

# BTI 2012 | Slovenia Country Report

<b>Status Index</b>	1-10	<b>9.45</b>	# 3 of 128	
Political Transformation	1-10	9.65	# 2 of 128	➔
Economic Transformation	1-10	9.25	# 3 of 128	➔
<b>Management Index</b>	1-10	<b>6.57</b>	# 19 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.	2.1	HDI	0.884	GDP p.c.	\$	27063
Pop. growth <sup>1</sup>	% p.a.	0.6	HDI rank of 187	21	Gini Index		31.2
Life expectancy	years	79	UN Education Index	0.933	Poverty <sup>3</sup>	%	<2
Urban population	%	48.0	Gender inequality <sup>2</sup>	0.175	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

Two elections were held in the period under review (January 2009 – January 2011). The second EP elections in 2009 were marked by a low turnout level as in the 2004 EP elections (28.3%); the main governmental party received only 18.4% of the votes, while the biggest opposition party was a clear winner of the elections with 26.6% of the votes. In October 2010, local elections were held and turnout was 48.8% (at the 2006 elections, turnout was 53.2%), again with good results for non-party candidates and lists of candidates, which received 22.0% of all votes for mayors and members of municipal councils (since 1994, there has been a clear trend of growing success for such candidates and lists of candidates).

Two referendums were also held during the period under review. The first was initiated by nearly all members of parliament and focused on the ratification of an arbitration agreement between Slovenia and Croatia. The referendum was held in June 2010 and 51.5% of voters supported the government solution, namely, to try to resolve the problem of defining the path of the national border with the help of international arbitration (turnout was 42.7%). The opposition parties initiated the second referendum, which dealt with public radio and television and was held in December 2010; 27.7% of voters supported the government solution (turnout was just 14.8%).

The period under review was also marked by two crises, a political crisis in which the four coalition parties (some of which themselves are internally divided) engage in repeated disputes with each other and the global economic crisis.

The global economic crisis, which has seriously affected Slovenia, did not hit the country until the first half of 2009. Some government measures meant to combat the crisis were positively received while, more generally, the government was heavily criticized for being too slow in making decisions or for introducing inappropriate measures to respond to the crisis. There is a general consensus that some urgent reforms must be made. But the government has been

criticized for the specific solution it has offered (involving reforms of the pension system and health service system, along with reforms of student labor and the labor market). At the moment, there is a 'threat' that all of these reforms will be included in a referendum.

In addition, there were some political and economic scandals; it was revealed that some companies did not regularly pay social security contributions for their workers; especially in the construction sector, certain companies seriously violated basic workers' rights, and these scandals revealed the poor monitoring and control of the responsible state agencies. Some companies that have been very well respected in the past were shut down, and thousands of workers lost their jobs without having received salaries for several months. In the past, several managers of large and respected companies were under police and judicial investigation due to suspicious attempts to privatize companies. Here, the problem was past legislation that allowed such attempts, along with the support of a state-owned bank that approved loans to fund these attempts.

Taking all of this into account, it came as no surprise that trust in political institutions (with the exception of the president) dropped significantly between the beginning of 2009 and the end of 2010.

## History and Characteristics of Transformation

Slovenia was never an independent nation at any time in its history. It was only in the mid-nineteenth century that Slovenians developed their own national political program to unite all the provinces occupied by Slovenians within a single unit that would enjoy national and political autonomy within the Habsburg monarchy. Because the Slovenian nation failed to achieve national or political autonomy within the monarchy, Slovenians decided to secede at the end of World War I to establish a Yugoslav state together with Serbs and Croats. In the period after World War II, Slovenians lived in socialist Yugoslavia under the leadership of Josip Broz Tito. In the last decade of the twentieth century, the Slovenian nation decided that certain reforms were necessary, but that it would only be possible to implement them if Slovenia seceded from Yugoslavia. This led to Slovenia undergoing three simultaneous transformations: political, economic and governmental.

In 1989, 1990 and especially in 1991, efforts to achieve an independent state were primarily associated with the concepts of democratization, human rights and political pluralism. The fact that the Slovenian population felt politically dominated and economically exploited (Slovenia was by far the most affluent part of Yugoslavia before the upheaval, with a per capita income of \$5,700 – twice the Yugoslav average) by the Serbs certainly contributed to efforts to achieve independence. The country's homogenous ethnic structure meant that questions revolving around the nation state and nationality did not play a (very) mobilizing role in the political discussion. Since there was basic consensus among the new and old Slovenian elites on all three

transformations, Slovenia progressed smoothly in the transformation process, and society paid a minimal price to achieve the abovementioned goals; there was a “Ten-Day War” in 1991, but, compared to developments in the other Yugoslav republics, Slovenians did not suffer greatly in the process of acquiring independence and democracy.

At the first multiparty democratic and free elections held in 1990, a coalition of new parties called Demos received the majority of votes (the transformed League of Communists received the largest share of votes in the lower house); Demos then formed a government, but some ministers from the League of Communists participated in it. The last leader of the League of Communists was elected president. Slovenia adopted a new constitution in 1991 and established a parliamentary political system. Two key political leaders in the 1990s were President Kučan and Prime Minister Drnovšek, also a leader of the Liberal Democracy Party of Slovenia, which was, relatively speaking, the largest political party in Slovenia from 1992 to 2004.

There were no major political problems during the first decade, although there were problems in the economy. After economic restructuring and the painful disintegration that came with sovereignty and resulted in a steep drop in the country’s economic potential, the GDP levels of 1990 were only reached again in the mid-1990s (for several years, GDP growth rates were consistently negative). By the mid-1990s, both inflation (200% at the start of the 1990s) and unemployment rates (approximately 10%) were very high. The country had inherited a relatively concentrated and strongly export-oriented economy from the period of Yugoslav socialism. Slovenia was home to the federation’s most advanced, capital-intensive companies in the engineering and chemical sectors, which also had strong links with Western markets. Yet Slovenia also had a large sector of traditionally labor-intensive, Fordist companies primarily oriented to the protected and less demanding domestic Yugoslav market, a market that almost completely vanished in the 1990s.

Slovenia joined the United Nations as an independent country in 1992, the Council of Europe in 1993, the European Union and NATO in 2004. On 1 January 2007, the Slovenian tolar was replaced by the euro, and in July 2010 Slovenia became a full member of the OECD.

