

# Slovenia 2016



**Total: 68.3**

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## Quick facts

Population:	2.063 million
Unemployment rate:	9.0 %
GDP:	40.102 billion EMU
GDP growth rate:	2.3 %
GDP per capita:	19 440 EMU

## Political Freedom

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### Free and Fair Elections : 10

Political landscape in Slovenia is pluralistic. Parties compete with each other in a free and fair manner. Since independence of the country only one claim was made that elections were irregular, and it referred to judgment against the Slovene Democratic Party leader Janez Janša for taking bribes while serving as a prime minister, which was according to them politically motivated. Government in this country has a huge problem with public trust following the resignations of a number of ministers due to their corrupt history. According to OECD, only 18% of citizens have trust in government. Slovenia held a referendum on December 2015 on the previously adopted bill that allowed equal rights to same sex marriages. However, 63,61% of voters were against the law, out of the 36,49% of the population who exercised their right to vote.

### Absence of Unconstitutional Veto Players : 9.17

Slovenia doesn't have unconstitutional veto players who could put in question the ability of the elected representatives to govern the country. System of checks and balances is well functioning. Security forces are under effective control by civilian authorities. There are good mechanisms in place to deal with the corruption in Slovenia, but still this phenomenon is not that rare. Several prominent political figures were accused of corruption recently. Most important one was the case against former Prime Minister Janez Janša for taking payments from a Finnish company while in office. He spent 2 years in prison. He was released after Constitutional Court ruled that he didn't get a fair trial and that the deadlines for solving the case have expired.

## **Freedom of Press : 7.7**

Media scene in Slovenia is free, pluralistic and diverse. Political elites do not directly interfere into media reporting, keeping independence of the Slovenian press at a relatively high level. Still, state advertising represents an important source of income for most media outlets, so the practice of "easing of attitude" toward governmental policy is happening. Concerns rose when newspaper Delo, one of the major in Slovenia, was sold out to the company which doesn't have enough media experience, owned by Stojan Petri, himself allegedly well connected to the political establishment.

## **Rule of Law**

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### **Independence of the Judiciary : 3.67**

During the 25 years of transition, the judiciary in Slovenia has transformed and gained a degree of independence from the executive power, interest groups or direct corruption. Constitutional Court proved its relative independence from both the government and from the public opinion. However, several recent high level corruption cases ended up in failure after long procedure. There were numerous cases of negligence, such as of the several hundred sealed letters of last will that were not implemented by the courts. In summer 2015, the Slovenian member of the arbitrary court for Slovenia-Croatia border dispute had to resign because of illicit contacts with politicians. Freedom House noticed that, in the perception of public, Slovenia's judicial independence was declining and was among the lowest in the EU.

### **Corruption : 6**

As compared to neighbors, corruption in Slovenia is worse than in Austria but less present than in Croatia, Hungary or Italy. Slovenia took place 35 (of 168 countries) in the Transparency International's Corruption Perception Index 2015 (scoring 60). According to Global Corruption Barometer 2013, citizens found political parties (78%) and legislature (67%) as the most corrupt. Experts disagree on whether just political reforms are thereby needed or the situation also owes to the "unfinished transition" from the old socialist ex-Yugoslav socio-economic system to market economy, which left too much space for the influence of politics onto the economy. The privatization of a number of state-owned companies or banks is still debated and delayed, amid huge losses caused by political mismanagement.

## Protection of Human Rights : 8.05

Restitution of private property seized during communist times was by and large completed long ago. Alas, refunding of the “old bank deposits” to non-Slovenian ex-Yugoslavs is subject to onerous implementation of the law carried in June 2015. Most civil liberties in Slovenia are guaranteed and freely enjoyed. For instance, freedom of speech, association, or religion, is highly respected. While members of some minorities are obviously equal, such as citizens of immigrant background (as is demonstrated by several elected Mayors - of Serb, or Ghana origin), others still struggle to overcome discrimination, such as Romany. Protection of LGBTs - as individuals - against discrimination is well secured by laws, but implementation varies throughout the country. Especially but not limited to this, there is a sharp split to parochial, rural Slovenia and super-permissive and tolerant urban one. At a referendum in late 2015, citizens overthrew the law on full marriage equality, while the government subsequently established almost equal rights for same- and opposite-sex partnerships. The latter law is still disputed. Women are under-represented in politics and occasionally discriminated at work. Prostitution is legalized, yet measures against trafficking of women (for forced prostitution) or children (for begging) are still insufficient. Faced with migration challenges, Slovenia acted similar as Hungary, in that it (partially) covered its border to Croatia with wire fences.

