i tektury w rolkach), 4810923000 (niektóre wielowarstwowe produkty z papieru i tektury z tylko jedną zewnętrzną warstwą bieloną), 4810921000 (niektóre wielowarstwowe produkty z papieru i tektury z każdą warstwą bieloną) i 4810199000 (niektóre wyroby z papieru i tektury).

28 Przypadek oleju palmowego i jego frakcji (HS 1511901902, 1511909902) oraz chłodziarek i zamrażarek typu domowego (HS 8418102001).

29 Zgodnie z zasadami obowiązującymi w WTO, zmiana rodzaju stawki celnej nie może prowadzić do podniesienia poziomu pobieranego cła.

30 Chłodziarki i zamrażarki typu domowego (HS 8418108001) oraz chłodziarki sprężarkowe o pojemności powyżej 340 litrów (HS8418218000).

31 WTO, *Russia – Tariff Treatment of Certain Agricultural and Manufacturing Products. Report of the Panel*, WT/DS485/R, 12 August 2016.

32 EaUG jako unia celna stosuje wspólną taryfę celną. Rosyjskie zobowiązania wobec WTO w większości przypadków związały tę taryfę, z kilkoma tymczasowymi (niższymi) wyjątkami dla Kazachstanu, Armenii i Kirgistanu, z uwagi na ich zobowiązania wobec WTO.

33 Czwarty spór był wszczęty przeciwko Ukrainie, a dotyczył środków antydumpingowych na azotan amonu.

34 Rozporządzenie Rady (WE) nr 1225/2009 z 30 listopada 2009 r. w sprawie ochrony przed przywozem produktów po cenach dumpingowych z krajów niebędących członkami Wspólnoty Europejskiej, DzUrz L 343 z 22.12.2009 r.

35 WTO, WT/DS474/1, 9 January 2014.

36 Przypadki, gdy ceny rozważanego produktu lub wkładu wykorzystywanego do jego produkcji są sztucznie zaniżone, znacząco różne od cen na rynku światowym lub rynkach reprezentatywnych, lub w inny sposób zniekształcone, np. na skutek urzędowej regulacji cen czy stosowania ceł eksportowych.

37 WTO, WT/DS474/1, 9 January 2014.

38 WTO, WT/DS494/1, 19 May 2015.

39 Zwłaszcza w świetle stwierdzenia przez UE istnienia ograniczonego prawdopodobieństwa ponownego wystąpienia dumpingu w przypadku niektórych spawanych rur i przewodów rurowych z żeliwa lub stali niestopowej pochodzących z Ukrainy i zakończenia postępowania w odniesieniu do ich przywozu w wyniku przeprowadzonego przeglądu wygaśnięcia. Por. Rozporządzenie wykonawcze Komisji (UE) 2015/110 z 26 stycznia 2015 r. nakładające ostateczne cło antydumpingowe na przywóz niektórych spawanych rur i przewodów rurowych z żeliwa lub stali niestopowej pochodzących z Białorusi, Chińskiej Republiki Ludowej i Rosji oraz kończące postępowanie w odniesieniu do przywozu niektórych spawanych rur i przewodów rurowych z żeliwa lub stali niestopowej pochodzących z Ukrainy w następstwie przeglądu wygaśnięcia zgodnie z art. 11 ust. 2 rozporządzenia Rady (WE) nr 1225/2009, DzUrz UE L 20, 27.1.2015 r., s. 6.

40 WTO, WT/DS476/1, 8 May 2014.

41 Celem trzeciego pakietu energetycznego, wdrażanego w UE od marca 2011 r., jest liberalizacja i dalszy rozwój konkurencji na rynkach energii elektrycznej i gazu, a także poprawa standardu usług i bezpieczeństwa dostaw. Ma on prowadzić do zwiększenia przejrzystości rynków detalicznych i skuteczności nadzoru regulacyjnego prowadzonego przez niezależne krajowe organy regulacyjne, a także do wzmocnienia ochrony konsumentów. Por. Urząd Regulacji Energetyki, *Trzeci pakiet energetyczny*, http://www.ure.gov.pl/pl/urzad/wspolpraca-miedzynarod/trzeci-pakiet-energety [dostęp: 15.6.2016].

42 W myśl trzeciego pakietu energetycznego jest nim przesył gazu ziemnego poprzez sieć, składającą się głównie z gazociągów wysokociśnieniowych, inną niż sieć gazociągów kopalnianych i inną niż część wysokociśnieniowych gazociągów używanych głównie w ramach dystrybucji lokalnej gazu ziemnego, w celu dostarczenia go odbiorcom.

43 W myśl Dyrektywy Parlamentu Europejskiego i Rady 2009/73/WE z 13 lipca 2009 r. dotyczącej wspólnych zasad rynku wewnętrznego gazu ziemnego i uchylającej dyrektywę 2003/55/WE, „rynek wschodzący" oznacza państwo członkowskie, w którym pierwsza dostawa handlowa w ramach jego pierwszej umowy długoterminowej na dostawy gazu ziemnego miała miejsce nie wcześniej niż 10 lat temu.

44 W myśl ww. dyrektywy za rynek odizolowany uznaje się państwo członkowskie, które nie jest bezpośrednio podłączone do systemu wzajemnie połączonego żadnego innego państwa członkowskiego i ma tylko jednego głównego zewnętrznego dostawcę.

45 O tych powiązaniach więcej np. w: World Bank, *Global Economic Prospects – Spillovers amid Weak Growth*, January 2016.

46 Warto dodać, że liczba unijnych środków antydumpingowych obowiązujących w przywozie z Rosji maleje (z 10 w latach 2004-2006 do 6 w połowie 2016 r. (European Commission: *Anti-Dumping, Anti-Subsidy and Safeguard Statistics*).

■

# GOSPODARKA I FINANSE

## SLOVENIA BACK ON ITS FEET – WHAT PRICE IS TO BE PAID FOR GREED?[1]

*Miklós Somai**

Following a sixteen-year period of sustained high growth, the Slovenian economy slumped into a deep, W-shaped recession between 2009 and 2013. This paper is a modest effort to understand how the country had been pushed into such a deep downturn, what mistakes led to the prolongation of the crisis, how even the legendary political stability had been weakened for a while, and finally, how both internal and external pressure resulted in Slovenia's getting back on the path of economic growth.

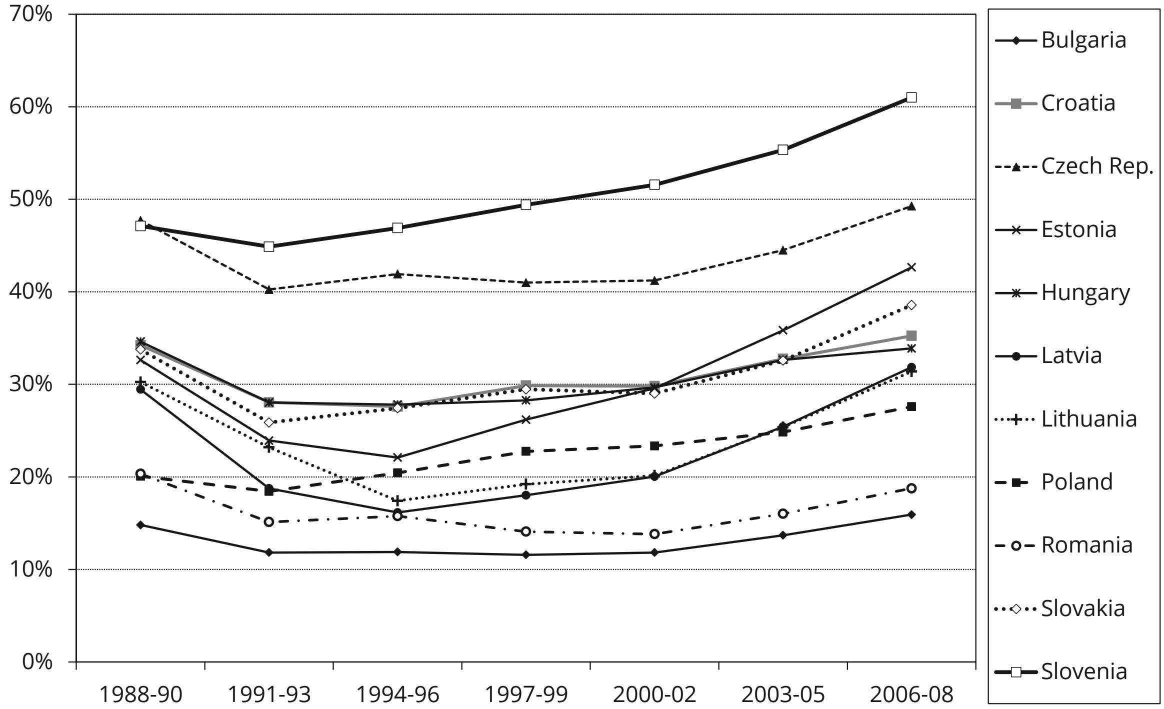
### Organic transition

After a two-year recession in 1991/1992 caused by the rapid disintegration of Yugoslavia, the independent

Slovenia enjoyed a remarkably long era of uninterrupted economic growth between 1993 and 2008. In spite of having been (together with the Czech Republic) one of the most developed countries of Central East Europe at the beginning of the transition – and obviously, there is a logarithmic path for any progress – Slovenia did better than any other fast-growing country of the region in catching up with the old EU member states (Figure 1). In the period of 1988-90/2006-08, it reduced its development gap vis-à-vis EU15 by 13.9 percentage points in terms of real GDP per capita, more than Estonia (10.0 pp.), Poland (7.5 pp.) or Slovakia (4.8 pp.) did, all of them starting from much lower levels of development than Slovenia.

**Figure 1**

**Real per capita GDP in new EU member states (EU15 = 100%) based on 3-year averages**




*Note: Slovenian real GDP per capita was 47.1% of that of the EU15 in 1988-1990 on average; in 2006-2008 it stood at 61.0%.*

*Source: Author's calculations based on: Real per Capita GDP (2010 dollars) Historical, http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx [13.3.2016].*

As for the economic policy, this 16-year period splits into two sub-periods, namely before and after 2004. The period before 2004 was marked by a gradual transformation from the Yugoslavian-type of socialist self-management system towards market economy, but also by the setting up of the institutions of the independent state of Slovenia. Undoubtedly, the most important component of this transformation process, and also the guarantee of its success, had been the gradual, decentralised and distributive character of the so-called first wave of privatisation which ran from late 1980s until 1999.[2] These characteristics of the process constituted a compromise between the interests of the new and old elite, and first of all enabled the managers – as internal (managers' and workers') buy-outs happened to be the most popular method for privatisation – to remain involved in the life of their companies.[3]

The Slovenian privatisation concept, apart from transforming more than 1,300 self-managed enterprises into private companies, also included the sale of approximately 100,000 council dwellings to their occupants, the restitution of the property which had been nationalised between 1945 and 1958, and the assignment of 40 per cent of shares in some food processing companies to farmers' cooperatives. It was a mixture of free distribution, internal buy-outs with discount and the possibility of deferred payment to employees, and commercial privatisation. Apart from the large, unprofitable companies, to be put in the so-called Development Fund and sold after refurbishment, and the strategic ones (e.g. steel mills, utilities) to be maintained in state ownership, the shares of the companies identified by the 1992 Privatisation Law were to be distributed through the following scheme: 10 per cent were to be transferred to the Pension Fund (KAD), another 10 per cent to the Restitution Fund (SOD), a further 20 per cent to the Development Fund; 20 per cent were sold to the employees (in exchange for their vouchers) and the remaining 40 per cent was left to the companies to decide on. In profitable small and medium-sized labour intensive firms (i.e. in more than 60 percent of the cases), workers and managers obtained majority ownership. The second most popular method for privatisation (>10 per cent of the cases) was applied in profitable large firms – in fact too large for insiders to acquire a majority stake – where managers tried to maintain their influence by combining internal distribution of shares with public auction, thus opting for dispersed shareholder structure rather than strategic and/or institutional owners.[4]

At the end of the first wave of privatisation which was followed by a non-transparent domestic consolidation of ownership, managers, domestic companies, and state and private funds (both two latter, however, *"lacking the ability and motivation for proper corporate governance*")[5] were the key economic players. This model enabled the state to maintain significant ownership in privatised firms through state-controlled funds (KAD, SOD)[6]. Foreign and/or strategic investors played a much smaller (also less than desirable) role.[7]

The period after 2004 turned out to be the time when things started to go wrong. This turn of events, however, did not appear to have resulted in a deterioration of macroeconomic indicators up to the outbreak of the global crisis in 2008. As a matter of fact, the opposite happened: the pace of growth became even stronger. This time, however, the acceleration of the activity had nothing to do with a gradual, organic development as earlier, but was rather a necessary consequence of a forced and irresponsible policy that overheated the economy.

## Root of troubles

Despite apparent shortcomings in both the process of transition in general and more concretely the first wave of privatisation – i.e. underdevelopment of capital market,[8] information asymmetry and insider trading becoming permanent features of the Slovenian equity market, as well as a sizable portion of the economy remaining in direct state ownership – the period between 1992 and 2004 appears to have been a prosperous time for the country. Also, success and recognition at international level were soon to come: Slovenia was granted membership to NATO and the EU in 2004, to OECD in 2010 and was the first former communist state to adopt the euro on 1 January 2007. But, as the country became more and more deeply integrated into the European Union, pressure from abroad was growing to bring it closer to the Western standards concerning the (preferably limited) role of the state in the economy, particularly as an equity holder.[9]

Gradualism was put to a halt by the new centre-right government which came back to power in 2004 after 12 years spent in opposition.

To understand what follows, it is important to know that under the old (communist) regime, people had to belong to the elite if they wanted to take part in lucrative economic projects. At the end of the 1980s, those never having had a chance to get involved in big business organised political parties, formed a colourful coalition (DEMOS) and won the first free election in 1990. Due to political inexperience and internal division, however, they lost the 1992 election and the old elite governed the country for the following 12 years. Twelve years are enough time for revenge to be nurtured in the heart of those who are frustrated believing that power has unfairly been denied to them historically.[10]

So, when they came back into power in 2004, the centre-right forces left nothing to chance: in addition to having obtained political power, they also tried to take control of the economy and even large parts of the national media.[11] In less than a year, they managed to put their faithful men into the managerial and supervisory boards of partially public companies and used the state-owned banks (also peopled with their loyal party supporters) to finance management buy-outs (MBOs) in the course of the second wave of privatisation.

