

# Slovakia

<b>Status Index</b> (Democracy: 5.0 / Market Economy: 4.6)		<b>9.6</b>	<b>Management Index</b>		<b>7.4</b>
<b>System of government</b>	Parliamentary Democracy		<b>Population</b>	5.4 Mio.	
<b>Voter turnout</b>	70.1 % (2002)		<b>GDP p. c. (\$, PPP)</b>	11,960	
<b>Women in Parliament</b>	14.7 % (2002)		<b>Unemployment rate</b>	19.3 %	
<b>Population growth</b>	0.5 %		<b>HDI</b>	0.836	
<b>Largest ethnic minority</b>	9.7 %		<b>UN-Education Index</b>	0.90	
			<b>Gini-Index</b>	25.8 (1996)	
<small>Figures for 2001 – if not indicated otherwise. <sup>a)</sup> Annual growth between 1975 and 2001. Source f. ex.: UNDP: Human Development Report 2003.</small>					

## 1. Introduction

The Slovak Republic was established on January 1, 1993 with the dissolution of the Czecho-Slovak Federal Republic (CSFR, Czechoslovakia). Therefore, transformation in the Slovak Republic was tied to institutional and social developments associated with the creation of an independent state. The Slovak Constitution was adopted shortly before the dissolution of the CSFR as the constitution of an independent state. This Constitution provided for the institutional separation of powers by creating legislative, executive and judicial branches. An independent system of intermediary institutions, including an autonomous party system, had already been created in Czechoslovakia in 1990–1992.

The Constitution, with its principles and its institutional system, created the prerequisites for a pluralistic democratic social order with genuine competition among political parties. The Slovak Constitution guarantees both human and civil rights, as well as protection of minorities. The aim of the transformation was to create a constitutional state based on the rule of law and to provide optimal conditions for the positive development of civil society and intensive participation by citizens in political and social life. The consolidation of a democratic, pluralistic system was intended to create the basic prerequisites for joining the integrated structures of the highly developed Western countries.

Shortly after the independent Slovak state was created in 1993, however, the transformation process experienced a radical change of course. From 1994 to 1998, the ruling coalition dominated by the Movement for a Democratic Slovakia (HZDS), headed by its chairman Vladimir Mečiar. Mečiar's government created disputes that went beyond the typical battles between government and opposition, which are settled using generally accepted rules. These disputes centered on the rules themselves. The consolidation process in Slovakia was in acute danger.

In the battle for the character of the political regime, democratic forces attempted to defend the level of democratization and consolidation that had already been achieved in 1990–1992. They also fought to overcome the shortcomings in democracy that were preventing Slovakia from progressing toward the goals of its integration, membership in NATO and the EU. The parliamentary, constitutional and legal institutions built upon democratic principles were put on the defensive. They proved to be sufficiently resistant, however, and remained intact. This proved a fundamental prerequisite for the competitive parliamentary elections in 1998. These elections led to a transfer of power in which the authoritarian forces lost control.

The result of the 1998 parliamentary elections was a turning point in the country's path toward transformation. The power relationships among the most important political actors changed radically. A broad and heterogeneous ruling coalition was formed. The governing coalition, led by Mikuláš Dzurinda, reintroduced political and market economy reforms essential to consolidating the political system. This consolidation process remained extremely fragile until 2002, however, and was threatened by a number of dangers.

The highly anticipated 2002 parliamentary elections confirmed Slovakia's path toward consolidation. The new ruling coalition of the Slovak Democratic and Christian Union (SDKU), the Hungarian Coalition Party (SMK), the Christian Democratic Movement (KDH) and the New Citizen's Alliance (ANO) represented an alliance of politically similar, center-right forces. Three of the coalition partners had collaborated during the prior legislative period. The results of the 2002 parliamentary elections clearly showed there is sufficient support within society for continuing the course of transformation. The four reform parties (SDKU, KDH, SMK and ANO) won more votes overall in 2002 than did the reformist parties in the 1998 elections.

Nevertheless, the new ruling coalition faces enormous challenges. During this legislative period, the focus will no longer be primarily on solidifying steps toward consolidation. The Slovak public expects the new government to carry out reforms that the previous coalition government was unable to accomplish because of its heterogeneous composition. Extensive reforms are needed in policies on health care, education, pensions and the justice system.

## **2. History and characteristics of transformation**

The essential features, structure and nature of the political system in the Slovak Republic are rooted in Czechoslovakia's transformation after the Velvet Revolution of 1989. The political model is largely similar to the Czech system. A parliamentary system of government was created, with effective separation of powers into legislative, executive and judicial branches. The unicameral

parliament, the National Council of the Slovak Republic, and—as of 1999—the presidency were legitimized by direct election.

