

# BTI 2008 | Slovenia Country Report

<b>Status Index</b>	1-10	<b>9.49</b>	# 2 of 125	
Democracy	1-10	9.70	# 2 of 125	➔
Market Economy	1-10	9.29	# 3 of 125	➔
<b>Management Index</b>	1-10	<b>6.83</b>	# 12 of 125	

scale: 1 (lowest) to 10 (highest)    score    rank    trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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## Key Indicators

Population	mn.	2.0	HDI	0.91	GDP p.c.	\$	19,815
Pop. growth <sup>1</sup>	% p.a.	0.2	HDI rank of 177	27	Gini Index		28.4
Life expectancy	years	78	UN Education Index	0.98	Poverty <sup>3</sup>	%	<2
Urban population	%	51.0	Gender equality <sup>2</sup>	0.60	Aid per capita	\$	-

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

The review period in Slovenia was marked by the first steps taken by a new center-right government that was elected in December 2004, including a referendum on a new public RTV law (September 2005) and local elections (October and November 2006). The new government's first two years have been very turbulent. It has been actively pursuing personnel politics, changing staff members in all offices under its control. It also implemented personnel changes in public RTV and in other media outlets (some media stakeholders are unofficially under the government's control), such as the leading dailies *Delo*, *Primorske novice*, *Dnevnik* and *Večer*. In June 2005, the government proposed a somewhat radical 67-point reform plan, which was more or less inspired by the idea of implementing the Lisbon Strategy in the national context. Organized by trade unions and student organizations, mass demonstrations were held in November 2005 against the flat-rate tax, a key reform project. The government introduced a ministry for reforms and appointed a minister who resigned only two months after being nominated. In April 2006, after losing some reform momentum, the government proposed the Partnership for Development, and all parliamentary parties except the LDS joined. Despite the dire and obvious need for reforms, the government has not yet been successful in implementing any of its key ideas or in pro-reform coalition-building. The political climate has become more conflict-oriented and there have been major riots involving the Roma. Problems with integrating the Roma are not new, but the previous government responded with more tolerance to this issue. In 2005, the parents of Slovenian pupils protested against the fact that their children shared a classroom with Roma children. In 2006, the neighbors of a Roma family pushed to have the family move out of the neighborhood. Under strong local pressure, the government removed the family to a detention center for illegal immigrants in Postojna. A Slovenian ombudsman criticized the government for its actions, but the government's response was marked by arrogance. The president also changed his

political style during the review period. He established the Movement for Justice and Development and transformed himself into a supposed spiritual leader of the Slovenian people, giving answers to everyday questions on his movement's home page. He has also developed ambitions to be more active on the international level, proposing solutions for Kosovo and Darfur, both without success. The president's new political style has coincided with (more transparent) conflicts between himself and the prime minister on numerous issues, such as the nomination of the new head of the national bank, the government's actions in response to conflicts with the Roma people and the government's strong control of various levels of society. Slovenia entered the European Monetary Union (EMU) on 1 January 2007 (all parliamentary political parties supported entering the EMU) and has been preparing to enter the Schengen Treaty in 2007. Slovenia is also preparing for the presidency of the European Union in January 2008. Slovenia changed its constitution in 2006 once again, changing Articles 140 and 143 to introduce regions as a new compulsory level of local self-government and Article 123 to introduce the possibility for public administration to delegate their functions to other public or private actors.

## History and Characteristics of Transformation

Changing the Slovenian system, which required the creation of a new nation-state in addition to political and economic transformation, was marked by two significant characteristics. One is the relatively comfortable path that Slovenia has taken in the transformation process, and the other is the minimal price that the society has had to pay. The reasons for this lie in the population's ethnic homogeneity, the high level of economic development and a long tradition of civil society. Timing also played a role, in that political and social change had already begun in the 1980s. Slovenia was never an independent nation at any time in its history. It was always part of a confederation of states. In 1991, efforts to achieve an independent state were primarily associated with the concepts of democratization, human rights and political pluralism. The fact that the Slovenian population felt politically dominated and economically exploited by the Serbs certainly contributed to efforts to achieve independence. The homogenous ethnic structure served to ensure that the issues of a nation-state and citizenship policy did not play a mobilizing role in the political discussion. A traditionally high level of education and a strong civil society were further positive initial conditions. Many elements and mechanisms of fundamental participatory democracy had already developed under the Yugoslav system of self-management. This enabled people to gather experience and knowledge of democratic decision-making processes, mostly in non-political situations. With progress being made in deregulation, a growing number of groups besides the trade unions began to articulate opinions about current social issues. The freedom to travel abroad that was standard in Yugoslavia in the 1960s

