Commission's Temporary Crisis Framework for State Aid Measures to support the economy following Russia's attack on Ukraine, under which the European Commission approved a €140 million Slovenian program.

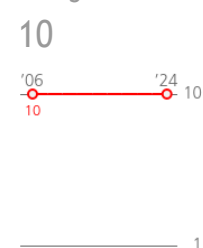
Slovenia joined the European Union in 2004 and has followed its relatively liberal trade regime, according to the World Bank. In 2020, Slovenia's simple mean tariff rate was 1.7%. Slovenia has a long trade tradition and an export-oriented economy. Despite the COVID-19 crisis, Slovenia managed to maintain relatively high levels of exports and imports in 2021. Exports accounted for 84% of the country's GDP, with 76% of trade occurring with EU member states (Slovenia Business). In 2021, Slovenia's main export destinations were Germany (17.3%), Switzerland (13.4%), Italy (10.7%), Croatia (7.9%) and Austria (6.6%). The country's primary import sources were Germany (14.9%), Italy (11.3%), Switzerland (10.1%), China (10.0%) and Austria (8.8%).

According to the Bank of Slovenia, 11 commercial banks, three savings banks, and two branches of foreign banks operated in Slovenia at the beginning of 2023. Commercial banks dominate the banking system, with a market share of 91.1%. The banking system's balance sheet total increased by 8.1% in 2021, reaching 92.8% of GDP. Lending to the nonbanking sector strengthened throughout 2021. Following the stagnation in 2020, the volume of loans to the nonbanking sector increased in 2021 by €1.5 billion. Year-on-year growth in housing loans increased rapidly in 2021, particularly due to favorable terms of financing and a downward trend in fixed interest rates, which in December 2021 reached 9.1%, the highest level in the last decade.

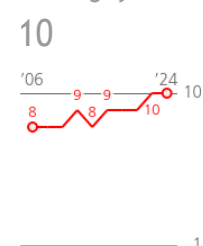
According to the Institute of Macroeconomic Development's 2022 Development Report, the situation in the banking system has remained stable. The banking system has continued to retain high levels of liquidity, while the share of nonperforming loans fell to 2.4%. The decrease in the capital adequacy ratio was primarily a result of the merger between two banks – Abanka and Nova KBM. Although still behind the EU average, the capital adequacy ratio saw a slight increase during the review period. Additionally, deposit inflows to banks have remained at a relatively high level.

The banking system remains well capitalized, according to the Bank of Slovenia. In 2021, the total banking system capital adequacy ratio increased to 18.4% on a consolidated basis, remaining below the euro area average. While the proportion of bad loans in 2018 accounted for just 5.6% of all loans, the prediction that the share of nonperforming loans would rise after the expiration of the COVID-19 measures

Liberalization of foreign trade



Banking system



has proven true, with those loans increasing to 8.1% by the end of 2021. Relatively high percentages of deferred exposures were also observed in consumer loans (13.7%) and housing loans (9.8%).

Since Slovenia is a member of the EMU, its financial sector is subject to a range of EU and international regulations and standards. Consequently, international banking standards, including the Basel accords, are applied in Slovenia. The European Central Bank and the Bank of Slovenia act as supervisors of the banking system. The supervisory system operates within the framework of the Single Supervisory Mechanism, which began functioning in 2014 in response to the last financial crisis and serves as one of the pillars of the banking union. As of January 2021, the IMAS Portal, a banking supervision portal, was also launched, providing a platform for banks supervised by the ECB to submit their applications for fit and proper assessment, monitor the status of these assessments, and exchange relevant information with supervisors.

There is also a functioning capital market outside the formal banking sector in Slovenia. The primary securities exchange in Slovenia is the Ljubljana Stock Exchange, which was established in 1989 and has been operating since 1991. Additionally, Slovenia also has an over-the-counter market where unlisted securities can be traded called the Central Registry of Securities, operated by KDD (Centralna klirinško depotna družba - Central Securities Clearing Corporation). However, the capital market in Slovenia is relatively small compared to larger European markets. The liquidity of the market is on the weaker side, even though a new liquidity provider was added in 2019. In the last three years, there has been only one major IPO on the Ljubljana Stock Exchange – the listing of the stock of Nova Ljubljanska Banka in 2018 for a total of €1.03 billion and global depositary receipts (GDRs) on the London Stock Exchange.

## 8 | Monetary and fiscal stability

Slovenia is a member of the European Monetary Union (EMU), and its exchange rate policy is determined by the European Central Bank. Slovenia committed to establishing a Fiscal Council by ratifying the EU's Fiscal Stability Treaty. In 2013, a fiscal rule was integrated into the constitution, and in 2015, an implementing act was adopted. The independence of the Bank of Slovenia is guaranteed by law, last amended in 2017, which strengthens the bank's independence. The governor of the Bank of Slovenia is elected by an absolute majority of the members of the National Assembly on the basis of a proposal by the president of the Republic, following a public call for the presentation of candidates.

While 2020 ended with a deflation rate of 1.1% – mainly due to lower prices for petroleum products – the inflation rate increased to 2.1% in December 2021 and further to 10.8% in December 2022. Inflation in the final quarter of 2022 was slightly

### Monetary stability





lower than in the third quarter; however, energy inflation was the only component that decreased, while the prices of industrial goods, food and services increased faster than before. According to the European Commission's economic forecast, headline inflation is projected to decrease to 6.1% in 2023 and to 3.5% in 2024.