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

Question  
Score

The state has an unchallenged monopoly over the use of force throughout its entire territory. A small part of the border with Croatia remains the only unresolved issue (on the Slovenian side, the border dispute focuses primarily on the question of access to the open sea). Certain incidents have occasionally occurred in this area. An agreement was reached in 2010 between the Slovenian and Croatian prime ministers on how to find a solution to the Slovenian-Croatian border dispute. The countries have agreed to try to solve the problem with the help of international arbitration. In Slovenia, the agreement was confirmed by a referendum.

Monopoly on the  
use of force  
10

All citizens possess equal civil rights. Ethnic minorities have been especially protected, and they are represented in the parliament and in local municipal councils. Slovenia has ratified most international agreements regarding the protection of minorities.

State identity  
10

Up until 2010, a significant unresolved problem involved so-called erased citizens, a term used to describe people who were erased from the register of permanent residents and who consequently lost their rights as citizens in 1992 and 1993, with the majority being non-Slovenians; a few of these erased citizens acted against the strategic interests of Slovenia during the Ten-Day War in 1991. In the last decade, there have been several political conflicts between center-left and center-right parties on how to approach and address this problem. In 2010, the center-left government finally began to address this problem with legislation that was adopted in 2009. With this new legislation on erased persons, the government, among other things, enabled them to obtain a permit for permanent residence in Slovenia and facilitated the retrospective legalization of their residence. The legislation raised fears of possible compensation claims by erased persons for damages due to the cancellation of their citizenship. The opposition even attempted to initiate a referendum on this issue, but it was unsuccessful.

The state is defined and recognized by a great majority as a secular state. In Slovenia, 43 religious communities had been formally registered by January 2011; this figure has not changed over the last four years. Religious dogmas have no direct influence on politics, although the indirect role and presence of the Roman Catholic Church in social sub-systems (in education, health, economic and media organizations) has been steadily growing since 1990, especially during the 2004-2008 period under a center-right government.

No interference of religious dogmas  
9

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

Basic administration  
10

## 2 | Political Participation

In the period under review, two regularly scheduled elections were held. In June 2009 the second EP elections were held. These elections saw a low turnout level similar to that of the 2004 EP elections (28.3%). Twelve candidate lists competed (one less than in 2004) in the elections, involving a total of 81 candidates (there were 91 candidates in 2004). The main governmental party received only 18.4% of the votes, while the biggest opposition party was the clear winner of the elections with 26.6% of the vote. In general, center-left parties together won four of the seven seats in the EP reserved for Slovenia.

Free and fair elections  
10

Regular local elections were held in October 2010. Local elections were conducted in 208 out of 210 municipalities. Due to a decision by the Constitutional Court, elections have not been held in the municipalities of Koper and Trebnje. Ankaran and Mirna sought to establish municipalities independent from Koper and Trebnje. The National Assembly initially decided that both areas meet the legal conditions for the establishment of municipalities, providing the basis for a referendum to survey the residents of these areas. In both referendums, the residents supported the establishment of new municipalities. The government then proceeded to prepare proposals that would create two new municipalities, but both proposals later failed to garner sufficient support in the National Assembly. As a result, Ankaran and Mirna brought the initiative to the Constitutional Court for constitutional review, and at the same time suggested holding elections in Koper and Trebnje. The Constitutional Court ruled in favor of Ankaran and Mirna.

Local elections recorded a turnout of 48.8% (turnout was 53.2% in the 2006 elections), again with good results for non-party candidates and lists of candidates, which received 22.0% of all votes for mayors and members of municipal councils. Since 1994, there has been a clear trend of growing success for such candidates and lists of candidates: they received 9.5% of all votes in 1994; 11.7% in the 1998 elections; 17.1% in the 2002 elections; and 21.4% in the 2006 elections. All

parliamentary parties also competed in the elections; in addition to non-party candidates and lists, there were a number of non-parliamentary as well as local lists.

Two referendums were also held during the period under review. The first was initiated by nearly all members of parliament and focused on the ratification of an arbitration agreement between Slovenia and Croatia. The referendum was held in June 2010 and 51.5% of voters supported the government solution, namely, to try to resolve the problem of defining the path of the national border with international arbitration assistance (turnout was 42.7%). The opposition parties initiated the second referendum, which dealt with public radio and television and was held in December 2010; 27.7% of voters supported the government solution (turnout was just 14.8%). After the referendum, a majority of the population expressed unhappiness with the fact that referendums on very specific and expert questions are also organized; this triggered ideas that the right to demand a referendum in Slovenia is not defined properly. The opposition suggests that one day a year should be reserved for referendums; the government suggests that a minimum of 40,000 citizens constitute a group with the right to demand a referendum, whereas experts call for a clear definition of which issues can be put to a referendum. Some legal experts have also identified the use of referendums in Slovenia as a problem. According to these legal experts, referendums in Slovenia do not contribute to more genuine democracy and the legitimacy of the democratic political process; instead, they represent an abuse of this instrument of direct democracy.

Both elections and referendums met the norm of universal suffrage with a secret ballot.

Elections have always been free and fair as well as very well organized since Slovenia became an independent country. No party has expressed any doubts about the results after elections and referendums are over.

Central and other electoral commissions are impartial and effective. Voter registration in Slovenia is automatic; there is no need for voters to undergo a special registration procedure (when a citizen is 18 years old, they receive both passive and active voting rights).

There are many polling stations and voting is also routinely organized in hospitals, prisons, the homes of the elderly, in the army, etc. It is also possible to ask a commission in advance for permission to cast a vote at home (mobile polling stations).

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

Effective power to govern

10

People can freely associate in and assemble political and other groups. These groups also express their opinions without any restrictions in the basic democratic order, as provided by the constitution.

Association /  
assembly rights  
10

The constitution guarantees freedom of expression, and freedom of the press is also formally provided.

Freedom of  
expression  
9

In the socialist past, the main pressure on the media came from politics; during the last several years, however, media pressure has come more frequently from companies and their owners. In the last few years, the number of legal proceedings initiated by businessmen or (high-ranking) politicians against journalists has grown. It seems that the courts were relatively inclined to support the plaintiffs, at least until the scandal surrounding the daily Dnevnik newspaper in September/October 2009 in which the newspaper was prevented from reporting on an alleged corruption case. Despite many differences between the presidents of the two journalist associations, they have both criticized many of the judicial branch's decisions in the past. The Dnevnik case was exposed and criticized abroad as well and represents a turning point. Although no legislation has been amended in this regard, the practice of the courts is now more favorable to journalists and the media.

