

BTI 2012 | Slovakia Country Report

Status Index	1-10	8.88	# 8 of 128	
Political Transformation	1-10	9.00	# 10 of 128	➔
Economic Transformation	1-10	8.75	# 7 of 128	➔
Management Index	1-10	6.80	# 12 of 128	

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

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	5.4	HDI	0.834	GDP p.c.	\$	23423
Pop. growth ¹	% p.a.	0.3	HDI rank of 187	35	Gini Index		-
Life expectancy	years	75	UN Education Index	0.875	Poverty ³	%	<2
Urban population	%	56.8	Gender inequality ²	0.194	Aid per capita	\$	-

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

Executive Summary

Slovakia is a successfully consolidated democratic state with a developed market economy. Between 2006 and the end of 2008, the country experienced high rates of economic growth thanks to the success of earlier structural reforms. The global recession affected Slovakia due to its small open economy, which is highly specialized in the automotive and electro-technology industry, and depends substantially on exports. The crises worsened living conditions in the country's comparatively less developed regions (eastern, northern and southern Slovakia), which suffer from long-term unemployment and are often inhabited by the Roma minority. None of the previous Slovak governments had been able to address these long-term structural challenges successfully. Likewise, economic and social measures passed by Robert Fico's government during the second half of its term failed to compensate for the loss of jobs and the return of labor migrants from EU countries. The weak transport infrastructure in the peripheral regions hinders the interest of potential investors. The expansion of highways has become a much politicized issue, as it has apparently been linked to massive corruption.

The period under consideration here includes the second half of Robert Fico's term as prime minister, and the first months of the new government under Iveta Radičová. Despite the increased institutionalization of civil society actors and the mobilization of watchdogs and media, the quality of democracy deteriorated during the Fico government. Media freedom and the independence of judiciary worsened. Many scandals related to office abuse demonstrated that corruption and party cronyism flourished. Moreover, the Fico government limited access to government information and weakened the participation of NGOs in environmental decision-making. It also polarized society and increased ethnic tensions. Discrimination against the Roma population further increased, and programs designed to improve access to education have failed. The 2009 State Language Act and the 2010 Patriotism Act infringed on the rights of the Hungarian minority. The former mandates the preferential use of the Slovak language over other languages spoken on the Slovak territory during official occasions and the course of general

public contact. Noncompliance with this law was initially subject to fine. This law not only provoked protest from Slovakia's ethnic Hungarians, NGOs, and other domestic groups, but also was criticized externally. The Venice Commission found that certain provisions of the act were incompatible with international standards. The Organization for European Economic Cooperation (OECC) likewise made some recommendations. In the end, the Slovak government suspended implementation of the measure's sanctions. The new Radičová government subsequently changed the law, significantly relaxing the rules and restrictions.

The latter act, which was drafted by the rightist nationalist Slovak National Party (SNS), dictates the playing of the Slovak national anthem at the beginning of each week in schools; offices; all local, regional and national parliaments; sports events; and other such venues.

The judiciary has become extremely politicized. The long-term and most serious weaknesses relate to the courts' overload, growing abuse of disciplinary proceedings against judges and alleged corruption; the judiciary has thus become the least credible institution. The current situation of the judiciary is dramatically politicized and lacks transparency. Any move by the new justice minister against the concentration of power in the hands of Supreme Court President Štefan Harabín will face immediate political and aggressive reactions. The politicization of the judiciary is thus not likely to be eliminated by the new government in the short term.

Popular dissatisfaction, primarily with corruption and party cronyism, were the main contributors to the results of the 2010 elections, which once again fully altered the government's party composition. This indicates the weak consolidation of the Slovak party system. Former Prime Minister Fico's Direction – Social Democracy (Smer-SD) party, in line with expectations, emerged as by far the strongest party (gaining 34.78% of the vote, and 62 seats); however he was not able to form a majority government, as his former coalition partners suffered a substantial loss of support. Mečiar's People's Party – Movement for a Democratic Slovakia (LS-HZDS) did not pass the 5% threshold, and the Slovak National Party (SNS) barely made it into parliament, gaining only 5.07% of the vote and 9 seats. The elections thus opened the way for a center-right coalition consisting of the Slovak Democratic and Christian Union – Democratic Party (SDKU-DS), the Christian Democratic Movement (KDH) and two new parties, the liberal Freedom and Justice Party (SAS) and a new Hungarian minority party (Most-Híd).

The new government under Prime Minister Iveta Radičová, which commands only 79 of 150 seats in parliament, has not proclaimed any radical reforms. However, it promised to lower the public finance deficit, promote a healthier business environment and encourage the development of a more active civil society. The government also wants to pass measures against corruption and cronyism, increase employment, and improve the health, judicial and education systems. The first steps of the new government aimed at fiscal consolidation, and it passed measures including expenditure cuts and revenue increases – notably a temporary rise in the value-added tax (VAT) rate from 19% to 20%, higher excise taxes, and the phase-out of some tax exemptions. It also amended the controversial provisions of the Press Code, and limited the right

to reply to internationally standard norms, meaning that politicians can exercise this right only as private persons.

The Fico government clearly favored state ownership over the private sector. During its term it kept its election promises, and did not engage in privatization. On the contrary, the amended Highway Act included provisions on nonstandard land expropriation, and the restrictions on private health insurance funds showed some disdain for private property rights. In January 2011, the Constitutional Court ruled that both provisions were unconstitutional. The Fico government used to issue rhetorical threats against foreign owners of energy companies, and in practice it controlled energy prices by limiting the powers of energy company boards and increasing the powers of the Regulatory Office for Network Industries. According to some analysts, the government in fact compensated these companies by selling emissions quota for very low costs. The new government, led by Iveta Radičová, has announced privatization plans (euphemistically called a “search for strategic partners”) aimed at enhancing the effectiveness of state companies. This is likely to fuel further political controversies between the coalition and opposition.

Regarding foreign policy, the Fico government continued a reliable pro-European course. However, it also undertook a rapprochement toward Russia and other dubious steps. The new government, with former Prime Minister Mikuláš Dzurinda as foreign minister, aims at strengthening the transatlantic alliance and the Visegrad Four cooperation. The extremely tense Slovak-Hungarian relationship has relaxed somewhat under Radičová.

History and Characteristics of Transformation

After the dissolution of the Czech and Slovak Federal Republic (CSFR, or Czechoslovakia) in 1993, the independent Slovak Republic abandoned the path of democratic consolidation. From 1992 to 1998, with a brief pause in 1994, the country’s prime minister was Vladimír Mečiar, whose semi-autocratic rule excluded Slovakia from the integration process. In December 1997, Slovakia was excluded from the first negotiation round with the European Union. In 1999, unlike Hungary, Poland and the Czech Republic, Slovakia was not accepted into NATO. The government was embroiled in a sharp conflict with opposition parties and the president. Some constitutional principles and decisions by the Constitutional Court were disregarded. Society was extremely polarized between advocates and opponents of democracy.

During the 1998 parliamentary election, opposition political parties and NGOs mobilized large numbers of democratically inclined citizens. Previously highly fragmented opposition groups joined forces and created a broad-based anti-Mečiar alliance to prevent his authoritarian regime from gaining a solid foothold in Slovakia. The resulting victory for democratic forces underscored the Slovaks’ devotion to democracy. In the 1998 – 2002 election term, Slovakia again embarked on the path toward integration, democracy and a market economy. The first government, led by Mikuláš Dzurinda, also launched foreign policy reforms focusing on

membership in NATO, the European Union and the OECD as well as on gaining international credibility. After the 2002 elections, the second Dzurinda government introduced major structural reforms closely linked to ideas derived from the Washington Consensus, such as introducing a flat-tax system, reforming the pension and health-care systems, creating incentives for foreign investors, and welfare state retrenchment. This neoliberal reform package was in many points introduced without broad social support. Nevertheless, the institutional structure of Slovakia made it rather easy to reform, and most social actors were still too weak to play an effective role as veto players. Due to these reforms and a massive inflow of foreign investments, Slovakia experienced unprecedented economic growth from 2006 on; however, popular dissatisfaction with health care, social policy and labor code reforms fully altered the party composition of the government in the 2006 elections.

The new ideologically heterogeneous coalition cabinet composed of the left (Smer-Social Democracy), and nationally oriented parties (the Slovak National Party and the People's Party-Movement for Democratic Slovakia) raised many doubts about the course of Slovakia's development. Though the coalition parties' official ideologies differed, all three parties appealed to social strata that were socially and culturally similar, and used similarly populist styles of communication. The lead party in the coalition, Robert Fico's Smer-SD, aimed to increase the role of the state in the economy. However, the Fico government did preserve the previous government's main economic priority of meeting the economic criteria for adoption of the euro on schedule on January 1, 2009. Given this goal, the government pursued a sound fiscal and monetary policy during the first half of its term (2006 – 2008). The Fico government increased the role of the state in the economy only through minor changes; for example, in health care it imposed a ban on profit distribution for insurance funds.

