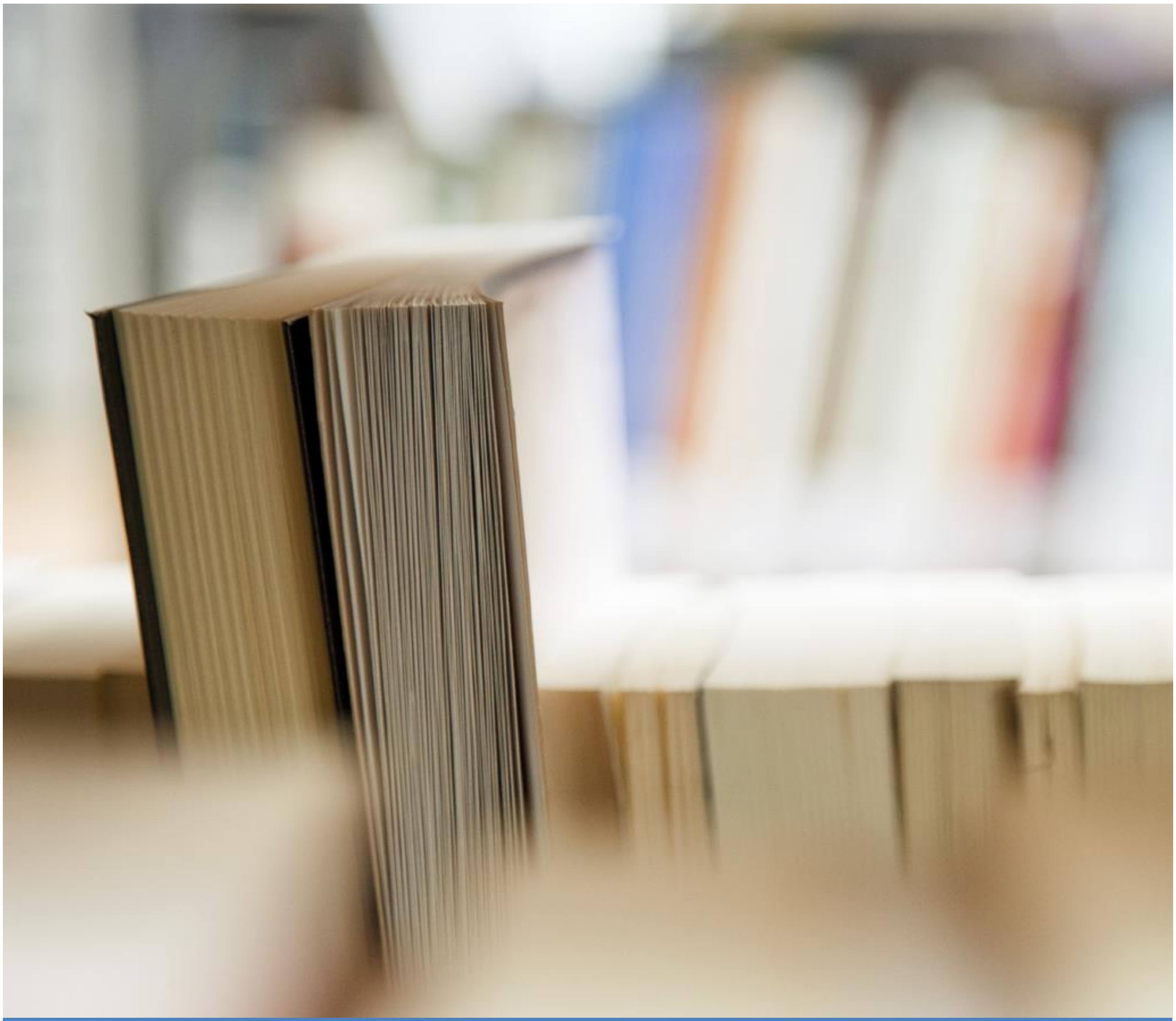


Country briefing

Slovenia

CSOs as equal partners in monitoring public finances

April 2016

BALKAN MONITORING PUBLIC FINANCES
www.wings-of-hope.ba

CREDITS

Authors:
Lidija Živčić, Project Coordinator, Focus (lidija@focus.si),
Ajda Pistotnik, Project coordinator, EnaBanda (ajda@enabanda.si)

Formatting:
Emina Hasanagić, Administrative Manager, Foundation Krila nade (emina.hasanagic@wings-of-hope.ba)

This document has been produced as a part of the project "CSOs as equal partners in the monitoring of public finance", which started beginning of 2016 and is implemented by a consortium of 10 organizations from 7 countries and will last for four years.