According to Reporters without Borders, Slovenia dropped from 30th to 37th place in the World Press Freedom Index for 2009, dropping even further in 2010 to 46th place. In the opinion of a president of one of the journalist associations, this regression is not unexpected and is chiefly the result of incidents in the media field under the former center-right government. The president of the other journalist association also agrees that the report is no surprise, although he sees the root causes differently, arguing that the majority of Slovenian media would be biased in favor of the center-left parties.

In 2010, there were two (in)direct threats to journalists in Slovenia. After the announcement of the local election results and the commencement of celebrations for the re-election of Ljubljana's mayor, the mayor's son made a death threat against a journalist from the newspaper Finance. The mayor's son apologized to the journalist, claiming that he had been drunk when he made the threat. Only ten days later, a second journalist at Radio-Television Slovenia was threatened. When a Slovenian national broadcast journalist reported on alleged irregularities in refurbishing the house of the chief of the prime minister's cabinet, she received a threat.

In 2003, Slovenia established the Office of Information Commissioner as an independent state body. The commissioner has been quite active, and her decisions have been publicized in the past (in 2010, 49% of the population trusted her work). Consequently, the right to obtain information has become well known to citizens (not only to journalists).



### 3 | Rule of Law

The system of checks and balances has generally worked well in the framework of the parliamentary system. However, as in many other parliamentary systems, the majority in parliament has always been a great follower of government proposals.

Separation of  
powers  
10

Only the upper house of parliament has a right to veto adopted legislation, but that can be overridden by an absolute majority of all members of parliament. As a rule, vetoes are overridden. Otherwise, it is also possible to call a referendum. This can be done by voters, the government, or the upper or lower houses of parliament. In a period of 20 years, 18 nationwide referendums have been organized, while on the local level there have been many more.

The judiciary is generally free of unconstitutional intervention by other institutions and private interests.

Independent  
judiciary  
9

In 2009 and 2010, there were some political struggles that damaged the reputation and independence of the judiciary. In 2008, Slovenia experienced a long “work-to-rule strike” by judges who did not agree with their inclusion in the public sector’s salary system. The Constitutional Court approved their protest in a judgment stating that the judiciary represents the third branch of power and therefore the respective wage system must be comparable with the wage systems of the executive and legislative branches. Following the Constitutional Court decision, the center-left government adopted new legislation on this matter in 2009, yet its implementation was prevented by the largest opposition party demanding a referendum on judicial salaries. In November 2009, the Constitutional Court unanimously decided that such a referendum would cause an unconstitutional situation, so a referendum was not organized. The problem was further exacerbated when, in October 2009, certain judges launched proceedings against the state for not making enough salary payments in the last few years. This step triggered dissatisfaction not only in the opposition but also amongst the coalition parties. In 2010, the Supreme Court faced the problem of electing a president of the court. First, it was difficult to find a candidate for the position. Later, when a candidate did emerge, he could not manage to win support from his colleagues. The candidate who then did obtain such support was heavily criticized by the opposition due to his allegedly questionable work during the time of the socialist system. Nevertheless, this candidate was appointed nine months after the mandate of the previous president had come to an end.

Since the mid-1990s, the judicial system has been overburdened with cases, resulting in long delays in trials. This has affected trust in the judicial system and in the rule of law. Not surprisingly, such ineffectiveness has also been a cause of public dissatisfaction in the period under review.

All in all, it is no surprise that even the ombudsman warned the parliament that the authority of the judiciary was being damaged.

There are mechanisms for the judicial review of legislative and executive acts, and the Constitutional Court is the final arbiter of such reviews. There are also two important non-governmental institutions that fight abuses of office, namely the Court of Auditors and the Anti-Corruption Commission. In 2009 and 2010, these agencies initiated investigations against public officeholders (for example, against a member of parliament). On the other hand, the Court of Auditors called on the prime minister to dismiss the Minister of the Environment (the leader of a governmental party) in 2010 and to dismiss the Minister of Finance in 2011. The prime minister followed the Court of Auditors' recommendation in the first case, but decided not to remove the Minister of Finance. In another incident, one member of parliament was sentenced to jail in 2010 (becoming the first member of parliament to be imprisoned while still holding office) for several years due to bribery and blackmail.

There were also two other cases that were significant. First, in July 2010, the Minister of the Economy resigned from his position due to the "integrity of work by some ministers." The Minister of the Economy was referring to his ministerial colleague and a leader in his own party, the Zares party. The Minister of Higher Education, Science and Technology has been suspected of clientelism and corruption for facilitating considerable public grants and deals on public procurement for the companies of the Ultra Group, which is also co-owned by the Minister of Higher Education, Science and Technology. Second, in 2010, irregularities in the work of a head of the prime minister's cabinet were also discovered. She resigned from her position and is now under investigation by the Anti-Corruption Commission.

Civil rights are guaranteed by the constitution and respected by all state institutions. Nevertheless, human rights are sometimes violated. This is reflected in statistics from the ombudsman. In 2009, the ombudsman received several requests to consider human rights violations, but there were 9% fewer such requests than in 2008. In general, the majority of initiatives (24%) in 2009 were connected to the judiciary (mainly related to delays in trials), police procedures and social security (14%). The violation of construction workers' basic rights (especially of workers from Bosnia and Herzegovina) attracted substantial public attention in 2010.

The government prepared a new draft Family Law in 2009. The proposed law includes two elements that have attracted widespread discussion and resistance: the definition of marriage as a lifelong partnership between two persons of the same or opposite sex; and a passage that permits two same-sex partners to adopt a child. Members of the (currently) non-parliamentary party New Slovenia declared that they would demand a referendum if such resolutions are adopted. In the course of

Prosecution of  
office abuse  
9

Civil rights  
10

heated political debates, the government decided to attempt to avoid another potential referendum; the government has decided in 2011 to prepare a modified proposal that defines marriage as a lifelong partnership between a man and a woman, and a resolution that specifies that two same-sex partners may only adopt a child if one of the partners is the child's biological parent. A specific indicator of equality in the country emerged when a black man was elected mayor in the local elections for the first time ever in 2010.

#### 4 | Stability of Democratic Institutions

Democratic institutions are established and generally work effectively and efficiently. As a rule, political decisions are made, implemented and reviewed in legitimate procedures. The most significant problem are trial delays in the judicial system. There are many reasons for this: poor organization, the sheer volume of legal proceedings (alternative dispute resolution and mediation alternatives have not yet been developed), complex procedures and the option of shifting a case from one institutional level to another, and then back again.