From the beginning, the Fico government showed less respect for media freedom, judicial independence and the law in general than did its predecessor, and the commitment to fight discrimination and corruption further weakened. The government also had a different approach to decision-making and civil society. It clearly favored big social organizations representing the interests of industries (especially auto makers), employers and employees; territorial self-government organizations; and professional associations. The government tried to curtail the donation mechanism (tax assignation) for NGOs, mobilizing a wave of protest that forced abandonment of the plan. Likewise, the government proved hostile toward the media and journalists. It passed a controversial press law in 2008 that provoked harsh criticism at home and also abroad.

Tensions between Slovakia and Hungary also increased under the Fico government, ultimately becoming problematic. The extremist nationalist coalition partner SNS was the main source of this increase in bilateral problems, as well as for the anti-Hungarian approach crystallized in the State Language Act and the Patriotism Act. The SNS fueled ethnic tensions and negatively shaped the public discourse without being consistently criticized or corrected by coalition partners Smer-SD and LS-HZDS.

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

Transformation Status

I. Political Transformation

1 | Stateness

The Slovak Republic has an unchallenged monopoly on the use of force throughout the country.

All citizens have the same civic rights, and the majority of citizens acknowledge the legitimacy of the state. The Fico government, which was in power through most of the period examined here (2009 and the first half of 2010), implemented various measures aimed at strengthening an ethnic Slovak interpretation of nationhood, thus undermining a more inclusive concept of the nation-state. These measures included an amendment to the State Language Act that imposed fines on citizens who used minority languages in public or in official situations outside minority settlement areas.

Regarding the Hungarian minority, there were fears that the Hungarian law on dual citizenship, passed by the Hungarian government shortly before Slovakia's parliamentary election, might increase irredentist tendencies among the Hungarian minority. The amended law (valid since 1 January 2011) permits ethnic Hungarians to acquire Hungarian citizenship in addition to their Slovak citizenship. The Fico government responded by amending the Citizenship Act so as to allow citizens who voluntarily (apart from cases of birth or marriage) acquire the citizenship of another state to be stripped of their Slovak citizenship. However, ethnic Hungarians in Slovakia have thus far showed little interest in acquiring Hungarian citizenship, something that surprised even leaders of the nationalist SNS party.

The Radičová government prepared an amendment that would remove the provisions on automatic deprivation of Slovak citizenship. However, as of the time of writing, frictions in the coalition had prevented the law from being amended.

Question

Score

Monopoly on the
use of force

10

State identity

9

Religious dogmas have no influence on the legal order or political institutions. The Slovak republic is based on a constitutional separation of church and state. However, as a legacy left from the communist regime, the church has not been de facto fully separated from the state, as it receives funding from the state budget. The state fully finances salaries of priests and subsidizes central church offices, the maintenance of buildings and church schools.

No interference of
religious dogmas
10

The Slovak population is overwhelmingly nominally Catholic (69%), and issues related to religion play an important role in everyday politics.

Relations between the state and the Catholic Church are regulated by a treaty with the Vatican signed in 2000, which obliges the country to codify certain treaty principles, such as a doctor's right to refuse to perform abortions, in national law. A dispute over the treaties led the Christian Democratic Movement (KDH) to withdraw from the center-right government in 2006.

The Fico government did not address this issue during its term. Its relations with the Catholic Church were grounded in quiet tolerance and tacit agreement, a typical approach during the last years of the communist regime.

For the new government, the outstanding additional agreements concerning conscientious objection and church financing are potentially sensitive, as the coalition includes KDH and the Freedom and Solidarity party (SaS), which defines itself as liberal. The government manifesto did not address this issue, mentioning only a public discussion over the issue of financing churches.

The state's administrative structure functions throughout the entire territory, and the state extracts and allocates state resources on a broad basis. Administrative tasks are carried out in part by local state administrative institutions, and in part by self-governing bodies on the regional and local level. They have strictly separated competencies, which also determine principles of coordination on specific matters such as territorial planning and emergency situations.

Basic
administration
10

2 | Political Participation

Elections are free and fair without any significant restrictions. Since 2004, political parties have had to pay a deposit of €16,596 in order to register for national parliamentary elections. The deposit is returned only to parties that receive at least 2% of the vote. There were three elections in 2009: presidential, European Parliament and regional. In 2010, parliamentary and local elections took place. The regional and local elections were again marred by reports of vote-buying, although the situation has slightly improved thanks to more efficient measures used by the Interior Ministry (frequent and visible police patrols).

Free and fair
elections
10

The new government has launched the preparation of a new Election Code (declared in the government manifesto) aimed at unifying Slovakia's various election laws. This is slated to restrict the pre-election campaigning moratorium to the day of the election itself, abolish financial limits for political parties' campaigns, impose stricter auditing of campaign expenses, establish a permanent central election committee and make vote-buying a crime. Online voting via the Internet, promised by all coalition parties in the 2010 elections, will be introduced by a separate law.

The democratically elected parliament, government and other elected bodies have the effective power to govern, and are not constrained by any nondemocratic veto powers.

Effective power to govern
10

The freedom of association and assembly is unrestricted within the basic democratic order. For example, there were over 35,000 registered NGOs by the end of 2010.

Association / assembly rights
10

The law on political parties and movements regulates the formation and registration of political entities. By the end of 2009, there were 47 active political parties and movements that submitted their financial reports to the parliament.

Protest movements have been active, but usually without great success. The only recent exception was the massive protest at the beginning of January 2010, organized by truckers in connection with Slovakia's new electronic toll collection system. The government acceded to most of their demands, cutting the excise tax on diesel fuel and adjusting the e-toll collection system.

The freedoms of speech and the press are guaranteed under Slovak law, and there is a strong independent media. Investigative journalists have uncovered important cases of criminal wrongdoing and corruption, such as a bulletin board tender, sale of emission quotas to unknown companies and murky political party financing.

Freedom of expression
8

Particularly during the second half of Fico's term, relations between ruling coalition politicians and the media deteriorated significantly due to the adoption of the controversial Press Act, in effect since June 2008. According the organization Reporters Without Borders, the act introduced the "dangerous concept of an automatic right of response in the media." The concept is problematic because specific implementation regulations are missing, and it can be misused by politicians. Leaders of the Fico government often verbally attacked journalists, and excessive penalties were imposed by the courts on the media several times due to their complaints.

Slovak journalists point out that high penalties may result in self-censorship. The opposition submitted the Press Act to the Constitutional Court, which as of the time of writing had not yet decided the issue.

Almost immediately after the new government took power, it prepared an amendment eliminating the most controversial provisions and limiting the right of reply to standard international norms – that is, politicians can exercise this right as private persons when media reports contain allegations that damage their reputation, dignity or privacy.

3 | Rule of Law

The system of checks and balances has been fairly effective within the framework of the parliamentary system. In the course of Slovakia's complicated transition, the separation of powers was streamlined through several constitutional revisions in order to avoid possible institutional conflicts. However, relations between the executive and the judiciary dramatically worsened under the Fico government due to the administration's attempts to control the judiciary and limit its independence (see "independent judiciary"). The new Radičová government has sought to undo some of the steps taken by the predecessor government, and advocated judicial reform as part of its electoral program.

Separation of powers

9

The judiciary is constitutionally independent from intervention by other institutions and private interests. However, the judiciary became extremely politicized during the period under review. The deteriorating state of the judiciary in Slovakia evoked concern among professionals, the broader public and foreign diplomats residing in the country. The long-term and most serious weaknesses relate to the courts' overload, the growing abuse of disciplinary proceedings against judges, and alleged corruption. According to a Eurobarometer survey (Autumn 2009), only 29% of Slovaks trust the courts, a score that showed the judiciary to be the country's least credible institution.

Independent judiciary

8

Much of the controversy was linked to former Justice Minister Stefan Harabín, who was nominated by the former Prime Minister Mečiar's People's Party – Movement for a Democratic Slovakia (LS-HZDS) after the 2006 elections. During his term, Harabín evidently drew up a "grand plan" to concentrate important judicial powers in offices (namely the presidencies of the Supreme Court and Judicial Council) that Harabín himself later planned to occupy.

First, Harabín and the LS-HZDS consistently aimed at abolishing the Special Court and the Special Attorney's Office, which were established to tackle high-level state corruption and organized crime. As early as 2006, he had already prepared the legislation to dissolve these bodies. This draft was stopped by Prime Minister Fico. However, LS-HZDS parliamentarians later challenged the constitutionality of these institutions at the Constitutional Court, which in May 2009 found the Special Court to violate the constitutional separation of the executive and judiciary, and to undermine the guarantees of judges' independence. As a response, Prime Minister

Fico created a new Specialized Criminal Court, a motion that was also supported by the opposition. The new court's competencies are broader: It will also hear cases of premeditated murder, subversion involving public procurement and public auctions, counterfeiting, unauthorized production of money or shares, and abuses of authority by public officials. Unfortunately, the LS-HZDS campaign against the Special Court led to numerous wage discrimination lawsuits pursued by hundreds of Slovak judges (700 out of a total of 1,200), who argued that they were discriminated against given the higher salaries paid to Special Court judges. The judges used the Constitutional Court's ruling on the Special Court's unconstitutionality to claim that the positions of judges in different courts were unequal. According to the daily *Sme* newspaper, wage discrimination lawsuits were promoted by emails sent to judges by a member of the Judicial Council.