After its creation, the independent Slovak Republic left the path of consolidation being followed by other Central-Eastern European countries and halted democratic and market economy reforms. A battle for the character of the political regime claimed a central place in politics. This battle included sharp conflicts among the highest constitutional structures, ongoing confrontation between parties in the ruling coalition and the opposition, as well as the adoption and enforcement of laws that concentrated power in the hands of the dominant political forces. A system of economic and political patronage arose in Slovakia.

Constitutional principles were often ignored; decisions by the constitutional court were disregarded; and the functioning of the constitutional court, as well as the office of the president, were severely impaired within the parliamentary process. Society was extremely polarized between proponents and opponents of reform. Tensions also arose between the government and civic institutions, as well as between the government and national minorities. Public institutions were abused for partisan political purposes, and freedoms of opinion and the press were limited by restrictive and repressive measures. The ruling coalition attempted to prevent fair parliamentary elections by using institutional arrangements, in particular by manipulating election laws and political parties. In 1999, Slovakia was not accepted into NATO along with Hungary, Poland and the Czech Republic.

The 1998 election results reflected Slovak society's learning process in the 1990s. During the election, political parties and actors in civil society mobilized large numbers of democratically inclined citizens. The opposition groups, which had previously been extremely splintered, joined forces and created a broad anti-Mečiar alliance to prevent the authoritarian regime from gaining a solid hold in Slovakia. For the opposition parties, this was a battle for their very existence. During the course of the campaign, opposition forces utilized the organizational and technical capabilities of a growing number of non-governmental organizations (NGOs).

The 1998–2002 legislative period once again put Slovakia on course for democracy and a market economy. It contributed significantly to consolidating the democratic regime in Slovakia. A broad and heterogeneous coalition of formally four, but in fact eight parties, also known as the “Coalition of Coalitions” held power during this period. The coalition parties had different ideological foundations, as well as divergent policy goals. The fundamentally different approaches of the coalition partners to solving urgent social problems reduced the government's efficiency. Collaboration between the center-right and the leftist parties, which was difficult in any case, was further impaired by the lobbying of various interest groups, who attempted to use their connections to influence the political decision-making process. Personal relations among coalition party

leaders were also troubled. The coalition was shaken by a number of crises in 2000 and 2001 that endangered its cohesion.

Despite many crises and upheavals, the first government of Mikuláš Dzurinda survived the entire legislative period. Significantly, the coalition remained sufficiently stable during the last year of the legislative period to continue the process of democratization, reform and integration. The system of constitutional institutions based on separation of powers functioned well, and relations among the constitutional structures remained cooperative. Foundations for the rule of law were reinforced by several legislative measures, and prerequisites for the protection of human rights were improved.

During the 1998–2002 legislative period, parliament adopted a number of laws that rectified distortions from the Mečiar era. The political system stabilized, and its democratic elements were strengthened. A number of institutional barriers were built into the political system to prevent any attempts to impose authoritarian rule. Constitutional amendments closed several loopholes that had previously enabled authoritarian forces to weaken the separation of powers in their favor. The amended constitution deepened the democratic character of the country and refined rules on relationships between individual government institutions. The Slovak system of checks and balances became more similar to the systems found in developed democracies. Several new institutions were created, including an ombudsman for human rights and the Judicial Council. The position of the constitutional court was strengthened, and a second self-governing administrative level was created.

The configuration of political parties changed significantly from 1998 to 2002. A new, medium-sized party, the Slovak Democratic and Christian Union (SDKU), was created in the center-right of the political spectrum. This party was formed in early 2000 through the union of two factions from the original Slovak Democratic Coalition (SDK), namely Christian Democrats and liberals. Another new liberal party, the New Citizen's Alliance (ANO), was founded in 2001. This party criticized the government from a free-market position. To the left of center, there was the new Direction Party (SMER), led by a former top functionary of the Democratic Leftists' Party, Robert Fico. An extensive process of differentiation and division occurred among both opposition and ruling parties.

The results of the 2002 parliamentary elections strengthened the reform process and confirmed the course of consolidation in Slovakia. Although the position of the anti-authoritarian forces, particularly the center-right parties, became stronger after the 2002 parliamentary elections, the nationalist-authoritarian and extremist-nationalist groups weakened due to internal conflicts and fragmentation triggered by their losses in the 2002 parliamentary elections. Neither of the two extremist-nationalist parties was able to gain seats in parliament. Moderate leftist parties, no longer represented in the National Council, were also drastically weakened. In

contrast, the leftist-orthodox Communist Party of Slovakia, which linked its policies to those of the pre-1989 communist regime, significantly strengthened its position by gaining seats in parliament for the first time.

