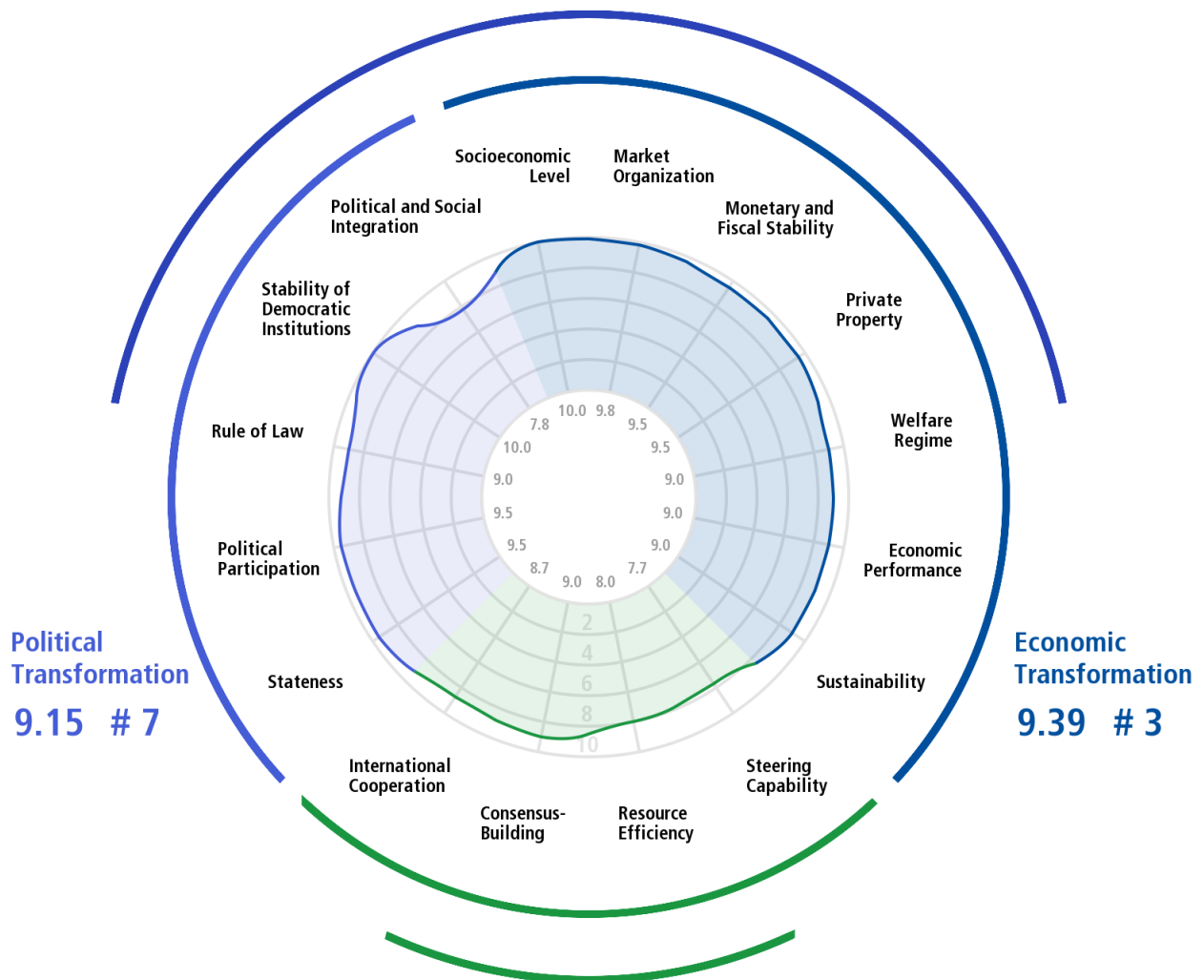


Slovenia

Status Index

9.27 # 5

on 1-10 scale out of 137



Political Transformation
9.15 # 7

Economic Transformation
9.39 # 3

Governance Index

6.72 # 11

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	2.1	HDI	0.902	GDP p.c., PPP \$	38209
Pop. growth ¹	% p.a.	0.0	HDI rank of 189	24	Gini Index	25.4
Life expectancy	years	81.2	UN Education Index	0.893	Poverty ³	% 0.0
Urban population	%	54.5	Gender inequality ²	0.069	Aid per capita \$	-

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

In Slovenia, three elections (presidential, parliamentary and local) and two referendums (on the same question) were held during the review period.

The strong economic performance of recent years continued. As a result, public sector employees demanded salary increases, which led to trade unions demanding a pay increases for the private sector employees. Several steps were taken to privatize state-owned businesses, most notably Slovenia's largest bank, Nova Ljubljanska banka (NLB). One of the most debated topics involved reform of the health care system, with questions raised regarding the handling and risk to patient lives of long-waiting times.

In the 2017 presidential election, the incumbent Borut Pahor, formally endorsed by the leader of the Social Democrats (SD), was challenged by eight candidates. For the first time in Slovenian history, a majority of candidates were women. While the formal powers of the president are limited, presidents have managed to exert considerable influence in certain areas, particularly foreign affairs, alongside their official duties, which include leading the armed forces and nominating several top officials, such as the central bank governor and members of the constitutional court. President Pahor consistently topped opinion polls and was predicted to win in the first round. Though Pahor received only 47% of the votes in the first round, he increased his vote share to 53% in the second round, winning the presidential election. Pahor's closest rival was Marjan Šarec, a former actor and mayor of a small town who was backed by his local party, the List of Marjana Šarec (LMSŠ). In the campaign, especially personal policy platforms were presented. In the second round, Pahor campaign on his political experience, while Šarec played the "new politics" card. Less than half of registered voters cast a vote in the elections (44% in the first round and 42% in the second round).

In June 2018, another round of early parliamentary elections was held (the third in a row), although regular elections were already planned for June. In March 2018, Prime Minister Miro Cerar (Party

of Modern Center, SMC) resigned. Cerar explained that this decision was based on the Supreme Court's annulment of the September 2017 referendum on the law governing the funding for a second railway track between the port of Koper and the rail hub of Divača, and the decision to order a new referendum on the same topic. The court argued that parts of the proposed act were unconstitutional and that government's behavior during the campaign for a second railway track was "unacceptable" as it highlighted only the positive aspects of the project. Additionally, the government faced a wave of strikes and protests by public sector employees, who demanded salary increases and an end to austerity measures amid positive economic developments. Cerar also highlighted the role of the split within the government in his decision, criticizing his coalition partners (the SD and the Democratic Party of Retired Persons, DeSUS) for obstructing urgent reforms, particularly within the health care system. The Slovenian Democratic Party (SDS), which advocated more neoliberal economic policies and followed the strategies of Viktor Orbán, including his anti-immigration rhetoric, received the most votes (25%) in the election. The second-highest percentage of votes (13%) was won by LMŠ, a newcomer in national politics. LMŠ promoted a mix of center-left and center-right values. Although President Pahor offered to nominate SDS's leader Janez Janša (prime minister in 2004 – 2008 and 2012 – 2013) as prime minister, Janša refused, arguing he would not command enough support. Therefore, no candidate was selected in the first round of the National Assembly's voting. Only in the second round of voting could the National Assembly decide on a candidate. Šarec was proposed as a candidate by five parties (the LMŠ, SD, SMC, DeSUS and Party of Alenka Bratušek, SAB), which formed a minority coalition – the first at the beginning of a term in the country – with external support from the Left (which received 6% of the votes in the parliamentary election). Turnout for the parliamentary election was 52%, similar to turnout in 2014 (51%).

In the local elections held in November and December 2018, non-party candidates received the greatest support, a growing trend since the first local elections in 1994. In 2018, more than half of the elected mayors and elected councilors ran as non-party candidates. This is not surprising given the high level of distrust in political parties.

During the review period, public attention was drawn to a notorious paramilitary group, Štajerska varda (the Styrian Guard). Armed with axes and firearms in photographs, and led by Andrej Šiško, a presidential candidate in the 2017 election, the group's stated aim was to establish the country of Štajerska (Styria).

History and Characteristics of Transformation

In April 1990, the first multiparty elections in half a century were held in Slovenia. The elections signaled the establishment of Slovenia as an independent country for the first time in its history and led to political and economic transformation. Subsequently, Slovenia became a member of the European Union and NATO in 2004, entered the European Monetary Union (EMU) and the Schengen Area in 2007, and became a full member of the OECD in 2010.

Before the 1990 elections, seven non-communist parties united to form the Demos coalition, which controlled the majority of the 240 seats in the three-chamber parliament after the elections. In 1991, Slovenia formally declared independence from Yugoslavia and adopted a new constitution, which introduced a parliamentary political system with a formally weak president. The parliament became formally bicameral, consisting of the National Assembly (the lower house) and the National Council (the upper house). The National Council was given relatively limited powers, with representatives promoting local and functional interests. The National Council's most important power (the power to issue suspensive vetoes) was abolished following constitutional amendments in 2013. Given the proportional representation electoral system (with a 4% electoral threshold), it is no surprise that all governments have involved coalitions of several parties. And there have been between seven and nine parties in the National Assembly.

Milan Kučan, the erstwhile head of the League of Communists of Slovenia, was elected president in the first elections and remained in that position until 2002. Another major politician of the time was Janez Drnovšek, a former member of the Presidency of Socialist Yugoslavia who served as president for a year and later became the leader of the Liberal Democracy of Slovenia (LDS), the largest political party from 1992 to 2004. Drnovšek served as prime minister for 10 years (1992 – 2002), during which time he formed ideologically heterogeneous coalitions, and as president of Slovenia from 2002 to 2007. Lojze Peterle, leader of the Christian Democratic Party (a party in the Demos coalition), served as prime minister from 1990 to 1992.