The second wave of privatisation was a direct consequence of the so-called Reform Strategy of the new centre-right government, formulated in the spirit of achieving the renewed Lisbon Strategy goals, the latter having been announced by the European Council in March 2005.[12] The Reform Strategy proposed 67 specific measures in a view to boost the efficiency of the state and hereby the competitiveness of the Slovenian economy, covering practically every single aspect of life where the state had a say (i.e. such diverse topics as health care, education, tax and pension system, labour market, social transfers, public utilities, infrastructure, R&D, the use of EU funds etc.). Measures numbers 19 to 23 were designed to deal with privatisation and the development of the financial system.[13]

As for the assessment of this second wave of privatisation (lasting from 2005 to 2007), opinions diverged. On the one hand, the government thought it to be a transparent process, opened to foreign investors while reconciling both big and small shareholders interests, a process of gradual withdrawal of the state (represented by KAD and SOD) from the economy, a process providing good opportunity for the domestic financial market to develop further.[14] On the other hand, the opposition thought it to be a non-transparent process in which those in power embraced the strategy of Spanish conquistadors;[15] namely, by appointing their friends to board positions in both government-related companies and state-owned banks, and by forcing the latter to finance MBOs in the former, they exposed both banks and companies to extreme risks, while, not incidentally, also overheated the economy, especially in cyclically sensitive sectors like construction, real estate and financial mediation.[16] Neutral experts called the process insider privatisation[17] and even the OECD drew attention on that "*a weak framework for the governance of state-owned banks*"...was "*likely to have contributed to poor credit standards, excessive risk taking*"..."*and misallocation of credit*".[18]

In fact, apart from a handful of widely publicized success stories – of which the sale of 55.3 percent of SIJ (Slovenian steel group) to Russian KOKS Group[19] and that of 48.1 percent of the second largest bank (NKBM) via an IPO (initial public offering) – counterbalanced by some notable failures (like the aborted privatisation of Triglav or Telekom Slovenije), the second wave of privatisation, initiated to consolidate ownership interests and increase the share of strategic investors, did not meet its main objectives. Although between 2004 and 2007, the number of companies owned by the state through KAD and SOD declined from 492 to 198,[20] in reality the risk of potential political interference in the economy did not diminish. By 2007, the two funds, which had initially been designed to become portfolio investors, managed to concentrate, by way of exchange of shares, their control over the Slovenian blue chips; they acquired at least blocking minority (25%+1 voting share) in 10 out of the 28 most important companies listed in Ljubljana Stock Exchange.[21] As a conclusion, given the predominance of internal owners and state-controlled funds in the process, just as the first also the second wave of privatisation failed to attract enough strategic or foreign investors, a scenario which could have led to some restructuring in the inevitably under-capitalised Slovenian companies.[22]

## The original sin and other circumstances

Businessmen of the old elite, when they realised they were being systematically squeezed out of leading positions in the companies, took up the struggle and started to buy state assets in the stock market. In increasingly divided Slovenia, the banks financed both sides, i.e. both the new and the old elite.[23] The growing demand pushed up prices, but, with the country being at the threshold of becoming a Eurozone member, gradually decreasing real interest rates created good conditions for privatisation to go on.[24]

As the Slovenian crisis primarily manifested as a banking crisis, it is worthwhile to look into the details and get familiar with the peculiarities of the Slovenian financial sector.

By the time the country became an EU member, the Slovenian banks had already experienced several waves of the privatisation/nationalisation roller coaster. At the beginning of the transformation period, the originally regionally organized banks, traditionally linked to their clients and automatically privatised when their clients-companies had been[25], remained with 30 to 40 per cent of non-performing loans (NLP) after the disintegration of Yugoslavia and as such had to be rehabilitated at mid-1990s.[26]

Later on, but still before the second wave of privatisation, there were rather unsuccessful attempts to privatise the two largest state-owned banks. While the sale of NKBM was unsuccessful, that of NLB resulted in a temporary success; in 2002 the Belgian KBC acquired 34 per cent of the shares, with the European Bank for Reconstruction and Development (EBRD) also entering the bank's capital for a 5 per cent stake. The Belgians bought themselves into NLB with a view of using it as a springboard to enter the ex-Yugoslav markets. But, as neither for their plan about NLB or their role in it were they able to reach agreement with the main owner of the bank, i.e. the Slovenian government, they divested their share ownership in two steps; in 2006, reducing it to 22% and in 2012 to 0%.[27]

With the country entering the European Exchange Rate Mechanism (ERM-II) at the end of June 2004, restrictions on movements of capital were lifted and a process of reducing the interest rates began whereby the Bank of Slovenia practically lost control of the amount of money in circulation.[28] Although the country was only in the anteroom of the Eurozone, "*in the financial field, barriers between the Eurozone economy and Slovenian economy had practically disappeared*".[29]

Another component of the mosaic of factors behind the Slovenian banking crisis was the introduction of the International Financial Reporting Standards (IFRS) in early-2005 which, by replacing the previous conservative regulations with much more permissive ones, had an impact on banks' business behaviour and encouraged them to further expanding their lending activity.[30]

Credit expansion was further bolstered by growing competition among the banks in Slovenia, reflected in a reduction of both effective interest rates and loan standards (e.g. through lower requirements of collateral). Especially, the majority foreign-owned banks proved to be very aggressive in their efforts to expand their market share; on the solid basis of their financially strong parent banks, they offered much favourable terms and had been raising their loan to deposit (LTD) ratio to much riskier heights than the domestic banks did.[31]

Among factors on the supply side, i.e. those that allowed high growth in lending, undoubtedly the most important was the large supply of assets on the international financial markets. In the period of 2004 to 2008, Slovenian banks borrowed massively from the interbank markets, and provided domestic companies with cheap loans. And it is just here, at the intersection of supply side (more financing) and demand side (more investment) that circumstances referred to in the title of this chapter as "original sin" come into picture:

- ☞ Slovenian banks faced increasing exposure to risks arising from a maturity mismatch (i.e. short-term liabilities outweighing short-term assets), as interbank credit had historically been, and with the crisis looming becoming even more increasingly short-term, whereas loans issued to the private sector were typically "generous"[32] and long-term;[33]
- ☞ a substantial part of the above-mentioned loans financed the corrupt insider privatisations (i.e. consisted of soft funding for buy-outs by politically connected managers)[34] and the often irresponsible expansion policy of the new owners, the banks thus complying

with the latter's desire to "*obtain ownership influence over as much of the economy as possible*";[35]

- probably the most dangerous aspect of the credit expansion was the very way in which the banks provided loans for this "conquest" (i.e. totally inconsistently with the principle of risk minimization). As companies actively invested beyond their core business, whereby creating a real estate boom, the banks, letting an exceptionally high proportion of loans be tied to the value of properties pledged as collateral, exposed themselves to excessive risks. Also, they committed similar errors by financing companies carrying out leveraged buy-outs (LBOs[36]).

In the period of 2004-2008, Slovenian banks' exposure to international financial markets (i.e. liabilities to foreign banks) increased by almost four times, from EUR 4.25 billion to EUR 16.1 billion. At the same time, loans to corporates grew twice as fast as non-banking sector deposits did, at a rate of around 20 versus 10 percent a year, which raised the LTD ratio for banks from less than 100 percent (in 2004) to more than 160 percent (cp. 122% for European Economic and Monetary Union (EMU) banks) by the onset of the financial crisis. The fast growing indebtedness based on foreign borrowing increased vulnerability of the Slovenian economy to financial shocks abroad, which became apparent after the fall of Lehman Brothers in 2008.[37]

## Crisis and growing pressure

Slovenian banks, which got used to obtaining cheap and easy credit from wholesale financial markets, suddenly, with the global crisis starting in September 2008, found themselves in an entirely new situation. They were obliged to tighten credit standards towards the corporate sector (i.e. to increase interest costs and shorten maturity structures of loans) in two waves:

- first when, because of lack of trust, the interbank markets dried up (*credit crunch*) and the loans which, borrowed by them from the wholesale market, came due were not being renewed;
- second when, with the crisis gaining momentum in the corporate sector, the loans they had granted to their clients were not being serviced.[38]

In Slovenia, two big bubbles burst in tandem with the global financial crisis: a real estate price bubble and a stock market bubble.[39] With an ever-growing number of enterprises going bankrupt (Figure 2a), the fundamental problem for banks – especially for those state-owned ones, having largely been involved in the finances of the MBOs of the new elite – came from the rapidly rising proportion of non-performing loans (NPLs, Figure 2b), which did not only imply a deterioration of their asset quality but also a limitation of the volume of credit they could extend to new clients.

In 2009, Slovenian real GDP fell by 7.8 percent, a result 14.7 percent lower than the one in 2007 (+6.9%). While such economic slowdown was commonplace among the EU new member states (see e.g. Slovakia and the Baltics with even worse results, on Figure 2c), within the Eurozone, however, in its composition of 2007 – so the last year before Lehman's failure – Slovenia was the country most severely hit by the first wave of the global crisis.

It is not easy to estimate the importance of the role insider privatisation had played in Slovenian banking crisis, or more generally in Slovenian financial and economic crisis, but as a matter of fact, out of the four most infamous managers of the privatisation process, having been convicted, sentenced and jailed for high-profile corruption and other crimes (forgery, abuse of office etc.) in 2013, three (Ivan Zidar, Dusan Crnigoj and Hilda Tovsak) happened to be former CEOs of the three biggest, now liquidated, construction companies of the country (SCT, Primorje and Vegrad),[40] i.e. representatives of a sector among the worst performers of the economy[41] (Figure 2d).

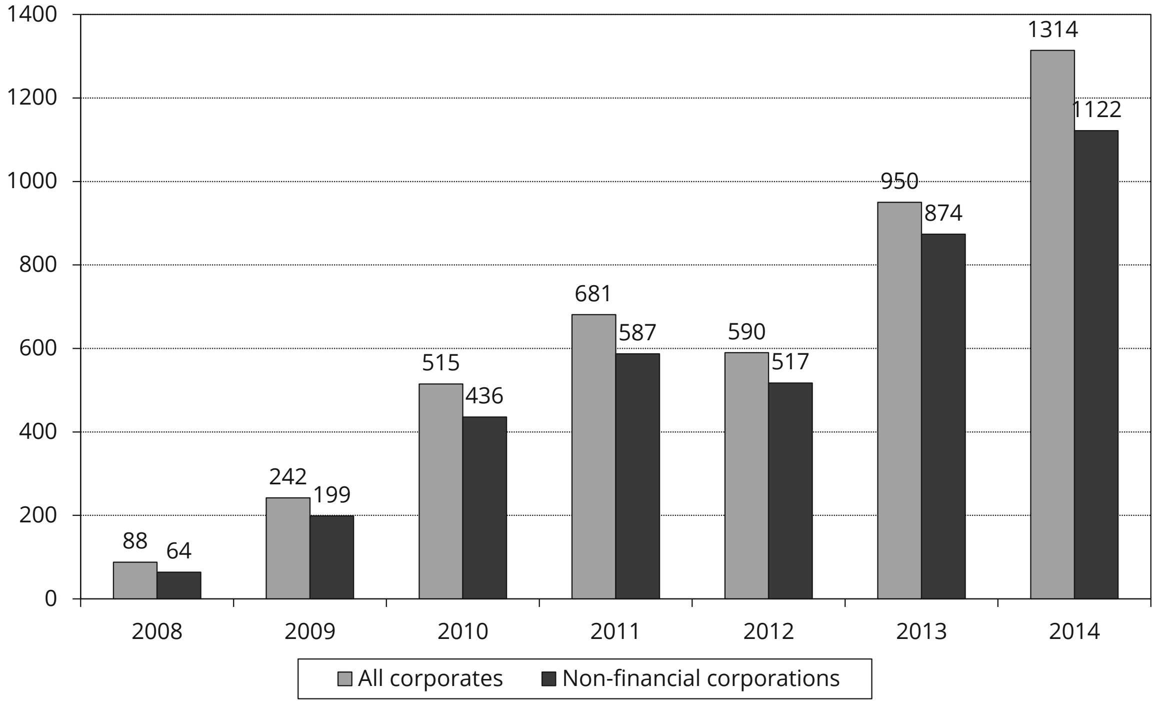
The coincidence of the effects of the insider privatisation, the denial of the severity of the crisis for a while[42] by the centre-left government, back in power from end-2008 to early-2012 – e.g. by not retaining themselves in 2008 and even in 2009, i.e. the worst year of the crisis, from increasing public sector wages[43] (see Figure 3a) as well as the statutory minimum wage (+22.9%) in March 2010[44] – and some other factors, like the W-shaped growth-path of the country's main export markets (Figure 3b), made the crisis in Slovenia one of the deepest and the most long-lasting in both the region and the Eurozone.[45]

Indeed, some time had to pass for the centre-left government to realise the magnitude and the long-lasting nature of the crisis and take effective measures to overcome it.[46] And when finally they tried to, important structural reforms in various fields like pensions and the labour market (e.g. preventing illegal working) were, in a series of referenda in 2011, unequivocally (i.e. with a majority of between 72 to 80 percent) rejected by the citizens,[47] fuelled by both trade unions and opposition,[48] and accustomed to welfare state benefits, as well as to combine official and unofficial activities in order to sustain their living standards.[49]

To summarize; the centre-left government were caught unprepared to face the global crisis, did too little and too late,[50] allowed themselves to be urged by international organisations (by the EU and OECD) to propose unpopular reforms,[51] and when a number of strategic mistakes led to the collapse of social dialogue by mid-2010, decided upon to proceed with the legislative agenda without the support of the social – and even some of their political – partners.[52] So, as reforms were being rejected in the above-mentioned referenda and the centre-left coalition fell apart, a centre-right coalition – formed by almost the same parties as between 2004-2008 – returned to power in February 2012, pursuing preliminary general elections held in December 2011.[53]