Nevertheless, due to the economic and political crises in the last two years, the prime minister and the government have been criticized by politicians, the majority of opinion-makers and the public. In October 2009, the leader of the opposition called for early elections but did not take any action in that direction. Instead, he announced the preparation of constitutional amendments to create a second republic. At the end of 2010, he presented some of these ideas, most of which are related to the judicial branch. For example, he calls for changing its organizational structure and abolishing the permanent mandate of judges. He also mentioned the need for changes that would enable early elections, as it is formally possible to call early elections, but hard to implement this due to the vote of no-confidence mechanism. The leader of Zares, the governing party, agrees with the opposition leader on constitutional changes relating to the latter proposal.

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

Performance of  
democratic  
institutions  
10

Commitment to  
democratic  
institutions  
10

#### 5 | Political and Social Integration

In Slovenia, the number of parliamentary parties has varied between seven and eight since 1992. The Slovenian party system has achieved a high level of consolidation and stability without any major electoral engineering. Two major cleavages have been consistently present in Slovenia, namely a cleavage between liberalism and conservatism, which is even more pronounced because it overlaps

Party system  
9

with a cleavage between communism and anti-communism. These elements can be described as elements of polarized pluralism, but some other important elements of polarized pluralism have been missing. It is important to note the absence of an anti-system party. There are no significant extreme right or left parties in Slovenia, with the only partial exception being the Slovenian National Party.

In a comparative perspective, it seems that Slovenian political parties have relatively high membership density (in 2009, approximately 6% of the population were members of political parties). In the last two years, there have not been any major or important splits or mergers involving parties and it seems the party system has further stabilized in this regard. Among Slovenia's political parties, the Democratic Party of Retired Persons has been present in the parliamentary arena since 1996 and has been a member of governmental coalitions throughout that time. Since 2004 in particular, it has played a decisive role in the formation of governments. In September/October 2010, the party recorded its highest support in public opinion surveys (13%, whereas at the beginning of the year it had attracted just 3% of voters).

Seventy-three parties were registered in Slovenia in January 2011.

There is a large network of interest groups and organizations.

Interest groups and other civil society groups play an important role in the formation of various policies. A substantial segment of interest groups is acknowledged as being vital and important to the state, and is elevated to a special status and institutionalized in the National Council (the upper house of parliament).

It seems the most active groups are economic interest groups (employer and employee organizations), an interest group for retired people, as well as some environmental interest groups. But only economic interest groups have enjoyed privileged access to policy-making processes via the Economic and Social Council, which brings together representatives of employers, employees and the government. Despite their differences, interest groups are quite frequently able to cooperate.

The environmental groups (alongside employer and employee groups) have been the most active in the recent two years. The group Ecologists without Frontiers waged a very successful campaign called "Clean Slovenia in one day" that resulted in approximately 200,000 people (10% of Slovenia's population) joining the campaign. An environmental group called EKO KROG also became more visible by achieving some successes in negotiating with the government over the formal rules regarding heavy pollution caused by the Lafarge Cement factory in Trbovlje. The group Society For the Rule of Law, led by an economist, was successful in forcing banks to return several million euros to their clients because they were unjustly charged fees for ATM withdrawals. The group also succeeded in forcing

power distribution companies to return money that was overcharged to their clients. It was determined that the companies were acting as a cartel.

Satisfaction with democracy dropped significantly between early 2009 and the end of 2010, and the same happened with trust in political institutions. At the beginning of 2009, 61% of Slovenians were unsatisfied with democracy, and by the end of 2010 the figure had gone up to 86%. At the start of 2009, 33% of the people did not support the government, while at the end of 2010, this figure rose to 66%. Furthermore, trust in political parties (as a rule, they enjoy the lowest level of trust), as well as in parliament, has dropped significantly.

There are several possible explanations for this trend. A few scandals and affairs of 2009 and 2010 that involved the agriculture minister and the prime minister's chief of staff, who were charged of exploiting their personal networks and political connections to gain privileges, fostered the perception among the public that there are two different rules of law: one for "ordinary" and one for "privileged" people.

In addition, the government was heavily criticized for the speed and quality of its response to the economic crisis, which hit Slovenia seriously in the first half of 2009. Some government measures to combat the crisis nevertheless earned a positive reception (for example, subsidies for shorter working hours, preventing bank loans used to support the privatization of companies by their management and raising the minimum wage).

There is a general consensus that some urgent reforms are needed. But the government has been criticized for some of its specific solutions (e.g., reforms of the pension system and health service system, reforms of student labor and the labor market). There are concerns, however, that these reforms will be put to a referendum.

There are a large number of autonomous associations and organizations. Altogether, more than 21,000 associations were registered as of January 2011. The majority of them come from the fields of sports, culture and art, as well as voluntary fire brigades. According to 2009 public opinion polling data, 11% of people think the majority of people can be trusted, while 28% think that one should be cautious in trusting the majority of people. This can hardly be interpreted as a high level of trust among people.

Approval of  
democracy  
9

Social capital  
9

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

According to official statistical data for 2009, the at-risk-of-poverty rate was 11.3%. Unemployed and retired persons are among the most vulnerable in this respect. The at-risk-of-poverty rate is also high among women over 64 years of age. The monthly threshold of poverty risk for a single-member household in 2009 was €93, while in 2008 it was €45. In Slovenia, levels of exclusion are not based on religion or ethnicity. On the other hand, there are relatively large poverty risk differences among (statistical) regions in Slovenia; the Pomurje region was the most vulnerable in this regard in 2009 and 2010. According to the Human Development Index, Slovenia was ranked in 29th place, with a Gini coefficient of 22.7% in 2009, which was slightly lower than in 2008.