The aim of the project is to improve the transparency and accountability of policy and decision making in the area of public finances through strengthening the role and voice of NGOs in monitoring the institutions that operate in the area of public finances. In this way, the project will strengthen CSO knowledge of public finance and IFIs and improve CSO capacities for monitoring. Additionally, it will help advocate for transparency, accountability and effectiveness from public institutions in public finance. Moreover, this project will build know-how in advocating for sustainability, transparency and accountability of public finance and IFIs. This project will also increase networking and cooperation of CSOs on monitoring of public finance at regional and EU level. Lastly, it will increase the understanding of the media and wider public of the challenges in public finance and the impacts of IFIs.

Key project activities are research and monitoring, advocacy, capacity building and transfer of knowledge/practices and networking in the field of the 4 specific topics: public debt, public-private partnerships, tax justice and public infrastructure.

More information about the project can be found on http://wings-of-hope.ba/balkan-monitoring-public-finance/ and on the Facebook Page Balkan Monitoring Public Finances

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

CONTENT

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

INTRODUCTION

The purpose of this macroanalysisis to provide a framework assessment of the situation in Slovenia in respect to public finance, more specifically in the field of tax justice, public infrastructure, public-private partnerships and debt. The macroanalysis looks at key economic and social indicators of Slovenia, gives an outline of the conditions of Slovenia's economic and political situation. Moreover, it provides a more detailed look into the key characteristics of the situation in the fields of public debt, tax justice, PPPs and public infrastructure**.**

General indicators of Slovenia

Indicator	**Data**
Population	2.063.371 in 2016
Gross domestic product	38,570 mio EUR (in 2015)
GDP per capita	18,693 EUR (in 2015)
GDP	2,9% in 2015
Inflation	-0,5% in 2015
Tax on personal income	5% of GDP
Tax on corporate profits	1.4% of GDP
Income inequality (Ginni)	0,255
Households debt	57.7% of disposable income
Government debt	83,1% of GDP or 32,071 mio EUR in 2015
Government deficit	-1,118 mio EUR in 2015
Rate of registered unemployment rate	12,3% in 2015
Persons in employment	919.000 people in 2016
Total fiscal burden	37.0% of GDP
Social protection expenditure as a share of GDP	25,0% of GDp in 2013
At-risk-of-poverty or social exclusion rate	19,2% of persons in 2015
Government spending	49.8% of GDP?
Poverty rate	0.10?