Second, Harabín was involved in many scandals, including the leak of wiretaps which indicated he was friendly with a suspected drug-lord, the propagation of anti-Semitic remarks, and incidents when he made intimidating threats toward the opposition. Despite these incidents, and over the protests of several political ethics watchdogs, Harabín was elected as president of the Supreme Court (in June 2009) by the Judicial Council (the supreme self-governing body of Slovakia's judiciary), apparently thanks to the installation of his own supporters through his influence in parliament and the government, and his close ties with the president (all three of which nominate Judicial Council members). Moreover, shortly before the election, Harabín sent out-of-court settlement proposals to four Slovak media organizations, demanding huge payments (€500,000 apiece) as compensation for negative allegations that appeared in the press, though without specifying which articles damaged his honor.

Third, before Harabín left the Ministry of Justice to lead the Supreme Court, he prepared draft legislation transferring many powers associated with the courts (finances, disciplinary proceedings, appointment of court chairmen, and education) to the Judicial Council, the Supreme Court or directly to its chairman. In November, the parliament withdrew the bill from the agenda.

Fourth, in September 2009, Harabín's overall performance as justice minister led to a petition signed by 105 judges warning about the growing abuse of disciplinary proceedings against judges who had been critical of developments in the judiciary or of the minister himself. In 2010, an initiative dubbed For an Open Judiciary emerged to protest against political intervention, the lack of transparency and the misuse of disciplinary proceedings.

Finally, after the formation of the new government, tensions have sharpened between the executive and a Supreme Court and judiciary now almost fully controlled by Harabín. The government manifesto called for substantial changes in the judiciary in order to guarantee impartiality and revive trust in the system. The

planned reform sought to restrict judges from switching between judicial and executive posts, thus preventing conflicts of interest; restructure the Judicial Council and separate it from the Supreme Court; and eliminate the Judicial Council's power to initiate disciplinary proceedings against judges. Many of these measures respond to the judiciary's current domination by Harabín and his close allies within the Supreme Court and Judicial Council.

Following the elections, the Finance Ministry was unable to conduct an audit of the Supreme Court, as Harabín three times refused Finance Ministry auditors access to the court's accounts. The Ministry fined the court, but the case ended up at the Regional Court; this body in turn decided in favor of the Supreme Court, stating that the only body able to audit the high court was the Supreme Audit Office, as the court does not belong to the network of public administration authorities. The Finance Ministry sued the Supreme Court and vice versa. The new justice minister filed a proposal to launch a disciplinary proceeding against Harabín, and the Supreme Court responded by suing her too.

The current situation of the judiciary is thus complicated, and dramatically politicized.

Slovakia has established several laws and institutions to act against persons who abuse their public office. However, the political culture and legal loopholes often enable them to avoid prosecution. First, no proper and efficient monitoring of public officials' assets exists. Under the law, all public officials have to declare their income and their assets every year either to the parliamentary committee on conflict of interest, regional self-governing authorities (VUC) or to universities. However, this provision does not require officials to specify their property, so the public is provided only with a list of unspecified houses, motor vehicles, farmland and bank account savings. Thus, publishing these declarations online in fact reveals very little. The law does not include mayors or local politicians, who are frequently involved in corruption scandals. Second, if corruption does take place, the extent of prosecution is very limited. Major corruption cases or murky deals such as the so-called bulletin-board tender (in which contracts worth €19 million went to a consortium of firms believed to be close to SNS boss Ján Slota, after an announcement was posted on a bulletin board within the ministry building, in an area not normally accessible to the public) or the sale of excess emissions quotas to a mysterious company have not been sufficiently investigated and prosecuted.

Third, the continuing immunity of Slovak parliamentarians and judges from criminal prosecution weakens the rule of law.

All in all, it has to be stated that ethical misconduct, abuse of office and sometimes even circumvention of the law became more frequent under the Fico government. Legal certainty deteriorated due to the lack of effective prosecution. Moreover,

Prosecution of
office abuse

8

Prime Minister Fico largely failed to condemn such misconduct publicly, or did so only half-heartedly.

The Constitutional Court, the Supreme Administrative Court and the Office of the Public Defender of Rights (Ombudsman) supervise the observance of civic rights, which are largely respected. However, under the Fico government, several cases contributed to the weakening of civil rights protections. The Roma minority in particular is frequently affected by police mistreatment and lengthy pre-trial detention. The placement of Roma children in so-called special schools without proper diagnostic procedures also constitutes a violation of their rights. Continuing delays in court proceedings are also a problem. In 2009, the government blocked a protest against the visit of the Chinese president; this ban was later declared illegal. Moreover, the Fico government substantially weakened participation by the public and NGOs. The European Commission repeatedly criticized laws that limited or negated the rights of the “concerned public” in environmental decision-making process. After the government ignored requests to modify the legislation, the Commission threatened in February 2010 to cut financial support.

Civil rights

9

Slovakia’s ombudsman repeatedly asked for a broadening of his competency so as to cover all rights and freedoms of private individuals and corporate entities, including the rights of children. He asked for “standard” European competencies that would allow a focus on poor administration, arguing that his office should be able to address not only basic rights and freedoms but any rights violations that worry citizens.

4 | Stability of Democratic Institutions

Democratic institutions are firmly established, and usually work effectively and efficiently. Despite the increased polarization between the opposition and coalition, both sides have usually respected the separation of powers and in the most extreme cases have approached the Constitutional Court to solve their controversies. The judiciary is the sole exception, given the concentration of power in hands of former justice minister Stefan Harabín, who became president of the Supreme Court in 2009 and has exerted strong pressure on the judiciary, especially by initiating disciplinary proceedings against or suspending judges critical of his activities. This has infringed upon the functioning of the judiciary, and provoked a climate of suspicion and intimidation

Performance of democratic institutions

9

All political and social actors accept the democratic institutions as legitimate. Former Justice Minister Stefan Harabín was able to arrange his election to the post of Supreme Court president, and thus also automatically chairs the Judiciary

Commitment to democratic institutions

9

Council. This concentration of judicial power created while he was in government is worrying, and his subsequent actions have raised additional concerns.

5 | Political and Social Integration

While the 2006 elections suggested a stabilization of the party system along a left-right spectrum, the 2010 elections demonstrated that this trend is not yet stable, and that the party structure and competition remains open. While no new party gained seats in the parliament or government in the 2006 election, two new parties entered the parliament and subsequently the government after the June 2010 ballot. One of these was the Bridge party (Most-Hid), an ethnically mixed project (Hungarian-Slovak) founded by Bela Bugar, the former leader of the Hungarian Coalition Party (SMK), which did not win any seats in parliament. The second project is headed by a typical political entrepreneur, Richard Sulik, who founded the Freedom and Solidarity (Sloboda a Solidarita party, SaS). This party defines itself as liberal, intentionally excluded the old political guard from its organization, explicitly rejects former Communists, and garnered young voters' support thanks to intensive online communication on social networks and the use of a referendum petition as a mobilization tool. It built its profile by using appeals related to the decriminalization of soft drugs and registration of homosexual partnerships, but abandoned these issues after it joined the coalition government. SaS appealed to disappointed voters of both major parties, on the right (the SDKU-DS) and left (Smer-SD).

Party system
7

Party competition in Slovakia is not systematic, and parties are built more strongly around personalities than around programs or social strata. Parties remain elitist, and are rather weakly rooted in society. Compared to the past, organizational institutionalization of the main parties (Smer-SD and SDKU-DS) has progressed, and their local and regional organizations serve as brokers between the state and society as well as electoral campaign machines. Although the majority of candidates in regional and local elections have preferred to enter campaigns without a party affiliation, they were usually backed by coalitions of parties.

Most interest mediation processes remain hidden from the public; however, the degree of coordination among interest groups and parties has increased.

Voters' affiliation along left-right, conservative-liberal and national-ethnic issues has remained rather stable over the years, and voter volatility has decreased over the last few years. The 2010 elections strengthened party competition over ideological and socioeconomic issues, especially as the central election issue focused on parties' capacity to govern the country responsibly (i.e., to be fiscally responsible. National-ethnic and value issues (e.g., the communist past) still saliently shape party competition. The split of the SMK resulted in the division of ethnic

Hungarians' vote, with the SMK winning only 4.3% of the vote. Support for the LS-HZDS also rapidly declined, with the party also attracting just 4.3%, not enough to win a parliamentary seat. Traditional polarization between "the coalition" and "the opposition" remains relatively high, and the two blocs rarely cooperate or support one another's legislative proposals.

Smer-SD has become the only left-wing parliamentary party. Parties on the right are fragmented, and religious issues have strained relations between the SDKÚ-DS and the KDH (Christian Democratic Movement). Despite the efforts of SDKU-DS leader Mikulas Dzurinda, right-wing parties rejected any closer unification before and after elections.