The Slovak Republic began negotiations for membership in the EU two years later than its Central-Eastern European neighbors. Negotiations were completed, however, at the same time as the other candidate countries from the first wave, i.e. shortly before the EU summit in Copenhagen in December 2002. Slovakia joined the EU on May 1, 2004.

### **3. Criteria for democracy and a market economy**

#### **3.1 Democracy**

##### **3.1.1 Political regime**

(1) *Stateness*: The state has an unrestricted monopoly of force throughout the country. Its exercise of power is impaired by a lack of efficiency in government bodies, including administration, the police and the judiciary. Corruption and a lack of equipment weaken these bodies. According to the Constitution, all citizens have the same rights. The vast majority of Slovak citizens acknowledge the national Constitution in principle. There are irredentist tendencies among one portion of the Hungarian minority, although the majority of Slovak Hungarians are loyal to the state.

There is a fairly strict constitutional separation of church and state. Religious dogmas have no direct influence on policies or law. Relations between the state and the Catholic church are regulated, apart of other laws, by a Treaty with the Vatican, relations between the state and other churches are based on special treaties with these churches. Salaries of priests and expenses of churches are fully/partially financed by the state budget. The Slovak population is overwhelmingly Catholic (69 %), and the Catholic Church is also a politically respected institution trusted by the citizens. In September 2002, Catholic bishops took position on the National Council elections, many priests advocated Christian parties (KDH, SDKÚ) during religious services.

The state's fundamental infrastructure functions across its entire territory. There is a two-track administrative system. Administrative tasks are carried out in part by self-governing bodies, and in part by state administrative institutions. In both the self-government and the state administrations, there are shortcomings associated with the change of political system. Older employees are insufficiently motivated, while new employees are inexperienced. There is a lack of equipment. Government salaries are too low to recruit and effectively motivate highly qualified young people.

(2) *Political participation*: Elections are free and mostly fair. Elections determine the make-up of parliament (direct election of representatives to the National Council of the Slovak Republic), the head of state (direct presidential elections), and the self-governing administrative bodies for municipalities and regions (direct elections for municipal and city councils, self-governing regions (administrative representatives, heads of municipalities, mayors and district heads). Elected leaders have the power to govern. There are no individual power groups with their own domains.

There is unlimited freedom of association and assembly within the scope of the basic democratic system. After 1989, a number of new parties, as well as other intermediary institutions, were created. Social and political participation among the populace is relatively weak, although it has increased over the course of the transformation. In the 1998 and 2002 parliamentary elections, civic institutions helped to mobilize voters and win votes for the anti-authoritarian parties. Freedom of opinion and freedom of the press are embodied in the Constitution and guaranteed in practice. This represents a significant change from the period prior to the 1998 parliamentary elections when the Mečiar government attempted to use repressive measures to eliminate critical mass media. There is sufficient diversity among the mass media.

(3) *Rule of law*: The constitutionally codified separation of powers is respected and implemented by political institutions. Governmental bodies limit and monitor one another. There appears to be no excessive influence by any one of the branches. The judicial system is professionally differentiated. There is a three-tier court system (ordinary jurisdiction) and a specialized constitutional court. The justice system is essentially free from unconstitutional interference by other institutions. The judiciary was under strong pressure in the Mečiar era but remained intact and retained its independence to a certain extent. The constitutional court and the high court helped to maintain the basic elements of democracy and thus permitted the transfer of power in 1998. From this perspective, the transfer of power in 1998 can be considered an institutional victory.

On the other hand, there are frequent complaints of corruption in the administration and in the courts. This corruption is widespread, according to various reports. Corrupt elected officials are usually prosecuted under existing laws, although loopholes often enable them to avoid criminal prosecution. Widespread corruption is strongly criticized by the public. Civil rights are anchored in the Constitution and guaranteed in principle. The fact that civil rights have not yet been fully realized is linked to inefficiency in the judiciary and administrative systems.

### 3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: Democratic institutions are functional. There are, however, problems related to friction within and between these institutions. This can be attributed to a lack of material and financial resources as well as a deficiency of well-qualified and highly motivated personnel. Some state institutions are not fully accepted by all the relevant actors. This lack of acceptance can be seen in the Movement for a Democratic Slovakia (HZDS), the Communist Party and extremist-nationalist parties.

(2) *Political and social integration*: The party system remains very unstable. In the 1998–2002 legislative period, a number of parties and coalitions, both in the government camp and among the opposition, split. Three new medium-sized parties were created: the Slovak Democratic and Christian Union (SDKÚ), the SMER Party and the New Citizen's Alliance (ANO). Two of these, the SDKÚ and the ANO, are participating in the current governing coalition. The degree of fragmentation is high, with seven parties represented in the National Council and eight to ten parties existing. The popular base for parties is rather small, and voter volatility is relatively high. The degree of polarization is likewise rather high, although on a downward trend.