Since the 2004 elections, Slovenia's governments have alternated between the center-right and center-left. Two politicians bear mentions here: Janez Janša (the leader of the SDS since 1993 and prime minister from 2004 – 2008 and 2012 – 2013) and Borut Pahor (the leader of the Social Democrats from 1997 – 2012, prime minister from 2008 – 2011 and president of Slovenia since 2012). In addition, in recent years, Karel Erjavec, a leader of the single-issue Democratic Party of Retired Persons (DeSUS), has grown in political importance. Unlike many other single-issue parties in other countries, DeSUS competed on its own for the first time in the 1996 elections and has continually participated in the country's governments. Over time, the party's position has shifted from a supplementary role to a more decisive role in forming both center-left and center-right coalitions.

The Slovenian party system has experienced increasing electoral volatility in recent years, despite being previously described as one of the most stable systems in Central and Eastern Europe since its democratic transition. In the 2011 elections, a new pattern emerged in which not only established parties lost support to newcomers but recent newcomers lost support to even newer parties. In 2011, two new parties – Positive Slovenia (PS), led by Zoran Janković, and the Civic List (DL), led by Gregor Virant – won a combined 37% of the vote. In 2014, the newly formed

SMC won 35% of the vote, while two other newcomers received more than 10% of the vote combined. The United Left coalition received 6% and the Alliance of Alenka Bratušek received a bit more than 4%. In the 2018 elections, another newcomer, LMŠ, won 13% of the vote and now leads the minority coalition government, which is comprised of five center-left parties.

The Green-Alternative-Libertarian/Traditional-Authoritarian-Nationalist (GAL/TAN) political cleavage plays an important role in Slovenia, leading to structured inter-party competition as well as sharp divisions within society. This cleavage has roots in the Second World War (e.g., Partisans versus the Home Guard or opponents of the occupation forces versus collaborators) and can be seen also in attitudes toward the country's socialist past. Recently, socioeconomic cleavages have played a role due to gradual economic transition and a change in the previously clear demand of the population to preserve the welfare state, for which all parliamentary parties had advocated before 2004. Since the 2004 elections, the cleavage between social democratic and neoliberal economic policies became more prominent, compounded by Slovenia's 2009 financial crisis. Most Slovene parties have moved toward the economic right, at least slightly, with the parliamentary (United) Left as the most visible opponent of neoliberal economic policies.

Slovenia took its first step toward privatization in 1992. Deviating from the general pattern exhibited by Central Eastern European countries, Slovenia introduced a system of privatization that strongly supported internal buy-outs. In this system, collectively owned property was redistributed to all key players: the state, workers and managers. Later, when workers sold most of their shares, it became evident that the managers and state benefited the most from the privatization, which led to the economic empowerment of the existing elites. Between 2004 and 2008, the Janša government responded to this by announcing radical privatization, in line with the more conservative economic position of the SDS. Many managers felt that their best option was to become owners of the companies they managed, leading to a massive wave of managerial company buy-outs. However, these buy-outs were financed by loans. Thus, this second wave of privatization had harmful consequences for the Slovenian banking system, which ultimately had to be saved by taxpayers in 2013. Many privatization attempts have come under police and judicial investigation for suspicious practices, and recently, several tycoons were found guilty and sent to prison. The third wave of privatization began with the 2009 economic crisis under economic and political pressure from the European Union. In 2013, the government under Alenka Bratušek (PS) prepared a list of 15 companies to be privatized. Many other companies have since been privatized via the Bank Assets Management Company, a government-owned company tasked with restructuring systemically important banks facing serious solvency and liquidity problems due to the generous loans granted to the managers involved in the second privatization wave.

Many of these events, along with the government's inability to fight the economic crisis and the population's increasing suspicion of systemic corruption, have caused trust in political institutions and Slovenia's democratic arrangement to collapse. This contributed not only to the high level of support for new parties in parliamentary elections and non-partisan candidates in local elections but also to record-low voter turnout in the 2014 parliamentary elections (51%) and European elections (24%). After the crisis was overcome, trust in political institutions and democratic arrangements improved. Among other factors, this probably led to slightly higher turnout in the 2018 parliamentary and local elections.

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

Transformation Status

I. Political Transformation

1 | Stateness

In Slovenia, there is no competition with the state's monopoly on the use of force relating to guerrillas, mafia and territorial enclaves. However, in June 2018, a group of masked men armed with axes and firearms, called Štajerska varda (the Styrian Guard), attempted to establish Dežela Štajerska (the Country of Štajerska). The leader of the group claimed that establishment of Dežela Štajerska was not a violation of the Slovenian constitution, which includes provisions for provinces. The authorities accused the leader of Štajerska varda of calling for violent change of the constitutional order in Slovenia and detained him.

Following its independence, a small part of Slovenia's border with the Republic of Croatia remained in dispute, which occasionally led to incidents between the countries' police forces.

All major groups in Slovenian society accept and support the nation-state's legitimacy. Two autochthonous national minorities, Hungarian and Italian, are guaranteed special protections, including one reserved seat for each in the National Assembly and representation in 3 of 212 municipalities. In addition, the 2002 law on self-governance stipulates that, in municipalities with an autochthonous Roma population (20 of 212 municipalities), this population must have reserved seats on local councils.

Citizens from former Yugoslavian nations are treated as non-autochthonous minorities and, therefore, are not granted any special status or collective rights, even though the National Assembly passed the Declaration on the Situation of National Communities from the Former Yugoslavia in 2010, which formally expressed the Slovenian state's willingness to regulate the collective rights of these groups. More recently, the German minority has been exerting pressure for stronger regulation to ensure their collective rights, but so far this has not been successful.

Question
Score

Monopoly on the
use of force

10



State identity

10



Slovenia is constitutionally defined as a secular state but with constitutionally guaranteed freedom of conscience, including religious beliefs. As of January 2019, 51 churches and religious communities are formally registered in the country, all of which are granted equality under the law. For historical and cultural reasons, the majority of Slovenians identify as Roman Catholics; in the 2002 census, which was the last to include religious affiliation, 58% population declared themselves members of the Catholic Church. The latest available data from the Catholic Church itself reported that 74% of people identified as Catholic in 2016.

Due to its widespread influence, the Roman Catholic Church has an indirect role and presence in social systems such as education, health care and welfare. Still, the state does not finance religious communities, only financially supporting activities performed by religious communities that are beneficial for society in general. It was revealed during the 2009 to 2013 crisis that the Catholic Church is an important economic actor, which since 1990 has established its own financial structures. However, its actions proved to be risky and two of the church's financial management companies were responsible for nearly one-third of debt in Slovenia. During the 2017 and 2018 elections, there were several public complaints that priests indirectly or directly told voters who to vote for and public attention (and frequently criticism) was drawn to the actions of several anti-abortion civil society groups backed by the Catholic Church.

At the beginning of 2015, the Constitutional Court ruled that the different financing mechanisms for public and private primary school programs was unconstitutional. It further annulled the statutory provision whereby private schools were awarded only 85% of the funds received by public schools. The Catholic Church in this case supported equal financing of public and private schools, and backed groups making these demands. At the time of writing, this issue has still not been resolved.

The Slovenian state has a differentiated administrative structure that provides all basic public services throughout the country. Slovenia has no regions or provinces; 212 municipalities serve as local governments. Some basic administrative functions are fulfilled by 58 decentralized administration units, while municipalities are responsible for water supply and waste management centers, among other things. This appears to be an effective system, as 99% of the population has access to adequate sanitation facilities (the only exceptions are Roma settlements) and 100% of the population has access to clean water.

No interference of religious dogmas

8



1

Basic administration

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1

2 | Political Participation

Parliamentary, presidential and local elections are regularly conducted in Slovenia. Voter registration is automatic; when citizens turn 18 years old, they receive both passive and active voting rights. There are many polling stations throughout the country, and voting is routinely available in hospitals, prisons, homes for the elderly and the armed forces as well as at mobile polling stations. Citizens can vote while abroad via either a postal vote or in-person at a diplomatic consulate. Voting a few days before an election day is also permitted. The State Election Commission and its office, which serve as the electoral management body of Slovenia, perform professional, administrative and technical tasks related to national elections.

Polling procedures, vote counting, verification of results and resolution of complaints are conducted in a transparent, impartial and appropriate manner. Several municipalities have received complaints after local elections regarding the counting procedures and results, but the complaints were resolved through official procedures.

Non-parliamentary parties often voice dissatisfaction with their access to media, especially television. Although public television is constrained by laws obliging all candidates to be given the possibility to participate in debates, parliamentary parties receive more free airtime. Private television stations are free to choose which parties to invite to debates as well as how to allocate time among them.

Slovenia has a PR system with a 4% threshold and eight constituencies, each of which is divided into 11 sub-constituencies, established to ensure a degree of personalization and from each sub-constituency one member of parliament should be elected. In December 2018, the Constitutional Court determined that borders of sub-constituencies no longer ensure equal voting rights due to significant differences between sub-constituencies in terms of the number of voters, ordering that changes must be implemented within two years to ensure equal voting rights. In January 2019, the first discussions about this issue began. It seems that there are two possible solutions: changing the borders of the sub-constituencies or abolishing them and introducing a preferential voting system.

Democratically elected political representatives have the effective power to govern. Slovenia has no military, clergy or political groups with veto powers that can undermine democratic procedures. However, it is possible for 40,000 voters to demand a nationwide referendum. Prior to the changes of the constitution on referendums in 2013, 18 nationwide referendums were held, while after 2013 there have been only four.

On the other hand, the National Council can issue a suspensive veto on laws passed in the National Assembly. However, a veto can be overridden by a majority of members of parliament. In the period under review, the National Council issued eight vetoes, but only two were not overridden.

Free and fair elections

10



1

Effective power to govern

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The constitution ensures the right of Slovenian citizens to freely associate and assemble, including in groups. The government uses transparent, non-discriminatory criteria to evaluate requests for permits to associate and assemble. Formally, groups are free from unwarranted state intrusion and interference in their affairs. However, some groups, especially civil society organizations, are dependent on state funding and thus are not truly autonomous.