allowed Slovenians to work in western Europe, thereby learning modern production and management structures. Consequently, Slovenia's open borders with Italy and Austria had a strong influence on its people's orientation and mentality. Slovenia was by far the most affluent part of Yugoslavia before the upheaval, with a per capita income of \$5,700 – double the Yugoslav average. After the economic restructuring and painful disintegration that came with sovereignty and resulted in a steep drop in the country's economic potential, the 1990 GDP level was reached by the mid-1990s once again. Measured by other significant indicators such as education level, corruption and the poverty index, as well as income differences, the country is in good condition – not only compared with other transformation countries, but also worldwide. These positive initial conditions (ethnic homogeneity, strong civil society traditions and high economic standards) made an independent Slovenian version of transformation possible. This included concurrent political democratization, a change of economic system and national emancipation. The system change was further supported by a consensus-oriented, gradualistic policy that corresponded rather closely to the political culture of the population.

## Transformation Status

### I. Democracy

#### 1 | Stateness

The state has an unchallenged monopoly on the use of force throughout its entire territory.

Monopoly on the use of force

All citizens possess equal civil rights. However, there are cases in which the Roma have been mistreated. One example thereof is the segregation of Roma children from other children in an elementary school, purportedly for academic reasons. Another example is the case of a Roma family that was removed from its home and placed in an asylum for illegal immigrants. Homosexuals are not treated according to European standards. A constitutional provision gives two ethnic minorities (Italian and Hungarian) special protection and representation in the national parliament as well as related local community councils. Slovenia has ratified most international agreements regarding the protection of ethnic minorities. Problems associated with the situation of the so-called “erased” people continue. The “erased” refers to citizens – mostly ethnic minorities – who were erased from the permanent residency register in 1992 and 1993 and thus lost their citizenship rights. Many of them still have no formal status in Slovenia.

State identity

The state is defined and recognized by a great majority as in concert with a secular order. Religious dogmas have no direct influence on politics, although strong opposition emerged during discussions on building an Islamic center or mosque in Ljubljana. Most of this opposition was inspired by the Roman Catholic Church. Despite the constitutionally anchored separation of church and state, the Roman Catholic Church continuously forces its agenda to the state level, and it has been increasingly successful in the last two years. In December 2006, a new law was adopted, legalizing a privileged position for the church that included a great state obligation to support church programs and activities. The Roman Catholic Church has three representatives in the 29-member council of the public RTV, exerts influence through theologians in public administration and receives good publicity by blessing new public buildings, etc.

No interference of religious dogmas

The state has a differentiated administrative structure throughout the country and has no trouble collecting taxes and providing law, order and exercising other important functions.

Basic administration

## 2 | Political Participation

Elections have always been free and fair and organized very well. For the first time, second-round mayoral votes were nearly tied in two communities. In Izola, the winner had a margin of victory of only two votes; in Škofja Loka it was 16. Losers who have challenged the results have used legal means.

Free and fair elections

Elected rulers have the effective power to govern with no undemocratic veto powers or political enclaves within the country.

Effective power to govern

Within the basic democratic order provided by the constitution, political and other groups can associate and assemble freely and can express their opinion without any restrictions. Protest movements have been active but without great success in bringing and uniting people on the streets. For the first time in the last ten years, emotional anti-Roma riots took place in some local communities in the fall of 2006.

Association / assembly rights

Freedom of the press is provided for in the constitution. In the previous legislative term, an opposition initiative sought to introduce a special budget for financing the opposition press with state funds. Now that the opposition has become the governing party, a foundation has been established to fund mostly their media supporters. Slovenia has five daily newspapers, all formally independent of political parties. The government (in)directly took over the most influential daily Delo and changed the leading personnel, which resulted in a 30% drop in subscriptions in only a year and a half. National RTV has also been changed from an independent public broadcaster to a government-controlled one in that the procedure for appointing members of the program council and the board of supervisors has been changed. Weekly political magazines represent both main political blocs. However, the direct influence of the SDS (leading governmental party) on the press and public RTV can be felt.

