

INEKO

Institute for Economic and Social Reforms

Economic and Social Measures in Slovakia 2008

Dušan Zachar (Ed.)

The HESO Project

The HESO Project is supported by:



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Economic and Social Measures in Slovakia 2008

The HESO Project

ISBN 978-80-970197-1-6

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Editor: Dušan Zachar

Cover: Peter Klátik

Translation: ASPENA, s.r.o.

Printing: ŠOPA PRINT

*THE **HESO** PROJECT*

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*EVALUATION of
ECONOMIC and
SOCIAL
MEASURES*

January 2008 – December 2008

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**Economic and Social
Measures in Slovakia
2008**

THE HESO PROJECT

**Bratislava
August 2009**

Acknowledgements

The HESO (Evaluation of Economic and Social Measures) Project brings experts' opinions on economic and social measures to the public. This publication has been created thanks to many outstanding personalities who were taking part in regular evaluations of economic and social measures. All members of the HESO Experts' Committee were participating without any financial reward. We are very grateful for their contributions and kindness!

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Eduard Žitňanský, biweekly economic magazine Profit
Robert Žitňanský, weekly magazine Týždeň

Many thanks also go to fellow worker **Peter Klátik** who participated in the realisation of the HESO Project in 2008.

Last but not least we would like to express special acknowledgements to the HESO Project partners:

AJG Consulting, s.r.o.
Bratislavská vodárenská spoločnosť, a.s.
Konto ORANGE, n.f.
PROVIDENT Financial, s.r.o.
SLOVNAFT, a.s.
SOITRON, a.s.

for their generous support to this publication and to all who assigned **2%** of their paid taxes to INEKO, which also helped us to realise the HESO Project.

Dušan Zachar

HESO Project Manager and Editor of the Publication

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Selected Average Foreign Exchange Rates of the Slovak Koruna (SKK)

Currency	Amount	2002	2003	2004	2005	2006	2007	2008
EUR	1	42.70	41.49	40.05	38.59	37.25	33.78	31.29
USD	1	45.34	36.77	32.26	31.02	29.72	24.71	21.35
CZK	1	1.39	1.30	1.26	1.30	1.31	1.22	1.26

Conversion Rate as of January 1, 2009: EUR 1 = SKK 30.1260

Source: National Bank of Slovakia

Introduction

The project of the non-governmental non-profit organisation INEKO (Institute for Economic and Social Reforms) - HESO (Evaluation of Economic and Social Measures) creates a platform where respected economic analysts, lawyers, sociologists, political scientists, economic journalists, representatives from the business community as well as from academic institutions, trade unions, employers' associations and think tanks can regularly express their opinions on selected economic and social measures of the legislative and executive power as well as on decisions of public institutions in Slovakia. In this way they inform the wider public about their opinions on the quality and importance of given measures. Thus, the citizens have a possibility to obtain a reliable overview of economic and social measures proposed and implemented in Slovakia and of the evaluation by renowned professionals without the necessity of becoming acquainted with too many details. From the beginning of the HESO Project in 2000 until the end of 2008, the experts expressed their opinions on almost 700 various public sector measures.

The ambition and the main objective of the HESO Project is not to monitor the development in individual areas of the society completely and in-details nor to provide professional starting points for the action of competent bodies but to regularly provide citizens with the opinion of the expert public on frequently discussed, important, innovative or unprecedented economic and social measures affecting the quality of life of citizens and to create better preconditions for the political acceptance of structural measures – reforms – bringing systemic changes into the Slovak economy and society.

Now, you are holding the *Economic and Social Measures in Slovakia 2008* publication that maps the HESO Project results for the period of January – December 2008. It follows seven previous HESO publications covering the period from the beginning of 2000. All of them (also in Slovak) are freely accessible at the INEKO's web site www.ineko.sk. In the *Economic and Social Measures in Slovakia 2008* publication, you will find the description and evaluation of selected important and/or interesting economic and social measures of the year 2008, which were the subject of the evaluation by 80 experts operating in Slovakia and abroad (see the list of experts on pages 4 and 5). It is possible to learn from their evaluations which measures represent an important benefit for the socio-economic development of Slovakia and which of them slow this process down.

In 2008, according to expert opinion, the absolutely most beneficial socio-economic measure was the decision about the introduction of the Euro as a new currency valid in Slovakia. Since the previous parliamentary elections in 2006, the Euro introduction in Slovakia was evaluated by professional public as the second best measure (first one was the entry of the Slovak Republic into the Schengen area). Other measures of 2008, which got a positive rating from experts, have not, according to their points of view, a significant contribution to the economic and social development of Slovakia, and some of them have only a marginal importance.

Unfortunately, more than 63% of the evaluated measures from 2008 obtained negative ratings from the professional public. Additionally, many of them do a huge harm to the future prosperity and long-term sustainable development and growth of Slovakia. We can mention, for example, measures which have allowed price regulation in areas, where it has not been applied so far; or a probably unconstitutional act amendment allowing to start motorway construction of all projected sections on non-purchased or non-expropriated private land parcels, without the consent of their owners. Then we can also mention a repeated opening of the 2nd (fully-funded) Pillar of the pension scheme enabling voluntary entry and exit, which leads to uncertainty among savers; a bizarre procedure of state administration bodies on the occasion of granting permission for waste dump construction in the town of Pezinok; discriminatory steps taken by the Slovak Government in order to maintain a dominant position of state-owned enterprises in the market; unrealistically projected public finances; non-systemic measures leading to less flexibility and efficiency in the labour market and in the health care sector, etc.

The year of 2008 was, according to the HESO Experts' Committee, the worst evaluated period since the creation of the HESO-Project in 2000 from the point of the reform atmosphere or the level of contribution of passed measures to the economic and social development of the country (see Figure 1 on next page). From the formation of the current government coalition in July 2006, we can see a significant decrease in the experts' acceptance (the level of consent or quality) of the evaluated economic and social measures. Public discussion has returned to topics like basic free market rules and principles which were discussed and defended several years ago. It is a pity that Slovakia loses capacity and valuable time to discuss important higher-level issues such as sustainability of the pension system; health care quality; level of education of the population; administrative barriers to investment and business development; openness, transparency and efficiency of the judiciary and of the whole public administration, etc.

Figure 1

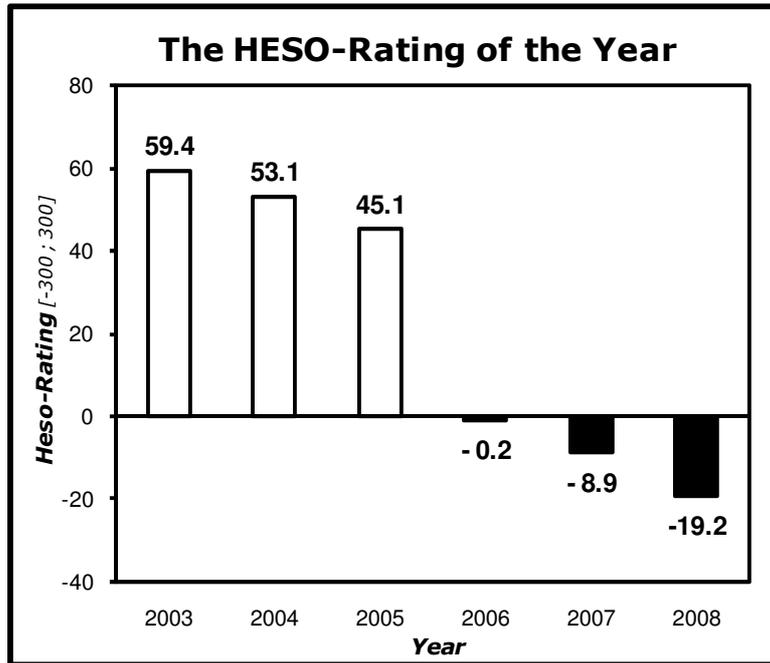
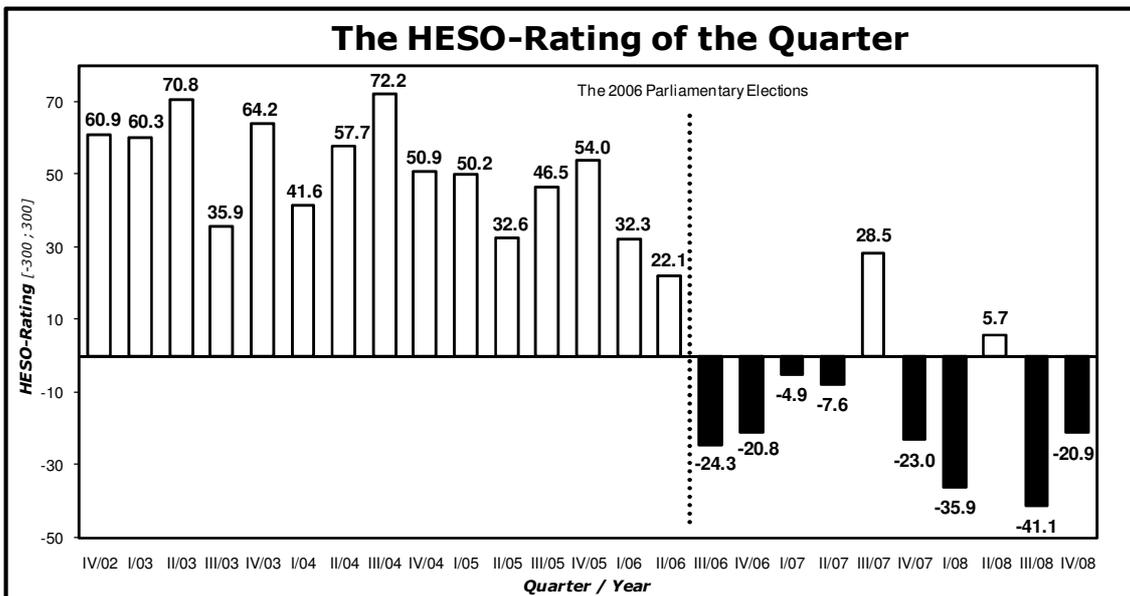


Figure 2



The HESO-Rating of the period (quarter, half-year, year(s), etc.) represents an average of HESO-Ratings of all evaluated measures adopted (approved) in the relevant period in Slovakia. It reflects the opinion of the Experts' Committee on their quality and importance and outlines the level of the reform atmosphere of the monitored period or the level of the contribution of passed measures to the economic and social development of the country. The HESO-Rating achieves the range from -300 to +300 points.

Methodology

Selecting Measures to Evaluate

Evaluated economic and social measures include, among others: acts, directives, regulations, international agreements and treaties proposed or passed by the Slovak Parliament, measures adopted by the Slovak Government (acts, regulations, resolutions, privatisation decisions, strategy documents, policy concepts, etc.), decisions of public institutions (e.g. of the Social Insurance Agency, public health insurance companies, National Bank of Slovakia, Antimonopoly Office, Telecommunications Office, Office for Public Procurement, Health Care Surveillance Authority, Regulatory Office for Network Industries or other market regulators). INEKO makes final selection about which measure will be evaluated. Emphasis is laid on measures widely discussed in the public as well as on measures, which are, according to INEKO, rare, innovative and/or important for the economic and social development of the country. Evaluated measures are not meant to provide a comprehensive and detailed overview and monitoring of the development in individual areas of the society. Characteristics (description) of the evaluated measures are prepared by INEKO. For this purpose INEKO uses information from original materials, documents as well as from media sources.

Evaluation Experts' Committee

The evaluation HESO Experts' Committee consists of about 50 members for each evaluation period. The experts are reputable economic analysts, lawyers, political scientist, sociologists, economic journalists, representatives from business community as well as from academic institutions, trade unions, employers' associations and think tanks (*see the list of all members of the 2008 HESO Experts' Committee on pages 4 and 5*). They represent leading or senior management positions in their organisations. The experts do not work in civil service and do not represent any political party. All of the experts attend the project for no reward. The opinions presented in the HESO-Project represent solely those of the experts and do not necessarily reflect the views of their employers or any organisations of which they are members, nor the views of INEKO.

Evaluation Criteria

Experts evaluate all the selected measures in two categories: quality (i.e. experts' acceptance) of the measure and importance (i.e. impact or significance) of the measure for society and economy. These do not affect each other.

Quality of the Measure [-3; +3]

Experts evaluate the effect of a given measure and give it a grade (*see the range below*). Often, there is a crucial difference between the real effects of a measure and the effects proclaimed by its author or administrator. Therefore, no matter what the measure presents to solve or improve, experts evaluate the impact and the effects they think the measure will bring to life.

Range:

- 3 expert's absolute disapproval of the measure
- 2 expert's moderate disapproval of the measure
- 1 expert's minor disapproval of the measure
- 0 status quo, no change, no effect of the measure
- +1 expert's minor approval of the measure
- +2 expert's moderate approval of the measure
- +3 expert's absolute approval of the measure

Importance of the Measure for the Society and Economy (%)

Experts express opinion how essential and necessary a given measure is for the society and economy, for the economic and social development. This category highlights the importance of reforming a given feature of a system in the country. The higher the score, the more important (with a higher impact on society and economy) the measure is.

Experts' Comments on Evaluated Measures

Experts are invited to mention the pros and cons of the measures they evaluate. Their comments on evaluated measures represent a part of the quality evaluation of the HESO Experts' Committee. More than 60% of the HESO Experts' Committee members regularly comment on evaluated measures.

HESO-Ratings

HESO-Rating of the Measure [-300; +300]

To get the HESO-Rating of the measure, the average quality grade of the measure is multiplied by a coefficient expressing the average value of the measure's importance for the society and economy. Thus, the rating values of the evaluated measures come in range [-300; +300]. According to these rating values all measures are ranked in a chart (see p. 12-18). The HESO-Rating of the measure indicates the contribution of an evaluated measure to the economic and social development of the country.

HESO-Rating of the Period [-300; +300]

Only those HESO-Ratings of measures, which have been implemented or passed by legislative body, executive power or public institutions, are used to complete the HESO-Rating of a given period (quarter, half of year, year(s), etc.). The HESO-Rating of the period is calculated as an average of all HESO-Ratings of evaluated measures, which have been passed or adopted in relevant period. Often, there might be a time lag between a proposal and a passed measure. If an evaluated measure was drafted or proposed but not yet passed, it will not influence the final HESO-Rating of the period. It will count only in the period in which it is put into effect. The HESO-Rating of the period reflects Experts' Committee's opinion on quality and importance of all evaluated measures passed in relevant period and indicates the reform atmosphere of the given period or the extent of the contribution to the economic and social development of the country. The HESO-Rating of the period comes in range [-300; +300].

EVALUATION OF ECONOMIC AND SOCIAL MEASURES 2008

(Notes: The evaluation of measures represents opinions and views of the HESO Experts' Committee members and does not necessarily reflect the views of their employers or any organisations of which they are members, nor the views of INEKO. Measures, which are described in this publication, are **bold**.)

HESO – Evaluation of Economic and Social Measures – 2008					
Measures Ranked by HESO-Rating Values (i.e. Contribution to the Economic and Social Development)		HESO-RATING	Quality	Importance	Passed
		<i>[-300;300]</i>	<i>[-3 ; 3]</i>	%	Q/Year
1.	Introduction of the Euro as a new currency valid in the Slovak Republic from January 1, 2009 with the conversion rate of 30.1260 SKK/EUR	165.6	1.91	86.9	2/2008
2.	New Roads Act (restriction of maximum driving speed in urban areas to 50 km/h; establishment of all-year-round use of headlights; enforcing restrictions on use of winter tyres; a considerable increase in penalties – possibility to withdraw the driver's licence for up to 5 years; possibility to work off penalties; restriction on driving at weekends and public holidays for freight vehicles; restrictions of parking on sidewalks; increasing responsibilities for cyclists and pedestrians)	75.1	1.37	55.0	4/2008
3.	The basis for determination of the repayment to the executor is the amount of the actual payment to be enforced not, as to date, the amount demanded being enforced (Amendment to the Regulation on Repayments and Substitutions for Judicial Executors)	69.2	2.04	34.0	2/2008
4.	Decrease in key interest rates of the Slovak National Bank in the 4 th quarter of 2008 by 1.75 percentage points (basic interest rate – 2.5%, effective from December 10, 2008)	68.2	1.59	42.8	4/2008
5.	Amendment to the Civil Court Ruling (simplification of proceedings; the Supreme Court of the SR will issue a definitive judgment in case of the appellate review, but the issue could be returned to a court of lower resort in specific cases only; establishment of a small claims institution of up to EUR 500; increase of the court's power with regard to greater customer protection; extension of electronic communication between proceedings participants and courts)	56.7	1.32	42.8	3/2008
6.	Modernisation Programme - Slovakia 21 (plan of reforms in short-term, and medium-term horizons in the areas of research, development and innovations, education, employment, business environment, regulation, governance and transparency)	55.6	1.23	45.1	2/2008
7.	Reduction of limits to purchase bed health care in 39 smaller hospitals by health insurance companies from July 2008	40.1	0.97	41.4	2/2008
8.	An information and communications campaign on Euro adoption in Slovakia (media campaigns, information display boards, distribution of leaflets, euro-calculators and start-up packages distribution, seminars and events, etc.; campaign expenses – more than SKK 240m)	32.8	0.70	47.0	4/2008

9.	Reduction and simplification of duties for some groups of entrepreneurs with regard to the provision of preventative health examinations for their employees (sole traders without employees performing non-hazardous work are not obliged to undergo health examination; reduction of subjects who are obliged to book an examination from state-accredited work health service companies; Amendments to the Act on Health and Safety At Work Protection, and to the Act on Public Health Protection, Support and Development)	30.2	0.91	33.3	2/2008
10.	Ratification of the Lisbon Treaty by the Slovak Parliament (substitution of the non-approved EU Constitution; enabling a simpler transition of national competencies to the EU; strengthening of national parliaments and European Parliament rights; reduction in number of EU Commissioners and EP Deputies; decrease in the voting power of smaller states; extension of the scope of qualified majority voting; EU with its own legal subjectivity; enabling secession from EU)	29.2	0.50	58.7	2/2008
11.	Flat-rate decrease in medicine prices of 7.4% due to increase in value of the Slovak currency (estimated saving: SKK 900m ; price regulations of the Ministry of Health of the SR)	23.1	0.64	36.4	2/2008
12.	Tender for allocation of available frequencies for mobile wireless electronic communications network provided by the Telecommunications Office of the SR (successful bid of Orange Slovakia – SKK 40m; sole criterion in bids evaluation - price offered)	23.0	0.92	25.0	2/2008
13.	Provision of an extra payment (SKK 20,440) added to the childbirth allowance at the birth of a second and third child also; increase of the child allowance by SKK 100 to SKK 640 and its regular, automatic valorisation at 1st January dependent on growth in the minimum subsistence level; increase in public expenditures by SKK 2bn per year (Amendments to the Act on Childbirth Allowance and to the Act on Child Allowance)	22.1	0.70	31.4	4/2008
14.	Declaration of social consent to adopt and use the Euro in the Slovak Republic (Slovak Government, employers deputies, trade unions, and local and regional self-governments obliged to act against unsubstantiated price increases after Euro adoption)	21.4	0.62	34.6	1/2008
15.	Amendment to the Act on Slovak Land Fund (publication of all (including old) contracts on Internet; newly-formed Fund's Council can perform its regulatory activity as a collective body only; members of the Council will be voted and recalled by the Parliament; the Council with 11 members including also 2 persons nominated by the parliamentary opposition)	21.0	0.69	30.6	3/2008
16.	Cancellation of excise tax on LPG, used as motor fuel, from July 1, 2008 (up to June 30, 2008 excise tax of SKK 4.29/litre; Act on Excise Tax on Mineral Oils)	18.1	0.76	23.8	3/2008

17.	Introduction of the employment bonus - a negative tax for employees with a salary from half the minimum wage up to a net income at the level of the non-taxable income minimum; maximum amount of the bonus for 2009 – EUR 181 (Amendment to the Income Tax Act)	12.9	0.42	30.5	4/2008
18.	An unlimited guarantee on bank deposits (100% guarantee for all deposits of natural persons, tradesmen, foundations, non-profit organisations and small enterprises, currently guaranteed by banks up to 90% and up to EUR 20,000; Amendment to the Deposit Protection Act)	12.5	0.26	48.5	4/2008
19.	Education reform – the new Schools Act (70% of the curriculum will be set by the State, 30% by each school; reduction in the number of compulsory lessons; two compulsory foreign languages; only textbooks approved by the Ministry of Education to be used; enabling pupils to be educated individually at home by their parents; reduction in the maximum number of pupils in classes; reduction in the number of pupils at eight-year gymnasiums; stricter criteria for financing of private schools; enhanced influence of the State on appointment of school principals; final year in kindergarten will be free of charge)	9.2	0.16	56.6	2/2008
20.	Provision of investment support in the form of tax remission of SKK 431m for 2010 – 2012 for Volkswagen Slovakia Company for supporting expansion of the plant in Bratislava intended for production of a new small car (VW investments of more than SKK 9bn; 760 new jobs to be created)	9.2	0.28	32.4	4/2008
21.	Provision of social scholarships for secondary school students for one year's study in secondary schools abroad for 2008-2011 (SKK 270m for 1,000 secondary school students in the school year 2008/09)	2.9	0.10	29.7	1/2008
22.	Increasing the prices of meal tickets (luncheon vouchers) (increase in minimum daily amount for allowance from SKK 89 to SKK 98; average increase in prices of allowance and prices for meal tickets by 10%)	1.1	0.04	24.2	2/2008
23.	Amendments to the Social Insurance Act, to the Act on Old-Age Pension Savings, and to the Act on Supplementary Pension Saving (move of automatic pension valorisation from July 1 to January 1; expansion of range of state insurees; establishing the possibility to change pension funds management company once a year free of charge; increasing level of informedness on the part of the customers; increase severity of rules for investment in the 2 nd (fully-funded) Pension Pillar, and their release in the voluntary 3 rd Pillar; negative impact on public finance - approx. SKK 5bn yearly)	-6.9	-0.15	46.3	4/2008
24.	Municipalities receive excess state immovable assets free of charge, only if it is not possible to sell them even for 30% of their value (Amendment to the Act on Transfer of Ownership of Immovables of the Central State to Municipalities or Higher Territorial Units)	-7.4	-0.26	28.0	3/2008

25.	Act on Benefit for Childcare (benefit for childcare will be reimbursed to employed parents (instead of parental benefit) which will be in the amount of proven expenses for professional childcare, but mainly in the amount of parental benefit; employed parents who entrust child to care of family member, nurses without licence, or who, in addition to work, take care of the child themselves, will be entitled to benefit only in the amount of 25% of the parental benefit)	-9.2	-0.32	28.5	4/2008
26.	Subsidy from the State Budget in the amount of SKK 1.2bn for the city of Bratislava intended for reconstruction of the old ice hockey stadium (the Ondrej Nepela Stadium) due to the Ice Hockey World Championships in 2011	-14.3	-0.72	19.8	4/2008
27.	Entitlement for retirement rent for firemen and mountain rescue workers from 2008 (after 2011, age will not be the determiner but 15 years' service; Amendment to the Act on Social Assurance for Policemen and Soldiers)	-16.9	-0.68	24.9	1/2008
28.	The first anti-crisis package by the Slovak Government (a set of 38 various measures proposed to overcome the impact of the global financial crisis; e.g.: better spending of Euro Funds, Public Private Partnership projects, capital increase of state banks, subsidised holiday vouchers, transfer of funds from basic to applied research and to innovation, completing the construction of the Mochovce nuclear power plant, shortening the repayment period for excess value added tax, etc.)	-17.5	-0.39	45.4	4/2008
29.	Transformation of the Press Agency of the Slovak Republic (TASR) from semi-budgetary organisation into public service institution (retained the same subsidy from the State Budget; nomination of the Director by the Board of Directors, most of members of which are voted for by the Parliament; the TASR Act)	-18.6	-0.79	23.5	3/2008
30.	Decrease in the flat rate for travel allowance on use of private vehicle for business trip from SKK 6.20 to SKK 5.50 per km of the trip	-23.5	-1.04	22.6	2/2008
31.	Cancellation of penalty charge for bad payers of alimony who are repaying advance alimony paid by the State (Amendment to the Act on Advance Alimony)	-27.3	-1.35	20.2	2/2008
32.	Internet booking of terms for submission of application forms for Euro funds resources for school reconstruction (initial problems with level of informedness of applicants, with functionality of the booking system, and insufficient number of terms)	-27.9	-0.95	29.5	1/2008
33.	Implementation of the new non-taxable part of income in the amount of SKK 3,500, or SKK 10,000 annually in the case of some medical employees' expenses for other special education (Amendment to the Income Tax Act)	-28.0	-1.13	24.7	1/2008
34.	Proposal which makes possible a choice for a builder that zoning permit will be realised according to the municipal plan effective as at the time of application submission, although the municipal plan was changed during area management proceedings (Draft Amendment to the Act on Zoning Planning and Building Regulations)	-31.9	-0.90	35.4	--

35.	Re-implementation of levy for agricultural land exclusion due to construction and other non-agricultural purposes (from SKK 20/m ² up to SKK 500/m ² dependent on soil quality; Amendment to the Act on Agricultural Land Protection and Utilisation)	-32.9	-0.74	44.4	2/2008
36.	Amendment to the Act on Employment Services (labour offices will determine the frequency of visits for the unemployed; state-subsidised social enterprises; limiting the activation works; introduction of new active labour market benefits and an increase in some of existing benefits)	-34.5	-0.89	38.9	2/2008
37.	In cases when a saver exits the 2 nd (fully-funded) Pillar of the pension scheme, it is not necessary to prove his signature officially (by notary) (Amendment to the Act on Old-Aget Pension Savings)	-36.0	-1.12	32.1	1/2008
38.	Free of charge transfer of the insurance stock of the European Health Insurance Company (EHIC), which is in liquidation, to the state-owned Common Insurance Company (private insurance companies submitted price offers for takeover of insured persons without assuming liabilities of the EHIC)	-36.4	-1.16	31.4	4/2008
39.	The Bratislava castle and castle complex reconstruction funded from the State Budget (successful competitive bid of VÁHOSTAV-SK, Inc. in the amount of SKK 1.178bn; a subsequent raise of the planned reconstruction expenses to SKK 3.795bn by the Slovak Government)	-42.4	-1.74	24.4	4/2008
40.	Restriction of retail trade during some holidays (New Year, Easter Sunday, and Christmas) (Amendment to the Labour Code)	-44.5	-1.17	38.1	2/2008
41.	State subsidy of almost SKK 91m for launching and operation of the new TV sports channel (Trojka) of the public Slovak Television in 2008	-46.9	-1.76	26.7	2/2008
42.	Amendments to the Act on Health Insurance Companies and to the Act on Health Insurance (obliging all health insurance companies to submit their budget for government proceedings; modification of the definition of insurance companies' liquidity; increase in the base for insurance redistribution from 85% to 95%; increase in payments paid by the State in 2009 for its insured employees from 4.5% to 4.9%)	-50.4	-1.23	41.0	4/2008
43.	Prolongation of the rent regulation and retention of regulated rent in restituted flats and houses from 2012 for people who do not own a comparable flat within a distance of 50 km, and will be registered at the Ministry of Construction and Regional Development of the SR (Amendment to the Ministry of Finance of the SR regulation on rent regulation)	-55.6	-1.63	34.2	3/2008
44.	Plan to reduce debts in health care sector (preferential state loans (in the amount of SKK 6bn in aggregate) for hospitals for 15 years with 2 years due date postponement, under the precondition that new debts will not be generated and an action plan for recovery will be elaborated; total health care debt - more than SKK 8bn)	-58.3	-1.29	45.2	4/2008

45.	Act on Inadequate Conditions in Business Relations (more regulated contractual relations among suppliers and purchasers; cancellation of significantly preferable contractual terms of one party; penalties up to SKK 10m)	-61.1	-1.54	39.8	2/2008
46.	Establishment of a new governmental consultative body - the Price Commission of the SR that will monitor the development of prices and suggest measures against unreasonable price increases in relation to the introduction of the Euro in Slovakia	-63.8	-1.79	35.7	3/2008
47.	National Bank of Slovakia (NBS) investigation of suspicion of leak of information about change and new level of the central parity of the Slovak Koruna (Crown), and of illegal benefits accruing from misuse of confidential insider information (NBS has not found any relevant evidence about the presence or abuse of confidential information)	-67.4	-1.55	43.5	3/2008
48.	Allowing the Government, in the course of General Meetings, to impose a veto on price proposals of energy companies in which it does not have managerial control but where it owns most of the shares (Act on Price Proposals of Business Companies)	-69.4	-1.75	39.6	4/2008
49.	New Press Law (right to answer for anybody, also in the case of publishing correct information; sanctions up to SKK 150,000)	-72.4	-1.77	41.0	2/2008
50.	Introduction of criminal responsibility of natural persons for unauthorised price-fixing above the limit determined by the decision on price regulation or directly by the rules of the law on prices (Amendment to the Penal Code)	-73.0	-2.20	33.1	4/2008
51.	The 2009 State Budget (state budget deficit - SKK 30bn (EUR 1bn); public finance deficit - 2.08% of GDP)	-74.7	-1.16	64.4	4/2008
52.	The Bratislava M.R.Štefánik Airport remains exclusively in state hands (investment development financed by airport's own resources and by public resources; rejection of the possibility to establish a joint venture with strategic investor or airport privatisation)	-75.0	-1.99	37.7	1/2008
53.	Strengthening of monopoly of the state-owned Slovak Post on receipt or delivery of consignments up to 50 grams, and correspondence with personal delivery (alternative delivery companies will not be permitted to operate in this market segment by so-called hybrid post; Amendment to the Act on Postal Services)	-76.9	-2.02	38.1	1/2008
54.	Amendment to the Act on Minimum Wage (if the minimum wage adjustment is not agreed between the social partners, the Government will determine the minimum wage increase by at least the interim nominal increase of the average wage in the Slovak economy)	-84.1	-1.84	45.7	3/2008
55.	Obligation to pay licence fees for public service TV and radio broadcasting by every natural person who is a purchaser of electricity, and by employers dependent on the number of employees (expected higher collection of fees by SKK 1bn; Act on Remittance for Public Service Broadcasting Provided by the Slovak Television and by the Slovak Radio)	-86.5	-2.05	42.2	1/2008