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

Social spending	23.7% of GDP?
Building permits	559 in 2016 until July

Source: http://www.stat.si/StatWeb/en/home

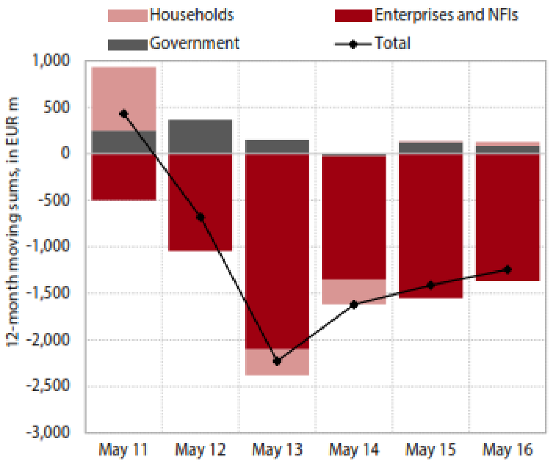
The main milestones in Slovenian in political and economic terms in the last decades have been independence in 1991, accession to the EU in 2004 and to the Eurozone in 2007. After the period of domestic accumulation-based growth (from 1994 to 2004), a period of debt-fuelled growth (from 2004 to 2008) has contributed to the economic brilliance of Slovenia, only to bring it to the most recent period of crisis (from the end of 2008 until today, with the crisis peak in 2012-2013)[1].The crisis wave in 2008 did not only hit the economy, but it also spread to the political sphere. The fact is that the last government in office that held on to power for the whole mandate (four years), was the government from 2004-2008. From this point on, the nation went through a process of different governments changing the office. The economic crisis, linked with political instability in Slovenia is the backdrop against which many of the adverse developments in public finance, sketched out by this report, took place.
It is worth noting that previous exploration[2] show that international financial institutions and other international organizations influenced some of Slovenia's key policies, laws and practices, among which also the decisions that lead to inefficient solutions for public finance that are shown in this study. The lack of public debate and political decision-making is a relevant aspect of the context in Slovenia, as blindly following the recipes coming from international institutions moves the power leverage from the people of Slovenia to those institutions. Recent OECD study (2016)[3] showed that Adults in many countries around the world display low levels of financial knowledge, fail to engage in financial behaviors that could improve their financial security and have financial attitudes oriented towards the short-term.

The decline in domestic non-banking sector loans is easing; the quality of banks' assets is improving. The volume of household loans in Slovenia's banking system has risen slightly as a consequence of growth in new loans, while the decline in new loans to non-financial corporations has come to a halt in the last few months. The volume of non-performing claims continues to fall. At the end of April, it totaled EUR 2.7 billion and accounted for 8.0% of the banks' total exposure, which is 3.6 percentage points less than in the same period of 2015.

[1]Maja, Mencinger ali študija AP/LZ
[2]Študija AP/LZ
[3]http://www.oecd.org/finance/oecd-financial-literacy-study-finds-many-adults-struggle-with-money-matters.htm

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

Figure 26: **Changes in the volume of loans to domestic non-banking sectors**



Source: BoS; calculations by IMAD. 4

4http://www.umar.gov.si/fileadmin/user_upload/publikacije/eo/2016/SEM_05_splet.pdf

PUBLIC DEBT

Slovenia's debt burden affects the citizen nowadays as one of the biggest expenditures of the state, that is the paying public debt interest rates. On the other hand, the burden can be seen in the form of austerity measures, legal basis for the reforms, restructuring of the banking system - BAMC (bad bank), privatization through Slovenian State Holding (SSH), fiscal consolidation and pressures applied from regional and international economic actors.

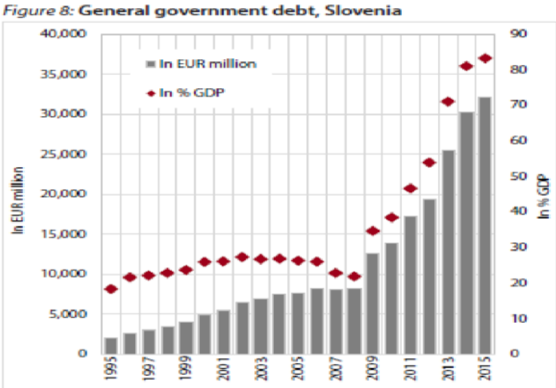
After 2004, Slovenian banks started to borrow extensively from abroad and only a small part of the loans was directed towards households. In this respect, the vast majority of bank loans went to the corporate sector. The corporate debt was around 117% of GDP in 2005, but reached 148% in 2008, which was high above the EU average. Slovenian banks suddenly gained access to cheap loans from abroad, which led to an important shift in bank financing from deposits to foreign capital markets. Another crucial shift after 2004 was the change of currency from tolar to euro.

In January 2004 the state deficit was only 2.4% of GDP and it reached 6.1% of GDP in 2009. European integration facilitated a transfer of wealth and power from the periphery to rich countries through debt instruments and trade relations. Therefore, the inflow of loans due to accession to the EU and entrance to the Eurozone caused a new dynamic, where the interests of the capital owners dominated the integration. In this context, the financial markets drove down borrowing costs and flooded capital markets.