## Economic Freedom

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### Security of Property Rights : 5.73

Property rights in Slovenia are mostly respected. Government holds the right to expropriate private property in case of public interest, but it is seldom exercised, whereby monetary compensation must be in line with the perceived market value. However, there are problems within the judiciary which limit the system's efficiency. There are reports on out-of-the-court influences, by the political elite, on the judiciary. The judiciary is not considered impartial, because people that are well connected to political groups might be privileged. However, the biggest problem is very low efficiency of courts, resulting in long legal procedures - enforcement of a contract could consume almost four years on average. Adjournments rules are weak, without declaring a maximum number, and they are not well respected in practice. On the other hand, resolving insolvency is streamlined, with relatively quick procedures and with very high recovery rates. Registering a property is unnecessarily long procedure - albeit inexpensive - due to long data entry at the Land Register. There are certain restrictions and limitations to foreign ownership in several sectors, mostly in financial services and banking, gaming and air and maritime transport. Police reliability is high and business costs of crime are low.

### Size of Government: Expenditures, Taxes, and Enterprises : 2.93

Government expenditures in Slovenia are in line with most European countries, reaching 44% of GDP in 2015. Bulk of expenditure consists of social transfers, aimed at income redistribution through welfare programs. The austerity programs initiated after the fiscal crisis hit Slovenia,

curbed public deficit to approximately 3% of GDP in 2015, in line with Maastricht criteria. Public debt is high, standing at 83% of GDP in 2015. Announced loosening of the fiscal position, via increase in wage bill and other current expenditures, will lead to deficit increase. Slovenia recorded a moderate growth, reaching 2.3% in 2015, fuelled by strong export performance towards its EU economic partners. There was never a large scale privatization program in Slovenia, and therefore state-owned enterprises (SOE) are present in many areas of the economy, especially in banking and insurance, energy and transport. In those SOEs government is either a majority or a minority equity stakeholder. In 2015, government prepared an asset management strategy for companies in state ownership. The strategy divided SOEs in three distinctive groups: strategic, important and portfolio, and state approach to an individual SOE will depend on its classification: majority equity, controlling equity or non-mandatory equity. Management efficiency of many SOEs is under question mark, especially in the banking sector. Corporate tax is relatively low, set at 17%, while VAT is at 22.5% (standard) and 9.5% (the reduced rate). Personal income tax is highly progressive, with rates of 16%, 27%, 41% and 50%. Social contributions paid by the employee and employer are also high, leading to overall high tax wedge, above the OECD average.

## **Regulation of Credit, Labour, and Business : 6.25**

Regulation is overall positively oriented towards business activities. However, there are many complicated or unnecessary procedures that are fuelling bureaucracy costs. Starting a business is easy and does not incur any costs in fees, but this is negated by a very high minimum paid in capital. Getting electricity is also a streamlined procedure, without high fees. However, obtaining a construction permit is a very long task, due to a high number of procedures, but also due to inefficient land registry. Corruption and favouritism among civil servants are still present, although not prevalent. Tax compliance is complicated, incurring a high number of hours for regulatory compliance, and is perceived as one of the major obstacles to a better business environment. Inefficient government bureaucracy and restrictive labour regulations are also often cited as areas that need reforms. Working hours are by and large flexible. Problems lie in hiring and firing sections of legislation. Maximum length of a fixed contract is 24 months, which is low by European standards. More seasoned workers enjoy a higher level of job protection and other perks, with a higher number of paid annual-leave days, along with notice-period and severance-pay increase according to years in tenure. Minimum wage is very high in comparison to the average wage - in 2015, it was among the highest in Europe. In November 2015, the new regulation exempted different wage bonuses from the minimum wage, forcing employers to pay them separately, which is expected to further increase the minimum wage.

## **Freedom to Trade Internationally : 8.8**

Slovenia is a country where freedom to trade is usually protected. Being a small open economy, the importance of free trade is even more emphasized in the Slovenian case, for production specialization and for integration into the world economy. As a member of the EU since 2004, Slovenia implements the common EU trade policy, with overall low tariffs, with simple average tariff of 5.3%. Tariffs are more pronounced for agricultural than for industrial products. However, non-tariff trade barriers in the form of mandatory and costly product standardization remain as an obstacle to trade. Customs office procedures are efficient and inexpensive, not posing impediments to free flow of trade. Good public transportation infrastructure also provides a strong point for free movement of goods, lowering freight costs. However, the railroads are in a

significantly less favourable condition than roads or ports. Slovenia was the first post-transition country that entered the Eurozone by adoption the euro in 2007; this move further facilitated trade by abolishing currency conversion costs. Slovenia continues to implement significant capital controls, which is mostly related to its exchange rate regime. Obtaining work and residence permits for non-EU nationals is complicated and costly procedure. Furthermore, work permits are also necessary for Croatian citizens, since Slovenia was among the few EU countries that prolonged free access to their labour market for Croatian citizens (alongside the United Kingdom, the Netherlands, Austria and Malta).