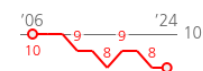
Exceptional circumstances due to the COVID-19 pandemic and a significant decline in economic growth rapidly altered the trajectories of both public debt and budget deficits, both of which experienced a sharp increase in 2020. As a result of the government's pandemic response, total public debt rose to 79.60% of GDP in 2020, though it declined slightly to 74.50% one year later. In 2021, the total fiscal burden, including tax and social contribution revenue as a percentage of GDP, stood at 38.4%. Notably, government spending in Slovenia saw an increase, rising to €2.17 billion in the fourth quarter of 2022 from €2.15 billion in the third quarter of the same year. Furthermore, Eurostat reports that net lending/borrowing (current and capital account) was -1.20% of GDP in June 2022. Historically, net lending/borrowing reached a record high of 8.90% of GDP in March 2021 and a record low of -8.60% of GDP in June 1999. Slovenia's foreign exchange reserves were measured at \$867.6 million in January 2023, while gold reserves amounted to 3.17 metric tons in Q4 2022.

In the past, especially after the 2008 global financial crisis, the Slovenian government has implemented a number of budgetary policy measures aimed at improving debt sustainability and achieving fiscal consolidation. These measures included reductions in public sector wages, pensions and social benefits; increases in taxes; cuts in public spending; introduction of a fiscal rule (including a debt rule, which limited public debt to 60% of GDP); implementation of pension reforms (including increasing the retirement age and reducing the level of pension benefits); implementation of a privatization policy; and infrastructure investments.

However, the COVID-19 pandemic and energy crisis have raised concerns about future debt sustainability and fiscal consolidation. In 2022, pay deals in the public sector with doctors, kindergarten assistants and judges triggered demands for pay rises in other areas of the public sector. All of these various measures will present challenges for the future stability of public finances in Slovenia, as the projected budget deficit for 2023 is already at 5.5% – one of the highest such figures in Europe.

#### Fiscal stability

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## 9 | Private Property

Property rights and procedures for acquiring property are adequately defined in Slovenia. Property rights are limited solely – and rarely – by the constitutionally defined public interest. Lowering bureaucratic obstacles was one of the priorities of the previous government, which even created a special position of Secretary of State for Debureaucratization in the cabinet of Prime Minister Janez Janša. At the end of 2021, the Act on Debureaucratization was adopted. Its main purpose is to reduce the administrative and regulatory burden in public administration and improve its efficiency.

After two waves of privatization in the early 1990s and mid-2000s, the government established Slovenian State Holding (SDH) in 2012 to manage state property and determine which companies to privatize. In 2021, SDH managed investments worth €10.3 billion, the majority of which came from the transport and energy sectors (72.4% of the total portfolio).

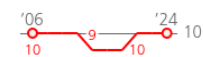
SDH annually prepares a capital investment management plan, which also includes plans for privatizing state-owned companies. The government approved the annual capital investment management plan for the year 2022, which, among other things, envisions exploring the possibility of another attempt to sell Telekom Slovenije and mentions the potential sale of the state's share in Sava Tourism. The sale of state shares often occurs based on the political interests of the ruling coalition rather than market principles. An example highlighting this is the sale of Telekom Slovenije. That company's market value, which reached €2.6 billion in 2008 and just over €700 million in 2015, has dropped to slightly more than half of that amount since the last sale attempt in 2015.

According to the Statistical Office of Slovenia, there were 206,220 companies operating in Slovenia in 2021. These companies employed 933,543 people and generated €113.691 million in revenue. In 2020, 94.9% of the companies operating were classified as microenterprises, meaning they employed fewer than 10 people. The majority of the total revenue from sales was generated by a small number of medium-sized and large companies that had at least 50 employees. Medium-sized companies accounted for 24.8% of the sales revenue, while large companies accounted for 34.3%. Together, they employed over half (53.8%) of all those who worked in companies.

In 2022, due to the energy crisis, the government implemented several measures to support the private sector. For instance, the government established retail price caps for electricity for smaller companies, set retail price caps for electricity generally, reduced the level of duties for small business customers, and capped the price of natural gas. In January 2023, the government additionally enacted a law to bolster the economy in 2023 in response to high energy prices and allocated €1.2 billion for this purpose.

Property rights

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Private enterprise

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## 10 | Welfare Regime

Slovenia has a rather comprehensive social welfare system that provides a range of safety nets to protect against unemployment and poverty. Furthermore, it offers additional social welfare benefits such as social assistance, child allowance, disability benefits and public health care services.

The pension scheme in Slovenia provides coverage to all individuals who have paid into the social security system during their working years, as well as certain categories of nonworking individuals – for example, spouses and partners of insured persons. Due to the aging population, the pension system is subject to frequent reforms as it faces continuous problems of financial sustainability. Both the health care system and pension scheme are heavily based on a public structure.

According to the Statistical Office, general government expenditure in Slovenia amounted to 49.3% of GDP in 2021, with over half of that allocated to social protection (17.9% of GDP) and health care (8.1% of GDP). The majority of the government’s social protection expenditure was dedicated to old age, particularly pensions. As a result of a reduced unemployment rate, unemployment benefits declined by 18.8%.

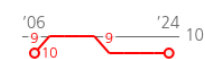
A survey by Slovenian Public Opinion indicates consistent support for the core values of the welfare state and overwhelming endorsement of government involvement in health care, pensions and unemployment benefits. Nevertheless, NGOs have become increasingly active in this area and have taken on various activities to expand the social safety net due to the narrowing of the state-run welfare regime. Their role increased further during the COVID-19 pandemic.

During 2022 and 2023, the government implemented several measures and prepared a comprehensive package of targeted and mitigation measures in the areas of energy and food costs. In January 2023, Slovenia’s minimum wage was increased by €100 net, as proposed by the Left Party, a governing coalition party, bringing it to €878 net per month.