Over recent years, various ad hoc local initiatives have become increasingly common, with politicians, civil servants and investors organizing local interest initiatives from time to time. Local initiatives are especially active in the fields of environmental and agricultural issues (opposing the construction of a new company or new road), and with regard to migrants (opposing accommodation centers for migrants). The construction of the so-called third development axis, a highway connecting Koroška region, has been especially problematic, leading to a lot of disputes between different local initiatives and politicians.

Additionally, public reactions to, for example, the Kemis case (a fire in a waste processing factory that polluted the environment) and against the Magna Steyr investment led to verbally aggressive responses from ministers, civil servants and pro-investment groups.

The constitution guarantees freedom of expression and freedom of the press. Thus, the media operates mostly without direct political interference. However, in November 2018, the president of the biggest opposition party SDS and former Slovenian Prime Minister Janez Janša was fined and given a three-month suspended sentence with a probationary period of one year due to the revenge of the journalist and editor of Television Slovenia on Twitter.

Also, in 2017 and 2018, journalist associations have exposed that journalists' poor working conditions (e.g., low salaries, and part-time or temporary work contracts) make them more vulnerable to pressure and self-censorship. In relation to freedom of expression, questions have been raised regarding the media system, and the role of parties, politics and freedom of expression in it as well as the distinction between hate speech and freedom of expression. Between 2017 and 2019, five events related to these issues attracted attention. First, there were warnings that mayors in some municipalities extensively used newspapers established and funded by municipalities to publish propaganda prior to the 2018 local elections. Second, partly funded by businesspeople close to Hungarian Prime Minister Orbán, the SDS has consolidated its own media system, including a TV station and news portal, Nova 24TV, and a weekly magazine, Demokracija. Third, in November 2018, Prime Minister Šarec asked state-owned companies to consider pulling their advertisements from media that spread hateful content. Many observers noted that this call seemed to target the SDS's media system. Fourth, for years, United Group, an owner of Pro-plus, the biggest commercial TV station, which controls a significant portion of the Slovenian advertising market, has tried to incorporate Telemach, a telecommunications

Association /
assembly rights

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1

Freedom of
expression

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1

operator. This merger would, according to various associations, present a problem for media independence. However, by the end of 2018, it was unlikely that the merger would happen. Fifth, the long-term secretary of the Slovenian Bishops' Conference was accused of (promoting) hate speech via 24kul.si and, during the resultant trial, he was supported by the leadership of the Catholic Church. This case has exposed a question on demarcation between hate speech and freedom of the expression.

3 | Rule of Law

In the Slovenian parliamentary system, power is divided among the legislative, executive and judicial branches to constitutionally ensure a set of checks and balances. This system has worked well. Independent courts and the Constitutional Court judicially review legislation and administrative actions.

Slovenia features a nationwide system of courts, and the judiciary is generally free from unconstitutional intervention from institutions and private interests. Judges are independent, hold a permanent mandate and are elected by the National Assembly after nomination by the Judicial Council, an independent, autonomous body. However, in March 2018, Prime Minister Cerar publicly expressed doubt about the impartiality of the Supreme Court after its decision to nullify the referendum results on the construction of second railway track on the Koper to Divača Railway Line and order a second referendum on the same issue. The largest opposition party, the SDS, and its leader Janša have been fierce critics of the judicial system for years.

Some previous cases and trials against influential individuals, which did not conclude quickly or subverted expectations, led to fierce criticism of the judicial system as ineffective and raised questions regarding equality before the law. Lately, such criticism has gradually decreased, partly because of 2017 and 2018 reforms of the justice administration, which reduced the number of backlogs and long delays in trials.

Several of the highest positions in the judicial system were filled in 2017 and 2018. For the position of president of the Supreme Court, two candidates contested the second round after there was no winner in the first round. Judges on the Supreme Court supported one candidate in the second round, but – after consultations with the Judicial Council – the minister decided not to propose him. This triggered some sharp debates, but eventually a third candidate was elected. In addition, the terms of four judges of the Constitutional Court (which is comprised of nine judges in total) ended in 2017. The nomination and election of new judges by the National Assembly

Separation of powers

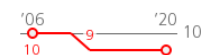
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Independent judiciary

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attracted much public and political attention, but all the candidates proposed by the president of the republic were elected without problem, as was another judge in 2018.

The National Assembly has received criticism for their lack of implementation of the rulings of the Constitutional Court. In 2017 and 2018, one of the most public cases was the court's decision on the financing of private schools. Members of parliament did not create a corresponding law ensuring that the state equally finances public and private primary schools, and as a result, in December 2018, the SDS and Slovenian National Party (SNS) proposed the impeachment of Prime Minister Šarec. At the end of January 2019, the National Assembly refused to start the impeachment process as only 29 SDS and SNS members of parliament supported it.

Generally speaking, elected officials who break the law or are corrupt are investigated or placed under police suspicion for abuse of power. In 2017, the General State Prosecutor's decision to suspend his predecessor due to the criminal investigation conducted against him drew much public attention. The Commission for the Prevention of Corruption evaluated an appointment made by the former general state prosecutor for evidence of corruption but the court found a "lapse of time" and exonerated the former general state prosecutor.

In the last several years, charges were brought against Ljubljana's mayor, Zoran Janković, but in 2017, the Constitutional Court decided to destroy evidence acquired in the case against him because of the prosecutor's significant delays in filing an indictment. Thus, Janković avoided a trial. After this event, the general state prosecutor asked the Constitutional Court to make a decision about the legislation ordering such an action and, in December 2018, the court suspended implementation of the part of the law regarding this problem.

Also, in 2017 and 2018, the Commission for the Prevention of Corruption could not improve its rather low public image and efficiency.

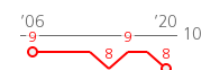
Therefore, when we speak more precisely, it is possible to see rather weak performance of different supervisory institutions, and many political, legal and especially procedural loopholes exist in Slovenia in the area of prosecution of office abuse.

Civil rights are codified by the constitution and legislation and are respected by state institutions. Certain institutions are responsible for prosecuting human rights violations, including the ombudsman, who is still respected by the public. At the end of January 2019, a new ombudsman was elected by almost all members of parliament (89 out of 90).

In 2018, the behavior of the Slovenian authorities, especially the police, on the Croatian border was condemned by Amnesty International (AI) Slovenia and other civil society organizations. According to AI Slovenia, Slovenian authorities conducted coercive returns without procedural safeguards – referred to as push-backs

Prosecution of office abuse

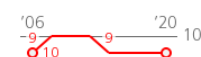
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Civil rights

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– and denied some individuals access to asylum. According to Transparency International (TI) Slovenia, official data confirms a change in the treatment of asylum-seekers; the number of returns to Croatia increased and the percentage of people who declared an intention to apply for asylum dramatically decreased. The Slovenian General Police Directorate rejected these claims several times.

4 | Stability of Democratic Institutions

From 2017 to 2019, national democratic institutions in Slovenia performed efficiently and effectively. Referendums were used in 2017 and 2018 to determine the fate of the law regarding the second railway track on the Divača to Koper Railway Line, a large infrastructure project (worth €1 billion) intended to speed up freight traffic between the city of Divača and Slovenia's state-owned Adriatic seaport at Luka Koper. All campaign organizers supported the construction of the second railway track, but the cost and anti-corruption assurances of the project were questioned based on Slovenia's negative experiences with large infrastructure projects, particularly the construction of highways, which involved corruption-prone activities.

The referendum showed that the majority of the population supported the law, but the initiator of the referendum challenged the results, arguing that it was unfair for the government to use public funds to advocate for the law without presenting the law's downsides. The Supreme Court annulled the results and ordered a second referendum to be held in 2018 on the same issue. Of those who cast a vote, 50.1% were against the law. However, to reject a motion, at least one-fifth of all voters had to vote against the motion. This condition was not met in the second referendum vote and the law remained valid.

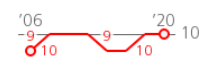
The National Council, considered the upper house of the parliament, can issue a suspensive veto on legislation passed by the National Assembly, although such vetoes can be overridden by an absolute majority of all parliamentarians. This is a regular practice. In the period 2017 to 2019, the council issued eight suspensive vetoes, but all except two were overridden, none on significant issues.

At the local level, mayors claimed that some problems in ensuring effective and efficient municipal performance in 2017 and 2018 were linked to inadequate financing from the state budget. Under Prime Minister Šarec, a former mayor and fierce critic of the former financing scheme, it was agreed in 2018 that the state's contribution to local budgets would increase.

At the end of 2018, the work of government structures could jeopardize the public sector strike, which stagnated after the resignation of the Miro Cerar government. Under the new government, led by Marjan Šarec, a wage deal with the public sector unions was reached.

Performance of democratic institutions

10



1

All relevant political and social actors in Slovenia accept the legitimacy of the country's democratic institutions.

Commitment to democratic institutions

10

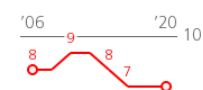


5 | Political and Social Integration

The Slovenian party system consists of several parliamentary parties. From 1992 to 2018, between seven and nine parties were represented. From 1992 to 2011, the party system was highly stable, without any major electoral engineering. Since 2011, changes have occurred. The 2011 elections resulted in a new system in which not only established parties lost electoral support to new parties but also newcomers lost support to even newer parties. The 2004 elections featured the lowest electoral volatility, but represented a critical juncture after which volatility began increasing (34.4% and 40.0% in 2008 and 2011, respectively), peaking (56.7%) in the 2014 elections. The 2018 elections once again shook the party system, but to a lower degree than in previous years, mostly because another parliamentary newcomer received “only” 13% of the votes. In Slovenia, parties enjoy the lowest trust of any political institution and have weak roots in society. In January 2019, 98 parties were registered in the country, 12 more than in January 2017.

Party system

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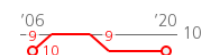


The structure of the political cleavage in Slovenia has followed a pattern similar to many other European democracies. Though the economic cleavage has increased since the 2004 elections, the libertarian-authoritarian cleavage has consistently been the most important.