**Figure 2a**

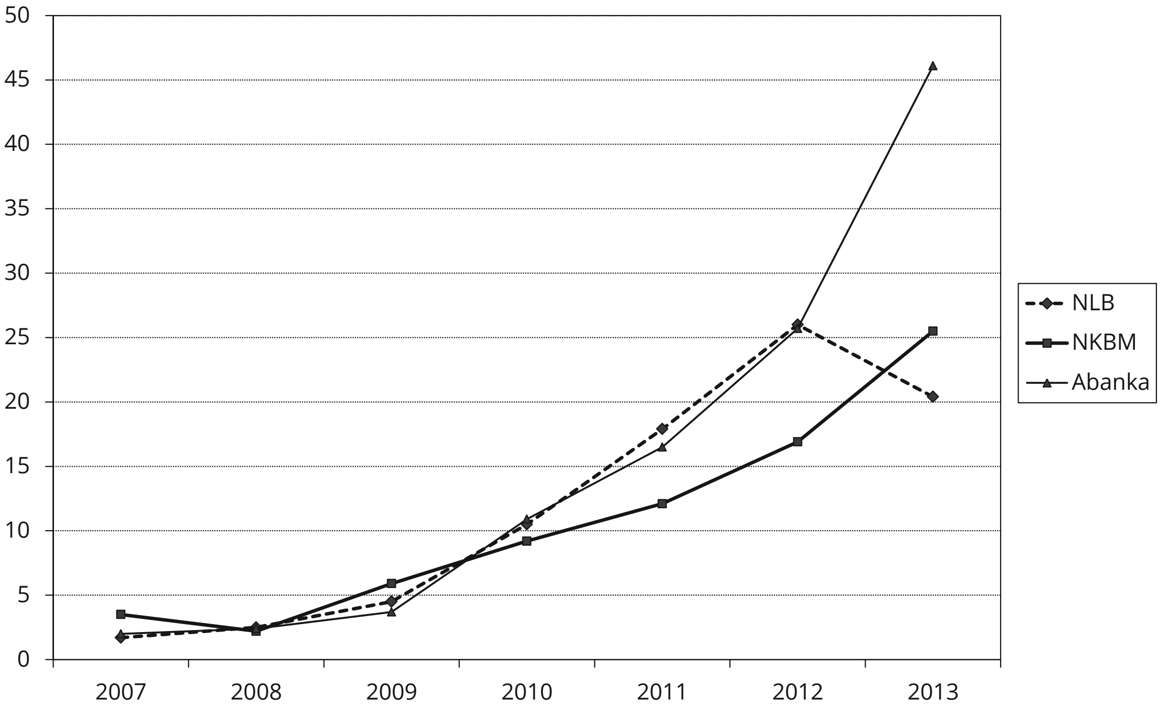
**Number of Bankruptcy Proceedings**




*Source: Bank of Slovenia, Financial Stability Review, Banka Slovenije (Bank of Slovenia) Eurosystem, January 2016, p. 13.*

**Figure 2b**

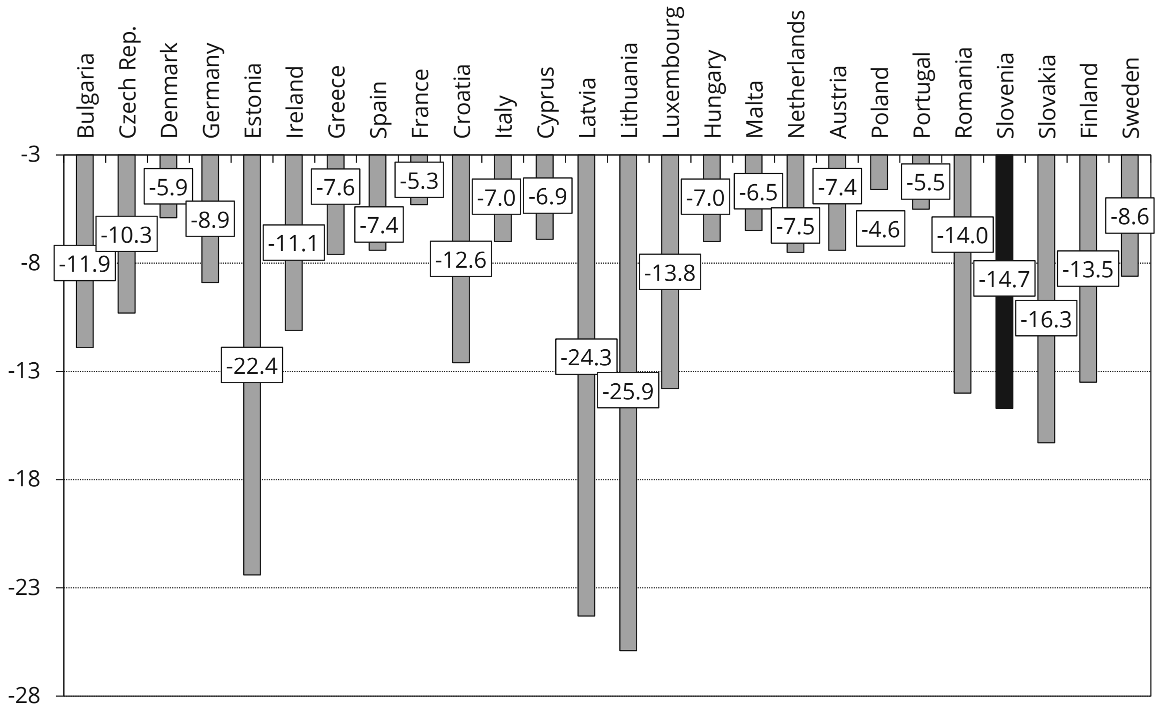
**NPL ratio of biggest state-owned banks**




*Source: L. Arnesen, Rehabilitation of the Slovenian banking system: Seeking strength in the aftermath of a crisis, "Perspectives on Business and Economics", Vol. 32, 2014, p. 82.*

**Figure 2c**

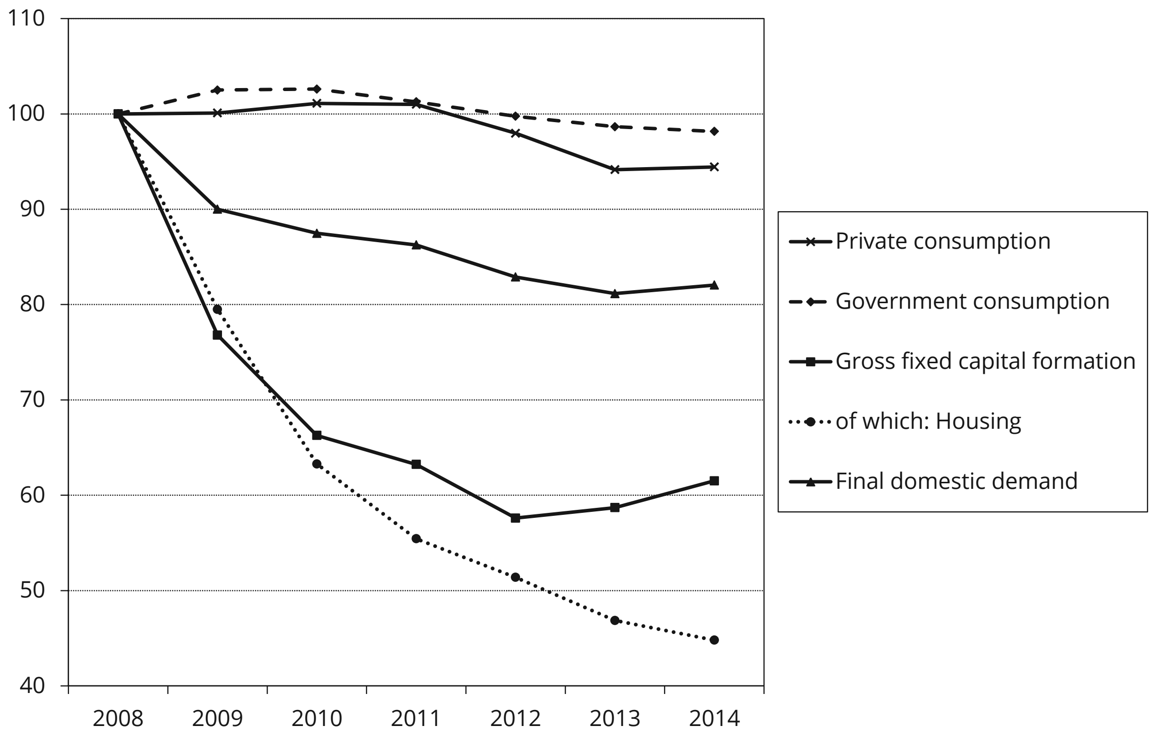
**Slowdown in real GDP growth rate from 2007 to 2009 (%)**




*Source: Own calculation based on Eurostat, Real GDP growth rate, volume: http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115 [24.5.2016].*

**Figure 2d**

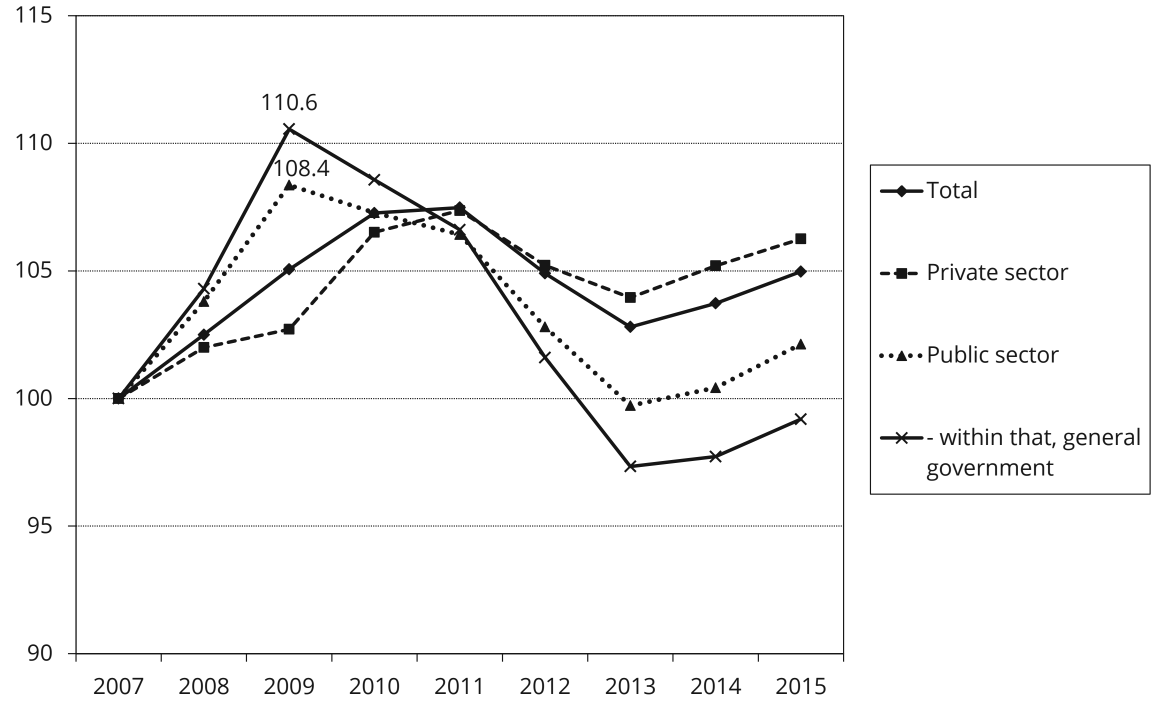
**Final domestic demand and its components in Slovenia (2008=100)**




*Source: Slovenia, "OECD Economic Surveys", April 2013 Overview, p. 8; Slovenia, "OECD Economic Surveys", May 2015 Overview, p. 12.*

**Figure 3a**

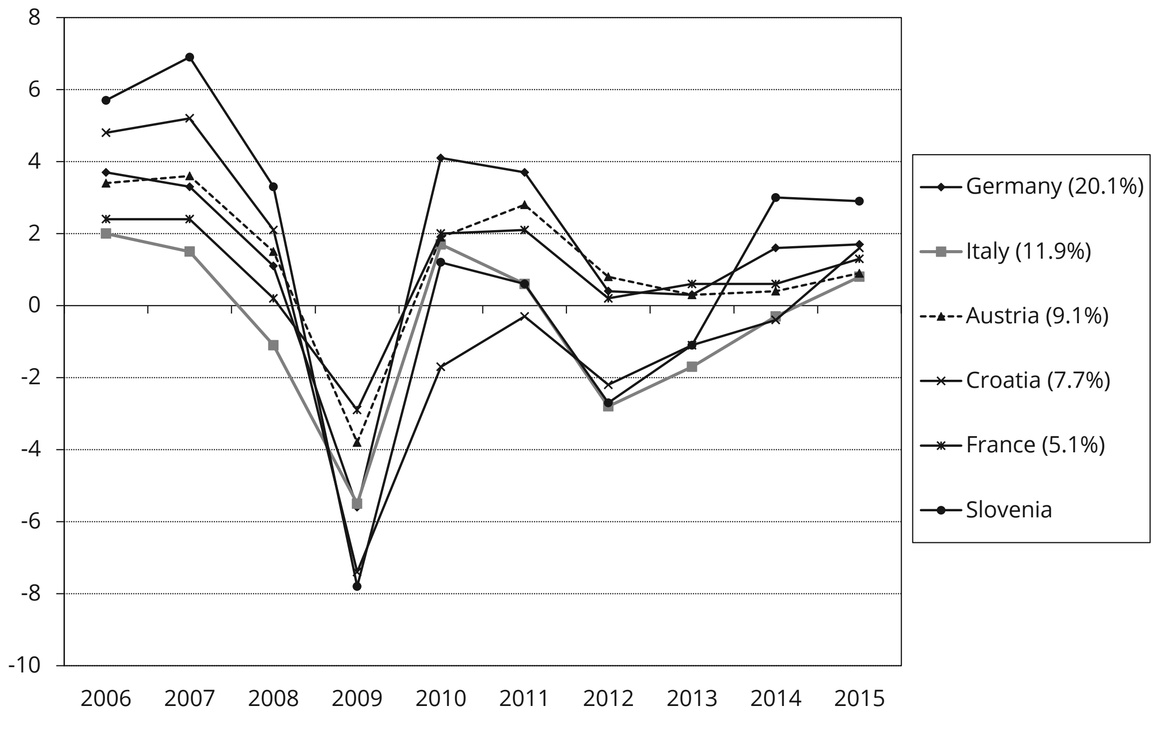
**Real growth of gross wage per employee in 2008–2015 (%) (2007=100)**