Freedom of expression

## 3 | Rule of Law

The system of checks and balances has been fairly successful in the framework of the parliamentary system. Only once did the president say openly that he would not sign a law, but he changed his position after a few days. With regard to the “erased” people, the Constitutional Court decided in favor of these people without formal citizenship, but the government has yet to act on this decision.

Separation of powers

The judiciary is independent from unconstitutional intervention by other institutions and private interests. However, excessively long judicial proceedings continue to present a problem. For this reason, Slovenia lost several cases in the European Court of Justice.

Independent judiciary

There are mechanisms for judicial review of legislative and executive acts, embodied by the Constitutional Court. Officeholders are stiffly prosecuted for any abuse of their positions. Transparency International's Corruption Perception Index score for Slovenia in 2006 was 6.4. According to that index, Slovenia ranks 28th. The government proposed and parliament adopted a law according to which the independent anti-corruption commission should be replaced by a parliamentary commission. The law has not yet been implemented because it was sent to the Constitutional Court.

Prosecution of office abuse

There are no restrictions of human rights, although there are some tensions regarding increasing numbers of Muslims. The country has already ratified most important international agreements on the protection of human rights. The ombudsman for human rights represents an important institution. However, despite of his independent position, the ombudsman was heavily criticized several times by the center-right government. Most complaints are related to the duration of legal proceedings, but the ombudsman has also paid a lot of attention to the rights of various minorities.

Civil rights

#### 4 | Stability of Democratic Institutions

Democratic institutions are established and work effectively and efficiently. The judiciary is the sole exception, particularly in the Ljubljana region, because it is overburdened with the cases concerning the transition process. In some cases such as the denationalization of larger territories or properties, the administration lacks the competency necessary to make final decisions, which leads to prolonged procedures, shifting cases from one institutional level to another and back again. As a rule, political decisions are proposed, implemented and reviewed by the appropriate authorities according to legal procedures.

Performance of democratic institutions

All political and social actors accept the democratic institutions as legitimate. There was a small problem after the local election in Izola, where the city council (majority of councilors) did not confirm the elected mayor because of the extremely narrow margin of victory and some doubts connected with the counting of ballots delivered to the local electoral commission by post. A majority of Izolas councilors were in favor of the mayoral candidate who lost by only two votes. In the end, however, the council accepted the decision of the court as legitimate.

Commitment to democratic institutions

## 5 | Political and Social Integration

The party system is based on a combination of different cleavages that divide the country into two large blocs. Christians and conservatives are on the right; socialists and liberals are on the left. This resembles the cleavages the society experienced prior to World War II. Traditionally, Slovenia has also had a moderate party of pensioners (DeSUS), which has seen its role as protecting adequate pension levels relative to salaries. The party entered parliament in 1996 and has successfully lobbied for its interests, especially in the terms 1996 – 2000 and 2004 – 2008, ultimately succeeding in securing a more favorable position for pensioners relative to the working population in terms of paying costs arising from the transition process. Women continue to be underrepresented in key positions. Fragmentation is relatively high; there are seven parties represented in parliament, although the parties are integrated and function chiefly as two greater blocs. There is very broad consent among the population regarding the party system, despite the fact that the parties face very low approval ratings in public surveys.

Party system

There is a large network of interest groups and organizations that are cooperative, reflect social interests and tend to have an influence on the decision-making process. Only trade union representatives are allowed to negotiate with employers and the state on behalf of employees. There are thirty-one representative trade unions. There are seven trade union umbrella organizations in Slovenia (all of them play a role within the Socioeconomic Council as a tripartite body of policy concertation): the Association of Free Slovenian Labor Unions (ZSSS), Independence – the Confederation of Independent Slovenian Labor Unions (Neodvisnost – KNSS), the Confederation PERGAM and the Confederation of Independent Labor Unions '90, Solidarity (Solidarnost) and Alternative (Alternativa). In March 2006, a new confederation of trade unions of public sector employees was established, representing 81,000 members (elementary and secondary schools, medical care, police, University of Ljubljana, etc.). Until the fall of 2006, there were four large employer associations in Slovenia, which were a constituent part of the social partnership system: the Chamber of Commerce, the Association of Employers and the Chamber of Craft (with compulsory membership) as well as a voluntary association of craftsmen. Representatives of employers' associations, trade unions and government meet in an Economic and Social Council to coordinate industrial relations, economic policy and consult government policies. At the beginning of the legislative term 2004 – 2008, the government had evidently not supported this social partnership process. But in 2006, the responsible minister was removed from his position under heavy pressure from civil society partners (especially trade unions) who were very unsatisfied with his work and attitude toward social partnership. There are also