In Slovenia, a broad range of interest groups operate at the national and local level. Despite differences, they are frequently able to cooperate. Slovenia is regularly described as a neo-corporate state in which trade unions and employers' organizations regularly negotiate with the government via a tripartite body called the Economic-Social Council. Trade unions, particularly those in the public sector, are very influential actors that can mobilize large public protests. Furthermore, two other kinds of organizations, one representing retired people and another representing young people, play an important role in Slovenian politics. Retired people are largely represented by two political parties (the Democratic Party of Retired People of Slovenia and the Party of Alenka Bratušek). When dealing with policies that affect young people, legislators must consult the Youth Council. However, available

Interest groups

9



resources (full-time employees, budget) are important determinants of interest groups' power, and many groups struggled financially in 2017 and 2018.

There is a national NGO umbrella network called CNVOS (Center of Non-governmental Organizations of Slovenia), which serves as the national NGO information center, the national NGO advocacy center, the national NGO training center, the national advisory center and the national project center. CNVOS has been consistent promoter of transparent and high-quality NGO performance.

According to CNVOS's official data, at the end of 2018, there were 27,789 NGOs registered in Slovenia. In recent years, the number of NGOs has been growing by around 600 per year. However, not all registered NGOs are necessarily active.

In 2013, 24% of respondents to a national survey were very dissatisfied with the practice of democracy. However, by 2016, this figure had decreased to 18%. However, in 2018, only 28% of respondents thought that democracy is the best option when problems appear, while 54% of respondents thought in problematic situations a strong leader is needed. On the other hand, after several years, the idea that the democratic system is the best way to manage the country received very high support (87% of respondents), although almost 80% of the population expressed some support for a technocracy.

According to a 2018 Slovenian Public Opinion Poll, parties are the least-trusted political institution; only 2.6% of respondents trusted political parties completely, while 58.2% said they do not trust parties at all. Fifty-four percent of respondents reported that they did not trust the National Assembly at all.

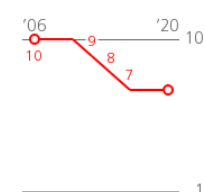
As reported by the NGO umbrella network, CNVOS, at the end of 2018, 27,789 NGOs were registered in Slovenia. The share of people employed by NGOs has slowly increased from 0.59% in 2009 to 0.82% in 2017, although 92% of NGOs have no employees. On average, each NGO employs 0.29 persons. The share of public financing in the revenue of NGOs was 35.5% in 2017. As reported by Agency of the Republic of Slovenia for Public Legal Records and Related Services, out of 32,915 different NGOs and civil society organizations, 7,693 were active in culture, entertainment and recreation, and 1,133 in social affairs and health care.

According to the 2018 Slovenian Public Opinion Poll data, 13.6% of respondents thought that people can be trusted, while 18% thought that it is necessary to be careful in this regard. The remaining respondents expressed beliefs elsewhere on this spectrum.

A sense of solidarity and trust among citizens can also be viewed in the many successful permanent projects or ad hoc actions that support and help underprivileged social groups to improve the quality of their lives, such as the "Botrstvo in Slovenia" project.

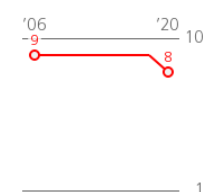
Approval of democracy

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Social capital

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II. Economic Transformation

6 | Level of Socioeconomic Development

Some improvements after the 2009 to 2013 economic and financial crisis in Slovenia were already reported in 2015, and 2017 and 2018 were very good in terms of “hard” economic data. The very good economic situation partially affected the socioeconomic situation of Slovenian citizens.

In 2017, 13.3% of the population was at risk of poverty, 0.6% lower than in 2016, while the risk of social exclusion was 17.1%, 1.3% lower than in 2016. The majority of people living below the poverty line were retired people (78,000), and a large difference was identified between men (23,000) and women (54,000). In addition, 42% of unemployed individuals live below the poverty line. Without social transfers, the rate of poverty in Slovenia would be 24%. As in the past, there were some differences in the poverty rate among different statistical regions (e.g., 18.5% in the east and 8.4% in the west) in 2017.

According to the Gini coefficient, Slovenia is among the countries with the lowest income inequality (23.8% in 2010, 25.4% in 2015 and 23.7% in 2017). The level of social exclusion is not determined significantly by religion, gender or ethnicity. Several other data sources confirm Slovenia’s relatively low socioeconomic barriers. For example, the Human Development Index (HDI) was 0.896 in 2017 (0.887 in 2014), overall loss in HDI due to inequality was 5.6% in 2017 (5.9% in 2014), and the Gender Inequality Index was 0.054 in 2017 (0.063 in 2014). In addition, 0% of the population was living on less than \$3.20 a day in 2015.

Economic indicators		2015	2016	2017	2018
GDP	\$ M	43102.0	44641.2	48455.9	54235.5
GDP growth	%	2.3	3.1	4.9	4.5
Inflation (CPI)	%	-0.5	-0.1	1.4	1.7
Unemployment	%	9.0	8.0	6.6	5.5

Question
Score

Socioeconomic
barriers

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Economic indicators		2015	2016	2017	2018
Foreign direct investment	% of GDP	4.0	3.2	2.5	2.8
Export growth	%	5.0	6.4	10.7	7.2
Import growth	%	4.7	6.6	10.3	7.7
Current account balance	\$ M	1645.5	2154.7	2987.9	3073.2
Public debt	% of GDP	82.6	78.7	74.1	70.5
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-3.1	-2.1	0.0	-
Tax revenue	% of GDP	18.5	18.6	18.4	-
Government consumption	% of GDP	18.5	18.8	18.2	17.8
Public education spending	% of GDP	4.9	4.8	-	-
Public health spending	% of GDP	6.1	6.1	-	-
R&D expenditure	% of GDP	2.2	2.0	1.9	-
Military expenditure	% of GDP	0.9	1.0	1.0	1.0

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

In general, Slovenia complies with EU regulations governing the distribution of state subsidies to ensure market-based competition. Price-setting is mainly determined by market forces and a rather influential NGO, the Association of Consumers of Slovenia, also helps to ensure this. In addition, Slovenia ensures the freedom to launch and withdraw investments, and there is no discrimination based on ownership or size. Still, in 2017 and 2018, debates and complaints were raised regarding the Austrian Magna Steyr investment; although many companies in Slovenia supported the investment and the Slovenian government's efforts to ensure it, some pointed out that other investments by Slovenian companies were not supported in the same manner by the government.

Privatization continued in 2017 and 2018. The government's financial administration continued with actions to tackle the gray economy, the scope of which has been estimated to be 5% to 30% of the GDP. More recently, a report by the European Greens (EU party) estimated its scope to be 8.5%. Prices are fully liberalized and the currency (euro) is fully convertible. Thus, Slovenia is fully integrated into the European Single Market.

According to the World Bank's 2019 Doing Business report, it is quite easy to establish a business in Slovenia. It takes eight days, three procedures and no costs, placing the country at rank 38 out of 190 in the sub-index "starting a business."

The Slovenian Competition Protection Agency, an authority with the power to enforce competition, antitrust and merger control rules, deals with monopolization and concentration, and ensures non-discrimination. It was reorganized in 2013 and now serves as an independent administrative authority. The Slovenian Competition Act is modeled after European Commission competition rules and applies to all sectors and all undertakings. In 2017 and 2018, the agency dealt with 70 concentration-related cases involving banks, telecommunications and financial funds. It has issued a decision for 60 cases and has in some cases decided not to allow concentration. On the other hand, it dealt with five antitrust-related cases, but only reached a decision in two cases (in both cases, it found a violation of antitrust laws).

In 2016, the state provided subsidies equaling €351 million, €196 million (or 36%) less than in 2015. In 2017, state subsidies represented 0.88% of GDP, the same percentage as in 2008, while in 2015 the share was 1.42%. In total, 82% of state subsidies were granted to achieve horizontal goals. Only 1.7% of state subsidies were granted to the agriculture industry. The largest proportion of subsidies was intended to protect the environment and save energy (43.6%), and the next largest was intended to promote employment (25.6%). In 2018, Slovenia was in a group of EU member states that advocated, in negotiations with the European Commission, a solution to preserve the existing amount of CAP funds.

Market
organization
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Competition policy
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Since 2004, Slovenia has been a member of the European Union and followed its trade policy. Additionally, the country has been a member of the WTO since 1995 and, in 1994, became party to the General Agreement on Tariffs and Trade (GATT). Consequently, Slovenia has a relatively liberal trade system. According to the World Bank, Slovenia's simple mean tariff rate was 2.3% in 2017. In 2016, the primary destinations of export from Slovenia were other EU member states (76.2%), followed by Serbia (3.3%) and Russia (3%). The most important import destinations were the European Union (70.5%) and China (6.3%). Manufacturers were responsible for 83.4% of exports and 73.3% of imports.

In previous years, the Slovenian banking system has been a highly debated topic, mostly because of the impending privatization of the largest bank in Slovenia, NLB. For several years prior to the crisis and state aid, privatization of banks was a hot political issue. In 2018, the strongest stances against privatization were made by the parliamentary Left.

The government committed to sell the bank in exchange for the European Commission's approval of state aid equaling €1.56 billion for the bank in late 2013, when Slovenia narrowly avoided an international bailout. Slovenia assured the European Commission that the privatization of NLB would occur in 2016, but conditions were unfavorable at the time and the government wished to extend the deadline. At the end of 2018, the first phase of its privatization was completed; 59% of the bank was included in an initial public offering, with the option of extending the offer to 65%. The majority of shares were offered to institutional investors, retail investors could buy at least 10 shares. The state kept a stake of 25% plus one share, but it committed to sell at least 50% and any outstanding shares of up to 75% minus one share by the end of the next year. Before the partial privatization of NLB, the state controlled about 40% of the banking sector, with foreign banks and investors owning most of the rest.