56.	Amendment to the Act on Prices (expansion of state options to regulate the prices of goods and services in the transition period of introducing the Euro; imposing further duties on the retailer in keeping and storing price registers)	-93.0	-1.81	51.3	3/2008
57.	Permission for waste dump construction in the town of Pezinok by state administration bodies (Regional Building Office issued zoning permit and Environmental Inspectorate permitted waste disposal site, although the self-government of Pezinok restricted its construction in the municipal plan)	-96.4	-2.28	42.2	3/2008
58.	Repeated opening of the 2nd (fully-funded) Pillar of the pension scheme enabling entry into or exit from the scheme in the period between November 15, 2008 and June 30, 2009 (Amendment to the Act on Old-Age Pension Savings)	-97.5	-1.84	52.9	4/2008
59.	Extension of the option to commence construction of motorways and high-speed roads on non-purchased or non-expropriated private land parcels, without the consent of their owners, to the whole of the planned motorway network in Slovakia (Amendment to the Act on Non-recurring Exceptional Measures for Preparation of Construction of Some Motorways and High-Speed Roads)	-99.2	-1.96	50.5	4/2008
60.	The general economic interest in energies (the competence of the Ministry of Economy of the Slovak Republic and of the Regulatory Office for Network Industries to directly determine the prices and duties of gas and electricity providers when providing gas to households, gas intended for heating for households and when providing electricity for households and small businesses)	-102.9	-1.82	56.5	3/2008
The 2008 HESO-Rating		-19.2			

Euro Introduction in Slovakia

Introduction of the Euro as a new currency valid in the Slovak Republic from January 1, 2009 with the conversion rate of 30.1260 SKK/EUR

Submitter: Ministry of Finance of the Slovak Republic

Intention of the Measure: to fulfil the obligation of the Slovak Republic made on the Accession Agreement into the EU to adopt the European single currency which should strengthen the united market and provide for closer cooperation of the EU Member States within the field of a stable currency and economy

Contents of the Measure:

- on January 1, 2009, the Euro (EUR) became the official currency of the Slovak Republic; the Euro has, at the same time, been the sole official means of payment in the SR since January 17, 2009; in the period from January 1, 2009 to January 16, 2009, a dual circulation of EUR and the Slovak Crown (Koruna) (SKK) was in practice
- to be able to introduce EUR, it was necessary to meet the so-called Maastricht convergence criteria on a sustainable basis, i.e. to meet them up to the evaluation date (March 2008) and to demonstrate that they are not substantially violated in the long-term:
 - critierion on public finances: the public finances deficit during the year prior to the evaluation was not to exceed 3% of GDP (value attained in the SR: 2.2%) and the overall public debt was not to exceed 60% of GDP, or it must be decreasing (in the SR in 2007: 30.7%; the debt has decreased since 2000 when it was 50%)
 - inflation criterion: average inflation in the year prior to evaluation (measured according to the Harmonised Index of Consumer Prices) was not to exceed the average of the 3 EU countries having the lowest rate of inflation of more than 1.5% (value attained in the SR: 2.3%; reference value: 3.2%)
 - long-term interest rate stability criterion: the average market interest rate of long-term governmental or similar bonds was not to exceed the average of the 3 EU countries with the lowest rate of inflation of more than 2% (value attained in the SR: 4.5%; reference value: 6.5%)
 - exchange rate stability criterion: the Slovak Crown had to be a member of ERM II (European Exchange Rate Mechanism) for two years (the Slovak Crown was a member of ERM II for two years and four months prior to evaluation)
- on entering the EU, Slovakia committed itself to adopting the EUR as its currency; only in question was the year of its adoption; the initiative of the current and the previous Governments was to introduce the EUR as early as possible
- in July 2003 the Slovak Government approved the strategy to adopt the EUR
- in September 2004, the target date for entering the Eurozone was defined as January 1 2009
- on November 28, 2005 the Slovak Crown ended its regime as a floating currency and entered the ERM II zone, which resulted in its requirement to vary within the range of $\pm 15\%$ around the EUR exchange rate (central parity)
- the central parity was revalued twice due to strengthening of the Slovak Crown: on November 28 2005 the parity was defined as 38.455 SKK/EUR; on March 19, 2007 it was revalued to 35.442 SKK/EUR and on May 29, 2008 it was revalued to 30.126 SKK/EUR
- on April 5, 2008 the Minister of Finance of the SR officially requested the European Commission and the European Central Bank to evaluate the process of acceptance into the Eurozone - i.e. he made an official request for the SR to be accepted into the Eurozone
- on May 7, 2008 in the convergence report of the European Commission (EC) approved the introduction of the common European currency in the SR (the decision of the EC was crucial for the introduction of EUR)
- on June 3, 2008 the Economic and Financial Affairs Council (ECOFIN) of the EU approved the introduction of the Slovak Republic into the Eurozone on January 1, 2009, following the convergence report
- on June 17, 2008 the Members of the European Parliament approved the introduction of the SR into the Eurozone
- on June 19, 2008 the European Council at its summit recommended the introduction of the SR into the Eurozone
- on July 8, 2008 the Finance Ministers Council - ECOFIN defined the conversion exchange rate, i.e. the exchange rate used to convert the Slovak Crown to EUR, as 30.126 SKK/EUR and it approved the formal legislation necessary for the transition to EUR
- in all countries where the Euro has been adopted to date, the conversion exchange rate was defined at the level of the central parity

- the Government enforced the strongest exchange rate for SKK to EUR from the start of the conversion rate negotiations
- the convergence report highlighted the need for strict fiscal policy, for maintaining low inflation, for maintaining a favourable position from the competitiveness perspective, the need to provide for wage drift in accordance with productivity growth, to reach a balanced budget by 2011 and to adopt a series of structural measures

Opinions of Proponents from Media Sources:

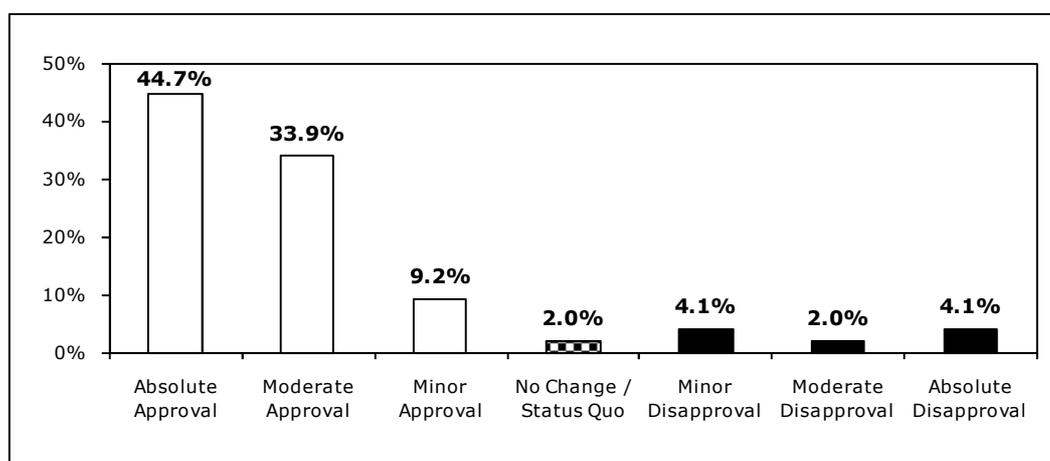
- the introduction of the Euro brings many important advantages which indirectly improve the conditions on the market and which unify the European market - trading with a common currency is financially more effective and more secure - it reduces transaction costs and currency risks and improves the transparency of cross-boundary transfers
- EUR increases investments, also including foreign ones, of all kinds starting from individual consumers, small and mid-sized businessmen to large institutional investors who can invest more effectively within the whole Eurozone without the risk of fluctuating exchange rates
- EUR as an international currency offers world-wide advantages - it brings economic stability and it offers resistance to economic shocks from the external environment - the EUR currency is far less dependent on regional development than was true for SKK
- the positive influence of the introduction of EUR on increasing economic growth
- lower costs in providing for resources
- simpler travelling with one currency and comparison of products and services in the countries within the Eurozone
- the introduction of the Euro is useful for a small, flexible, open country such as Slovakia which largely trades with the Eurozone countries
- the early introduction of the Euro provides Slovakia with a competitive (and also investment) advantage in comparison with the neighbouring countries
- the acceptance of the Euro by the inhabitants of Slovakia prior to the time set for the decision on its adoption was growing
- defining another conversion exchange rate as a central parity would be a precedent for other countries planning to enter the Eurozone
- the conversion exchange rate was wholly optimal according to the Government – the rather strong conversion rate that the central parity is, is good for the population, it increases their purchasing power and the value of their savings, it will lower inflation pressure, which is expected later, for some time, but it does not bring more definite problems for the competitiveness of the Slovak exports
- the Slovak Crown and the monetary policy have been pegged to EUR for many years and to the decisions of the European Central Bank, so the loss of our own monetary policy will be almost imperceptible

Opinions of Opponents from Media Sources:

- the loss of our own monetary policy - Slovakia will lose its strongest tool for influencing inflation - determining interest rates, it will bring imbalance - "high Slovak inflation and low German interest rates" - the transfer of the wealth of savers (most of the population) to the debtors (businessmen)
- it is not possible to meet the inflation criterion because price levels in other Eurozone countries are much higher and, in addition to that, prices of food and crude oil are increasing all over the world - in the event of later entry into the Eurozone the growth of inflation would not be so distinctive because the continuously strengthening Slovak Crown would have lowered its height and price levels in Slovakia would be approaching price levels in the Eurozone countries, not only by inflation increasing but also by the strengthening of the SKK: EUR exchange rate
- the loss of the option to restrain price growth by the strengthening SKK will need a much more responsible fiscal policy on the part of the Government and it will need strict compliance with the Stability and Growth Pact rules so as keep inflation from growing uncontrollably which may not be managed if the current Slovak Government starts to honour its populist pre-election and post-election promises and the government programme
- the declared advantage of simplifying the payment system and the mobility of Slovak citizens is limited by the fact that all of the neighbouring countries, except for Austria, still have their own national currencies so the need for money exchange in these countries still exists - we should wait for the other V4 countries, which are not proposing early adoption of the Euro, and enter the Eurozone together with them
- there was room for greater strengthening of SKK which, at the same time, would not have damaged the rapidly growing Slovak industry oriented towards exports with high labour productivity
- a scandal concerning an information leak as to the level of the new central parity damaged further accessing of SKK

- some financial groups abused the process of EUR introduction for their own dishonest enrichment - they made use of confidential information (so-called insider trading) on the planned alteration to the exchange rate central parity prior to its official publication
- in the last months before the conversion rate was irrevocably fixed, the exchange rate was influenced by the statements of high-ranking politicians in favour of the SKK/EUR exchange rate being as strong as possible, which caused the level of the conversion rate to be influenced not solely by the market, which was a guarantee that the final rate would be optimal and favourable for all parties - if the rate were not to reflect the actual efficiency of the economy, sooner or later it would damage the business environment and consequently the whole economy - a too strong, overestimated rate, for example, overprices exports and the labour power paid in EUR from the beginning of 2009; it also concerns the public employees
- a rate of 30 SKK/EUR would be more practical; it does not differ very much from the central parity, the population would remember it more easily and they would find it easier to calculate prices
- high one-off introductory costs are inevitable in the transition to a new currency for everybody - for the state and public administration, for businessmen and the general population
- as well as the currency, it will also be necessary to change wallets into purses for coins

Evaluation of the HESO Experts' Committee:



Igor Daniš:* The introduction of the Euro in Slovakia is inevitable but (1-2 years) premature - strengthening of SKK, balancing of price and wage levels and GDP per capita with the Eurozone countries. The prematurity results, in particular, from the previous Government's approval of the introduction date. This subsequently put pressure on the current coalition (its credibility), which did not have it in its plan. The die was cast, so we will have to wait and see what happens to the economy and what happens to the economy of the neighbouring countries which are postponing introduction of the Euro.

Tomáš Dudáš: The conversion rate was determined sensitively, I think that at this rate level domestic exporters are not being put at a disadvantage, which is important for the sustainability of economic growth.

Richard Ďurana: Because of the introduction of the Euro, we are losing control over our monetary policy and the value of our savings. In the current stage of economic development, fixing the exchange rate brings in the risk of a faster growth in prices. Prices are not approaching European ones through the strengthening of SKK but only due to absolute growth. Higher inflation in tandem with negative actual rates will lead to devaluation of the population's savings. The Euro is a political project with an uncertain future. The proclaimed positive effects in the form of faster economic growth and development of trade have not been demonstrated empirically among the older members of the Eurozone. One of the positives of the Euro was the determination on the part of the Government to meet the Maastricht criteria and this put a brake on the predicted prudent social-democratic management of public finances. But after the introduction of the Euro, this pressure has eased. The rate is a disappointment. Instead of the illusion of qualification, the politicians could have chosen a strategy of pragmatism and defined the rate at 30 SKK/EUR. From the perspective of the prognosis for the effectiveness of our economy, the rate would have been better below the level of SKK 30 per EUR 1.

Peter Gonda: The Slovak Government and the National Bank of Slovakia (NBS) performed the operative steps, approved by the EU, for Slovakia to enter the Eurozone on January 1, 2009, even

* Experts' comments are set in alphabetical order.

though it brings Slovak citizens and firms not just faster gains but also unfathomed pragmatic and in-built systematic risks and problems. The pragmatic problems are linked, for example, with the loss of the exchange rate ("the rate cushion") in an economically and price-stagnant economy and in the economy approaching the others in the EU, and the systematic problems linked with the manner in which the Euro is introduced (administered from the centre as an exclusive currency) and with an earlier entry into the Eurozone with serious financial tensions and distinctive additional costs to its maintenance (resulting, for example, in the mid- and long-term horizons from the inflation pressures of financing the debts of retirement systems within the dominant Eurozone countries). The efforts of government politicians to gain a "victory" for Slovakia in getting into the Eurozone among the V4 countries managed to quickly meet the Maastricht criteria, the level of the conversion rate of SKK to EUR was influenced by their statements and the declarative measures and later also real interventions into the market, which focused on the limitation of price increases in connection with the introduction of the Euro in Slovakia. It would be more helpful for the long-term prosperity and freedom of the population and the more rapid approach to the economic growth of Western Europe to create the conditions for economic liberalisation, mainly for example for a flexible labour market, than to quickly meet the Maastricht criteria and entry into the Eurozone.

Igor Hurčík: We are a very small country and we do not have an economy and GDP like Switzerland so our own monetary policy within the EU would somehow or other be quite unreal. The only question is whether a later entry to the Eurozone would have brought about a better conversion rate.

Juraj Lazový: With regard to the fact that it is a planned process on a long-term basis, I appreciate as positive that the transition to the Euro was carried out within the planned term. I also appreciate the conversion rate positively even though the rate of 30 SKK/EUR would be much more practical. But I am not sure whether the early introduction of the Euro in Slovakia, in comparison with the other V4 countries, is expressly better; only our actual experience will show/disprove this. In any case, I agree that there will be some transfer of wealth from the savers (most of the population) to the debtors (businessmen).

Zdenek Lukáš: The early abandonment of the independent financial policy and the exchange rate policy together with a very strong conversion rate will weaken competitiveness, in particular of small and mid-sized firms, and worsen the external position of the Slovak economy.

Mária Machová: The introduction of the Euro is a positive step. Besides all the economic opportunities/advantages that this step will bring to this country, I think it is a marketing triumph for Slovakia (without the yacht affair it would have been much more distinctive). We may assume that the Euro will still require a responsible fiscal policy which could play an important role in future public budgets.

Juraj Nemeč: This step is essential for the open economy of the SR and it is better to carry it out at a time when the country is flourishing economically. Of course, there will be some problems, but everything has its price.

František Okruhlica: The opportunities predominate over the threats.

Jozef Orgonáš: Finally, the whole cycle of entry has been completed.

Miroslav Siváček: The Euro-adoption is an important step which brings with it the potential of many advantages. But the introduction of a new currency alone is not the goal, it is only a tool for the development of Slovakia. A possibility which could (but must not) be demonstrated in the country's economic growth and in the growth of the population's wealth. What is important is how we take advantage of this opportunity. Whether for a reasonable economic and social policy and creating an attractive investment and business environment, or for banishing investors by questioning the existing contracts, for trivial rows with tradesmen, for establishing new price councils, for retirement control squads, for clientelism and party decisions. Then it could happen that the potential advantages from Euro-adoption will diminish and the advantage gained over competitors in the Central-European region will be lost.

Radoslav Štefančík: A generally acceptable decision. But there is a question whether the Government, taking into consideration the pre-election promises of the coalition parties, can keep to the Stability and Growth Pact after the introduction of the Euro.

Luboš Vagač: The successful completion of Slovakia's effort to introduce the Euro. In the last two years, the current Government has managed, in the effort to introduce the Euro, to continue in and maintain the previous fiscal and monetary policy within the planned limits. The NBS has also had a considerable influence on it. As to the exchange rate, it could have been a round 30 SKK/EUR for practical reasons and without bigger problems. It is pointless to discuss postponing the date because of the strengthening of SKK and the loss of anti-inflation tools. Surely a responsible budget and pricing policy will be necessary after adoption because the politicians may be given free play after achieving the goal of entering the Eurozone.

Rural Parliament in Slovakia *: A premature monetary measure. The SR will lose control over the value of its own currency. The Czech Republic and Hungary will still be assessing their currency. Affairs and speculations might have been expected during the introduction of the Euro. But the state did not anticipate anything. The introduction of the Euro is, first of all, in the interest of large foreign investors and only subsequently in the interest of ordinary citizens. On the other hand, we can see the practical sides too - travelling within the EU without exchanging money, easy invoicing with foreign countries, limitation of exchange rate losses.

Jaroslav Vokoun: It is the maximal expression of the pro-European orientation of Slovakia. It is not an everyday event when the Government continues the policy of the previous Government. One of the positive features is better protection against financial crises and speculative monetary trading. The NBS was very well aware why it acted to precipitate the loss of our monetary sovereignty.

Eduard Žitňanský: The current Government deserves very little credit in the decision on the Euro.

Government's Fight against Price Rise

The general economic interest in energies (the competence of the Ministry of Economy of the Slovak Republic and of the Regulatory Office for Network Industries to directly determine the prices and duties of gas and electricity providers when providing gas to households, gas intended for heating for households and when providing electricity for households and small businesses)

Submitter: Ministry of Economy (ME) of the Slovak Republic

Intention of the Measure: to establish due control over the price levels of gas and electricity; to secure and provide for gas delivery to households, gas for heat production to households and electricity delivery to households and small businesses, including their prices

Contents of the Measure:

- the Act on Energetics permits the Government to approve the bill of the ME of the SR on the so-called general economic interest in energies
- the general economic interest in energies mainly means the provision for secure transmission and the distribution system or network, including the provision for regularity, quality and prices of electricity and gas deliveries, the protection of the environment, energy effectiveness etc. - the ME of the SR can impose all these, in the general economic interest, as a duty on the producers and providers of electricity and gas, on the operators of transmission or distribution networks
- for the period from 2009 up to the point of levelling the economic index, the Government approved "the share of expenses for energies in the overall incomes of the households" with the average of the EU countries as the general economic interest in energies to provide for gas and electricity deliveries, including the price of gas for households, the price of gas for heat production for households and the price of electricity for households and small businesses, which will be determined directly by the Regulatory Office for Network Industries (ÚRSO) (ÚRSO approved mainly price proposals of regulated subjects; it determined the calculation of the maximum price or it directly defined it, where the defined price had to make a provision for economically justified expenses and fair profit from performing the regulated activities)
- subsequently the ME of the SR will impose particular duties on the gas and electricity providers in the general economic interest
- the gas providers will be obliged to provide gas at a regulated price to those households whose annual consumption will not exceed 6,500 m³
- the electricity providers will be obliged to provide electricity at a regulated price in the amount of at least 6 TWh/year to households and small businesses with the following amounts of electricity take-off: households without electric heating with a take-off of up to 5 MWh/year, households with electric heating with a take-off of up to 20 MWh/year and small businesses with a take-off of up to 30 MWh/year

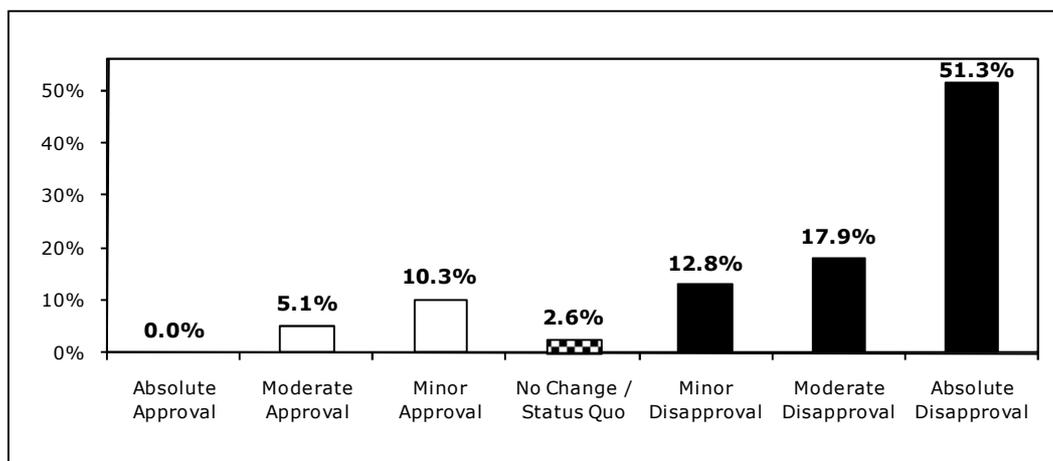
* Comments of the civic association - the Rural Parliament in Slovakia are build by opinions of its several members that's why opposing points of view may occur in some cases.

Opinions of Proponents from Media Sources:

- the measure which guarantees a certain control over the price levels of gas and electricity leads to fulfilment of the goals of social and economic solidarity - it was necessary to confirm that gas and electricity consumers in households and small businesses made use of the right of being supplied with gas and electricity of the required quality at prices that are comparable to the European average that are transparent, available and fair
- the increase in the crude oil price, which has a direct relation to the increase in the natural gas price, the increase of electricity consumption in the neighbouring countries and the imminent lack of capacity for electricity production, also the inadequately developed competition environment in the Slovak gas and electricity market create a greater risk, especially for households and small businesses, of threatening the security of gas and electricity deliveries, with the emphasis on their price
- the energy prices increase more quickly than the real incomes of the population
- a necessary measure to protect the most vulnerable groups of consumers of energies that are among the basic subsistence items which markedly influence the quality of life
- the share of household expenses on energies out of the overall expenses for living (the costs of electricity and energies in general play the most important role in the basket of consumables of Slovak households) is among the highest in the EU, although Slovakia is not among those countries with large energy demands (e.g. the need for frequent heating); also the prices, calculated according to parity of purchasing power, belong among the highest in the EU, although the production costs per unit of electricity are among the lowest
- the possibility of stricter price regulation will not affect all the large consumers overall, but only the most vulnerable groups
- determining an adequate regulation mechanism may prevent the monopoly energy suppliers from compensating for their losses of profit from households by increasing costs for the industrial sector
- adequate temporary and overall regulation of electricity and gas prices may help small businessmen to come through the expected consequences of the financial crisis
- the measure is in accordance with EU directives

Opinions of Opponents from Media Sources:

- ÚRSO has had adequate control over the energy prices and their fairness to date; the Government and ÚRSO will gain an inappropriate power by direct price-fixing because their decisions may distort the market at times when energy prices are on the increase all over the world (e.g. they could dictate a price for gas which does not reflect the development in crude oil prices)
- the increase in energy prices is not caused by the fact that prices are not regulated but by the real increase in the price of energies all over the world
- the administrative fixing of prices will not just harm the suppliers - everybody will have to pay the difference between the market and the political price
- the area price regulation for households decreases the prices for everybody; this means for those who do not need it at the expense of socially disadvantaged households; the Government should try to identify those particular population groups for whom energy expenses are a real problem and, in this way, provide support within the social policy
- the best way to preserve prices is elimination of barriers for entering the sector, not to distort prices and create hidden inflation - it is a pity that they do not make use of the legislative conditions that facilitate transparent and broad opening up of the gas and electricity markets in the SR when competitiveness on the market is insufficient, eventually, none - any directive regulating energy prices is a direct signal aimed against opening up the Slovak market
- the past has shown that after a period of price regulation a period with a hike in prices must follow; the longer the regulation period, the higher the price increase (e.g. in 2000, the almost 50 % increase in energy prices which increased inflation by more than 5%)
- an inadequate regulation of energy prices may restrict the investments of the energy companies due to prolongation of the pay-back period, which will be expressed in the ageing and defectiveness of equipment and in no investment in innovations and infrastructure
- in the last five years, the share of energies has fallen in the overall expenses of households by 30%, mainly due to the combination of income increase and savings in consumption - this has even occurred without strict regulation of prices
- the fairness of balancing the economic index share of expenses on energies in the overall income of households with the EU average is not substantiated - e.g. Scandinavian households consume more energy on heating and lighting than an average EU household - likewise Slovakia need not be a country with average energy demand
- some businessmen would welcome price regulation not only for small businesses but for all consumers because the monopoly position of suppliers and the price increase relates to all consumers; in addition to this, the regulation of energy prices for small businessmen distorts the business environment due to preferring certain market sectors
- the expansion of regulation conflicts with the policy of the EU and the purpose of the unified liberalised energy market

Evaluation of the HESO Experts' Committee:

Igor Daniš: The state must have measures for dealing with the monopolies. Gas, electricity etc. are natural monopolies. Basically, monopolies act against their own effectiveness. No one may think that the consumer has a choice and can choose another supplier. It would be ideal if the consumer could choose between different energy suppliers with minimum transactional costs (e.g. as in the meat market). Then the state does not need to interfere.

Tomáš Dudáš: This measure is like many other measures of the Government; their common feature is deformation of the free market and an increase of state interventions in the economy.

Richard Ďurana: Besides the political aspect (is ÚRSO really necessary, especially in a situation when it does not substantiate its decisions in the form of a public analysis?) there is the economic aspect: free price-setting is a basic pillar of the market economy. If the seller cannot reflect expenses in the prices, it will lead to financial malnutrition within the sector, to lack of investments in maintenance or innovation (why invest if I am unsure of getting a return on my investment?), to scaring away potential investors in the sector and to a jump in price increases in the future.

Peter Gonda: The Government, under cover of a vaguely formulated and politically motivated "general economic interest" will limit more, not only the gas and electricity suppliers, but it is against other basic economic relations in the market (for example direct fixing of prices) and in the long-term also against consumers, e.g. by reducing quality due to lower investments into energy companies and higher (and quicker) price increases of energies in the future than would be the case in an uncontrolled (ultimately less regulated) market.

Igor Hornák: It is either a play put on for the voters, or it may be an attempt to blackmail the energy firms. At the same time, it refers to a system error in the privatisation of energy monopolies when privatisation had to be foregone by de-monopolisation and liberalisation of the energy market.

Igor Hurčík: I should vote using a negative number, but when we see "the profitability" of energy (and network) companies and, in my opinion, a poorly set regulatory system (no pressure on effectiveness in the concerns) I must agree. An example: when the World Bank financed the water and drainage project in Bangkok, the sole criterion was the lowest price of water and drainage for the inhabitants.

Eugen Jurzyca: Energies within Europe are becoming more and more tradable commodities. Their price is essentially not dependent on domestic purchasing power, as in the case of a hairdresser, but on the prices in the open market, as in the case of car or computer prices. If we claimed that car prices here are essentially derived from the financial potential of our population, then they would not be high enough.

Róbert Kičina: An independent regulatory office should carry out the regulation, free from political influences. Because the concerns of the politicians are influenced by the election cycle. The pressure on the energy monopolies will influence the level of investments into the energy infrastructure, it will lead to incorrect investment decisions on the part of citizens and businessmen and finally it will cause a spurt in prices in the future.