A network of cooperating interest groups mediates between society and the political system. This intermediary system is associated with a certain degree of patronage. Support for democracy is only moderate, with approximately half the population approving of democracy as the form of government. Here there are significant differences between the advocates of the pro-reformist governing parties and sympathizers of the opposition parties, who are not pursuing consolidation. Nevertheless, political protests do not tend to question the constitutional framework itself. There is a heterogeneous network of autonomous, self-organized groups, associations and other civic organizations. The civic organizations are unevenly distributed, with a relatively large number in Bratislava and fewer in the economically backward parts of Eastern Slovakia and rural areas. The number of self-organized groups is increasing as transformation proceeds.

## 3.2 Market economy

### 3.2.1 Level of socioeconomic development:

Social exclusion is quantitatively and qualitatively significant and, to some extent, structurally embedded. Slovakia does not have extremely high differences in income; the Gini coefficient is relatively low. There are no discriminatory laws, and nominal legal equality among citizens exists. Nevertheless, some groups lack sufficient freedom of choice due to their poverty and their lack of education. This

applies, in particular, to the Roma minority. Studies of social stratification show the majority of households have a low socioeconomic position. The lowest income quintile is composed of 43.3 % of households, the lower middle class consists of 19.2 %, the middle class consists of 24.5 % and the upper middle class consists of 8.9 %. The highest income quintile comprises 4.1 % of households.

### 3.2.2 Market structures and competition

(1) *Institutional basis*: The institutional basis for free-market competition is relatively firmly anchored, and seems to be improving, although it becomes occasionally evident that the rules are not equal for all actors. Since the transfer of power in 1998 and the associated change in economic policy, however, such cases are becoming less frequent. There is less room for unequal treatment. Prior to 1998, anti-monopoly policies were one of the weak points in the government's economic policy. The efficiency and consistency of anti-monopoly policies still cannot be considered satisfactory. There is, however, a tendency of improvement. The ongoing privatization contributes to the dismemberment of monopolies. The 2001 Law on the protection of market competition has significantly improved the legal foundations for an anti-monopoly policy, competition rules and a competition authority were defined.

(2) *Foreign trade liberalization*: Foreign trade has largely been liberalized. There are several exceptions, although these are short-term. Slovak foreign trade was liberalized immediately after the change of government in 1989, and the basic liberalization of foreign-trade relationships in 1991 was one of the first transformation measures. Customs barriers are low, and government intervention in foreign trade is an exception. Liberal foreign trade policies, however, have caused chronic inequalities in foreign trade.

There is little structural differentiation in exports, which are sensitive to overall economic trends. Imports increased at an excessive rate due to a lack of competitiveness among domestic producers. The government and central bank attempted to deal with the resulting trade deficit through short-term measures (temporary import surcharges and quantitative restrictions on some imports, particularly foodstuffs), adjustments of exchange rates and the adoption of a new exchange rate mechanism (from a fixed exchange rate to a floating exchange rate at the end of 1998). Nevertheless, these measures did not represent a contradiction of the long-term tendency towards expanded foreign trade liberalization. The Slovak Republic completely liberalized foreign trade with the Czech Republic on January 1, 2003.

(3) *Banking system and capital markets*: Institutional foundations exist for a stable banking system based on international standards with effective oversight, minimum equity and market discipline. The central bank oversees commercial

banks. In the 1990s, a significant problem developed due to improper lending by the larger banks. Loans were often granted based on personal relationships or political influence. This problem was solved in 1999–2001 through a government restructuring of the banks, but it cost the public purse. The restructured banks were then successfully sold to foreign investors. Not all segments of the capital markets function satisfactorily. The securities market, in particular, has several shortcomings. Capital markets are open to domestic and foreign investment, and regulation in these markets is becoming more efficient, e.g., through the creation of the Office for Capital Markets.

### 3.2.3 Stability of currency and prices

Anti-inflation and exchange rate policies which are implemented by the independent central bank (National Bank of Slovakia, NBS) are in accord with other economic policy goals. The law establishing the NBS is in accordance with international standards and guarantees extensive independence from political influence. Nevertheless, until recently the government was able to substantially influence inflation by centrally regulating prices, particularly energy prices. Since January 1, 2003, responsibility for regulated prices was transferred to the Office for the Regulation of Networks, an institution less reliant on political interests. The exchange rate policy is limited to indirect, temporary interventions, since the National Bank of Slovakia abandoned the fixed exchange rate (with a range of fluctuation) at the end of 1998 and adopted a floating exchange rate.