In 2017, the banking system of Slovenia recorded good results, especially in relation to previous years, with assets valued at \$37,948 million, loans valued at \$23,832 million, loans to non-banking sectors valued at \$21,521 million, liabilities to banks valued at \$3,250 million, liabilities to non-banking sectors valued at \$27,528 million, gross income valued at \$1,074.7 million and net profit valued at \$422.6 million. At the end of 2018, the banking system included 13 banks and three savings banks. In 2017, the percentage of non-performing loans in Slovenia was 3.2%, while in 2015 it was 10.0% and even 15.2% in 2012, although it was 4.2% in 2008. In November 2018, 6.1% of loans were issued to non-banking sectors. Year-on-year growth in household deposits was relatively high in November 2018 (6.4%). In total, sight deposits accounted for 72% of all deposits by non-banking sectors. The banking system generated a pre-tax profit of €502 million in the first 11 months of 2018, an 18% increase on the same period in 2017. The proportion of highly liquid assets and secondary liquidity remained high, together accounting for 31% of the balance sheet

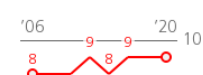
Liberalization of foreign trade

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Banking system

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total for all banks. The liquidity coverage ratio was 323%, above the regulatory requirement.

Slovenia's capital adequacy ratio was 18.1% in December 2017, down from 19.1% in December 2016. Its liquid assets ratio reached an all-time high of 19.1% in December 2016, up from the record low of 10.5% in December 2005. According to the Bank of Slovenia, banks were in good condition and had ample liquidity in 2018, but should further reduce bad loans to better prepare for a downturn in the economic cycle. Although the share of bad loans, where the lender is a state, has significantly decreased in recent years, Slovenia remains the country with the highest share of bad loans among all EU member states. In 2018, bad loans represented 5.6% of all loans. The Bank of Slovenia aims to reduce this percentage to below 4%.

8 | Monetary and fiscal stability

Slovenia is a member of the EMU, so its exchange rate policy is determined by the European Central Bank. The inflation rate was 1.4% in 2017, up from -0.5% in 2015. Although the Bank of Slovenia regularly communicates with other economic actors, its independence is ensured. However, two facts must be mentioned. First, the governor of the Bank of Slovenia is elected by the majority of members of parliament in the National Assembly after a candidate is proposed by the president of the republic and a public tender was published. In April 2018, the governor of the Bank of Slovenia resigned to take a position on the EU's Single Resolution Board. In October 2018, the president proposed one of the bank's vice-governors to the National Assembly. However, the candidate did not receive enough support. After eight months without a governor and full voting powers in eurozone decision-making bodies, in December 2018, the long-term chief of the Institute of the Macroeconomic Analysis and Development of Slovenia, Boštjan Vasle, was elected in a second round. Second, in January 2019, the European Commission issued a lawsuit against Slovenia in the European Court of Justice. The lawsuit was based on an investigation conducted by Slovenian authorities into the Bank of Slovenia in 2016 in relation to a 2013 sanction on Slovenian banks. In addition, documents and computers of the European Central Bank were taken during the investigation.

In 2016 and 2017, Cerar's government largely followed a stability-oriented fiscal policy due to several fiscal problems caused by the crisis. However, at the beginning of 2016, economic improvement and trade union pressure led to the abolition of some austerity measures targeting the public sector and its sub-systems as well as the welfare state. One of the biggest problems Slovenia has faced because of the 2008 to 2011 crisis has been public debt, as initially the government at the time did not expect a long-term crisis and opted for measures more appropriate for a short-term crisis. In 2011, the national debt was 46.6% of the GDP, and in 2015, it reached 83.1%. After that, it started to decrease; in September 2018, it was 71%.

Monetary stability

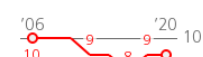
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Fiscal stability

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The budget deficit was 1.9% in 2008, 6.3% in 2009, 14.7% in 2013 (due to the state's recapitalization of banks) and 5.0% in 2014. The implementation of austerity measures lowered the deficit to 2.7% in 2015 and, in 2017, for the first time in 22 years, there was a small budget surplus of 0.03%. As a member of the eurozone, Slovenia was obliged to tackle the budget deficit problem to comply with European Council recommendations, but the country's strong economic performance after the crisis made it easier to ensure fiscal stability. Slovenia has committed to establishing a fiscal council by ratifying the International Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. Based on this treaty, a fiscal rule was integrated into the constitution in 2013, and in 2015, an implementing act was adopted. Under Cerar, the government had faced some problems pursuing macrostability in 2018 due to pressures from some public sector trade unions to end all austerity measures and increase the salaries and benefits of public officials. After its formation in September 2018, Šarec's government negotiated with public sector trade unions and agreed to meet several of the demands, despite some warnings by the Fiscal Council. In 2017, Slovenia's current account balance was \$3,132.4 million and, in 2015, it was \$1,884.2 million. The government consumption expenditure was just above 20% of GDP between 2009 and 2012, after which it slowly decreased, reaching 18.3% in 2017.

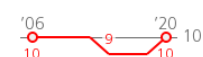
9 | Private Property

Property rights and procedures for acquiring property are adequately defined in Slovenia. Property rights are limited solely and rarely by the constitutionally defined public interest. According to World Bank data, the number of days needed to register property in Slovenia remained stable and high (391 days) for a long time until 2009. Since then, it has dropped significantly; registering property required 112 days in 2010 and only 50 days in 2016. This reflects the efficient lowering of bureaucratic obstacles by the government in 2017 to 2018 with various measures.

Private companies are seen as the primary drivers of economic production and thus are given appropriate legal safeguards. After the collapse of socialism, there were three waves of privatization of social property. The first wave occurred in the early 1990s, although the state retained significant ownership in privatized companies through state-controlled funds. The second wave, which occurred from 2004 – 2008, resulted in a fiasco when many managers, with the help of generous loans from banks, tried to privatize companies. In late 2012, the government established Slovenian State Holding (SDH) to manage state property and determine which companies' shares to sell. Because of economic and political pressures from the European Union, the government quickly prepared a list of 15 companies to be privatized in 2013, which initiated a third wave of privatization. In October 2017, SDH managed investments in 68 companies with more than 80,000 employees worth more than €10 billion.

Property rights

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Private enterprise

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Privatization, especially of the biggest bank (NLB), has been a hot political issue in Slovenia, especially in recent parliamentary elections (in previous years, the privatization of Telekom Slovenia was widely debated). In 2017 and 2018, only one parliamentary party, the United Left coalition/Left, strongly opposed privatization, while center-right parties (e.g., the SDS and NSi) and, to some extent, SMC remained strongly in favor of it. The SD and DeSUS supported privatization, but occasionally warned of the need for caution and expressed clear expectations that the health care system, educational system, social security system and some other sub-systems should not be privatized.

In 2017, 972 high-growth enterprises (in terms of employment) were part of the industry, construction and business service sectors in Slovenia, 20.4% more than in the previous year. These enterprises employed 22.7% more people than in 2016. In total, 195,756 enterprises were registered in Slovenia in 2017 (0.2% less than in the previous year). There were 185,997 micro enterprises (those with zero to nine employees) and only 346 large enterprises (those with more than 250 employees).

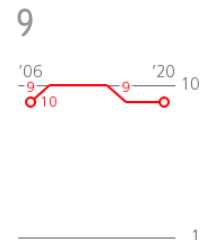
10 | Welfare Regime

In Slovenia, austerity measures were adopted to handle the poor fiscal conditions that followed the 2009 global economic crisis. These measures affected the welfare state regime and social transfers. The welfare state already faced pressure from the neoliberal reforms introduced during the very favorable economic period of 2004 to 2008 under the center-right government. From 2008 to 2011, the center-left government adopted many aspects of the policy of its predecessor. Deterioration of the economic and fiscal situation led the crisis governments to make further reforms. Still, the Slovenian Public Opinion Poll clearly indicated consistent support for the welfare state's core values and overwhelming support for the state's involvement in health care, pensions and unemployment benefits. Therefore, it is unsurprising that, in 2017 and 2018, amid the very good economic results after 2015, trade unions and the wider population demanded an end to austerity measures to protect social benefits. Several such demands were met in 2018.

Expenditure for social protection reached 24.4% of GDP in 2013 and 23.3% of GDP in 2016. The welfare regime still depends heavily on public organizations and the state budget. In 2016, the share of state expenditure for social protection was 30.6%. However, recently, NGOs had to become more active than in the past (due to the narrowing of the state-run welfare regimes) and have taken many different actions to serve as social safety nets.

At the end of 2018, the Trade Union of the Centers for Social Work, and the Ministry of Labor, Family, Social Affairs and Equal Opportunities reached an agreement on the reform of centers for social work, especially in terms of staff shortages. They agreed that in 2019 in the centers for social work, 73 additional jobs would be

Social safety nets



provided. Namely, according to the number of employees in social protection per 100,000 employees, Slovenia is reaching only 42% of the EU average.

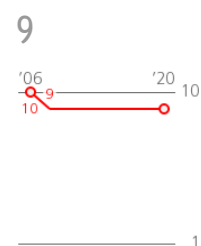
One of the most debated institutions within the welfare state over the last four years has been the health care system. Different governments have promised to introduce major reforms to the public health care system to prevent its collapse. Although Cerar's government made health care reform one of its highest priorities, hardly any reforms were introduced. Criticism was levied against some actions intended primarily to ensure its sustainability, stabilize its financing system and increase solidarity among payers.

Equality of opportunity has been achieved in Slovenia to a large extent. Women and ethnic, religious and other minorities have equal access to education, public office and employment. In 2018, the gross enrollment ratio was 99.4% for primary school, 109.8% for secondary school and 80.0% for tertiary school. Slovenia is a very homogenous country in terms of ethnicity, but still two autochthonous ethnic minorities, Hungarian and Italian, are guaranteed special protection and rights (in terms of political representation and official use of language). Usually only questions related to gender-based equal opportunity are exposed. Women represented 46.6% of the active labor force in 2017 and a similar percentage in 2016. Additionally, Slovenia boasts a low gender wage gap; in 2016, the average salary of women was 94% of that of men and the gender equality index was 68.4 points in 2015, ranking Slovenia 10th in the European Union and above the EU average of 66.2 points.