Question  
Score

Socioeconomic  
barriers  
10

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	47306.8	54606.0	49056.2	<b>46908.3</b>
GDP growth	%	6.9	3.6	-8.0	<b>1.4</b>
Inflation (CPI)	%	3.6	5.7	0.9	<b>1.8</b>
Unemployment	%	4.8	4.4	5.9	-
Foreign direct investment	% of GDP	3.2	3.5	-1.3	<b>0.8</b>
Export growth	%	13.7	2.9	-17.2	<b>9.5</b>
Import growth	%	16.7	3.7	-19.6	<b>7.2</b>
Current account balance	\$ mn.	-2298.0	-3762.8	-624.8	<b>-387.9</b>
Public debt	% of GDP	23.4	22.5	35.4	<b>37.2</b>
External debt	\$ mn.	-	-	-	-
Total debt service	\$ mn.	-	-	-	-

Economic indicators		2007	2008	2009	2010
Cash surplus or deficit	% of GDP	0.1	-0.2	-5.5	-
Tax revenue	% of GDP	19.6	19.9	18.1	-
Government consumption	% of GDP	17.3	18.1	20.3	<b>20.8</b>
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	7.8	8.3	9.1	-
R&D expenditure	% of GDP	1.45	1.66	-	-
Military expenditure	% of GDP	1.5	1.5	1.6	-

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

Slovenia has been included in the Economic and Monetary Union of the European Union since 2007. The state complies with EU regulations governing the distribution of state subsidies. Although there are state-guaranteed rules for market competition, the informal economy still accounts for 17% to 23% of GDP.

Market-based  
competition  
9

In Slovenia, there are adequate laws and institutions in place to deal with monopolization problems and establish non-discrimination principles. The main institution dealing with the protection of competition is the Competition Protection Office. The work of the Office was strongly criticized in the past, but in the last few years it has been much more active. In 2009 and 2010, there were some successful and publicized actions against different companies and their cartel agreements (for example, electricity distribution companies, banks and ski centers). Despite the director of the Competition Protection Office's resignation at the beginning of January 2011 (mainly for personal reasons and partly because the office has not yet been formally separated from the Ministry of the Economy and therefore has not been granted legal independence), it seems that the office will continue its successful work.

Anti-monopoly  
policy  
9

Slovenia is a member of the European Union and has accepted its trade policy. It has a relatively liberal trade system. Although there are may be some indirect obstacles to investing in Slovenia, for example high taxes on labor, on the formal level there is no state intervention in the liberalized market. Since 1995, Slovenia has also been a member of the WTO and has to abide by its principles. In any case, Slovenia has encouraged the activities of companies in foreign markets, mainly via subsidies to help them prepare for internationalization and to strengthen their competitive position. In addition, strong input has come from the establishment of

Liberalization of  
foreign trade  
10

an administrative unit at the Foreign Ministry that deals specifically with economic diplomacy. However, in general it is not possible to identify systematic and horizontal arrangements in this respect, and the administration's responses have been sporadic in nature.

There were 20 banks and three savings banks in Slovenia in 2010.

In terms of the banking sector's ownership structure (in terms of equity), in 2009, the state was still an important owner of 20.5% of the banking sector, with 43% of the sector held by other domestic entities.

The government holds the largest ownership share in the two banks with the largest market shares in Slovenia (in the biggest one, the Belgian bank KBC is an important shareholder, but its stake has been up for sale for almost two years). The Slovenian bank NLB held 30% of the market, and another bank, NKBM, accounted for 10%. In 2009, NLB's 28.3% share of total lending dwarfed NKBM's 9.3% share; this disparity remains when considering the banks' capacity to collect deposits: 31.5% and 9.9% for NLB and NKBM, respectively. With a net profit of €9.3 million, NLB accounted for a hefty one-third of the aggregate profit generated by the Slovenian banking sector.

Liabilities at Slovenian banks vis-à-vis foreign banks were reduced by 20% in 2009. Another feature of the banking system in 2009 was the stagnation of loan activity, both in terms of supply and demand. This happened due to problems in finding appropriate financing sources as well as the adjustments made by banks, companies and households in response to the crisis. Total lending was €35.3 billion, or €799 million more than as of 31 December 2008. Corporate loans and retail loans increased. Total deposits amounted to €23.7 billion at the end of October 2009 or €3.1 billion more than as of 31 December 2008. Deposits placed by corporate and institutional depositors in 2009 increased by €2.7 billion and retail deposits by €387 million in comparison with year-end figures for 2008. The average deposit rate in October 2009 was 1.8%. In 2010, the credit activity of banks was modest, with net loans to companies in the last several months of 2010 being even lower than at the beginning of the crisis.

The structure of bank assets in 2009 was as follows: cash 2.8%; loans to banks 11.1%; loans to the non-banking sector 65.6%; capital investments 1.4%; financial assets/securities 17.3%; and other assets 1.9%. The structure of bank liabilities in 2009 was as follows: liabilities to banks 34.7%; liabilities to the non-banking sector 45.8%; liabilities from securities 6.7%; subordinated liabilities 3.0%; capital 8.4%; provisions 0.3%; and other liabilities 7.8%. Total bank assets in 2009 stood at €1,427 billion; total assets were 147.4% of GDP; GDP at current prices was €34,892 billion; average return on assets was 0.32%; average return on equity 3.83%; operating costs as a proportion of gross income was at 53.75%; interest



margin on total assets 1.87%; non-interest margin 0.99%; and gross income on average assets was 2.86%. In 2009 foreign banks held a 30% market share, while large banks held a 63% market share.

The cost of risk in the Slovenian banking system was 1.13% at the end of October 2009.

Overall, the banking system is sound, with a capital adequacy ratio averaging 11.6% and Tier I capital ratio averaging 9.3%. With some 30% excess capital above capital requirements, the risk absorption capacity of the Slovenian banking system remains comparatively high.

In 2010, the country's biggest bank, NLB, barely passed a stress test; in the event of a potential shock, it would only have 0.3% of reserves (mainly because of past investment failures). In any case, the most important question in 2009 and 2010 was how to recapitalize the biggest bank; should this be done by a foreign partner or by taxpayers via the national budget? There have been struggles among experts and politicians regarding this question, but no decision has been made.

## 8 | Currency and Price Stability

Since Slovenia is a member of the European Monetary Union, exchange rate policy is determined by the European Central Bank.

In the recent past, Slovenia was a country with relatively high inflation. This has been a reason for Slovenia's special sensitivity towards inflation. As in the past, the central bank, which has retained its independence, was an important actor in dealing with inflation in 2009 and 2010.

In 2010, the inflation rate was 1.9%; in 2009, 1.8%; in 2008, 2.1% and in 2007, 5.6%.

