

BTI 2014 | Slovenia Country Report

Status Index	1-10	9.11	# 6 of 129	
Political Transformation	1-10	9.30	# 6 of 129	➔
Economic Transformation	1-10	8.93	# 5 of 129	➔
Management Index	1-10	6.30	# 22 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Key Indicators

Population	M	2.1	HDI	0.892	GDP p.c.	\$ 27474.8
Pop. growth ¹	% p.a.	0.3	HDI rank of 187	21	Gini Index	31.2
Life expectancy	years	80.0	UN Education Index	0.936	Poverty ³	% 0.1
Urban population	%	49.9	Gender inequality ²	0.080	Aid per capita	\$ -

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

In the period under review (January 2011 – January 2013), Slovenia experienced political, economic and social turbulence). Much of it, including a number of corruption scandals, was domestically generated, but some turmoil came from abroad.

The two direct elections held in the period produced surprising results. In December 2011, public opinion polls for independent Slovenia's first early elections for the National Assembly indicated a likely victory for the opposition Slovene Democratic Party (SDS). But Positive Slovenia – a party created just a month before the election – won with 28.5% of the vote, while SDS came in second with 26.2% (turnout was 65.6%). In another first for the country, the winner was unable to form a governing coalition, and the party that came in second was entrusted with forming a government. By January 2013, one party had already left this coalition, putting it into the minority and prompting calls for new elections.

In December 2012, Slovenia elected its fourth president. The incumbent had been the leading contender in the run-up to the election, but, in the second round, former Prime Minister Borut Pahor won.

Slovenia was badly hit by the global economic and financial crisis. In 2009, GDP plunged by 8.1%. The center-left government, led by the Social Democrats, strengthened the social safety net with subsidies for shorter working hours, and a hike in the minimum wage. As a result, public debt and the budget deficit grew rapidly. The European Union, the IMF and the World Bank, together with the Organisation for Economic Co-operation and Development (OECD), expect the country to better balance its books in coming years. This expectation, alongside heavy domestic criticism for not enacting anti-crisis economic reforms, spurred the government to put together a reform package. The government got Parliament to pass several reform laws in 2010 and 2011, including reform of the pension system and the so-called Mini Jobs Act, limiting student work and introducing a new form of occasional part-time work. But trade unions and student organizations,

with the active support of the (then) opposition SDS, defeated the government's referendums in mid-2011.

There was great disappointment with the ineffective 2008 – 2011 government, compounded in 2012 by a long list of other challenging issues that reduced trust in the two governments. The government's challenges included unmet high expectations after the 2011 elections, the inability of political parties to form a government smoothly after early elections, developments following the formation of a neo-liberal center-right government (which imposed several austerity measures in 2012 and planned more for 2013), increases in unemployment and poverty, continuous problems with state-owned banks, politicians' alleged involvement in various corruption scandals, and considerable social discontent with politics. All these have resulted in very low trust in the SDS-led government (less than 20% of people expressed trust in it in December 2012) and low turnout in the presidential elections (48.4% in the first round, and only 42% in the second round). Public protests organized across the country demanded greater respect for the rule of law, the deposition of the government and some opposition leaders, a greater emphasis on the importance of ethics and the battle against corruption, and a more open and inclusive decision-making processes.

History and Characteristics of Transformation

Slovenia's first free and democratic elections after World War II were held in 1990, when Slovenia also started its three simultaneous transformations: political transformation, economic transformation and establishing itself as its own country for the first time in its history. A year later, Slovenia formally declared independence from Yugoslavia. Since there was a basic consensus among the new and old Slovenian elites on all three transformations, Slovenia experienced a smooth transition process, and society paid a minimal price to achieve the aforementioned goals. Slovenia adopted a new constitution in 1991, and a parliamentary political system was established. Very quickly, the key political and economic aim became EU membership. The goal was fulfilled in 2004, the same year Slovenia joined NATO. In 2007, Slovenia entered the Economic and Monetary Union (EMU) and the Schengen Area. In 2010, Slovenia became a full member of the OECD.

Two key political leaders in the 1990s were President Kučan and Prime Minister Drnovšek, also a leader of the Liberal Democracy of Slovenia, the biggest political party from 1992 to 2004. Between 1992 and 2002, Prime Minister Drnovšek formed ideological heterogeneous governing coalitions. He later served as president for five years. Since the 2004 elections, Slovenia has chosen between center-right and center-left governments, and the political arena has been dominated by two politicians. Janez Janša has been the leader, since 1993, of the Slovene Democratic Party and was prime minister from 2004 to 2008 and 2012 to 2013. Borut Pahor was

leader, from 1997 to 2012, of the Social Democrats, served as prime minister from 2008 to 2011, and was just elected president.

Several cleavages characterize Slovenian politics, mainly the liberal-conservative and communist-anticommunist divides. At the beginning of the 1990s, Slovenia faced serious economic problems. GDP growth rates were negative for several years successively and inflation reached 200%. Nevertheless, due to the country's gradualist approach to economic transition and popular demand for welfare provisions, all parties long advocated similar social-democratic socioeconomic policies. However, this situation changed in the 2004 elections. Due to the great economic and financial crisis, the 2011 elections saw all major parties once again advocating neo-liberal policies, some moderately and others radically.

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

The state has an unchallenged monopoly on the use of force throughout its entire territory. Until 2010, a small part of the border with Croatia remained contested, occasionally leading to incidents between police forces of both countries. In 2010, the two countries submitted to international arbitration, and there were no incidents in 2011 or 2012.

All major groups in Slovenian society accept and support the official concept of the nation-state, and all individuals and groups have the right to acquire citizenship without discrimination. All citizens possess equal civil rights. Ethnic minorities, such as Hungarians and Italians, are constitutionally guaranteed representation in Parliament, with one reserved seat per group, and in several municipal councils (three out of 210 municipalities). Since 2002, the Law on Self-Government has ensured that in the 20 out of 210 municipalities where it is autochthonous, the Roma population also has reserved seats on local councils. In both local and European Parliament (EP) elections, citizens from other EU countries with permanent residence in Slovenia also have voting rights. Furthermore, Slovenia has ratified most international agreements regarding the protection of minorities.

Slovenia is constitutionally defined as a secular state. In Slovenia, 42 religious communities were formally registered in January 2013, and this figure has hardly changed over the last few years. Religious dogmas have no direct influence on politics. However, the indirect role and presence of the biggest church, the Roman Catholic Church, in education, health, economic and media organizations has been steadily growing since 1990. This was especially the case under center-right governments (2004 – 2008 and 2012 – 2013). The church has been involved in many hotly debated issues in Slovenia over the last two years. For example, in 2011 and 2012, it was an active opponent of the Family Law passed in parliament but later repealed by referendum. At the end of 2012, church representatives claimed that mass public protests were not spontaneous, therefore clearly supporting the ruling party. In

Question
Score

Monopoly on the
use of force
10

State identity
10

No interference of
religious dogmas
9

2011 and 2012, a civil initiative called the Coalition for Division of the State and the Church petitioned for abolition of state financing for the church as well as for full taxation of its revenues.