Interest groups



some neo-corporatist associations with certain “clientelistic tendencies” in the political system, particularly in the field of agriculture. The Social Pact (with wage policy regulation) for 2006 – 2010 was supposed to be concluded in 2005 or 2006, but it has been in the negotiation process since 2005. The government adopted a new law in 2006 that did away with the compulsory membership in the Chamber of Commerce and allowed more chambers on the basis of voluntary membership; one of the first and largest chambers established according to the new rules is the Trade Chamber. This process has already begun. Under the current government, interest organizations are not included in political process as much as before.

Consent to democracy is very high, particularly when taking into account that there is neither formal nor informal constitutional opposition in the country.

Consent to  
democratic  
norms  
Associational  
activities

Self-organized groups have appeared in urban areas, though a more traditional form of mutual aid along kinship lines is taking place on the countryside. A number of organizations have been established with the aim of helping women and children who are victims of violence as well as people addicted to drugs. They enjoy great support from the population even though the national and local governments do not support these organizations significantly.

## II. Market Economy

### 6 | Level of Socioeconomic Development

Social exclusion is minor and not structurally ingrained. The country’s level of development allows all citizens adequate freedom of choice. During the observation period, Slovenian society maintained a low poverty rate (less than 2% of the population living below \$1 a day), a relatively even distribution of wealth and equal opportunities for different segments of the population. In contrast to the positive overall picture, there are losers in the transformation process – marginalized groups such as the Roma and industrial workers with low education levels, as well as low-level employees in public administration – and regional disparities persist. According to the Human Development Index, Slovenia is ranked as the 26th most livable country.

Socioeconomic  
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	22,292	28,069	32,601	<b>34,354</b>
Growth of GDP	%	3.5	2.7	4.4	<b>4.0</b>
Inflation (CPI)	%	7.5	5.6	3.6	<b>2.5</b>
Unemployment	%	5.9	6.6	6.1	-
Foreign direct investment	% of GDP	7.4	1.1	2.6	<b>1.6</b>
Export growth	%	6.7	3.1	12.5	<b>10.5</b>
Import growth	%	4.8	6.7	13.4	<b>7</b>
Current account balance	\$ mn.	243.8	-215.1	-892.4	<b>-682.0</b>
Public debt	\$ mn.	-	-	-	-
External debt	\$ mn.	-	-	-	-
External debt service	% of GNI	-	-	-	-
Cash surplus or deficit	% of GDP	-2.7	-1.4	-1.3	<b>-1.5</b>
Tax Revenue	% of GDP	19.5	21.5	21.3	<b>21.4</b>
Government consumption	% of GDP	19.8	19.6	19.6	<b>19.6</b>
Public expnd. on edu.	% of GDP	6.0	6.0	-	-
Public expnd. on health	% of GDP	6.8	6.7	6.6	-
R&D expenditure	% of GDP	1.5	1.5	1.6	-
Military expenditure	% of GDP	1.5	1.5	1.6	<b>1.5</b>

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

## 7 | Organization of the Market and Competition

Slovenia has a relatively liberal trade system and is continuing to deregulate its trade policy. The state complies with EU regulations governing the distribution of state subsidies. The government still influences the economy's competitiveness, although a more market-oriented approach is gradually being established. The state still controls – directly or indirectly – about one-third of the economy.

Market-based  
competition

There is a coherent anti-monopoly policy and there are adequate institutions to deal with monopolies and discrimination.

Anti-monopoly policy

Access to the Slovenian market remains difficult for foreign capital. The relatively high labor costs and taxes are partly responsible for this, but there is no formal state intervention in the liberalized market. In general, the government has not tried to promote foreign investments; it in fact continues the attitude of past governments toward this issue.

Liberalization of foreign trade

The process of integrating banks in Slovenia has been much slower for the last two years, but this is mostly due to past success.

Banking system

## 8 | Currency and Price Stability

Inflation dropped from 3.6% in 2004 to 2.7% in 2006, and has now disappeared as a serious macroeconomic problem. The central bank used to be independent, but political reasons prevented the existing head of the bank from being re-elected in February 2007.