The crisis began to emerge at the end of 2008. The country was badly hit and its GDP growth rate fell to 3.3% in 2008 and plummeted to -7.8% in 2009. The public debt reached 37.9% of GDP in 2010 and skyrocketed to 85% of GDP in 2016, reaching around €30.34 billion. The increase in public debt was mainly a result of declining tax revenues due to the fall in economic activity and lowering of the corporate profit tax. It was also a result of a parallel rise in welfare spending triggered by the crisis. The sovereign debt also rose due to government interventions into the banking sector. Namely, in 2009 the government mitigated the problems of liquidity in the banking sector by increasing state deposits in the three Slovenian state-owned banks. Therefore, the government borrowed money to cover its current expenditures or to repay old debts. The sovereign debt crisis that followed was a logical outcome of the recession and the crisis rooted in the corporate sectors.

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

Figure 8: **General government debt, Slovenia**



Source: SI-STAT Data Portal – National accounts – General government accounts – Main general government aggregates, April 2016.

[5]UMAR, 2016

State borrowing mostly took the form of long-term bonds, but this form was expensive for the state in the time of crisis. In November 2011 the yields on 10-year government bonds rose above 7% and exceeded the 7% limit yet again in January and August 2012. Slovenia was downgraded at the financial markets from rating Aa3 to A1 in December 2012 by the rating agency Moody's. The government feared that political uncertainty and reliance on exports to the EU would trigger a further downgrade in the rating and consequentially a sharp rise in borrowing costs. However, nowadays the interest rates are around 1%.

Debt Break down by Instruments

Instrument	EndofAugust 2016	Endof September 2016
	mio EUR	mio EUR
DomesticDebt	18.677,8	19.622,6
Loans	434,7	400,6
Bonds	18.243,0	19.222,0

[5]UMAR http://www.umar.gov.si/fileadmin/user_upload/publikacije/pr/2016/APoR_2016.pdf

ForeignDebt	9.070,9	8.677,4
Loans	537,0	534,8
Bonds	8.533,9	8.142,6
Total	27.748,7	28.300,0

[6] MF, 2016

Since enterprises were largely financed by bank loans, their losses accumulated on the balance sheets of the banks in the form of non-performing loans. In this context, the situation was made worse in 2010 when the Bank of Slovenia increased the capital requirements for the banks. This contributed to a further contraction of the lending activity.

The social aspect of European integration and modernization has become the main challenge in ensuring that they becomes a positive force. The inability to preserve a strong social dimension by introducing wide-ranging austerity measures and reform packages has led to an EU governance crisis that is contributing to the violation of the social and environmental rights because of economic development. It is broadly perceived and has been shown repeatedly that recommendations made by international financial and other economic institutions such as European Commission, the International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD) focus mainly on reducing the social role of the state to a considerable extent. A weaker role for the state allows for a liberalized economic environment, in which movement of capital across borders is deregulated and hence easy, while social protection standards and workers' rights are weakened. An analysis of various policy measures that were advocated by international financial institutions (IFIs) and other international actors reveals that these actors played a major role in shaping Slovenia's national policies, laws and practices.

However, the Slovenian citizens do not talk much about the debt, but are talking more on its correlated topics like opposing austerity policies, pension and health care reforms, various trade unions have been struggling and negotiating with the government from time to time on minimal wage, migrant workers, unfreezing the salaries in the public sector, etc. Moreover, they are being critical also towards setting up

[6]MF: http://www.mf.gov.si/en/areas_of_work/general_government_finance/public_finances/central_government_debt/

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

BAMC ('bad bank' to centralize bad debt), privatizing state companies and reducing state expenditure and decreasing the quality of public services.