The state has a differentiated nationwide administrative structure that provides basic public services, though some functions are primarily the responsibility of municipalities. The country has no difficulty ensuring law, order and jurisdiction over the whole territory.

Basic
administration
10

2 | Political Participation

In Slovenia, elections are regularly conducted. In the period under review, one indirect election, two direct elections and five national referendums were held. In December 2011, independent Slovenia's first early elections for the National Assembly saw turnout of 65.6%. Twenty parties competed. Public opinion polls anticipated victory by the opposition Slovene Democratic Party, but Positive Slovenia, a party created just a month before the elections, won with 28.5% of the vote and 28 seats; the Slovene Democratic Party won only 26.2% of the vote and 26 seats. The 2011 elections were conducted under the same proportional electoral system as previous elections, with a 4% threshold.

Free and fair
elections
10

The campaign was characterized mainly by economic and social questions and allegations of corruption and clientelism.

For the 2011 elections, several debates were organized by both public and commercial media stations. Although commercial stations have a free hand in choosing which parties to invite and how much time to allot to each party, public television is required by law to give all competing parties the possibility to participate, with parliamentary parties guaranteed more airtime. Despite having a chance to present themselves on public television, some non-parliamentary parties protested the airtime advantage given to parliamentary parties.

In December 2012, Slovenia elected its fourth president. For the first time, only three candidates ran; two were representatives of the center-left (Türk and Pahor) and one was from the center-right (Zver). Due to the small number of candidates, all of them were invited to all public debates and discussions organized by the biggest commercial and public television stations. The incumbent president, Türk, was the leading contender in the run-up to the elections. However, in the second round, former Prime Minister Pahor won with 67% of the vote. In the context of public discontent manifested in several nationwide protests in December 2012, the turnout was 48.4% in the first round and 42% in the second round; this provoked considerable anxiety.

In autumn 2012, indirect elections for the National Council (the upper house of Parliament) were held. The National Council has limited powers and is a representative body of local and functional interests (trade unions, employers, farmers, universities, etc.). Therefore, Slovenia is frequently described as a corporate country. The elections triggered public protests because they were used by the local council of Maribor to provide the mayor of the city, who was suspected of corruption, with a mandate and the associated immunity.

Between 2011 and 2013, five referendums were held. Both direct elections and referendums met the norm of universal suffrage with a secret ballot.

Elections have been free, fair and well organized since Slovenia became an independent country. After the aforementioned elections and referendums, no party expressed any doubt about the results. Result verification and complaint resolution is also guaranteed.

Electoral commissions are impartial and effective. Voter registration in Slovenia is automatic – there is no need for voters to undergo a special registration procedure. When citizens turn 18, they receive both passive and active voting rights.

There are many polling stations throughout the country and voting is also routinely organized in hospitals, prisons, older people's houses and within the armed forces. It is also possible to vote from home via mobile polling stations or post, or at Slovenia's diplomatic-consular missions.

In December 2012, the prime minister and his party proposed constitutional amendments to introduce a two-round electoral system, establish recall elections for MPs and mayors, limit mayors to two consecutive terms, and abolish the National Council.

Elected rulers have the effective power to govern. No veto actors or political enclaves threaten their authority.

Effective power to govern

10

People can freely associate and assemble, and this is true for political and other groups. These groups may also express their opinion. The government uses transparent and nondiscriminatory criteria in evaluating requests for permits to associate and/or assemble.

Association / assembly rights

10

The constitution guarantees freedom of expression and freedom of the press. The media, for the most part, operates without direct political interference. However, some articles of the criminal code are used by politicians against journalists, especially in cases concerning defamation and injurious accusation. When we speak about the plurality of the media, we can identify two opposing beliefs. One, regularly expressed by center-right parties and their supporters, holds that media systems lack sufficient plurality and it is necessary to ensure better balance. Others argue that

Freedom of expression

9

plurality in media is ensured. In 2012, it was possible to detect relatively open attempts by political or interest groups to influence editorial politics, particularly on public television. Probably the most visible attempt was a demand by several members of the Program Council during the public protests that journalists should conduct particular interviews. These members also leveled accusations on public television that reporters were being financed from abroad to prepare reports about public protests in a certain way.

In 2011, the National Assembly rejected a draft law defining the rights, obligations and responsibilities of individuals and legal entities with regard to public interest in the field of mass media. Despite many appeals in 2012 for a legislative reform of mass media, only some minor amendments to the media law have been adopted. Accepted changes enable specialized television channels to use the broadcasting infrastructure of the public television freely. . Some MPs saw the amendments as catering to specific interest groups.

3 | Rule of Law

The system of checks and balances works well. However, as one might expect in a parliamentary system, the majority in parliament typically support government proposals.

Separation of powers
10

The judiciary is generally free of unconstitutional intervention by other institutions and private interests. There is a system of courts established throughout the country, with the Supreme Court being the highest authority. Judges are independent and hold permanent mandates, and are elected by the National Assembly after being nominated by the Judicial Council. There are mechanisms for the judicial review of legislative and executive acts, with the highest level of review residing with the Constitutional Court.

Independent judiciary
9

Since the mid-1990s, the judicial system has been overburdened, with long delays in trials. Despite the fact that some reforms were enacted in 2011, the judicial system remains overburdened. This has affected trust in the judicial system and in the rule of law. Furthermore, in 2011 and 2012, a few judges were accused of corruption. There were also some examples of non-official contacts between managers of bankrupt companies and judges charged with these insolvency cases. During the period under review, ineffectiveness and corruption contributed to public dissatisfaction with the judiciary, and Cabinet ministers publicly criticized judges and judicial-branch functioning. There were several reminders from the president of the Supreme Court in 2012 that the judicial branch is equal to the other two branches. He acknowledged that several criticisms of the judiciary were legitimate, but warned that politicians should not exploit them to exert a pressure on the courts. In 2012, the ruling party reintroduced several proposed constitutional changes, including judicial reforms.

These included the reelection of all judges, and the abolition of lifetime appointments. Later the party proposed a trial period of several years before judges would be granted a permanent mandate. Other parliamentary parties supported only the trial period.

In 2012, the SDS and its coalition partner, Civic List, as well as the largest opposition party, Positive Slovenia, became embroiled in a controversy about the transfer of the prosecutor's office from the ministry of justice to the ministry of interior. This controversy also provoked discussions among legal experts.

As a consequence of austerity measures, the judiciary experienced deep financial cuts in 2012, renewing concerns about judicial backlog.

Alongside the courts, two important watchdog institutions fight abuses of office, namely the Court of Auditors and the Commission for the Prevention of Corruption. In 2011 and 2012, the latter was publicly more active since it issued several opinions and reports on politicians' activities, but so far this has resulted only in some resignations. In 2011, the minister of internal affairs was accused of clientelistic and corrupt behavior, and she decided to resign from her position.

In the second largest Slovenian city, Maribor, some of the mayor's activities were assessed by the commission as being allegedly corrupt and clientelistic. Following public protests, he was forced to withdraw from his position in December 2012. In addition, the National Council refused to re-confirm his mandate.