Anti-inflation / forex policy

Slovenia became a member of the European Monetary Union on 1 January 2007. Slovenia's fiscal policy was solid, as government debt remained moderate, but higher than in the previous period, moving from 1.3% of GDP in 2000, 2.98% in 2002, decreasing to 1.75% in 2004, and 1.1% in 2005 and 2006. By 2007 and 2008 debt should be more or less stable between 0.9 and 0.8%. The new government is trying to obtain foreign investments to finance major road construction in Slovenia to reduce pressure on the budget. In May 2005, the government corrected the pension reform in favor of greater increases in pension levels, a move that will most likely cause fiscal problems in the future.

Macrostability

## 9 | Private Property

Property rights and the acquisition of property are adequately defined. However, despite the fact that the government identified it as the most important task for the 2004 – 2008 legislative term, privatization of state companies almost stopped during the review period. This reflects the continuation of a gradual and cautious approach to structural reforms in Slovenia.

Property rights

The trend of establishing companies has waned substantially in recent years, and while large companies were able to show a significant increase in employment, it increased very slowly in small companies. Private small and medium-sized companies are viewed as the primary engines of economic production, especially by the center-right government.

Private enterprise

## 10 | Welfare Regime

There is a solid network in place to compensate for social risks. The basis for a universal health care system was established in the Yugoslav Federation, and there has been pressure to reform it. These reforms tend toward a more participatory system, in which patients are expected to co-finance the health care services they use. New participation rates, or user charges, have been introduced step by step over the last two years. The unemployment and social security insurance system changed after the transition from socialism to democracy. The welfare system has been endangered by the new government, which is trying to privatize the health sector step by step. The government also proposed, for example, that abortions be privately financed.

Social safety nets

According to current statistics, income differences in Slovenia seem minor overall. While the absolute poverty rate is not very high, relative poverty was considered high enough to justify a new program to combat poverty and social exclusion. In the social security sector, the new law for parental protection and family allowances passed in 2006 offers better protection for poor families and families with many children. Slovenia has also introduced various programs for the Roma community aimed at raising the education level and improving professional qualifications. In practice, women continue to be underrepresented in leadership positions, and the conservative public climate of the last two years has worsened their situation.

Equal opportunity

## 11 | Economic Performance

Growth of per-capita GDP has been relatively high (3.8% on average in the last five years). It is associated with positive macroeconomic data. The employment level has been increasing slightly (the unemployment rate in 2006 was 0.1% lower than in 2005), prices have been relatively stable despite the introduction of the euro, the budget has had only small problems and the trade balance has been favorable.

Output strength

## 12 | Sustainability

Ecologically compatible growth while avoiding the externalization of costs is taken into account institutionally at both the macro and micro levels and in compliance with international agreements. Public environmental awareness has developed only in the past few years. Slovenian lawmakers have passed a number of laws and signed a number of international agreements within the context of conforming to EU requirements. Only in the long term can compliance and the

Environmental policy

practical implementation of new legislation be expected, as it will require extensive investment and administrative effort and not least a change in mentality. According to a report published in December 2006, total investments in the preservation of the environment in 2004 amounted to 4.6% of all investments made that year. That is 23% less compared to 2003.

Slovenia has traditionally enjoyed a well-developed public school system. The largest universities in Ljubljana and Maribor are also state institutions. In 2004, a third university was established in Koper. The first private university was established in 2005 in Nova Gorica. There are some high schools, academies and university departments in other parts of Slovenia with ambitions to develop a university in near future (Novo mesto, Brežice, Celje). The government's aim is to establish seven to ten universities in Slovenia. The state's expenditures for education since 2000 have been considerable; in 2006, they amounted to 6% of GDP, 0.06% less than in the previous year. It is important to note that the allocation of finances has changed – the responsible ministry is giving more attention to private universities (faculties) and less to state (public) universities. Despite this, serious reforms are necessary, above all in professional training, which is unable to meet the structural changes in the job market. Recent government efforts to reach that goal have included trying to force more students into professional schools and technical academies. At 1.5% of GDP, average expenditures for research and development place Slovenia in the middle of the pack in Europe. The basics of a modern infrastructure exist, and further modernization is planned to take advantage of the country's strategic geographical location at the intersection of two EU-supported transit axes. Informal forms of education have been increasing in the last four years. 19.3% of the population was involved in at least one form of informal education in 2003 (most recent published data). Over the past two years, the primary and secondary school system has been under strong pressure to reform. One current reform trend is to establish a solid financial foundation for the introduction of more private schools.