Viola Kromerová: We did not bind investors with certain conditions during the privatisation process, so it would be difficult to change it today, even though some measures would be welcomed in the public interest.

Ján Marušinec: It is a relatively strong intervention into the method of network sector regulation. Irrespective of further curtailment of the regulatory organ's independence, it can lead to

uncertainty on the part of investors in relation to building further production capacities and infrastructure improvement.

Juraj Nemec: One of the recommended standards is "an independent" regulator and not direct state interventions in the field of utilities. In my opinion, one of the most serious problems is also the ineffectiveness of the area social measures. Who will derive profit from the price regulation - the owners of villas with swimming pools or the inhabitants of houses without gas, heat and electricity?

František Okruhlica: To enter into price-fixing of business subjects in an administrative way is very dangerous for the whole economy. It is in conflict with the market principles of the economy, it distorts them and in the long-term it also has negative effects. But the firms are also guilty, if - along with their obligatory justifications of the increase in crude oil and gas prices - they do not also declare the programme of their own modernisation and revitalisation of their equipment and distribution. Then we may think that these firms increase prices only in favour of their unproductive consumption.

Jozef Orgonáš: There has been no situation that would justify the regulation of price levels. We have a free market here and laws that allow free price-setting. The Government has no authority to interfere with it.

Miroslav Siváček: Energy prices cannot fulfil a social or political function. There are institutions for that.

Radoslav Štefančík: The market should determine the prices, not the state. The difference between the market price and the price defined by the state must be abandoned one day. The question is: who will pay for this difference then and who will be responsible for it.

Jaroslav Vokoun: The case of SPP is a camouflage - SPP has always claimed that the gas price is derived from the crude oil price. But suddenly in 2009 it will no longer be true. And the Government takes extraordinary steps at an extraordinary period (entering EMU).

Robert Žitňanský: Another step towards "the Chavezisation" of Slovakia. It looked as though the politicians had rather given up their responsibility for regular and unavoidable changes in energy prices but suddenly everything is different again. In this way, the energy sector has become the victim of "democracy" which is applied in places where it harms business and it changes into the tyranny of the majority - the majority will never understand that prices sometimes have to increase and they will always call for lower prices, and if the politicians can decide on the prices directly (or almost directly), they will always please the majority. It is better not to think about the consequences on energies and the wallets of taxpayers in the future.

Anonymous comment*: Establishing direct regulation of the market was once before in our short history shown as inadequate and ineffective and the increase in prices after the change of Government was so rapid that it markedly increased the expenses of households.

Amendment to the Act on Prices (expansion of state options to regulate the prices of goods and services in the transition period of introducing the Euro; imposing further duties on the retailer in keeping and storing price registers)

Submitter: Ministry of Finance (MF) of the Slovak Republic

Intention of the Measure: to adjust the current competencies of pricing bodies; it is also closely related to legal competencies to ask business subjects for all necessary information not only for the purpose of monitoring price development, but also detailed analyses of reasons for price increases with a consequent possibility to propose measures to prevent undesirable price developments

Contents of the Measure:

- for the period up to the end of the obligatory dual price display (31 December 2009), the range of pricing bodies that are entitled to regulate prices and to evaluate price development, mainly in relation to the introduction of the Euro in the SR, was extended as follows: Ministry of Transport, Posts and Telecommunications (MTPT) of the SR, Ministry of Economy (ME) of the SR (mainly retail sales of goods and services delivered to the final consumer), Ministry of Agriculture (MA) of the SR (agriculture and food industry) and Ministry of Education (MEd) of the SR (school catering) - these new pricing bodies will not have competencies in the field of price control)

* The respondent did not wish to be named.

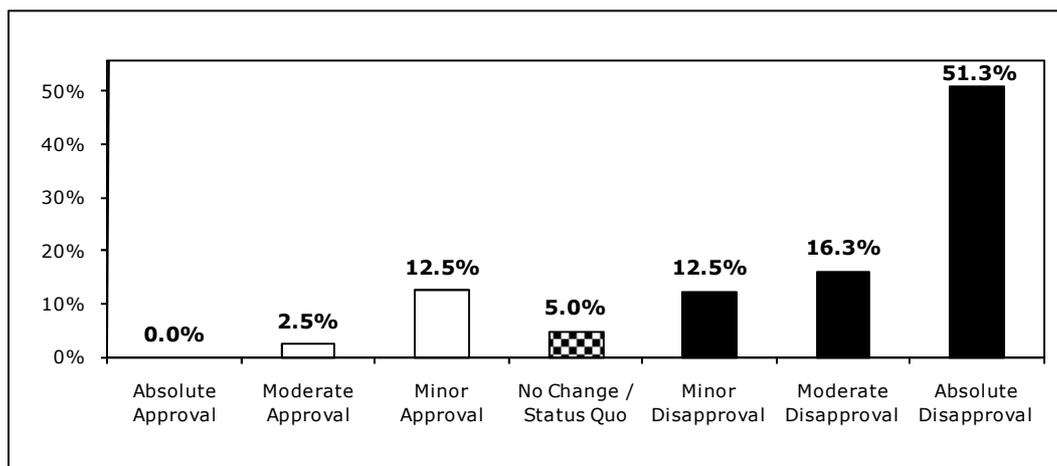
- the methods of price regulation are developed; there is practical regulation of prices - stating the maximum range of tolerable price increase within a defined period, or stating a binding method of price-setting based on economically justified costs and adequate profit
- a more detailed specification of duties for retailers is being put into practice, who are required to keep and store price registers (documents containing a definition of the goods sold, the method of price-setting and the price of the goods) and the calculation (economically justified) of expenses and (adequate) profit
- the MF of the SR will determine the range of regional goods the prices of which will be regulated by the higher territorial units

Opinions of Proponents from Media Sources:

- price regulation and also prohibition against an inappropriate price is the basic tool used to prevent groundless price increases in the transition to the Euro - the amendment therefore reinforces the right of state bodies in the area of prices and it also allows them to enter into the price calculation of business subjects for a temporary period
- it is necessary to respect the market but it must have clearly defined rules
- the prices will not be regulated wilfully but only when an extraordinary market situation occurs with a direct influence on the prices of goods in the domestic market which threatens price stability or the availability of goods, if the market is threatened due to an inadequately developed competitive environment, or if it is necessary to protect the consumer or other public interest
- strict price regulation is an extreme solution in the event of a crisis or unforeseen events; the main purpose of the measure is a more transparent system of price-fixing and a better overview of prices - transparent price-setting and more detailed price monitoring benefit the citizens in the long-term, not only in the critical period after the implementation of the Euro
- the amendment is one of the Government measures that prevents the transition to EUR from being a charge on the social situation of the citizens
- the development of methods of price regulation and the practical regulation of prices is positive because this is a much more flexible and, in general, a more rational way of price regulation, including acceptance of the intentional linkage of this price regulation with the official price determination

Opinions of Opponents from Media Sources:

- the introduction of the Euro in Slovakia is not an event that requires special official regulation of prices
- the measure may have a negative impact on the market and the competitive environment, business groups or consumers, and it is a certain risk in relation to the re-evaluation of further activities of existing business subjects in the domestic market; a greater option to regulate prices can also discourage potentially interested persons from entering the Slovak market and it can limit the availability of goods because of their redirection to foreign markets
- the amendment worsens the business environment; for example, it criminalises businessmen in advance - each worsening of the business environment is bad for the whole economy because it may lead to slower economic growth and consequently to slower growth in employment and living standards
- external interventions into prices deform the economy because they keep it from its natural growth
- if there is enough competitiveness in the market, each increase in prices is natural; the control over monopolies is currently sufficient, so further control and regulation is unnecessary - only greater competition in the market can eliminate further inflation
- there is a risk of abuse of the amendment, in cheating businessmen by offering a subjective explanation, as the ministries themselves can evaluate the validity and adequacy of the profit when regulating the prices
- some trades, under the threat of regulation and criminal prosecution for a rise in prices, increase prices much earlier - the amendment, therefore, will only bring about an increase in prices before it comes into operation, subsequently deferring the increase in prices and then (after 2009) another hike in prices
- the ethical code is a more suitable and less violent means of "regulating" the market; in it businessmen commit themselves not to make use of the change of currency to increase prices unreasonably
- chain-stores try to evade the pricing law - they declare specific business relations that do not fall within the law
- state institutions also had reservations about the amendment, e.g. the National Bank of Slovakia, Ministry of Transport, Posts and Telecommunications of the SR or the Antimonopoly Office of the SR
- regulation of the prices of everyday goods by the Government should only be performed in extraordinary situations, e.g. during wars and in situations when the economy is on the verge of bankruptcy; such a situation has not occurred in Slovakia so far and it is not probable; this is needless scaremongering

Evaluation of the HESO Experts' Committee:

Tomáš Dudáš: Another quite useless measure. In a modern market economy, the intervention of the Government into price-setting should be as little as possible and the introduction of the Euro is not a sufficient reason to strengthen price regulation.

Richard Ďurana: Free price-setting is a basic pillar and condition of a functioning market economy. It provides its participants in the market with information on how much, what, when, where to produce and to offer. Curtailing this information network may lead to a wastage of rare resources and to the lack of some goods or services and to an ineffective allocation of resources in the economy.

Peter Gonda: The amendment, in the spirit of social engineering of central planning, and misunderstanding the basic principle of a functioning market in a free society, sends out a serious negative signal of distrust against voluntary agreements of people in their transactions. Under the cover of the introduction of the Euro and the economically suspect criterion of "inappropriate prices", it interferes with the free decisions of the people and in this way it restricts competition and distorts and worsens the conditions for business in Slovakia. In the long-term, the negative consequences may mainly affect the consumer in the form of the reduced availability and quality of goods and services.

Igor Hornák: In spite of all the measures against the rise in prices, the Prime Minister should explain why Slovakia is the most expensive country in terms of the majority of everyday commodities (food, clothes, energies and also some kind of services).

Eugen Jurzyca: I think that nobody will go to prison because of incorrect rounding or because of a wrong explanation of price changes. It is a signal that we do not trust businessmen and we do not like them very much too. Such a signal has a price which will be paid by the movement of investors (we hope only a slight one) into a more friendly environment.

Róbert Kičina: Such a law has no basis in a competitive environment. Only when someone thinks that demand and supply create prices in SKK only; after the introduction of the Euro, this basic definition will no longer be valid.

Viola Kromerová: Consumer protection is a good thing but we should not take it too far. In the end, higher demand can also be a good reason for increasing prices.

Ján Marušinec: In this case - but only provided that the price regulation will really be carried out - it compromises the basic principles of the market economy. Anyhow, creating some legislative options for this intervention on the part of the Government cannot be viewed positively.

Juraj Nemeč: Probably it is only a political statement. Once intervention by the state in the prices in competitive markets begins, then we are returning to socialism. Furthermore, the SR will surely lose the action related to it in the European Court of Justice because the principles of the EU in this field are clear - the price is determined by demand and supply and not by expenses.

František Okruhlica: A pointless measure that does not solve anything because the prices of goods and services were "continuously, quite unobtrusively" increasing over the whole of last year. As a consumer, I think they increased the most during the holidays. Any increase in the currently declared prices is pointless because everybody has modified the prices as far as they wanted. On the other hand, this measure demonstrated quite well the non-standard Slovak business environment in the process of price-setting. Look at the lower prices in the neighbouring countries, e.g. in much wealthier Austria.

Jozef Orgonáš: An absolute catastrophe! The Government focuses again on a fictional enemy, but trade is surely not this enemy. The retail trade has signed the Ethical Code and the notice of

the Trade and Tourism Association of the SR on price stability. In this way, it clearly signified its attitude, and statistics only go to prove that the retail trade behaves correctly.

Miroslav Siváček: A completely pointless amendment that solves nothing except the preferences of the government parties. In addition, it increases the transactional expenses for the Euro-introduction and it distorts the view over the function of the market and the tasks of its subjects.

Luboš Vagač: I think activities like the Ethical Code bring better benefits in the prevention of unreasonable price increases than this bureaucratic and scarcely functional intervention into price-setting.

Jaroslav Vokoun: The Government takes extraordinary steps in an extraordinary period (entering EMU). In Slovenia the development of prices was a problem but why should we have the same problem in Slovakia? It is more important that the inhabitants are not disenchanted with the change of currency and note that the population is the largest lobby.

Robert Žitňanský: This is again a "Putin-like" intervention into our political economy. It shows that only a few people understand the real task of prices in the market economy and that society is largely immune to dull, but popular "solutions". It will have a devastating impact on the mentality of the inhabitants and how they think and will continue to think about the market economy and the role of the state in it.

Anonymous comment*: Administrative control over prices is ineffective and furthermore it is artificially created. The introduction of the Euro for the convergent countries with a lower level of prices and also the efficiency of the economy is not necessarily reflected in the growth of price levels, but in higher inflation. From this point of view, the administrative control of prices is only a short-term measure, "to retain goodwill" before the competent bodies of the European Commission. The example of Slovenia that, immediately after entering the Eurozone, started to break inflation records and became a thorn in the eyes of the European politicians is a good one.

Establishment of a new governmental consultative body - the Price Commission of the SR that will monitor the development of prices and suggest measures against unreasonable price increases in relation to the introduction of the Euro in Slovakia

Submitter: Slovak Prime Minister Mr Robert Fico (SMER-SD Party)

Intention of the Measure: to prevent an eventual unwarranted rise in the prices of goods and services in relation to the transition to the Euro, first by monitoring prices, then as applicable by submitting suggestions how to stabilise them, eventually to advice for the Government to regulate the prices

Contents of the Measure:

- establishment of the Price Commission of the SR, which is a consultative, initiative and coordination government body of the SR in the field of price stability and prevention of undesirable price development
- the Price Commission of the SR:
 - recommends that the relevant ministers check the reasons which influence the growth of prices,
 - suggests to the relevant ministers, after they have evaluated the analysis of the reasons for the price increase, to adopt pro-market measures to influence the price development and measures to prevent undesirable price developments, including price regulation,
 - asks the relevant minister, at least once per month, for information on the implementation and the work of particular measures leading to reducing the risk of inflation and undesirable price developments,
 - in association with the relevant ministers, presents the suggestions of the Government initiative in the field of price stability
- up to the end of 2009, the Ministry of Finance will draw up a regular monthly report on inflation and he/she will present it at the sessions of the Price Commission
- after the first session of the Price Commission in October 2008 (the final session of the Commission is planned for January 2010) its Chairman stated that the development of inflation in Slovakia "is adequate; this means not high" and that in September, in comparison with the neighbouring countries, the following prices had increased the most (of more than 18%): dental and healthcare services, driving schools and parking (on private parking sites) - the respective members of the Commission had to present their reasons for this growth (after its presentation, the Price Commission pointed out that the price rise among dentists was not

* The respondent did not wish to be named.

caused by the transition to the Euro and that in the other fields it is necessary to verify the data presented in the inflation report); the Price Commission then examined the alleged excessive rise in the prices of banking services

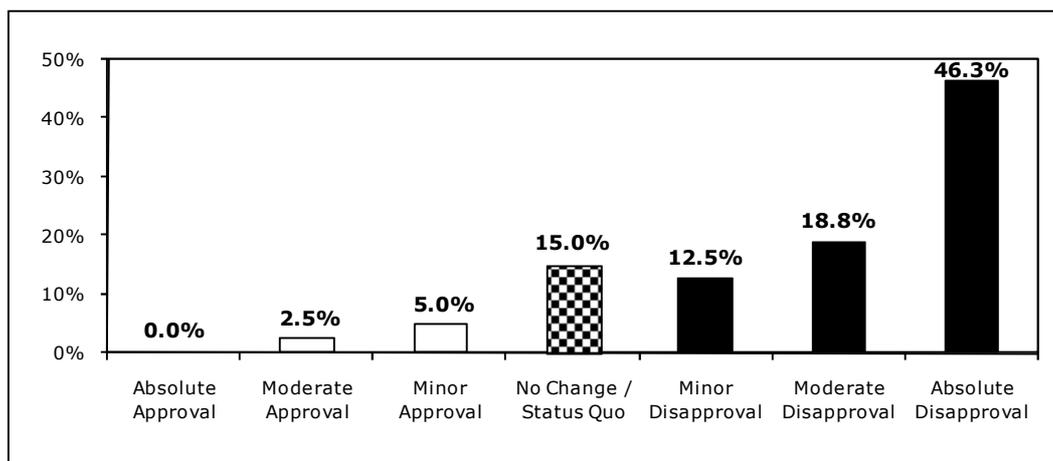
- Mr Peter Mihók became the Chairman of the Price Commission of the SR - he is Chairman of the Slovak Chamber of Commerce and Industry; among the other members are: the Ministers of Finance, Economy, Education, Transport, Agriculture and Health, the State Secretary of the Ministry of Interior of the SR, then the representative of the Government for the Introduction of the Euro, the Chairperson of the Slovak Trade Inspectorate, representatives of local and regional self-government and the Advisor of the Slovak Prime Minister
- the expenses related to the activities of the Price Commission are paid from the budgetary chapter of the Ministry of Finance of the SR

Opinions of Proponents from Media Sources:

- the economic advantages of the common European currency can be expressed only if its introduction is not accompanied by an unreasonable rise in prices - the Price Commission of the SR is one of the tools and measures to prevent groundless, speculative price increases in relation to the introduction of the Euro in the SR
- we assume that the Ministers of Finance and of the Economy, following the inflation reports, present the Price Commission with the monthly summary of the market development, from the perspective of the consumer also, and they compare the development of average prices in particular sectors with their development in selected countries within the Eurozone, and they also review to what extent global factors, such as price rises for energies and commodities, influence the movements in prices, whether the development in the SR will be different from the development in the Eurozone and also, if it is proved that, underlying these differences, there are some speculations that do not meet the elementary rules of the market, the Price Commission will recommend that the particular sector adopt appropriate measures
- the Price Commission will recommend direct price regulation only in a crisis situation when other pro-market measures would not be effective to suppress a large rise in the prices of goods and services, in the event that speculative price increases occur
- the Price Commission will not act as a "whip" for businessmen; its task is mainly to verify, to warn and to examine the price trends, not to punish businessmen needlessly
- the Price Commission will not deal with individual violations or consumer complaints - this restricts the risk of abuse of this new institution to the disadvantage of particular business subjects; the Commission will not be creating black-lists of those firms that increase prices in excess
- the Price Commission is a useful institution because it sends signals to the market that it has taken note of price rises and then the market will be more aware in the event of increasing prices the next time - a preventative effect
- the Price Commission will function only within the period of the transition to the Euro (more than one year)
- the European Commission also urges countries to consider the use of various measures to compensate for an excessive increase of prices for those groups of people who are most affected

Opinions of Opponents from Media Sources:

- the establishment of the Price Commission is a useless and unhelpful step which, along with the arrival of the Euro, will contribute to the administrative regulation of the economy; the new consultative body of the Government will (we hope) be only an ineffective puppet and marketing tool for Mr Robert Fico, who wants to persuade the people that he is combating the rise in prices
- the attempt to recognise speculative changes in prices is a misunderstanding of the basic principles of the market economy and the mechanisms of price-setting, not a tool used to reduce the rise in prices
- only a developed competitive environment in specific market segments is able to keep it under control - the only effective control of price increases is competition in the market (e.g. in the case of food, extensive competition does not allow price increases on impulse and in the long-term)
- the possibility exists of de facto chicanery against inconvenient businessmen on the part of the government Price Commission, while there are no real mechanisms that the economic subjects could use to defend themselves against the subjective judging of what is or is not a reasonable rise in prices - the appropriacy of any rise in prices is not determined by an exact formula but by an agreement between a small group of people
- the price of goods or services is not created solely by the businessman but by all parties concerned in the production chain and therefore examination of "the appropriacy" of the price for some complex products will not be possible in practice

Evaluation of the HESO Experts' Committee:

Tomáš Dudáš: In my opinion, it is more of a marketing strategy, the aim of which is to pretend that the Government is active in this field. I think that there is enough competitiveness in the Slovak economy and that the consumers will evaluate the price-setting of particular companies very quickly.

Richard Ďurana: Economic theory does not recognise the term "justified rise in prices". It is an illusion created in the heads of the public officials who are unable to comprehend all the information that influences the development of prices. Regardless of the fact that the prices of many commodities are fixed outside of the boundaries of Slovakia and we have no influence over them, prices are determined not only on the basis of objective criteria but one significant factor is the subjective evaluation of the business participants and the officials are unable to judge them. The sole justified "supervisor" of any rise in prices in a market economy should be the competition and the assurance of free entry into the sector which prevents businessmen from acting on impulse and increasing prices in the long-term. If the Government thinks that it cannot meet the Maastricht inflation criteria, it should have put off the adoption of the Euro in Slovakia.

Peter Gonda: The Price Commission is another component of social engineering - a central and useless body that in a free society has no justification and rationale because its aim is to supervise the exchange values of goods and services that are the result of voluntary agreements in transactions between people.

Igor Hornák: It does not merit a comment. But I was surprised by the collaboration from some trade representatives.

Igor Hurčík: Another useless "commission".

Eugen Jurzyca: From the perspective of political preferences, it is a clever measure. From the perspective of the economic thinking of the voters (which is influenced in the long-term by the economic success of the country), it is a somewhat pernicious measure.

Róbert Kičina: In a competitive environment we have free price-setting. It is the customer's decision whether to buy the goods or services or to go to another shop. Why does the state not try to create the conditions for enhanced competition (mainly through the removal of barriers in business in the country) instead of introducing price controls and discouraging the businessmen?

Viola Kromerová: Consumer protection is a good thing but we should not make too much of it. In the end, higher demand can also be a good reason for increasing prices.

Ján Marušinec: As long as the membership of the Price Commission is not remunerated, its existence should not be a problem. It is more a matter of self-presentation than an effective tool in the fight against Euro-inflation because the Commission does not have any real competences. The Government is fully responsible for any eventual interventions and measures used to prevent a rise in prices.

Juraj Nemeč: As long as the Price Commission's task is only monitoring, it would be acceptable. Disciplinary sanctions of any kind in relation to our duties as a member of the EU (membership is not only about rights but also about duties to honour the principles, regulations and rulings of the European Court of Justice).

František Okruhlica: It is purely a marketing action on the part of the Prime Minister. It helps him to gain favour with a certain group of businessmen.

Jozef Orgonáš: A mockery of everything.

Ludvík Posolda: In relation to other measures enabling price regulation, it is necessary to do only one thing - to restore the State Planning Commission...

Miroslav Siváček: A completely pointless measure that solves nothing except the preferences of the government parties. In addition, it increases the transactional expenses for the introduction of the Euro and it distorts the view of the function of the market and the tasks of its subjects. I am curious about the results of the Price Commission's work. How many times they meet, what the outputs will be. I suppose that the results of its activity will be zero measures proposed and performed.

Jaroslav Vokoun: The Government takes extraordinary steps in an extraordinary period (entering the EMU). What is beneficial for the temporary period should then be applied. The experience with the market reaction in the more advanced Slovenia is an example we should not repeat. It is a temporary measure, the time is quickly over and very soon much more serious problems will occur.

Robert Žitňanský: A "Putin-like" intervention into our political economy. It shows that very few people understand the real task of prices in the market economy and that society is far from immune to bland, but popular "solutions". It will have a devastating impact on the mentality of the population and how they think and will continue to think about the market economy and the role of the state in it. The measure creates room for opportunism and corruption (who will evaluate the "adequacy" of price increases and their relation to the introduction of the Euro and how will it be done?). In addition, similar thinking caused the prices of many services and goods to go up much more than would have happened prior to this measure coming into effect, and another price hike will come about when the measure goes out of effect in a year's time.

Anonymous comment*: An artificially created body with an unclear mandate with an effect which is unfounded.

Allowing the Government, in the course of General Meetings, to impose a veto on price proposals of energy companies in which it does not have managerial control but where it owns most of the shares (Act on Price Proposals of Business Companies)

Submitter: Ministry of Economy (ME) of the Slovak Republic

Intention of the Measure: to constitute a procedure for submitting price proposals of companies to the Regulatory Office for Network Industries (ÚRSO)

Contents of the Measure:

- modification of conditions for submitting price proposals of companies to the Regulatory Office for Network Industries in order to proposals' approval
- the company may only submit such a price proposal to the Regulatory Office for Network Industries as is approved by the General Meeting (up to now it was possible to submit a proposal with the agreement of the Executive Board)
- the proportion of votes in the General Meeting reflects the proportion of share-holders; the proportion of votes in the Executive Board was not required to reflect it
- because the state owns an absolute majority of shares in the dominant energy companies, but it does not have managerial control (this means a majority on the executive board), the approval of price proposals by the General Meeting gives the state greater control over the development of energy prices
- the measure was a reaction to the conflict in the summer between the Slovak Gas Industry (SPP) and the Slovak Government about the adjustment of gas prices for households
- the state owns 51% of the shares of SPP and on the Executive Board it has three members out of seven; in the General Meeting it has 51% of the votes, but 52% is necessary for a valid decision of the General Meeting - in this way, the state gains the right to block any price proposals

Opinions of Proponents from Media Sources:

- the shareholder may not exercise the rights of the shareholder to the detriment of the rights and valid interests of other share-holders, which could have happened up to now during price proposal submitting
- the state does not have enough shares to submit a price proposal, nor does the minority shareholder, so the final price will be the result of an agreement between the participant parties

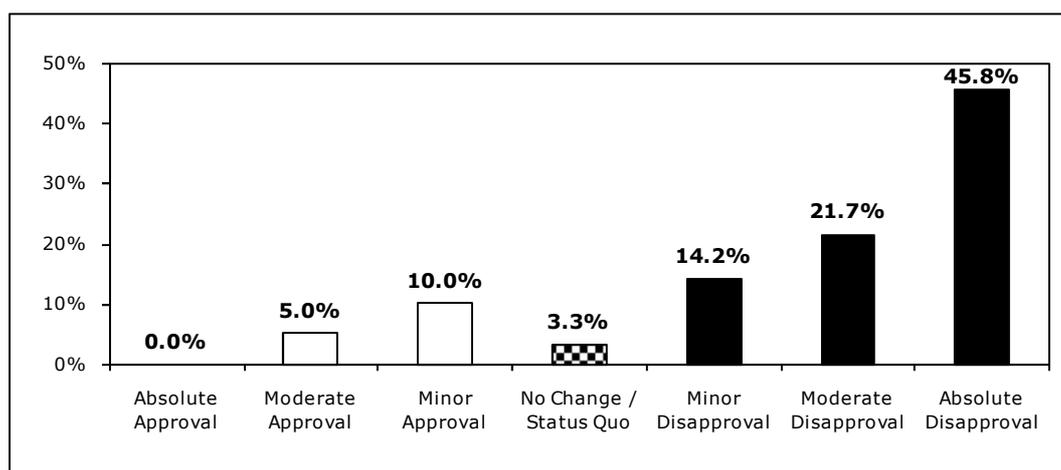
* The respondent did not wish to be named.

- the measure makes it possible for the Government to better control prices in monopolistic markets because ÚRSO can only define the maximum price and, ultimately, the method of its calculation
- modification of the procedure for price proposal submitting means that the mayors gain greater power because there are also the representatives of the self-governments in the General Meeting
- it makes no sense for SPP Company to increase gas prices when its profit is SKK 16.8bn
- the state adjusted the proportion of competence among the bodies of business companies in a general way and thus it avoided giving an advantage over certain companies

Opinions of Opponents from Media Sources:

- the Act distorts the competition in the steadily developing field of energy distribution - if in the company's General Meeting, the state does not agree to a change of price which follows the changes on the stock-markets, it eliminates any potential competition in this field because competitors in the long-term would not be able to distribute energies for similar non-market prices as those sustained artificially by the state
- in the privatisation contracts, the investors who own 49% of the share were promised managerial control over the firms - this means a majority on the executive boards, so that - despite holding a minority share - they invest in the Slovak energy industry; but the newly adopted Act threatens the credibility and position of Slovakia as a suitable venue for major investors
- the altered rules for submission of price proposals restrict the share rights of the minority shareholders resulting from the privatisation contract and this can lead to international arbitration
- by this Act the Government clearly demonstrates that the Regulatory Office, the competence of which is largely to comment on price proposals, is not a relevant, independent and competent institution
- the explanatory report of the Act states zero coverage of the business environment, although every regulation of the market rules worsens the business environment
- the Act was written ad hoc following a particular dispute between the Prime Minister and the subject of a private entitlement which could have an influence over other subjects who move price proposals in accordance with this Act
- the General Meeting must be summoned by the executive board some time prior to its action, so the change of the Act confuses the preparation of price proposals in terms of time and procedures also
- with its proposal on shortened procedure, the Government has broken the legal rules because this process lacks the legally approved conditions

Evaluation of the HESO Experts' Committee:



Vladimír Benč: A negative signal towards investors.

Dušan Deván: Thanks to this, I do not consider Slovakia a legally consistent state.

Tomáš Dudáš: In my opinion, it is a violation of the principles that were agreed in the privatisation of these firms because the foreign investor loses a part of their ability to effectively manage the firm.

Richard Ďurana: It is not a conceptual proposal, it repudiates the concept of a free market with the effective control of a learned regulator. It restricts the property rights of the investors.