Among MPs in 2011 and 2012, there were several cases of breaking the law or violating ethical standards (for example cases of plagiarism or falsification of school or university certificates, cheating on exams, being an informant of the secret service in the socialist era), but the MPs faced no disciplinary action. The most prominent and long-lasting scandal, however, which has cast a shadow over Slovene politics since 2008, is the Patria affair involving alleged bribes paid by a Finnish defense contractor for the purchase of armored personnel carriers. In August 2010, an indictment was filed against five persons, including Janša (the current prime minister), with legal proceedings underway by the time Slovenes went to the polls in December 2011. The Patria affair also cast a shadow over the leader of the Democratic Party of Retired Persons of Slovenia, although in 2011 he was acquitted of charges in a case closely related to the Patria scandal.

Corruption scandals involving politicians included irregularities in the work of several well-known managers and Catholic Church officials. Those accused, in some cases hand-in-hand with politicians or state banks, almost destroyed several previously well-regarded companies, such as SCT, Vegrad, Merkur, Laško, and Istrabenz. In addition, there were examples of the exploitation of personal networks and political connections to gain privileges, as well as suspect deals between public officeholders and private companies. These irregularities have not resulted in trials,

Prosecution of
office abuse
8

supporting the notion that ordinary people and privileged people follow two separate rules of law.

In January 2013, the commission announced the findings of a year-long investigation into officeholders' and party leaders' asset declarations and financial disclosures. The investigation revealed that the prime minister and the mayor of Ljubljana (also head of the main opposition party) systematically and repeatedly violated the law by failing to properly report their assets. In the case of Prime Minister Janša, the investigation also identified €200,000 from unknown sources in excess of his official income and savings. Furthermore, the commission concluded that there are reasons to believe that the purchase of one of the prime minister's properties was indirectly co-funded by a construction firm with a major government contract.

The commission found that Mayor Janković failed to report €2.4 million in assets over six years in office, along with transactions involving the shares of various companies. Furthermore, the commission uncovered several financial chain-transactions between the companies owned by Janković's sons and companies doing multimillion-euro business with the city; some of these funds were transferred to the mayor's private account. These cases all attracted huge public attention, but the majority of cases have not led to any judicial consequences for the politicians in question. Due to the commission's findings, the leader of the opposition party suspended his own position. By contrast, the prime minister neither resigned as prime minister or party leader nor demanded a vote of confidence in the National Assembly. The government did disintegrate at the end of January 2013, however, because of the commission's findings and the prime minister's actions. (By that time, Civic List had already left the government coalition.)

Civil rights are guaranteed by the constitution and respected by all state institutions. When human rights are violated, institutions are responsible for prosecuting them. As previously mentioned, this is sometimes problematic because of long delays in trials (as the ombudsman warned again in January 2013).

Civil rights
9

In the turbulent autumn and winter of 2012, in a case not yet resolved, the National Assembly or Ministry of Internal Affairs lost the signatures of people demanding a referendum (on establishing a "bad bank" to manage non-performing loans). The process was stopped for lack of sufficient signatures. When it became clear that there was a discrepancy between the ministry's signature count and the petitioners' count, a scandal erupted as people questioned whether this was a genuine mistake or an intentional subversion of the process.

In mid-2012, the European Court of Human Rights, in "Kurić and others against Slovenia," upheld a 2010 judgment that Slovenia had violated rights of the so-called erased – a group of residents who were not granted citizenship upon the independence

of Slovenia in 1991. The court ordered the Slovenian government to prepare a system of reimbursement for the erased within one year.

In 2003, Slovenia established the office of information commissioner as an independent body to ensure that citizens (and not only journalists) had the right to obtain information.

4 | Stability of Democratic Institutions

Democratic institutions are established and generally work effectively and efficiently. As a rule, political decisions are made, implemented and reviewed in legitimate procedures. In the period under review, there were several occasions when the government could not act effectively due to extensive use of the referendum process.

Performance of
democratic
institutions
9

Since 1991, 23 nationwide referendums have been organized, with many more at the local level. One-third of MPs, the National Council or 40,000 voters, can initiate a referendum. In 2011 and 2012, five referendums were held. This resulted in much debate about how the referendum process could continue to be used as a necessary and appropriate means of direct democracy while still ensuring policymakers' ability to govern effectively. After referendums held in June 2011 (when the government was defeated three times), it was obvious the government could not continue its work. Therefore, in September, the prime minister demanded a vote of confidence and lost it. The extensive use of referendums was a part of the campaign in early elections, when all parliamentary parties agreed that some changes were necessary. Later, there were several rounds of negotiations on potential changes, but no agreement has been reached. The most debated topics have included whether it is necessary to strictly define topics on which referendums cannot be held, whether it is necessary to set a minimum turnout for referendum results to be valid, and who should have a right to demand a referendum. Amendments to the referendum legislation have yet to be adopted.

In 2011 and 2012, in several cases, both governments demanded the Constitutional Court's opinion on whether to allow particular referendums, for example those on pension reform and the Family Law. In both cases, the court allowed them. At the end of 2012, the same decision was also expected regarding two other laws: the Law to Strengthen the Stability of Banks and the Law on Slovenian State Holding. The court decided that the implementation of both referendums risked unconstitutional consequences and banned them, provoking considerable dispute among constitutionalists.

In December 2012, the prime minister and his party again proposed constitutional amendments having to do with reform aimed at a so-called second republic. The prime minister offered to call early elections, or to include opposition members in his

government, if parties would be willing to, inter alia, introduce a two-round electoral system, support a mechanism for recalling MPs and mayors, limit mayors to two consecutive terms, abolish the National Council, reelect judges, and support simpler systems for calling early elections and forming a government.

All relevant political and social actors accept democratic institutions as legitimate.

Commitment to
democratic
institutions
10

5 | Political and Social Integration

The number of parliamentary parties has varied between seven and eight since 1992. The Slovenian party system has achieved a high level of consolidation and stability without any major electoral engineering. In 2011, however, it came as a surprise when two parties, established only a month prior to early elections, won 37% of the vote. Although Positive Slovenia, led by Ljubljana's Mayor Janković, won the elections, it was not able to form a coalition. In February 2012, former Prime Minister Janša and his Slovene Democratic Party led a five-party center-right coalition. Three political parties (Liberal Democracy of Slovenia, Zares-New Politics, and the Slovenian National Party) did not pass the four-percent threshold for representation in Parliament, while New Slovenia successfully reentered Parliament after one term out of office. Given the corruption scandals, dissatisfaction with the government's effectiveness, and low levels of public trust, the ground was fertile for new parties.

Party system
8

Among the cleavages that characterize the Slovenian party arena, the liberal-conservative and related communism-anticommunism divides have been paramount. Due to the country's gradualist approach to economic transition and the population's desire to retain a welfare state, all parliamentary parties advocated similar social-democratic socioeconomic policies until the 2004 elections. These differences became less pronounced again in the 2011 elections, when the major parties responded to the economic and financial crisis with solutions along the neoliberal spectrum. After the elections, to a large extent, perennial ideological conflicts over issues such as World War II and communism have flared. It is important to note the absence of an anti-system party in Slovenia, or a party at the significant extreme right or left. One exemplary party is the Democratic Party of Retired Persons, which has played a decisive role in the formation of governments and proved a strong coalition potential. Slovenian political parties have comparatively high membership density (in 2009, approximately 6% of the population were members of political parties). It is also easy to form a party in Slovenia, since only an agenda, its statute and the signatures of 200 citizens are needed. In all, 76 parties were registered in Slovenia in January 2013 (three more than in January 2011).