Education policy  
/ R&D

## Transformation Management

### I. Level of Difficulty

The structural constraints of governance are low. As a small country, however, Slovenia does not have great resources, and the government should invest all available human resources in governance. The government has preferred political over professional criteria, which has undermined the state's efficiency and legitimacy.

Structural  
constraints

Civil society enjoys a relatively strong tradition, the reason being that organized political life in Slovenia was never free nor organized in the context of an independent state. Therefore, political life has been organized in societies, clubs and associations ever since the mid-19th century. There are more than 18,000 registered organizations, nongovernmental organizations and groups. Interest groups play an important role in the formation of various policies. A substantial segment of interest groups has been acknowledged in the Slovenian constitution as vital and important to the state and has been elevated to a special status and institutionalized in the National Council (the upper house of parliament). Until 2005 and following an almost identical process, many interest groups were also represented on the board of RTV, Slovenia's public broadcasting company. Specific employer and employee interests are separately organized or institutionalized within a social partnership system.

Civil society  
traditions

There are no significant ethnic cleavages in Slovenia. Italians and Hungarians both enjoy an official minority status and are therefore protected on local and national levels. No political parties with a nationalist background are represented on the national level. The Roma deserve special concern and status. There are a great deal of Serbs, Bosnians and Croats in Slovenia who have no special status but are organized on the principles of civil society and in the form of religious groups (Orthodox and Muslim). Slovenia is characterized by a religious cleavage that overlaps with other cleavages, but is still one of the most important cleavages in Slovenian society. Society can be divided into two blocs along this dividing line - Roman Catholic on one side, socialist-liberal on the other. Political parties are also recognized as representative of one or another bloc; the Catholic bloc is represented by the Slovene Democratic Party, New Slovenia

Conflict intensity

Party and Peoples Party, whereas the socialist-liberal bloc is represented by the Social Democrats and Liberal Democrats. DeSUS, the Pensioners Party, and the Slovene National Party are left out of this division and have always been in the government, whether center-left or center-right. Governments dominated by the Catholic bloc have tended to exclude parties from the other bloc, for example by promoting the lustration law in 1997 and proposing single-bloc governments, such as the government in office since 2004. Governments led by the socialist-liberal bloc have sought to bridge the cleavage and co-opt at least one party from the Catholic bloc.

## II. Management Performance

### 14 | Steering Capability

The political leadership has been successful in setting but unsuccessful in maintaining strategic priorities. It tries to introduce reforms proposed by the previous government and to mobilize some second-best intellectuals for the cause, ultimately resulting in little more than a large political conflict. The minister for reforms was in office for only two and a half months before he resigned. The government has not been able to go forward with reforms. On the other hand, the government has maintained its priority of filling public positions with its own people and controlling influential institutions such as media houses. The government has had some problems in pursuing the long- and short-term goals of democracy. For example, a free and open media has always been considered an important pillar of democracy, but under the current government, some media are openly subject to political influence. The government also tried to introduce a tax reform, ignoring the mobilization of the largest protest movement in the last five years. The reform of the healthcare system has been introduced in the same manner: against the will of most important players and despite protests by the sector's professionals. The government promotes a political climate in favor of xenophobia, nationalism and anti-intellectualism, and is jeopardizing autonomous media, public action and interest organizations.

Prioritization

The government experiences no major problems in achieving reform goals connected to the European Union. However, it was forced to replace the minister of agriculture because she was seen as failing to deal with agricultural policy on the European level and its domestic consequences (this was the main but not the only reason). This minister was openly criticized for her lack of success in the

Implementation

field. The new minister is expected to perform better because he was member of the negotiation team during the EU accession process. Not even one reform was implemented in the two years under review, although the government prepared reforms of the health sector, higher education and research, and the labor market at the end of 2006.

The political leadership does not exhibit signs of complex learning, but its well-organized public relations can deal with almost all problems that arise from this inability. The main problem is that the government is not able to replace failed policies with innovative ones. The school-system reform (nine years of elementary school and university reforms according to the Bologna Criteria) was introduced by the previous government, but the new government is responsible for carrying it out. Reform of the public administration presents a similar scenario. The question is whether the new government's implementation of these reforms will be the result of serious analyses, of newly arising needs or of different views of the problem. For the majority of policies, an evaluation phase has been introduced that institutionalizes complex policy learning. The government is very selective in deciding which research results to include in new policy proposals. More than ever, there is an emphasis on the ideological appropriateness of researchers and consultants who influence the policy-making process. Therefore, policy learning capacity has been very poor.