*Source: A.T. Selan, Slovenia: Seventh public sector pay agreement signed, EurWORK, European Observatory for Working Life, 20 May 2016, http://www.eurofound.europa.eu/observatories/eurwork/articles/industrial-relations/slovenia-seventh-public-sector-pay-agreement-signed [13.7.2016].*

**Figure 3b**

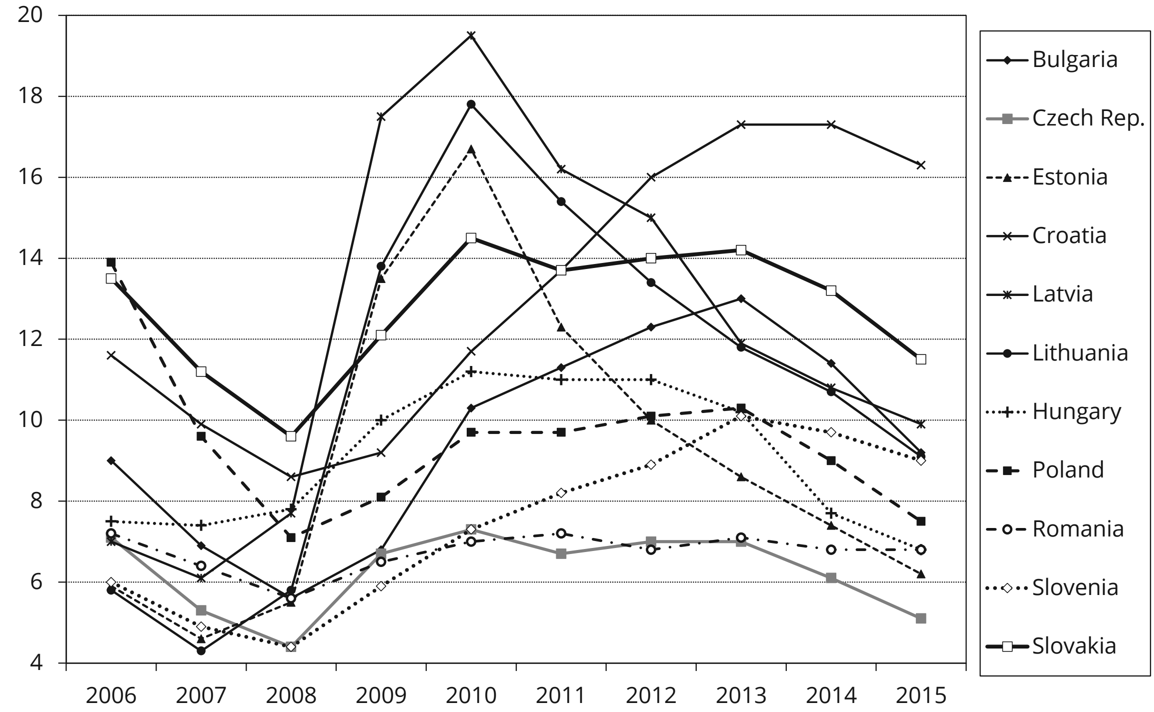
**Yearly real GDP growth rates (%) in Slovenia and its main export markets (share in Slovenian exports in brackets)**




*Source: Eurostat, Real GDP growth rate, volume, http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115 [24.5.2016].*

**Figure 3c**

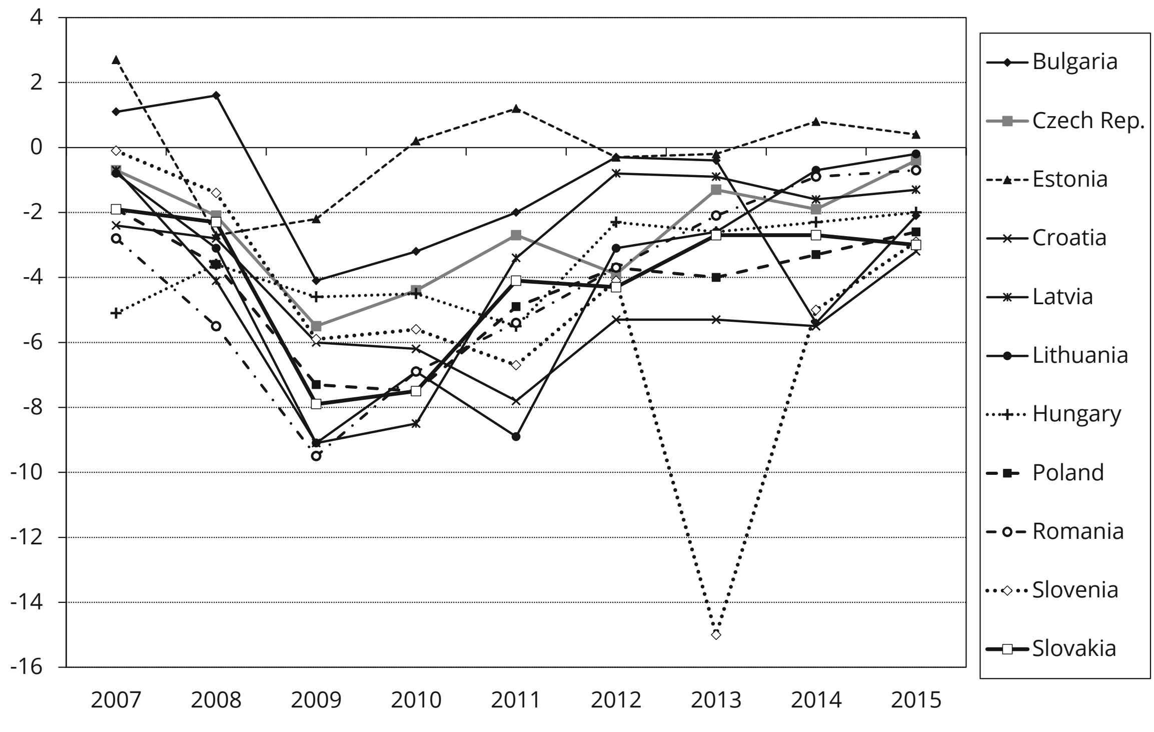
**Unemployment rate (% of active population)**




*Source: Eurostat, Unemployment by sex and age – annual average, http://appsso.eurostat.ec.europa.eu/nui/show.do [26.7.2016].*

**Figure 3d**

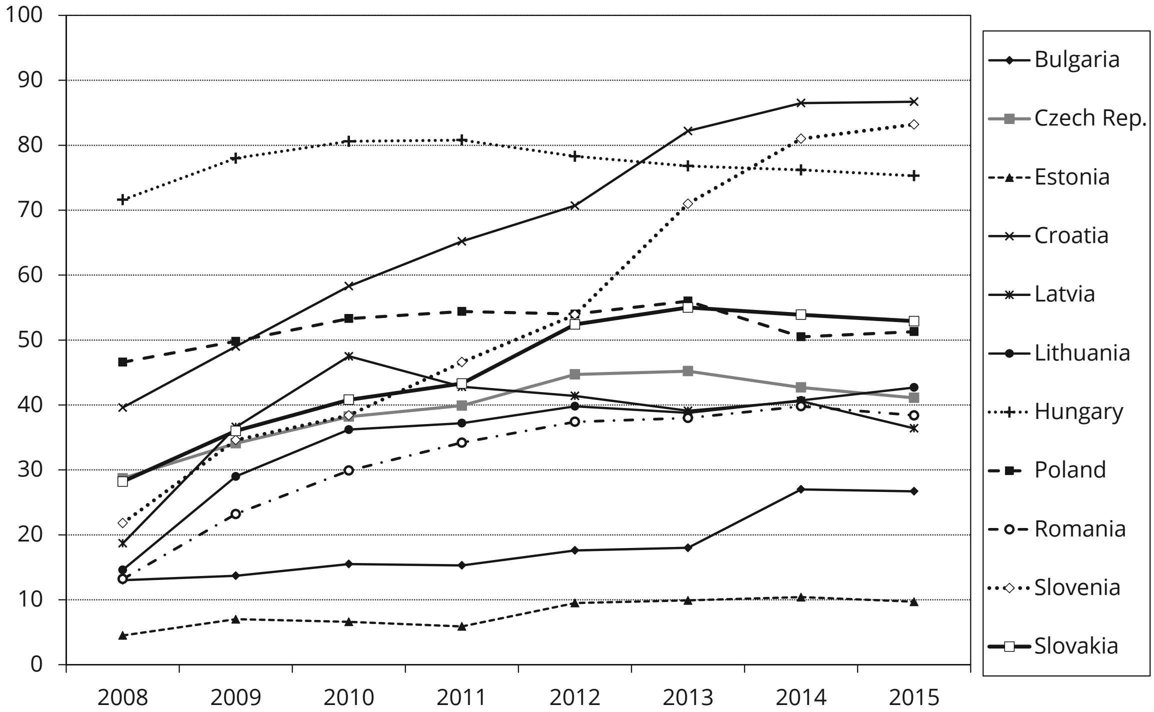
**General government deficit in new member states (% of GDP)**




*Source: Eurostat, General government deficit/surplus, http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00127&plugin=1 [10.8.2016].*

**Figure 3e**

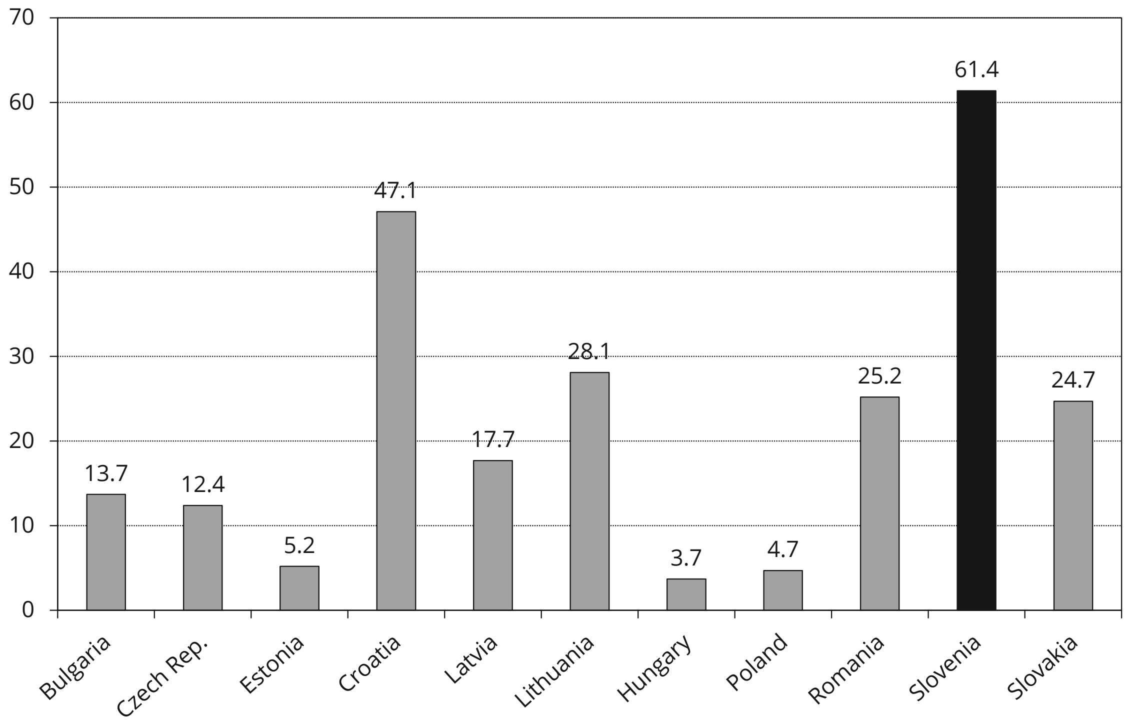
**Debt to GDP ratio between 2008 and 2015 in new member states (%)**




*Source: Eurostat, General government gross debt, http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=teina225 [26.6.2016].*

**Figure 3f**

**Percentage point change in debt to GDP ratio between 2008 and 2015 in new member states (%)**




*Source: Eurostat, General government deficit/surplus, http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00127&plugin=1 [10.8.2016].*

Partly having learned from the negative experiences of the outgoing government, partly due to growing external pressure (from international financial markets and institutions) to implement real structural reforms for restoring the sustainability of public finances, the new centre-right government, by following almost step by step the six directions set forth by the Commission in its 2011 recommendations,[54] took a much more holistic approach than their predecessor and began radical austerity measures. The year 2012 was entirely devoted to fiscal consolidation. Already in March, the government adopted a package of austerity measures related to internal savings in the public sector which included rationalisation (e.g. in the field of transport costs, transfers to municipalities and farmers, allowances to MPs, size of consular offices),[55] and restructuration of the administration (e.g. mergers and abolition of certain bodies, reallocation of tasks among institutions, overhaul of the diplomatic network).[56]

The main measures to be taken in order to ensure sustainable public finances and macroeconomic stability were introduced in an omnibus act (named Balancing of Public Finances Act) in May 2012. As a general idea, the reduction in public expenditure had to be applied to all areas, but first of all to:

- ☞ remuneration of civil servants: cuts and freezes (for details see footnote 42);
- ☞ welfare benefits: shortening of the period of entitlement to unemployment benefit (over a certain age and/or insurance period), and selective austerity measures depending on income level (for child, child birth and large family allowances);[57]
- ☞ pension system: gradual increase of normal retirement age (to 65 by 2020, from 58/57 for men/women); minimum age set to 60 (after 40 years' work); end of indexation; incentives for prolonged employment and disincentives for early retirement;[58]
- ☞ labour market: development of the concept of flexicurity (giving companies the opportunity to adapt to market demands), and active employment policy;
- ☞ tax system: tax reliefs to promote formation and investment; introduction and/or increase of taxes having no direct negative impact on competitiveness (i.e. anti-crisis tax and tax hikes on real estate over EUR 1,000,000, luxurious goods, capital income, personal income over EUR 70,000 a year, etc.).[59]

The main aim of the omnibus act was to cut public spending by EUR 500 million in 2012, EUR 800 million in 2013 and EUR 1 billion in 2014, representing 1.39, 2.22 and 2.78 per cent of the Slovenian GDP, respectively. Before asking for such an effort from the population, also successfully avoiding potential referendum initiatives against the omnibus act, the centre-right government first prioritized the consolidation of public finances in the coalition agreement (i.e. secured themselves against the desertion of their political allies), and then insisted upon that the social partners be involved to the fullest extent possible and play an active role in delivering proposals.[60] There is no better testimony to the success of the above strategy than the enormous improvement that could be observed in general deficit, down from 6.6 in 2011 to 4.1 in 2012, that is by 2.5 percentage points of GDP in just one year's time (Figure 3d).