There is a broad range of interest groups at the national and local level. Despite their differences, interest groups frequently cooperate. The most active appear to be economic interest groups (employer and employee organizations), and groups representing retired people and environmental causes. But only economic interest groups have enjoyed privileged access to policymaking processes via the Economic and Social Council, which brings together representatives of employers, employees and the government. In the last two years, trade unions were extremely influential, acting as an institutional veto player via the referendum process. The unions defended their use of referendums, citing the government's inability to reach consensus with them. In less than a year, starting in 2012, unions organized two general strikes in the public sector to protest the government's austerity measures. Approximately 100,000 strikers demanded negotiations with the government to retain the welfare state and a well-developed public sector.

Interest groups
9

Satisfaction with democracy had already dropped significantly in 2010, but the trend continued in mid-2011 when 86% of people expressed dissatisfaction with democracy; in January 2013 this share was even higher at 90%. A similar pattern can be seen in the case of support for both governments. In November 2011, 75% of people did not support the government; in September 2012, this figure was 73%; and in January 2013, only 16% of people supported the government. Moreover, trust in political parties (as a rule, they enjoy the lowest level of trust) as well as in Parliament, dropped significantly in the last two years.

Approval of
democracy
8

During economic crisis, the 2008 – 2011 government was perceived as incapable of dealing with problems. It failed to reach a consensus with other political and social actors on the necessary structural reforms.

Moreover, political disputes between parties, together with perennial ideological conflicts, resulted in antigovernment protests at the end of 2012. Protests concerned current and proposed austerity measures and corruption in politics, and demanded a more inclusive regime.

Most statistics show a vibrant civil society in Slovenia. Of the country's 24,000 NGOs, in January 2013, the majority are active in sports, culture, art and the fire brigade, and the country has more such organizations per capita than most countries. According to public opinion polls in 2011, 30% of the population were members of sports and recreational organizations, and 15% were members of humanitarian and charitable organizations.

Social capital
9

According to 2011 public opinion poll data, 20% think the majority of people can be trusted, while 79% think they have to be cautious in trusting the majority of people. This can hardly be interpreted as a high level of interpersonal trust.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
10

According 2011 statistics, the at-risk-of-poverty level increased in 2010 by 0.9 percentage points to 13.6%. But humanitarian organizations warned that the 2011 data does not reflect conditions in 2012, since many more people were faced with poverty than in 2011. New legislation reduced the number of people entitled to social transfers that came into force at the beginning of 2012. Austerity measures passed in mid-2012 made additional cuts in social transfers, salaries and pensions. According to 2011 data, unemployed and retired persons are among the most vulnerable in this respect. For example, 32% of retired persons lived at risk of poverty. The at-risk-of-poverty level is also high (27.8%) among women older than 64. The monthly threshold of poverty risk for a single-member household in 2011 was €600. In 2011, 7.5% of people were at the at-risk-of-poverty level and for a longer time (a year earlier, the proportion was 6.9%). In 2011 and 2012, experts also started to warn of a larger number of employed people at the at-risk-of-poverty level. Still, Slovenia remains among countries with relatively low income inequality (in 2011, the Gini Index was 31.2).

In Slovenia, social exclusion is not based on religion or ethnicity, but the poverty risk nonetheless correlates with regional differences. The most vulnerable in this regard continues to be the Pomurje region. In 2011, Slovenia ranked 21st in the Human Development Index, with a score of 0.884.

The literacy rate in 2011 – 2012 was 99.7%, while the Gender Inequality Index was at 0.175.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	49056.2	46999.3	50250.1	45280.4
GDP growth	%	-8.0	1.3	0.7	-2.5
Inflation (CPI)	%	0.9	1.8	1.8	2.6
Unemployment	%	5.9	7.2	8.2	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	-0.7	1.3	1.6	0.0
Export growth	%	-17.2	10.2	7.0	0.6
Import growth	%	-19.6	7.4	5.6	-4.7
Current account balance	\$ M	-330.9	-270.1	4.3	1045.0
Public debt	% of GDP	35.0	38.6	46.9	52.6
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Cash surplus or deficit	% of GDP	-5.4	-5.5	-5.9	-
Tax revenue	% of GDP	18.1	17.1	17.7	-
Government consumption	% of GDP	20.3	20.8	20.8	20.8
Public expnd. on edu.	% of GDP	5.7	5.7	-	-
Public expnd. on health	% of GDP	6.7	6.5	6.6	-
R&D expenditure	% of GDP	1.86	2.11	-	-
Military expenditure	% of GDP	1.6	1.6	1.3	1.2

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Since 2007, Slovenia has been included in the Economic and Monetary Union and in the last two years shared problems of the euro zone. In general, the state complies with EU regulations governing the distribution of state subsidies. Still, in 2011 and 2012, the European Union put under investigation state subsidies for two companies (sport equipment maker Elan, in 2008, and Adria Airways, between 2007 and 2011). Freedom to invest and to withdraw investments is ensured and there is no discrimination based on ownership and size. Although there are state-guaranteed rules for market competition, the grey economy still exists. Unfortunately, there is no exact data about it, but according to some estimates it accounts for between 17% and 23% – some even say 28% – of GDP. Based on such estimates, the 2008 – 2011 government wanted to reinforce the battle against the grey market with new legislation, but a 2011 referendum thwarted that effort.

Market-based
competition

9

Slovenia has adequate laws and institutions in place to deal with monopolization problems and to establish nondiscrimination principles. The main institution dealing with the protection of competition is the state Competition Protection Office. While its work was strongly criticized in the past, it was much more publicly active between 2008 and 2010, when actions against various corporate cartels got significant press. In the last two years, the office has kept a lower profile.

Anti-monopoly
policy
9

Slovenia is a member of the European Union and has accepted its trade policy. Since 1995, Slovenia has also been a member of the WTO and abides by its relatively liberal trade principles. Nevertheless, indirect obstacles to investing persist in Slovenia, among them high taxes on labor, but on the formal level there is no state intervention in the liberalized market. In any case, Slovenia has encouraged participation in foreign markets, mainly via subsidies to help companies prepare for internationalization and strengthen their competitive position.

Liberalization of
foreign trade
10

In 2011, the Slovenian banking system comprised 19 banks (eight banks with majority domestic ownership, three banks with 100% domestic ownership and eight banks with majority foreign ownership) and another three savings banks. NLB and NKBM have the largest market shares – their combined market share by total assets was 37% in 2011 – and the state holds the largest ownership share. In 2012, it was obvious the NLB needed another recapitalization (following one by the state in 2011), but the question of who should fund it surfaced in the 2011 electoral campaign. Some parties thought the bank should be sold, while others thought the state should retain 25% of shares. Another group held that the state should remain the biggest shareholder, as it was at the end of 2012, with 40%; together with state-controlled funds, it held 60%. Despite a coalition agreement that determined the state should sell its shares to control only 25% plus one share, some coalition parties in 2012 insisted on selling the whole bank. In this respect, news in late 2012 that the state negotiated with the Belgian KBC to buy all its shares (22%) for €1 per share came as a surprise.

