

The fall of the centre-right Slovenian government

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On 27 February, the Slovenian parliament passed a vote of no confidence in the centre-right government led by Janez Jansa. The task of forming a new cabinet has been entrusted to Alenka Bratusek, the leader of the left-wing Positive Slovenia, the largest party in parliament. Slovenia is regularly mentioned as a potential applicant for financial aid from the eurozone's rescue funds in connection with the crisis in its state-dominated banking sector. At the end of last year, the estimated level of bad debts reached 7 billion euros, which was equivalent to 20% of the country's GDP. Another challenge the government needs to face is the economic slowdown (a 2.3% fall in GDP in 2012, with a further 2% fall expected in 2013) and the increasing unemployment rate (9.6% in the fourth quarter of 2012). The direct reason for the downfall of the Jansa cabinet was the publication of an anti-corruption commission's report. According to this report, the prime minister's assets declaration was strongly at variance with his bank account statement. Despite pressure from coalition members, Jansa did not agree to step down and maintained that the allegations were not backed up by strong evidence. This led to the breakdown of the centre-right cabinet.

Commentary

- The Janez Jansa cabinet, which was formed in February 2012, made an attempt to consolidate public finances by cutting social benefits and wages in the public sector. Its achievements included carrying through the long-delayed pension system reform and the preparation of an amendment to the labour code. These reforms were appreciated by employers and international institutions, but they were also disapproved of by the trade unions, which are strong in Slovenia. The negative public sentiments caused by the budget cuts were further augmented by large-scale corruption scandals.
- According to Bratusek's declarations, the new cabinet will veer off from a liberal direction in economic policy towards a pro-growth path involving the consolidation of public finances. In practice, this will probably mean a slower rate of reducing the deficit in the public finance sector, the amendment of the budget act, and the reinstatement of part of social expenses hand-in-hand with higher taxation. However, one serious problem Alenka Bratusek and her political aides have is the lack of a coherent vision of an economic policy. Both left-wing and liberal parties voted for the prime minister to be changed. If the new version of the coalition agreement is shifted too far to the left, it cannot be ruled out

that the liberal Civic List party will remain outside the government and declare only conditional support for some of its actions. The lack of a stable majority in parliament will make it significantly more difficult for the Bratusek cabinet to carry out necessary reforms and may restrict its functions to merely administering the country before a snap election is held. This scenario will result in complications in finding the funds necessary for repaying 2 billion euros of Slovenia's debt, which will have matured in mid 2013.

- The change of the Slovenian government may slightly delay the ratification of the Croatian accession agreement by the Slovenian parliament. Alenka Bratusek has declared her will for a quick compromise with Croatia. However, she has made the ratification dependent on resolving the dispute over funds deposited by Croatian citizens with Ljubljanska Banka when these two countries were part of one state and which were later taken over by Nova Ljubljanska Banka (NLB) following the break-up of Yugoslavia. However, this delay is unlikely to prevent Croatia's accession to the EU by 1 July this year.