The public health care system has been extensively discussed in recent years, and the new government has made reform of the public health care system its priority. In January 2023, the minister of health presented the document “Review of the Situation in the Field of Healthcare in Slovenia,” which indicated that the financing of Slovenian health care has increased in recent years. Similarly, long-term care for the elderly remains an important issue. Slovenia is currently an aging society, as 19.7% of people are over the age of 65, and it is predicted that this share will increase to 30% by 2050. The previous right-leaning government adopted a new Long-Term Care Act in December 2021, but the new governing coalition decided that the Act would be implemented one year later than planned – that is, on January 1, 2024.

Social safety nets

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By the end of 2021, after two years of COVID-19 pandemic measures, the homeless issue had become more severe. Organizations working with the homeless found it difficult to provide suitable facilities for the isolation of infected persons while social hardship increased.

Slovenia possesses a comprehensive legal and institutional framework to safeguard against discrimination. Equality of opportunity has largely been attained in Slovenia. Women and ethnic, religious and other minorities enjoy equal access to education, public office and employment. Despite slight indications of societal retraditionalization, Slovenia guarantees equal opportunity for sexual and religious minorities.

In 2020, the gross enrollment rate was 100% for primary education, 116% for secondary education and 79% for tertiary education.

At the end of 2022, women represented 44.86% of the active labor force. In 2020, Slovenia had the third-lowest gender employment gap in the European Union – 3.1% compared to the EU average of 13%. The country's score on the Gender Equality Index was 67.5 points, placing the country 12th in the European Union and 1.1 points below the EU average. Slovenia is ethnically rather homogeneous, with two autochthonous minorities – Hungarian and Italian – guaranteed special protection, rights to political representation and the official use of their language.

A gender quota system was introduced for parliamentary, local and European Parliament elections in the mid-2000s, but only a zipper system would be likely to ensure a stable increase in female representation. While this system is not used for parliamentary elections, recent parliaments have had relatively high numbers of women. After the 2022 elections, 35 women entered the National Assembly, representing 40% of seats, the highest proportion of women ever elected to the National Assembly. In 2019, half of the Slovenian members of the European Parliament were women. Finally, in the 2022 presidential election, the country elected Nataša Pirc-Musar as its first female head of state in the 30-year history of independent Slovenia.

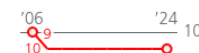
## 11 | Economic Performance

Slovenia's economy experienced a rapid rebound in 2021 due to substantial government interventions that helped maintain the population's financial stability. However, the government's response to the epidemic resulted in a significant rise in public debt. In 2020, total public debt increased to 79.6% of GDP and remained high at 74.5% of GDP in 2021.

After a decline in GDP of 4.30% in 2020, positive GDP growth resumed and reached 8.20% in 2021, with per capita GDP peaking at \$29,298. In 2019 and 2020, a small amount of deflation was observed (-1.8% and -1.1%, respectively), but in 2021 the inflation rate rose to 4.9%, and in 2022 it increased even further to 10.3%. The

### Equal opportunity

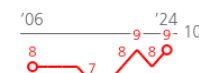
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### Output strength

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unemployment rate has been decreasing, falling to 5.3% in 2020, 4.4% in 2021 and 4.2% as of November 2022. The budget surplus decreased to 0.5% of GDP in 2019 but was expected to fall into a deficit of around 8% of GDP in 2020, primarily due to the impact of the COVID-19 pandemic. According to the Statistical Office of Slovenia, the country's nominal GDP reached €15.3 billion in December 2022, up from €14.9 billion in the previous quarter.

According to the Bank of Slovenia, the stock of inward foreign direct investment (FDI) in Slovenia amounted to €18.4 billion (35.2% of GDP) at the end of 2021, which is €1.7 billion, or 10.4% more than at the end of 2020. The increase was more than three times that seen in the previous year, when inward FDI increased by just €0.5 billion. The reluctance to invest in 2020 due to the COVID-19 pandemic was no longer observable in 2021.

In 2022, the left-leaning government took extensive measures to fight the energy crisis. It is not yet clear how this will affect economic indicators; however, the projected budget deficit for 2023 was 5.5%.

## 12 | Sustainability

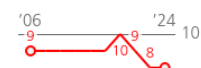
Slovenia's natural environment is relatively well preserved overall, as the country has a high proportion of protected areas, substantial forest cover and moderate agricultural intensity. The recent economic crises and lower energy consumption made a major contribution to meeting the 2020 energy efficiency and emissions reduction targets. In 2022, Slovenia's score on the Environment Performance Index was 67.3, placing it 7th globally. The 2022 Development Report indicates that the number of ISO 14001 certificates issued increased by 4.8% in 2020, while the number of EMAS certificates issued per million inhabitants has stagnated for the third consecutive year.

In line with EU climate change policies, Slovenia encourages the use of renewable energy. Households can request subsidies for building energy renovations, the purchase of electric cars, new stoves and insulation. However, these funds are decreasing, and fewer subsidies are available. As a result, trends in the use of renewable energy sources are very unfavorable, and Slovenia is one of the few EU member states that did not reach the targeted use of renewable energy sources in 2020.

In accordance with Slovenia's Development Strategy (SDS) 2030, and taking the dimension of the Energy Union into account, Slovenia's development guidelines through 2030 establish goals focusing on transitioning to a low-carbon circular economy and the sustainable management of natural resources. To achieve these goals, based on the Slovenian sovereign sustainability bond framework, the estimated total investment needs in the period from 2021 to 2030 amount to around €28 billion, with transportation measures accounting for approximately €6.5 billion of that sum.