Igor Hornák: Price-setting must be the autonomous freedom of every firm, regardless of the sphere of business activities. Price-setting should not be an agenda item in General Meetings. The state should contribute to weakening the monopoly position by easing the competition; of course, the profits from natural monopolies can be supervised but there are different mechanisms for that.

Igor Hurčík: A political measure.

Martin Jaroš: This is potentially much more dangerous than "the imprisonment of businessmen" for higher prices. In the long-term it can influence the strategic firms and the quality of the energy infrastructure. The fairness of the price proposal should be controlled but it must be performed by specialist evaluation, not by a vote of "the Political Bureau".

Eugen Jurzyca: The Act de facto changed the privatisation contract with SPP Company. In this way it sent a signal to all investors that contracts here are only applicable to the weak. If somebody builds a motorway and demands the future profit, any future Government can confiscate it. With the enthusiastic support of the majority.

Róbert Kičina: An unbelievable measure. The representatives of the Government thought that one firm behaved arrogantly, so they quickly prepared a law so the state can get on better. There are several problems: 1) the Act that is directed against one firm will affect hundreds of firms; 2) when selling the firm, the state passes the competences to the management and later the state takes these competences away in accordance with the law; 3) the Act was approved following the reactions of government officials, without any analysis given to its impact.

Vladimír Kvetan: I think it is something like greater bureaucracy. There is an Regulatory Office for Network Industries which is tasked to solve this issue. It needs to be an independent body so the Government should not interfere.

Juraj Lazový: Maybe not a totally wrong measure, but I think the intention is part of the fight between "the pro-popular Government" and "the bad monopolies".

Zdenek Lukáš: It is an intervention into the rules of the market economy.

Ján Marušinec: Changing the rules during the game, a significant intervention into the rights of investors. The measure may have a judicial epilogue if the state exercises its right to the disadvantage of the investors.

Juraj Nemec: To my knowledge, in fact, Europe agrees that the regulation of prices in the utilities sector will be performed through independent regulatory bodies. But here this principle is not applied and the role of the state is being supported.

František Okruhlica: The Act impairs economic competition and interferes with the share rights of energy firms. This is not acceptable.

Jozef Orgonáš: And why do we have the Regulatory Office for Network Industries?

Igor Rintel: I agree with a stricter control of monopolies but this is not the right method.

Miroslav Siváček: Changing the rules during the game and the negative emotions associated with looking for adversaries mean that this measure must be evaluated negatively. Its consequences can be worse than appears to be the case at first sight. Furthermore, there is an independent office that regulates prices in the network sectors.

Milan Velecký: After all, the state has the Regulatory Office, it does not need another tool for regulated price-setting (proposal).

Rural Parliament in Slovakia: The Government is losing its credibility.

Jozef Vozár: In my explanation, I need the statements of the politicians who frequently claimed that the aim of the amendment in question is to transfer the competences to approve proposals for changes in gas prices, as embodied in the contract, from the executive body to the General Meeting. Agreements should be observed - this is a contractual right which has been in force from Roman times. Besides this, another basic contractual right is violated here; the basis of parity for the contractual parties. The contract can be changed or complemented only if both parties agree to it. Our lawmakers have done something that can simply be called an evasion of the contract and a legal dictate. The state as a participant in the contractual relation is on an equal footing with any other contractual partner. The state wanted to have its own opinion so it took advantage of the legislative power and influenced the content of the contract, specifically in the rules of price-setting. In a legally consistent state, a legislative intervention into a contractual right is inadmissible, as also confirmed by the Constitutional Court of the SR. We do not need to be lawyers to understand this legal situation and to realise that the law was intentionally abused. We do not say that, after the entry of the investors, no laws can be changed. We cannot object to a change to the law which resolves a general legal problem for an indefinite number of subjects and which also affects the investor and if it is in compliance with the Constitution and the EU legislation. If the Act is used deliberately and they do not conceal the fact that it is used to solve one partial problem that deals with only one shareholder - the state, then it is an abuse of the law. What legal surety does the investor have that the lawmakers will not do it again as and when the

state requires? Is this legal surety as one of the sources of law approved by the law of the EU? The state, as a shareholder, publicly declared through the executive branch that it does not want to increase the price of gas, regardless of developments on the world markets and in this way de facto artificially froze the price of gas. From the outside, it is good news for the consumer but not for potential competitors. In this environment, competitors will not be interested in entering the market and ultimately the consumer will suffer by it.

Robert Žitňanský: The breaking of agreements with investors in Slovakia will not be a good incentive for any subsequent bigger ones.

Introduction of criminal responsibility of natural persons for unauthorised price-fixing above the limit determined by the decision on price regulation or directly by the rules of the law on prices (Amendment to the Penal Code)

Submitter: Ministry of Justice of the Slovak Republic

Intention of the Measure: to strengthen the elements of the Legal Order of the SR directed at consumer protection and, at the same time, to respond to the effect on the increase of consumer prices of goods and services in the SR resulting from the introduction of the Euro

Contents of the Measure:

- those who harm the consumer and cause damage to them because, as an unauthorised person on the behalf of the seller, they determine the price on the basis of which the goods are sold or the services are provided for at a level that exceeds the limit appointed by the general statute, or by a decision given on its basis, will be imprisoned for a period of from six months up to twelve years according to the degree of damage – thus the provision of the Penal Code covers only those goods and services that are subject to price regulation (e.g. energies for households, some postal services, notary services or the prices of some kinds of medicine), or their price is in direct conflict with the rules of the law on prices (e.g. inappropriate price of the seller with a dominant position on the market) or they are the subject of other laws restricting free price-setting
- an attempt to commit a crime is sufficient to constitute criminal responsibility
- up to now, the sellers only received administrative sanctions for the aberrances listed above (fines, business licence suspension)
- the Prime Minister of the SR originally wanted to punish all businessmen who increase the price of their goods (especially everyday goods) in connection with the introduction of the Euro - but the prices of most products (including food) and services are not regulated and that is why they will not be covered by the Penal Code (only if the lawmaker decides to include other products in the price regulation)
- in Slovakia, only natural persons can bear criminal responsibility so the new crime can be committed only by a natural person who is responsible for price-setting and not those who sell the goods or provide the services

Opinions of Proponents from Media Sources:

- this is not an extension of legislative restrictions and regulations in the field of prices, as these remain unchanged; the mosaic of the disciplinary action is completed by the criminal form - this approach, in the general and historically specific situation of the introduction of the Euro, with the potential risks of its impact on the consumers, is appropriate in market and also social economies
- the amendment can help to protect the citizens and consumers against speculators who inappropriately increase the prices in connection with the transition to the Euro
- one of the positive features is that there is no general criminal responsibility for violation of the pricing discipline as a consequence of the introduction of the Euro (for all products and services, including those that are non-regulated), because it would be very difficult to put such an amendment into practice - it would be very difficult to discover if the prices are increased due to the Euro or due to e.g. increased demand, higher costs etc., and it would be necessary to define what is an unreasonable increase of prices and this would violate one of the basic pillars of the market economy, where the price reflects the scarcity of the given product

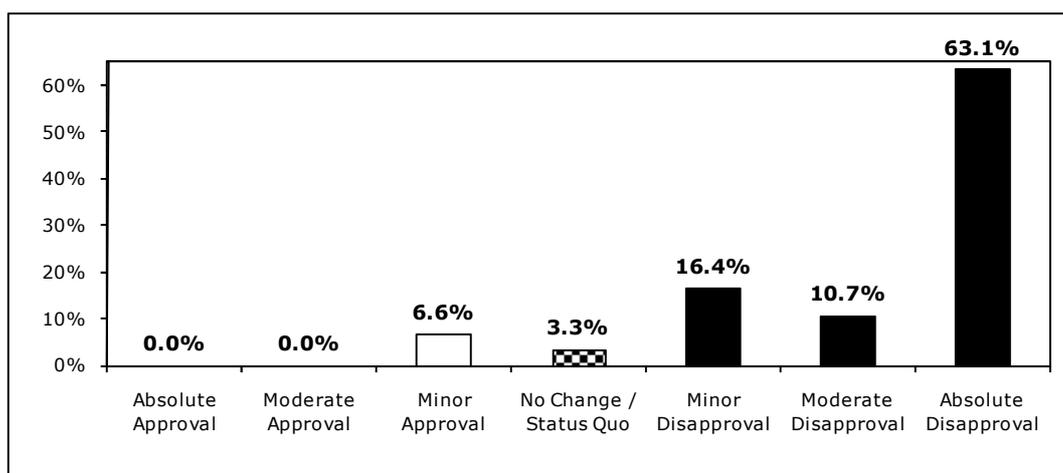
Opinions of Opponents from Media Sources:

- a politically motivated and populist amendment that had an opposite effect - the increase of prices in the period before the amendment took effect and before the transition to the Euro because the sellers "pre-emptively" increased prices because they had been afraid of the government measures; the businessmen were rightly afraid that, after the transition to the

Euro, they would not be legally able to change the prices to make provisions for the new situation in the market so they did it earlier

- a useless measure - a good competitive environment in the market can effectively protect consumers against high prices; this means the opportunity for the seller to make a free choice and not an attempt to determine prices centrally, which has never been effective
- the amendment does not markedly improve the protection of consumers in the transition to the Euro, which is at an adequate level because it only refers to regulated prices
- insubstantiality and illogicality of the possible price regulation in connection with the introduction of the Euro and the consequent criminal sanction – a price is the result of a voluntary agreement between the seller and the buyer and the state should not interfere; the price depends on supply and demand and any interventions on the part of the state can only distort it
- inappropriacy of criminal sanctions (imprisonment up to 12 years) to protect price discipline - it would be enough just to have financial sanctions that are an adequate tool to discourage any such increases
- criminalisation of the retailers
- it is not really standard to have a regulation in the Penal Code that refers to another general statute because the criminal responsibility can be changed even if the Penal Code remains unchanged - so the criminal responsibility would be extended if the Government agreed to regulate the prices of other goods and services because it had been approved by the previous modification of the Act on Prices
- it is not clear who will be punished if the retailer is a corporate body, if the owners are to be punished - the natural persons, the statutory representatives, the managers, the workers in stores, the clerks etc.
- it is not clear how to prove that the retailer seeks to cause damage to the buyer because the consumer freely and voluntarily decides to buy goods at a price that he/she accepts

Evaluation of the HESO Experts' Committee:



Vladimír Benč: A pointless measure that repudiates the voluntary agreement between the buyer and the seller on the price. I am curious whether the Government will really start to punish those people who go shopping to Poland, Hungary or Ukraine - where they really can bargain over the prices.

Dušan Deván: It is not an economic measure, it is a marketing campaign on the part of the Government.

Juraj Draxler: In the transition to the Euro, there was a risk of fluctuation of price levels so I cannot really disapprove of such a measure, but the problem is the practicality of it and the approach to it (in a hurry).

Tomáš Dudáš: An unnecessary regulation; it will never really be used.

Richard Ďurana: The regulation of prices can lead to the lack or lower quality of products and this can cause damage to the consumer only. This amendment reflects a misunderstanding of the most important signal system in the market economy - the price-setting. Without it, we do not know what, how much, when and how to produce and calculate economically. The impact of this regulation will depend on its practical application. This regulation has not been applied so far, fortunately.

Igor Hornák: Maximally populist, nonsense with a zero impact that only serves to hassle businessmen. The market's own comparison of prices and voting with the feet would be much more effective.

Igor Hurčík: A political act.

Martin Jaroš: I cannot express myself without using offensive words...

Eugen Jurzyca: We will probably not be sent to prison for selling expensive sausages. But it is a signal that affects the atmosphere in our society. It builds up a class hatred that does not belong to this century. It obscures what factors lead to a real decrease of prices in a modern society.

Róbert Kičina: A wonderful example of a mega-pointless measure. We have the Euro and it is interesting that the prices have not changed much. Is this because the businessmen are afraid of going to prison??? Why does the state interfere with something it should not have (restricting the free price-setting of businessmen in a competitive environment); it should intervene somewhere where it is needed (judiciary, bureaucracy, corruption etc.)?

Viola Kromerová: The whole process of the introduction of the Euro was very protective in favour of consumers but these negativistic distortions in the laws did not help because it was not possible to put them in practice.

Vladimír Kvetan: Despite the disagreement with this distortion of the market, we can see the stabilisation of prices after the transition to the Euro.

Juraj Lazový: A useless populist gesture.

Zdenek Lukáš: It is an intervention into the rules of market economy.

Ján Marušinec: Price Taliban. Experience has shown how useless this measure was.

Juraj Nemec: Our society supports the socially aimed market economies both formally and verbally. In this case, it holds that in competitive markets the price is determined by demand and supply. The determination of prices by expenses is a return to the socialist economy that did not prove its worth.

František Okruhlica: This is definitely a populist action on the part of the Government but also the retailers have their share in it because "they often do not know what is enough". It is enough to go in the shops in Bratislava and to compare the prices of goods with those in the neighbouring countries, not just now - the situation has been the same for ages. I would rather go shopping to Austria or to the Czech Republic. And I have not mentioned the quality of the services - the shop assistants - "the feeders" take a look at you immediately when you enter the shop and they show you who is the boss. Simply a horrible national culture. And this suits the measures that are unimaginable in developed civilised countries.

Jozef Orgonáš: It looks as though the socialists need an enemy when they do not know what to do. What are the retailers, as a brand, those who break their words? In July they accepted the notice on price stability from the Trade and Tourism Association of the SR. The subsequent results showed that they can keep their word.

Ján Pokrivčák: The Government should support greater competitiveness that leads to lower prices. The lowest prices are in those states where they have liberal international trading and where they have good conditions for investment and business activities.

Radoslav Procházka: This amendment had no purpose other than to allow its ideological creator to have a presentation in the news on TV. To create laws with this purpose is wrong and retrograde and it is worse if the content of this law weakens the basis for free exchange among free people.

Igor Rintel: Pure populism.

Eva Sárázová: The experience from other countries show that measures of this kind fail to achieve their purpose. Furthermore, it is possible that some retailers, to play safe, already increased the prices in the summer of 2008 (this means before the crisis when they could do it due to sufficient demand) because they were afraid of price controls or strict application of the amendment to the Penal Code.

Miroslav Siváček: A silly measure, hardly applicable in practice. A waste of the time that was devoted to the creation of the law and of the emotions that followed it. No further comments are necessary.

Radoslav Štefančík: A measure of state bureaucrats with a communist mentality who still do not understand the rules of the free market.

Luboš Vagač: Such a measure has no place in the market economy. It is a part of the picture of "the good government" fighting against "the bad businessmen".

Milan Velecký: An useless measure.

Jozef Vozár: Criminal sanctions are used, in solving these relations, in cases of price regulation across the whole area, in a ration card system, in times of war; it means when there are not enough goods and services or during the existence of the black market. I presume we have no ambitions to fulfil any of these criteria. It is an interesting fact that there was an Act No. 63 from 1940 on the Price Office in the former totalitarian Slovak State that introduced criminal sanctions for unreasonable price increases. It determined the highest or fixed prices and the price range for some goods. Those who violated the regulation of this law committed a violation and could have been put in prison for 6 months or could have been fined up to 500 thousand Slovak Crowns. To think about criminal responsibility in these cases is not appropriate and it is especially not effective. We should apply the Penal Code only when other measures are not enough. The criminal responsibility is considered to be the strictest legal responsibility not only because of the possible sanctions but particularly because of the conditions of its origination. Several cumulative conditions must be fulfilled for the origination of criminal responsibility. In other words, if some action meets the criteria for civil law or administrative responsibility, it does not necessarily meet the criteria for criminal responsibility. The economic laws are valid even whether you wish it or not. Maybe it will be possible to freeze prices in administrative or criminal ways for some period. But the consumers - the lawmakers wanted to protect them - will experience the later consequences of this modification.

Robert Žitňanský: Pure populism.

Public Finance and Taxes

Introduction of the employment bonus - a negative tax for employees with a salary from half the minimum wage up to a net income at the level of the non-taxable income minimum; maximum amount of the bonus for 2009 – EUR 181 (Amendment to the Income Tax Act)

Submitter: Ministry of Finance of the Slovak Republic

Intention of the Measure: to increase employment for the long-term unemployed who have a real chance to find a job only with a low salary; to improve the social situation of low-income employees; to increase the motivation to work also for a lower remuneration and to support those citizens who work only for some part of the taxation period

Contents of the Measure:

- introduction of the employment bonus - the so-called negative tax for employees with low income:
 - the employment bonus does not apply to gross incomes higher than six times the minimum wage
 - if the tax base of the employee is higher than the non-taxable part for that year, the employment bonus is not applied
 - this is valid for 2009: when the gross annual income is EUR 1,773 - 3,546, the employment bonus is EUR 181.02; if the income is higher, it is proportionally lower and when gross annual income is higher than EUR 4,646 (EUR 387.16 per month) the bonus is zero
 - if the Government of the SR, as a consequence of the economic crisis, did not increase the non-taxable income minimum for the transition period, the maximum employment bonus would not be EUR 181 but only EUR 69, EUR 5.74 per month
- the employee is entitled to a specific amount of the bonus which is calculated from the month of the respective year when his/her income met the following conditions; if he/she met the conditions for less than 6 months, he/she is not entitled to the bonus:
 - he has income only from dependent activities and only in the SR
 - the income is not based solely on the agreement of work performed outside the employment
 - the income may not be from the shares of profits, from business activities, from rents, from capital property
 - he/she may not receive a pension up to January 1 of the respective year
 - he/she may not receive a bonus to support the stay in work in the respective year
- the employment bonus is applied in the following calendar year within the yearly tax accounting or within the yearly tax advance accounting and the procedure is the same as for the tax bonus - so the first employment bonus will be paid to the employees in March 2010 for the year 2009

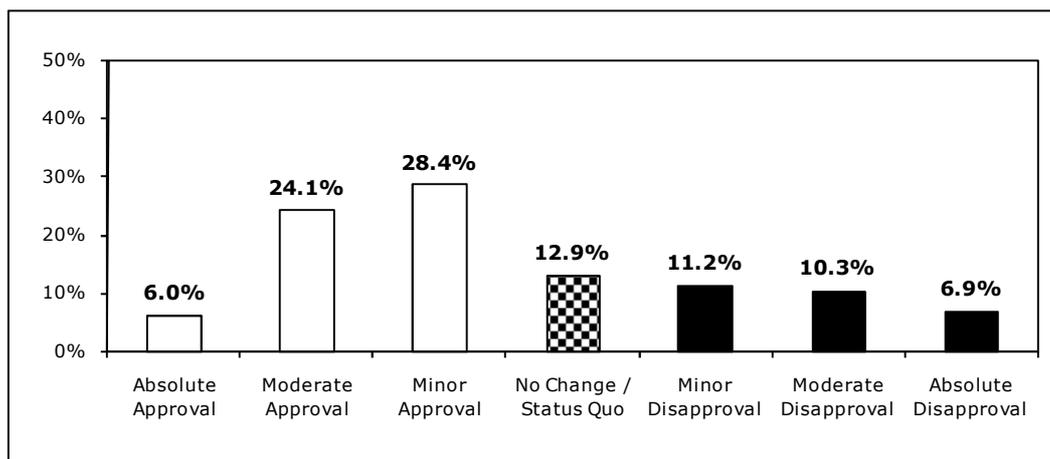
Opinions of Proponents from Media Sources:

- the negative tax is an address in the form of additional social help to citizens who try to improve their living standards on their own but who do not have a chance to find a better paid job
- the concept of the negative tax has been appreciated by many outstanding economists as an effective tool to provide the minimum wage by avoiding the massive bureaucracy associated with paying social benefits - one of the few examples when it is effective to apply a social policy using the tools of the tax policy
- low-paid work has a high tax and contribution burden which is one of the main barriers in the shift from not working to work and therefore it is necessary to reduce this burden
- the introduction of the employment bonus is a new way of solving the issue of unemployment in Slovakia
- it is more favourable for the state to endow the lowest incomes than to pay the unemployed first the unemployment benefit and after six months the benefit in material need - it is more expensive and those affected do not even work
- the introduction of the employment bonus increases the advance of income taxation of natural entities which is in accordance with the Programme Declaration of the Government of the SR; the introduction of the employment bonus is a significant step in the resolution of the Modernisation Programme - Slovakia 21 in the chapter Employment

Opinions of Opponents from Media Sources:

- the measure is not systemic; it de facto introduces another social benefit and makes the already complex tax and contribution system even more complex
- the state returns a few EUR in taxes but takes away tens of EUR in contributions -it would be better to lower the contribution burden
- the negative tax is not a bad idea but it was approved in a very complex form and with so many conditions that the increase of the administration burden on employers and tax offices is greater than the benefit for the employees
- the amount of the employment bonus (mainly after the transition period when the non-taxable income minimum will be reduced), which is paid to low-income employees only once a year, is not a sufficient stimulus to find a job - nowadays there are other benefits that motivate the applicants for a job much more
- the aim of introducing the bonus is to support the employment of employees for a minimal wage or lower and this creates an option for freezing the minimum wage
- the employment bonus is not addressed in terms of the structure of the employees; in addition, the connections and the consequences in the sphere of social benefits have not been examined
- the bonus applies only to low-income employees and, for example, not to the self-employed with low income
- the finances for social programmes were divided and addressed wrongly - if the Government thinks the employment bonus is a long-term and effective solution, then a larger proportion of the finance should have been used to increase the non-taxable minimum
- the conditions for obtaining the bonus are not fair, for example, on those people who are paid the minimum wage for ten months but where five of these months are in one calendar year and the other five months in the next calendar year
- the system for calculating the negative tax is dependent on the fact that the non-taxable minimum is higher than the minimum wage - if the converse applies, no employment bonus will be paid
- the increase in the wage of low-income employees should be solved by a more rapid increase in the minimum wage and not by the reallocation of tax incomes
- the individual approach of the labour offices and non-state service providers addressed to the unemployed should be the tool for reducing unemployment, and not help for those who work for a low income intentionally, so that, for example, they do not pay high contributions and they take the rest of the wage themselves for example as a share from the profit

Evaluation of the HESO Experts' Committee:



Vladimír Benč: Further bureaucratisation and making the system more complex, including preference of some groups at the expense of others. I think we should go in a different direction.

Dušan Deván: We should apply a tax of EUR 100 per month for each point of IQ over 120 and a life-long tax holiday for everybody with less than 85. This would be their end of those entrepreneurial swine. (I apologise for the offensive words in the quotations of Jánošík's common people.)

Richard Ďurana: This is only a concealed decrease of taxes which is vehemently denied by the Government. We must evaluate positively the increase of the motivation to work even for less money. On the other hand, we must add that the state expensively compensates for the negatives resulting from the existence of the minimal wage, by means of which in fact it eliminated the possibility of finding a less well-paid job. It would be better to modify the contributions for jobs with low added value than to decrease taxes; this may in part increase the net income of the employees but also lead to the creation of such jobs.

Igor Hornák: The interest to rehabilitate low-income work and make it more interesting is something positive. But the overall solution of the costs to the employees deserves more attention.

Martin Hošťák: The idea is good but the amount of the bonus provokes a question to what extent the Ministry of Finance of the Slovak Republic takes the employment bonus seriously.

Igor Hurčík: Non-system policy.

Martin Jaroš: In fact, I like the idea but the realisation is strange. Payments once per year weaken the motivation effect to find a job. And the combined complex conditions needlessly burden the pay clerks.

Eugen Jurzyca: There is a risk that the administrative costs of this measure will be higher than the gain. It is very modest.

Róbert Kičina: Useless complication of the tax system. Instead of it, the Ministry of Finance of the Slovak Republic should focus more on lowering the contribution burden for those on low incomes ("the minimum without contributions"). In this way, low-qualified employees would be cheaper and more attractive to employers. The amount of the bonus will have minimal motivational effects.

Viola Kromerová: I am for flexibility in the labour market, for more opportunities to find a job for everybody who is ready to accept such a job. I am not a supporter of measures that are constantly changing the rules and have a minimal effect. It seems to be too complicated and in the end it is frequently abused. I am afraid that this will be used by certain groups of employers - we always build our success on cheap labour.

Juraj Lazový: I am pleasantly surprised by the application of this measure; even the previous Government would not have been ashamed of this.

Ján Marušinec: The idea is good but it is a pity that the high contribution burden of low-income groups of employees is solved through the tax system.

František Okruhlica: The measure invades the dynamic development of the economy.

Jozef Orgonáš: Equal tax would be a better solution.

Igor Rintel: It has no significant effect but I appreciate every tax decrease.

Luboš Vagač: After some time, this measure will need a thorough evaluation of the expenses and gains for the employment and the social situation of the low-income groups.

Milan Velecký: A good idea - the negative tax; a bad one - too complicated implementation.

Rural Parliament in Slovakia: Non-systemic and complicated.

The 2009 State Budget (state budget deficit - SKK 30bn (EUR 1bn); public finance deficit - 2.08% of GDP)

Submitter: Ministry of Finance (MF) of the Slovak Republic

Intention of the Measure: to continue the consolidation of public finance in order to achieve a balanced budget not later than 2012

Contents of the measure:

- the budgeted public finance deficit in 2009 as expressed in ESA 95 methodology – 2.08% of GDP (EUR 1.56bn); in 2008 it was 2.3% of GDP (EUR 1.55bn)
- the planned deficit for 2009 was originally expected in the order of 1.7% of GDP; after taking the financial crisis into account (reducing expected GDP growth from 6.5% to 4.6%) it was necessary to revise the revenue side, hence the deficit
- projected state budget deficit in 2009, expressed on a cash basis - EUR 1.01bn, in 2008 it was EUR 1.06bn
- state budget revenues should be increased by 13% (to EUR 13.12bn) compared with 2008 and expenditures by 11.8% (to EUR 14.11bn)

Public Expenditures in Selected Areas					
Area	2008		2009		Nominal Change
	in SKK bn	% of GDP ¹	in SKK bn	% of GDP ²	in %
Health Care	100.5	5.05	116.4	5.16	15.82
Education and Science	84.5	4.25	100.1	4.44	18.46
Social Inclusion	43.8	2.20	48.1	2.13	9.83
Defence	31.8	1.60	32.0	1.42	0.76
Agriculture	29.1	1.46	28.6	1.27	-1.66
Treasury	10.8	0.54	14.1	0.63	31.01
Environment	10.1	0.51	11.7	0.52	16.07
Motorway Construction	15.1	0.76	21.2	0.94	40.04
Business Sector	9.2	0.46	9.3	0.41	1.64
Housing Support	7.9	0.40	8.1	0.36	3.05
Judiciary	9.5	0.48	10.5	0.46	10.48
Culture	12.3	0.62	14.9	0.66	21.38

¹ GDP Forecast according to MF of the SR data known at the time of the 2008 State Budget preparation

² GDP Forecast according to MF of the SR data known at the time of the 2009 State Budget preparation

Source: Ministry of Finance of the SR; INEKO calculations

- areas with the highest nominal increase of public expenditure on the prior year (higher than 11.8%, so higher than the growth in total expenditure in the budget): Office of Constitutional Court (+53.5%), Statistical Office (+48.7%), motorway construction (+40.1%), universities (+33.5, after subtraction of resources from Euro Funds: +10.8%), Treasury (+31%), Office for Public Procurement (+25.8%), culture (+21.4%), education and science (+18.5%), environment (+16.1%, after subtraction of Euro Funds: -2.9%), health care (+15.8%)
- growth in expenditure lower than growth of total expenditure of the State Budget: judiciary (+10.5%), social inclusion (+9.8%), Slovak Academy of Sciences (+4.52%)
- growth in public expenditure at or below the level of projected inflation (3.9%): housing support (+3.1%), business sector (+1.6%), agriculture (-1.66%, comparison of 2009 and 2008 after subtraction of resources from Euro Funds: +21.1%)

Opinions of Proponents from Media Sources:

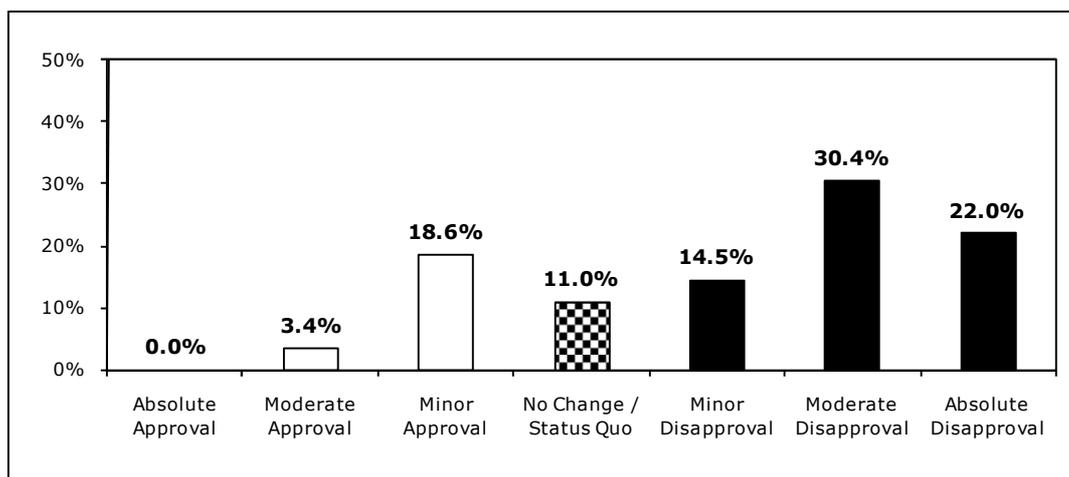
- the budget secures the rights for those departments which were underpaid in the past - for example, for universities there will be EUR 187m more than in the prior year

- deficit is below the average for EU States, although Slovakia is still among those States undergoing rapid transition, with expenditure on the construction of extensive infrastructure for the creation of institutions and regulations to match the most advanced and stable economies of the European Union
- Slovakia is one of the four EU Member States that, despite the financial crisis, reduced the projected annual deficit of public finances
- the budget is expansionary so as to bring a new impetus into the economy (an increase in aggregate demand) and is constructed so as to protect the Slovak economy from the negative impacts of reduced demand for goods abroad, which occurred following the outbreak of the global financial crisis
- if revised higher, the expected deficit would cover any losses incurred as a result of the economic crisis
- the budget carefully observed the Maastricht criteria and the obligations of the Stability and Growth Pact; this is a positive feature and implementation of the Programme Declaration of the Slovak Government

Opinions of Opponents from Media Sources:

- instead of increasing the government deficit spending stunt, for example, reduce the number of employees in the public administration or repeal the provision for the Prime Minister, which has tripled since last year
- while the Government gave notice of an inquiry, as it did not want to unnecessarily encumber the next generation, after it expected GDP growth, only income was revisited, and not the expenditure part
- the budget does not adequately respond to the financial crisis and gives no impetus to the development of basic economics at a time when the economy is running out of breath
- the budget deficit will result in a much higher economic crisis than planned, with the Ministry of Finance of the SR and the Government deferring the grant, as if just passively waiting for a miracle and as if they were not in a crisis scenario due to bad developments in the budget
- the new budget poorly reflects the needs of the labour market; expenditure on employment policies is almost the same as in 2007, although unemployment is among the highest in the European Union and, because of the economic crisis, will probably increase
- the actual deficit will be even greater, since the Government has calculated on income of 150,000 savers withdrawing from the 2nd (fully-funded) pillar of the pension schemes, which, however, has not happened, and their money will be missing in the future, which means that a hidden debt will be created
- in terms of meeting the budget, this is one of the riskiest budgets of recent years

Evaluation of the HESO Experts' Committee:



Juraj Barta: At the time when the budget was in preparation, following on from the large deficit was an irresponsible gamble which all the current Slovak Government s have embraced. If we had been managed more responsibly in the good times, then today, even after the revenue shortfalls, we would have enough space for anti-crisis measures, without prejudicing the Maastricht deficit limit and without the threat of serious macroeconomic imbalances.