In 2009 and 2010, the government tried to approve and implement stability policies. In 2009, its main goal was to buttress social protections with higher social transfers. Consequently, public debt and the budget deficit grew rapidly. Much greater stress was put on stability policies in 2010, but it seems that the government was not very successful in dealing with these questions. Namely, the gross debt of the state sector according to ESA-95 in 2009 was 35.4% of GDP, while in 2010 it was 37.9% and the forecast for 2011 is 42.1% of GDP. The budget deficit in 2009 amounted to 4.9% of GDP, to 4.8% in 2010, and is predicted to be 4.5% in 2011, while in 2012 it is supposed to drop below 3% of GDP (in 2007 and 2008, there was a surplus of 0.1% of GDP). In order to support the goal of cutting budget deficits, the

Anti-inflation /  
forex policy

10

Macrostability

9

government has frozen the salaries of state employees and made some investment cuts.

## 9 | Private Property

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

Property rights  
10

Private companies are seen as the primary engines of economic production and are given appropriate legal safeguards. In any event, the state still directly or indirectly controls a relatively large part of the economy; in 2009, it was estimated that the state is present in approximately 20% of the economy, but only in a small share of companies did it have more than a 25% stake. Although it was announced that privatization should be in place and proceed more quickly than in the past, no serious steps were taken in that direction. One reason is that a time of economic crisis is not the best time to conduct privatization (since prices may be low), while there are also disagreements among politicians and experts on whether it is necessary to even implement it.

Private enterprise  
9

## 10 | Welfare Regime

Altogether, at the beginning of 2009, more than 44,000 people in Slovenia were entitled to social aid in the form of cash; at the end of 2010, this figure had climbed to 60,000. The amount of money transferred to rightful claimants at the beginning of 2009 exceeded €9 million, and at the end of 2010 it exceeded €12 million.

Social safety nets  
10

If social transfers are excluded from the economic data, the at-risk-of-poverty level would double (22%). If there were no social transfers, it is expected that people over the age of 64 would be subjected to an 84% risk of poverty. These figures reveal that different forms of social transfers are still an important factor in reducing poverty in Slovenia.

A universal health care system was introduced in Yugoslavia and has continued operations in independent Slovenia. There were intensive talks about health care system reform in 2009 and 2010, which will result in reduced services for the same amount of money.

The unemployment and social security insurance system expanded, especially after the transition from socialism to democracy. But this aspect of the welfare state had already been substantially downsized several years before the economic crisis. In

any event, in 2009 and 2010, the center-left government redistributed a bigger share of the budget to rescue the welfare state in a period of high unemployment.

The welfare regime still largely depends on public organizations, although there are also some private ones. Alongside public and private organizations, many NGOs are also active.

In the last few years, Slovenia has introduced various programs for the Roma community aimed at raising their level of education and improving professional qualifications.

Equal opportunity  
9

Formal gender equality exists, but there are some gaps between the theory and practice. This is, for example, exposed in wage differences for the same jobs. Many more women complete their studies at the BA level than do men, while the number of women in MA and especially PhD study programs is much lower. Furthermore, the share of women employed in the scientific research sector is much lower than the share of men. Women have an extremely low share of the highest positions in this sector.

The EP elections of 2009 and local elections again confirmed the significant underrepresentation of women in elected political bodies, even though a gender quota has been introduced for elections at the local, national and European levels. This also contributes significantly to the relatively low Gender Inequality Index in Slovenia, namely just 0.336 (in 2008).

## 11 | Economic Performance

The gross debt of the state sector according to the European System of Accounts (ESA95) in 2009 was 35.4% of GDP, while in 2010 it was 37.9% and the prediction for 2011 is 42.1% of GDP. In 2009, the budget deficit was 4.9% of GDP, in 2010 4.8% and it is predicted to be 4.5% in 2011, while in 2012 it is expected to fall below 3% of GDP (in 2007 and 2008, there was a surplus of 0.1% of GDP).

Output strength  
8

In 2010, the inflation rate was 1.9%; in 2009, 1.8%; in 2008, 2.1% and in 2007 5.6%. The unemployment rate has increased considerably in the last two years. At the beginning of 2009, the unemployment rate was 7.8%; at the end of 2009, it was 10.3%, and at the end of 2010 it was 11.1%. In 2008, there was 3.7% growth in GDP, while in 2009 an 8.1% drop in GDP was recorded; in 2010 small improvements were recorded, with GDP rising by 0.9%,. GDP growth for 2011 is predicted to be 2.5%. Exports of goods and services in 2009 dropped 17.7%, while in 2010 growth of 7.0% was recorded; imports declined in 2009 by 19.7% and expanded in 2010 by 5.6%.

The situation in 2009 was obviously very bad, while there were some signs of improvement in 2010; however, the overall economic situation does not look very good.

## 12 | Sustainability

In the two years from 2008 to 2010, Slovenia dropped significantly in the Environment Performance Index. In 2010, Slovenia's score was 65 (86.3 in 2008), its rank was 55 (15 in 2008), its environmental health score was 85.8 in 2010 (97.8 in 2008), and the ecosystem vitality score in 2010 was 44.9 (74.8 in 2008).

Environmental  
policy  
9

In Slovenia, environmental concerns have been taken into account, mostly in the form of appropriate legislation, but, as in the past, there were still problems with implementation. For example, the minister of the environment resigned in January 2010 due to unsuccessful implementation of environmental policy. He resigned after the Slovenian Court of Auditors, in its post-audit report on the suitability of treating separately collected municipal waste in Slovenia from 2005 to the end of 2007, found that the Ministry of the Environment seriously violated good business principles.

Education policy ensures a nationwide system of higher education and training.

Education policy /  
R&D  
9

In 2009, Slovenia assigned 1.86% of GDP to R&D. Nominally, this means €40 million more than in 2008. The state contributed 36% of funding while companies contributed 58% of all funds. Almost half of all funds were assigned to research in technological and technical fields, followed by the natural sciences; 17,045 people were employed in this sector.

In general, it is regularly stated that there should be a greater emphasis on the transfer of knowledge from research to industry, and that is necessary to increase the share of GDP devoted to R&D.

Unfortunately, it was only possible to obtain data for 2008, and these figures show that 5.2% of GDP was assigned to formal forms of education (45.2% of funds were assigned to primary education, 23.3% to tertiary education). Almost all funds for the education system were public funds.

In the 2009/2010 academic year, 115,000 people were enrolled in the tertiary education system, and 18,000 graduated in 2009.

## Transformation Management

### I. Level of Difficulty

In 2009 and 2010, structural constraints (extreme poverty, lack of educated labor, natural disasters, etc.) on governance were very low.