Environmental  
policy

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In March 2021, the National Assembly amended the Water Act with the stated aim of ensuring greater protection of drinking water, increased flood safety and stricter conditions for construction in the coastal zone, as well as providing additional funds for the maintenance of watercourses. Among other provisions, the new law is also intended to allow for the construction of public facilities along the coastal strip. Opponents of the law argue that these changes pose a threat to water quality, restrict access to water and primarily serve the interests of private investors. As a response, the Movement for Drinking Water initiated a campaign for a referendum, which took place on July 11, 2021, and had one of the highest turnout rates for a referendum in independent Slovenia (45%). The proposed amendments were overwhelmingly rejected, with nearly 87% of voters opposing them. This represented a significant victory for environmental NGOs and also demonstrated a lack of confidence in the ruling coalition at that time.

Slovenia's education policy ensures a nationwide system of education and training. Public expenditure on education increased in the period from 2017 to 2020 after several years of decline. In 2020, public expenditure stood at 5.1% of GDP, 0.45% more than in 2019.

According to the Human Development Index, Slovenia ranks highest among the BTI countries, with a score of 0.917 in 2021 on the U.N. Education Index. The expected years of schooling in 2021 were 17.7 years, and the mean period of schooling was 12.8 years.

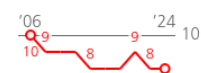
The share of adults (25 to 64 years) with tertiary education increased to 35.9% in 2020, which is higher than the EU average of 32.8%. However, this figure remains lower than in most economically developed EU member states.

In the 2018 PISA test, 15-year-olds in Slovenia scored higher than the EU average in mathematics, science and reading, which is a testament to the high quality of primary education in the country.

Higher education and research are rarely subject to public debate. In the past, there have been calls to increase public funding for research, but this debate has subsided. Spending on research and development has been increasing in recent years, accounting for 2.56% of GDP, but it still lags behind the peak reached in 2013 and the EU average. In 2021, research and development expenditure totaled 2.25% of GDP.

Education policy /  
R&D

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## Governance

### I. Level of Difficulty

In general, there are few structural constraints on governance in Slovenia due to a low rate of extreme poverty, few natural disasters and a favorable geographic location. However, during the 2020/2021 period, Slovenia was negatively affected by the pandemic, and in 2022, it was impacted by inflation and rising prices, especially for energy, fuel and food, largely due to the war in Ukraine. The rise in living expenses has particularly affected vulnerable groups.

Slovenia also faces an increasingly aging population, and a shortage of workers is evident in the health care, IT, education, construction, transport and hospitality sectors. Climate change is also having a negative impact on the country, as evidenced by the historic fires that engulfed more than 2,000 hectares of the Italian and Slovenian parts of the Karst region in the summer of 2022.

Since the transition period, Slovenian civil society has been vibrant and diverse. The number of civil society organizations grew until 2017 and then stabilized. In January 2023, there were 27,566 registered non-governmental organizations (NGOs). NGOs' lack of professionalization is compensated for by a grassroots base and a large number of volunteers. NGOs are financed equally by public and private sources and their own market funds. Trade unions are an important type of civil society organization in Slovenia, and several umbrella organizations have established direct access to the policymaking process. Together with employers' organizations, they cooperate with the government through the Economic and Social Council.

According to a USAID report, the overall sustainability of CSOs remained unchanged in 2021. Financial viability deteriorated slightly as CSO income and corporate donations decreased. However, organizational capacity improved slightly due to an increase in employment within the sector and CSOs' enhanced use of digital platforms and information and communication technology tools.

In June 2022, members of parliament from the coalition parties supported a package of laws seeking to roll back a number of measures passed by the previous government. This was proposed by Institute 8 March, an NGO. The adopted Act on Infectious Diseases was prepared with the help of experts at the Legal Network for the Protection of Democracy (Pravna mreža za varstvo demokracije). At the same time, the Ministry of the Interior and the government started to rectify the fines imposed on civil society during the COVID-19 lockdowns. The opposition was quick to label this cooperation as "Slovenia being governed by civil society," and protesters were criticized for not being as demanding of the new government.

Structural  
constraints

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Civil society  
traditions

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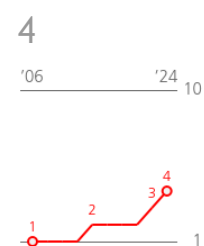


In terms of political conflicts, Slovenia has experienced turbulence in recent years, primarily due to increasing polarization along the political left-right continuum. In the 2022 elections, the division between the left and the right played an even more significant role. The main focus of the winning party in the elections, Gibanje svoboda (Freedom Movement), was to prevent the continuation of the Janez Janša (SDS) government. Likewise, Nataša Pirc Musar, who won the presidential elections after a run-off with an SDS candidate, stated that the remaining part of the political campaign would be determined by a clash of values.

While in the past, political conflicts typically did not escalate into violent or widespread unrest, under Janša's government, some violent protests and clashes between protesters and the police occurred. Additionally, in 2022, Nika Kovač, the director of the civil society organization Institute 8 March, was physically attacked in the center of the capital, Ljubljana, and the political elite proved unable to unanimously condemn the attack. Lastly, after Golob's government took power, the right-wing opposition – although acting always within the boundaries of the law – used unprecedented tactics to obstruct the work of the government.

Ethnic tensions in Slovenia are generally maintained at a low level and are largely resolved through peaceful means. The situation with the Roma minority, however, is more complex, as discrimination and marginalization remain significant issues. Religious tensions in Slovenia are minimal, as the country is predominantly Roman Catholic and religious diversity does not play a significant role in daily life. Social conflicts, on the other hand, are typically related to income inequality and the treatment of marginalized groups such as migrants and refugees. While these issues can be divisive and controversial, they have not resulted in significant unrest or violence. Furthermore, the polarization and division of society primarily stem from the libertarian-authoritarian cleavage, which originated from the “division of spirits” during the all-encompassing conflict in Slovenia before World War II.