Current government policy reflects an effort to create an effective stability policy. Restrictive measures should soon reduce public financial deficits and the national debt. Extensive reforms will be carried out throughout the entire financial system over the medium and long term. Nevertheless, the risk of a change in direction toward a populist policy cannot be completely ruled out.

### 3.2.4 Private property

(1) *Property rights*: Both property rights and the acquisition of property are conventionally defined and constitutionally embodied in regard to purchase, use and sale. Given the inefficiencies in the judiciary and administrative systems, however, problems continue with their implementation and the ability to institute legal action on property rights.

(2) *Privately owned companies*: Privately owned companies are considered one of the main underpinnings of national economic production and are safeguarded by institutional measures. In 2002, 87 % of the gross national product was earned in the private sector. There are still state-owned companies, however, and companies with a majority of shares held by the state. The current version of the Act on

Privatization continues to define a group of “strategic companies” in which the state should retain a majority share. The current government coalition has indicated that it will eliminate these restrictions. The privatization process is in its final phase. Significant steps have been made to privatize networks. The largest state-owned banks have already been privatized and sold to foreign investors. In 2002, new rules were enacted for management of the remaining state-owned companies.

### **3.2.5 Welfare Regime**

(1) *Social safety nets*: During the socialist past, an excessively large, comprehensive social safety net was created. The basic principles of social policy were distorted. The expanse of the social safety net and its lack of precision in providing services created an excessive burden on the economy and on public finances. In addition, the social network failed to help effectively those who actually relied upon its services.

The social systems are administered by institutions that are not included in the national budget. They are the health/medical insurance funds, the National Labor Office and the Social Insurance Office. Medical care is based upon the principle of universal medical insurance, under which all citizens participate. The pension system is based upon the pay-as-you-go method. Individual segments of the social system are currently being reformed. The goal of the reforms is to create a modern and efficient social system in which the pension system is supported by a capital fund.

(2) *Equal opportunities*: Slovakia is making the transition from a model of equality to a higher degree of social differentiation. The sharpest social differences are balanced out, in part, through social mechanisms. Equality of income has survived in the public sector, although wage differentiation is growing in the economy as a whole. The egalitarian ideas from the communist era continue to exist in the society, with much of it rejecting a larger differentiation in wages or overall income. There is no discrimination against women in access to higher education or opportunities to hold high office. Average wages for women, however, are only 75 % of average wages for men. This is due particularly to the high proportion of women in economic sectors with low wage levels (education, health care and administration) and the significantly higher proportion of men in high-salary professions (top management).

### **3.2.6 Strength of the economy**

After the transformation depression (1990–1992), economic growth is now achieving positive figures. Per capita GDP, in local currency terms, grew

continuously in the 1990s. In dollar terms, GDP fluctuated between \$3,500 and \$4,000 per capita, in conjunction with changes in the exchange rate. Slovakia is one of a small group of transformation countries whose performance measured by GDP is already above the level at the beginning of transformation. Other indicators tend to show instability. Foreign trade ratios, as well as the ratio variables in the national budget, frequently showed large deficits. One-fifth of the available workforce is not utilized due to extraordinarily high unemployment. Inflation, on the other hand, is under control.

### **3.2.7 Sustainability**

(1) *Environmental aspects*: Environmental aspects of growth are taken into account in important parts of the country's economy. Slovakia inherited industries from the communist era that paid little attention to environmental aspects. The failure to fulfill environmental protection requirements will, for the foreseeable future, be a competitive disadvantage for domestic Slovak producers in the unified EU market. The government's economic policy does not support unrestricted growth at the expense of the environment. The Slovak economy has already grown out of this development phase. The most dynamic growth is found in the service sector.

(2) *Education, research and development*: The education system, the sciences and efforts in research and development (R&D) experienced a metamorphosis in the 1990s. In the course of the economic transformation, the R&D base was significantly weakened. The basic research institutions concentrated in the Slovak Academy of Sciences have not yet been transformed. Commercial R&D has also changed dramatically. R&D departments of companies were the first departments to be eliminated by their new owners during the privatization process. Independent non-governmental organizations play an essential role in the social sciences. The educational system is marked by a continuing lack of reform in schools and chronic indebtedness among educational institutions. Despite the financial difficulties in the educational system, the populace continues to maintain a solid level of education.

## **4. Trend**

### **4.1 Political Order**

State identity, the rule of law and political participation strongly improved from 1998 to 2003. There were two free and mostly fair parliamentary elections in which the possibility of an authoritarian government was averted and the transformation trajectory was redirected toward a market economy and democratic consolidation. As a result of these elections, there was a complete

turnover of personnel in almost every constitutional institution. There were elections for a new parliament (which also led to the formation of a new government), the president was chosen in direct elections, and regional parliaments and local self-governing administrative bodies were also elected. The principles of the rule of law, previously often dismissed, now enjoy significantly higher levels of respect. Intermediary organizations are more strongly integrated into the political process, and the position of the independent mass media has also become stronger. Following the transfer of power in 1998, the Slovak Republic broke from its international isolation and undertook decisive steps toward integration with the West through NATO and the EU.