Slovenia features a comprehensive legal and institutional framework to protect against discrimination, but its implementation is somewhat ineffective. A gender quota system was introduced for all PR elections (i.e. parliamentary, local and European Parliament elections) since the mid-2000s, but it seems that only a zip system can ensure stable increases in the representation of women in elected representative bodies. No such system is present for parliamentary elections, but recent parliaments have featured a relatively high number of women, which coincided with electoral successes for parliamentary newcomers in the 2011 and 2014 elections, when women represented one-third of all members of parliament. However, in 2018, parliamentary newcomers did not record very good results and female representation, while better than the 13% prior to 2011, declined to 24%.

Despite some signs of the re-traditionalization of society, Slovenia ensures equal opportunity to sexual and religion minorities.

Equal opportunity



11 | Economic Performance

The review period was characterized by very good economic results. After the crisis, GDP growth resumed in 2014 and was 4.9% in 2017. Slovenia has one of the highest levels of GDP per capita (PPP) in the region.

Although 2015 and 2016 were marked by modest deflation, 2017 saw a small amount of inflation (1.4%). The unemployment rate started to decrease after its peak in 2013 (10.1%), reaching 5.5% in 2018. Public debt has been constantly decreasing since 2015, reaching 75% in 2017. For the first time in 22 years, Slovenia experienced a budget surplus of 0.03% in 2017.

In the first two decades of democratic transition, Slovenia was not very open to FDI. This changed in 2015 to 2016. In 2012, FDI represented only 0.1% of GDP, increasing to 4.0% in 2015. It was lower in 2016 and 2017 (3.2% and 2.2%, respectively), but in 2018 three big foreign investments attracted significant public and political attention: one from Austria (Magna Steyr) and two from Japan (Yaskawa Electric and Sumitomo Rubber Industries).

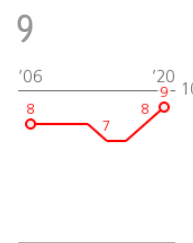
12 | Sustainability

Slovenia considers environmental concerns and has adopted appropriate legislation. In 2014, its Environment Performance Index score was 76.4, the 15th highest. However, in 2018, its score was 67.37 and it ranked 34th.

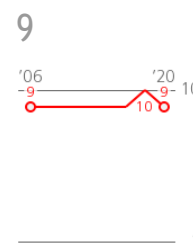
The Global Index of Sustainability Development evaluates Slovenia as a high-income country, with 98.0% of the population using safely managed water services. In total, 20.9% of the total energy consumed is renewable, and Slovenia received a score of 0.9 for its carbon dioxide emissions from fuel combustion/electricity output (MtCO₂/TWh). The annual mean concentration of particulate matter less than 2.5 microns of diameter (PM_{2.5}) in urban areas was 20.3 µg/m³. Regarding energy-related carbon dioxide emissions per capita (tCO₂/capita), Slovenia received a score of 6.2.

Several environmental concerns have not been effectively taken into account. For example, the state has neglected the environmental sanitation situation in the territory of chemical company Cinkarna Celje for many years, while the NGO Alpe Adria Green chose the City of Ljubljana as the non-ecological personality for 2018 due to the construction of a sewage system. In Alpe Adria Green's opinion, the municipality built a large sewage system in the area that is the main source of Ljubljana's drinking water, with commercial and profit interests prevailing over the public interests. Nevertheless, in 2016, Ljubljana was the Green Capital of Europe.

Output strength



Environmental policy



Eco Fund, the Slovenian Environmental Public Fund, was established in 1993 to manage assets earmarked by Slovenia for the preservation of public interests in environmental protection and to promote development in this field. In 2017 and 2018, the fund offered soft loans and guarantees, such as grants (non-repayable subsidies), to support environmental investment. It is the only specialized institution in Slovenia that provides financial support for environmental projects at lower interest rates than the prevailing commercial market rates.

Environmental awareness has increased among citizens, leading to several protests. The most notable of these concerned the Kemis case, when a fire in a waste processing factory produced an increase in pollution, and the Magna Steyr investment.

Slovenia's education policy ensures a nationwide system of education and training, which has resulted in a high level of literacy (99.7%). Public expenditure on education was 5.3% of GDP in 2016. Slovenia received scores of 0.886 in 2017 and 0.887 in 2016 in the U.N. Education Index. Public and private R&D expenditure reached 2.2% of GDP in 2017. Over the last few years, there have been many calls made for higher state investments in science and research as well as R&D. For the first time, science and research are supposed to receive more than €200 million of the state budget in 2019.

According to the Global Index of Sustainability Development, in 2018, the net primary enrollment rate in Slovenia was 97.8%, the mean period of schooling was 12.1 years, 30.7% of the population aged 25 to 64 had a tertiary education, 15.0% of students performed below level 2 in science and resilient students totaled 34.6% of the population. Slovenia achieved a PISA score of 509.3 (on a scale 0-600).

In 2017, 45% of young people (age between 25 and 34) completed tertiary education – higher than in Finland (41%) where the education system is a frequently praised. According to the 2015 PISA survey, the share of 15-year-old students who do not reach a basic level of literacy was 15% in natural science (OECD average 22.1%), 16.1% in mathematics (OECD average 22.9%) and 15.1% in reading (OECD average 20%).

Education policy /
R&D

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Governance

I. Level of Difficulty

There are few structural constraints on governance in Slovenia because of the low rate of extreme poverty, few pandemics or natural disasters, and suitable geographical location. However, in 2018, several employers warned of a lack of an educated labor force.

Structural constraints



Slovenia has had a lively civil society for decades with many different types of citizen associations. Most statistics show that Slovenia is one of the countries with the highest number of civil society organizations per capita, with more than 27,000 NGOs in 2017. Additionally, different media have reported on the sector, mostly positively. However, employment in this sphere is problematic; 92% of these organizations have no employees and, in 2017, only 0.82% of the active population worked in this sector. Public financing is the biggest share of NGOs' revenue, representing just over one-third of all NGOs' revenue in 2017. In 2017, 18% of NGOs did not have any revenue, 36% had less than €5,000 in revenue and only 10% had more than €50,000 in revenue. The revenue of Slovenian NGOs represented 2% of GDP in 2017. In 2013, the EU average was 3.8%. Trade unions are an important type of civil society organization in Slovenia and several trade union umbrella organizations have established direct access to policy-making. Together with employers' organizations, they cooperate with the government via the Economic-Social Council.

Civil society traditions



According to the European Bank for Reconstruction and Development, in 2016, 26% of Slovenian citizens were members of one or more civil society organizations, the second-highest percentage in East-Central and Southeast Europe. According to the 2018 Slovenian Public Opinion Poll, in the last year, more than 50% of the Slovenian population participated in an activity hosted by a sport, culture or leisure organization, one-third participated in voluntary or religious organizations and only 5% participated in political parties. The same source shows that 13.6% of respondents thought that people can be trusted, while a slightly larger share (18%) think it necessary to be careful in this regard, with the remaining proportion located somewhere in the middle of the two poles.

From 2017 to 2019, no violent incidents motivated by social, ethnic or religious differences occurred in Slovenia. However, the libertarian-authoritarian cleavage, which is interwoven with other types of cleavage and is continuously the most significant in Slovenia, has occasionally led to extreme political and social polarization, recalling the “division of spirits” during the all-encompassing conflict in Slovenia pre-WWII. There is no politician who can link the different extreme parties (as long-term Prime Minister Drnovšek did in the 1990s), although the president of the republic has been trying to do so. In fact, some scholars believe it is possible to describe Slovenian society as having been re-traditionalized. Due to the wave of refugees and migrants passing through the country in 2015, different views regarding the acceptance of refugees and migrants have manifested, resulting in local protests for and against hosting these individuals. Although several political parties have used strong anti-refugee/migrant rhetoric – especially the SDS (the relative winner of the 2018 parliamentary elections), the former parliamentary Slovene People’s Party and the Slovenian National Party (which, because of this rhetoric, managed to pass the parliamentary threshold again) – more tolerant politics on the elections won out.

Conflict intensity

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II. Governance Performance

14 | Steering Capability

Since the 2009 economic and fiscal crisis, governments have attempted to set and meet economic and fiscal priorities, and to respond to the short-term needs of the population. Due to external pressure from different EU and international institutions, some governments paid more attention to long-term economic and fiscal needs. The very good economic results of 2017 and 2018 allowed citizens to demand improvements in their short-term needs. Despite many calls for structural reforms during this period of strong economic performance, Cerar’s government was not able or willing to prepare and implement the demands. However, at the beginning of his term in late 2018, Prime Minister Šarec made several compromises to avoid conflict, for example, with trade unions and pensioner organizations, and announced that some reforms, including health care and tax system reforms, would be introduced. Given the structure of the coalition government, comprising five rather small center-left parties, with external support from the more radical Left, it has frequently been stated that it would be difficult to conduct reforms.

Question

Score

Prioritization

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The institutional capacity for strategic planning in Slovenia is rather weak. The Government Office and ministries have various advisory bodies that include academic experts. Slovenia has a strong tradition of departmentalism and collegial cabinets, but the Government Office lacks the capacity and sectoral expertise to

evaluate policies proposed by line ministries. The quality of regulatory impact assessments varies due to, for example, limited public consultation (despite the fact that this should have been regularly performed since 2009) and quality control mechanisms. In 2009, the state legally obliged itself to guarantee at least 30 days for public consultation regarding every proposed act. However, as the CNVOS, an NGO umbrella network, reports, various ministries have regularly violated this regulation.

After a long absence of an umbrella strategic document, in December 2017, the government finally adopted the Development Strategy of Slovenia 2030. With five strategic orientations and 12 interconnected development goals, the document proposed a new long-term development foundation for Slovenia and, by integrating the U.N. goals of sustainable development, places Slovenia among the countries that recognize the importance of global responsibility toward the environment and society.