The effective number of parties has ranged between 3.19 (1992), 6.12 (2002), 4.88 (2006) and 4.01 (2010). During the 2006 – 2010 period, the degree of party fragmentation within the parliamentary party groups slightly decreased, and (only) 14 legislators left their party caucuses due to splits in the opposition parties (KDH and SMK), fewer than in the previous (2002 – 2006) period, when 24 legislators wound up unaffiliated.

Interest groups in Slovakia are well-differentiated and well-organized. The logic of cooperation between labor and business increasingly follows the West European pattern. There are peak organizations in all interest and professional sectors that represent and mediate the demands of interest groups vis-à-vis the government and its institutions. The main interest groups have direct access to policy-making through various advisory bodies (e.g., a tripartite mechanism, advisory bodies at the level of the government and within all ministries).

Under the Fico government, relations with civil society groups significantly worsened. Leading think tanks that were critical or did not follow the government's line were excluded from dialogue or even stopped receiving invitations to appear on public television. Regarding interest groups, the Fico government stood closer to the trade unions than to the business sector interests.

The new government's program manifesto is entitled "Civil Responsibility and Cooperation," and declares its support for further civil society development. The government has said it will be open to interest group demands, but it is clear that business interests will receive priority. For example, after the 2010 elections, the government prepared an amendment to the Labor Code that aimed at more flexibility in accordance with business demands. However, there are clear signs that neither employers nor labor groups will be marginalized in the course of social dialogue. Although the new government was expected to act according to its liberal-conservative profile, in October 2010 the leaders of the four governing coalition parties agreed to increase the minimum wage despite strong opposition from employers' groups and protests by regional government representatives. Unions, by

contrast, had argued in favor of the rise. However, due to close ties between the Confederation of Trade Unions (KOZ) leadership and Smer-SD, it is likely to expect unions to be more confrontational toward the Radičová government.

Consent to democracy as a form of government is high. Democracy is generally associated with freedom, participation, high socioeconomic status and education. A majority of political elites and citizens say they see no alternative to democracy, and the public approves of democracy and democratic norms and procedures. More than four-fifths of the population approves of democracy in general and in July 2010, 38% were satisfied with democracy in Slovakia, 41% expressed some criticism and only 18% were not satisfied at all (based on an opinion survey conducted by the Institute for Public Affairs in 2010). This can be explained mainly by general improvements in living conditions, which have not been deeply influenced by the economic crisis. There are no political protests that question democracy as such.

Approval of
democracy
9

Before the 2010 elections, trust in national institutions remained higher than in 2006, largely due to Prime Minister Robert Fico's own personal draw, as he remained the most trusted politician in Slovakia. Even the economic crisis has failed to undermine trust in the Slovak government substantially. According to Eurobarometer surveys, 41% citizens trusted the Slovak parliament in spring 2008, trust levels declined to 38% in spring 2010. The same share of respondents trusted in the government half a year before the 2010 elections. That is still double the level of trust that the previous right-wing government commanded half a year before the 2006 elections. Given the turmoil in the judiciary, this institution became the least credible, with 29% of the population expressing trust in autumn 2009 (Eurobarometer 2009).

Slovak society has traditionally had an individualistic character marked by low levels of interpersonal trust, which has declined further since the fall of communism. According to the ISSP survey conducted in Slovakia in 2009, only 12.4% trust other people and 81.9% stated they are "cautious" about others. However, levels of solidarity have increased particularly during times of economic decline (ISSP 2009).

Social capital
8

There is a robust but heterogeneous web of autonomous, self-organized groups, associations and organizations. The most influential NGOs and think tanks are a legacy of the anti-Mečiar mobilization in the late 1990s, and many of them participate in policy-making. At the regional level, the number of NGOs providing beneficial public services has increased. There are over 35,000 registered NGOs and over 10,000 registered in 2011 for tax assignment (a mechanism established in 2001 allowing taxpayers to donate 2% of their income taxes to any NGO). Attempts by the Fico government in 2006 – 2007 to eliminate this donation mechanism in

fact strengthened the NGO sector and supported its institutionalization, including new forms of cross-sector cooperation.

Collective action in Slovakia tends to manifest itself as moderate participation; collective protest culture is limited to petitions and peaceful rallies. However, due to the economic crisis, trade unions have more often turned to strikes. The first successful truly massive protest was organized by the truckers' organization against a new e-toll collection system. The government acceded to most of their demands.

II. Economic Transformation

6 | Level of Socioeconomic Development

Socioeconomic development in Slovakia has been vulnerable, unstable and regionally unbalanced mainly due to the country's small open economy with its specialization in the automotive and electro-technology industry. The economy's high dependence on exports rendered it susceptible to the effects of the global recession, which worsened living conditions. Strong regional disparities, long-term unemployment and social exclusion among the Roma minority continue to make development uneven. According to EU statistics, 10.9% of the population lives below the poverty line, while according to public opinion polls, nearly a third of the Slovak population – 28% – feels constant financial pressure. In a February 2010 poll, one-third of Slovaks reported a decline in their living standards during the previous four years. Long-term unemployment (accounting for almost 70% of total unemployment) is a persistent problem for the eastern and southern regions. The Roma population faces significant barriers in terms of access to employment, and does not have equal access to education. Roma children are often diagnosed as mentally "subnormal," mostly as a result of their insufficient knowledge of the Slovak language, and are frequently placed in special schools. They are thus likely to lose their chance to overcome discrimination when accessing the labor market. According to some studies, inclusion of the country's Roma population would increase GDP by as much as 11%. Previous measures initiated by Slovak governments have failed to address these regional and racist barriers effectively.

Question
Score

Socioeconomic
barriers

9

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	84108.6	98040.6	87379.1	87268.1
GDP growth	%	10.5	5.9	-4.9	4.2
Inflation (CPI)	%	2.8	4.6	1.6	1.0
Unemployment	%	11.0	9.6	12.1	-
Foreign direct investment	% of GDP	4.0	3.3	0.0	0.6
Export growth	%	14.3	3.1	-15.9	16.5
Import growth	%	9.2	3.1	-18.1	16.3
Current account balance	\$ mn.	-4102.6	-6185.5	-3161.1	-3008.9
Public debt	% of GDP	29.6	27.8	35.4	42.0
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-
Cash surplus or deficit	% of GDP	-1.7	-2.0	-7.3	-
Tax revenue	% of GDP	14.2	13.5	12.4	-
Government consumption	% of GDP	17.1	17.6	20.0	19.6
Public expnd. on edu.	% of GDP	3.6	-	-	-
Public expnd. on health	% of GDP	7.7	8.0	8.5	-
R&D expenditure	% of GDP	0.46	0.47	-	-
Military expenditure	% of GDP	1.5	1.5	1.4	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Slovakia made notable progress in developing market-based competition during the 2002 – 2006 period, in large part thanks to privatization within important industrial sectors and its entry into the European Union. Slovakia introduced the euro in January 2009, which proved to have a positive effect on the country's competitiveness.

Market-based
competition
9

The Fico government controlled energy prices by providing additional powers to the Regulatory Office for Network Industries (ÚRSO), taking the ability to institute independent price changes away from energy companies' boards.

The administrative burden for companies is still relatively high. This could be reduced by establishing the long-envisioned single contact point for firms and by unifying the collection of social security contributions and taxes. The Fico government partly constrained market rules by introducing a ban on profit distribution for insurance funds.

The process of opening new businesses is still complicated, costly and time-consuming. Competition within utility industries is also weak, and this lack of competition – particularly in the field of energy – may hamper eco-innovation.

In the World Economic Forum's 2010 Global Competitiveness Report, Slovakia dropped to 60th place of 139 countries, from 47th place in 2009. The report identified inefficient government bureaucracy, corruption and restrictive labor regulations as the country's most serious barriers.

Like all EU member states, Slovakia is subject to EU antitrust and competition laws. In this field, the country's record of transposing directives into national law is comparable with other member states. The European Commission applies a coherent anti-monopoly policy in Slovakia, and has taken action in several cases when domestic actors have violated the law (e.g., participation of a Novaky chemical firm in a cartel). Institutions dealing with monopolies and discrimination are adequate. The Fico government responded to the Novaky case by passing a highly controversial law on strategic companies. The law allows the state to buy bankrupt firms that the government deems "strategic." This means that any firm employing more than 500 employees and is important "for the security of the state, protection of public health or operates within network industries" can be defined as strategic. Opposition and investors stated that this law worsened the business environment and added uncertainty to bankruptcy processes. The law was valid only until the end of 2010, and then automatically expired.

Anti-monopoly
policy
9

Foreign trade is fully liberalized, and the country is integrated in the EU Common Market. Tariffs are uniform and low, and there is no state intervention in free trade. Slovakia has one of the most open economies in the world.

Liberalization of
foreign trade
10

The banking system is healthy thanks to a process of restructuring in 1998 – 2002. The majority of banks are owned by foreign investors. Due to the central bank's intensive monitoring of risk management practices, the banking system remained healthy during the global economic crisis. Household borrowing was not excessive, bank lending was prudent and increases in house prices did not lead to a boom in

Banking system
9

construction activity. Startup companies and middle-sized enterprises continue to have difficulty in accessing loans.