But there are limits to any government strategy, as well as to people's patience and understanding. Things started to go wrong in the last quarter of 2012. The centre-right government failed to forge national unity behind two important issues: the stabilization of the banking sector by way of the establishment of a bad bank, named Bank Assets Management Company (BAMC) – to be designed to help banks in their efforts to clean up their balance sheets and start lending to businesses again[61] – and the stabilization of public finances through a centralised system for managing state-owned assets under the auspices of the renewed Slovenia Sovereign Holding (SSH).[62] Acts related to BAMC and SSH were, immediately after having been adopted by the Parliament, vetoed by the upper house (the National Council) and attacked by several trade unions initiating referenda on them.

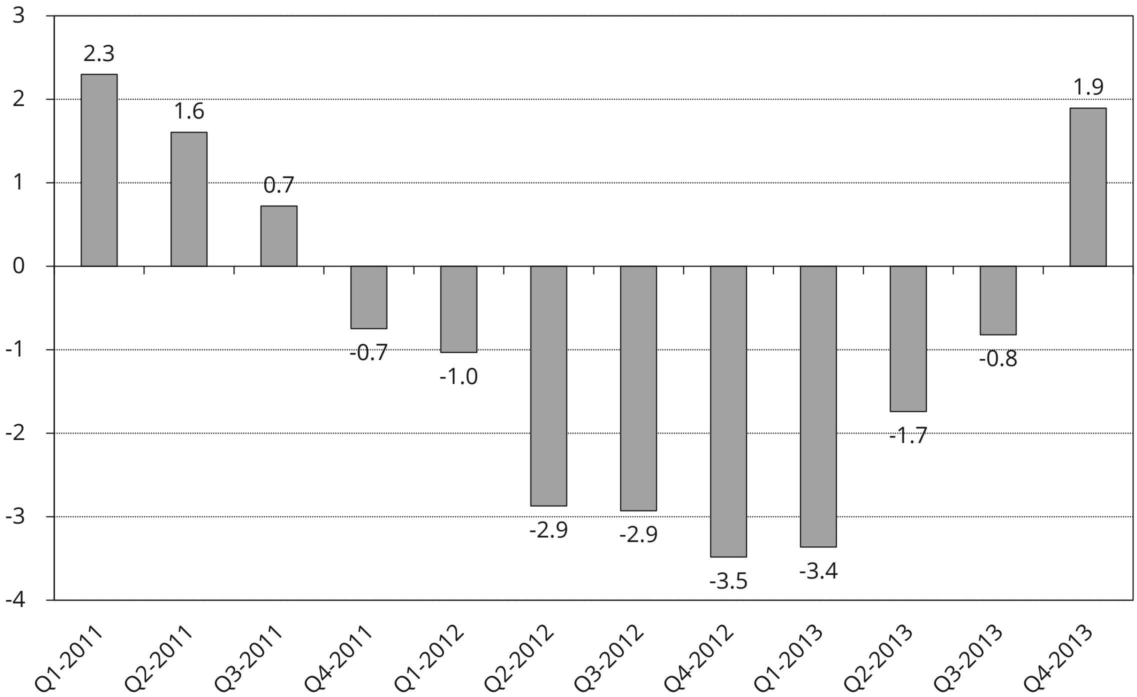
What made the situation worse was the coincidence of two factors; first, the negative impact of the austerity on the economy had been fully felt by the end of 2012, with the worst year-on-year GDP data (-3.5%) for the 4$^{th}$ quarter (Figure 4a); second, as the government was heading towards announcing further cuts in public sector wages and introduction of additional austerity measures for 2013 and 2014[63] – which eventually came to be adopted by the Parliament in early December 2012[64] – speculations about the extent of the would-be measures started in the media. In this situation the tiniest spark could provoke a storm of protest. And it did. This spark bore the name of corruption.

In October 2012, in Maribor, the second largest city of Slovenia with circa 100,000 inhabitants, the municipality introduced a system employing a multitude of radars and cameras in order to identify speed limit violators. More than 20,000 fines were issued in only two weeks' time and the conviction was gaining ground among residents that their households' budgets were being targeted. When it was revealed that the radar program, which had been initiated as a PPP (Public private partnership) project, benefited the mayor and his entourage, people became furious. Street protests began in Maribor on 2 November 2012 and spread over the whole country in just a few weeks, calling everywhere for the resignation and/or prosecution of politicians, other functionaries and businessmen accused of corruption. Although, started peacefully, the movement soon turned violent and came to clashes between police and protesters. There was a wide coverage of the 'Slovenian uprising' in the world media, so everyone could understand that the country ceased to be what it used to be: a relatively stable democracy of the Balkans.[65]

In a country where society is truly egalitarian, showing little tolerance for income inequalities and high support for state's redistributive role, also firmly believing poverty to be the result of social injustice,[66] it is in very bad taste (also a political gamble) to introduce harsh austerity measures

**Figure 4a**

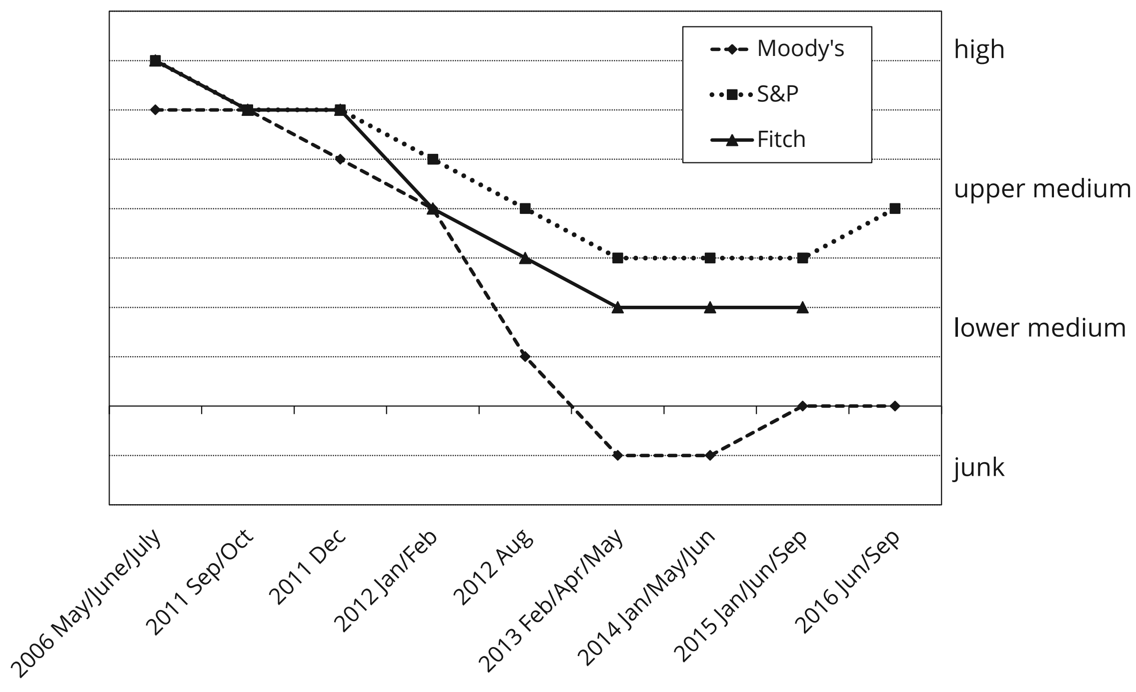
**Real GDP growth rate compared to the same quarter of previous year (%)**




*Source: OECD, Quarterly Growth Rates of real GDP, https://stats.oecd.org/index.aspx?queryid=350# [3.8.2016].*

**Figure 4b**

**Government debt credit rating for Slovenia**




*Source: Slovenia Credit Rating, http://www.tradingeconomics.com/slovenia/rating [7.8.2016].*

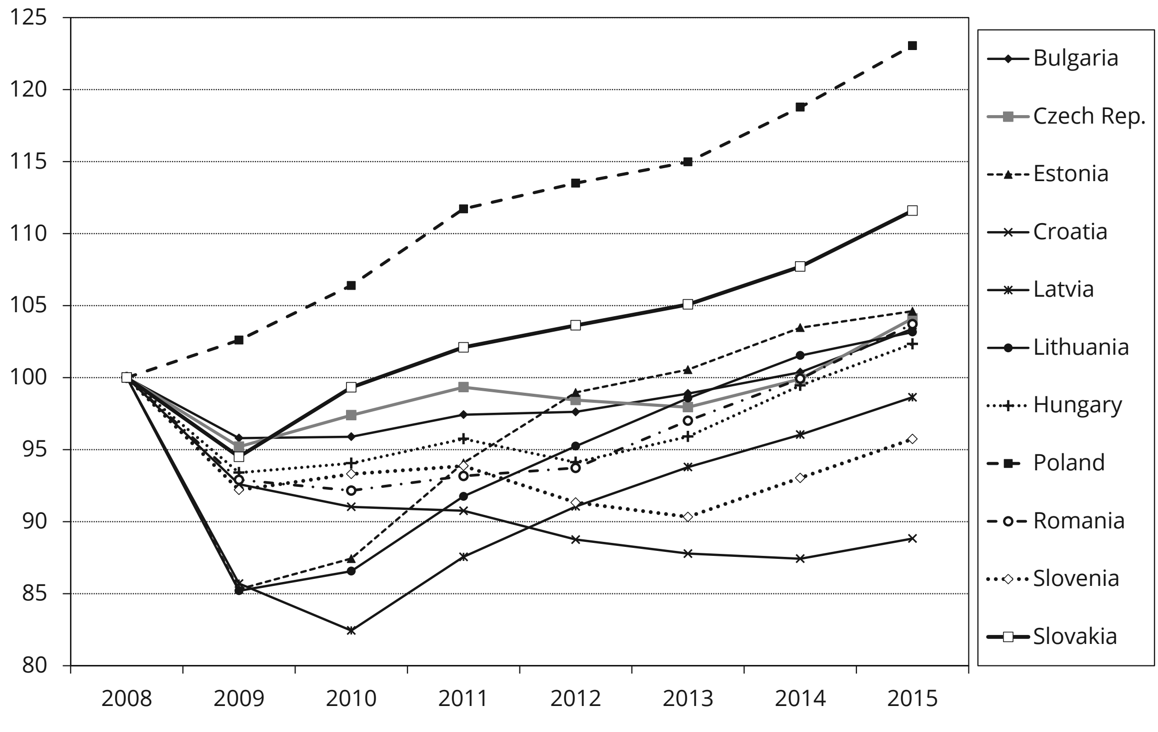
**Figure 4c**

**Slovenia Government Bond 10 year**


*Source: Slovenia Government Bond 10y, http://www.tradingeconomics.com/slovenia/government-bond-yield [6.8.2016].*

**Figure 4d**

**Cumulative real GDP growth since 2008 (in volume) (2008=100)**




*Source: Own composition based on: Eurostat, Real GDP growth rate, volume, http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115 [24.5.2016].*

resulting in a rise in unemployment (especially among young people)[67] and a shrinkage of consumption[68] on the one hand, and make sure that one own family, friends and associates be on the winners' side, on the other. Protests received a new impetus in January 2013 from an announcement of the Commission for the Prevention of Corruption (CPC), a public body set up in 2004, with investigative and sanctioning powers broadened in two steps in 2010 and 2011.[69] CPC's inquiry revealed that both Prime Minister (head of the largest coalition party) and Ljubljana mayor (leader of the largest opposition party) could be accused of having systematically and repeatedly failed to properly report their incomes and assets.[70]

By the time the 'Slovenian uprising' came to a definite halt in March 2013, it had already succeeded in destabilizing and decomposing the ruling coalition, as well as ousting several prominent figures of the elite – including the Prime Minister and the mayors of both Ljubljana and Maribor – from their leadership position. What first seemed to be a historic victory, however, soon proved to be a rather pyrrhic one.[71] The newly erected (once again centre-left) government – headed by Alenka Bratušek, who following a constructive vote of no confidence replaced Janez Janša as the Prime Minister – was exclusively made up of old parties. So, austerity remained in the front line of economic policy.