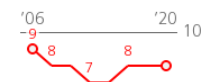
Changes to legislation on referendums in 2013 have clearly improved the government's ability to achieve set goals. In 2017, it narrowly won the referendum on a large infrastructure project. In a repeat of the referendum, the government lost, but – because of the insufficient number of voters cast in the repeat vote – the law remained valid.

During the period under review, the government set several priorities. In some cases, the government decided to reconsider and modified proposed policy measures to avoid or placate strikes or protests, mostly regarding influential trade unions or other special interest organizations. Still, the government was able to implement many of its desired policies. When it was evaluated that no further efforts would be implemented, the prime minister decided to step down a few months prior to the regular elections. For years, politicians, including some prime ministers, have talked about influential lobby groups and individuals obstructing reforms, but no politician has identified them.

The lack of implementation regarding two planned actions in 2017 and 2018 illustrates the government's (in)ability to achieve goals. First, health care reform has been a prominent consideration for many governments, including Cerar's government, which promised to re-expand the coverage of the public scheme and more clearly delineate standard and extra services. Despite widespread calls for reform from both inside and outside the governing coalition, however, the adoption of the announced national health care resolution plan was postponed several times. Some smaller changes were made, but most were negatively evaluated. Šarec's government has promised to prepare a reform and prioritize its implementation. Second, the privatization of NLB, which was promised to the European Commission in 2013, was postponed several times. It should have happened in 2016, but was postponed until late 2018, when the European Commission threatened to take measure against Slovenia's violation of its obligation.

Implementation

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The Slovenian government could not always replace failed policies with innovative ones. Although most policy areas have undergone evaluation to institutionalize complex learning in recent years, the extent to which the information collected by these evaluations is used to draft new policies remains unclear. In addition, the monitoring of governing procedures and practices is limited and ad hoc.

Evaluation of public policies in Slovenia have increased, especially following the country's accession to the European Union. However, most evaluations have been conducted in the framework of various EU policies (most notably the cohesion policy, CAP). The state has been included in monitoring procedures, international comparative analyzes and mechanisms for the exchange of good practices (e.g., ILO in the field of employment policy, and PISA and other international studies in the field of education policies), as well as in the processes of Open Method of Coordination within European integration (e.g., in the fields of employment policy, education policy and youth policy).

15 | Resource Efficiency

Although Slovenia has adopted a merit system to recruit its administrative elite, meritocratic criteria are not always applied properly. As in many other democratic countries, ministers exercise the right to specifically hire those who will work as their closest collaborators. This right is regularly used. Additionally, incoming governments repeatedly select their own office and department heads, but strong job security rules in the civil service arena require that these replaced heads be offered an equivalent job elsewhere within the administration. As a result, department heads are generally put on “rotation” rather than “replaced.”

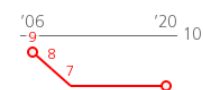
In 2017 and 2018, the government managed to achieve a balanced state budget, an aim reached by a combination of austerity measures adopted to combat the crisis and very good economic results recorded after the crisis. After public debt peaked in 2015 at 83.1% of the GDP, it started to decrease and reached 75.0% of the GDP in 2017; in September 2018, it was 71% of the GDP. Despite some deviations from the planned budget, the deviations are not big.

The Court of Auditors has consistently provided effective, independent auditing. The court's reviews regarding the transparent and efficient use of finances indicate that human resources and information in the public sector have not been implemented in full compliance with the law. Therefore, the court has regularly called on offenders to eliminate these anomalies and is becoming an increasingly more important institution.

Public sector reforms, usually aiming to extend the inclusion of new public management principles, are regularly on the agenda. However, over the last several years, attempts have also been made to introduce new public service principles to the administration, usually via public consultations when a new act is being prepared.

Policy learning

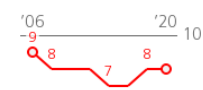
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Efficient use of assets

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One of the most important policy coordination bodies is the Economic-Social Council, where representatives of employers' organizations, trade unions and the government regularly meet to coordinate wide-ranging policies (not just wage and labor policies). Despite some minor conflicts among the partners in 2017 and 2018, an overall high level of agreement has been seen. Policy coordination among departments is ensured by some permanent and ad hoc bodies in which civil servants and government representatives can cooperate, as can interest groups and experts. Usually, several coordination bodies are established within individual ministries. However, such an institutional building does not necessarily guarantee effective policy coordination. Informal coordination procedures have played a significant role in policy coordination. The dominant role of party leaders within their parties has also meant that a considerable amount of policy coordination takes place within parties.

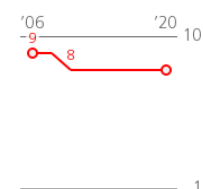
Formally, in accordance with the government's rules of procedure since 2014, materials must, prior to being submitted for debate by the government, be coordinated with the relevant ministries and offices. Drafts of general acts and acts relating to the work of the government must always be coordinated in advance with the Ministry of Finance and the Government Office for Legislation. Only when it is not possible to reach an agreement, after obtaining the opinions of the involved ministers and government offices, or when coordination in advance is impossible due to the urgent nature of the procedure, can materials that have not been harmonized be submitted for government debate. Every contacted ministry and government office must offer its opinion on the material within 14 days of having received it, otherwise it is understood that the ministry or office agrees with the content of the material by default. In an effort to improve policy coordination, in March 2016, the Government Office for Legislation introduced the so-called MOPED, a modular framework for electronic document processing.

Policy coordination is especially problematic and inadequately performed in the case of preparing Slovenian positions to the European Commission's EU legislative proposals. The role of the National Assembly is passive, while structures for non-governmental input are restricted.

The Court of Auditors is in charge of auditing state spending. The Independent Commission for the Prevention of Corruption is a separate organization that aims to combat corruption. Additionally, the Office for Money-Laundering Prevention of Slovenia is the constitutive part of the Ministry of Finance responsible for the prevention and detection of money-laundering, terrorist financing and other related duties determined by the law. As evaluated by Moneyval in mid-2017, several measures taken by the Office for Money Laundering Prevention of Slovenia were positive; nonetheless, it also provided recommendations on how the system could be strengthened. The state's Information Commissioner is responsible for guaranteeing citizens and media access to information, but at the same time must also ensure personal data protection. A measure to prevent and fight corruption obliges

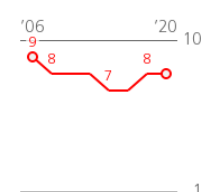
Policy coordination

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Anti-corruption policy

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professional officials (e.g., members of parliament, the prime minister, members of the National Council, national president, judges, prosecutors, state secretaries and mayors), high-ranking civil servants and people responsible for public procurements to prepare asset declaration reports (when they were elected to the position, when their terms terminate and the in-between of the term) and deliver them to the Commission for the Prevention of Corruption for monitoring. One prominent NGO, Transparency International (TI) Slovenia, has been fighting corruption as well. In 2017 and 2018, it continued with the implementation of several publicly visible projects to fight corruption and to ensure greater transparency in many areas, both in the public and private sectors. It pointed out several corruption risks in relation to a big infrastructure project, the construction of a second railway track on the Koper to Divača Railway Line, a topic on which two referendums were held.

However, in 2017 and 2018, Slovenia faced a problem of systemic corruption. The Commission for the Prevention of Corruption has not managed to improve its lowered public image and effectiveness and has failed to recover the popularity and integrity it once had. Despite efforts to ensure integrity and combat corruption and misdoings, two cases gained a lot of public attention. First, a parliamentary investigation commission concluded its investigation into the €1.4 billion investment in a new generator at the Šoštanj thermal power station and found four ministers in the governments of prime ministers Janša and Pahor, including both prime ministers, politically responsible for avoiding public procurement procedures required by law. Second, another parliamentary investigation commission into money-laundering in the Slovenian banks NLB and NKBM in 2008 and 2011 (at the time both were state-owned), established that NLB was used by Iranian citizens to finance a network of individuals involved in illegal activities, while NKBM was used by the Italian mafia. In the case of NLB, it became clear that Prime Minister Pahor in the 2008 to 2011 period did not read reports of the Slovenian Intelligence and Security Agency detailing the alleged laundering of \$1 billion by an Iranian via NLB. The Bank of Slovenia allegedly also failed to adequately fulfill its role during this period.

Party finances have been regulated by law since the early 1990s. In 2013, the law was changed to combat corruption; all corporate donations were banned, and the Court of Auditors' role as a controlling body was strengthened. The funding of SDS before the 2018 elections attracted a lot of attention. At the end of 2017, the party obtained a €450,000 loan with a 2% fixed annual interest rate, which had to be repaid by late 2019, from a businessperson based in the Republic of Srpska in Bosnia and Herzegovina. The tax rates were favorable in this region, while the businessperson had previously been under investigation in for other cases. Slovenian legislation limits the amount of loans that political parties can receive from people in a year to 10 times the average gross monthly wage. The party returned the loan, but – despite returning it – the party could not avoid a penalty. Based on these developments, at the end of 2018, a parliamentary investigation commission on party funding from abroad has been established.

16 | Consensus-Building

Despite significant differences among major actors concerning many policies, all the actors agree that democracy is a strategic long-term aim.

Among major actors, many differences in terms of economic policies exist, most notable are between advocates of neo-liberal and welfare state policies. Nevertheless, all actors agree that a market economy is a strategic long-term aim. However, in August 2018, several well-known entrepreneurs responded to tax policy changes announced in the new coalition agreement by saying they would, if the announced reforms were introduced, immediately spend their entire accumulated profit on dividends and invest in more predictable business environments, as a self-preserving measure. Such a forecast challenged the Left, and some of the Left's responses gave rise to a short but very intensive and sharp debate on taxes in Slovenia. Out of this debate, a crucial question involving the market economy was exposed. In a public opinion poll conducted in 2018, as many as 42% of the respondents expressed negative feelings in relation to the word "capitalism."