#### **4.2 Democratic consolidation**

The level of democratic consolidation improved significantly and along a broad front from 1998 to 2003. Although the move toward consolidation was revived immediately after the 1998 parliamentary elections and the resulting transfer of power, the consolidation process was extremely fragile. The Slovak Republic exhibited all of the phenomena that transition research considers the specific consolidation risks of post-communist countries. These include ethnic heterogeneity, conflicts with minorities problems with irredentists (strong societal polarization and the existence of a strong anti-system party. The political elites of Slovakia were extremely polarized, and the society was deeply divided into two political camps— proponents and opponents of democracy and a market economy). Populist parties exploited economic emergencies and ethno-political conflicts through demagogic and nationalist mobilization strategies.

The Movement for a Democratic Slovakia (HZDS), which had several anti-system characteristics, was the strongest party. It consistently received the most votes in the polls. The expected electoral victory of the HZDS could have brought the consolidation process to a standstill and once again given authoritarian forces the upper hand. The 1998 parliamentary elections returned Slovakia to the path of consolidation. Subsequently, the 2002 elections, and Slovakia's subsequent integration into NATO and the EU, were decisive in solidifying this trend. Nationalism was weakened in politics as well as in the relationships between political and economic forces. At present the consolidation process cannot be considered irreversible, but it is certainly robust.

#### **4.3 Level of socioeconomic development**

Measured by the HDI, the level of socioeconomic development in Slovakia has improved slightly in the period of 1997-2000. In 1997, this indicator had a value of 0.813, which increased by 0.023 to 0.836 by 2000. With this HDI, Slovakia ranked 39th among 173 countries. The increase in the HDI was achieved largely

through the higher GDP index, which represents the material side of human development. The GDP index increased from 0.73 in 1997 to 0.80 in 2001.

#### **4.4 The economic regime**

The overall institutional conditions for economic growth improved significantly from 1998 to 2003. To secure the country's accession into the EU, the Slovak legal system largely came into compliance with EU standards. Intensive efforts at integrating the government created standards for transformation of the economy. The banking sector was reformed and state-owned banks were restructured and sold to foreign investors. This reduced the possibility of political influence on the banking industry.

By transferring responsibility for price regulation to autonomous institutions, the government lost the opportunity to directly influence prices. This reduces the possibility of manipulating prices in conjunction with the election cycle. At the same time, prices cannot be used as a tool of social policy. The privatization of large state-owned industries prevents the government from abusing these companies to promote its interests in the larger economy. By revamping economic rules, the government did initially put a brake on GDP growth, but as compensation it increased the sustainability of development and created a foundation for future growth.

### **5. Transformation management**

#### **5.1 Level of difficulty**

(1) *Development status*: In 2001, per capita GDP, expressed in purchasing power parity (PPP), was \$11,960, which at approximately one-half the OECD average is relatively high for a transformation country. The prerequisites are in place for a further increase in per capita GDP.

(2) *Level of education*: The level of education among the populace is comparatively high. The UN Education Index reached 0.90 in 2001.

(3) *Ethnic and religious conflicts*: There are no conflicts between religious groups. However, the same cannot be said of inter-ethnic relationships. The share of ethnic minorities amounts to 14.2 % of the population according to the latest census (ethnic Hungarians 9.7 %, Roma 1.7 %, others 2.8 %). The census results do not reflect the real relationships. Experts assume that the number of Roma is around 370,000 (in 2002) and may be even 500,000. Thus the share of ethnic minorities in the Slovak population would be approximately 18-20 %.

The greatest challenge to Slovak politics is presented not by the Hungarians—previously a frequent topic of discussion—but rather by the Roma minority. The Roma are the losers in the changing system. Competitive pressures have driven them out of the labor market. Their social situation has deteriorated drastically, and the level to which they are ostracized had increased radically. Conflicts involving minorities, particularly the Roma, represented a risk factor in the consolidation process prior to 2002. Relations between the Roma minority and the majority have not yet taken a form of open conflict, however.

(4) *Civic traditions*: Civic traditions are relatively weak. In the pre-communist era, civic involvement was not particularly pronounced, and during communism it was completely dormant. Since 1990, new institutions have been created that must first take root in the society. The number and variety of non-governmental organizations are growing. Intermediary civic institutions are exercising increasing influence on the political landscape. This is leading to increased interest among the populace in public affairs. Facilitated by non-governmental organizations, a new culture and tradition of civic engagement is emerging.