Last year a book, *Public debt: Who owes whom?*, edited by Slovenian sociologists Rastko Močnik and Maja Breznik, was published consisting of a series of analytical and critically engaged studies on the causes, structure and political aspects of current public indebtedness of Portugal, Spain, France, Greece, Slovenia and Argentina. The case of Slovenia is examined in two separate yet complementary contributions. The first article ”What is the position of Slovenia in the international debt crisis?” by Maja Breznik and Sašo Furlan presents a broad economic and political context of the debt crisis in Slovenia and an inquiry into the state recapitalizations of Slovenian banking sector during the crisis. The second article ”Formation of the public debt in Slovenia” by Franček Drenovec portrays the immediate causes for the eruption of public indebtedness, and scrutinizes the composition of current public debt of Slovenia.

Nevertheless, the debate about debt cancellation took place in Slovenia in 2015, though not focusing on the public debt but a household debt cancellation. The initiative was firstly promoted by the newly elected left party the United Left, an opposition political party, but then it was took over by Ministry of Labor, Family and Social Affairs. It proposed a bill to write off the debts of the poorest households. The problem of indebted households in Slovenia is real and cannot be denied. According to the study of housing costs done by the Statistical Office of the Republic of Slovenia in 2014 housing costs represent a heavy burden for 37% of households and a medium-sized burden for 52% of households. In addition, the study showed that 19% of households have missed the payment of housing costs due to financial distress and that financial distress resulted in at least one late rent payment for 24% households living in rented apartments. Therefore, a single debt cancellation would help beneficiaries, but it should not be an isolated action in improving social inequality and increasing poverty, which is systemic. The initiative of writing off the debt of the households offers legal possibility for a single voluntary debt cancellation to the sum of 1,500 euros. Thus, it is argued that the issue is not just its short term effect, but also its maximum sum, its voluntary nature where companies could decide if they are willing to write off the debt of the debtors – households.

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

TAX JUSTICE

Due to the financial and economic crisis affecting Slovenia, the public debt and deficit have increased, while income for the budget was reduced. Slovenian government specified two major areas of action to limit the further damages on the budget's income side: addressing the grey economy and collecting the unpaid taxes that companies owe to the state.[7] This is why in principle Slovenia is interested in posing measures to limit tax avoidance and money laundering. However, in practice Slovenia does not always support the most progressive proposals for measures and adopts measures that are even further distorting the tax justice in the country.

The most visible challenges that Slovenia would have to deal with are summarised below:

SMEs loose competitiveness against multinationals Tax avoidance benefits multinational corporations disproportionately in comparison with SMEs that cannot play the game and loose on competitiveness due to that. Use of assertive tax planning methods causes concern that the tax burden is not equally carried by the MNCs and SMEs. The former can benefit from aggressive tax planning through many jurisdictions, whereas the later cannot compete with such practices[8]. Eventually this leads to loss of their competitiveness.

Tax flight means less income for Slovenian budget and less funds for state services Companies and affluent individuals channel their money into tax haven, which means avoiding to pay taxes in Slovenia. This in turn means less income for the Slovenian budget and consequently less funding available for state services. Slovenia is a minor actor in the game of hiding profits off shore, but it is not immune to the allure of the game: Panama documents disclosed information of numerous Slovenians or Slovenian companies doing their business through tax havens[9]. Some estimates speak even about €50-75 billion being lost from Slovenia to tax haven, although they are described as exaggerated by the vice-governor of the Bank of Slovenia[10].

Citizens are burdened more than the companies There is a growing discrepancy between the relative level of taxation of individuals and companies: the companies pay less and less tax in relative terms

[7]http://ekvilib.org/images/stories/BegKapitala/Skriti%20dobicki%20-%20vloga%20EU%20pri%20podpiranju%20nepravinega%20mednarodnega%20davnega%20sistema.pdf
[8]http://www.ekvilib.org/images/stories/BegKapitala/porocilo%20Leva%20roka%20desni%20zep.pdf
[9]http://www.delo.si/assets/info5/dosje/panamapapers/goto.html
[10]http://www.mladina.si/173496/davcne-oaze-iz-slovenije-naj-bi-odslo-med-50-in-75-milijardami-evrov/, http://www.rtvslo.si/slovenija/ameriski-ekonomist-slovenci-ste-v-davcne-oaze-prenesli-75-milijard-viceguverner-pretirano/332114

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

(reduction of tax rates for profit of companies: from rate of 25% in 2006, the rate reduced to 17% in 2013 and remains on that level in 2016 due to economic and financial crisis, while it was planned to lower it to 15% by now[11]), although they use the same state services as the citizens, who have to pay double as much tax in relative terms (the average rate of tax and contributions for citizens in 2015 was 34,88%[12]).