8 | Currency and Price Stability

Slovakia became a member of the European Monetary Union on 1 January 2009. Despite worries about rising inflation due to the Fico government's control over energy prices, inflation dropped from an EU-harmonized level of 1.8% in 2009 to 0.7% in 2010, according to the Slovak Statistical Office. Given the new government different approach toward energy prices and an expected global rise in fuel prices, inflation in 2011 is expected to rise to 3.4%.

Anti-inflation /
forex policy
10

Slovakia's fiscal policy was very solid until the adoption of the euro. However, after the onset of the financial crisis, the Fico government increased government expenditures in an effort to soften the impact on the economy and the country's population. The crisis led to an increased number of bankruptcies and unemployment, which in turn mean that 2010 tax revenue was much lower than expected. Moreover, the ambitious and very costly plan for financing the highway construction through public-private partnerships has increased public debt levels. Thanks to the previously sound fiscal policy, the overall public debt burden remains relatively low at around 40% of GDP. However, rapid population aging due to a very low fertility rate and increases in life expectancy may soon significantly raise public expenditures.

Macrostability
9

The country's budget deficit increased sharply during the crisis, from 1.9% of GDP in 2007 to 7.9% of GDP in 2009 and 7.8% in 2010. According to the OECD, this reflects both a permanent loss of potential output and the effect of automatic stabilizers, and to a lesser extent stimulus measures totaling around 1% of GDP over the 2009 – 2010 period.

The new government led by Iveta Radičová initiated an ambitious reform agenda aiming at fiscal consolidation and reduction of the budget deficit in 2011 by 2.5% of GDP. The consolidation package includes expenditure cuts (a reduction in public sector wages and savings in public procurement) and revenue increases, notably through a temporary rise in the VAT rate from 19% to 20%, higher excise taxes, and the phasing out of some tax exemptions.

Since the new government has taken office, discussions have been ongoing about the need to strengthen and reform Slovakia's fiscal institutions; proposals include the implementation of expenditure caps related to tax revenue, and the establishment of an independent fiscal council.

9 | Private Property

Property rights and the acquisition of property are constitutionally defined to an adequate extent. However, the main coalition party under the Fico government, Smer-Social Democracy, favored public over private ownership, and consequently tried to limit the latter.

Property rights
10

In 2009, the government passed a Highway Act, known as the “expropriation law,” that violated property rights. It allowed road construction to begin on land whose ownership “remains in question.” According to the act, construction works could begin on any private land within Slovakia’s entire projected highways network before the expropriation process for the land for was complete, and before adequate compensation was given. NGOs and the opposition protested, and the act was submitted by the opposition to the Constitutional Court, which ruled the law to be unconstitutional in January 2011.

Moreover, the Fico government prohibited private health insurers from paying dividends to their shareholders during the first half of its term, thus seriously limiting the rights of the owners of privately managed pension funds, and imposed a profit ban on private health insurers. The latter measure exposed the state to a high risk of arbitration proceedings.

Both laws were ruled unconstitutional by Slovakia’s Constitutional Court in January 2011.

Private enterprise is the main pillar of the Slovak economy, as the majority of former state-owned companies have been privatized.

Private enterprise
10

However, the Fico government, which clearly favored public over private ownership, halted all privatization processes prepared by the center-right coalition during its 2002 – 2006 term. “No privatization” became the motto of Fico’s party during its term, as well as during its election campaign.

The new Radičová government has already announced its privatization plans, though as of the time of writing it has not detailed which state-owned companies would be targeted.

10 | Welfare Regime

The unemployment and social security insurance system was quite substantially transformed after the transition to democracy, mainly because it was not sustainable given the immediately high rate of unemployment. The social safety net is based on three main pillars: social security, state social support and social assistance. The

Social safety nets
9

Slovak state spends 17% of GDP on social protection (including health care), about half the EU average. More than 84% of Slovakia's social budget is funded by social contributions, not via taxes as is the case in Western countries. The majority of the funding is used to support old-age pensioners and to fund health care.

The Fico government promised to improve the welfare regime, but changes were not systematic, and related mostly to one-time direct payments (i.e., a Christmas bonus for pensioners and childbirth allowances). These measures produced only very moderate welfare benefits, but did increase the popularity of Fico's party. During the economic crisis, the government was hesitant in addressing the significant social challenge of increasing unemployment, and did not prolong the maximum duration of unemployment benefits. Only in January 2010 did it relax rather tight requirements for unemployment benefit eligibility. According to Slovak sociologists' research, unemployment (especially long term) constitutes the strongest risk factor for falling into poverty.

There is a solid institutional network to compensate for social risks. Social policies designed to ease poverty range from direct financial transfers (e.g., financial assistance to increase income, social subsidies and alimony) to reductions in expenses (e.g., school subsidies for children, social services, social-legal protection for children, and other specific social programs). According to official statistics, levels of social cohesion and inclusion are relatively high, and poverty is low. However, nonmonetary indicators of living standards and material deprivation provide different views on poverty in Slovakia.

The Roma minority is dramatically endangered by poverty. Social discrimination is the primary obstacle to Roma individuals' ability to access social services and education. Roma children are the country's most vulnerable group, with children representing up to 50% of the population of Roma settlements. The material disadvantage experienced by these children manifests in their overall backwardness, their low levels of education and limited opportunities to gain employment. A significant proportion of Roma children are placed almost automatically in "special needs" schools. During the period under review, the situation of the Roma population did not improve.

The new government has promised to simplify the system of social benefits, create enough new jobs to prevent social strife, and improve citizens' access to quality health care. It also plans to address poverty among the Roma by focusing on community centers and their workers. It has already tested a new e-payments system designed to help address problems with loan sharking (usury) and poverty.

There are several legal institutions designed to compensate for social differences and inequality, although implementation faces many cultural, administrative and economic barriers. An anti-discrimination law was adopted after long political

struggle in 2004, but a chasm remains between the ideal of the legal norms and the reality of exclusion and discrimination against the poor, Roma, refugees, homeless, handicapped, women and homosexuals, especially in such fields as employment, health care and education.

The International Social Survey Program (ISSP) 2009 – 2010 indicates that conflicts between the majority population and the Roma minority are perceived as the society's most bitter. Roma face widespread prejudice. Discrimination occurs with particular prevalence in the areas of access to employment, services (restaurants, cafes), education (segregated schools or classes) and housing (segregation). For example, walls to separate Roma settlements from the rest of town were built in two towns in eastern Slovakia in 2009. Only 3% of Roma graduate from school at the secondary level, and Roma account for 60% of the students in special schools for mentally-disabled children.

The Fico government passed the Anti-Discrimination Act, including temporary balancing measures in February 2008. However, the majority of measures dealt only with the issues of age and disability. The government also created several targeted programs such as the introduction of teaching assistants in grammar schools, preparatory classes for Roma children, social workers for Roma communities, the construction of low-cost houses and the installation of police specialists in selected Roma settlements tasked with addressing Roma discrimination. However, these programs failed due to the additional financial and bureaucratic burden imposed on local municipalities.

The economic crisis has had a negative impact on employment, and reported cases of discrimination on the grounds of age, family status (pregnancy, maternity) and gender have increased. Courts in Slovakia act slowly and very reluctantly in discrimination cases. The only exception has been their own "case," of judges' own alleged wage discrimination.

The new government has promised to introduce several new anti-discrimination policies, such as building out systematic street infrastructure and new social services facilities for marginalized Roma communities. However, by the time of writing, only a few steps had been taken, including the introduction of an e-payments system designed to address problems with loan sharking (usury) and poverty.

11 | Economic Performance

Slovakia was one of the best-performing EU countries during the 2006 – 2008 period, with a high GDP growth rate attributable to extensive structural reforms, overall sound macroeconomic policies, and a rise in direct foreign investment

Output strength

8

prompted by the previous center-right government. The key macroeconomic indicators were stable until nearly the end of 2009. However, Slovakia's dependence on exports to the EU countries ultimately rendered it vulnerable to the global crisis, and the economic performance worsened in 2010. The most serious problem has been the weakening of Slovakia's external competitiveness. The government did not attract any major FDI during the period under review due to several controversial decisions by the Fico government (such as its intervention in the private pension fund market, and its ban on profits for private health insurance companies). Widely publicized corruption scandals have also damaged Slovakia's image abroad. Highway construction, intended to increase employment levels, in fact only increased government spending, and has the potential to imbalance the budget by increasing the country's overall debt. Due to the output loss and the substantial return of Slovak migrant laborers from other EU countries, unemployment increased from 9% in 2008 to 14% in 2010. The government's gross debt remains relatively low (half of the average of the euro area and of the EU as a whole). The inflation rate has been stable, although forecasts indicated that a rise in 2011 would be likely. The state's budget deficit increased to 7.8% of GDP in 2010.