Structural  
constraints

1

Civil society enjoys a relatively strong tradition, the reason being that Slovenia has historically lacked political life organized in the form of an independent state. Therefore, political life has been organized in societies, clubs and associations ever since the mid-nineteenth century. Many elements and mechanisms of fundamental participatory democracy had already been developed under the Yugoslav system of self-management. This enabled people to gather experience with and knowledge about democratic decision-making processes in mostly non-political situations. With progress being made in deregulation, a growing number of groups outside of the unions have begun to articulate opinions about current social issues.

Civil society  
traditions

1

There are no significant ethnic cleavages in Slovenia. Italians and Hungarians both enjoy the status of minorities and are therefore protected on the local and national level, and also enjoy many special (political, cultural, etc.) rights. There is no political party with a nationalist background on the national level. The Roma population deserves special attention and status, which is mainly implemented on the local level. Although in ethnic terms the population is homogeneous (more than 80% of the population is Slovenian), there are also a lot of Serbs, Bosnians and Croats in Slovenia. They do not possess any special status, but are organized according to civil society principles and in the form of religious groups (Orthodox and Muslim). In 2009 and 2010, there were no (violent) incidents based on ethnic or religious differences in Slovenia.

Conflict intensity

1

There is a traditional and very vital cleavage that divides Slovenia into two (political) blocs: Roman Catholic conservatives on one side, and socialist liberals on the other.

## II. Management Performance

### 14 | Steering Capability

In 2009 and 2010, the executive was strongly criticized for having handled the economic crisis very poorly, and the opposition (as well as the population) complained that the government had not set the right priorities and had proposed inappropriate solutions for the right priorities. Like the center-right government of 2004-2008, the present center-left government also has ideas about strategic and necessary reforms. The economic crisis, which has seriously affected Slovenia, has caused some changes to the strategic priorities. While in 2009 there was a need to strengthen the welfare state, the government announced measures for 2010 and 2011 to help improve the macroeconomic situation and assure a more competitive position for Slovenian companies. The crisis has strengthened the need to undertake structural reforms, in particular more radical changes to the pension system, and labor market reforms (here, the need for greater flexibility is important). The prime minister announced that some reforms are simply necessary and that the government will insist on them, even if that potentially means losing the next elections.

Mainly, the government experienced no major problems in achieving reform goals connected to EU policies. In contrast, it was not very successful in implementing the major reforms that were accepted in 2009 and 2010. On one hand, the government faced dissension among governmental parties while, on the other hand, there was strong opposition from civil society organizations, especially trade unions and student organizations (in several cases, the two groups cooperated). Frequently, even when the government succeeded in passing a certain reform in parliament, it encountered a potential new obstacle: the threat of a veto by the upper house (usually, the lower house was successful in overriding it), the “threat” of a referendum (because of the procedure involved, it remains an open question whether the referendums on student work and the pension system reform will actually be organized), or the potential “threat” of a referendum (on future health care system reform, on family law, on the media law).

In the period under review, the government was able, but not always, to replace failed policies with innovative ones. The question in Slovenia is whether the different reforms are the results of analyses or merely of newly emerging needs and the varying views of different governments. Nevertheless, in the last few years, an evaluation phase has been introduced to institutionalize complex learning in most policy areas. Still, the question of the extent to which the information collected by

Question  
Score

Prioritization  
8

Implementation  
7

Policy learning  
7

evaluations is used in the drafting of new policies remains unanswered. In general, during the last few years, increased policy learning and/or evaluation processes have resulted from external factors: membership in the European Union and, recently, in the OECD.

## 15 | Resource Efficiency

At the beginning of its term, the new government announced that new criteria would be introduced to select candidates for political and administrative posts. For this purpose, it established a cadre accreditation council that is meant to select candidates for the highest posts in the administrations and agencies governing (partly) state-owned companies according to a merit system. In 2010, though, the entire council decided to resign due to the excessive pressure being exerted on the members to make decisions based on considerations other than merit. It seems that in 2010 the government had quite a lot of difficulties implementing its initial aim here. In any case, there is a consensus among commentators and opinion-makers that, in 2009 and 2010, there were fewer politically motivated dismissals and new appointments in the public administration than under the previous government. Not surprisingly, the biggest opposition party (and formerly the leading governmental party) does not share this opinion. In any case, the prime minister has indeed been criticized by many commentators and opinion-makers for deciding that many of the high-ranking civil servants and officials (who were nominated to their positions under the former government after a “cadre tsunami” in 2004 and 2005) will stay on in their positions until the end of formally defined mandates.

Efficient use of  
assets

8

The Court of Auditors has continuously ensured effective and independent auditing, and in some cases its reports have revealed that the government did not use budget resources very efficiently, although in fact it was no less efficient than the previous government.

There have been political disputes among governmental parties that indicate a high degree of friction within the government. The most prominent disputes have been, for example, disputes over the budget, the pension system reform, the question of whether to complete or cancel a contract between Slovenia and a Finnish company to purchase armored personnel carriers for the Slovenian army, the issue of the presence of the Slovenian army in Afghanistan, and energy policy.

Policy  
coordination

8

The prime minister’s leadership style was clearly consultative and coordinative, and in 2009 he found himself being criticized because decisions were not being made quickly enough. In 2010, the prime minister changed his leadership style significantly. Consequently, several notable interest groups are not pleased with this transformation and have already stated several times that the government shows no desire for cooperation. The government has regularly responded that it is impossible

to talk and collaborate ad infinitum. Otherwise, several (formal) coordination bodies have been established on the level of individual ministries in the last two years, including civil servants, interest groups and experts.

There are three important non-governmental institutions fighting abuses in Slovenia, namely the Court of Auditors, the Office of the Information Commissioner and the Anti-Corruption Commission (the financial status of the Commission has improved under the center-left government). All three bodies are important structures in the fight against corruption in Slovenia and were very active in 2009 and 2010.

Anti-corruption  
policy  
8

In 2010, the Law on Integrity and the Prevention of Corruption was passed. It regulates more explicitly the accountability of officeholders, and lobbying is also regulated for the first time in Slovenia. Party finances and electoral campaigns are still regulated by the Law on Political Parties and the Law on Electoral Campaigns.

In January 2011, the new president of the Anti-Corruption Commission stated that Slovenia is a very corrupt state and that there are problems with political and systematic corruption, with up to 47% of detected corruption connected with public tenders.