Conflict intensity





## II. Governance Performance

### 14 | Steering Capability

In general, Slovenia has substantial institutional capacity for strategic planning. In 2009, under international pressure, Slovenia committed itself to ensuring at least 30 days of public consultation take place on any proposed legislation. The Government Office and the ministries have various advisory bodies that include experts and representatives of civil society. However, the rule is regularly violated regardless of which parties are in the government, and public consultations in practice remain limited. Due to strong political polarization along the left-right continuum during the last decade, the political capability to take on a longer-term perspective and to maintain strategic priorities has been limited, and heavily depends on what government coalition is currently in power. There are some external incentives, both from the European Union and other international organizations, to engage in long-term strategic planning with various sources of peer-review pressure. After years without an umbrella strategic document that would define the priorities of Slovenia after joining the EU, the Development Strategy of Slovenia 2030 was adopted in December 2017. It defines five strategic orientations and 12 interconnected development goals. The document proposes a new long-term development foundation for Slovenia and integrates the U.N. Sustainable Development Goals, placing Slovenia among the countries that have officially recognized the importance of global responsibility toward the environment and society.

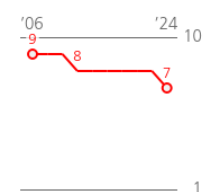
The effectiveness of the government in implementing policies largely depends on the coalition parties that have a majority in parliament. In 2021, when the ruling coalition had a very narrow parliamentary majority, civil society groups organized a referendum on the government's amendments to the Water Act, and the amendments were repealed. After the 2022 elections, the new government led by Robert Golob enjoyed a comfortable majority, and the opposition resorted to obstructionism by proposing referendums. Three referendums were held simultaneously in November 2022, but they only reaffirmed popular support for the center-left government as the government's proposals were supported. However, the referendums slowed down the implementation of the new policies.

Although the preparation of the Long-Term Care Act has been on the agenda for several years, Janša's government only managed to prepare and adopt it in 2021. The law was criticized by many civil society organizations and opposition parties, especially regarding the issue of financing long-term care. The new government decided to postpone the implementation of the law in order to pass further reforms

Question  
Score

Prioritization

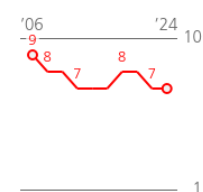
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Implementation

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and corrections to ensure its feasible implementation. Furthermore, the planned creation of the Office of Demography, established by Janša's government to address demographic challenges, never came to fruition and was eventually abolished by the new government.

The new government announced several structural reforms for 2023 and the remainder of its mandate that would address the challenges of the past 30 years, including health care system reform, public sector salary system reform, pension reform, social transfer reform, school curriculum renewal, tax reform and the establishment of regions. Many of these planned changes can be implemented thanks to a comfortable coalition majority.

The Slovenian government has not always been able to replace failed policies with innovative ones. Although most policy areas have undergone evaluation with the aim of institutionalizing complex learning in recent years, it is unclear how much of the information collected by these evaluations is used to draft new policies. Monitoring of governing procedures is limited and largely ad hoc.

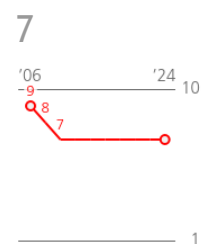
The evaluation of public policies in Slovenia has increased, especially since its accession to the EU. Most evaluations are conducted within the framework of various EU policies. Slovenia has also been included in monitoring procedures, international comparative analyses and mechanisms for the exchange of good practices. Examples of these include the International Labor Organization (ILO) in the field of employment policy, as well as PISA, TIMSS, PIRLS, ICILS, TALIS, ICCS and ESLC in the field of education policies. Additionally, policy coordination within the European Union is another area where Slovenia has participated.

Robert Golob's government has proved to be more receptive than its predecessor to civil society and its participation in policymaking. An Act on Infectious Diseases was drafted in collaboration with legal experts from the Legal Network for the Protection of Democracy (Pravna mreža za varstvo demokracije). In June 2022, the parliament's governing majority approved a set of laws rolling back a number of actions taken by the previous government, as proposed by the NGO Institute 8 March.

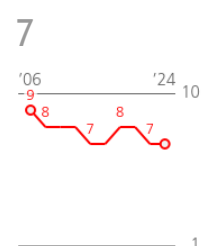
## 15 | Resource Efficiency

Budget spending over the last two years revolved around staff expenditures and the payment of crisis mitigation allowances. The new Golob government decided to reorganize the government into 19 ministries and one government office, for a total of 20 ministers. According to the prime minister, this restructuring would not increase expenses but rather represent a reorganization of work. The new ministerial sectors and the renaming of some ministries were established in January 2023, as the Act on Government was delayed due to the necessity of a referendum on it. The number of state secretaries in the prime minister's cabinet has steadily increased, reaching its peak under the governments of Janša and Golob.

### Policy learning



### Efficient use of assets



One of the main criticisms of Janša's government was the placement of staff close to his party in key positions within the public sector and state-owned companies. However, Golob also started his term by replacing individuals close to Janša with those close to him. Problems with the leadership of the police resulted in a rift between Golob and minister of interior affairs Tatjana Bobnar, who resigned due to demands that the director general of police be replaced.