Banking system
8

The stress tests of 2011 – performed to assess the solvency of banks throughout the EU under hypothetical stress events and their resilience to severe shocks – indicated that NKBM was adequately capitalized, with a Core Tier 1 ratio, significantly above the 5% benchmark. NLB surpassed the capital benchmark, but its Core Tier 1 ratio is close to the 5% benchmark under the adverse scenario. Consequently, NLB will be subject to reinforced prudential scrutiny of Banka Slovenije, with the purpose of ensuring a higher capital ratio as soon as possible.

In 2011, the international credit ratings of NLB worsened; Moody's changed it to Ba1 (from A3 in 2010 and A1 in 2009), while Fitch's ranking in 2011 was BBB (it was A- in 2010 and 2009) and sank again in March 2012 to BBB-. Fitch explained that the rating actions were driven mainly by deteriorating asset quality, weak internal capital generation, worsening operating environment, pressures on capitalization, and

the absence to date of any coherent, overarching plan of Slovenian authorities to strengthen the bank's solvency.

Recapitalizations raised the government's share of the banking system's total equity to 22.7%. The banking system's total assets amounted to €48.8 billion at the end of 2011, a 3.1% increase for the year.

In 2011, there was primarily a decline in loans to the corporate sector and an increase in loans to households, but considerably less than in 2010. There was a notable decline in year-on-year growth in loans to non-banking sectors in 2011 at all the bank groups. The stock of loans to non-banking sectors had declined by 4.3% by the end of the year, with domestic banks recording the largest decline. Lending to non-financial corporations was down 5.9%, domestic banks again recording the largest decline. The main factors in the decline in demand for bank loans were the worsening of the European debt crisis, downgrades and higher funding costs, the slowdown in economic growth in Slovenia and its most important trading partners, the adverse situation in certain sectors, the relatively high indebtedness of the corporate sector, payment indiscipline, the adverse situation in the labor market, and a decline in the value and liquidity of free eligible loan collateral. On the supply side, lending activity was restricted by a decline in bank funding, high funding costs, a deterioration in the quality of the credit portfolio and a decline in the banking system's capital adequacy relative to the EBA's requirements and methodology, even though the ratio of own funds to total assets at banks is sufficient.

The Slovenian banking system was exposed to significant credit risk and income risk in 2011. Net interest in 2011 was down 2.9% from the previous year, primarily as a result of the increase in interest expenses outpacing that of interest income. With bankruptcies rising and the situation in the sector of non-financial corporations deteriorating, growth in impairment and provisioning costs remained above average last year. The banking system's performance thus worsened significantly, as it recorded a loss after taxation of €11 million, according to unaudited and unconsolidated figures.

The deterioration in the quality of the credit portfolio seen in 2010 continued through 2011, and the proportion of bad claims increased by 2.5% to 6.2%.

The solvency of the banking system remains the key issue for bank owners from the point of view of improving performance. From the point of view of regulatory requirements, the banking system maintained satisfactory capital adequacy in 2011.

Despite the capital increases in the first half of 2011, the two solvency ratios remained below the average of comparable banks in the European Union. The capital adequacy ratio stood at 11.7% in December 2011, up 0.4 percentage points from a year earlier.

The Tier 1 capital ratio increased by 0.6 percentage points over the same period to stand at 9.6%.

8 | Currency and Price Stability

Since Slovenia is member of the EMU, exchange rate policy is determined by the European Central Bank (ECB). In the not-so-distant past, Slovenia had relatively high inflation, which led to special sensitivity towards it in the country. In 2011 and 2012, an important actor in dealing with inflation was the central bank, which retained its de facto independence.

Anti-inflation /
forex policy
10

In 2012, the inflation rate was 2.7%, while in 2011 it was 2.0%, and in 2010 1.9%.

In 2011, the government tried (rather unsuccessfully) to accept and implement stability policies following rapid growth of public debt and the budget deficit in 2009 and 2010. The government formed in January 2012 was, in this regard, more successful; it accepted several austerity measures in 2012 as well as for 2013 and 2014. The budget deficit amounted to 1.9% of GDP in 2008, 6.1% in 2009, 5.7% in 2010, and 6.4% in 2011. (Without state subsidies and recapitalization of the biggest bank, the deficit would have been 1.3 percentage points lower. In autumn, it was predicted that the deficit would be 4.2% by the end of 2012, despite the fact that originally a deficit of 3.9% of GDP was planned.

Macrostability
9

The gross debt of the “sector state, according to ESA-95,” was 22% of GDP in 2008, 35% in 2009, 38.6% in 2010, and 46.9% in 2011. It rose to 48.2% by autumn 2012 and was predicted to be 53.8% at the end of 2012. (The rise in the ratio of debt to GDP is a reflection of the financing of the deficit, but also of advance borrowing for the repayment of debt maturing at the beginning of 2012).

The government wanted to inscribe the so-called fiscal rule into the constitution, which would send a strong signal to international financial markets that Slovenia took seriously the financial crises and anti-crisis measures. Since changing the constitution requires a two-thirds majority, the government was not able to do this. When Slovenia in October 2012 issued ten-year bonds to borrow \$2.25 billion, the prime minister claimed that failure to adopt the fiscal rule raised the price of borrowing by approximately 25%.

9 | Private Property

Property rights and the acquisition of property are adequately defined. Property rights are limited solely and rarely by the overriding right of the constitutionally defined public interest.

Property rights
9

Yet, according to a World Bank survey, 110 days and five procedures were needed to register property, indicating the associated bureaucratic difficulties.

Private companies are seen as the primary engines of economic production and are given appropriate legal safeguards. Still, the state directly or indirectly controls a relatively large part of the economy (it was estimated that the state is present in approximately 20% of the economy, but only in a small number of companies did it have 25% ownership or more). The first wave of privatization happened in the early 1990s, when the Slovenian model enabled the state to keep significant ownership in privatized companies through state-controlled funds. The second wave came between 2004 and 2008, when many managers, with help from banks (mainly the NLB) and generous loans, tried to privatize some big companies, while the government in 2012 announced the third and most recent wave of privatization. The idea has been advocated for two reasons: the state's poor reputation as business owner, and its need for cash. With the aim of managing state property as well as deciding upon those companies whose state shares should be sold, the government established Slovenian State Holding at the end of 2012.

Private enterprise
9

10 | Welfare Regime

In 2011 and 2012, approximately 51,000 and 47,000 people, respectively, were entitled to social assistance in cash. For the most part, new social legislation and cuts in social transfers, both introduced in 2012, can explain this decline. Without counting social transfers, the at-risk-of-poverty level would double to 25%. These figures reveal that different forms of social transfers (despite reduction of the welfare state in recent years) are still an important factor in reducing poverty.

Social safety nets
10

In 2011, expenditure for social protection of the “sector state” was 18.9% of GDP, the biggest increase in relation to 2010 being recorded for the unemployed and elderly. In 2011, life expectancy at birth was 79.4 years.