12 | Sustainability

Slovakia has access to substantial natural resources, with two-thirds of the country covered by forest, plenty of water resources. However, the country's environmental policy has suffered from a legacy of neglect. The communist era was characterized by an emphasis on industrial growth, with environmental issues given scant attention. Environmental protection also remained of marginal importance during the period of transformation. During the EU accession process, environmental policy became a political priority; however, this was true mostly in a nominal sense, as the country's strategy was to postpone implementation of a majority of the EU's environmental requirements. Economic growth, industrial output and developers' interests clearly take precedence over environmental concerns, and implementation of EU directives in this area has been very slow.

Despite an increase in the population's environmental awareness and numerous protests against damaging projects, environmental policy suffers from slow reaction time and a general reluctance on the part of the state administration. Two Fico government decisions demonstrate this problem well. First, as early as 2007, the cabinet passed a legislative package aimed at speeding up highway construction plans (one of its key election pledges), which also amended the Act on Environmental Impact Assessment (EIA). The change limited public participation in environmental decision-making procedures, although the EU's EIA Directive guarantees such participation. Thanks to watchdogs' mobilization, the government ultimately changed the law, but only after intervention by the European

Environmental
policy

7

Commission. Second, by the end of its term, the Fico government, had abolished the Environment Ministry altogether. The new cabinet reestablished the ministry in September 2010.

The OECD has recommended a course of structural reforms that would ease the transition to green growth (including the exploitation of cleaner sources of growth and the development of new green industries and technologies).

Slovakia offers equal access to all three levels of education, except to Roma children living in Roma settlements, who are subject to clear discrimination. Though it inherited a relatively well-functioning educational system, the government's low public expenditures on education and R&D have led to deterioration in this area. Accordingly, the 2009 PISA study showed that Slovak students' scores in the areas of reading and the natural sciences have declined since 2006. Slovakia placed 61st among 65 countries in these categories, improving only in the area of mathematics. The Fico government launched a broad education reform, in part reflecting the demands of foreign investors in the automotive industry, which may partly explain the improvement in mathematics. Spending on education remains very low (3.59% of GDP in 2008, the lowest such level among the Visegrad countries), and despite numerous reforms, the organization of education has not yet been made efficient, productive, or well-g geared to produce general skills required by the labor market. The new government cut the budget for universities, referring to general macroeconomic needs.

R&D spending has followed roughly the same path as public education spending, with Slovakia lagging far behind the EU average. While Slovakia invested 1.38% of its GDP in R&D in 1993, this share dropped to 0.55% in 2009 and was expected to drop further in 2011. Successive Slovak governments have provided intensive support for domestic R&D; however, several innovations created in the country indicate there is still human potential in Slovakia despite a significant brain drain.

Education policy /
R&D
7

Transformation Management

I. Level of Difficulty

Structural socioeconomic constraints on governance in Slovakia are rather low, although even 20 years after the collapse of communism, no government has proved able to address the persisting constraints in an efficient and sustainable way. The global economic crisis exacerbated these structural constraints and posed a serious challenge to the country's development.

Structural
constraints

1

The primary constraints include the following:

1) The substantial regional differences between the relatively developed western part of the country (the Bratislava region) and the rest of the country persist, and the infrastructure remains overall underdeveloped.

2) Slovakia's high long-term unemployment, already very high before the crisis, may increase further due to the recent loss of jobs and the return of labor emigrants. This poses an additional burden from the perspective of social expenditures.

3) High-tech industry representatives consistently point out that Slovakia's education system does not produce high-skilled labor in appropriate fields (i.e., there is a lack of graduates in technical professions).

4) Poverty, low education and disease among the Roma population remain long-term, serious challenges to good governance.

Slovakia has a long tradition of civil society, in terms of numerous but small associations. Although large organizations based on a modern industrial society emerged later, they have become well-established as part of the social dialogue. Business interest groups have wielded a dominant influence, despite the close ties between the Fico government and trade unions. While the employers' groups have been extremely successful in lobbying for access to public resources (for example the construction companies, also called "concrete lobby," which participated in public tenders for a costly development of highways), unions have been successful in winning labor code changes that have increased protection of for employees.

Civil society
traditions

3

Dissatisfaction with the Mečiar regime stimulated the emergence on a large scale of NGOs focused on monitoring human rights, the quality of democracy, economic performance, corruption and the government's agenda. Watchdog organizations continue to monitor government policies, and were effective in organizing campaigns and protests against many controversial laws and activities under the Fico government, especially in the fields of civil rights, nondiscrimination and environmental protection.

The most salient division in Slovakian society is the split along ethnic lines that manifests itself in party politics and in the confrontational attitudes traditionally displayed by the Slovak Nationalist Party (SNS), which attacks ethnic Hungarians, Roma and Jews. SNS used racist billboards in the 2010 election campaign that showed a Roma-looking man with a (Photoshopped) gold chain around his neck and the text: "Let's not feed those who don't want to work." Thanks to broad public mobilization against the promotion of racist hatred, the SNS had to cover all 29 of these billboards.

Conflict intensity
3

The Slovak Hungarian Coalition Party (SMK) split in 2009, and former leader Bela Bugár formed a new ethnically mixed party called Bridge (Most-Híd). This party is part of the new governing coalition, but it is difficult to predict whether this new party will be able to moderate existing Slovak-Hungarian tensions. There is little tradition of violent protest in Slovakia, and none were held during the period under review.

II. Management Performance

14 | Steering Capability

Question
Score

During the period under review, Slovakia held parliamentary elections that confirmed the ideological and political split between the country's left- and right-leaning parties. It revealed the weakly institutionalized pattern of prioritizing and organizing government policies. Governments in Slovakia are usually good at setting priorities imposed or expected by important international organizations such as the European Union. However, in other circumstances the Slovak governments have proved less efficient.

Prioritization
8

The Fico government (2006 – 2008) did not fundamentally shift the country's long-term strategic priorities, which included completing EU membership (as well as joining the Schengen area and introducing the euro) and pursuing a sound monetary policy. After achieving these two goals, the government's direction of activity changed in part due to the global economic crisis, but mainly due to its own

political and ideological priorities. Two relatively small fiscal stimulus packages (implemented in November 2008 and February 2009) showed that the government has problems in setting and pursuing its priorities; the effects of these measures were weak, although Fico argued that this increase in public spending would help sustain economic growth and secure employment and welfare.

Furthermore, the Fico government's efficiency was limited by the numerous instances in which ministers resigned or were dismissed because of corruption or improper management (such as nontransparent procurement). Thus, there were five environment ministers, four agriculture ministers, and three responsible for construction and regional development during the term. This highlights the problems experienced in setting and following a governmental agenda.

New Prime Minister Iveta Radičová has stated six main priorities for her government: (1) ensuring robust and sustainable economic performance; (2) creating an environment of zero tolerance for corruption and secure access to justice; (3) increasing work opportunities and reducing of social risks; (4) enhancing the business environment and civil society activity; (5) improving education and societal innovation; and (6) improving access to quality health care. The new government has not announced any radical reforms.

The measures introduced by the new government to lower the rapidly growing public debt confirmed that it is able to address some of its priorities. In January 2011, it introduced a €1.7 billion austerity package, increasing VAT by one percentage point (from 19% to 20%). This rise is planned as a temporary measure, slated to fall back to 19% after the budget deficit falls below 3% percent of GDP. The government also increased some excise taxes (tobacco) and cancelled excise tax exemptions on energy and electricity which violated a European directive.

The new government advocates the introduction of a bill which would impose limits on government spending. However, this is unlikely to win passage, as it would require opposition support or coordination at the EU level.

The most visible anti-corruption measure introduced by the new government requires that all institutions covered under Slovakia's Freedom of Information Act (ministries, agencies and public organizations, municipal councils, regional governments, and others) must publish all contracts on the Internet.

Policy implementation in Slovakia is characterized by a relative ease in the adoption of bills by the ruling majority, the occasional success of the public in influencing draft legislation, and frequent implementation problems due to the constant amending of laws and poor legislative and executive coordination.

Implementation
8

In its 2006 manifesto, the Fico government outlined a set of vaguely formulated strategic priorities. A majority of its actions were aimed primarily at coping with

the implementation of EU-related obligations. In addition, the government promised a strengthening of the state and a “recovery of the welfare state” within a social market economic and democratic framework. However, it occasionally passed legislation that contradicted its own promises. For example, while the 2006 manifesto promised to provide sufficient protection for foreign and domestic investments, changes to the health care regulations (i.e., the ban on profit-making) and private pension companies’ powers damaged Slovakia’s reputation as a country with a predictable business environment. In May 2010, shortly before the elections, the government adopted a development strategy with a high number of vague priorities; however, in reality its activity was dominated by ad-hoc measures, such as providing support for public companies and private-public partnerships engaging in highway construction. To address its social priorities, the Fico administration used “single-purpose” laws (such as the act on gas and electricity prices or the strategic company law) instead of reforming the social system according to declared priorities.

The new coalition can rely on the expertise of several economic and social think tanks; however, due to its broad political character and the continuing popularity of Fico’ party, many priorities are likely to be modified in the preparation stage. For example, several experts criticized the VAT increase, and the increase of the excise tax on wine and beer was not approved due to lobbying and political disputes between the coalition partners.