There are no (significant) anti-democratic political actors in Slovenia, so there is no need to exclude or co-opt them. Given the close relations between the largest party (the SDS) and its leader Janša, and Hungarian Prime Minister Orbán and his party, some have started to speculate if illiberal ideas will develop in Slovenia as well, and offered warnings regarding this possibility.

Although Slovenia has no ethnic or inter-religious cleavage, a libertarian-authoritarian cleavage is present and important, with the Catholic Church and the SDS important actors on the authoritarian side. It is also possible to observe an urban-rural cleavage. Furthermore, an economic cleavage has been gaining importance since 2004, after the SDS adopted a definitively conservative position, and especially since the development of the fiscal and economic crisis in 2009. Even though conflicts are sharp, they are not so sharp as to cause widespread societal fragmentation. Alongside several other political leaders, the president of the state has been trying to depolarize cleavage-based conflict. The president has attempted to bridge different party camps, organized cleavage-related discussions and avoided taking sides in some cases. The president has explicitly stated that it is necessary to talk about the future and nourish efforts that keep society together. However, his efforts have not brought huge success.

Consensus on goals
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Anti-democratic actors

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Cleavage / conflict management

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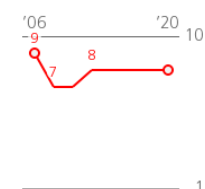
Interest and other civil society groups play important roles in the formulation and implementation of various policies. Some interest groups are recognized as having vital importance to the state (e.g., representatives of employers, trade unions, farmers, crafts and trades, independent professions and non-commercial fields). These segments of society hold a special status and their cooperation in policy-making is institutionalized in the National Council as the upper house of the national parliament. Furthermore, interest groups of employers and trade unions have a special role in Slovenian society, a fact made evident by their institutionalized cooperation with the government in the social partnership system, the Economic-Social Council. From 1994 to 2009, a series of social pacts were made, but during the economic crisis, no social pact was concluded. Only in January 2015 did the social partners agree on a new social pact, which was also valid in 2016. The Economic-Social Council nevertheless worked regularly and many decisions regarding various policies were negotiated between the partners in 2017 and 2018.

The 2009 Resolution on Normative Activity required that ministries prepare draft legislation in a transparent manner and grant interested or affected public organizations at least a month to participate in the policy-making process. However, this resolution was not given the status of an obligatory act, and the principle of allowing civil society participation in policy-making has rarely been respected in practice. As highlighted by the Center for Information, Service, Cooperation and Development of NGOs, since 2010, this provision has been violated in the majority of cases. Both short-lived crisis governments of Janša (2012 – 2013) and Bratušek (2013 – 2014) at least partially justified this situation by citing the economic situation, which they argued demanded fast decisions. Cerar's government (2014 – 2018) violated the principles of the resolution in nearly 70% of cases in its first 100 days in power; later, this proportion dropped to approximately 60%. The current government led by Prime Minister Šarec has already recorded a similar rate of violation. However, there were many differences among the related ministries. Under Šarec's government, which has been in power since September 2018, the lowest percentage of violations have so far been recorded by the Ministry of Foreign Affairs and Ministry of Culture. However, the Ministry of Defense, and Ministry of Work, Family, Social Affairs and Equal Opportunities have violated the resolution with the highest frequency.

Civil society organizations include a wide range of actors, active and influential in different policy sectors (economy, health care, labor and environment) as well as professional interest organizations (journalists, doctors, firemen, scientists and drivers).

Civil society participation

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For years, Slovenia's political leadership has been seeking reconciliation on historical events that occurred during and after World War II. Some important symbolic steps were already made in this regard in 2016 through a ceremony in memory of the Huda Jama, a site where victims of a mass post-war execution were found. In the center of Ljubljana, the Monument to the Victims of All Wars was established in 2017, but has since been vandalized multiple times.

In a public opinion poll conducted in 2018, 37% of the respondents expressed negative feelings in relation to the term "Slovenian home guard" (i.e., the anti-Communist forces which collaborated with the occupying forces), while in the case of Slovenian partisans, this proportion was 13%.

17 | International Cooperation

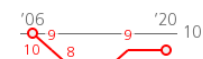
Slovenia is a member of different international organizations as well as the European Union, and as such, it can seek international assistance – typically in the form of documents, suggestions, analyses and opinions – in order to implement its long-term development strategy or prepare some of its domestic reforms. In particular, it tries to use different kinds of support through the European Union and the OECD. From 2014 to 2020, the European Union agreed to provide approximately €3 billion to Slovenia through its Structural and Investment Funds, with the annual assistance amounting to 1.4% of GDP. The creation of a new Ministry for Development, Strategic Projects and Cohesion has enabled Slovenia to use more EU assistance than in previous years.

In December 2017, the government adopted the Strategy of Development of Slovenia 2030, which was updated in 2018. The first Voluntary National Review of the Implementation of the 2030 Strategy showed that Slovenia was performing well in aspects of equality, education, health care, the environment and sustainable tourism. However, some gaps still need to be overcome if Slovenia is to achieve all of the aims of the strategy by 2030. In 2016, Slovenia's Vision 2050 was adopted.

In recent years, Slovenia has been criticized for the absence of any clear goals for its functioning within the European Union. For this reason, the state is frequently described as very inactive in EU decision-making processes. This has been confirmed in several comparative studies by international think tanks. First, according to the study conducted at the end of 2018 by the think tank European Council on Foreign Relations, Slovenia is among the least active EU member states with regard to the general influence of the country on European Union policy-making, sharing 25th place with Latvia, Malta and Croatia. Second, according to a ranking of members of the European Parliament, Slovenian members in the European Parliament are – according to different quantitative indicators – among the least active.

Reconciliation

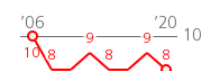
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Effective use of support

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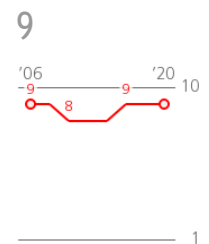
Slovenia is generally recognized by the international community as a reliable partner that is willing to participate in different forms of international collective action. Examples of this include Slovenia's assistance in the provision of financial aid to Greece and in NATO's reinforced presence in Latvia. The Slovenian army participated in 11 international operations in 2018 (including in Western Balkan and African countries, and Syria, Afghanistan and Iraq). Slovenia has ratified many international documents, including conventions on human rights, international courts and agreements on the fight against climate change (i.e., the Paris Agreement, documents adopted on the Climate Change Conference in Katowice in 2018). In 2018, Slovenia also ratified the Marrakesh Declaration on Migration, a choice that was met with strong criticism from the parliamentary center-right opposition, the SDS. The SDS, the largest of opposition party, even demanded a consultative referendum on the declaration. Slovenia's government has also committed itself to comply with the decision of the arbitral tribunal on solving the Slovenian-Croatian border dispute. The crisis was especially hard for Slovenia in 2013. As a result, Slovenia's credibility was threatened because of how it handled the fiscal crisis, although that has no longer been the case after 2015.

The political leadership actively, and somewhat successfully, builds and expands cooperative, neighborly and international relationships. It also tries to promote regional integration. Slovenia's cooperation with the Visegrád Group (Slovakia, Czech Republic, Hungary and Poland) has ups and downs, although more recently it seems there has been stagnation. Slovenia has also tried to maintain good relations and cooperation, especially with the Western Balkans region (in particular former Yugoslav republics), most recently in the framework Brdo-Brioni Process. The dispute continues between Slovenia and Croatia about the delineation of the border between the two countries. During Yugoslav times, the border had not been demarcated. In 2010, the two countries agreed to solve border issues through international arbitration, but in 2015, Croatia withdrew from the arbitration agreement because the Slovenian member of the arbitration tribunal and Slovenia's advocate in the procedure had been in contact by phone. This was revealed through the illegal wiretapping of the two persons' conversations by the Croatian Intelligence Service. The International Arbitration Tribunal decided to continue the process of arbitration and, in June of 2017, issued its decision on the arbitration concerning the territorial and maritime dispute between Croatia and Slovenia. Since Croatia refused to implement it, Slovenia decided to file a lawsuit against Croatia through the European Court of Justice in 2018.

Credibility



Regional cooperation



Strategic Outlook

Slovenia's economic and fiscal systems finally stabilized by the end of 2018, despite public debt levels remaining quite high (about 70% of GDP). Repeated calls have been made to take advantage of the strong economic performance over recent years to prepare and implement various reforms. These reforms would help ensure sustainability and development in the coming years, as a deterioration in the economic situation should be anticipated. Deterioration of this nature is largely due to "natural cycles" in a market capitalist system, but can also occur because of multiple shocks in international markets. On the other hand, a high quality of life, income equality and a fight against poverty are also very important for Slovenes. The welfare state and the provision of public services, including health care and education, are another key area of interest. As such, the coming years will be crucial in deciding what kind of development model Slovenia will eventually pursue: a neoliberal or welfare state-oriented model.

Demography is a major challenge, particularly population aging. This is going to influence the economic, pension, health care and welfare systems. While the necessity for structural reform was acknowledged by several governments in the past, no government has yet carried out such reform. Reform of the current health care system is an obvious priority, with a new pension reform a close second. While health care reform has been announced by several governments, there has been very little progress. A "soft" pension reform was introduced in 2013, but another one will be needed soon.

Furthermore, it will be necessary to ensure a higher balance between responsible and responsive policies. Very low levels of trust in political institutions have only recently begun to improve, and the increasing success of populist politicians and parties in neighboring countries could have harmful consequences for Slovenia's weakly consolidated democracy in which the libertarian-authoritarian cleavage has traditionally been very visible. As demonstrated at the beginning of 2016, issues like the refugee/migrant crisis can easily exacerbate this separation in Slovenia, leading to extreme polarization. Other priorities for Slovenia include a more effective fight against corruption and re-establishing the rule of law, not only because of economic benefits, but also for increasing public trust in political institutions, which will be necessary for the system to survive.