Benefits of tax incentives are questionable There is poor evidence of what are the benefits of tax reliefs. Companies profit from numerous tax reliefs, which means less income for the budget, but the benefits of these are dubious at best. Detailed studies lack or are not publicly available. What little evidence there is, it says that empirical results do not show that tax incentives would have positive effects on the increasing of employment, while the effects on investment are negligible. It suggests that abandoning tax incentives at corporate income taxation would be a good move[13].

Race to the bottom More and more countries enter the game of lowering corporate tax rates or giving tax incentives, both meaning attractive ways of avoiding taxes. It is a race to the bottom, which opens a question for whom such race is beneficial. Slovenia hopes to attract FDI in such manner, but FDI is not attracted only by favourable taxes; stabile business environment and a clear development strategy would have been more important factors for business to invite investments[14]. By betting on tax incentives as the main attraction, Slovenia loses on tax income from companies, while the real problems remain open.

Some of the described challenges can only be addressed through cooperation with the international community, while some challenges will have to be addressed within the country. Whereas tax haven and other global tax avoidance schemes can only be addressed in close cooperation with other countries, reduction of corporate tax rates and offering of tax incentives is a domestic issue. In the international efforts, Slovenia could contribute by actively supporting ambitious solutions for complete transparency of transactions of MNCs, including public country by country reporting, which would enable Slovenia to receive data from multinational corporations on how much business and profit they actually make in Slovenia, demanding more transparency of beneficiary ownership of companies, including public availability of information, and supporting a global tax body under the auspices of the UN. Although

[11]http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki_in_carine/Predlogi_predpisov/2016-07-13_ZDDPO_2N_jav.pdf, http://evem.gov.si/info/poslujem/davki/davek-od-dohodkov-pravnih-oseb/, http://mladipodjetnik.si/novice-in-dogodki/novice/davek-od-dohodkov-pravnih-oseb-ostaja-na-17
[12]http://www.fu.gov.si/fileadmin/Internet/Davki_in_druge_dajatve/Podrocja/Prispevki_za_socialno_varnost/Povezave/Povprecna_letna_stopnja_davka_in_prispevkov.pdf
[13] http://www.eipf.si/uploads/tx_tspagefileshortcut/wps-eipf-01-si.pdf
[14]http://www.rs-rs.si/rsrs/rsrs.nsf/I/KBBC3E0B189C353ACC1257B6300399B11/$file/Japti_TNI_SP10_12.pdf

Slovenia tends to be generally supportive of EU measures to tackle tax dodging, it should be more proactive in demanding more transparency, especially through public access to collected data and reports from companies. Often Slovenia takes a stand in the EU talks that the proposed measures are an administrative burden for the companies[15], which can be interpreted as blocking the progress of the negotiations. At the same time Slovenia should not open doors for practices, such as advance price agreements (the proposed amendment to the Tax Procedure Act is introducing this practice to Slovenian legal basis[16]), which allow companies to make use of lower taxes. It should also thoroughly study the real effects of tax breaks (cost-benefit analysis). Only in such way Slovenia can start thinking what are the real attractions it can offer to companies, rather than taking part in offering legally substantiated ways for companies to avoid paying taxes.