Policy learning

## 15 | Resource Efficiency

The prior government has generally made an efficient use of available human, financial and organizational resources. The government headed by Prime Minister Janša, however, deposed several highly competent and experienced individuals in public administration and research from the policy-making process. This resulted in a substantial lack of competent individuals and could altogether be regarded as a waste of human and organizational resources. The public administration has been under strong reform pressures since 2005; there has been a strong push to implement more new public management principles into the public sector.

Efficient use of assets

The government has had some problems coordinating conflicting issues into a coherent policy. In the period under review, there were a lot of measures that provoked conflict and even open protests. The government even had significant problems with the leading reform figures. The leader of the governmental council for reforms resigned, and it took six months to fill the vacancy. When a new minister had finally been found, he resigned after only a few months in office. The post was vacant again for nearly a year. That confusion can be traced back to differences of opinion on the major reform goals – even within the government. DeSUS, the party of pensioners, has been strictly against pension

Policy coordination



reform and even forced the government to roll-back the previous government's reforms that had adversely affected pensions. Another problem is connected to the Roma question, or more precisely, to one Roma family that the government resettled to an asylum center and then secretly tried to move to state property in another community without coordinating the issue with the local community. The government also destroyed the family's home, which stood on the family's property but had been built not according to code, and demonstrated no coherent plan for the family or for the Roma people as a whole. Indeed, the government has failed to formulate a coherent policy. The prime minister promised his local community mayor that he would solve the problem before the next local elections, and at the same time, the government tried to remove the family to another community, whose population was adamantly against the move. The government thus exacerbated the conflict rather than resolving it with coherent policy.

The previous government introduced an independent commission to fight corruption. Although the former opposition succeeded in making a high-profile issue out of corruption before the elections, after coming into power it proclaimed that the very same commission was no longer necessary and insisted on its dismissal. A law to abolish the commission was adopted, but its implementation has been blocked by a complaint submitted to the Constitutional Court. As no decision has been made so far, the commission still exists. Slovenia does not have a high level of corruption; in fact, there has been only one single case of corruption in the public administration in the last four years. There is, however, an increasing problem with clientelism.

Anti-corruption  
policy

## 16 | Consensus-Building

The general agreement on reforms as well as on the consolidation of democracy and the market economy remains high. The government prepared an agenda for reforms in June 2005 but has not been able to implement it. On the one hand, it was too radical (flat tax) and provoked rebellion, and on the other hand, it lacked a consistent concept. The government has tried to reduce the power of employer and employee organizations through a transformation of the sectors by avoiding discussions on the Economic and Social Council and by minimizing its role in the decision-making process.

Consensus on goals

There are no significant political actors endowed with a veto. Officially, the National Council has a right to issue a suspensive veto, but in practice, it only rarely does so and is usually overridden. Therefore, the government has always succeeded in dealing with all actors in the political process successfully. Nevertheless, the Catholic Church is becoming a very influential actor and could develop a monopoly position in Slovenia – even in economic terms. The Church

Anti-democratic veto  
actors

has increased its influence on the distribution of state funds. Certain reforms have also increased the power of the Catholic Church in Slovenia.

The political leadership has been able to politicize the most delicate and crucial of cleavages – Catholicism vs. non-Catholicism. When it was in the opposition, the current government managed to mobilize the entire Catholic bloc, thus winning the 2004 elections. Government policies reinforce this division, and the country is becoming increasingly divided along this line.

Cleavage / conflict management

The present government has been inclined to show a receptive attitude toward civil society, especially regarding organizations belonging to their ideological bloc. There are some signs, however, that it has neglected independent and other bloc organizations. This situation has grown worse over the past five years.