While Slovenia's public finances stabilized by the end of 2019, public debt levels remained quite high. Public spending rose sharply in 2020 due to measures taken to counter the impact of the COVID-19 pandemic on the economy, and again in 2022 due to measures taken to counter rising energy prices. According to provisional data, the state budget deficit in 2022 amounted to €1.39 billion. However, the deficit in 2022 was much lower than predicted by the rebalancing. The deviation between actual and planned expenditures increased the possibility that the government would spend money with reduced parliamentary oversight.

One of the most important policy coordination bodies is the Economic-Social Council, in which representatives of employers' organizations, trade unions and the government regularly meet to coordinate wide-ranging policies. Policy coordination among departments is ensured by some permanent and ad hoc bodies in which civil servants, government representatives, interest groups and experts can cooperate. Usually, several coordination bodies are established within individual ministries. However, this institutional setup does not necessarily guarantee effective policy coordination. Informal coordination procedures have played a significant role. The dominant role of leaders within their parties has also meant that a considerable amount of policy coordination takes place within parties.

Formally, the government's rules of procedure since 2014 require materials to be submitted by the government prior to debates and require further coordination with the relevant ministries and offices. Drafts of general acts and acts relating to the work of the government must always be coordinated in advance with the Ministry of Finance and the Government Office for Legislation. Only after failure to reach an agreement, after obtaining the relevant opinions or, in cases of urgency, can materials that have not been coordinated be submitted for government debate. Every ministry and government office contacted must offer its opinion on the material within 14 days of receiving it; otherwise, consent is assumed by default.

In January 2023, an interdepartmental working group was established to oversee the preparation of health care reform. As the reform is one of the main priorities of the government over the next two years, the working group will be directly coordinated by the prime minister. Simultaneously, the Strategic Council for Healthcare was also established, consisting of a wide range of experts. As of the end of the review period, a third person had yet to be appointed to coordinate the work between the interdepartmental working group and the council. In December 2022, the Government Working Group for the Comprehensive National Energy and Climate Plan and the Long-term Climate Strategy of Slovenia until 2050 was established.

Policy  
coordination

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Although several entities are tasked with combating corruption, systemic corruption remains widespread, and little progress has been made in addressing it. The Court of Auditors conducts audits on state spending, and an independent Commission for the Prevention of Corruption strives to counter corruption. High-ranking civil servants and those responsible for public procurements must submit asset declaration reports to the Commission for the Prevention of Corruption (KPK). In September 2022, the KPK, the Ministry of the Interior, the police and the Inspectorate of Internal Affairs renewed a cooperation agreement on this topic. In October 2022, the government enacted a whistleblower act, which establishes regulations protecting individuals who report violations of regulations in the public or private sectors. As ensuring appropriate protection for whistleblowers is crucial for effectively combating corruption, the adoption of this law marks a step forward.

The Office for Money Laundering Prevention is a part of the Ministry of Finance and is responsible for the prevention and detection of money laundering and terrorist financing, along with other related duties as determined by the law. The Information Commissioner is responsible for guaranteeing citizens and media access to information, as well as ensuring personal data protection. In 2022, the Information Commissioner initiated 1,030 inspection procedures and received 160 complaints about violations of individuals' rights. Transparency International Slovenia actively advocates for transparency and fights corruption. Transparency in public procurement is legally ensured, and the media has practical access to such information. Party finances have been regulated by law since the 1990s. In 2013, the law was changed to combat corruption, banning all corporate donations and strengthening the Court of Auditors as an oversight body.

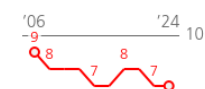
## 16 | Consensus-Building

Despite significant differences among major actors concerning many policies, all actors agree that democracy is a strategic long-term aim. While actors agree that Slovenia is a democratic country, there is more disagreement on the understanding of the rule of law. While both left and right political groupings often advocate for the rule of law, they tend to understand it differently.

Many differences exist in the main political actors' economic policy preferences, most notably between the advocates of neoliberal and welfare state policies. Nevertheless, all actors agree that a market economy is a strategic long-term aim.

### Anti-corruption policy

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### Consensus on goals

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In general, there are no significant anti-democratic political actors in Slovenia, so there is no need to exclude or co-opt them. However, large reforms in health care and tax reform are typically subject to lobbying by influential economic actors and opposition groups that could serve as veto actors.

Although Slovenia has no ethnic or interreligious cleavages, a libertarian-authoritarian cleavage is present and important, with the Slovenian Democratic Party (SDS), supported by the Catholic Church, as a significant actor on the authoritarian side. Additionally, an urban-rural cleavage can be observed. Furthermore, an economic cleavage has gained importance since 2004, after the SDS definitively adopted a conservative position, and particularly since the development of the fiscal and economic crisis in 2009.

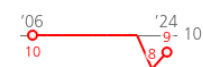
Former Slovenian President Borut Pahor has sought to mitigate conflict based on cleavages. Pahor has endeavored to forge connections between various party factions, facilitated dialogues pertaining to cleavages and refrained from aligning with any particular side on certain occasions.

Interest groups and other civil society organizations play an important role in the formulation and implementation of various policies. Some interest groups are recognized as being of vital importance to the state, such as organizations representing employers, trade unions, farmers, crafts and trades, independent professions, and noncommercial sectors. These segments of society have a special status, and their participation in policymaking is institutionalized in the National Council, the upper house of the national parliament. Employers' organizations and trade unions also play a special role in Slovenian society, which is reflected in their institutionalized cooperation with the government via the system of social partnership, the Economic and Social Council. Several e-tools have been established for the participation of the public in policymaking, but these online tools have rather limited impact, as the government is not obliged to consider the input it receives through these channels.