(5) *Rule of law*: The rule of law improved substantially in the period of 1998–2003. The previous Mečiar governments had massively violated the principles of the rule of law, and repressive government agencies, particularly the Slovak Information Service (SIS), committed abuses in taking measures against political rivals. The current Dzurinda government, however, respects the rule of law. That said, the efficiency of government administration still leaves a lot to be desired. Unsatisfactory enforcement of laws often leads to the application of informal rules of behavior (of dubious legality) in the private sector.

## 5.2 Reliable pursuit of goals

(1) *Strategic priorities of the government*: The government identifies the optimal resources and long-term goals for the country's transformation process and gives these goals priority over short-term objectives in its policy-making. The 2002 election year represents an exception to this rule. The current government has the greatest reform ambitions thus far in the history of independent Slovakia. The government's priorities are influenced in part by the demands placed upon the Slovak Republic by its admission to the EU.

(2) *Consistency and coherence of reform policy*: The government's reform policy is essentially consistent and coherent. Individual elements are aimed at consolidating democracy and a market economy. Given the available capacities and socioeconomic forces, however, the government is forced to implement the reform measures gradually. The government still has a number of fundamental reforms pending. It must reform the tax, education and health systems, as well as

the entire social welfare system. It must also change the regulatory framework for public infrastructure and eliminate existing price distortions.

(3) *Reliable expectations*: Government policy guarantees basically reliable expectations for the lives of its citizens and for the economic sphere. Social and economic actors, however, must expect a certain amount of politically-related uncertainty associated with the incalculable aspects of the transformation process.

### 5.3 Effective use of resources

(1) *Efficiency*: For the most part, the government makes efficient use of its available human, financial and organizational resources. Politically motivated firing and hiring of public officials are currently rather rare. The budget deficit is high, equaling 4.9 % of GDP (2002).

(2) *Reform effectiveness*: Following the 2002 parliamentary elections, the government introduced a comprehensive reform program. Given the relatively short time since the elections, it is impossible to reliably assess the government's ability to reach its goals for reform. Considering the composition of the governing coalition, which consists of reform-oriented parties, one can expect the reform process will be sustained.

(3) *Public services*: Public services provided by the government permit the necessary steps towards transformation. The protection of property rights has been improved, although errors in privatization made by the Mečiar governments have been corrected only to a small extent. The viability of the market has been improved by the implementation of EU law. The provision of infrastructure and the development of human resources (education, health care) are insufficient. This can be attributed largely to the modest financial means of a post-communist society.

(4) *Fighting corruption*: The struggle against corruption is one of the greatest challenges facing the current government. Slovak citizens perceive corruption as more or less wide-spread in the health system (96 %), courts and public prosecution (90 %), police (90 %), ministries (77 %), district and regional government (75 %) and local self-government (68 %) (Focus poll of March 2002). Convictions due to corruption remain the exception. Parts of the state and the economy are influenced by private interest groups. In the Mečiar era, the state's resources were distributed on the basis of patronage networks. Corruption is extremely widespread, not only in the administrative and court systems, but also in the health-care system. A number of ministers have had to resign because of suspicions of corruption. Slovakia ranks 53rd in the corruption perception index published by Transparency International.

(5) *Cultural legacies*: The political elite uses existing cultural legacies to the extent possible in order to legitimize reforms. The high level of corruption in the repressive organs (police, public prosecution, courts) is particularly problematic. The political elite seeks to rely on cultural legacies to justify reforms.

#### **5.4 Governance capability**

(1) *Flexibility and learning abilities*: The leading political actors react to missteps and policy failures with changes. There is a noticeable learning process in government policy.

(2) *Authority*: The government possesses sufficient political authority to implement its reforms.

(3) *Allocation*: The government is attempting to use modern economic control mechanisms and EU law to improve the distributive efficiency of resources.

(4) *Political cleverness*: Although reformers recognize their own scope for action and behave appropriately, they do not always make optimal use of development opportunities.

#### **5.5 Consensus-building**

(1) *Agreement on goals*: The parties in the current governing coalition are in agreement on the goals of a market economy and democracy. A consensus must still be found in many cases regarding the most suitable means of achieving these goals. Democracy and a market economy are not priorities for the current opposition parties; only the Communist Party of Slovakia can be considered an anti-system party.