What made both the financial markets and the international institutions suspicious about the new regime was:

- ☞ first, the difference between the old and the new government in the assumption about whether or not the country could keep its social model in spite of the crisis; while the answer of the Janša-cabinet to this question was negative, the Bratušek-cabinet thought the Slovenian welfare model, although in need of reform, could survive and a more inclusive policy would even help mitigate the crisis;[72]
- ☞ second, the delay and slowness characterizing the privatisation process. Although the bad bank (BAMC) was formally set up on 19 March 2013[73] – which was a step towards helping banks address the NPL issue, hence getting ready for privatisation – the act establishing Slovenian Sovereign Holding, albeit drafted as of December 2012, was not yet implemented in practice, for political parties could not agree on asset qualification.[74] Moreover, the new coalition agreement, signed on 13 March 2013, was "*silent on bank privatisation*", a fact which did not escape the attention of Commission's rapporteurs.[75]

In short, both financial markets and international institutions surely had some reasons to think they could start worrying about whether reforms (i.e. austerity policy) and privatisation in Slovenia would properly continue. Consequently, they decided to turn up the pressure. As since autumn 2011, general weakness of the Slovenian economy had been coupled with and worsened by growing fluctuations in political instability (governments' falls, early elections and street protests), the three biggest credit rating agencies downgraded, in several waves, all main state-owned banks (NLB, NKBM, Abanka, SID Banka) as well as the Slovenian sovereign debt (Figure 4b). These downgradings were then followed by fluctuations in the yield of 10-year bonds, pushing long-term borrowing costs for Slovenia above 6 per cent for months (Figure 4c). The period starting in early spring 2013 was exceptionally tough when successive and, from the Slovenian government's point of view, awfully mistimed downgradings (especially those of Moody's) significantly contributed to keeping interest rates high.[76]

As for the international institutions, none of them were the type to refrain from exerting more and more pressure on the Slovenian government. Among the key conclusions of IMF 2012 country report on Slovenia, one could find the following: "*The financial restructuring should be followed by bank privatisation*".[77] In its economic survey, of April 2013, the OECD went further, stating that the Slovenian authorities' decision to retain a blocking minority shareholding in the two largest state-owned banks "*should be dropped*", as it might open the door "*to potential political interference, which could deter foreign investors*".[78]

The harshest criticism, however, came from Brussels. In its 2014 in-depth review[79], the Commission – in addition to having cast a critical eye on the then-dominance of the state in key sectors (like finance, energy or transport) and in all 10 companies forming the SBI Top[80] – asserted that state ownership and influence in SOEs (State-owned enterprises) and capital funds (KAD, SOD) "*are used to reshuffle assets and indirectly recapitalise other SOEs* [e.g. banks] *in economic difficulties*", a practice dissuading investment and thwarting the privatisation process.[81] Slovenia, already under excessive deficit procedure since 2009 – a deficit to be corrected by the end of 2013, but with no real chance for it to be met – found itself, in April 2013, in a situation where also its macroeconomic imbalances were considered excessive.[82]

## Change of course

In the spring of 2013, open speculation that Slovenia would request international financial assistance – i.e. be the next EU country to be bailed out – became ever stronger. Both European and international institutions pushed Slovenia towards going on with structural reforms, privatisation and further opening its domestic market to foreign investors. Finally, in the early days of May 2013, the Slovenian government, unable to withstand the growing pressure, relented and fulfilled the requirements of both markets and institutions.

On 9 May 2013, a new austerity program (named Stability Program) of circa EUR 1.4 billion was announced, consisting of tax hikes and several new taxes worth EUR 650 million a year on the revenue side, and spending cuts amounting to a yearly EUR 716.5 million on the expenditure side.[83] On the very same day, Slovenia pledged to sell 15 SOEs – of which the second largest bank (NKBM), the largest telecom operator and the national airlines company – and submitted to the Commission its National Reform Program and its Stability Program. In the latter, the government reported on the strengthening of the institutional and regulatory framework of the bad bank (BAMC) and presented a detailed plan for the transfer of the non-performing claims of the three largest banks to it.[84]

Most of the austerity program was pushed in a hurry through both Government and Parliament, and even an agreement with public sector unions was successfully signed.[85] Moreover, in order not to let unpopular measures be, as in the past, jeopardised and defeated by successive plebiscites, a constitutional amendment, adopted by the legislature with an overwhelming majority in May 2013, rendered the calling of referenda more difficult and reduced the scope of the eligible issues significantly.[86]

In exchange for all these concessions, Slovenia was granted a two-year extension of deadline (i.e. until the end of 2015) to bring its general deficit under 3 per cent of GDP and back the fiscal consolidation with comprehensive structural reforms.[87] Although 2013 June Council Recommendation (granting the extension) was silent on the matter, the Commission stuck to the view that the entire Slovenian banking system – at least the systemically relevant banks – should be reassessed through a new third-party system-wide asset quality review (AQR) and new comprehensive stress tests.[88]

The AQRs were performed in the second half of 2013, and their results, as well as those of the stress tests, were published on 12 December 2013. The tests identified, under the adverse scenario, a potential shortfall of EUR 4.8 billion in the capital of the Slovenian banking system, but also proved the country's ability – by swiftly recapitalising distressed but viable banks (e.g. NLB, NKBM and Abanka) and orderly winding down (i.e. liquidating) insolvent ones (Probanka and Factor Banka) – to recover without having to be bailed out by European funds. The government decided on extraordinary measures for 5 domestic banks, especially on their recapitalisation amounting to EUR 3.2 billion, and the transfer of the majority of their lowest quality claims to BAMC.[89] Also, banks were allowed to write off EUR 505 million of subordinated debt.[90] Still on that day of 12 December 2013, commitments were made to the European Commission that banks recipients of state aid were to be privatised.[91] Finally, it is important to mention that a couple days earlier (on 7 December 2013), the coalition partners came to an agreement on the guiding principles of the Slovenian Sovereign Holding which, by the related act entering into force in April 2014, opened the way for both concentrated management of state-owned assets and their regulated, gradual privatisation.[92]

The bank recovery measures of late 2013 (some of which continued in 2014) has contributed to higher capital adequacy ratios, an improvement in capital structure, hence a significant reduction in risk in the entire Slovenian banking system, also to a restoration of confidence in the international financial markets, reflected in the costs of government borrowing which started falling spectacularly (Figure 4c). Unsurprisingly, the measures, worth over 10 percent of GDP, caused in 2013 a landslide-like deterioration of both budget balance (Figure 3d) and public debt, by pushing the latter up from 53.9 to 71 percent of GDP (Figure 3e).[93]

It is, however, true that all the above mentioned deteriorations seem to have been one-time events, as either for general deficit (which has just fallen under 3 percent of GDP in 2015), or for the pace of economic growth (3.0 percent in 2014 and 2.9 in 2015) Slovenia has, in the last few years, begun to rejoin the group of its fellow new EU members (Figures 3d and 4d).

## Final remarks

Once the transition-related recession of the early 1990s was over, Slovenian economy went through a period of more than a decade of relatively stable and high growth, based on gradualism in transformation, a gradual and organic first wave of privatisation – allowing most of the old elite to remain involved in the life of corporations, favouring domestic capital accumulation against FDI, and maintaining high level of state ownership in business – but also based on social cohesion, consensus-seeking and cooperation, largely inherited from Yugoslav socialism.

This "tradition" has been severely damaged between 2004-2008 by the coincidence of EU accession – also accession to ERM II, meaning loss of control over monetary policy and end of competitive devaluation in view of boosting exports – and the predatory second wave of privatisation. Undeniably, the new elite, by acquiring leading positions in SOEs, and by stuffing them with high-risk credits, borrowed (cheaply) from abroad and lent by State-owned banks (also peopled with loyal party supporters) in order to gain ownership in these SOEs, played a crucial role in overheating the Slovenian economy and making it, since the outbreak of the global crisis, to suffer one of the deepest slumps in the Eurozone.

Finally, after years of hesitation over the seriousness of the crisis and what economic policy to adopt in order to overcome it, also after several changes in governing power, it was thanks to the combined effects of austerity policy, engaged since the end of 2011, and the comprehensive bank recovery measures, implemented as of the end of 2013 under the pressure coming from both financial markets, in the form of encouraging speculation over a possible bailout, and international (of which European) institutions, that the Slovenian economy could come back from the brink.

Here two more remarks need to be made. First, although the economy has been put back on track in terms of growth, the recovery is still fragile, mostly driven by exports which in turn are fuelled by internal devaluation. This means that important strata of the population are far from enjoying any of the blessings of this recovery. Second, although the country could avoid a direct intervention of the Troika, the price to be paid was huge: the Slovenes were forced to give up their traditionally cautious attitude about privatisation and agree to start a new program involving the sale of several of their nationally important entities. Even if state ownership in business remains significant, the international capital is gradually gaining ground on the Slovenian market.

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[2] The process was gradual in that initial privatisation could be full or partial, decentralised in that self-managed enterprises were given the right to initiate their own transformation into private companies, and distributive in that there was free distribution of shares to citizens. See J. Mencinger, *Privatization Experiences in Slovenia,* Article first published online: 31 Mars 2007, pp. 6-8; doi: 10.1111/j.1467-8292.1996.tb01913.x; http://www.pf.uni-lj.si/media/mencinger_.e_privatization.pdf [14.3.2016].

[3] It is to be mentioned that leaving the managers out of the process could have had drastic consequences. Due to information asymmetry, managers could have found "*a way of taking possession of the corporate liquidity flow*" (J. Prašnikar, A. Ferligoj, A. Cirman, A. Valentinčič, *Risk Taking and Managerial Incentives during the Transition to a Market Economy: A Case of Slovenia*, "Management", Vol. 4, 1999, 1-2, p. 1-26 citing A. Bajt, *A property rights analysis of the transition problems in the East,* Ekonomski Institut Pravne Fakultete (EIPF), 1992), unless privatisation took into account both their central role in anticipation and starting of the whole transformation process (M. Mrak et al., *Overview: Slovenia's Threefold Transition* (in:) *Slovenia: from Yugoslavia to the European Union*, ed. M. Mojmir, M. Rojec, C. Silva-Jáuregui, ISBN 0-8213-5718-2, World Bank, 2004, p. xxi-xxii), as well as their *de facto* economic ownership position within the companies. So, it seemed wiser to strengthen their then-existing property rights rather than to weaken or destroy them (J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., p. 5 also citing A. Bajt, *A property rights analysis…*, op. cit.).

[4] M. Simoneti, M. Rojec, M. Rems, *Slovenia Enterprise Sector: Restructuring and EU Accession,* Presentation at the NATO Colloquium on "Economic Developments and Reforms in Cooperation Partner Countries: The Role of the State with Particular Focus on Security and Defence Issues", 17-19 June 1998, Ljubljana, p. 95, mimeo: http://www.nato.int/docu/colloq/1998/10-simoneti.pdf [3.6.2016]; J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., pp. 7-11.

[5] M. Simoneti, A. Böhm, M. Rems, M. Rojec, J.P. Damijan, B. Majcen, *Secondary Privatization in Slovenia: Evolution of Ownership Structure and Company Performance Following Mass Privatization*, "Case Reports", No. 46, CASE (Center for Social and Economic Research), Warsaw 2001, pp. 31-32.

[6] There are several names for these two funds in the literature. They are called state-owned, state-controlled and even quasi-governmental funds. The latter name comes from the Slovenian literature and relates to the fact that the proceeds from the sale of their assets were not transferred to the state but were dedicated to cover the claims of former owners of national assets (SOD) and to co-finance the obligatory pay-as-you-go pension system on annual basis (KAD). M. Simoneti, *Consultation via email*, 16 June 2016.

[7] At the end of 1999, strategic investors held less than half (10.92%, to be exact), while foreign ones less than one fifth (i.e. 1.2%) of the shares compared to what was considered to be optimal for the ownership structure of privatised Slovenian firms. See M. Simoneti, A. Gregoric, *Managerial ownership and corporate performance in Slovenian post-privatisation period*, "The European Journal of Comparative Economics", Vol. 1, No. 2, 2004, p. 225.

[8] As many new "voucher-capitalists" flooded the stock market with their shares once the two-year restriction period for selling was over, the prevalence of the secondary market limited opportunities for equity offerings to become alternative sources of capital for enterprises. J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., pp. 11-14.

[9] N. Ivers, *State Ownership in the Slovenian Economy: Progress from Catastrophe?*, "Perspectives on Business and Economics", Vol. 32, 2014, p. 29.

[10] J.P. Damijan, *Sloweniens Krise, ein Erbe unbewältigter Geschichte*, Die Presse.com, Meinung, Debatte 8.9.2012, http://diepresse.com/home/meinung/debatte/1288096/Sloweniens-Krise-ein-Erbe-unbewaeltigter-Geschichte [20.5.2016].

[11] Beyond controversial changes to media regulations and takeovers of newspapers, public service media providers and the national press agency, there was a general deterioration in the situation of democracy in Slovenia after 2004, to be traced in Freedom House's annual surveys. Between 2005 and 2009, the index measuring independent media went up from 1.50 to 2.25, that for corruption from 2.00 to 2.50, and the aggregated Democracy Score from 1.68 to 1.93. The ratings were based on a scale of 1 to 7, with 1 showing the highest and 7 showing the lowest level of democratic progress (Freedom House, *Nations in Transit 2014, Slovenia*, pp. 585 and 595, https://freedomhouse.org/sites/default/files/25.%20NIT14_Slovenia_final.pdf [8.6.2016].

[12] European Council, *Relaunching the Lisbon Strategy: A Partnership for Growth and Employment (Mid-term Review of the Lisbon Strategy)*, Presidency Conclusions, European Council, 22 and 23 March 2005, pp. 2-14.

[13] Slovenian government, *The Framework of Economic and Social Reforms for Increasing the Welfare in Slovenia*, adopted by Slovenia's Government on 3.11.2005, pp. 66-75, http://www.slovenijajutri.gov.si/fileadmin/urednik/dokumenti/The_Framework_of_Economic_and_Social_Reforms_for_Increasing_the_Welfare_in_Slovenia.pdf.

[14] The two state-controlled funds (KAD and SOD) – which disposed of dispersed holdings in a large number of companies that have "*enabled Slovene governments to influence the boards and management of privatised firms and, ultimately, to play an active role in determining ownership changes*" (OECD, *Slovenia – Review of the Financial System*, October 2011, p. 15) – were to be transformed into regular portfolio investors with an obligation to reduce their combined ownership in every single company under a threshold of 10 per cent within 2 years (in the case of listed companies) or 2 and a half years (in non-listed ones). No time limit had been set for 18 investments of strategic importance. In the case of four major Slovenian companies of specific national interest (NLB and NBKM, i.e. the two major banks; Triglav, the biggest insurance company, and Telekom Slovenije), special advisory panels were appointed to prepare the best possible privatisation programs consisting of finding strategic investors for these firms in which the government intended to maintain a stake of 25 percent plus one voting share (Slovenian government, *Reform Programme for Achieving the Lisbon Strategy Goals, Implementation Report 2007,* October 2007, p. 12, http://www.umar.gov.si/fileadmin/user_upload/projects/SI-NRP2007-eng.pdf [8.6.2016]).

