



## **Weekly Briefing**

**Slovenia Social briefing:**  
**Regional imbalances and the problem of centralization - closing of  
banks in smaller towns of Slovenia**

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## **Regional imbalances and the problem of centralization**

### **– closing of banks in smaller towns of Slovenia**

#### ***Summary***

*Despite its small size, Slovenia suffers a lot of regional imbalances. While population trends and economic trends go towards centralization, the problems that the more remote or border regions face are growing. A recent decision of the main state-owned New Bank of Ljubljana (NLB) to close down a number of its expositures in smaller towns caused a lot of criticism, not only on the side of the local population, but also from the local political representatives, mayors and state-councils of those regions. With the upcoming local elections the issue of centralization will surely be one of the main campaign topics.*

#### **Background: Administrative imbalances**

On the level of local self-governance, the main political unit in Slovenia, both administratively and economically, is a municipality. Slovenia has 212 municipalities, out of which 11 are city municipalities (by size: Ljubljana, Maribor, Kranj, Koper, Celje, Novo mesto, Velenje, Nova Gorica, Ptuj, Murska Sobota, Slovenj Gradec). When Slovenia became an independent country in 1991, it had only 60 municipalities, but in the following 27 years the number grew considerably. The rather large number of municipalities is partly caused by the *Local Self-Government Act* of 1993 which regulates the eligibility of an area to become a municipality with the minimum population threshold of 5000 people. Even more, due to different legal exceptions, more than half of them today have less than that number, with the smallest municipality only having around 300 people. The inflation in the number of municipalities is seen by

some as a step towards more equal representation of local interests and problems, while others criticize it as a redundant system of state-funded bureaucratic structures which are often too inflated for the rather small areas they govern. On the largest side of the spectrum, however, the biggest population of around 276,000 lives in the capital Ljubljana. To become a city municipality, the town has to have more than 20,000 inhabitants and provide at least 15,000 jobs, while also being the economic, cultural and administrative centre of a wider area. The size of the municipalities also vary greatly, with the smallest (Odranci) covering an area of 6,9 km<sup>2</sup> and the largest (Kočevje) covering the sparsely inhabited area of 563,7 km<sup>2</sup>. The financing of the municipalities comes from three types of sources: percentage of the income tax (according to population), compensation for the use of building land and income related to municipal property. Administratively, the municipalities are then organized in 12 regions (decreasing by population): Central Slovenia, Drava region, Savinja region, Upper Carniola, Southeast Slovenia, Gorizia region, Mura region, Coastal-Karst region, Carinthia, Lower Sava region, Littoral-Inner Carniola and Central Sava region.

### **Economic and population imbalances**

Along these discrepancies, it is understandable that the economic and therefore also employment opportunities vary considerably between municipalities and between regions. According to Statistical Office of Slovenia, the region of Central Slovenia with the capital has the largest GDP per capita (27,644 EUR), while Central Sava region has the lowest (10,443 EUR). Of almost 200,000 companies in Slovenia (as of 2016), a third is based in the region Central Slovenia. Businesses based in Central Slovenia created more than 46% of income of all businesses in Slovenia, 26% of total exports and 43% of total imports. An even more obvious imbalance can be seen in the figures related to the fast growing companies (around 800 in Slovenia, as of 2016), where more than half of these companies are based in four (Central Slovenia, Drava region,