Slovakia’s political leaders are gradually learning from their own mistakes and their opponents’ accomplishments. Politicians respond to mistakes and failed policies, but their policies are inconsistent. While Fico learned from the previous government’s failures and focused on political communication with the broad public without deep economic and political changes, the new government led by Iveta Radičová is clearly aware that a majority of voters are opposed to social spending cuts. The new government seems to have learned not only in the areas of political behavior and communication, but has already implemented procedures and institutions designed to increase the transparency and efficiency of public resource use. As one example, it has founded a Central Contract Register. Beginning in January 2011, all public administrative institutions have been obliged to publish all contracts involving the allocation of state or public resources on the Internet, and the contracts take effect only after such publication. Contracts concluded for an indefinite period or providing for compensation if public bodies withdraw from the contract are invalid.

The role of international organizations such as the OECD or the Council of Europe in policy learning is crucial, as their reports and evaluations of political performance are rarely contested, and constitute cognitive frameworks for policy development.

15 | Resource Efficiency

The performance of the public administration improved slightly during the EU accession process, when EU conditionality policy stimulated many civil service reforms, as well as a process of regionalization and decentralization. Since that time, professionalism and efficiency, especially under the Fico government, have suffered from growth in the central state apparatus, a lack of qualified staff in the local civil service, and relatively frequent ministerial changes. The use of political appointments increased, and independent regulatory agencies' powers limited. The use of general procedural and organizational audits was abandoned by the Fico government, and public procurement, the absorption of EU funds and internal economic management at the level of the central administration all became problematic. The media has publicized many cases in which ministries or state institutions spent public funds for unnecessary services or goods, or paid higher prices than necessary.

The lack of a profound state administrative reform is illustrated by the tax system's high administrative costs. While the flat tax remains positively perceived, the system as a whole remains complicated and burdensome for businesses. There are many announcement duties, deadlines, various statistical reports and sanctions for missing deadlines. The World Bank has also described the tax system as being excessively administratively burdensome. Slovakia is 119th in the World Bank's 183-country ranking of countries according to the administrative complexity of their tax systems.

Since Mečiar's rule, a balanced state budget has become a priority supported by a majority of informed voters in Slovakia. The increased state debt during the second half of Fico's term led to broad debate over this issue. The Institute of Economic and Social Studies (INESS), an economic think tank, illustrated the condition of the state budget by comparing its situation in the first half of 2010 with the pre-crisis year of 2008, in Slovak crowns. In 2010, tax revenues were lower by 17 billion crowns, while spending was 60 billion crowns higher than in 2008. Medium-term fiscal problems in Slovakia are aggravated by the rising hidden debt accumulated by the health-care sector and state pension system.

Fico's government paid little attention to the effectiveness of public administration, leading to lower absorption of EU funds. The rise in the number of corruption cases and the mismanagement of public resources that became widely publicized undermined general trust in the state administration. The new government promised to tackle these issues, and the establishment of the Central Contract Register represented one of its initial activities in this direction.

Efficient use of
assets

8

The powers held by local and regional self-governments have increased substantially due to the complex public administration reform (2001 – 2004). This included a fiscal decentralization (2004) that strongly empowered the local level, transferring 94% of the individual income tax revenue to municipalities.

Under the economic crisis, local governments in Slovakia have suffered from substantial fiscal problems due to the decline in tax revenues. The central government has supplied municipalities with additional finances. However, these allocations were too small, and some smaller municipalities have not been able to preserve the standard of public services. The Fico government passed two small amendments to the income tax law, reducing the subnational governments' share of the income tax revenue and thus aggravating their fiscal problems. As of the time of writing, the new government had not increased the income tax rate; similar problems are thus likely to be experienced in 2011, as employment levels have not yet increased despite the economic growth experienced during 2010.

Slovakia's political system has developed a quite sophisticated structure of institutional policy coordination at the senior administrative level, which seems to have positive effects on policy coordination. However, under the country's coalition governments, coordination at the cabinet level is not institutionalized, and depends on the performance of the informal coalition council in which conflicting objectives and ruling-party interests are subject to negotiation. Policy-making under the Fico government strongly relied on informal political agreements reached by the three leaders of the government parties. Ministers were more bound to their parties than to the government as such. Prime Minister Fico addressed persistent political scandals at the Environment Ministry (occupied by the SNS) by abolishing this ministry toward the end of his term. Although Fico resisted LS-HZDS attempts to abolish the Special Court at the end of his term, he was not able to prevent the concentration of juridical powers in the hands of former Justice Minister Stefan Harabín.

Policy
coordination
8

The success of the new Radičová government in terms of policy coordination and policy coherence will depend strongly on the discipline of the ruling parties. However, this seems to be rather weak, as illustrated by the troublesome elections of a prosecutor general, and is exacerbated by the government's slim majority and the relatively weak ties among coalition partners.

Corruption remains a major problem in Slovakia. During the process of EU accession, the country introduced a number of institutions and financial disclosure laws aimed at combating corruption; however, compliance is the exception rather than the rule. The laws provide criminal penalties for official corruption, but the vast majority of public officials engaged in corrupt practices in the past were able to do so with impunity. For example, among several widely reported cases of large-

Anti-corruption
policy
7

scale corruption and lack of transparency in public procurement, only three resulted in the replacement of high-level government officials.

The perception of corruption has worsened according to the 2010 Global Corruption Barometer, which showed that one in four people in Slovakia stated they had paid a bribe (for medical service). Under the Fico government, general procedural and organizational audits were abandoned, and only simple accountancy controls were used. Public procurement, the use of EU funds and internal economic management at the level of central administration became very problematic.

Although corruption was already an issue, some elements of the problem deteriorated further under the Fico government. The years 2008 and 2009 were characterized by a higher degree of party cronyism and political clientelism within the ruling coalition. The most common clientelistic practices were and are the award of subsidies by ministries to persons with party affiliation. Thus, state budget subsidies were allocated to so-called social enterprises, many of them established by regional representatives of the prime minister's Smer-SD party. Faced with public criticism, the prime minister sought to justify these practices as normal. Non-transparent public procurements enabled further cases of party cronyism. The most prominent case was a public tender associated with EU funds (around €120 million) that was not correctly announced. Following a complaint in February 2009, the European Commission considered the means of publication in this tender procedure to violate the community legal principle of adequate transparency, and a formal letter (pursuant to Article 226 of the EC Treaty) was sent to the Slovak authorities in April 2009.

Many NGOs under the Fico government pointed out worrying examples in which government bodies declined to provide information or reacted to requests with extreme delay. During the period under review, the Constitutional Court and the Judicial Council restricted access to information.

The Achilles' heel of the Slovak political system is party financing. All main parties, including Smer-SD and SDKU-DS, have been charged with serious offenses; however, none of these cases have been properly investigated. The Fair Play Alliance has criticized the prosecutor's office for not acting properly in these cases. However, improvement would require thoroughgoing changes not only in the legal system but also in politicians' behavior.

The new government has declared a crusade against corruption and cronyism, and has already passed several important changes improving public access to information on state spending and enhancing judicial transparency. It plans to remove loopholes in public procurement; introduce electronic procurement, auctions and central procurement systems; and motivate state officials to improve the effectiveness of procurement.

16 | Consensus-Building

The emergence of a general consensus among major political actors and the public on the merits of democracy and a market economy has been rather long in coming in Slovakia. Major parties agree on the desirability of fostering both a market economy and democracy, but there are differences of opinion when it comes to the particular kind of market economy. While right-leaning parties prefer simple market economic principles, left-leaning parties insist on a socially oriented market model, though without any detailed specification. Given the very confrontational political rhetoric between the coalition and opposition, this consensus remains more tacit than well articulated.

Consensus on goals
10

Privatization and the role of the state in the economy remain among the most divisive issues. Former Prime Minister Fico was clearly in favor of a strong state role in the economy, and halted the privatization process. The Radičová government is apparently aware of the negative connotations held by the word “privatization” in Slovakia, and thus instead of privatizing outright, it has limited itself to finding strategic partners to enhance the effectiveness of state companies.

The two main ideological camps also differ in their interpretation of the role of the state. While the Dzurinda government followed a neoliberal approach and relied on free market forces, Fico and his allies favor a strong state with a more interventionist and paternalistic approach. Radičová’s government essentially advocates for strong civic structures.

In principle, there are no significant anti-democratic veto players. Although nationalist and ethnic conflicts have increased, and occasionally turned violent during the period under review, irreconcilable political conflicts are unlikely to emerge. The 2010 parliamentary elections confirmed the decline in popularity of Vladimir Mečiar, whose numerous violations of democratic rules complicated democratic consolidation. His party did not pass the 5% threshold needed to win seats in the National Council.

Anti-democratic actors
10

Slovakia suffers from several cleavages (ethnic, class, regional and religious), although politics has been shaped mainly by ethnic issues, and only since the 2002 elections have class (socioeconomic) divisions become more salient. Under the Fico government, the inclusion of nationalistic party SNS in the ruling coalition made political management of cleavages rather poor.