A universal healthcare system was introduced in Yugoslavia that has continued in independent Slovenia. In recent years, there have been intensive talks over healthcare reform, which will offer a reduced service for the same money. In 2011, expenditure for healthcare in the “sector state” was 6.9% of GDP and stayed at the same level as the previous year.

The welfare regime still largely depends on public organizations. However, in 2011 and 2012, NGOs were, to a greater extent, more active than in the past. In June 2011, Slovenian voters, in a referendum initiated by the trade unions, rejected the government's plan to increase the retirement age from 61 for women and 63 for men to 65 years, and make the minimum number of years worked 43. At the end of 2012, a new, less radical pension reform was adopted by the parliament.

In recent years, Slovenia has introduced various programs for the Roma community aimed at raising education levels and improving professional qualifications.

Equal opportunity
9

Formal gender equality exists, but gaps persist in practice, for example in wage differences for the same positions. Women are, on average, better educated – the male/female ratio for enrolment in tertiary education was 1.45 and for secondary education it was 1.01. However, women get on average €55 less in salary per month (the male/female ratio in wage equality was 0.64). In 2011, the unemployment rate was 1% higher among women than among men, while the at-risk-of-poverty rate that year was almost 3% higher among women than men. In the parliamentary elections of 2011, for the first time, a significant number of women were elected, and 32% of MPs are now women. However, considerable under-representation of women in political bodies (local and national) continued in 2011 and 2012. The Gender Inequality Index in Slovenia in 2011 was 0.175, and its rank was 28, while the Gender Gap Index in 2012 was 0.713, rank 38. In 2011, the life expectancy at birth was 79.4 years.

11 | Economic Performance

The budget deficit in 2010 amounted to 5.7% of GDP, in 2011 it reached 6.4%, and in the autumn of 2012 it was predicted that by the end of the year, due to austerity measures, it would be 4.2%, despite originally planning a deficit of 3.9% of GDP. The gross debt of the “sector state according to ESA-95,” was 38.6% of GDP in 2010, while it was 46.9% in 2011 and it was 48.2% in autumn 2012 (predicted to be 53.8% of GDP by the end of 2102). In 2012, the inflation rate was 2.7%, while in 2011 it was 2.0%, and in 2010 it was 1.9%. The unemployment rate for both years stayed almost the same at slightly over 12% (compared to 6.7% in 2008).

Output strength
7

GDP shrank significantly in 2009, by 8%. Growth returned in 2010, at 1.2%, and 2011 saw 0.6% growth. The prediction in autumn 2012 was for -2.0%. According to many economists, the deterioration in the economic situation in Slovenia in 2011 and 2012 was largely due to the deepening crisis in domestic demand.

Exports of goods and services dropped dramatically in 2009 (by 17.7%) and in the next two years, exports recovered. However, in 2012 it was predicted again to be barely positive.

In 2011 and 2012, Moody's, Fitch and Standard & Poor's downgraded Slovenian ratings several times. Therefore, during the period, the required yield on ten-year government bonds rose and even reached 7%. This resulted from the mounting debt crisis in certain euro zone countries, and momentum from peripheral and core countries also made itself felt in Slovenia. This was compounded by increased uncertainty in the international financial environment, poor expectations for domestic

economic growth, low liquidity of Slovenian government bonds, political uncertainty, and the lack of credibility of fiscal consolidation and structural reforms.

12 | Sustainability

Slovenia took environmental concerns into account and adopted appropriate legislation in the period under review, but, as in the past, there were problems with implementation. In 2012, the Slovenian score on the Environment Performance Index was 62.2, compared with 65 in 2010, and its rank was 28 compared with 55 in 2010. The environmental health score was 88 in 2012, compared with 85.8 in 2010, while the ecosystem vitality score in 2012 was 51.1, compared with 44.9 in 2010.

Environmental
policy
9

The country's nationwide system of education and training results in a high literacy rate (99.6%). In 2010, 5.6% of GDP was spent on education (from pre-school to university), on par with 2009. In primary schools, the students/teacher ratio was 12/1, in secondary schools it was 13/1, and at university it was 19/1.

Education policy /
R&D
8

For several years, Slovenia has been among the countries with the highest percentage of the population involved in tertiary education. In 2000 – 2001, 35% of the population between 19 and 24 years of age were involved in tertiary education, while in 2011 – 2012 this figure was almost 50%. In 2011, 17.5% of the population completed secondary education while in 2002 this figure was 12.9%.

While the 2008 – 2011 government ensured more money for higher education and research despite the crisis, the center-right government changed the 2012 budget in mid-2012 due to the austerity measures it wanted to implement. Consequently, it made the biggest cuts (as much as 13%) in higher education and research. Moreover, forecast budgets for 2013 and 2014 (in relation to the 2011 budget) show reductions as high as 16% for higher education and almost 20% for research and science; however, these figures did change slightly in parliamentary procedure when the 2013 and 2014 budgets were passed. Alongside these cuts, budget money was redistributed from public universities to private ones. After early elections in 2011, Janša's center-right government began changing the relationship between the state funding of public sector services and state funding of private sector institutions, particularly in the field of education. This meant boosting private institutions in which governmental officials had a personal stake, and without public debate on the strategic goals or impacts of these measures.

In 2009, Slovenia assigned 1.86% of GDP to research and development and 2.1% in 2010. In the R&D funding structure, the state contributed 35.3%, while companies contributed 58.4% of all funds. In general, it is regularly stated that there should be a greater stress on the transmission of knowledge from research to industry in order to increase the share of GDP devoted to R&D.

Transformation Management

I. Level of Difficulty

In 2011 and 2012, structural constraints on governance, such as extreme poverty and lack of educated labor, were very low, despite several natural disasters, including floods.

Structural
constraints
1

Civil society enjoys a relatively strong tradition since Slovenia has historically lacked an independent political life organized in the form of an independent state. Therefore, political life has been organized through societies, clubs and associations since the mid-19th century. Many elements and mechanisms of fundamental participatory democracy had already been developed under the Yugoslav system of self-management. This enabled people to gather experience and knowledge of democratic decision-making processes in mostly nonpolitical situations.

Civil society
traditions
1

There are no significant ethnic divisions in Slovenia, probably due to the homogeneity of the population (more than 80% of the population is Slovenian). Serbs, Bosnians and Croats constitute significant minorities in Slovenia. They do not possess any special status, but are organized within civil society and in religious groups. Furthermore, there are constitutionally assured political and cultural rights for Italian and Hungarian minorities, both locally and nationally. The Roma population has special attention and status, which is mainly implemented at the local level. In 2011 and 2012, there were no known violent incidents based on ethnic or religious differences in Slovenia.

Conflict intensity
2

As mentioned previously, there is a traditional and important division which splits Slovenia into two (political) blocs. There are Roman Catholic-conservatives on one side, and socialist-liberals on the other, a divide that overlaps with postcommunist-communism as well as home-guard/partisans (Liberation Front) divides from WW II. This split was reinforced in 2012 by the activities of the largest and smallest governmental parties.