Vladimír Benč: It could be much worse. Efforts to achieve a low deficit are visible. The question is, what does reality reveal– and reality currently reveals little else, just as did the financial plan.

Silvia Čechovičová: Developments in the state budget for the first four months of 2009 show that the public finances deficit will not be met this year. If we add in different packages to support

the economy and money provided to inefficient enterprises, the government deficit, by our estimates, should exceed the level of 4%.

Dušan Deván: And whose is this state budget? Not Slovak...

Tomáš Dudáš: When it was compiled, it was clear that the budget was based on overly optimistic macroeconomic forecasts, a fact which is now confirmed.

Richard Ďurana: Instead of prudence in preparing the budget, the Government increased expenditure by nearly 12%, even despite low inflation. We will pay the cost for an additional year of plenty in the coming years. Only, this year, the deficit will slice several billion crowns from each other's budget, until it finds the Government that is willing to repay. Once in this world people left a heritage for future generations; now we leave debts.

Peter Gonda: The Government and the parliament approved the plan for the first year impacts of the financial crisis, instead of saving a significant expenditure and making a significant transfer of financial burden to the future. The most visible transfer of the burden for taxpayers for the next period is also planned for the 2009 general government deficit, which is slightly less formal than the 2008 budget, but at the time of its admission it was evident that, because of the impact of the crisis, it is founded on unrealistic assumptions. In addition, the approved version is based on an optimistic and probably unrealistic assumption of revenue due to the influx of 150,000 savers from the private to the public pension pillar. Given lower inflows (for example 50 thousand), this would mean lower incomes and a higher general government deficit of 0.2%, though reaching the level budgeted for 2008 (2.3% of GDP). Less visible, but not less significant, shifting the burden onto taxpayers in the future is the outcome of the large investment projects through public-private partnerships. The official slightly lower deficit of public finances in the 2008 budget, however, the Government planned to achieve not through growth in public expenditure, but despite their enormous increase, and even in real terms, where the growth in public spending should be significantly higher than expected inflation in 2009. This represents the largest expansion in public spending in recent years. Rapid increases in public expenditure should be linked to the deepening of the distorted structure. Agriculture has again got to the front of the financial support from taxes, with the maximum percentage increase in expenditure on 2008 from the chapters of the state budget, without taking the European Union into account. Parliament also approved more than SKK 3.8 billion to farmers even though more should flow from the resources of the European Union than in 2008. The approved budget for 2009 also gives way to initiation of other selective governmental "supports", which deform the competition, for example the investment stimuli or tourism support.

Igor Hornák: Despite the forecasts of rain, the umbrella stayed at home. No surprise that the budget for sunny days has got soaked in the rain.

Igor Hurčík: Miraculous calculation - I am curious as to the final numbers as of Dec. 31, 2009.

Martin Jaroš: At first glance, it does not look catastrophic - we have had worse budgets; but when it came to approval it became clear that this is unrealistic (widely optimistic macro - frames); it reveals a lot about the incompetence of the Ministry of Finance.

Eugen Jurzyca: Nice missions, but it shows that they are misleading us.

Viola Kromerová: In global terms - the ambition to adopt the Euro very much influenced us, the crisis has made us very corrupt. When I look at the budget table of the public finances, I consider that, in peacetime, spending less on agriculture than on defence, and almost a third less for the economy...

Juraj Lazový: From today's perspective, it is clear that the revenues are not going to significantly alter the actual deficit. The Government should adopt savings as soon as possible. The original budget I rated as neutral.

Zdenek Lukáš: In the light of the business incentives that the government plans (i.e. substantially higher expenditures) it is a hugely unrealistically low deficit. If we take into account the 2% drop in GDP for 2009 (and thus lower revenue into the state budget and a lower tax base) a public finance deficit of at least 4% of GDP seems to be realistic.

Rastislav Machunka: The fiscal targets are already certainly not met.

Ján Marušinec: Already, at the time of approving the budget, it was clear that its parameters are unrealistic. The 2009 deficit will probably be exceeded twice over.

Juraj Nemec: Up to this date, the state budget is only a piece of paper; to some extent that this is already got to the approval process could have been avoided, since we already knew about the changes in the external environment. Today there is just one question - how far the European Union lets us go with our deficit.

František Okruhlica: Deficit yes, but its structure must reflect the optimum use of the funds for strengthening the transformation and reform. This is only partly happening.

Jozef Orgonáš: The economists at the Ministry of Finance can certainly count, but the money can be made on the basis of political pressure.

Ján Pokrivčák: The state budget provides few resources for education.

Igor Rintel: This is not reality, so it makes no sense to comment on it.

Eva Sárazová: Due to the ongoing downwards revision of Slovak economic growth estimates for this year, to consider these plans is only burdensome. When we estimated that this year (2009), Slovak GDP forfeited 2.7%, a deficit of public finance at 4.5%

Miroslav Siváček: Gone with the wind. Even at the inception of the budget they prudently pointed to the unreality and untenability of the budget. Today we know that they were right.

Radoslav Štefančík: That this is the preserve of the Prime Minister is certainly scandalous. What's in it for him?

Luboš Vagač: A plus is the higher attention to education and science, in particular; less spending and disposable incomes to uncertain government funding priorities.

Rural Parliament in Slovakia: Not oriented towards saving.

Robert Žitňanský: It was unrealistic at the time of its approval, not only today.

First Anti-Crisis Measures

An unlimited guarantee on bank deposits (100% guarantee for all deposits of natural persons, tradesmen, foundations, non-profit organisations and small enterprises, currently guaranteed by banks up to 90% and up to EUR 20,000; Amendment to the Deposit Protection Act)

Submitter: Ministry of Finance of the Slovak Republic

Intention of the Measure: to guarantee depositors greater compensation for protected deposits in the event of a potential risk to the bank rendering it unable to repay the deposits, a measure implemented in response to the recommendation of the Economic and Financial Affairs Council (ECOFIN) to enhance the protection of deposits in banks in response to negative developments in global financial marketing as a result of the global financial crisis

Contents of the Measure:

- introduction of the obligation to guarantee bank deposits up to an unlimited amount without any participation on the part of the client; currently, there is an obligation to guarantee deposits up to EUR 20,000 with the client responsible for 10% of the currency
- Slovak guarantee for deposits for banks and branches of foreign banks which do not benefit from a banking permit under European Union law (for example ING bank or mBank)
- branches using the benefits may choose to use the deposit protection scheme under Slovak legislation or the legislation of the country where the headquarters of the foreign banks are located
- banks are guarantees for deposits to individuals, foundations, non-profit organisations, but also legal persons, unless they deal in financial instruments, which are not required to have their Financial Statements audited (e.g., smaller limited liability companies or cooperatives)
- representatives of the Government initially demanded unlimited liability for a share of deposits in banks; this proposal ultimately failed
- 16 banks that are parties to the deposit insurance system in the Slovak Republic contributed to the Deposit Protection Fund, on an annual basis, 0.2% of the volume of the protected deposits of the respective bank
- if the bank is unable to pay the deposit to the customer, it will be paid from the Deposit Protection Fund; if the Fund has insufficient funds, it can borrow from the National Bank of Slovakia, the Ministry of Finance and the European Central Bank

Bank Deposit Guarantee in EU Member States					
Country	Guarantee	Country	Guarantee	Country	Guarantee
Denmark	100%	Belgium	€ 100,000	Bulgaria	€ 50,000
France	100%	Cyprus	€ 100,000	Czech Rep.	€ 50,000
Greece	100%	Netherlands	€ 100,000	Estonia	€ 50,000
Ireland	100%	Lithuania	€ 100,000	Finland	€ 50,000
Germany	100%	Luxembourg	€ 100,000	Latvia	€ 50,000
Austria	100%	Malta	€ 100,000	Poland	€ 50,000
Slovakia	100%	Portugal	€ 100,000	Romania	€ 50,000
Slovenia	100%	Spain	€ 100,000	Hungary	HUF 13m
		Italy	€ 103,000	Sweden	SEK 500,000
				U. Kingdom	£ 50,000

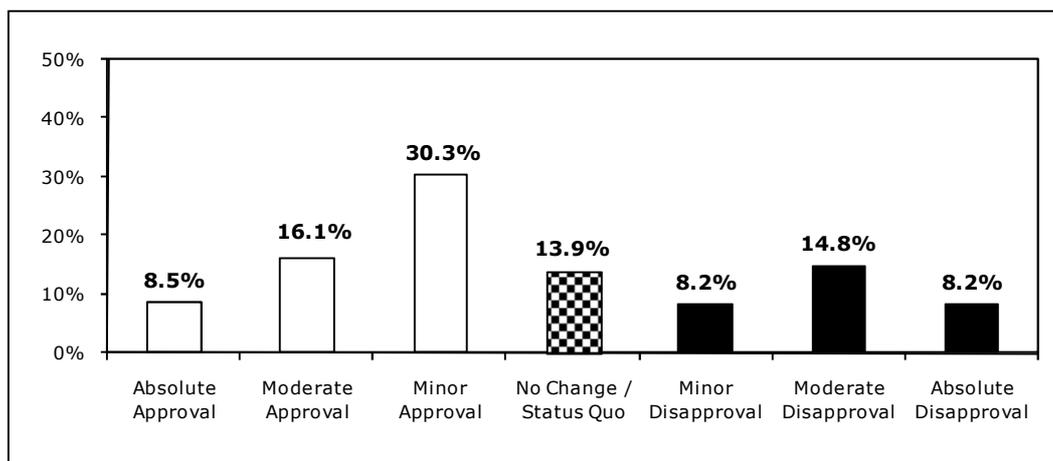
Source: bsi.si; sbaonline.sk

Opinions of Proponents from Media Sources:

- one of the reasons for the introduction of unlimited liability was the full guarantees for deposits in the neighbouring countries and the recommendation of ECOFIN – if the Government did not act in the same manner as Austria and Germany, there would be a danger of the loss of deposits and capital to countries where there is an unlimited guarantee for deposits; thus Slovakia would be disadvantaged in today's globalised economy
- the measure serves to reassure people and to maintain confidence in the Slovak banking sector – if the banks did not guarantee the deposits in full, the clients would have started to reclaim their deposits, threatening a liquidity crisis for the banks and the collapse of the banking sector
- banks operating in Slovakia are, in comparison with other European Union countries, healthy and with adequate capital – a measure by which the Government expressed confidence in the banking sector

Opinions of Opponents from Media Sources:

- people with average and below-average salaries will be at the same level of deposit protection for people who have tens of millions in the bank – the guarantees will be paid for by the bank's clients in interest and fees; the bank cannot be expected to finance the guarantee from its own profits
- this measure is for the benefit of the richest and can serve as an escape route for a company which has problems with money – the current system of deposit protection allows the bank to insure the deposits of its clients of over EUR 20,000 in with commercial insurance
- increase in the moral hazard – a fully protected system increases the motivation of people to put their money into risky products and troubled banks which offer a higher rate of interest
- if it actually came to the collapse of major Slovak banks, a billion EUR would be needed to pay the clients, which would be inconceivable for the public finances
- equal protection of deposits, as is true for Slovak banks, should apply also to branches of foreign banks – so that clients of the Slovak branch of ING Bank, or mBank, in the event of its collapse, would recoup all of their deposit
- the main reason for guaranteeing the deposits is that citizens do not have enough information to judge the credibility of the bank – to protect banks against clients requiring panic access to their money it would be entirely sufficient to increase the deposit protection limit from the existing EUR 20,000 to EUR 50,000 or EUR 100,000
- the decision of the major European economies with regard to the unlimited deposit protection shows a lack of trust in the European Union single market and the very concept of the Euro – a guarantee of deposits causes the movement and strengthening of liquidity in one country to the detriment of another

Evaluation of the HESO Experts' Committee:

Vladimír Benč: A necessary step in response to the same measures taken by neighbouring states – to prevent the outflow of deposits/capital into the surrounding countries. On the other hand, the deposit protection does not teach the population to think economically. But that is the problem of Slovak education, too.

Dušan Deván: Unfortunately, we adapted to a bad decision on the part of other EU Members.

Juraj Draxler: The situation was far from being a crisis such as in other countries (for example Ireland), but as a measure to reassure the population I rate it very positively.

Tomáš Dudáš: Measures of this type encourage moral hazard, but in the context of the global economic crisis, it was necessary to reassure the public.

Richard Ďurana: The increase in the guarantee is purely a gesture without any real impact on the safety of savings. Multiplying the choice would put even the healthiest bank at risk. If the reason for increasing the guarantees was to remain competitive and prevent the outflow of capital to countries with better "guarantees", then why remain at 100% - the Government could even increase to at least 200 or 300%. Then it would just be answering the question, where to take the money.

Peter Gonda: An unlimited guarantee on deposits means a declaratory action by the Government in order to psychologically reassure savers but, in the event of the failure of any major bank, it would mean an excessive financial burden on many people, including people outside the failed bank. The Government is sending a serious signal to those distorting economic decisions in the banking sector: Growth of a moral hazard. Someone may, for example, show less feckless and less rational behaviour than the depositors (who may prefer an excessive risk) and the management of banks in further protecting the government sector. The absurdity of this measure, taken in several countries, exacerbates the fact that the U.S. Government and the FED-induced moral hazard are the primary causes of the current financial crisis.

Igor Hornák: This measure I understand as a necessitated by the introduction of similar measures in the surrounding states. It is clear that it is just a political statement with no real possibility of fulfilling the guarantee in the event of actual necessity, but there are politicians for making declarations such as that. The measure has certainly contributed to the calming and keeping deposits in Slovakia. Mark "1" for a rapid reaction.

Martin Hošťák: The tendency was probably to reassure the clients of the banks and to prevent a "RUN" on the banks and the subsequent transfer of savings abroad.

Martin Jaroš: It is a political gesture, which this situation required. But, on the other hand, it contributes to a growing moral hazard. Fortunately, today the situation is not as it was in the nineties and we have a responsibility to the banking market, so the risk of a requirement to use the Deposit Protection Fund is much lower.

Eugen Jurzyca: Slovakia had to do what the other countries do. This follows from the prisoner dilemma.

Róbert Kičina: The measure was adopted to guarantee the same, to have the same guarantee for deposits as in the surrounding countries. If the state will not guarantee the deposits, so there is a threat that the people will increasingly move their savings abroad.

Viola Kromerová: This measure had an impact from the adoption of the Euro. The state is concerned that people will move their deposits to foreign banks.

Vladimír Kvetan: I have no problem with the guarantee of deposits. In particular, I do not anticipate that the situation will arise (the need to cover savings from public resources). It brings a greater sense of security and a reduction in improper selection of transference of savings for the population.

Juraj Lazový: Given the existing situation in the financial markets and the measures taken in the surrounding countries, it would seem necessary to take this step. It is up for debate whether it was better to introduce unlimited liability, or respectively liability of up to EUR 100,000. But this is more about a psychological measure since, in the event of the collapse of major banks, the state would have had real possibilities to obtain resources for guaranteed deposits.

Zdenek Lukáš: In the case of limited liability for deposits, massive deposits would be reclaimed from the banks by savers with devastating consequences for the banking sector.

Ján Marušinec: This measure has little real importance, but rather a psychological one.

Juraj Nemec: The Government has no other choice.

František Okruhlica: We are not a sufficiently advanced society that we can guarantee the speculators. In places where the values and system of its protection matter, they can also choose 100%. For the Slovak Republic, we would have up to EUR 100,000.

Ján Pokrivčák: An unlimited guarantee on deposits helps to avert the possibility of a banking panic, which would adversely affect the entire financial system. On the other hand, this may lead to a greater moral hazard on the part of the banks.

Igor Rintel: It is economic nonsense, but it was very important for there to be a tranquilliser for the situation and to avoid panic.

Eva Sárázová: This step in the case of Slovakia was not necessary, since the banking sector in Slovakia is sufficiently liquid. Guaranteeing of the deposits in an unlimited amount in the banks operating in Slovakia may, however, have a positive psychological effect. Clients are not particularly sensitive to their economies and to "risk" the loss of ten per cent of their savings may be seen negatively. According to the information exchange, the majority of clients in banks (approximately 90%) have deposits at a level below the current limit, which was previously EUR 20,000. For the remainder, slightly richer part of customer deposits, however, a guarantee can be quite good news, which could avoid any panic and, therefore, the associated relocation of the money to other markets.

Miroslav Siváček: The measure was essentially triggered by the panic decision of neighbourhood states. In principle, however, it is harmful in terms of the unequal distribution of business risk and essentially unenforceable. It would be good to start thinking about its cancellation.

Radoslav Štefančík: Dangerous measure protecting especially major capitalists and financial jobbers.

Luboš Vagač: I consider this as an unjustified action, which reduces the motivation on the part of people and banks to behave responsibly.

Rural Parliament in Slovakia: Credibility savings is growing.

Robert Žitňanský: In times of crisis and as a response to a bad precedent set by other European countries, it is acceptable as a temporary measure.

The first anti-crisis package by the Slovak Government (a set of 38 various measures proposed to overcome the impact of the global financial crisis; e.g.: better spending of Euro Funds, Public Private Partnership projects, capital increase of state banks, subsidised holiday vouchers, transfer of funds from basic to applied research and to innovation, completing the construction of the Mochovce nuclear power plant, shortening the repayment period for excess value added tax, etc.)

Submitter: Ministry of Finance of the Slovak Republic, Ministry of Economy of the Slovak Republic

Intention of the Measure: through the specific roles of fiscal and structural policies, to mitigate the effect felt on the economy and living standards of the citizens of Slovakia

Contents of the Measure:

- in early November 2008, the Slovak Government approved material containing 27 diverse measures to overcome the impact of the global financial crisis (the first anti-crisis package); in December this material was updated with the addition of 11 new actions (in February 2009)

- the second anti crisis package – for promotion of employment - was adopted, and the third anti crisis package
- proposed measures are to be put implemented in the form of performance reports provided to the Government
 - selected measures of the first anti-crisis package:
 - to ensure the spending of Euro Funds at the budgeted level for the European Union to promote the simplification of procedures for accelerating the implementation of programmes financed by the Euro Funds in order to enhance investment in infrastructure and energy efficiency
 - to ensure the implementation of Public Private Partnership (PPP) projects in the motorway construction in the intended scope, or prepare an alternative plan for financing construction directly from the state budget
 - to revise the objectives of the Government deficit for 2009 and 2011, so that Slovakia continues along the path of consolidation, but at the same time to minimise the risk of curbing economic growth because of the fiscal policy
 - to stimulate the supply of the labour market by financial resources as the most effective instruments of active labour market policies
 - to consider the extension of employee premiums so as to reach a larger number of workers with low incomes and a significant reduction in their tax burden
 - to ensure the implementation of a national project supporting the implementation of citizens vulnerable to mass layoffs as a result of the global financial crisis
 - to ensure the statement calls for demand-driven projects to promote the creation of new jobs
 - to ensure the implementation of education and training for the labour market in order to promote jobs and growth, and a quality workforce meeting the needs of employers
 - in the business environment, to reduce administrative burdens and improve regulation
 - in public procurement, to indirectly favour domestic supplies
 - to intensify the offset programmes
 - to introduce a system of vouchers in tourism
 - to increase availability of support infrastructure and broadband Internet
 - introduction of the single point of contact for all groups and forms of business
 - to consider shortening the period for repayment of excess Value Added Tax to businesses from 60 to 30 days
 - to consider the possibility of applying reduced Value Added tax rates in certain sectors
 - to establish a monitoring committee on the impact of the global crisis on business
 - transfer of resources to basic research, applied research and innovation
 - to increase the capital of the Slovak Guarantee and Development Bank (SZRB) and the Export-Import Bank to finance and export credit programmes for small and medium-sized enterprises
 - support in the form of the Ministry of Economy official participation in trade fairs and exhibitions abroad, participation of Slovak companies in promising territories and at the European Union and World Trade Organisation; actively pursue measures to strengthen the competitiveness of producers in the export sectors of the Slovak Republic (e.g. in the steel or automobile industry)
 - the significant impact on the suppliers of electricity, gas and heat, to offer their products at reasonable prices and to verify the validity of charges in the transmission and distribution networks
 - to consider the creation of conditions for the introduction of regulation of the electricity and gas supply outside the segment of households for any necessary period
 - to increase domestic consumption of electricity from domestic resources to ensure – finishing the construction of the third and fourth blocks of the Mochovce nuclear power plant, reconstruction and construction of thermal power cycles and steam-gas cycles
 - to reduce energy intensity, to establish a programme to promote energy efficiency, promote renewable energy

Opinions of Proponents from Media Sources:

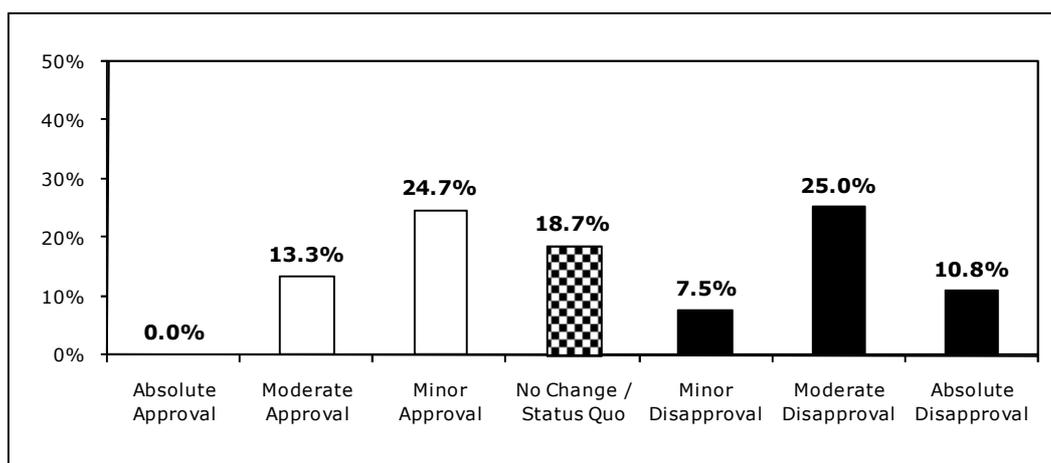
- proposed measures are systemic, so they benefit the economy as a whole and not only specific selected sectors, or businesses
- the package is not only a response to the effect of the current crisis, but also contains measures that benefit the economy in the long-term and reduce the risk of unexpected events in the future
- expansion of macroeconomic policies to counteract and promote sufficient demand due to the economic slowdown in major trading partners
- the package arose after the agreement of all players involved in economic, social and political life
- the original proposal was to extend the measures which the European Commission has also recommended to stimulate the European economy

- the crisis has hit small and medium-sized enterprises which, unlike large enterprises, which have sufficient resources of their own for development and in solving problems with liquidity, are dependent on the domestic banking sector – the proposed measures to increase financial market liquidity of the business
- Government has made a real effort to help revive the Slovak economy as soon as possible
- a key priority is to sustain the drive towards high employment, which is in line with the Programme Declaration of the Slovak Government

Opinions of Opponents from Media Sources:

- the package does not address the most serious impediments to the business environment – poor law enforcement, high deductions, red tape and corruption – removal of all of which would be the best remedy to kick-start the economy
- most of the measures are too broad and their impact on the economy, as well as the means of monitoring their ongoing performance, is questionable
- the most effective way to deal with any problems related to the economy of a country is to improve the macroeconomic framework – the OECD recommends more flexible labour laws, paying attention to the minimum wage increase and stabilisation of the pension system – and it is clear from these measures that the Government of the SR is not aware of that
- many measures are poorly assembled; they only state the goal, not how to achieve this goal (for example, “to provide the funds budgeted for the European Union level” – the goal is, of course, clear since, where efficient use of the funds is concerned, Slovakia is at the tail-end of the European Union, but what is much harder is to define how to improve the uptake, and in the Government’s material this is missing); the kit is like a set of targets, but no tools
- the majority of the measures are what the Government should seek, regardless of whether or not there is a crisis; it is now simply making use of the crisis situation to enforce what discussions have previously not been able to substantiate
- although the document seems like a current package of measures, it is largely a collection of previously described goals, which the Government presented several years ago, but which, for various reasons, they failed to achieve
- this material contradicts itself, as well as those acts of the Government which state that subsidies to specific sectors of business would lead to distortions in the business environment and would be less effective in maintaining employment, although, as a measure favouring tourism, and even some vulnerable firms, there was a parallel targeted subsidy provided by the state
- action is necessary to establish stronger and more rapid effects – if the effect occurs too late, business and capital can be depleted, which would need more help than even a Government package
- in the enclosed materials, some basic information is missing - the cost of the initiatives - although many of them are dependent on public finances
- the best product on the financial and economic crisis in the Slovak Republic is to do nothing

Evaluation of the HESO Experts’ Committee:



Vladimír Benč: Most of the measures are for the long-term, and are not measures against the crisis. But at least it is good that a lot of things which were not addressed for many years are receiving attention now. The package is inadequate and key measures are missing, in particular improvements to the business and investment environment in Slovakia.

Dušan Deván: Some parts of the package are things that are needed, regardless of the crisis (Euro Funds, research, VAT); to call them an "anti – crisis package" is only a preview of the

ineffectiveness of the author. Addressing the causes of the crisis is not in any way within our power. To end the crisis would be enough to strengthen us with automatic stabilisation.

Juraj Draxler: Basically, the package does not include very much.

Tomáš Dudáš: This is a hastily put together package, which mostly consists of measures that the Government had already prepared. Its real impact on the Slovak economy will be minimal.

Richard Ďurana: Even though some useful measures (reducing the deadline for repayment of excess VAT...) can also be found, these are largely focused on fiscal expansion in the economy. The measures have most effect as a smoke-screen, so that the problems will be instantly concealed. The economic crisis has its roots outside Slovakia and our ability to mitigate its impact is limited. The Government should replace the expensive infrastructure projects and should focus on the exact opposite – an investigation, just as every rational economy does in a time of uncertainty and scarcity. What should have been done first is to reduce the burden of employment contributions so that more resources remain for an entrepreneur to retain jobs, or create new ones.