[15]http://www.vlada.si/fileadmin/dokumenti/si/Sporocila_za_javnost/2016/sevl77-16.pdf
[16]http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki_in_carine/Predlogi_predpisov/2016-05-24_ZDavP-2J-medr.pdf

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

PUBLIC-PRIVATE PARTNERSHIP

For the private companies involved – the banks, the builders and the service companies – PPPs represent an extremely attractive business opportunity. A single contract can give them a flow of income for 25 years or more – usually underwritten to a great extent by the government itself. The companies can lobby politicians to ensure that governments create PPPs, and renegotiate them as necessary during the long years of the contract. The public private partnership in Slovenia is still developing, although the Law on public-private partnership has been adopted since 2007. The Law on PPPs is a new form, compared to public procurement and concessions laws, which requires a lot of effort in the preparatory phase of the project, where it is necessary to identify all of the risks and their distribution, obligations and rights of both partners. Public procurements and concessions are something that is already known and well established. PPPs represent a network, various forms of cooperation between public authorities and the business community, whose goal is to provide private initiative to finance, management, construction, renovation, maintenance of infrastructure and public service delivery, characterized by long-term contracts and risk sharing and the effects of the business.

The Slovenian Ministry of finance (MF) arguments for implementing PPPs projects are: lack of budgetary resources to implement all the necessary projects and provide all the necessary services; Respect the rules of the Stability and Growth Pact (SGP); Lack of infrastructure; Higher environmental standards; The growing expectations of citizens; Transfer of knowledge and experience of the private to the public sector. It define its characteristics such as contract for the purchase of services rather than means, the specification of outputs rather than inputs, payment is linked to the services rendered, and management of PPPs in its entire lifetime. The main risks identified by MF regarding PPPs are committing to burden future budgets and the transfer of the present costs to future generations. On the other hand, moral hazard - the private sector shall cease to behave rationally if risks are not distributed by a rule.

Most PPP projects in Slovenia are at the local level (the state has carried out only one "infrastructure" project - Nursing Home in town of Idrija). Information about PPP projects has started collecting in 2008 by the MF by law, the last report collecting and mapping PPP projects was made in 2009. For the reason, the problem is that the contracting partners do not send data to the MF, despite legal obligations, mainly for the reason that the PPP has no penal provisions if the data is not sent.

The largest PPP projects are in the field of construction of municipal infrastructure (the first PPP project - water cleaning plant in Maribor), other big infrastructure projects do not exist in Slovenia for now. The

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

main challenges are time management, meaning that PPP projects want to be in the shortest time frame possible and in practice that means ignoring a planning project phase, which is the key stage of preparation of PPP projects. The MF monitors and also advises if the public partners wants to. In Slovenia there is no the so-called PPP Unit, which would be the central body for the implementation / monitoring of PPP projects.

The European PPP Expertise Centre (EPEC) in the framework of European investment bank (EIB) also assists and advises in the implementation of projects, in particular, this involves the collection and transmission of knowledge. However, there is no data yet that SID (Slovenian export and development) bank and the EIB are directly involved in the field of PPP, both entities are financial institutions. In the Juncker investment plan (EFSA) SID bank also represents the entry point for an advisory HUB, which operates within the EIB. Given the fact that EFSA is meant for private investment (including PPP) MF assumes that the SID bank will work in this field.

In Slovenia there has been no general analysis or overall study done in the field of PPPs.
Most probable PPP project in Slovenia will be for the upgrade of the Koper-Divača rail section (so called the Second track). . The draft investment plan puts the investment value at EUR 1.4bn. Prior to that, the OECD will assess the country's plan to make a call for applications for the audit.

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

PUBLIC INFRASTRUCTURE

Objects or networks that are used for public services or economic infrastructure, which has been identified as public by law or degree, as well as all other objects and networks in general use are considered as public infrastructure in Slovenia[17]. In practice, this means the following: transport infrastructure (roads, rail roads, airports, harbour), energy infrastructure (transfer and distribution infrastructure for electricity, gas, heat or oil), communal infrastructure (waterlines, canalization, waste disposal sites), water infrastructure, infrastructure for management of natural resources or environmental protection and other public objects (communication infrastructure)[18].