[15] J.P. Damijan, *Sloweniens Krise, ein Erbe…*, op. cit.

[16] J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., pp. 29-30.

[17] N. Ivers, *State Ownership in the Slovenian…*, op. cit., p. 29.

[18] *Slovenia, "*OECD Economic Surveys", April 2013, p. 9.

[19] As elements of the success story, one can take into account the EUR 437.8 million worth investments, injected into modernization in the period from privatisation in 2007 until end-2014, the EUR 570 million worth exports in 2014, or the fact that with 3,100 employees in 2014, SIJ was one of the largest employers in Slovenia (SIJ Group, *History* – http://www.sij.si/en/company/other/history/ [3.6.2016]).

[20] Slovenian government, *Reform Programme for Achieving the Lisbon Strategy Goals 2008,* October 2008, p. 13.

[21] For example Gorenje (white goods), Krka (pharmaceutical), Petrol, Mercator (the leading food retailer), Luka Koper (the only port), Aerodrom Ljubjana (the main airport), Delo (the leading newspaper) etc. See J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., p. 27.

[22] S. Georgieva, D.M. Riquelme, *Slovenia: State-Owned and State-Controlled Enterprises,* "ECFIN Country Focus", Vol. 10, Issue 3, European Commission, June 2013, p. 7.

[23] J.P. Damijan, *Sloweniens Krise, ein Erbe…*, op. cit.

[24] In fact, due to the difference between domestic inflation rate and that of the Eurozone, real interest rates were in the period from end-2006 to end-2008 lower in Slovenia than in most other euro area countries – and even negative between end-2007 and mid-2008 – which further stimulated demand for loans. So, this difference in inflation rate caused the single monetary policy of the European Central Bank (ECB), at that time, to be expansive for Slovenian conditions. See Bank of Slovenia, *Report of the Bank of Slovenia on causes of the capital shortfalls of banks and the role of the Bank of Slovenia as the banking regulator,* March 2015, pp. 12-13.

[25] J. Mencinger, *Privatization Experiences in Slovenia,* op. cit., p. 20.

[26] New, 100 per cent state-owned banks (like Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM)) were established, and bad assets swapped for government bonds of a value of around EUR 1 billion. As a result, in 1997, direct and indirect control of the State over the Slovenian financial sector stood at least at 50 per cent. See World Bank, *Slovenia, Economic Transformation and EU Accession*, Vol. II: Main Report, pp. 62-64.

[27] *KBC Sells Its Stake in Slovenia's NLB,* The Wall Street Journal, 2012, http://www.wsj.com/articles/SB10001424127887324669104578206793947429894 [20.6.2016]; and *Reuters: KBC reaches agreement with the Republic of Slovenia regarding the sale of its remaining 22% stake in NLB,* 2012, http://www.wsj.com/articles/SB10001424127887324669104578206793947429894 [14.5.2016].

[28] Although, in ERM-II, the currency is allowed to fluctuate by up to 15 percent above or below the central rate (1 euro = 239.64 in the case of the Slovenian tolár, SIT), the SIT remained, in this two and a half year period prior to the introduction of euro, extremely stable, fluctuating in a much narrower band of only plus or minus 0.1-0.2 percent (i.e. from 239.41 to 240.03). (See *Slovenian tolar (SIT)*, European Central Bank, Euro exchange rates SIT, http://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-sit.en.html [19.6.2016]).

[29] Y. Koyama, *The EU's Eastward Enlargement: Central and Eastern Europe's Strategies for Development,* Vol. 27, World Scientific Publishing Co, 2014, p. 15.

[30] Bank lending being by its very nature pro-cyclical, the mere introduction of IFRS further increased this pro-cyclicality; in the period of high-speed economic growth following the EU accession, this change in accounting standards entailed a reduction in the need for provisioning in the banking system. Provisions declined by 24%, banks own funds increased by 15%, and capital adequacy improved by 1.6 percentage points right after the methodological change. So, the banks obtained a part of the capital they needed for intensive growth of lending indirectly (Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., pp. 18 and 41-44).

[31] As a result of their aggressive market strategy, foreign banks managed to increase their market share in Slovenia from 20.6 in 2001 to 29.74 per cent in 2012 (UNCTAD, *World Investment Report 2004*, p. 321; Invest Slovenia, *Market shares of biggest banks in decline*, 25.5.2013, http://www.investslovenia.org/info/news-media/latest/?tx_news_pi1%5Bnews%5D=1830&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Baction%5D=detail&cHash=62616aaed20ff28401ddb6c9c8a64837 [22.6.2016]).

[32] Bertelsmann Stiftung, *BTI 2014 Slovenia Country Report,* p. 19, Bertelsmann Stiftung's Transformation Index (BTI) 2014; http://www.bti-project.org/reports/country-reports/ecse/svn/index.nc.

[33] L. Arnesen, *Rehabilitation of the Slovenian banking system: Seeking strength in the aftermath of a crisis*, "Perspectives on Business and Economics", Vol. 32, 2014, p. 81.

[34] N. Ivers, *State Ownership in the Slovenian…,* op. cit., p. 30.

[35] Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., p. 20.

[36] An LBO is the acquisition, with borrowed money, of another company the assets of which are used as collateral.

[37] Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., pp. 14-15.

[38] To put it simply: when the banks realized they were under pressure to repay the loans they had borrowed on wholesale markets, they passed on the pressure to their clients. Unable to withstand this pressure and meet their liabilities to the banks, the excessively indebted companies started in growing number defaulting on their commitments. See L. Arnesen, *Rehabilitation of the Slovenian banking…*, op. cit., pp. 81-82.

[39] In which also the State had an important part to play, by accelerating, in the period of 2006-2008, the construction of motorway network to an annual growth rate of over 17 per cent. Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., p. 9.

[40] Freedom House, *Nations in Transit 2014, Slovenia*, op. cit., p. 601; PMR, *Final verdict in the „Clean Shovel" trial, former construction CEOs sentenced to prison*, PMR News, 4 April 2013, http://www.ceeconstruction.com/news/185043/final-verdict-in-the-8220-clean-shovel-8221-trial-former-construction-ceos-sentenced-to-prison [25.6.2016].

[41] The fourth CEO is Bine Kordez who, after transforming a home-improvement chain, Merkur, into a regional giant, drew on easy credit from state-run banks to carry out the largest MBO project in the country's history, amounting to EUR 400 million. See *Slovenia Falls from Economic Grace, Struggling to Avert a Bailout*, The New York Times Global Business, 5 May 2013, http://www.nytimes.com/2013/05/06/business/global/06iht-slovenia06.html?_r=1 [26.6.2016].

[42] W. Kickert, T. Randma-Liiv, R. Savi, *Politics of fiscal consolidation in Europe: a comparative analysis*, "International Review of Administrative Sciences", 2015, p. 18, http://itemsweb.esade.edu/idgp/IRAS%20fiscal%20consolidation%20in%20Europe%20conclusions%20december%202013.pdf [15.7.2016].

[43] To be fair, it needs to be added that in Slovenia the start of the crisis coincided with the implementation of a long-running wage reform, aiming at doing away with disparities among individual occupational groups within the public sector, which resulted in relatively high wage growth in both 2008 and 2009. As for the entire period since the outbreak of the crisis, however, public servants saw their wages deteriorate under seven consecutive

and partly overlapping pay agreements much faster than wages of employees in the private sector did. Public wage austerity consisted of postponement, suspension and even abolishment of regular wage increases, promotions and performance bonuses, limitation of payments for increased workload, and lowering of some other remunerations (such as travel expenses, food and daily allowances, long-service benefits, retirement allowances, etc.). Especially the years 2012 and 2013 were tough for public servants as their basic salaries were cut repeatedly – all in all by 8% on average (S.S. Cankar, V. Petkovšek, *Fiscal Instability in Slovenia during the Economic Crisis*, "Zagreb International Review of Economics and Business", Vol. 17, No. 1, 2014, p. 100), their sickness benefits lowered, while their allowances for specialisations, masters' and doctoral qualifications cut by half. On the whole, measures mainly focused on limiting wage levels, which, though saved thousands of public sector jobs, had, by a substantial compression of the wage scale, quite a demotivating effect on employees. See A.T. Selan, *Slovenia: Seventh public sector pay agreement signed*, EurWORK, European Observatory for Working Life, 20 May 2016, http://www.eurofound.europa.eu/observatories/eurwork/articles/industrial-relations/slovenia-seventh-public-sector-pay-agreement-signed [13.7.2016].

44 K. Stoviçek, *Minimum wages in Slovenia: Reducing employment but not poverty?*, "ECFIN Country Focus", Vol. 10, Issue 4, June 2013, pp. 1-2.

45 As for Slovenian exports, apart the slowdown in its main markets, the country's international competitiveness suffered from both a strong euro and China's increasing integration with the global economy (i.e. the more and more diversified Chinese exports being increasingly penetrated into industrial country markets). As a result, and similarly to the vast majority of Eurozone countries, Slovenia's MIP scoreboard indicator concerning its export market share (compared to the total world's exports and measured in rolling 5 year percentage change) started to decline after the outbreak of the crisis, and has remained in negative territory since 2010 (Eurostat, *Export market shares,* http://ec.europa.eu/eurostat/web/macroeconomic-imbalances-procedure/export-market-shares [14.9.2016]).

46 First, they favoured mild measures, such as pay freezes, instead of painful cuts and mass layoffs, and did not substantially reduce welfare spending or increase taxes other than excise duties (P. Pevcin, *Austerity and cutback management in the public sector: a case study for Slovenia*, "Administrative Culture", Vol. 15.1, 2014, p. 86). The same hesitation prevailed in regard to helping the banking sector. In the period of 2008-2011, financial funds mobilised by the Slovenian government for the stabilisation of banks, in terms of percentage of GDP (6.7%), was circa half of the European average (12.8), which proved to be both inadequate with respect to the difficulties the banks faced and unfortunate in the sense of Ljubljana having let pass the opportunity to concentrate efforts and measures on the first years of the crisis (i.e. by the end of 2010), when they could have been exempted from EU state aid rules (Bank of Slovenia, *Report of the Bank of Slovenia on causes...*, op. cit., p. 33).

47 At that time, it was quite an easy job to initiate a referendum in Slovenia. It could be called by Parliament, the National Council (a body working as a quasi-upper house and representing social, economic, professional and local interest groups) and held on any issue that garnered 2% support from Slovenes – a mere 40,000 people – by way of a signed petition (M. Haček, S. Pickel, F. Bönker, *Country Report Slovenia, Sustainable Governance Indicators 2015,* p. 14, http://www.sgi-network.org/docs/2015/country/SGI2015_Slovenia.pdf [17.6.2016]).

48 "*The opposition and the unions struck down several effective reforms (pensions, mini-jobs), acting as if the 'real' crisis lay still sometime in the future*" (I. Guardiancich, *The case of Slovenia*, (in:) *Recovering from the crisis through social dialogue in the new EU Member States*, ed. I. Guardiancich, International Labour Organization, 2012, p. 103, http://www.mwpweb.eu/1/144/resources/publication_1452_1.pdf [28.5.2016]). See also I. Szilágyi, *Merre tovább, Szlovénia?* (*Which way to go, Slovenia?*), "MKI Tanulmányok", T-2011/15, Hungarian Institute of International Affairs, 2011, pp. 10, 13, http://kki.gov.hu/download/9/63/c0000/Szil%C3%A1gyi15.pdf [25.7.2016]).

49 M. Stambolieva, *Welfare State Transformation in the Yugoslav Successor States: From Social to Unequal,* Routledge, 2016, p. 87.

50 Apart from short-term anti-crisis measures mainly consisting of refurbishment of public infrastructure and deployment of broadband in public institutions (S.S. Cankar, V. Petkovšek, *Fiscal Instability in Slovenia...,* op. cit., p. 99), which prevented unemployment from skyrocketing to massive levels (Figure 3c), the centre-left government started introducing some structural reforms as late as in 2011. One of the most important legislative changes came about in the field of social security with the adoption of the Act Amending and Supplementing the Social Protection Benefits Act – in force since early 2012 – which, by tightening conditions for obtaining grants from public funds and re-categorizing various pension-related payments as social benefits, represented a rather radical change in approach to social welfare system (P. Pevcin, *Austerity and cutback management...,* op. cit., p. 85). The new system seemed to be oriented more towards preventing abuses than towards mitigating poverty (Coalition of NGOs, *Parallel Report by the Coalition of NGOs on Economic, Social and Cultural Rights in Slovenia*, 2nd Periodic Report of the Republic of Slovenia to the International Covenant on Economic, Social and Cultural Rights (ICESCR), Ljubljana, March 2014, p. 29, http://tbinternet.ohchr.org/Treaties/CESCR/Shared%20Documents/SVN/INT_CESCR_NGO_SVN_16826_E.pdf [26.7.2016].

51 I. Guardiancich, *The case of Slovenia*, op. cit., p. 102.

52 M. Stambolieva, *Welfare State Transformation in the Context of Socio-economic and Political Changes: A Comparative Analysis of the post-Yugoslav States: Slovenia, Croatia, Serbia and Macedonia,* Dissertation, Universität Kassel, Kassel, Juni 2014, pp. 115-116, http://d-nb.info/1065208936/34 [26.7.2016].

53 Although the election was won by the centre-left Positive Slovenia Party, as his leader, Ljubljana's mayor Zoran Janković failed to cobble together a majority coalition, the new government was formed by a right-leaning coalition, led by Janez Janša, president of second-placed Slovenian Democratic Party (*Slovenian parliamentary election*, 2011, https://en.wikipedia.org/wiki/Slovenian_parliamentary_election,_2011 [1.8.2016]).

54 Slovenia was advised to contain public expenditure for achieving the deficit target, ensure the sustainability of the pension system, help cleaning off balance sheets across the banking sector, tackle the problems of the labour market (difference between permanent and temporary contracts, parallelism resulting from student work), enhance the matching between skills and jobs, boost business environment and attract investment. See European Commission, *Recommendation for a Council Recommendation on the National Reform Program 2011 of Slovenia*, 7.6.2011, SEC(2011) 816 Final, p. 6.