II. Management Performance

14 | Steering Capability

The economic crisis seriously affected Slovenia and changed its strategic priorities. The crisis strengthened the need to undertake structural reform, especially changes to the pension system, and labor market reforms (with an emphasis on greater flexibility). In 2011 and 2012, all parliamentary parties and the commonly held public view recognized a need for the reforms, which finally led to pension reform at the end of 2012. Conversely, negotiations between social partners over labor market reforms were still not concluded in January 2013. In 2011 and 2012, the most important actors share a view on the need to improve the macroeconomic situation and to ensure a more competitive position for Slovenian companies. But huge differences have cropped up among parties on how to achieve these goals and what to “sacrifice” in return. On the one hand, the opposition in 2012 defended the welfare state despite necessary reforms, while the government advocated a more market-driven vision, with lower taxes, a small state, radical privatization of state companies, and a strong stress on the importance of saving. In comparison, the opposition remains convinced that savings cannot solve all problems, and can even cause additional problems. In 2012, government insistence on the aforementioned stances led to greater conflict with trade unions, the opposition and other segments of society (student organizations, the academic community, the cultural sphere, etc.).

Due to the huge economic problems Slovenia faced during the global economic and financial crisis, the first measures taken by the government in 2009 were to strengthen the welfare state. Hence, in 2010 and 2011, the government implemented several structural reforms. Thanks to his prior consensus-seeking style, Social Democrat Prime Minister Pahor was seen to be the right person for the task. However, he soon found himself the butt of criticism for being too slow. As a consequence, the prime minister changed his leadership style significantly in 2010, but this only provoked discontent among several interest groups, which lamented the new stance, which appeared to show no desire for cooperation. The prime minister insisted that some of the reforms, such as those to the pension system and the introduction of greater flexibility in the labor market, were necessary and needed to be pursued regardless of electoral consequences.

The government managed to get Parliament to pass several reform laws in 2010 and 2011, but they were challenged in referendums in 2011. Student organizations, trade unions and the main opposition party all took advantage of the ease of calling a referendum in Slovenia, successfully defeating the government on several occasions.

Question
Score

Prioritization
8

Implementation
7

For instance, the Mini Job Act, which was designed to limit student work and which introduced a new form of occasional part-time work, was heavily defeated (only 20% of voters supported it) by a student-led and trade-union-supported referendum in April 2011. Three referendums were held on 5 June 2011. The first, on the thorny issue of pension reform, was called by trade unions. The other two were called by a third of opposition MPs. One was a referendum on archives and documents, the other a referendum on the prevention of employment and work in the grey market. A heavy defeat in all three referendums was expected thanks, in no small part, to the low popularity levels of the government and the active opposition of the biggest opposition party, the Slovene Democratic Party.

The 2008 – 2011 government confronted not only economic difficulties and a need for structural reforms, but also ideological battles with the opposition and the Catholic Church over social issues. It was the new draft Family Law that provoked the greatest dispute. Given the heated debates, and in an attempt to avoid another referendum, the government modified some the most contentious provisions. Although the law was passed in Parliament, opponents pushed for a March 2012 referendum, in which the (by then former) government lost again.

The government in 2012 very quickly imposed several austerity measures, together with cuts in social transfers, causing higher poverty and social exclusion. At the same time, the government announced the third and final wave of privatization and public sector reforms, designed to diminish the welfare state. Altogether, it was perceived that the lower and middle social classes were going to pay the biggest price for the crisis.

The same threat was faced by the new government in 2012; however, two calls for referendums were prevented by the Constitutional Court. Despite facing two general strikes within a year and several public protests, the government in 2012 managed better than its predecessor to implement austerity measures (which were negotiated with trade unions to a large extent), including pension reform and expected labor reform.

In the period under review, the government was not always able to replace failed policies with innovative ones. The question in Slovenia is whether the various reforms are the results of analyses or merely of newly-arising needs and the varying ideological views of different governments. Nevertheless, in the last few years, an evaluation phase has been introduced to institutionalize complex learning in most policy areas. Still, it remains to be seen to what degree such information influences policy.

15 | Resource Efficiency

The 2008 – 2011 government tried to introduce new criteria to select candidates for political and high-level administrative posts. For this purpose, it established a so-called cadre accreditation council designed to select candidates according to merit for the highest posts in the administration and those bodies governing state-owned companies. Yet, in 2010, the entire council resigned due to excessive pressure to apply judgments based on criteria other than merit. In 2012, the new government deposed a large number of people from political and high-level administrative posts and did not try to establish any special cadre body, though the Officials Council, established years ago, remains. The 2008 – 2011 government had difficulties introducing a merit system for political appointments, but at least tried, in apparent contrast to the current government.

Efficient use of assets

7

It is hard to judge whether merit or political criteria or both were used for the selection of candidates in particular cases, but media reports indicate that the selection of personnel in 2012 was largely made according to political criteria. However hard to prove, political staffing and misuse of authority are a reality in Slovenia. Regardless of the political faction in power, there are always mass occurrences of so-called “staffing tsunamis” or accusations of political staffing.

The Court of Auditors has continuously ensured effective and independent auditing. In some cases, its reports have revealed that the government did not use budget resources very efficiently.

The Court of Auditors also reviews the economic operations of municipalities, which enjoy legal and financial autonomy. Based on the court’s reviews, transparency of finances, human resources and information management in the public sector is not being implemented in full compliance with legal provisions.

Both governments in the period under review tried to assure policy coordination between different departments, but sometimes failed to do so. Several formal coordination bodies were established by individual ministries in the last two years. They include civil servants, interest groups, experts and government representatives and have tried to ensure the necessary policy coordination.

Policy coordination

8

During the period, government instability due to political disputes among coalition partners was a frequent problem.

In Slovenia, three important watchdog institutions are fighting abuse, namely the Court of Auditors, the Office of the Information Commissioner and the Commission for the Prevention of Corruption. All three bodies are important structures in the fight against corruption in Slovenia. In 2011, the commission created a comprehensive online database called Supervizor, which monitors all financial transactions between

Anti-corruption policy

7

direct or indirect budget users and private companies. The new tool represents an important step towards increasing the transparency of state-funded projects and businesses. According to the commission leader, Slovenia is facing both political and systematic corruption.

In 2010, the Law on Integrity and the Prevention of Corruption was passed. It regulates more explicitly the accountability of officeholders and demands asset declarations from them; for the first time, lobbying is now also regulated in Slovenia. Party finances and electoral campaigns are still regulated by the Law on Political Parties and the Law on Electoral Campaigns. The Court of Auditors has a responsibility for auditing party finances. Nevertheless, in 2012, Greco expected some legislative changes to be made, assuring even greater transparency of party finances, but nothing happened in this regard.

In 2011, and especially in 2012, the commission issued several reports and statements on the corruption-risking activities of some politicians that had been exposed by the media. In January 2013, the commission reported on the prime minister and on the opposition leader's corruption-risking behavior and actions.

In sum, there are many anticorruption mechanisms in place, but it seems they are not sufficiently effective and their disclosures of corruption or corruption risks are not sufficiently respected. The relatively high levels of corruption as perceived by citizens is in stark contrast to the practically nonexistent official information relating to criminal offenses in the field of corruption.