Civil society was critical of Janez Janša's government and ultimately formed a coalition of NGOs called Glas ljudstva (Voice of the People) that prepared demands for the political elite to further develop Slovenia. By contrast, Golob's government announced that it would govern in cooperation with civil society. In June 2022, shortly after the formation of the National Assembly and the government, Golob met with representatives of civil society as part of an initiative seeking fruitful cooperation between civil society and the government. At the end of 2022, there was much criticism of civil society for intervening in the government and for failing to consistently point out the new government's inconsistencies or underperformance.

Anti-democratic actors

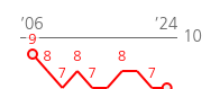
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Cleavage / conflict management

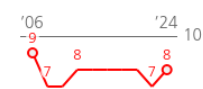
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Public consultation

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For years, Slovenia's political leadership has sought reconciliation regarding the historical events taking place during and after World War II. One of the main proponents of reconciliation was Borut Pahor, the president of Slovenia from 2012 to 2022. Several significant symbolic steps have already been taken in this regard. In 2017, the Monument to the Victims of All Wars was erected in the center of Ljubljana. In 2020, the 30th anniversary of the first reconciliation ceremony was held in Kočevski Rog. During this event, historian Peter Štih, president of SAZU, warned that societal divisions based on the events that took place during the Second World War and the postwar period are greater today than during that time.

In October 2021, the delegation of the European Parliament's Committee on Civil Liberties, Justice and Home Affairs visited Slovenia and expressed deep concern about the prevailing atmosphere of hostility, mistrust and deep polarization. In their view, young people are also increasingly polarized and divided along religious, ideological and political lines.

In January 2023, the Golob government halted the project of the Museum of Slovenian Independence, which was established by the previous Janša government, by merging it with the Museum of Contemporary History. This demonstrates a disagreement between the left and right political factions regarding the interpretation of the past and represents a setback in reconciliation.

## 17 | International Cooperation

Slovenia is a member of various international organizations, including the EU, and is able to seek international assistance. Slovenia has often faced criticism for its lack of clear goals within the EU. As a result, the country has frequently been described as inactive in EU decision-making processes. In 2018, Slovenia officially set a high priority on remaining closely connected to the EU. Under Janša's government, Slovenia demonstrated increased support for the policies of the Visegrad countries. Janša defended the positions of the Visegrad countries, which included opposition to conditioning EU financial aid on adherence to the rule of law in combating the consequences of the COVID-19 pandemic. The change in government also brought a shift in Slovenia's position toward EU member states. The Ministry of Foreign Affairs developed changes to Slovenia's foreign policy strategy, which was adopted during Janša's government, with the aim of reaffirming Slovenia as a member of "core Europe."

The Development Strategy of Slovenia 2030 was adopted in December 2017. The strategy represents an umbrella development framework defined by the Vision of Slovenia – an overview of the current situation and global trends and challenges. To implement Slovenia's development goals, a four-year national development policy program and a medium-term fiscal strategy have been prepared. These are renewed annually. Using the OECD framework for assessing the impact of individual

### Reconciliation

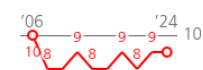
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### Effective use of support

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scenarios and agreed measures, Slovenia monitors the implementation of the strategy's objectives and the path of the development policy. The strategy also includes the Sustainable Development Goals (SDGs) for the implementation of the U.N. Agenda for Sustainable Development (Agenda 2030). Slovenia reported on the implementation of the SDGs to the High-Level Political Forum for the first time in 2017 and intends to review the implementation of the goals and sub-goals at least twice before 2030.

On July 1, 2021, the European Commission approved Slovenia's recovery and resilience plan. The plan consists of 55 investments and 33 reforms, which will be supported by €1.8 billion in grants and €0.7 billion in loans. A total of 42% of the plan will support climate objectives, while 21% of the plan will foster the digital transition.

In September 2021, the Commission disbursed €231 million to Slovenia as pre-financing, equivalent to 13% of the country's grant allocation under the Recovery and Resilience Facility (RRF). In addition to this pre-financing, Slovenia submitted the request for the first payment of grants in the amount of around €50 million only in October 2022, due to issues with the management of RRF under Janša's government.

The management of RRF is complicated by the fact that more than 10 departments and various authorities are responsible for the four pillars of measures, which requires considerable coordination between different departments.

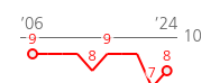
For years, Slovenia was recognized by the international community as a reliable partner willing to participate in various forms of international collective action. However, a few statements by Prime Minister Janša risked tainting this record. In an interview with Indian television in January 2021, Janša declared that Slovenia would support any sovereign decision of the Taiwanese. He also sharply criticized China for its response to Lithuania's announcement to open a diplomatic mission in Taiwan and a Taiwanese mission in Lithuania. The Chinese Foreign Ministry called Janša's statements "dangerous," while opposition parties were critical of his views.

With the start of the war between Russia and Ukraine, Slovenia supported Ukraine. As a sign of support, Prime Minister Janša, along with the prime ministers of the Czech Republic and Poland, visited President Volodymyr Zelenskyy in Kyiv. Zelenskyy interpreted the visit as a strong sign of support. The purpose of the visit was to affirm the EU's backing of Ukraine's sovereignty and independence. However, the three prime ministers did not have a formal mandate from the European Council for this trip.

Following the Russian invasion of Ukraine, the Slovenian ambassador to Ukraine withdrew from the embassy in Kyiv. In March 2022, Slovenia sent a chargé d'affaires to Kyiv to express confidence in Ukraine and its European aspirations. The newly formed Robert Golob government, which took office in June 2022, continued to show support for Ukraine. During a hearing, the new foreign minister, Tanja Fajon,

Credibility

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emphasized her objective of restoring dignity and credibility to Slovenian foreign policy. She also underscored Slovenia's commitment to the rule of law and respect for human rights in its foreign policy approach.