55 S.S. Cankar, V. Petkovšek, *Fiscal Instability in Slovenia...*, op. cit., p. 99.

56 The number of ministers was substantially reduced and a central role in working out plans for fiscal consolidation was assigned to the Ministry of Finance (P. Pevcin, *Austerity and cutback management...*, op. cit., p. 88).

57 10$^{th}$ Annual Report of the Republic of Slovenia on the Application of the European Code of Social Security, General Report, Reference Period: 1 July 2014 to 30 June 2015, https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=090000168059945f [31.7.2016].

[58] S.S. Cankar, V. Petkovšek, *Austerity Measures in the Public Sector in Slovenia and Other Selected European Countries*, "Croatian & Comparative Public Administration", Vol. 13(4), 2013, pp. 1099-1100; P. Pevcin, *Austerity and cutback management*..., op. cit., p. 86.

[59] S.S. Cankar, V. Petkovšek, *Fiscal Instability in Slovenia*..., op. cit., pp. 100-102.

[60] P. Pevcin, *Austerity and cutback management*..., op. cit., pp. 85, 88.

[61] Opponents to BAMC warned that it would create serious moral hazard by transferring – through an exchange of banks' bad assets/non-performing loans against state guaranteed bonds – misguided past decisions of bank managers and supervisors on taxpayers (*Veto on Bad Bank*, "The Slovenia Times. Politics", 10 October 2012, http://www.sloveniatimes.com/veto-on-bad-bank [22.3.2016]).

[62] As for the SSH, whose predecessor had been created in the context of Slovenia's OECD accession in 2010, based on (bad) experiences related to the first Janša cabinet of 2004-2008 (see chapter 'The original sin...'), there was a fear the government would sell state property without parliamentary approval (T. Majnardi, *Mental Bailout*, "The Slovenia Times", Editorial, 28 October 2012, http://www.sloveniatimes.com/mental-bailout/2 [28.6.2016]).

[63] *PM Janša Announces New Public Sector Cuts*, "The Slovenia Times. Politics", 3 October 2012, http://www.sloveniatimes.com/pm-jansa-announces-new-public-sector-cuts [25.3.2016].

[64] *Austerity Budgets Passed in Parliament*, "The Slovenia Times. Politics", 6 December 2012, http://www.sloveniatimes.com/austerity-budgets-passed-in-parliament [1.5.2016].

[65] G. Kirn, *Slovenia's social uprising in the European crisis: Maribor as periphery from 1988 to 2012*, 2014, http://www.stasisjournal.net/all-issues/24-1-2014-revolutions-and-protest-movements/60-slovenia-s-social-uprising-in-the-european-crisis-maribor-as-periphery-from-1988-to-2012 [28.2.2016].

[66] M.F. Hrast, M. Ignjatović, *GINI Country Report: Growing Inequalities and their Impacts in Slovenia,* No. Slovenia, AIAS, Amsterdam Institute for Advanced Labour Studies, 2013, pp. 2-3, http://gini-research.org/system/uploads/506/original/Slovenia.pdf?1372768022 [4.8.2016].

[67] Since the beginning of austerity (i.e. the second half of 2011) until the outbreak of protests in November 2012, youth unemployment rate had increased from 14 to 24 per cent (*Slovenia Youth Unemployment Rate,* http://www.tradingeconomics.com/slovenia/youth-unemployment-rate [5.8.2016]).

[68] Household consumption contributed negatively to GDP growth in 2012 and also in 2013, a development unprecedented since the transformation recession of early 1990s (European Commission, *Country Report Slovenia 2016*, 26.2.2016, p. 4; OECD, *Final consumption expenditure of households*, https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE5# [3.8.2016]).

[69] CPC, *Commission for the Prevention of Corruption of the Republic of Slovenia, History,* https://www.kpk-rs.si/en/the-commission.

[70] Bertelsmann Stiftung, *BTI 2014 Slovenia Country Report,* op. cit., p. 9.

[71] "*Protesters' energy had wrongly concentrated on the overthrow of individual figures*" – as no considerable new political party emerged from the movement. See G. Kirn, *Slovenia's social uprising*..., op. cit.

[72] M. Haček, S. Pickel, F. Bönker, *Country Report Slovenia, Sustainable Governance Indicators 2014,* p. 4, http://www.sgi-network.org/docs/2014/country/SGI2014_Slovenia.pdf [7.8.2016].

[73] *Bad Bank Formally Established,* "The Slovenia Times. Business", 22 March 2013, http://www.sloveniatimes.com/bad-bank-formally-established [1.8.2016].

[74] IMAD, *Development Report 2014*, Ljubljana, July 2014, p. 52, http://www.umar.gov.si/fileadmin/user_upload/publikacije/pr/2014/Apor_2014.pdf [10.9.2015]. Asset qualification includes definition and categorisation of public assets, determination of targets for their efficiency/profitability, and working out of methods for how to sell them. See Bank of Slovenia, *Report of the Bank of Slovenia on causes...*, op. cit., p. 102.

[75] European Commission, *In-depth review for Slovenia,* Commission staff working document, 10.4.2013, SWD(2013) 122 final, p. 38.

[76] On 30 April 2013, Slovenia's several billion USD worth of 5- and 10-year bonds issue had to be suspended just before the book was to be closed and the final price was to be set, as news broke that Moody's – acting against standard practice of informing the government about the intention and reasons for changes in their credit ratings – downgraded the country's debt by two notches to junk status (*Bond Issue Suspended as Moody's Downgrades Slovenia's Rating*, "The Slovenia Times. Business", 2 May 2013, http://www.sloveniatimes.com/bond-issue-suspended-as-moody-s-downgrades-slovenia-s-rating [31.8.2015]). As a result, Slovenia turned out to get an exceptionally wide range of ratings from the three main agencies: a spread of four notches appeared (Figure 4b), wider than any other developed country, except for Cyprus whose banking system happened, however, to be a crazy multiple of GDP due to tons of external (mainly Russian) deposits (*Slovenia's rating: why so varied?*, FT.com, comment, blogs, beyondbrics, 1 May 2013, https://next.ft.com/content/fddc5819-83b3-387a-81e1-75c7276c6be2 [23.10.2015]).

[77] *Republic of Slovenia: Financial System Stability Assessment*, IMF Country Report, No. 12/325, pp. 1, 5.

[78] *Slovenia*, "OECD Economic Surveys", April 2013, op. cit., p. 13.

[79] Pursuant to regulation on the prevention and correction of macroeconomic imbalances, adopted at the end of 2011 as part of the so-called 'Six-Pack' measures, the Commission, in the framework of the so-called 'Alert Mechanism' and based on a scoreboard of indicators, undertakes in-depth reviews for member states it considers to be affected or at risk of being affected by imbalances (Regulation (EU) No 1176/2011 of the EP and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances).

[80] Slovenian Blue Chip index SBI Top is Slovenia's major capital market benchmark index, tracking the performance of the most liquid shares traded on Ljubljana Stock Exchange.

[81] European Commission, *In-depth review for Slovenia,* op. cit., p. 30.

[82] According to Commission's press releases, Slovenia in 2012 was experiencing serious imbalances which were not excessive, but needed to be addressed (European Commission, *Following in-depth reviews, Commission calls on Member States to tackle macroeconomic imbalances*, Memo/12/388, Brussels, 30 May 2012). A year later, the judgment on imbalances changed to 'excessive' (European Commission, *Commission concludes in-depth reviews of macroeconomic imbalances in 13 Member States*, Press Release, IP/13/313, 10 April 2013). And, if a country is affected by an excessive imbalance, the 'Corrective action' turns into 'Excessive Imbalance Procedure', at the end of which the country in question could even face sanctions (interest-bearing deposit or fine) of up to 0.1% of GDP (*Prevention and correction of macroeconomic imbalances in the EU,* http://eur-lex.europa.eu/legal-content/en/TXT/?uri=URISERV:ec0019 [12.10.2015]).

[83] The savings in public spending were to be generated by a combination of cuts to public sector wage bill and investments, and introduction of restrictive policy measures in the area of social transfers and health insurance. As for the extra revenues, the package included higher court fees, VAT and CIT rates, and new taxation on lottery and sports betting, non-alcoholic beverages and real estate – the tax for the latter being abolished by the Constitutional Court in March 2014 (*Stability Programme to bring in EUR 650M and Cut Expenditure by EUR 716.5M*, "The Slovenia Times. Features", 11 May 2013, http://www.sloveniatimes.com/stability-programme-to-bring-in-eur-650m-and-cut-expenditure-by-eur-716-5m [10.8.2016]; *Constitutional Court Annulled Real Estate Tax*, "The Slovenia Times. Politics", 28 March 2013, http://www.sloveniatimes.com/constitutional-court-annuled-real-estate-tax [10.8.2016].

[84] Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., pp. 70-71.

[85] T. Majnardi, *The carousel of damaging "go with the flow" policies continues*, "The Slovenia Times", Editorial, 12 September 2013, http://www.sloveniatimes.com/the-carousel-of-damaging-go-with-the-flow-policies-continues [8.12.2015].

[86] Since then, referenda can be called neither by Parliament, nor by the National Council, but only by the citizens themselves. Issues of public budget, taxes, and international agreements are excluded (M. Haček, S. Pickel, F. Bönker, *Country Report Slovenia, Sustainable Governance Indicators 2015*, op. cit., p. 14).

[87] Of which further adjustment of the pension and social security systems, in order to contain age-related expenditure growth (Council of the EU, *Council recommendation with a view to bringing an end to the situation of an excessive government deficit in Slovenia,* 2013, pp. 12-13, http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/30_edps/126-07_council/2013-06-21_si_126-7_council_en.pdf [22.11.2015]).

[88] European Commission, *Commission concludes in-depth reviews…*, op. cit., p. 37. An AQR consists of assessment of data quality, adequacy of the classification of a bank's claims (non-performing exposures included), collateral valuation and provisions, i.e. considers the key attributes of the bank's different asset portfolios in order to evaluate the quality of the assets. Based on the results of an AQR, stress tests are performed to reveal future losses under baseline and adverse macroeconomic scenario, the latter serving to quantify the need for recapitalisation. See Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., pp. 72-73.

[89] Following the transfer, the NPL ratio of the Slovenian banking system declined from 17.3 to 13.4% (Bank of Slovenia, *Financial Stability Review,* May 2014, p. xiii).

[90] Ibidem, p. 35, Table 6.4. A policy vigorously debated by junior bondholders who asked the Slovenian Constitutional Court for an examination of the banking act, but whose claim was recently rejected by the EU Court of Justice (*EU Court Rules Slovenia's Bank Bondholder Wipeout Was Legal,* 19 July 2016, http://www.bloomberg.com/news/articles/2016-07-19/eu-court-ruling-backs-slovenian-move-that-wiped-out-bondholders [12.8.2016]).

[91] NKBM and Abanka were to be completely sold out (Abanka by the end of 2019), while in the case of NLB the government were to reduce its participating interest to no more than 25% plus one share by the end of 2017. See Ministry of Finance – Banka Slovenije, *Bank of Slovenia and Slovenian government announce results of stress tests,* Press Release, 12 December 2013; *New Abanka Formally Operational,* "The Slovenia Times. Business", 5 October 2015, http://www.sloveniatimes.com/new-abanka-formally-operational [02.12.2015]). NKBM has already been sold to US equity fund Apollo Management (80%) and EBRD (20%) for a price of EUR 250 million in April 2016 (*Apollo and EBRD reportedly transfer funds for acquisition of NKBM,* "The Slovenia Times. Business", 20 April 2016, http://www.sloveniatimes.com/apollo-and-ebrd-reportedly-transfer-funds-for-acquisition-of-nkbm [12.8.2016]).

[92] *Deal Finally Reached on Sovereign Holding*, "The Slovenia Times. Politics", 7 December 2013, http://www.sloveniatimes.com/deal-finally-reached-on-sovereign-holding [11.8.2016]; Bank of Slovenia, *Report of the Bank of Slovenia on causes…*, op. cit., p. 102. Privatisation of 15 SOEs has been gradually set on its foot. As of mid-August 2016, two-third of the companies to be privatised – of which Adria Airways, Aerodrom Ljubljana or Elan – have been ticked off in the list of Slovenia Sovereign Holding's website. None of them was sold to domestic buyers (*Successful Sales*, Slovenian Sovereign Holding, Privatization, http://www.sdh.si/en-us/privatization/successful-sales [12.8.2016]).

[93] Bank of Slovenia, *Financial Stability Review, May 2014*, op. cit., p. 5. As for the period since the beginning of the global crisis, Slovenia is bearing the dubious title of suffering from the worst deterioration in its debt to GDP ratio of the region (Figure 3f).

■



# RYNEK MOCY. KOLEJNY ETAP TWORZENIA ZLIBERALIZOWANEGO RYNKU ENERGII ELEKTRYCZNEJ W UNII EUROPEJSKIEJ

*Dariusz Michalski, Maciej Sołtysik**

W Europie rośnie ryzyko wystąpienia deficytu mocy, koniecznych do zaspokojenia w każdym czasie popytu na energię elektryczną. Brak mocy może powodować przerwy w dostawach energii elektrycznej lub ograniczać poziom zasilania. Przyczyną tego ryzyka jest głównie niedopasowanie elastyczności bloków produkcyjnych w elektrowniach konwencjonalnych do nowych wymogów, które pojawiły się w rezultacie gwałtownego wzrostu wytwarzania energii ze źródeł odnawialnych (OZE), w szczególności w elektrowniach wiatrowych i słonecznych, których produkcja zależy od warunków pogodowych. Rozwiązania pozwalające eliminować to ryzyko stają się w ostatnim okresie coraz częściej przedmiotem intensywnych dyskusji w kręgach branży elektroenergetycznej i zainteresowania ustawodawców. Jest to spowodowane uzasadnioną obawą o przyszłość krajowych systemów elektroenergetycznych (KSE). Jednym z proponowanych rozwiązań jest utworzenie w miejsce