16 | Consensus-Building

Although there were significant differences among major actors concerning solutions over economic and financial problems and the further development of society in 2011 and 2012, all of them agree that a market economy and consolidating democracy are among the main strategic aims.

Consensus on goals
10

There are no significant antidemocratic political actors in Slovenia.

Anti-democratic
actors
10

Significant ethnic and religious conflicts do not exist in Slovenia. However, the importance of class and regional differences have emerged in response to the economic crisis, along with some structural differences in the wealth and vitality of industry. Nevertheless, in 2011 and 2012, in political terms, both cleavages remained mostly insignificant.

Cleavage /
conflict
management
7

Although the government in power from 2008 to 2011 was able to defuse tensions somewhat between the conservative, anticommunist Catholic camp and the

communist anti-Catholic partisans, the activities of the largest and smallest parties in the 2012 government exacerbated underlying tensions once again.

At the end of 2012, several spontaneous public protests happened when people were mobilized, primarily via Facebook. The protests targeted the government and its austerity measures, along with a large part of the political and economic elite (tycoons, construction lobbies, etc.), regardless of that elite's partisan orientation. In three cases, radical participants attacked police forces, which responded heavily with tear gas. In at least one case, the police were accused of using excessive force. In another case, police – for the first time in independent Slovenia – used a water cannon. Several people who mobilized the protests were fined. At a protest in Maribor, police detained 119 persons, of whom 28 were charged. Two admitted guilt and were sentenced to a several-months-long suspended prison sentence, while ten of the accused, who denied guilt, have been in detention for more than three weeks, triggering public criticism.

Interest and other civil society groups play an important role in the formulation of various policies, since a substantial segment of interest groups are acknowledged as being of vital importance to the state. This segment is elevated to special status and institutionalized within the National Council. The specific interests of employers and employees are separately organized, and cooperation between them and the government is institutionalized within a social partnership system.

Civil society
participation
8

In recent years, governments in Slovenia were inclined to enhance the participation of civil society in political and policy processes. This was done mainly by publication of policy proposals on the Web pages of individual ministries or government offices, along with several public calls to participate in concrete policymaking. In Slovenia, social partnership has a prominent position in this regard.

However, in 2010 and 2011, the trade unions in particular complained that the government was willing to talk with them, but not listen. Moreover, in 2012, various NGOs criticized the government, claiming that it was not even willing to talk seriously with them. In 2009, the Resolution on Normative Activity was accepted, mandating that ministries prepare draft legislation transparently, and that public organizations interested in the particular field or affected by the particular draft legislation should have at least a month to take part in the policymaking process. However, in 2012, as reported by the Center for Information, Service, Cooperation and Development of NGOs, the government violated this provision in a huge majority of cases, mainly using the excuse that the economic situation demanded fast decisions. In general, however, Slovenia's well-developed civil society maintains a relatively important role in debating and determining policy.

The political leadership is managing to achieve some reconciliation on issues of historical injustice dating from World War II and afterward. In 2011 and 2012, the

Reconciliation
8

government also made it possible to eliminate the injustice caused to “erased people” – people who were, at the beginning of the 1990s, erased from the register, which meant that from an administrative point of view, they no longer existed in Slovenia and therefore lost all rights.

17 | International Cooperation

The current government has had clear aims for political and economic development, which lean on the EU policies promulgated by Germany – mostly in terms of savings and keeping down the budget deficit and state debt.

Effective use of support
8

In several cases, the Slovenian government has tried to rely on various documents from international actors to advocate proposed domestic reforms. But the government has not universally welcomed foreign opinions. When the governing coalition was forming after the last parliamentary elections, for example, Slovenian President Türk criticized as inappropriate statements by the U.S. ambassador on what the coalition should look like. In addition, trade unions and opposition parties were critical of OECD suggestions on Slovenian education reform.

Slovenia is recognized by the international community as a reliable partner. Despite its own problems, for example, Slovenia supported a financial aid package designed to assist Greece and other EU countries in crisis. Slovenia’s credibility may have suffered in Croatia’s EU accession process, when it became obvious that Slovenia had been trying to use its influence to further its own agenda.

Credibility
8

Slovenia has a long tradition of cooperation on the regional level, dating back to when it was part of the Yugoslav federation (for example the Alpe-Adria network). In recent years, there were some difficulties in handling relationships with the neighboring states of former Yugoslavia. For example, Slovenia and Croatia did not agree on the demarcation of their border in the Adriatic Sea. However, during the last two years, this and other disputes between the two countries have been settled.

Regional cooperation
8

Strategic Outlook

The economic crisis has substantially affected Slovenia, and the government's main task is to find effective solutions that are acceptable to the public. While many people are critical of austerity measures, in mid-2012 the public proved itself willing to make sacrifices if such measures are explained and negotiated properly. The persistence of the government in significantly downsizing the welfare state and painting the public sector as an almost unnecessary part of society will probably result in further conflict. However, since some of these neo-liberal scenarios may be tolerated to some extent due to the economic crisis, it seems that the current government has been trying to take advantage of the crisis to change society and to introduce its ideological values, adding additional stress to the already important cleavage line of conservatism-liberalism. In addition, several prominent individuals have already warned that the economic crisis, and government instability, are not the only or even the most important crises that Slovenia faces. More importantly, Slovenia must address the moral crisis seen in the arrogance and misbehavior of government, state structures, politicians, wealthy individuals and individuals connected with politicians, together with the Catholic Church, which tried to privatize several companies with the help of generous NLB loans but got into huge debts. The judiciary has failed to meet the public's expectations when some of the aforementioned cases have been brought to trial, thereby reinforcing the notion that Slovenians abide by two rules of law – one for ordinary people and one for influential people. The public protests organized at the end of 2012 sent a message that such behavior should not be tolerated any longer and that new ethics in politics and society are needed, together with a rule of law. The public expected that the two most exposed politicians, Prime Minister Janša and Janković, leader of the opposition and Ljubljana's mayor, would resign their positions due to the findings of the Commission of Prevention of Corruption. Several weeks after the commission found that their behavior was not in accordance with transparency and anticorruption standards, neither has resigned. Janković has only frozen his party leadership position, and the prime minister even tried to discredit the commission. The response of politicians and the public to the commission's findings will set standards for the society. Taking all these factors into account, the huge dissatisfaction with the political elite and democracy in 2011 and 2012 was not a surprise. However, it is necessary to be cautious since such huge dissatisfaction can be transformed into more radical actions or apathy – neither of which serves democracy.

Warnings have long been sounded about the younger generation becoming underprivileged. Now it is clear that the younger generation does not look towards the future very optimistically. Slovenia, in comparison with many other EU countries, did not record very bad results in terms of unemployment in 2011 (15.9%), but, in 2012, 26.7% of youth were unemployed, the biggest increase in a year in the European Union. Additionally, almost 80% of employed young people are employed only temporarily. In Slovenia, such employment is closely connected with significantly lower employee security. On the other hand, in the last two years, Slovenia also recorded the lowest working activity among people between 55 and 64 in the European Union, with only 30% being active. Taking into account the new pension reform, which increased the minimum age limit for retiring, Slovenia is going to face major employment problems in the future if nothing is done.