Civil society participation

The political leadership has managed to achieve reconciliation on issues of historic acts of injustice, but with a clear and distinct perception of victims and perpetrators. From the point of view of the Catholic bloc, the victims are defined as those who were tortured by the partisans and even include the Nazi and fascist collaborators, whereas for the other bloc, the victims are defined as those tortured by the Nazis and their collaborators and those mistreated during the first two years of the one-bloc government (1990 to 1992). All the above-mentioned groups have been provided with at least a minimal recognition and compensation. The government proposed a law to put the national liberal movement and Nazi collaborators on the same level, a proposal discussed heatedly for a year and a half without having reached a resolution. Negotiations have changed the proposal a great deal, but it has yet to pass in parliament. The question of the “erased” people emerged from independence and the process of democratization. The previous government (2000 - 2004) made great efforts to coordinate conflicting viewpoints, particularly the ones concerning “the erased.” The Constitutional Court reached a decision in favor of “the erased,” but the present government has not been willing to implement the decision.

Reconciliation

## 17 | International Cooperation

The political leadership has used the support of international partners (think tanks, public administration consultants, public officials) to improve domestic reforms very rarely compared to the previous review period. On the other hand, Slovenia has been involved in preparations for the EU presidency and can use this position to promote its priorities, such as the movement of energy supplies from Russia to Italy.

Effective use of support

Slovenia is recognized by the international community as a good partner, but being a small country, it plays no important or active role in international

Credibility

community despite influential positions such as OSCE chairman (January 2005 to 2006). Some partners express doubts regarding the government's reliability, or more precisely, that of some members of the government.

Slovenia has a long tradition of cooperation on the regional level since Yugoslav times. The Alpe-Adria Network remains very active, and Slovenia has an active role in it. Slovenia is involved in different networks and initiatives with Italy, Croatia, Austria and Hungary dealing with common regional interests. Slovenia is generally viewed positively in the international arena and upholds its position as being among the best-situated countries in the financial markets. The internationally recognized ratings of respected organizations identify Slovenia as one the leading Central and Eastern European reforming states. There are significant differences in the country's bilateral relationships with various neighbor states, depending on the specific historical background. Relations have been positive with Hungary and, in part, with Austria as well. Relations with Croatia and Italy were tense for years and will be normalized only through EU pressure. A small part of the border with the Republic of Croatia remains the only unresolved question where incidents occasionally occur. But for several days in 2006, the Slovenian and Croatian governments sent special police forces to the undefined border territory for the first time to "protect" the local population (on both sides). For a long time, negative sentiments and mutual distrust played a visible role in the conflict with Italy over property rights and the legitimate interpretation of fascist and partisan torture before and during the Second World War.

Regional cooperation

## Strategic Outlook

Slovenia became a member of the euro zone in January 2007. Setting up the Schengen border and professionalizing the Slovenian army will put a heavy burden on the 2007 budget and future budgets. The government plans for the general deficit not to exceed 1% in 2007, and by 2008, it should fall below 1% of GDP. Aside from Slovenia's favorable initial conditions, the overall positive transformation process can be attributed primarily to domestic actors and to the fact that Slovenia is a small homogeneous country with no special resources attracting large multinationals. The Slovenian elite succeeded in carefully and gradually introducing democracy and a market economy while taking well-established structures into account. The new government is overly inclined to default to political criteria when filling public administration posts. Therefore, many aims are not likely to be achieved or policies will have to change in the near future. In the last two years, the major political and societal actors have recognized that the introduction of much stricter neoliberal policies would be inappropriate for Slovenia. Civil society groups should be included in the communication of interests and policy-making to a greater extent and should also be involved in building and monitoring the political elite. A change in mentality and public willingness to learn will be prerequisites for further consolidation in Slovenia, with openness to new and foreign things as essential elements. The political leadership faces the difficult task of conducting the process of deeper integration into the European Union transparently and mediating between future winners and losers in Slovenian society. An amelioration of the large religious cleavage would help to define the societal role of religious institutions and to increase transparency in their financing, an area not yet encompassed by the law. This is important because the Catholic Church won a great deal of property in the denationalization process. The current law unfairly favors of the Catholic Church and should be changed. Because Slovenian society is very egalitarian and rigid, the government should promote mobility, people's interest in investment and higher education. The portion of public expenditures going to formal education has been declining for years. If Slovenia wants to compete on the international scene, it faces the challenge of attracting foreign intellectual capital. One of the most important tasks for future development is the reform of higher education, which remains the most inflexible institution in the country. To reach a higher level of development, new foreign investment is needed in environmental and hi-tech production that can benefit from a favorable education structure and infrastructure. Because of the problems within the health and pension systems, a large reform will be needed in the next five years to reduce increasing pressure on public funds.