Peter Gonda: The first anti-crisis package (although more general and largely consisting of the Government's previous intentions) signifies the general thrust of government actions: the spirit of the central planner, regulator and social engineer. Most of the measures (except for a few, such as reducing the period for repayment of excess VAT to businesses), are social-engineering measures to maintain employment and Keynesian measures to "stimulate" demand in the economy; they may temporarily dampen some future impacts of the crisis, but in the longer term they will increase the problems and bring about more serious negative effects. The majority of government measures can be compared to the effects of administering further doses to drug addicts: it gives false signals and illusions of temporary assistance and recovery, but at the end of the procedure there remains a greater reliance and a worse state than before. In particular, demand on fiscal incentives, by increasing government spending and some other programmes (including PPP projects), may indicate similar long-term negative effects, such as redirecting resources from other (more productive) segments of the economy, the high cost of financing, reducing rational and efficient decision-making on the basis of false information, lowering the production of resources and jobs in the economy. The first package has also revealed that the crisis has become an appropriate pretext for the Government to strengthen the socio-engineering of the Government's intervention in the economy, for example, to increase regulation in the energy sector, encouraging companies selectively (for example, implementing applied research) and segments of the economy such as tourism, and infrastructure projects specifically linked to big companies.

Igor Hornák: Most items of the agenda represent the normal agenda of the Government, and not the content of anti/crisis packages. "Think big" programmes such as PPP projects and Mochovce should, on the contrary, be stopped – they reduce the future ability of the Government to repay loans. At the time of an opportunity to introduce blanket measures, it expends its energy on a few questionable lobbying projects. Indeed, some measures may not be regarded as evil, for example, the effort to facilitate access to financing at a time of crisis. In the end, however, along with the Government's easygoing approach to the crisis, I rate the package as negative overall.

Martin Hošťák: One third of the measures can be assessed as relatively positive, one third have no influence on the development of the crisis and the other third represent absolutely ineffective measures with high demands on funding from the state budget.

Igor Hurčík: Outcome of the general consensus, but it does not address the sensitive issues (law enforcement, labour law, etc...)

Martin Jaroš: The Government is desperately trying to act for the sake of action, but is completely powerless in the fight against the crisis.

Róbert Kičina: Most of the measures in the package is not directly related to the crisis; some of the measures even have a negative impact on the business environment and thus make it difficult for the economy to recover in the future (for example in energy). Many measures have one common feature – rapid expenditure of a lot of money for various purposes, without doing what we said, what goals we want to achieve, as measured by whether the money were spent efficiently. The biggest negatives of the anti-crisis packages is that they have put a complete stop to public awareness of the debate on the fundamental reforms that would help jump-start the economy and attract investment and jobs.

Viola Kromerová: The adoption of measures to mitigate the crisis was urgently needed. It should be noted, however, that most of the measures are aimed at helping and supporting small businesses; the economy cannot readily be underpinned by individual entrepreneurs - natural persons. It was necessary to direct the real focus more to small businesses and to address help to the regions.

Vladimír Kvetan: It is indeed questionable as to the scope and instruments used. However I rate it as a positive intention (with the exception of Mochovce). But I do not expect any significant effect society-wide.

Juraj Lazový: I rate it partly as a real initiative on the part of the Government to address the crisis, partly as a populist gesture that the Government "is doing what it can" for the citizens. The measures to improve the business environment can be assessed positively; the negative ones are those which aggravate the situation of public finances. In a small open, export – oriented economy, such as the Slovak one, however, substantial development in our major export markets is needed.

Zdenek Lukáš: The aim is clear – resurrection of demand. But the question is whether or not the (relatively small) amount of funding can substantially start demand.

Ján Marušinec: Many of the measures taken cannot be regarded as anti-crisis, some have only a declaratory character. However, I find those that can should be assessed positively.

Juraj Nemeč: Although every real economist knows that the impact rate of the crisis in the Slovak Republic will be determined by a change in the dominant external conditions, the Government in these circumstances has to act, it has no (political) choice. For each point of the package there could be a long debate; no cost-benefit-analysis has probably been performed, or ranking. I suspect that anyone who had an idea got it included in the package.

František Okruhlica: Total disaster. After all, they do not have any systemic reform steps, only populism and amateurism. There is absolutely no relevance in looking at each measure separately. Reforms have been carried out in previous periods, they had a systemic and long-term character. But now it has stopped and it is only experiments in straightening disorder that reign here.

Jozef Orgonáš: Not enough self-invention.

Igor Rintel: Pure populism. The measures have nothing to do with the crisis and have no effect (except for the VAT refunds).

Eva Sárazová: The measures proposed in the first package may be more or less agreed. However, many of these measures would be a kind of certainty, even if there were no crisis at present. However, it shows that the effects of the crisis are greater than expected and both these measures are not sufficient. It is therefore necessary to mention that there are other options, a review of which would more effectively help the subdued impact of the crisis on the economy of the Slovak Republic. In the packages, I still miss measures such as would address more than a contribution wedge in Slovakia. Lower contributions mean lower revenues while in the budget, but on the other hand, they have to help the economy now, not in future periods. I see a space for saving in more transparent public procurement and the review of certain social objectives. Several existing government measures can be more or less considered as rather short-term and focus only on a particular segment of the market. They lack the kind of timelessness or a general coverage.

Miroslav Siváček: The package operates unreliably and its real impact will probably be rather negative. The reason is the lack of a clear unifying message of action, their chaotic response without a more profound analysis of the consequences and the emotional reception. Furthermore, most of the measures are not directly related to the crisis and have a rather general character.

Luboš Vagač: It is a more like a list of activities, mostly beneficial, but which do not respond directly to the crisis. The first package also lacks a comprehensive strategy and a financial background.

Rural Parliament in Slovakia: Relative toothless against the crisis.

Robert Žitňanský: Formal reporting of activities, without any measures that have the potential to really noticeably improve anything. Or things which, of course, have nothing to do with the crisis – such as improving utilisation of the EU Funds.

Anonymous comment*: I would especially emphasise the need for better utilisation of the EU Funds, construction of the Mochovce nuclear power plant and PPP projects. The transfer of resources from basic research to the applied research could be good in countries where there already are fairly significant investments into basic research.

* The respondent did not wish to be named.

Social and Health Care Policy

Amendment to the Act on Employment Services (labour offices will determine the frequency of visits for the unemployed; state-subsidised social enterprises; limiting the activation works; introduction of new active labour market benefits and an increase in some of existing benefits)

Submitter: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Intention of the Measure: to eliminate the problems that emerged in the application of the Act on Employment Services and to activate new measures on the labour market – at-risk groups of the unemployed, address shortages of skilled labour in some regions of Slovakia

Contents of the Measure:

- **labour offices** themselves will determine how often **unemployed persons should visit** them, at least once a month (to date: long-term unemployed - every 7 days; unemployed taking part in tasks organised by the labour office – at least once a month; other unemployed: every 14 days)
- labour office staff must offer a job or work scheme to the unemployed at least once a month. If the unemployed declines, he may be removed from the labour office records and lose the right to unemployment benefit
- duty for labour offices to develop **individual action plans** only for young jobseekers or for people older than 50 years and long-term unemployed, while others may request this service
- introduction of **job agents** - their job is to mediate activities in the field, identify the requirements of employers, human resources, and to map the situation in the labour market
- additional categories of people included in the **range of disadvantaged job seekers**
- possibility to create state-subsidised **social enterprises** (businesses in which at least 30% of the staff consist of employees who, prior to admission to employment, were disadvantaged jobseekers); the social enterprise may receive a contribution of up to 50% of the cost of labour for each disadvantaged jobseeker, at least 30% of the funds derived from the social enterprise business must be used to create new jobs and improve working conditions
- introduction of an **allowance for the incorporation of disadvantaged jobseekers** – the contribution (the equivalent of the subsistence minimum (up to June 30, 2008, this was SKK 5,130)) to persons that are incorporated with the employer, but for not more than 3 months and 30 hours per week; the employer's obligation to the 1 month processing of job applicants by employing them for at least 6 months
- introduction of a **contribution in support of maintaining employment for employees with low wages** - the employer's contribution (in the amount of premiums for social security and health insurance for the employee) as the gross monthly wage per employee who was for the previous at least 3 months registered as unemployed and now works full time reaches more than 50% of the average monthly wage in Slovakia; the contribution is to be granted up to 24 months, the employer is obliged to retain the post for at least 2 years
- re-introduction of the one-off **contribution to moving for jobs** (cancelled from Jan. 1, 2006) - a contribution for the employee (maximum of SKK 40,000), if relocated for work at least 50 km (in the past 30 km) from the original place of residence
- introduction of a **contribution to cover transport costs to work** – (maximum of 50% of the cost of transport) paid to employers who provide daily transport of workers to/from work
- maximum amount of the **contribution for employee leaving for work** (more than 600 km) increased from SKK 2,000 to SKK 3,000 for jobseekers recorded for at least 3 months in the unemployed register (now min. 6 months)
- change in system of activation works:
 - the **contribution to activation by way of minor municipal services for the municipality** may be paid only if a long-term unemployed citizen who is a recipient of benefits in material need will work in the village of activation; the trigger action can take max. 20 hours per week and a max. of 6 months, and this activity may be repeated more than once for an additional 6 months (in the past, anyone unemployed in material need was able to receive the activation contribution (SKK 1,900 per month) for small municipal works and voluntary services in the range of min. 10 hours per week indefinitely)
 - introduction of a **contribution to activation in the form of voluntary service activities**, as defined in the range of 20 hours per week, up to 6 months without the possibility of recurrence: the organizer receives the contribution (for example, for equipment, insurance, etc.) and in the form of lump sum amounts a subsistence minimum (SKK 5,130) (for example, to cover the necessary expenses for meals, lodging, travel)

- increase in the amount of **contribution to graduate practice** for people over 25 years to the subsistence minimum level of SKK 5,130 (previously SKK 1,700), in the range of 20 hours per week, up to 6 months without the possibility of recurrence
- **contribution to labour market preparation and training** of job seekers up to 100% of the cost of education and training and other related costs are covered at each training activity (to date, 100% for the first, 75% for the second and 50% for the third activity for 2 years)
- introduction of a **contribution to promote the employment of graduates of labour market preparation and training** - the employer receives the contribution for a maximum period of 24 months; he has to employ the graduate of labour market preparation and training organised by the labour office (graduates of secondary schools who are registered as job applicants for at least 6 months and people older than 50 years who are registered as jobseekers for at least 3 months), and to retain them in employment for at least 24 months; the amount of the contribution depends on the unemployment rate in the district where the workplace was created
- introduction of new contributions to promoting employment for disadvantaged job seekers and especially for persons with disabilities
- slight increase in the amounts of certain other contributions (about 10%)
- for purposes of calculating the amount of contributions the **reference variable**, which was the minimum wage, has been replaced by the **average monthly nominal wage**
- total expected expenditure on existing active labour market measures, and the newly proposed measures in 2008-2010 - SKK 8.3bn, of which 80% will be probably paid from the European Social Fund

Opinions of Proponents from Media Sources:

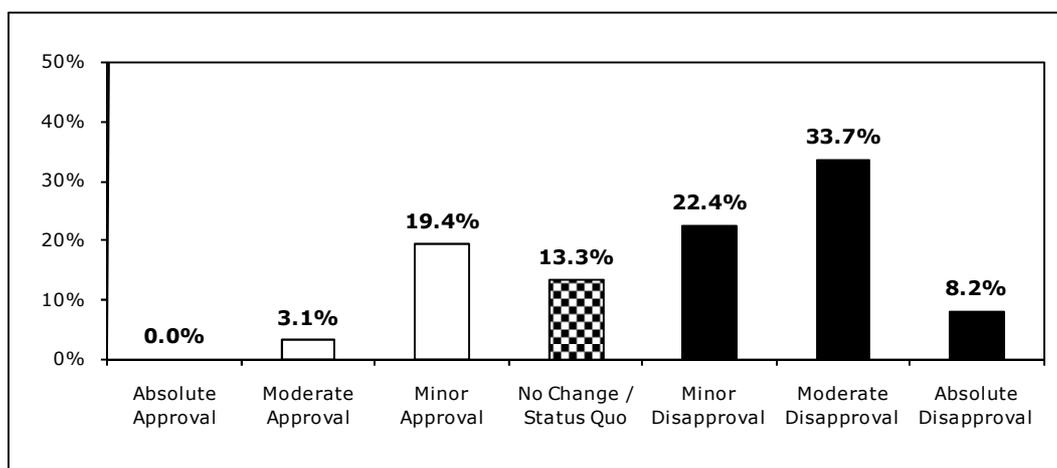
- action in favour of increasing the employability of jobseekers - amendment to stimulate entry and stay in the labour market, particularly for disadvantaged groups of jobseekers, in particular long-term unemployed, people with disabilities and people who have entered into employment and, especially because of their low qualifications, perform low-paid employment
- more targeted new measures of active labour market policy for disadvantaged jobseekers
- measure strongly encourages employers to create jobs just for the long-term unemployed, which is the most critical group of unemployed people (representing over 50% of all jobseekers)
- extension of frequency of contact visits to registered candidates for the employee, in accordance with the trend in many EU countries, is replaced by the requirement of contact visits by jobseekers actively with the job
- too frequent visits to labour office mean for workers, who are unemployed, the financial burden, for the disabled simultaneously the health burden
- amendment to repeal the bureaucratic law where the long-term unemployed will no longer have to report to the labour offices on a weekly basis
- some unemployed have no intention of taking up vacancies, although the vacancies suit their abilities as noted in the records; they just wish to stay unemployed - this amendment will remove the speculators
- limiting the duration of the activation works to accelerate the turnover of jobseekers in finding work habituation - it is inadvisable to keep the unemployed in the smaller municipal services, and to maintain artificially high long-term unemployment
- the contribution to moving for jobs meets the lack of skilled labour in some regions, e.g. in southwest Slovakia
- enhancement of the binding amount of the average wage, and not linked to the minimum wage, to eliminate dependence on unpredictable political negotiations in respect of the minimum wage
- amendment passed on the basis of the citizen assuming responsibility for addressing their economic situation

Opinions of Opponents from Media Sources:

- measures of active labour market policy are questionable in terms of their effect, often reminiscent of social engineering, and are often based on a progressively intuitive method of trial and error
- state-subsidised jobs distorting the business environment and in favour of certain subjects
- supporting employees with low wages encourages employers to have the most employees with low wages, and thus to create jobs with a low added value, so employers will artificially depress wage levels and the burden on public finances will continue to expand like a bubble
- it is questionable whether the contribution of half the amount of employment cost will be sufficient motivation for employers to create jobs in the social enterprise for the long-term unemployed
- the emergence of social enterprises, a discriminatory measure encouraging non-transparent transfers of public funds to a designated operator with a minimum guarantee of effectiveness

- reduction of the frequency of contact visits in labour offices - the opportunity to the illicit work and to receive social benefits simultaneously; less frequent contact with the labour office reduces the chance of finding a job
- regular reporting to the labour office for the unemployed is certainly not the problem; the unemployed should be treated individually, and more account taken of whether they have any plans to work
- contribution to the citizen, if he/she decides to move for work, existed in the past (in 2004, only 51 people successfully claimed the contribution for labour migration, and in 2005 only 77 people); the contribution perpetuates the mistake that it is not enough to obtain a change of stay, but there must be a change of residence
- support for moving to work is only symbolic and formal, in a situation where the person has, at the place of a new job, no own property or a relative who owns some; in the long term, a few tens of thousands of funding does not help - the contribution does not motivate people to seek work outside the home, it just makes life easier for people to be away briefly
- limitation of activation works will make it impossible for dependent people to earn a bit and they will lose the habit of work; for some socially deprived households, this may mean a significant intervention into the family budget
- wasteful social policy which requires a considerable increase in public expenditure

Evaluation of the HESO Experts' Committee:



Juraj Barta: It was frequently previously established that, in terms of employment, the state does not provide regulation or subsidies (even though it is called "active labour market policy"), but liberation of the labour market and promotion of economic activity. It would be preferable to reform the levy system which is currently the biggest obstacle to employment; while it would not necessarily even mean a relief, it would have a swift and very positive impact on employment.

Vladimír Benč: The amendment, in my opinion, focuses more targeted measures of the active labour market policies on disadvantaged groups of jobseekers, which is good, since unemployment in the Slovak Republic mainly entails specific (disadvantaged) groups of the economically active population.

Igor Daniš: The labour market has changed radically in the last decade. Labour offices do not fulfil the role that they played in the 90s. An active policy of ordinary officials in the local labour offices will result only in an uprising, and not in the solution of the problem of the permanently unemployed. What is the effectiveness of the various contributions to the active labour market policy?

Juraj Draxler: I have not considered the measure in detail, but I agree.

Richard Ďurana: The amendment contains non-systemic, inefficient and unnecessary tools; in addition to the fact that they will not assist in meeting the objective, they are costly and serve to undermine the business environment. For example, consider the establishment of social enterprises at a time of record low unemployment levels as a poor solution. In addition, entrepreneurs will create artificial competition, they will have to fund themselves on their taxes. It is easy to do business with somebody else's money. If the Government wants to continue to increase employment, a better solution is a flat reduction in business costs, such as levies or the administrative burden associated with the business. Totally ill-conceived are contributions to moving for jobs (which few workers used in the past) and high spending on active labour market policy, which goes into the social system (administration) without having to deliver measurable results. Unemployment is falling and employment rising not because of the activities of the Government. Measures such as the introduction of a "millionaire's" tax, reduction of labour market

flexibility, renewal of the tripartite agreement and others which were sure to improve the business environment were not included.

Igor Hurčík: It totally escapes me how this measure can solve long-term unemployment and regional disparities.

Martin Jaroš: Again another "cure" for symptoms, which does not produce anything. It should go through the way of flexibility in the job market. We don't reduce unemployment by administering a new dose or increasing the frequency of visits to the labour office, but by allowing the creation of jobs. Constructing so-called "social enterprises" is not the way - I do not believe that this is somehow a positive effect.

Eugen Jurzyca: Periodicity: we are insured as unemployed only de jure. De facto, the unemployed are funded from taxes. The point is, whether the officials at the labour offices will give priority to saving on the state taxes (and will check the regularly unemployed), or rather to minimising their workload (so the unemployed will be checked the least). I think that our society still has not matured to a level at which they can afford to take such an action.

Martin Kahanec: Most of the measures are negative; however, the introduction of job agents is a positive value.

Tomáš Kmeť: In the long term, decrease in unemployment is an issue for economic progress, and not active labour market policy, so the promise of employment growth is itself an attempt to treat the symptoms and not the disease...

Juraj Lazový: In general, it lacks an objective analysis of the extent to which any such measures are effective. Now the issue of the long-term unemployed is recognised as a problem; these are often virtually unemployable people, whom there is certainly a need to address by other than the standard active employment policies.

Mária Machová: Out of the whole complex of the changes, I find that the most absurd is the reduction in public support for the establishment of social enterprises. The very definition of what is a social enterprise does not meet the substance of the term "enterprise".

Aleš Michl: Like the Left in Slovakia, as well as the centre-right, the increasing role of active labour market policy. A cheaper and better option is to encourage schools to cooperate with enterprises and to increase public spending only for the results. Slovak unemployment is now the highest in the European Union. I was not too concerned by the numbers. I concentrated mainly on reducing the NAIRU (Non-Accelerating-Inflation Rate of Unemployment) unemployment - the pressure on labour productivity growth, increased cooperation of schools and businesses and the introduction of new technologies. The fact is that unemployment falls hand-in-hand with the boom economy; there is nothing miraculous about that.

Dušan Mitický: Non-action, very passive instrument. Create jobs with low wages, which, while employing a man, does not increase the quality of life. The young and educated workforce are leaving Slovakia for unskilled labour, there is no motivation for learning.

Juraj Nemeč: Contains both positive and negative elements.

František Okruhlica: A problematic measure.

Jozef Orgonáš: The entire social security system is lacking; this is a non-systemic step. If you want to reduce unemployment, then achieve it with a complex system by investing in education.

Ludvík Posolda: That is it! We must punish the studious-diligent with increased taxes and contributions and encourage those who did not want to do anything.

Juraj Renčko: The amendment introduces a number of new or renewed instruments of active employment policy, efficiency and targeting, which are questionable as well with regard to their impact on the competitive business environment. However, if substantial work supports the application of risk, they might be acceptable. I would have expected, however, the preparation and presentation of a study that would quantify the possible effects of the instruments. The Act on Employment Services seeks to address the issue of jobs for vulnerable groups; however, it has nothing to do with the creation of competitive jobs.

Igor Rintel: Social business, thus further pure corruption - it has frightened me.

Luboš Vagač: This amendment seeks to focus more on the favoured candidates which can react. What is missing is a better argued cost-benefit analysis of the existing measures of active labour market policy, as well as the rationale for the introduction of many new measures, including those from the past (e.g. contribution to moving for jobs), which have not proved efficiency. Introducing a number of new benefits is a seemingly laudable step, but makes the already complex system of social benefits even more opaque. It seems that the possibility of using these tools for money from EU funds is distorting the behaviour of the policy-makers.

Rural Parliament in Slovakia: Bureaucracy. Officials are missing out on contact with practice. The current Government benefits from the reporting of the percentage of unemployment and economic policies of previous Governments. The socially disadvantaged, ignorant and difficult to

integrate sections of society still suffer from unemployment. It depends on the quality and focus of the so-called social enterprises. The State should invest more in education and replenishment of the qualification (apprenticeship) or non-integrated partisan individuals.

Jaroslav Vokoun: Flexibility and Absence of abuse are good colleagues towards a better society. Finally, it will depend on the people (officials and the unemployed), to determine how this well-conceived action will be taken up.

Robert Žitňanský: Softening the social system is not reasonable. Still, there is relatively high unemployment and, in addition, there is a lot of experience of massive abuse of the system. The current Government supports the development of the knowledge economy and investment, maybe only so long as it doesn't act as a threats to them regarding interference and building the so-called reforms of welfare state.

Amendment to the Act on Minimum Wage (if the minimum wage adjustment is not agreed between the social partners, the Government will determine the minimum wage increase by at least the interim nominal increase of the average wage in the Slovak economy)

Submitter: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Intention of the Measure: to increase the competencies of the Government in minimum wage adjustment

Contents of the Measure:

- introduction of a new system for regular minimum wage increases, which sets the lower level of increase for the minimum wage and keeps the higher level open
- amount of the minimum wage for each successive calendar year will, initially, be the subject of negotiations between representatives of the employers and employees
- should the social partners not reach an agreement by July 15, they will, without delay, submit their proposals for monthly minimum wage adjustment to the Ministry of Labour
- the Ministry is to submit a proposal for a monthly minimum wage adjustment to the proceedings of the tripartite Economic and Social Council of the SR not later than July, 31
- if the minimum wage adjustment proposed by the Ministry of Labour is not agreed in the government proceedings by August 31, the Ministry, shall, not later than September 30, submit a proposal of the government resolution to the Council proceedings and subsequently to the government proceedings which sets the amount of the minimum wage, which is to be at least the product of the current minimum monthly wage and the index of the interim increase of the average monthly nominal wage of an employee in the Slovak economy for the calendar year preceding that in which the proposal for the minimum wage modification is submitted
- there are also recommended criteria in the new Act on Minimum Wage which the Government should take into consideration in the decision-making process: the social partners' standpoints, the overall economic and social situation in the Slovak Republic for the previous two years, the development of consumer prices, employment, average minimum wages in the economy, subsistence minimum, development of the share of the net minimum wage on the net average wage (see table below) for the period of at least the two previous calendar years and the development of labour productivity
- in 2007, less than 2% of employees worked for the minimum wage in the Slovak Republic; approximately 80% of all self-employed persons pay contributions from their minimum wages

Minimum Wage & Minimum to Average Wage Ratio						
	2004	2005	2006	2007	2008	2009
Minimum Gross Wage (in SKK)	6,080	6,500	6,900	7,600	8,100	8,900
Minimum Net Wage (in SKK)	5,095	5,629	5,975	6,581	7,014	7,707
Average Gross Wage (in SKK)	15,825	17,274	18,761	20,146	22,060	23,870
Average Net Wage (in SKK)	12,380	13,509	14,569	15,644	17,032	18,380
Minimum to Average Ratio (Gross Wages)	38.4%	37.6%	36.8%	37.7%	36.7%	37.3%
Minimum to Average Ratio (Net Wages)	41.2%	41.7%	41.0%	42.1%	41.2%	41.9%

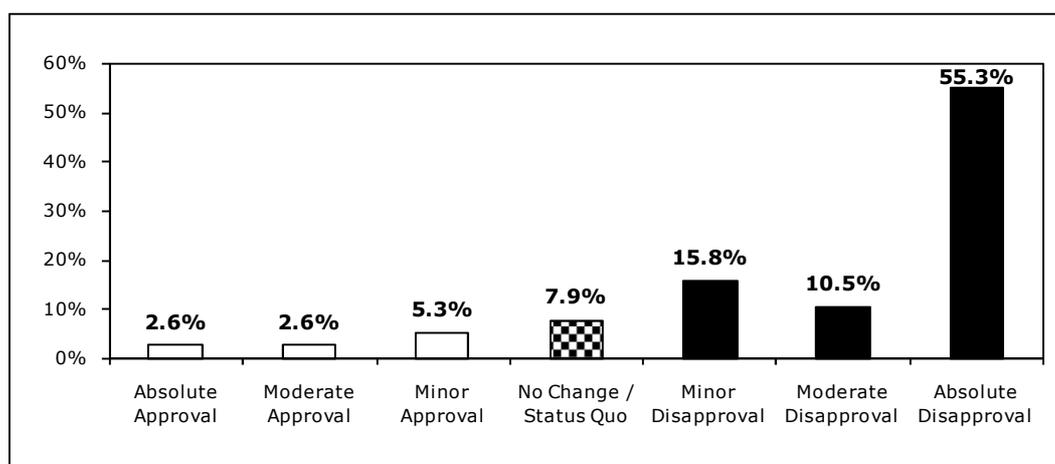
Source: Slovak Ministry of Labour, Social Affairs and Family; Financial Policy Institute of the Slovak Ministry of Finance

Opinions of Proponents from Media Sources:

- because the increase in wages lags behind the economy and labour productivity growth in the long term, it is necessary in order to stimulate an increase in wages
- increase of the minimum wage will create pressure for an increase in other wages at low income levels
- at a time of worldwide increase in food and energy prices, it is necessary to significantly increase wages for those groups of people who are most at risk
- in the event of the social partners' disagreement, a guarantee of a minimum wage increase by at least the growth in average salaries ensures that employees are given a reward for their work sufficient to provide for their reasonable living standard
- increase in the minimum wage to the level of 60% of the average wage forms a part of the Government's Programme Declaration; the amendment complies with this Declaration

Opinions of Opponents from Media Sources:

- the Government's competencies are being groundlessly increased at the expense of the Tripartite Agreement – the Government gains the opportunity to dictate the amount of the minimum wage regardless of the opinion of the social partners
- the measure negates the most important element of the current Act on the Minimum Wage - a simple and predictable mechanism of valorisation - which is a negative stimulus for investors
- the absence of an upper limit for minimum wage increase creates room for labour market deformation
- if the minimum wage increase is faster than the market can bear, it increases employment costs, thus it becomes unprofitable to take on new employees
- by introducing this measure, the Government acts against the system it introduced a year ago
- because the minimum wage is closely linked to the contributions of 80% of self-employed persons, a rapid minimum wage increase can cause existential problems for many of them
- in a country with large regional differences such as Slovakia, it would be effective to introduce lower minimum wages in some industries or regions

Evaluation of the HESO Experts' Committee:

Tomáš Dudáš: Increase of the minimum wage is a tool which governments should use with caution, because when it is increased too rapidly, it can impinge on the competitiveness of the economy. The introduction of this amendment means that the Government de facto bypasses the tripartite agreement (mainly employers) and could set the minimum wage in accordance with political needs.

Richard Ďurana: The institution of a minimum wage should have been revoked a long time ago, because, together with high contributions, it is the main barrier to the employment of low-qualified labour.

Peter Gonda: The amendment establishes the possibility for increasing the minimum wage (a regulated price on the labour market), which would, in reality, mean a more rapid increase in expenses for employers and a consequent reluctance on their part to employ low-qualified labour. This will result in a more rapid growth in unemployment for low-qualified workers (thus exacerbation of the conditions for those whom the market regulation is supposed to "help"). Revocation of the minimum wage (which interferes with the freedom to form contractual relationships between employers and employees) would help to employ low-qualified labour and decrease unemployment.

Igor Hornák: I disapprove of the institution of a minimum wage as such. It is a violation of the people's rights to sell and buy labour. Another problem is that the minimum wage, as a parameter for the calculation of various contributions, also affects spheres which have nothing to do with the minimum wage itself and it over-prices labour.

Igor Hurčík: This Amendment does not solve anything.

Eugen Jurzyca: The possibility to decide "over everything" is nice when preferences are growing at 40%. However, it now happens to be otherwise - on the way down.

Róbert Kičina: The original Act on Minimum Wage, passed a year ago, finally created an unequivocal and predictable mechanism of minimum wage valorisation. It reduced the extent of uncertainty, so that firms could plan their expenses better. The Amendment is a total reversal; yet again, no one knows how the minimum wage will evolve. Another problem is that, if the minimum wage grows faster than the labour productivity of its beneficiaries, their work positions will be endangered. Paradoxically, then, the Government's effort to help low-income groups will become their burden.