Slovenia is currently planning several projects of common interest: reinforcement of the electricity transfer inter connection between Slovenia, Croatia and Hungary, and interconnection between Slovenia and Italy, development of gas transfer interconnection Hungary – Slovenia and Croatia — Slovenia — Austria[19]. Apart from those, the most visible public infrastructure projects, that Slovenia is currently planning, are: second line of the Karavanke tunnel, second rail on Divača-Koper section, 3rd developmentaxis (fast road/highway Koroška-Dolenjska), Koper harbor expansion, expansion of access roads in Ljubljana, second block in Nuclear Power Plant Krško and new hydro power plants on the Sava river.

Many of the listed projects are subject to one or more problems, of which the most cross-cutting and visible ones are presented here.

Lack of transparency One key problem is lack of transparency in making decisions about the public infrastructure projects. Many of them were not a part of country's policy or strategy, but appeared on the list of public investments without prior public consultations and proper decision-making process. Also the project development and implementation phases are usually wrapped in veils of secrecy, which do not allow the public to be fully and timely informed about the various aspects of the projects.

Access to decision making Apart from lacking in transparency, the public infrastructure projects are usually characterized also by limited access to decision-making. Even when the processes do open up (or have to be open because of the regulations), the access to participation is limited in various manners (e.g. notification about public consultation on the new Slovenian coal power plant was only published

[17]http://company.kaliopa.si/kaliopa/index.php/gospodarksa-infrastruktura
[18]http://company.kaliopa.si/kaliopa/index.php/gospodarksa-infrastruktura
[19]http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2016_019_R_0001&from=EN

in the municipality of the power plant, where as notification about the consultation about the new Croatian coal power plant was widely announced in various manners).

Corruption, lobbies and political pressure In many cases of public infrastructure there are strong interest groups pulling the strings from the backstage. Even when the public managed to make the decision-making process open and transparent, these groups have managed to distort the process in ways that would lead them to obtaining their goals. All the recent major public infrastructure projects (coal power plant TEŠ6, highway construction, second rail line Koper-Divača, additional block of nuclear power plant Krško…) are heavily smeared by the interest groups' political pressure and corruption.

Poor economic rationality of the projects Another outstanding issue with many public infrastructure projects – probably related to the previously listed challenges – is poor economic rationality of the projects. Many projects tend to run significantly over the budget and the budget is already not rational in the first place. One of the most visible cases is the newly build coal power plant in Šoštanj, where the initial estimation and the final price differ by more than factor of 2. Many analysts warn that a similar story is likely to repeat with the second rail Koper-Divača and second block of Krško nuclear power plant. What is striking is that even when the authorities and public are faced with the rising costs of the projects, there are no repercussions[20].

Lack of discussion on alternatives Where as in most cases there are possible alternative solutions for the proposed infrastructure projects (be it as less harmful/costly solutions or completely different solutions), there is hardly any discussion possible about the alternatives. In most cases this is because the project proposers do alternatives analysis in a manner to show that their proposed solution is the most favorable and when the public presents alternative possible solutions, these are discredited.

In the field of energy infrastructure there are a couple of further highlights to be mentioned. One issue is the issue of state support, which is provided in different formats for most of the energy infrastructure. Another issue is that energy lobby of ten takes Slovenia as a hostage, claiming that electricity fallout will happen if we do not support their proposals, or simply starting the investments without public consent (e.g. in the case of additional block in Krško nuclear power plant, over 20 million EUR have been spent for feasibility and other studies, without having any public discussion on the issue of additional block).

[20] Case of TEŠ: the revision of project by the court of accounts showed problems, but due to the limited power of the court of accounts there were no reactions or measures taken.

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.

In the field of transport infrastructure there are also a couple of important aspects to be highlighted. One is that the transport infrastructure is mainly focused on cargo transport, not on passenger transport, which is further deepening the problem of mobility for people in Slovenia. Another issues is that Slovenia is a transition country, which means that we carry high costs of the transit transport, but are unable to reap proper benefits, mainly because we do not know how to use the few opportunities that EU rules allow us in this field.

This project has been prepared with the financial assistance of the European Union. The content of the document is the sole responsibility of the project partners and can under no circumstances be regarded as reflecting the position of the European Union.