Cleavage / conflict management
7

Political parties in general have contributed greatly to the further exacerbation of ethnic and socioeconomic divisions. Sharply polarized electoral campaigns in 2009 and 2010 hindered the collaboration of political groups.

The only political innovation in this regard has been the foundation of a new ethnically mixed party called Bridge (Most-Híd), which emerged in mid-2009 and advocates cooperation between ethnic Hungarians and Slovaks. It was founded by a group of former leaders of the ethnic Hungarian Coalition Party (SMK), which used to be the dominant political force within ethnic Hungarians population. While Most-Híd succeed in gaining seats in the parliament, the SMK lost parliamentary representation, although remained strong in South of Slovakia.

The inclusion of the Most-Híd party within the new government may facilitate the management of ethnic conflict.

Participation of civil society actors in politics depends on the government's party composition. While the previous government clearly favored trade unions and policy advisors from the Slovak Academy of Science and the Economic University, the new coalition prefers cooperation with policy think-tanks and watch-dogs. Although in the Radičová government the direct influence of trade unions could decline, their overall power depends on their ability to mobilize public support.

Civil society
participation
8

Both political camps acknowledge the importance of social dialogue and respect the tripartite negotiations; however, policy outcomes differ according to ideological leanings.

Regarding civic organization, the positive government-NGO relationship in the post-Mečiar period, which bolstered a culture of civic participation in public life, clearly deteriorated under the Fico government, which comprised two parties of the Mečiar period. The tense government attitude towards NGOs was, for example, visible in the attempt to abolish the NGO tax exemption, which provoked protest. However, Slovakia's vibrant civic sector was quite successful in monitoring the Fico government and in organizing campaigns and protests against many controversial laws and activities, especially in the fields of civil rights, nondiscrimination and environmental protection. Often these groups prevented undesirable legislative changes. Slovakia is in this aspect becoming a regular consolidated democracy, given the influence of interest groups, think tanks and watchdogs.

Cooperation with think tanks also worsened during the Fico government. Their influence on policy-making is likely to increase under the new government. The new government has emphasized that it would practice a collaborative approach. It included the development of and support for civil society among its priorities, and included many representatives of the sector in the government.

Slovakia still remains split over the legacies of two authoritarian regimes (e.g., fascist and communist). The process of reconciliation has been more complicated

Reconciliation
8

than in the neighboring countries, and it took longer time to establish institutions able to cope with the totalitarian past.

Among the countries that successfully transitioned to democracy from communist rule and joined the European Union by 2007, Slovakia was the only one that delayed the adoption of lustration legislation for more than 10 years. The Mečiar government (1994 – 1998) tried to remove the federal lustration law by petitioning the Constitutional Court about its inconsistency with the Charter of Rights and Freedoms, but the court refused even to consider the petition. Most scholars see the delay of the implementation of lustration and de-communization originating in these first years of Slovakia's independence. The legitimacy of the new state had to be based on something which was difficult to find.

It was only under the second Dzurinda government that the Nation's Memory Institute (UPN) was established, responsible for documenting both totalitarian regimes. The UPN provides access to records of the secret state police, although this process occasionally seems to be manipulated and used against important public and political figures. In 2008, the Slovak National Party sought to abolish the Nation's Memory Institute but was stopped by Fico's Smer-SD party.

Some parties, such as the new Freedom and Solidarity party (SaS), exclude former Communist Party members from their ranks. The new government, as well as the media, heralded its recent victory by stressing that none of the cabinet members is a former communist.

There are still several challenges in terms of coming to terms with the past. This also includes the Nazi puppet state of the first independent Slovak Republic. Issues of legitimacy of the Slovak wartime state and its leaders, as well as the role of the anti-fascist resistance, were at the center of a heated battle over the interpretation of the Slovak past that followed soon after 1989. There was a strong nationalist camp (led by a small group of Slovak émigré historians, and supported by the leaders of the Christian Democratic Movement and the nationalist SNS party) calling for a rehabilitation of the interwar Slovak State and its leaders. Even today, the SNS in particular venerates this regime's president, Jozef Tiso, and has dedicated a plaque to him.

Experience has shown that meaningful public discourse on the issue of national memory only functions if there is genuine support by the political elite. In Slovakia there are still significant parts of the political elite that are not constructive in this sense. This refers to both the fascist and communist past.

17 | International Cooperation

Since EU accession, the government's activities have been strongly influenced by the EU's legislative framework, rules and norms, although occasionally the demands of economic development partly interfere. Cooperation with international financial institutions (World Bank, IMF, OECD) continues, although much of this cooperation has a technical and consultative nature.

Effective use of support

9

The country has demonstrated its international orientation and adherence to commitments; the Fico government, despite its problematic coalition partners and scandals and the prime minister's lukewarm attitude toward the international community, did not fundamentally change Slovakia's international orientation.

The new government's decision not to participate in the EU loan package for Greece provoked negative responses from EU officials. However, as this did not contradict the EU legislation, its position and international image is unlikely to be damaged in the long term.

In general, the government acts as a trustworthy and reliable partner in its relations with the international community, and the country is recognized by the international community as a credible partner. However, being a small country, it plays no important or active role in international relations. Multilateral cooperation has developed primarily within the EU framework, and especially within the Visegrad Group (V4), although Slovak-Hungarian relations have recently become more difficult.

Credibility

9

In January 2009, Slovakia suffered from the gas crisis precipitated by the conflict between Russia and Ukraine. This event confirmed the advantages of EU membership, as the country received gas deliveries from the Czech Republic via a route that bypassed Ukraine. The Fico government's intentions to strengthen cooperation within the Visegrad Group were constrained by its tense relations with Hungary due to controversies over domestic policy (citizenship and language laws). The V4 became more important after the new government was formed, and on 1 July 2010 Slovakia took over the group's one-year rotating presidency. Slovak-Hungarian relations also improved, though only moderately, as both governments have agreed to focus more on economic cooperation. For example, they agreed to connect their gas distribution networks as part of a broader plan for a north-south corridor intended to increase energy security and decrease dependency on Russia. The parties also agreed to foster this cooperation at the EU level, thus gaining its support.

Regional cooperation

9

Slovakia strongly supports the EU integration of the western Balkan countries. Moreover, the Visegrad 4, which held its 20th anniversary summit in February

2011, has focused on the EU Eastern Partnership. Slovakia continues to support pro-democracy forces in Belarus.

Strategic Outlook

Democracy in Slovakia is consolidated, and the country maintains democratic structures despite a worrying concentration of power in the judiciary system. The new government was able rather quickly to address some of the Fico government's negative legacies, amending the Press Code and halting the politicization and intimidation of the media and NGO sector. However, it still has to depoliticize the court system if it is to increase its effectiveness and the overall quality of democracy. These are the main institutional challenges left for the new government. The ability to address these problems will be limited by the current political circumstances – particularly the fragility of the new coalition, as it depends on two groups of legislators who gained seats on the party lists of SaS and Most-Hid. Moreover, the coalition will have to face the strong and popular Smer-SD opposition party.

The new government has to improve relations with Hungary, which will depend on the ability of the new government to tame nationalist forces on the both sides of the Danube. Cooperation with Viktor Orbán's government in Hungary, which also has a strong nationalist agenda and has played the two Hungarian minority parties in Slovakia against each other, will not be easy. The ethnically mixed party Most-Hid, which is a member of the government, is under strong pressure from the Party of the Hungarian Coalition (SMK), the traditional representative of the Hungarian minority in Slovakia, not to compromise the interests of the Hungarian minority. The Slovak opposition parties use this opportunity, mobilizing for the pursuit of "Slovak" interests in the bilateral relationship. In such a polarized environment, improvements will be difficult to attain. As of the time of writing, the Slovak coalition government had so far failed to amend the controversial citizenship law passed by the previous government as a response to Hungary's law on dual citizenship.

The main objective for the future requires a delicate balancing act. On the one hand, the government has to consolidate public finances; on the other, it needs to implement some institutional and structural reforms able to increase economic growth and improve social welfare. To date, the government has paid more attention to highway construction than to an increase of expenditure on R&D and education. These issues also seem to be gaining little attention within the current government agenda.

The increasing polarization between the broad and politically fragile new government and the strong opposition does not undermine the institutional stability, but hinders formation of a solid consensus among political parties on long-term goals. The pattern of polarized government-opposition relations has evidently been institutionalized, a fact that may undermine the incumbent government's efficiency. However, this pattern of party competition may paradoxically create a chance for gradual long-term improvement, because the government's fragility and fragmentation may force it to adjust many of its planned reforms in response to public opinion and opposition criticism. It remains to be seen how the new prime minister and

other coalition leaders will be able to balance these tasks without losing stability and support in parliament.

The new government has a different approach than did its predecessor to decision-making and civil society, as it can rely on the influential think tank community to prepare new policy proposals and can depend on the support of business organizations. However, it has to face the strong opposition of trade unions, which clearly support the Smer-SD.