Viola Kromerová: The biggest problem is that, if we take self-employed persons for example, it is impossible to revoke the institution of a minimum wage as a basis for the calculation of minimum contributions. Here, the so-called person-day - a necessary minimum for each person, contributed to a collective fund (even on a principle of solidarity), should be stipulated, but it should not happen that large numbers of self-employed persons, reliable payers, have to pay the contributions and state-funded persons will gain some sort of relief, or will not pay at all.

Ján Marušinec: It is a negative change compared to the previous legal amendment which set a clear mechanism for minimum wage increase in the event of the social partners' disagreement.

Juraj Nemeč: I do not consider the minimum wage to be an effective tool.

František Okruhlica: The measure could have a negative impact on the regional strategies of investors and their early withdrawal to lower cost countries. On the other hand, salary increase has to emulate productivity. No later than today, the Slovak economy has to prepare measures focused on the economy structure, where high added value sectors will predominate and which will be not based solely on cheap labour.

Jozef Orgonáš: Without detaching other legal regulations from the institution of a minimum wage, it is clearly a contribution to the deterioration of the business environment.

Ludvík Posolda: A legal state did not exist, does not exist and will not exist if politicians are able to deliberately change laws solely because they contrive a voting mechanism in the Parliament sufficient to enforce their own interests.

Miroslav Siváček: All these childish skirmishes serve to conceal two facts: the share of the minimum wage on the average wage is declining in spite of the promised increase and the minimum wage is an archaism which needs to be revoked. The best protection for low-educated labour is a functioning economy.

Radoslav Štefančík: A positive social measure would be to revoke the minimum wage.

Luboš Vagač: The intention is clear: the Government opens the way for it to raise the minimum wage according to their own conceptions, even above the framework of economic development and practically without any agreement with the social partners (the employers in this case). The fact that this is an abbreviated legislative process makes it clear that this is a questionable step.

Jaroslav Vokoun: Employers who have problems in paying the minimum wage get the signal that their firm is not doing well. It is clear that if a company pays the minimum wage (as remuneration for work) its efficiency is bad, and it is only good that something is done about it. Working for a salary which does not cover normal expenses is meaningless. How can people get richer if most of the self-employed report a minimum wage?

Robert Žitňanský: A harmful and populist measure which establishes a mechanism for a substantial minimum wage increase and, besides that, enables the Government to intervene in a populist manner "in favour of the people". Books have been written about the perniciousness of the minimum wage set by law. There is no need to elaborate on it.

Anonymous comment*: The connection of the minimum wage increase to the increase in the nominal wage in the Slovak economy, which has not once decreased since 1991, is subsidising labour with, theoretically, the lowest added value.

* The respondent did not wish to be named.

Repeated opening of the 2nd (fully-funded) Pillar of the pension scheme enabling entry into or exit from the scheme in the period between November 15, 2008 and June 30, 2009 (Amendment to the Act on Old-Age Pension Savings)

Submitter: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Intention of the Measure: to react to developments on the world financial markets and, in this respect, enable savers taking part in the system of old-age pension savings (2nd Pillar of the pension scheme) to reconsider their decision and leave, or possibly to enter the system, as the financial provision by pension derived from the 2nd Pillar is left entirely to the discretion of the insured person

Contents of the Measure:

- from November 15, 2008 to June 30, 2009, the 2nd (capitalisation or fully-funded) Pillar of the pension scheme was opened for entry or exit from the scheme for those persons who have taken part in the old-age pension savings system, or for those who did not manage to enter the 2nd Pillar
- all the money saved on a personal pension account for a saver leaving the 2nd Pillar is to be transferred by a pension fund management company to a Social Insurance Agency account
- the 2nd Pillar was opened for the second time; it was open for the first time in the period January 1, 2008 to June 30, 2008
- in the first opening of the 2nd Pillar, 104,000 savers left and 21,000 savers entered the scheme, which represents a transfer of EUR 129.5m from the accounts of the respective pension funds management companies to the account of the Social Insurance Agency. The Ministry of Labour, Social Affairs and the Family of the SR estimated that around 31,000 people would leave and 10,000 would enter the scheme, while the Ministry of Finance of the Slovak Republic estimated that 68,000 people would leave the scheme
- after the second opening of the 2nd Pillar, the Ministry of Labour, Social Affairs and Family of the SR estimated that 30–150 thousand savers would leave the scheme (the Social Insurance Agency planned its budget on an estimate of 150,000 people leaving the scheme) and 5–20 thousand will enter, which would increase the 2009 incomes by EUR 57–284m and consequently by EUR 20–100m per year (decrease of incomes by only EUR 2.5–15m per year)
- according to the preliminary data of the Social Insurance Agency (as of July 22, 2009), in the end almost 62,000 departed the 2nd Pillar and almost 14,000 savers entered
- as of August 31, 2008, almost 1.5m people were saving for their pensions in the 2nd Pillar

Opinions of Proponents from Media Sources:

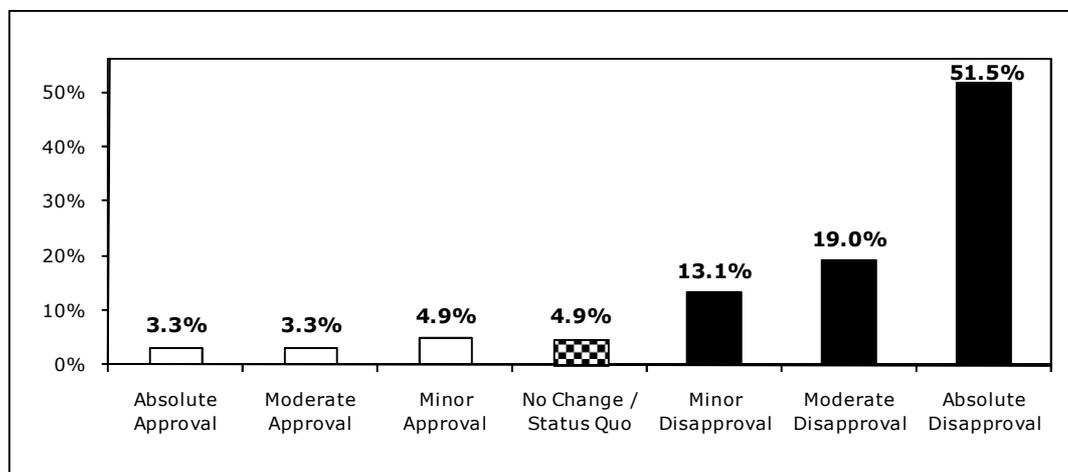
- every citizen will gain a greater freedom of choice when it comes to options for choosing a form of pension scheme; citizens are under-informed as to how the individual Pillars work, so it is necessary to enlighten them and offer them a freedom of choice
- the balance of the Social Insurance Agency will improve, which will contribute to greater financial stability for the 1st (PAYG) Pillar
- by leaving the 2nd Pillar, the savers will be protected from further losses, which they reported on their personal accounts due to the deepening financial crisis; for the last 12 months, when a deduction for inflation is included, all groups of pension funds experienced losses
- it is not anticipated that a large number of savers will exit the 2nd Pillar so, in this case, it could be a so-called "win-win" operation – making a multi-pillar pension system in Slovakia voluntary and sustainable in the long-term

Opinions of Opponents from Media Sources:

- multiple opening of the 2nd Pillar will prevent the pension fund management companies from making long-term investments which would bring higher profits to savers
- voluntary entry and exit from the 2nd Pillar will result in increased expenses for the management companies' for marketing, for retaining their clients and gaining students leaving schools, all of which, however, decreases the profitability of the pension funds and the future pensions of all savers
- the 2nd Pillar diversifies the sources for future pensions financing and increases the chances for Slovakia to deal with population ageing; opening the 2nd Pillar is only a pretext to gain savers' money, which will be missed later, for the overestimated 2009 State Budget
- by taking this measure, the Government does not solve the impacts of the world financial crisis on the management companies' clients' savings, which was how it justified this intervention into the pension system
- repeated opening of the 2nd Pillar has created chaos and made people question their pension savings; after the 1st opening of the 2nd Pillar, the Prime Minister claimed that it would be impossible to leave the 2nd Pillar; the reopening of the 2nd Pillar has decreased confidence in a predictable and stable pension system in Slovakia

- the planned positive effect of the changes adopted is, from a long-term perspective, doubtful – the measure will not provide any greater financial stability for the 1st Pillar
- if there is a possibility to enter and leave the 2nd Pillar, savers should also have the same option for the 1st Pillar; otherwise the notion of "optionality" is relative

Evaluation of the HESO Experts' Committee:



Juraj Barta: Fortunately, it shows that the methods used by the Government against the 2nd Pillar are not very effective. I believe that the Government will not adopt more radical measures and it will focus more on the lamentably unreformed 1st Pillar.

Vladimír Benč: Unequivocal undermining of confidence in the 2nd Pillar seriously damages not only the stability of the pension system, but also creates confusion in people's minds. Hurray, let's start filling our piggy banks again...

Juraj Draxler: It is only a poor compensation for a systemic approach. The Government failed in its communications on pensions policy. For three years, it did not try to create an environment to undermine the 2nd Pillar without any negative political impacts at the same time. It is, at the same time, necessary; the diversion of contributions creates a very unfavourable situation in the financing of existing pensions.

Tomáš Dudáš: Constant opening and closing of the 2nd Pillar is one of the worst measures adopted by this government coalition. The system which is built to work for several decades is impossible to judge at present.

Richard Ďurana: In the long-term perspective, this measure makes things worse. In terms of its programme, the Government negates the demographic trend which will radically shake up public financing in the next few decades, and the next elections restrict its view of the future. A tendency to use the finances gained from savers' leaving the scheme all at once and using them to cover the state budget deficit, or to create an illusion of having more to spend than we can, is also pernicious.

Peter Gonda: By the temporary reopening of the 2nd Pillar of the pension scheme, the Government creates uncertainty and instability for the pension system, lack of credibility in private savings and increases the extent of political interference in the system. Under the pretence of the financial crisis, the Government challenges the private pension savings and motivates savers to enter the 1st Pillar, in order to gain resources today at the expense of the future. It represents a governmental effort for a short-term solution of the pension system problems, which postpones the resolution of the true nature of these problems. This is based on the public 1st (PAYG) Pillar with a considerable amount of well-deserved and financial non-tenability (in the state-organised Ponzi scheme) and with a great extent of political interference and the obligatory principle. By proclaiming a lower financial risk, the Government increases the issue of political risk and increases the dependence of the pension adjustment from political interferences and creates problems with their future financing. A real systemic solution to the pension system problems would, on the other hand, mean that conditions for a real voluntary pension system would be created, where the new savers themselves would be responsible for their and their families' provisions, without any influence from political decisions.

Igor Hornák: As well as some poor adjustments of the 2nd Pillar (e.g. unsolved method of pensions disbursement as annuities paid by commercial insurance companies, or transfers between individual funds), the stability of the whole pension system in Slovakia is endangered by the weakening of the 2nd Pillar.

Igor Hurčík: It is like being on a seesaw. A systemic solution would be better.

Martin Jaroš: The justification for the opening was a clear equivocation. The Government simply decided, as my editor-in-chief put it, to transform the 2nd Pillar into an ATM machine. And this is, of course, extremely dangerous for the future stability of the pensions system as such. Its current setup is certainly not ideal, but after the series of uncertainties created by the current Government, some sort of balance can be established by resetting the parameters of the system on the basis of a consensus, which will then be secured by a constitutional act. But, in view of the current political constellation, this is hardly possible. Therefore, I am sceptical and I am one of those people who try to divert as much of their money to private savings accounts and do not rely on the State when it comes to pensions.

Martin Kahanec: The problem is largely in the misconception of the measure.

Róbert Kičina: I see it as a repeat destabilisation of the pension system. The Government constantly ignores demographic prognoses and tries to create an illusion that "we can afford it". The problem is that we have hardly any money for pensions today and it is going to be more difficult to gain money from people in the future.

Viola Kromerová: It is unfortunate that the low confidence on the part of the population in the State and legislature is getting even lower. The impacts are chaotic and negative.

Vladimír Kvetan: The constant attacks on the 2nd Pillar make the whole system uncertain. Consequently, this brings a considerable moral hazard to the development of public finances in the long run. On the other hand, the question really is: how many people will make use of the opportunity and leave the 2nd Pillar. I personally do not predict a substantial outflow of savers.

Juraj Lazový: I am no supporter of constant changes to the 2nd Pillar. But, because the existing system is not compulsorily two-pillar, I do not consider the reopening to be a cardinal change, but I would prefer the system to be constantly open.

Zdenek Lukáš: Any improvement to the financial stability of the 1st (PAYG) Pillar at the expense of opening the 2nd Pillar is debatable. In the light of the financial crisis, the impact of this conservative procedure could even be more positive than the long-term investments of the pension fund management companies in the 2nd Pillar. The long-term impacts of the current world financial crisis on long-term investments are unpredictable at present.

Ján Marušinec: Repeated opening renders savers uncertain, although not many have left the 2nd Pillar. Undermining the stability of the valid rules for saving in the 2nd Pillar is particularly pernicious.

Michal Mušák: I consider the opening of the Pillar to be a serious problem; the problem is a one-sided campaign of the State in favour of the 1st Pillar, which is untenable in its present form and it is only a matter of time before it requires modifications.

Juraj Nemec: Most economic theories consider the guarantee of legal state principles to be the basic function of a state in a modern mixed economy. I consider the constant changes to the "rules of the game" to be the worst thing the State/Government can do.

František Okruhlica: I think the management companies themselves were not ready for a quality business. They only saw an opportunity, just as did the investment, mostly private, funds in the 90s. The whole system has to be better conceptually prepared once more.

Jozef Orgonáš: It is difficult to comment on this nonsense.

Ján Pokrivčák: The economic data show that countries with fixed rules of the game supporting productivity growth grow fastest in the long-term. Unclear rules concerning the 2nd Pillar are not good for the economic growth of the Slovak Republic.

Eva Sárázová: The effect of opening the 2nd Pillar of the pension scheme in Slovakia is questionable. For this reason, the question remains whether as much finance will be returned to the budget as was expected.

Miroslav Siváček: Reopening the 2nd Pillar is not a problem. The problem is the emotional and traumatising manner in which it was performed. Any reasonable person would expect a thorough analysis, serious discussion, calculation of the possible effects with regard to the future and a balanced information campaign before such a serious step is taken.

Radoslav Štefančík: By reopening the 2nd Pillar, the Government casts doubt on savers, creates an illusion that the 2nd Pillar is an unreliable way of saving for retirement and convinces the world of its own inability to solve the current problems connected to public finances.

Luboš Vagač: I do not agree with always opening the 2nd Pillar when the Social Insurance Agency is in trouble. An honest intention to enable savers to reconsider their involvement in connection with the worsened performance of the pension funds, as a result of the crisis, is thrown into question by the Social Insurance Agency's budget proposal, which already includes the resources of 10% of the savers leaving the 2nd Pillar. I would prefer the permanent opening of the 2nd Pillar

to its repeated, unpredictable opening. This would, however, require enlightenment as to the financing of the future pensions from the Pay-as-you-go (PAYG) Pillar, which is totally lacking.

Milan Velecký: This concerns preference being given to a short-term effect (reducing the deficit of the pension insurance fund of the Social Insurance Agency) to a long-term effect (minimising the crisis of the PAYG financing of the pension scheme which principally stems from the demographic development).

Rural Parliament in Slovakia: The credibility of the Government is diminishing.

Jozef Vozár: The proposed amendment introduces a principle of legal uncertainty into a legal order yet again, by which it intervenes inadmissibly in the principles of a legal state, thus violating the Constitution of the SR. The proposed amendment intervenes in the legally and duly closed legal relations of the old-age pension savings system. It is necessary to comprehend that such an amendment directly and indirectly restricts the enterprise on the part of the pension fund management companies, for the legislators set the minimum number of savers in a closed system on the one hand, and on the other hand, they repeatedly open it again subsequently, while departure from the system is publicly preferred by the Government and the enterprise of the smaller pension fund management companies can be harmed.

Robert Žitňanský: The opening of the 2nd Pillar weakens the system's stability and it is motivated purely by an effort to "evict" as many savers as possible by spreading false and half-true statements. On the other hand, it shows that savers are already impervious and, in spite of the Government's efforts and in spite of the crisis reflected in the valorisation of their savings, they remain in the 2nd Pillar.

Provision of an extra payment (SKK 20,440) added to the childbirth allowance at the birth of a second and third child also; increase of the child allowance by SKK 100 to SKK 640 and its regular, automatic valorisation at 1st January dependent on growth in the minimum subsistence level; increase in public expenditures by SKK 2bn per year (Amendments to the Act on Childbirth Allowance and to the Act on Child Allowance)

Submitter: Ministry of Labour, Social Affairs and Family of the Slovak Republic

Intention of the Measure: to support families with more children

Contents of the Measure:

- a single extra payment amounting to SKK 20,440 was added to the childbirth allowance also in the event of the birth of a second or third child who lives a minimum of 28 days (note: childbirth allowance amounting to SKK 4,560 is paid for every child born)
- an extra payment added to the childbirth allowance is not provided if, during the period prior to the birth of the second or the third child, the older child was ordered into constitutional care or custody by a court or if the child was adopted; this is to prevent abuse of the allowances by irresponsible parents
- provision of the extra payment at birth of a second and a third child will require expenditure amounting to SKK 495m
- in 2009, provision of the extra payment will not apply to six thousand children born as the fourth child or subsequent in order
- the Act on Child Allowance was also amended; the allowance was raised by SKK 100 to SKK 640 per month for each child provided for (the child allowance was not changed from September 2004 and it was originally only to be raised by SKK 30)
- a regular, automatic valorisation of the child allowance and an extra payment to this allowance on 1st January of each year was introduced; these are multiplied by a coefficient which modifies the sums of minimum levels of subsistence (in accordance with the growth in the living expenses of low-income families or the growth of net income per person)
- in 2009, increase of the child allowance will require financial resources amounting to approximately SKK 1.5bn per 1,250,000 children provided for

Opinions of Proponents from Media Sources:

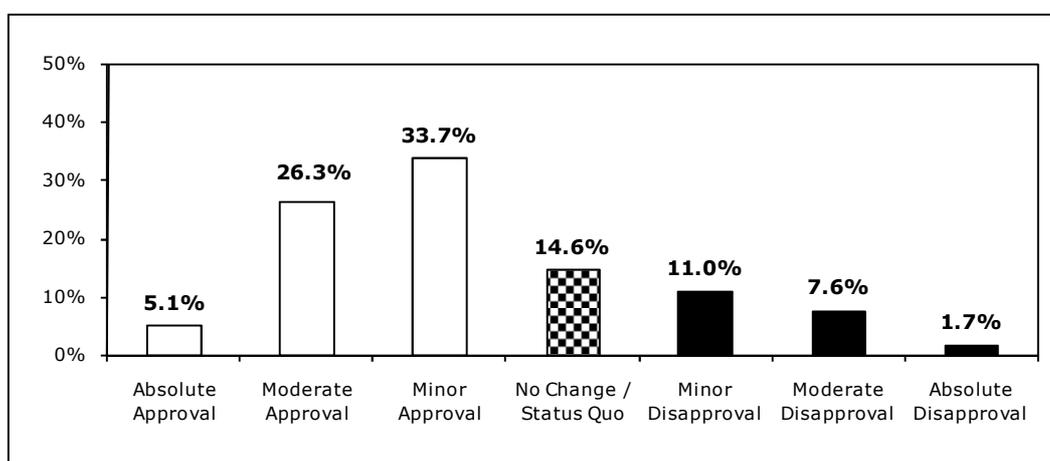
- support for families, with an emphasis on young families and the creation of conditions for their establishment, is a fundamental obligation of the State
- improving economic situation in Slovakia enabled more substantial support for families with children and created conditions which can positively influence the parents' decision to raise more children

- single-child families have a negative impact on demographic development – state financial support for families with children is one of the measures to counter this trend
- families with more children were discriminated against by a barrier in the form of payment of the extra money for the childbirth allowance for only the first child – the number of disadvantaged families will be reduced once the Act is amended
- an annual automatic valorisation of the extra payment, in accordance with the coefficient set by the Act, eliminates the risk of arbitrary decisions of politicians on valorisation or no valorisation and contributes to clear rules and predictability of the social system

Opinions of Opponents from Media Sources:

- such amounts of money are not determinative when choosing whether or not to have children, so no improvement in the birth rate due to increased financial support from the state can be expected in Slovakia
- the State should support every child, not just the first three, even if it would entail a sum gradually decreasing proportional to the increase in the number of children in a family
- the relatively considerable percentile increase in the child allowance is only apparently good, for the current allowance would reach this limit (although not as dramatically), if it was gradually valorised each year by the same growth as the subsistence minimum, which would mean that families with children would not lose money during the period of postponed valorisation

Evaluation of the HESO Experts' Committee:



Vladimír Benč: A good measure but why take only the first three children into consideration? The other children are not children? Or is it that we do not need families with more children?

Dušan Deván: Support for parenthood should be a matter of a long-term consensus in society, not a subject for political marketing.

Richard Ďurana: The Government should focus on increasing the directedness of the allowances provided and not on their increase as such. The way the system is currently set up enables also rich families and families with an above-average income to draw the childbirth allowance, although they do not need it at all.

Igor Hornák: In times of demographic decrease, the State should stimulate the birth rate. I would rather see the measures connected with the tax burden of families with children in connection with the so-called millionaire's tax.

Igor Hurčík: The demographic development is clear and so is the measure.

Eugen Jurzyca: Such a measure increases choices. But it demotivates people from working.

Viola Kromerová: We know what the birth rate prognoses tell us. Every measure taken is useful. I personally believe that families should be motivated further. In the past, the system of loans for newly-weds was useful, when SKK 2,000 was written off the sum provided at the birth of a first child, SKK 4,000 at the birth of a second child, SKK 6,000 at the birth of a third child and so on. Self-employed mothers and mothers paying voluntary social insurance contributions still need to be considered.

Vladimír Kvetan: I personally believe that the number of "first" children born is adequate. The real problem remains in the number of second and third children born. However, I certainly do not believe that such measures could change our demographic development. From a long-term point of view, it has been proven that such measures have no dramatic impact. I would deal with such support through the tax laws, rather than by direct support. We would then be able to eliminate

those situations when children become an income resource for unemployed and long-term unemployed persons.

Juraj Lazový: A well-targeted measure which, in my opinion, will not have any notable influence on the demography. I believe it will not be abused. From the "global-philosophical point of view", considering the current number of Homo sapiens and their influence on our planet, any artificial measures which seek to increase this number can be regarded as counter-productive and possibly even harmful, being a product of religious paradigms and support for one's own line of descent.

Zdenek Lukáš: It will bring an improvement in the social situation of families with children. Moreover, this measure will revive personal consumption and thus also demand.

Ján Marušinec: Automatic valorisation of the child allowance is a welcome change, but single extra payments will not solve the demographic situation. Family support has to be dealt with systematically, not ad hoc.

Juraj Nemeč: In my opinion, the measure will have no verifiable impact on the demographic development. Any area subsidies in the social sphere are associated with high levels of inefficiency.

František Okruhlica: A useful measure considering demography. However, I think that all the allowances should be gradually decreased with the increase in the number of children. A high number of children in a family is either an indicator of speculation, or that the parents do not need allowances.

Jozef Orgonáš: The State has finally remembered that not only senior - voters live here, but also groups in the worst social situation in Slovakia, that is, young families.

Radoslav Štefančík: I see the child allowance valorisation in a positive light, but its value is gradual for the parents.

Milan Velecký: My dilemma: if the State is to provide an allowance, it should do so for every child born. If providing it only for a first child was bad, providing it only for the second and third child is also bad.

Amendments to the Act on Health Insurance Companies and to the Act on Health Insurance (obliging all health insurance companies to submit their budget for government proceedings; modification of the definition of insurance companies' liquidity; increase in the base for insurance redistribution from 85% to 95%; increase in payments paid by the State in 2009 for its insured employees from 4.5% to 4.9%)

Submitter: Ministry of Health of the Slovak Republic

Intention of the Measure: to secure responsibility for the State's health policy, strategic allocation of resources and financial sustainability of the whole health system; to make the redistribution system more objective and adjust solidarity within health insurance to a real level and need; to remove the current obsolete vindication of insurance companies' liquidity and incorporate there specifics of the health insurance system not based on enterprise

Contents of the Measure:

- introduction of an obligation (breach of which is punishable by a fine amounting to EUR 2m) for each health insurance company (including private ones) to submit their budgets on public health insurance on an annual basis, not later than November 30, for the Government proceedings (originally the Ministry of Health considered an option that the Government would approve the budgets; the Ministry of Finance, among others, did not agree to this measure)
- up to now, only those health insurance companies where the State is the shareholder were obliged to submit their budget proposals for the Government proceedings not later than August 15 of each year, if the Government did not set an earlier date
- new definition of liquidity of a health insurance company: ability to meet their financial obligations within a period not exceeding thirty days after the due date of the obligations; liquidity of a health insurance company is secured if the health insurance company does not register, as of the liquidity report due date, any obligations which remained unpaid thirty days after their due date
- current definition: ability to meet payments of obligations from private resources on an ongoing basis, arising from confirmed applications for public health insurance and concluded contracts; liquidity was vindicated by a share of own resources in the insurance from public health insurance for the previous twelve months after redistribution, while the minimum level

of liquidity was required to reach 3% of insurance after redistribution, but not less than SKK 50m

- the base for redistribution of paid (monthly deposits) or compulsory (fixed payments per year) insurance among individual health insurance companies was raised from 85% or 85.5% to 95% (Ministry of Finance dissented) – according to calculations of the Health Policy Institute, the General Health Insurance Company will gain around SKK 700m more; the greatest share (around SKK 400m) of these finances will be provided by another state-managed insurance company – Common Health Insurance Company
- a new criterion for insurance redistribution was introduced: a category of the number of insured persons whose insurance is paid by the State (up to now insurance was redistributed among the insurance companies on the basis of the age and sex of the insured persons)
- for 2009, the insurance rate for around 3 million insured persons whose insurance is paid by the State was set at 4.9% of average salary (the original budget proposal of the Ministry of Finance was 4.75%, the Government's was 5%): – impact of the increased state payments on the State Budget – almost SKK 3bn

Opinions of Proponents from Media Sources:

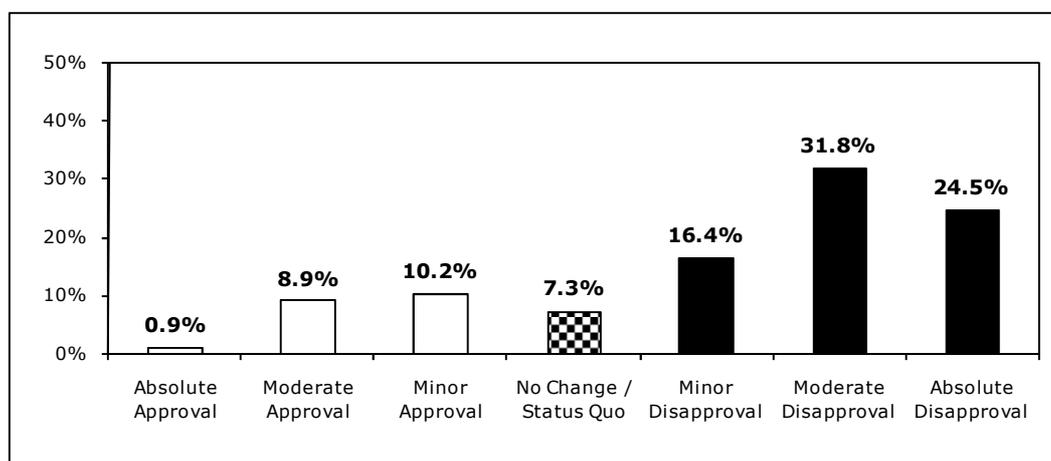
- this Amendment achieves a situation in which all health insurance companies (not only state health insurance companies) will be obliged to submit their budget proposal for the government proceedings which will render their obligations equal
- the obligation for the negotiation of budgets of private health insurance companies is not an intervention into their proprietary rights so it does not become a subject for redress
- the obligation for health insurance companies to have their budgets approved by the Government was withdrawn, for it was a substantial intervention into the rights and independence of the proprietors of the private health insurance companies and there was an imminent threat of international arbitration for breaching agreements on support and mutual investments protection; it was therefore decided only to negotiate the health insurance companies' budgets by the Government
- increasing the base for redistribution of insurance and introduction of a new redistribution parameter are important measures moderating the inequitable redistribution of overall resources among the health insurance companies and securing equality of access to healthcare; the measure focuses in particular on securing solidarity among the health insurance companies and among the clients of these companies by equalising and compensating risk structures among these companies, in order to preclude the undesirable selection of insured persons
- there are further opportunities for introducing more parameters into the redistribution mechanism, which could be added to the existing criteria, e.g. prescribed medications or diagnoses
- the existing method of liquidity assessment, similar to commercial insurance, did not consider the specifics of the system of public health insurance, which is based on entrepreneurship
- increasing the payments made by the State for its insured persons will secure a much-needed financial injection

Opinions of Opponents from Media Sources:

- another minor measure targeted at the plurality of health insurance companies, leading towards the gradual elimination of private health insurance companies from the market and the creation of a single health insurance company system
- the biggest state health insurance company (General Health Insurance Company) is getting into financial difficulties, so an amendment has been prepared in its favour, which, thanks to the increase of the base for insurance redistribution, has found a way to gain money from the other insurance companies which did not spend their funds
- increase in the base of redistribution diminishes motivation on the part of smaller insurance companies to invest in insurance collection, which will probably be reflected in a less successful insurance collection and, consequently, in a reduced amount of money for health care
- unjust redistribution of money from health insurance can be eliminated only if, for example, the health of insured persons (e.g. prescribed medicines or diagnoses) is considered, not solely their age and sex
- introduction of the new criterion (the number of insured persons of the State) into the mechanism of insurance redistribution brings about more risks, expenses and systematic problems than its intended contribution – the method of calculation of the risk-index of persons insured by the State, because such persons are varied population groups with various health risks (e.g. unemployed, employed but sick, retired persons, students, mothers on maternity leave, disabled or persons in material need); the index will be drawn upwards by, for example, persons (temporarily) on sick leave, which increases an unhealthy motivation for risk selection, because even though the insurance companies will gain less money for a person on sick leave (the State contributions are smaller than the contributions of a working person), they will pleased to have such an insured person, because, with a higher level of redistribution and with more emphasis put on persons insured by the State, the income from redistribution

- will be more important for the company - thus each additional day an insured person is on sick leave will mean an economic gain for the insurance company
- the state-owned Common Health Insurance Company, which is now the largest contributor to the redistribution mechanism, will pay the most for the increased base for insurance redistribution; because the General Health Insurance Company, another big recipient of resources from redistribution, is also state-owned, it would make sense to combine these two companies
 - information on the management of private health insurance companies is publicly available, as companies managing public finances have to inform the Ministry of Health and the Ministry of Finance, as well as the Health Care Surveillance Authority on these finances, so a further obligation to negotiate them with the Government is totally unnecessary
 - the Government is responsible for the entire budget of public administration, which includes the budgets of the health insurance companies; therefore, it should have an opportunity to take a final stand in approving the budgets of the health insurance companies. Otherwise it would hardly be responsible for the health policy of the State and for the allocation of public finances in healthcare
 - the Ministry of Health, professional organisations and healthcare trade unions demanded payments for insurance of state insured persons amounting to 5%, as stated in the Programme Declaration of the Slovak Government for 2007

Evaluation of the HESO Experts' Committee:



Vladimír Benč: A step into the unknown and in the wrong direction. When will someone draw up a proper healthcare reform and not attempt to repair it on the move?