In 2008, still unproven allegations emerged that Slovenian officials have been bribed by the Finnish state-owned company Patria to help finalize the purchase of armored personnel carriers for the Slovenian army. In the same year, the Finnish public television broadcaster YLE published an investigation suggesting the corruption of several Slovenian civil servants, including a former prime minister. The story continued in 2010; an indictment was filed in August against five persons, including the leader of the largest opposition party, who is also a former prime minister. The Supreme Public Prosecutor's Office accused him of attempting to solicit gifts, while the other people involved are accused of accepting gifts, giving gifts for illegal mediation and providing assistance.

## 16 | Consensus-Building

Although there were significant differences among major actors concerning the development of Slovenia in 2009 and 2010, all of them agree that a market economy and democracy are among the strategic aims.

Consensus on goals  
10

There are no (significant) anti-democratic political actors in Slovenia, so there is no need to exclude or co-opt them.

Anti-democratic  
actors  
10



The country's political leadership was somewhat able to depolarize the most vital cleavage in the last two years: Catholic conservatism vs. non-Catholic liberalism. Neither ethnic nor religious conflicts exist in Slovenia, while the importance of class and regional conflicts has slowly appeared in the last two years due to the economic crisis and some structural differences in the economic wealth and vitality of industry among statistical regions. Nevertheless, both cleavages still remain insignificant in political terms. When the first signs of this cleavage's development began to emerge, the government managed to rein it in through special developmental and social welfare programs (for example, the Pomurje region received special status and stimulus packages).

Cleavage /  
conflict  
management  
8

The opposition frequently criticized the government for being indifferent to the opposition and showing no interest or readiness to systematically resolve conflicts. Nevertheless, due to the economic crisis, the prime minister initiated the idea of establishing a forum for coordination between coalition and opposition parties at the beginning of his term, but the partnership never came to pass.

During the last several years, Slovenian governments have been inclined to promote civil society participation in political and policy-making processes. This was done mainly by publishing policy proposals on the web pages of individual ministries or government office, as well as several public calls to participate in specific policy-making. The present government has continued this practice. In Slovenia, social partnership has a prominent position in this regard; however, the government was heavily criticized for not taking into account the interests of business and trade unions. In 2010, trade unions found that the government is willing to grant them a pro forma audience, but will not seriously consider what the unions have to say. In general, this well-developed civil society plays a relatively important role in deliberating and determining policies.

Civil society  
participation  
8

The political leadership is managing to achieve some reconciliation on issues of historical acts of injustice that happened during World War II or in the post-war years, but with a clear and distinct perception of who the victims were: in the Catholic bloc's point of view, the victims were those who were tortured by the partisans, even though the Catholic bloc collaborated with Nazism and fascism; the other bloc holds that the victims were those who were tortured by Nazis, fascists and their collaborators. All of these groups were provided with at least minimal recognition and compensation, while no further important steps were taken in this regard in the last two years. However, the government has made it possible to cover up the injustices perpetrated upon "erased people."

Reconciliation  
8

## 17 | International Cooperation

In some cases, the Slovenian government has tried to rely on documents from different international actors to advocate its proposed domestic reforms and aims it wants to achieve (the most high-profile example is the publication of international organizations' findings that indicate the need for reform of the pension system due to demographic trends). Also, while looking for a solution to the border dispute with Croatia in 2010, the government made well-focused use of international assistance, in particular from the United States and Sweden's European Union presidency.

Effective use of  
support  
9

Slovenia is recognized by the international community as a reliable partner. In 2009, other countries expressed their trust by granting Slovenia the chairmanship of the Council of Europe from May 2009 to November 2009. However, as Slovenia is a small country, it does not play an important or very active role in the international community. A special sign that Slovenia is seen as a credible and reliable partner is the country's OECD membership, granted in 2010. Despite its own problems, Slovenia supported financial aid package designed to assist Greece and Ireland.

Credibility  
9

Slovenia has a long tradition of cooperation on the regional level that dates back to when it was part of the Yugoslav federation (for example, the Alpe-Adria network). While in the past there have been some differences in handling relationships with neighboring states (depending on the specific historical background), in 2009 and 2010, cooperation with all neighboring countries, as well as with former Yugoslav republics, was very good and in some aspects even improved.

Regional  
cooperation  
8

## Strategic Outlook

In the economic crisis, which has substantially affected Slovenia, the government's main task is to find good and acceptable solutions in the economy while at the same time preserving the welfare state. In the first decade after the transition, the Slovenian elite succeeded in introducing democracy and a market economy while preserving already well-established welfare structures. The economic crisis has highlighted the need to undertake some (structural) reforms, and to make them in a more radical form than was expected in the past. If changes, especially in the welfare state, are not dealt with carefully and carried out with the consensus of powerful civil society organizations, the latter could easily mobilize a significant share of the population. This was made clear in the past when attempts to introduce more radical neoliberal policies, the introduction of which also lacked consensus among the most important political and social partners, were recognized as inappropriate for Slovenia.

To assure future development, the state should increase the proportion of public spending, in terms of GDP, on formal education and R&D. The government had already promised an increase in this regard in 2009 and 2010, but was then faced with growing demands from the welfare sector (and simultaneously, due to the economic crisis, with a smaller inflow of tax revenue). Regarding the labor market, Slovenia must find a balance between security and flexibility; in the last several years, changes were oriented exclusively towards greater flexibility. Slovenian workers are still among the least satisfied workers in the European Union, and the proposed labor market reforms will potentially even deepen their dissatisfaction, despite the fact that hard work is among the most important values in Slovenia. There have been warnings in the past about the younger generation heading into a gloomy future, and now it is clear that the young generation has a pessimistic outlook on their prospects. In the labor market, young people have borne the brunt of labor policies that grant greater flexibility, as almost all of the new jobs that are created are only temporary. In Slovenia, such employment is closely connected with lower employee security. This has in fact already resulted in some unusual demographic patterns; for example, young people are living with their parents for a relatively very long time. Given these feelings of disempowerment and disenfranchisement, it came as little surprise in 2010 when students organized violent demonstrations in front of the parliament in a protest against the reform of student work regulations.

Considering the huge drop of trust in all political institutions and of satisfaction with democracy (although democracy remains a very important and accepted norm) in 2010, there was ample space for the emergence of populist parties and actors. It is up to political parties prevent this space from being exploited. It seems that all relevant parties are aware of this danger and try not to mobilize people with (extreme) populist standpoints. In addition, the president of the republic, who still enjoys a solid level of trust, along with some opinion-makers, are aware of this

potential and have warned both the opposition and coalition parties to act responsibly in this regard.