(2) *Blocking the vetoing agents*: The most powerful opposition group, which could yet block or frustrate the democratization process, is the Movement for a Democratic Slovakia (HZDS) led by Vladimir Mečiar. The HZDS has been on the defensive since the 2002 parliamentary elections and is splintering. It is impossible to preclude definitively the possibility that the HZDS could still hinder the reform process, although this scenario is becoming increasingly improbable. In comparison, the Communist Party of Slovakia, which obtained seats in the National Council for the first time in the 2002 parliamentary elections, is not a true vetoing agent because of its extensive isolation in domestic politics and the age structure of its voters.

(3) *Lines of conflict*: The government is attempting to prevent the disintegration of society along potential cleavages. The most pronounced lines of conflict exist

between the ethnic groups, i.e. between Slovaks and Hungarians, and between Slovaks and Roma. The ethnic conflict between Slovaks and Hungarians was largely defused after 1998. The Party of the Hungarian Coalition (SMK) participated as a coalition partner in the Slovak government after both the 1998 and 2002 parliamentary elections. The Hungarian minority in Slovakia has since successfully defended its minority rights. The situation with the Roma minority is quite different. Roma as a group have suffered extensive social exclusion and are rejected by 80 % of Slovak society. The Roma minority is not politically organized, and there is no respected or acknowledged spokesperson for this group vis-à-vis the Slovak government. As yet, there has been no significant reduction in the potential for conflict.

(4) *Social solidarity*: The government is attempting to promote social solidarity in order to accumulate social capital. Given the relatively strong polarization within society, the government has had only partial success in this attempt. Moreover, social solidarity has remained largely within ethnic boundaries.

(5) *Reconciliation*: A portion of the political elite denies historical wrongs committed under past regimes. There are a number of indications that HZDS chairman and former Prime Minister Vladimir Mečiar was an secret employee of the state security apparatus during the communist regime. A large majority of the elite, however, acknowledges the need to come to terms with historical wrongs. The lustration law adopted during Czechoslovak times has not been implemented in Slovakia since its independence. The law bans former high level communist officials and members of the former state security to enter high public offices. The contrast between “perpetrators and victims” is not particularly prominent in Slovakia, however, because communism was perceived by the public as a regime forced upon them by Prague. The larger part of the elite accepts the necessity of coming to terms with historical injustice. A recently adopted law envisages the opening of the state security archives and the creation of an institute to document cases of political repression under Communism.

## 5.6 International cooperation

(1) *Cooperation*: Slovakia’s international isolation prior to 1998, which was apparent to the population, was an essential factor in the parliamentary elections and transfer of power in 1998. For the governments led by Mikuláš Dzurinda, increased cooperation with neighboring countries and foreign and domestic political steps to join NATO and the EU enjoy the highest priority. Political actors are using international assistance as leverage for the transformation process. They are demonstrating sufficient capacity to learn and are using suggestions from international organizations in order to optimize their policies.

(2) *Reliable expectations*: Domestically, the government is working consistently toward its consolidation objectives. These efforts are reflected positively in its foreign relations as well. The government is viewed as reliable and predictable by neighboring countries and the international community.

(3) *Cooperation with neighboring countries*: Political actors are making active and successful efforts to expand and intensify as many international cooperative relationships as possible. Their involvement in these efforts resulted in approval by the NATO and EU governing bodies to integrate Slovakia into these organizations. This has been the greatest success of Slovak reform policy since the founding of the Slovak Republic. The Hungarian law on ethnic Hungarians in neighboring countries hampers Slovak-Hungarian relations as it grants a particular legal status to ethnic Hungarians living in Slovakia. Slovakia's critical opinion on this law is close to the position of the EU.

## **6. Overall evaluation**

Following its creation, the Slovak Republic experienced political and economic instability. The division of Czechoslovakia in 1992 produced both political and economic burdens on the transformation process. Political elites in Slovakia were strongly polarized and society was deeply divided. Populist parties exploited economic difficulties and ethno-political conflicts through demagogic and nationalist mobilization strategies. The consolidation process was in acute danger.

The heterogeneous anti-Mečiar coalition halted efforts of the nationalist and authoritarian groups after it came to power in the 1998 parliamentary elections. The consolidation process was restarted. The 1998 parliamentary elections brought to power parties that saw democracy and a market economy as political priorities. The 2002 parliamentary elections reaffirmed and solidified the path toward consolidation and clearly showed that democratic and free-market reforms in Slovakia have sufficient public support.

## **7. Outlook**

The consolidation process has become significantly more robust as a result of the 2002 parliamentary elections. Although the consolidation process cannot yet be considered fully irreversible, the risks to consolidation are low given the current political power groupings, institutional configurations and exogenous factors. Further progress in transformation can be expected in the 2002–2006 legislative session. This will also benefit from the country's membership in NATO and the EU. Slovakia's greatest medium-term and long-term challenges include a substantial reduction in the potential for ethnic conflict associated with the Roma minority and the struggle against corruption.