Savinja region, Upper Carniola region) out of twelve regions. Central Slovenia also had the most employees in these fast growing companies, over 40%. The economic imbalances are related to the unemployment, with the highest rate in Mura region (12,5% as of summer 2018) and lowest in Upper Carniola (5,2%), compared to Slovenian average of 8%. The ratio of population under the poverty risk threshold also varies a lot in different regions, being the lowest in Coastal-Karst region (8,7%) and highest in Lower Sava region (17,3%), compared to Slovenian average of 13,9%. All these imbalances lead to a very evident trend of internal migration in Slovenia, with more than a quarter of total population living in the Central Slovenia region. General causes of internal migration are better employment opportunities, higher salaries and better living conditions due to real-estate market, infrastructure and other facilities. Between 2015 and 2017 93 municipalities had a positive migration rate and 119 had a negative rate. Most of the migration internally or externally occurred in Mura region. On the level of municipalities, Kobilje next to the border with Hungary, Središče ob Dravi near the border with Croatia and infrastructurally remote Loška Dolina have the highest negative migration rate, while among city municipalities the considerably high negative rate occurred in Slovenj Gradec, where 0,7% of population left the town in four years, both to other municipalities and to the neighboring Austria. 22 municipalities had a positive migration over 2% in the last 4 years, with several satellite municipalities of the capital (most notably Škofljica) experienced a very high immigration growth rate.

### **Growing dissatisfaction with regional imbalances**

As can be seen from the statistical data, the imbalances among different regions and between the central region and the others are fairly large. The population trends go hand in hand with internal migration trends, since most of the migrating population is of the active age. An additional problem is the state or absence of infrastructure, with the most pressing problem being the failure in

the last decade to build the »third development axis«, the highway connection which would reach out to the worse connected regions of the North and South East. Carinthia region in the North and Kočevje municipality in the South East suffer the most due to this lack.

Due to the problems in the process of privatizing of the largest state owned bank, Nova Ljubljanska banka, a decision was made public that the bank will start closing its 15 expositures, mostly in several smaller towns around Slovenia, with the closure scheduled for beginning of December this year. This decision, which was allegedly a response to the requirements of the European Commission, started a protest of several municipalities and their representatives. The mayors of the 14 out of 15 municipalities where bank offices will be closed (Črna na Koroškem, Borovnica, Cerknica, Ormož, Brežice, Sežana, Žužemberk, Gornji Petrovci, Križevci pri Ljutomeru, Velenje, Domžale, Moravče, Dobropolje and Ig) met on October 17 in Črna na Koroškem, a town in Carinthia. The common protest was hosted by the mayor of the same town, Romana Lesjak. They signed a protest statement demanding transparent procedures related to this decision and the presentation of the EC requirement in question. More importantly, their protest was a criticism of the centralization of infrastructure in general. It is of course not a coincidence that the protest happened in Carinthia, since this region is one of the most vulnerable regions due to the negative migration trends. Due to the very inconvenient road connection between the capital and Carinthia and the absence of highway, daily migration to the Central Slovenia region is impossible, forcing a lot of local population to either move permanently to the capital or to instead try to find employment in the much easier reachable Austrian companies and institutions across the northern border. In this protest Carinthia was portrayed as a symbol for other border regions in Slovenia, many of which suffer similar problems, negative demographic trends due to the leaving of young population, failing infrastructure, lack of public services such as schools, medical care etc. A recent debate which was connected to the issue of centralization was brought up in relation to the emergency

medical care accessibility. A recent analysis published in media showed that several remote regions in North West had a serious lack of ER equipment and staff which could be potentially dangerous for both inhabitants and visitors. During the protest in Črna na Koroškem, a comparison was also emphasized with the policies of the neighboring countries in their border regions. The lack of attention to the border regions and their depopulation was also interpreted as a critical national issue.

### **Conclusion**

With the local state-council elections and mayor elections in all municipalities in Slovenia, which will take place on the 18th of November this year, the issues of regional policies are brought up much more than usual. The responses of the competing political parties so far have followed suit by emphasizing the importance of local self-governance, adequate financing of municipalities and the importance of decentralization of Slovenia. Besides the current political agenda not much has been done recently to address this problem and the policies of the next mandate both on local and national level will greatly depend on the willingness to pursue larger structural reforms and to invest more funding and political will into the building a more balanced infrastructure system, most importantly the renovation of railways and the building of the third North-South development axis.