With the aim of fulfilling the goals of international treaties in the field of climate change – the U.N. Framework Convention on Climate Change, the Kyoto Protocol and the Paris Agreement – the Slovenian National Assembly adopted a resolution in July 2021 on Slovenia's Long-Term Climate Strategy Until 2050. With this resolution, Slovenia set a clear objective of achieving climate neutrality by 2050, including cutting net greenhouse gas emissions to zero.

In September 2022, the Ministry of the Environment and Spatial Planning began preparing a new proposal for the Climate Change Act. This act will serve as a legal framework for implementing and reporting on all aspects of climate policy in Slovenia.

According to the ILO report on the Application of International Labor Standards 2021, Slovenia was requested to submit seven reports, and all reports were delivered by Slovenian authorities. The report highlighted some questions regarding the application of the ratified Convention on Labor Inspection, but overall, Slovenia maintains a high level of compliance with core ILO labor standards.

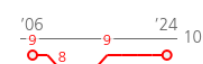
All in all, the country's 2021 EU Council Presidency, the 2023/2024 membership on the Economic and Social Council of the U.N., and the campaign for the 2024/2025 nonpermanent seat on the U.N. Security Council have all served to enhance Slovenia's foreign policy credentials. The drift toward closer relations with "illiberal" democracies during Janša's premiership was motivated by domestic politics but did not fundamentally alter the international position and relationship to international obligations.

The political leadership actively – and somewhat successfully – builds and expands on cooperative, neighborly and international relationships. Slovenia has tried to maintain good relations and engage in cooperation, especially with the countries of the Western Balkans. In 2013, the presidents of Slovenia and Croatia established the Brdo-Briuni process, an annual multilateral meeting of the leaders of the countries of the Western Balkans. While the meeting was cancelled in 2020 due to the COVID-19 pandemic, it was again organized in 2021 and 2022, reaffirming the importance of EU enlargement for the stability of the Western Balkans.

Despite occasional disputes between Slovenia and Croatia, the two countries currently have good relations. Slovenia supported Croatia's entry into the Schengen Area and the eurozone. Nataša Pirc Musar, Slovenia's new president, chose neighboring Croatia for her first official visit abroad. However, Tanja Fajon, the new foreign minister, expressed her desire to find solutions to outstanding issues with Croatia in a neighborly spirit but said the country would continue to insist on the implementation of the still-pending arbitration ruling on the border between Slovenia and Croatia. Croatia refuses to implement the ruling due to a procedural issue in the

Regional  
cooperation

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arbitration process and, at this point, does not recognize it. This arbitration ruling is seen as a precondition for maintaining good relations between the two states. Fajon aims to return Slovenia to the core countries of Europe and plans to strengthen alliances with the United States. Additionally, she seeks to enhance cooperation within the regional groupings of the Med9 and the Central European Five (C5), as well as the Adriatic-Ionian Initiative. With regard to China, Slovenian policy will adhere to the “one China” principle.

Between July 1, 2021, and December 31, 2021, Slovenia held its second presidency of the Council of the European Union under the slogan “Together. Resistant. Europe.” Slovenia based its presidency program on four priority areas: 1) recovery and greater resilience within the EU; 2) reflection on the future of Europe; 3) strengthening the rule of law and European values; and 4) security and stability in the European neighborhood. During the Slovenian presidency, the ministers, for the first time, adopted the definition of the European model of sport and declared 2022 to be the European Year of Youth. Slovenia led the debate on the rule of law in the Council, initiated discussions with citizens on the future of the EU, made progress regarding the EU’s common migration and asylum policy, witnessed Croatia’s entry into the Schengen area, and confirmed the European perspective for the Western Balkan states.



## Strategic Outlook

Slovenia had stabilized economically and fiscally by the end of 2018. Subsequently, the COVID-19 pandemic presented significant challenges. However, the economy quickly rebounded, and unemployment decreased due to government support for businesses, although the number of permanently unemployed individuals remains high. The onset of the war in Ukraine affected the energy and food markets, resulting in price increases and placing the state in a position where it must once again provide economic and individual support in order to mitigate rising costs. Meanwhile, various groups of public sector employees began demanding higher salaries, and shortages of workers have already been observed in the education, health care, construction, IT, transportation and hospitality sectors. These staffing shortages will become even more pronounced in the coming years. Furthermore, demographic changes and an aging population will present major challenges for the government in the future.

The new Robert Golob government aims to dedicate 2023 to the initiation of several reforms. The most ambitious reforms focus on health care, the public sector salary system, pensions, long-term care, housing policy, tax reform and the establishment of regions. These reforms are made possible by the government's comfortable coalition majority.

The most urgent issue is health care reform, particularly due to the aging population, which also necessitates long-term care reform. For the health care system reform to succeed, the government will need to collaborate closely with the opposition and overcome various potential veto actors, such as insurance companies, suppliers of medical devices and medicines, and private health care providers. Additionally, the government will face the challenge of addressing the shortage of health care staff. Simply increasing salaries and creating more slots for the study of medicine in the country's two medical faculties will not suffice to meet the needs of the aging Slovenian and European populations. Concerning fiscal stability, recent promises of subsidies to businesses and salary increases in the public sector may ultimately result in substantial state indebtedness in the coming years.

Given that the new government is politically inexperienced and that it received support from the voters mostly because it was seen as an alternative to the Janša government, the Freedom Movement party and the new government will need to prove themselves and avoid disappointing the voters. The voters have very high expectations. Previously, newly established parties have been able to enter parliament and win elections, but none has been able to sustain this success and establish a stable electoral support base.