Dušan Deván: Wake me up when the General Health Insurance Company and the Common Health Insurance Company are finally privatised. Until then, it is pointless to calculate the damage caused by the State intervention, because when you finish the sum will be dramatically higher.

Tomáš Dudáš: Another step which aims at infringement of the rights of private health insurance companies.

Richard Ďurana: The proprietors have sole responsibility for their businesses. If the State is confident of bad management on the part of the private health insurance companies, it has an opportunity to manage its own two companies in the same conditions, and no one will oppose it if their steps are negotiated by the Government every week. The amount of insurance redistribution should not be determined by percentage but by a real quantification of the number of patients with expensive treatment.

Igor Hornák: A bad amendment which lowers the quality of public healthcare by reducing the motivation of the health insurance companies to compete with each other. Quality healthcare is being moved to facilities with direct payments of patients, and after some time it will disappear from the system of healthcare provided out of solidarity.

Igor Hurčík: Healthcare is the most difficult department and this measure will not rid it of its current problems. The day will come when basic healthcare, patient's rights and standards will have to be defined (and who will pay for it as a consequence). These definitions would help to set a boundary between the state and the private spheres.

Eugen Jurzyca: Increasing insurance payments for the State is the right step. It shows how much its insured persons cost. Decreasing the informational inequality in healthcare is appropriate, but the reality reveals that it is more a matter of attacking private healthcare insurance companies for political reasons.

Viola Kromerová: We have let private hands get hold of the health insurance companies (and most of all their clients) very easily. Paradoxically, we would like to have it under control now. It shows that every extreme has its pros and cons. In any case, it is actually discriminating that the State pays only symbolic contributions for its insured persons.

Juraj Lazový: It is an ongoing battle conducted by the Government against private health insurance companies. This measure does not solve any of the systemic errors in healthcare.

Ján Marušinec: With the exception of the increase in the payments for the State's insured persons, these measures deform the health insurance system.

Juraj Nemec: The increase in the payment for the "State's" insured persons is a step forward (but it should also be linked to measures for increasing efficiency). Another intervention into the functioning of the health insurance companies is a negative step, which provides arguments against the Slovak Republic at current or future arbitration proceedings.

František Okruhlica: This measure reeks of populism and support for the General Health Insurance Company. A functioning system of control of the health insurance companies' activities already exists.

Jozef Orgonáš: Are all of the private health insurance companies' budgets to be subjected to governmental proceedings?

Peter Pažitný: This amendment has only one aim: to protect the General Health Insurance Company from bankruptcy using "systemic measures". The financial problems of the General Health Insurance Company should not be solved by adjusting health insurance macro-parameters, but by increasing its allocation efficiency concerning expenses.

Igor Rintel: I do agree to the increase of payments for the State's insured persons; I do not agree to the increase in redistribution.

Miroslav Siváček: This measure contains positive (definition of liquidity, increase of payments for the State's insured persons), neutral (unnecessary submission of budgets to the Government) and negative measures (redistribution).

Radoslav Štefančík: A blatant intervention into the free enterprise of health insurance companies.

Luboš Vagač: The redistribution mechanism is to improve the bad financial situation of the General Health Insurance Company.

Milan Velecký: Increased state payments are an effective measure for financing the health insurance system (because we do not have a family-type insurance where children's healthcare would be covered from the parents' insurances). The Government of Mikuláš Dzurinda assumed that the State's payment will be at the level of 6% of the base of assessment. 100% of insurance payments should be redistributed so that resources for a certain kind of insurance are equalised (if less than 100% is being redistributed, those health insurance companies where the insurance structure is better than average are disadvantaged). Negotiation of the budget at Government proceedings is an administrative complication of minor importance; the liquidity adjustment is a concession to the problems of the state health insurance company.

Rural Parliament in Slovakia: It is discriminatory against the smaller health insurance companies.

Robert Žitňanský: A perceptible effort to bully the private health insurance companies. Any solutions to the real problems that are demotivating insurance companies from playing a more active role in the effective purchase of healthcare are absent.

Controversial Motorway Construction

Extension of the option to commence construction of motorways and high-speed roads on non-purchased or non-expropriated private land parcels, without the consent of their owners, to the whole of the planned motorway network in Slovakia (Amendment to the Act on Non-recurring Exceptional Measures for Preparation of Construction of Some Motorways and High-Speed Roads)

Submitter: Ministry of Transport, Posts and Telecommunications of the Slovak Republic

Intention of the Measure: to accelerate the preparation of some sections of motorways and motor vehicle roads which form a part of the road infrastructure integrated in the European TEN-T network; to eliminate traffic jams and to reduce the high accident rates in connection with the obligation on the Slovak Republic to reduce accident rates and death rates by half by 2010

Contents of the Measure:

- extending the list of sections of motorways and motor vehicle roads where construction may commence on non-purchased or non-expropriated parcels, without the consent of their owners, to the whole planned network of motorways and high-speed roads
- the Act on Non-recurring Exceptional Measures for the Preparation of Construction of Some Motorways and High-Speed Roads ordains that the constructor (the State) is not obliged to acquire property rights to parcels of land before building proceedings take place (it suffices that an Act for acquiring proprietary or other rights to a parcel of land was performed as of the date when building proceedings commence), but by the date of the handover inspection, while the building office can decide on the use of the motorway prior to the inspection
- introduction of incentive bonuses to those persons who sell their estates voluntarily; compensation for purchase of a parcel or a building is in this case 1.2 multiples of the sum which would have been paid on expropriation
- parcel on which a motorway or a motor vehicle road is to be built is, in accordance with the law, subject to an option of purchase by the State, as of the date of validity of the zoning permit

Opinions of Proponents from Media Sources:

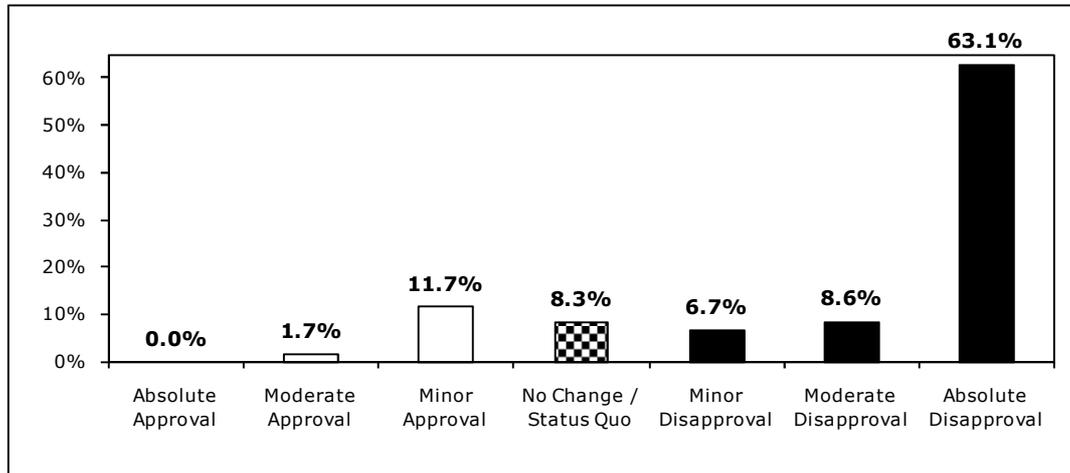
- accelerated motorway construction will facilitate the development of production, commerce, tourism; it will positively affect employment, decrease regional differences and make investors more interested in Slovakia, which will be beneficial for the economy and, as a consequence, it will accelerate the overall economic growth and living standard of Slovak citizens
- the Slovak Republic is one of the EU countries with the lowest density of motorway network and many sections are unsuitable in terms of capacity and safety, despite the fact that, from a logistical perspective, its role within Europe is very important
- expropriation is a very effective measure when other circumstances, such as local interests, have to be considered, and this is the case for strategic constructions – motorways and high-speed roads
- transfer of competences to regional building offices will increase transparency and accelerate the entire process of construction, as municipalities and towns tend to be biased when it comes to building proceedings and often lack personnel and material security
- transport demand is constantly increasing, especially on motorways as well as on 1st class roads on routes where motor vehicle roads are planned
- accelerated construction of a superior road infrastructure is one of the priorities of the development of the Slovak Republic and of the Slovak Government

Opinions of Opponents from Media Sources:

- the measure is a direct assault on citizens' private property, which violates one of the basic human rights – to own property
- relationship between citizens and the State is being returned to as it was before 1989, so that the State is able to achieve its goal without negotiating with proprietors – authoritatively, from a position of law and power
- a dangerous precedent – there is a risk that if constructions are extended on other people's parcels (prior to expropriation) from the key sections to all planned motorways and high-speed roads, reasons other than road construction will be found for employing this controversial procedure
- the amendment enables building on parcels of land without any consent from their owners – even if a court acknowledges the right of the proprietor, the original state is irreversible
- Slovak road infrastructure has been under construction for a number of years now and similar acts were not necessary

- the list is being extended at a time when the construction of a single section has not been started in accordance with the approved list of motorway sections, so it is not possible to start and finish the construction of hundreds of kilometres of roads in the near future; the real intention can be the premature conclusion of contracts with construction companies, which will determine which of these companies will profit from motorway construction

Evaluation of the HESO Experts' Committee:



Vladimír Benč: Private property has to remain inviolate. The intention may be good (everyone wants to have motorways built as soon as possible), but not at any cost. And this is a high price.

Dušan Deván: I could bear expropriation, but this?

Tomáš Dudáš: It is understandable that the State wants to accelerate motorway construction, but property rights have to stay inviolate at all costs.

Richard Ďurana: Property rights are an important and inseparable part of the market economy. From a historical point of view, those countries which respected property rights were the most prosperous, those which violated those rights are the poorest. This measure broadens the spectrum of the negative impacts stemming from property rights violations in the name of the public interest. The State should guarantee the inviolability of private property and not be violating it by law, which gives the State a privilege to build whatever and whenever it wants without the prior expropriation of a given parcel and due payment for it.

Peter Gonda: Another instance of serious violation of property rights, personal freedom and legal certitude due to motorways and high-speed roads.

Igor Hornák: A total disregard for the legal system and one of the basic liberties.

Igor Hurčík: I like infrastructure, but I cannot identify with the cost of this measure.

Martin Jaroš: Although it only concerns a few individuals, it can have devastating effects on the morale of the whole of society, with regard to respect for certain principles that should be sacred. After crossing this Rubicon, no one can be sure what kind of law will be enacted in the future. Expropriation of an apartment? Or a car?

Eugen Jurzyca: Expropriation is not something which would have been forbidden at the birth of the Universe. However, successful societies deal with it carefully and according to strict rules. Not like this.

Viola Kromerová: On the one hand, it is necessary to speed up the construction of motorways, but not at all costs. Unfortunate Acts which are hard to implement lead to citizens' distrust of the State.

Juraj Lazový: Public v. private interest. I am not decided on this. I would like to have information on how Western countries dealt with the same problem during the construction of motorways and road infrastructure.

Zdenek Lukáš: Although it might bring an acceleration of motorways construction, it is a serious violation of the property rights of owners of private parcels.

Ján Marušinec: What has the Constitutional Court of the Slovak Republic to say? Hallo!

Juraj Nemeč: Although this is a serious violation of property rights, such laws are in effect in more liberal countries. What is worse? Violation of an individual's rights or damaging the health of a large group of citizens due to everyday traffic jams and combustion gases (e.g. town of Považská Bystrica)? Let everyone answer for themselves. This is a normative problem.

František Okruhlica: Justice is somewhere in between. On the one hand, the Slovak economy loses its competitive dynamics due to poor infrastructure and, on the other hand, parcel proprietors see a profitable business in it.

Jozef Orgonáš: An absolute catastrophe, which sets us on a level with Afghanistan.

Ján Pokrivčák: The State has to invest into infrastructure. An even more important duty of the State is to protect property rights. Law enforcement and property rights protection significantly support economic growth as well as the effective construction of infrastructure. These two aspects of Government policies have to be harmonised.

Radoslav Procházka: Apart from the absence of any legitimacy for such a rule, its efficacy is also questionable, which is the worst possible combination: the State behaves like a thief who steals from a few people, but is unable to use it effectively for the benefit of others.

Igor Rintel: Dangerous precedent of violation of the principle of private property protection.

Miroslav Siváček: A bad precedent and a politically motivated decision. Intervention into property rights in an effort to minimise delay in fulfilment of promises. These types of decisions are often apathetically accepted by the people, if they have nothing to do with them.

Radoslav Štefančík: State bodies have probably chosen the end of the year to pass more proposals intervening into private property and free market. An option to build on peoples' private properties without their consent is another slap in the face of democratic principles.

Luboš Vagač: Another step towards the State's intervention into private property in the public interest, which creates the impression that it is not going to be the last one. From the State's point of view, the worst measure of the quarter.

Milan Velecký: Even the authors themselves admitted that this is a bad measure; they limited it only to certain buildings and hope they will be able to build them before the Constitutional Court of the Slovak Republic reaches a decision.

Rural Parliament in Slovakia: Against the law.

Jozef Vozár: The goal of this law – to accelerate expropriation proceedings – has to be reached by using means in accordance with the Constitution of the Slovak Republic and with the Convention, which will guarantee protection of the property rights of the proprietors concerned. In a law-abiding state, it is unacceptable to attain this aim by using measures which restrict property rights, because they do not enable the proprietors to defend themselves against expropriation, or against unjust compensations for expropriated lands and do not guarantee expropriation in accordance with the conditions set by the Constitution of the Slovak Republic and the Convention.

Robert Žitňanský: Negation of private property protection, without which no economy or society can function successfully.

Anonymous comment*: It seems that it is easier and cheaper for the State to take, rather than negotiate over a purchase. For example, a motorway has to be built on a chalet belonging to John the shepherd. Because he has lived there all his life and does not care about the positive impacts of the motorway on the development of the region, he will obviously not agree to sell his chalet for a price similar to the market price. If, in accordance with the law, the State would have to offer double the price, then everyone will have their cakes and eat them.

* The respondent did not wish to be named.

A Sporadic Reform Effort

Education reform – the new Schools Act (70% of the curriculum will be set by the State, 30% by each school; reduction in the number of compulsory lessons; two compulsory foreign languages; only textbooks approved by the Ministry of Education to be used; enabling pupils to be educated individually at home by their parents; reduction in the maximum number of pupils in classes; reduction in the number of pupils at eight-year gymnasiums; stricter criteria for financing of private schools; enhanced influence of the State on appointment of school principals; final year in kindergarten will be free of charge)

Submitter: Ministry of Education of the Slovak Republic

Intention of the Measure: to eliminate conditions impeding the education process introduced by preceding legislation (Act on the System of Elementary and Secondary schools – the Schools Act of 1984) and to facilitate reform changes in the regional education system (kindergartens, elementary and secondary schools, elementary art schools, language schools)

Contents of the Measure:

- introduction of two-level creation of education programmes:
 - the State education programme, mandatory for all schools, sets the compulsory content of the curriculum (approx. 70% of curriculum content) together with competencies that pupils have to acquire, and also the minimum number of lessons for individual subjects in individual classes
 - school education programme will be developed by each school, drawing up the rest of the curriculum (approx. 30%) adapted to its conditions and opportunities according to the school's orientation
 - first-year pupil of an elementary school is to attend 17 compulsory lessons per week (according to the State Education Programme) and 5 optional lessons (according to the State Education Programme), ninth-year pupil is to attend 24 compulsory and 6 optional lessons, first-year gymnasium students – 27 compulsory and 4 optional lessons and gymnasium final year students – 15 compulsory and 15 optional lessons per week; in comparison to the current situation, the number of compulsory lessons has been reduced (experts disagree whether this would also mean a reduction in the curriculum)
- enabling pupils to acquire and master at least two foreign languages; 3rd year elementary school (ES) pupils will start learning the first foreign language (3 lessons per week up to the final year of ES, 4 lessons per week at secondary school (SS), learning the second foreign language is to start in the 6th grade (1 lesson per week up to the final year of ES, 2 lessons per week at SS)
- in the 2008/2009 school year, first and fifth (start of the 2nd level) year elementary school pupils are to be educated in accordance with the new education programmes; the remainder of the pupils will finish the 1st or the 2nd level of ES or remaining years of SS (also applicable for 8-year gymnasiums) according to the curricula approved in accordance with the current directives for the applicable education field
- using textbooks approved by the Ministry of Education of the SR only
- introduction of the possibility of individual education for 1st level elementary school pupils by a parent who has an appropriate pedagogical qualification for the 1st level of ES; any such pupil to be subject to a commission examination from all compulsory subjects to be held every half-year
- decrease in the maximum number of pupils in classes: in the 1st year of ES from 29 to 22 pupils, in 2nd – 9th year of ES from 34 to 25, or 28 pupils and at SS from 34-38 pupils to 30; schools will have three school years in which to decrease the number of pupils
- restriction on admitting pupils to 8-year gymnasiums so that their number will not exceed 5% of the given population year in the given school year; this measure has to be carried out up to the 2011/ 2012 school year
- introduction of a free of charge final year in kindergartens before entering compulsory school attendance (compulsory attendance of kindergarten in the final year prior to entering school was not approved)
- inclusion of kindergartens, elementary art schools and language schools into the school system
- restrictions on financing of private schools in comparison to state and church schools – restrictions on financing are imposed on private schools (e.g. private schools may be provided

with financial resources for capital outlays only, within development projects for acquiring movable assets) and they are also subject to sanctions in terms of decrease of assigned financial resources by the Ministry of Education (decrease in normative contribution by 15%) if the school education programmes is breached, or if a higher number of pupils in classes is discovered, or if the expertise in individual subjects in accordance with school education programmes is below 70%

- increase in competences of regional school authorities in terms of the management of schools and school facilities under their regional scope of competency
- extending the obligations of the State School Inspection concerning state supervision and control over the quality of the education process, selection procedures for positions of headteacher and compliance with general legal regulations by headteachers, school facilities and founders
- strengthening of the State's influence in appointments of headteachers (a school council will have to include one appointed representative of a regional school office and one appointed representative of the State School Inspection)
- cancellation of multi-level leaving examinations (A, B, C); the leaving examination will have only one level
- establishment of the National Institute of Certified Measurement of Education, which will monitor and evaluate the quality of education and prepare and manage external examinations and testing

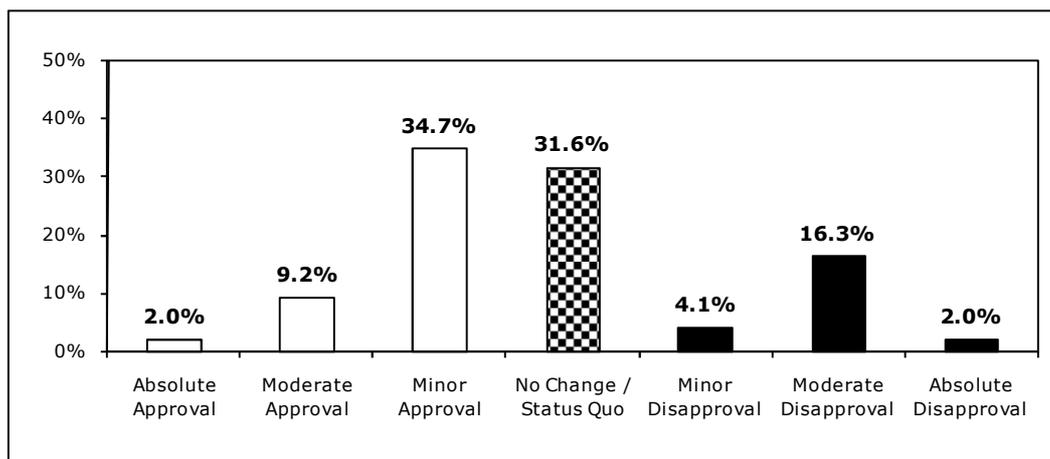
Opinions of Proponents from Media Sources:

- the state education programme is narrower than the current curricula, it creates a space for more optional lessons and enables schools to profile themselves; teachers will gain more freedom to choose what to teach and how to teach it; pupils will gain more space for creativity and will not have to memorise and learn large quantities of useless encyclopaedic information
- compulsory instruction of two foreign languages is a positive feature
- state approved textbooks will obviate the influence of sects, neo-nazi groups et alia
- lower number of children in classrooms will improve the education process permitting a more individual approach to pupils so teachers will have more time to devote to them; PISA, an international study, concludes that pupils' performance decreases if there are more than 30 in a classroom
- restriction on admission of pupils to 8-year gymnasiums to 5% of children of a given population year is to prevent too many talented pupils leaving from regular elementary schools, from whom other children can learn; foreign surveys (PISA) conclude that very large numbers of children at 8-year gymnasiums lower the educational quality of regular elementary and secondary school pupils
- one free year in kindergarten will improve the education of socially weaker children and will attract more children into kindergartens; this change should attract, for example, Romany children from Romany camps into kindergartens, to prepare them better for school education
- restrictions and more demanding conditions for private school financing are to prevent breaches of the Constitution of the Slovak Republic, for entrepreneurship in terms of compulsory school attendance might be in conflict with the Constitution
- division of leaving examinations into more levels resulted in reducing pupils' knowledge level; one level of the leaving examination will guarantee the same difficulty for the examination and, at the same time, the same starting point for students
- two to three-months period for new school education programmes preparation is sufficient, for the reform will commence gradually (over the course of four years) and from September 2008, it will only concern the first and fifth year pupils of elementary schools and the first year students of secondary schools
- it was necessary to start, even at the expense of the reform being gradually modified – otherwise, another term of office available for the necessary education content reform would be lost

Opinions of Opponents from Media Sources:

- it is not about educational reform, but about a missed opportunity – the two-level model of educational programmes will not change the content of education – state education programmes only seem new, but they are actually old curricula; not much has been reduced or changed, the only real change is that teachers will have to teach as much as they had to before, but they will have fewer lessons in which to do so; teachers will not be free to decide on what to teach, because the free lessons at their disposal provided by the school education programmes will have to be used for teaching everything that they did not manage to teach in accordance with the state-determined lesson subsidies (state education programme), which will reduce the scope originally to be used for the individual schools to profile, distinguish and making themselves more attractive
- the state education programme should only have set the necessary minimum of what pupils have to know in order to be considered a "graduate" of a certain level of education, while the rest should have been reserved for the schools, but this was not achieved

- education "reform" will not initiate modernisation of the Slovak education system, for the education system will be managed by an incompetent central authority, and it will be impervious to initiatives of the wider education community without any possibility of effective innovation - e.g. everything that schools and teachers will want to do other than as prescribed by the Ministry in state education programmes (e.g. introduction of their own innovative optional subjects) will have to be authorised by a department official as it is today
- the state framework prescribes the teaching of only specific subjects (teaching children to count will be impossible through a subject other than mathematics); curricula assign lessons directly to subjects and determine their number for individual grades, which does not allow for projecting extra lessons and, at the same time, it is not even possible to divide the overall number of lessons of individual subjects freely according to grades, as it was possible up to now, so instead of the claimed attempt to put more trust into schools, centralisation is occurring
- for many subjects, more compulsory lessons were added than the optional curriculum, so in the end the claimed curriculum reduction will not happen
- the substantial specialisation of a school by means of a higher number of optional lessons is taking place too late – in the final year at gymnasium
- schools will not be able to prepare their school education programmes well until 1st September 2009, so the Act's entry into effect should have been postponed for one year; headteachers and teachers were not prepared and lacked instruction, support, methodological help as well as material and financial resources; the application of this Act will create chaos and it is only a matter of time before parliament will have to consider its amendment
- instead of opening up the textbook market, the Ministry of Education retains its textbook monopoly and effectively spoils the freedom of schools in the creation of school educational programmes and restricts the freedom of choice of textbooks for pupils, so greater room for teachers' self-realisation is a myth in this case
- freedom of pupils and parents to choose a field of study was restricted by a direction enabling the Ministry of Education, on the basis of a petition from employers, to ordain a self-governing district (as a founder) to set limits on number of pupils for individual fields of study at secondary vocational schools
- founders will hardly reduce the number of pupils in classes (due to personal or special restraints), for as many as 30% of Slovak schools exceed the limits set by the new Schools Act – this is a typical manifestation of a strong centralistic state which wants to have everything under control
- restriction on admitting pupils to eight-year gymnasiums limits the diversity of educational means; it bypasses individual interests and the abilities of children and restricts their right to choose a school freely
- one free year at a kindergarten is an expensive measure that solves nothing, for even now, poor families do not pay any fees for kindergartens
- introduction of two compulsory foreign languages comes up against a lack of qualified teachers
- restrictions and harsher conditions for private schools financing are discriminating against them
- powers of regional school offices should have been kept in the hands of self-governing districts
- strengthening of state officials' influence on headteacher appointments strengthens the State's centralism
- the new Schools Act does not discuss the problems of the integration of disadvantaged children

Evaluation of the HESO Experts' Committee:

Igor Daniš: There are two positives: the reduction in the number of pupils and two foreign languages. Negatives: in reality, the reform means that teachers are following state education programmes which serve as reference manuals dictated by the Ministry. Officials of the Ministry of Education, State Pedagogical Institute and school offices released themselves from their duties and left the bureaucracy for teachers (substantial increase in bureaucracy). They will control. Education standards and textbooks provide some free scope, but the scope is narrow. Older teachers say that they do now what they did during socialism. Perhaps this was the aim of the reform. The main drawback of the current school system is not eliminated – financing of schools depending on the number of pupils according to a normative which places pupils in a commanding position (with them fully aware of this fact) (financing a school depends on the number of pupils, “if we are sacked you will be sacked also”). For example: using mobile phones at schools is forbidden, but there is, de facto, no possibility of an effective punishment, if a pupil does not care (and most don't). It seems that many schools are resigned to a substantial increase in bureaucratic work during the holidays, with the silent and understanding consent of superiors.

Juraj Draxler: A weak and, most of all, an awkward reform. Some steps are welcome (mostly the final free of charge year of kindergarten), but a clear concept is lacking. Instead of a strategy of ongoing education of pedagogical workers, reworking of the curriculum and drawing up a quality long-term programme regarding textbooks, the Ministry of Education aims at changing general quantitative rules.

Tomáš Dudáš: School reform is one of the most important tasks for modern day Slovakia, but its current form, however, does not mean a real change in quality. It is reform for reform's sake and it was over-hyped and left chaos behind in the schools. Moreover, it is not certain that the other measures of the Ministry of Education are compatible with the proclaimed aims of the reform (e.g. proclaimed freedom and support of only one ABC book for 1st year students without an alternative).

Richard Ďurana: The positive thing is that something is being done with the education system which is in an unhappy condition. The question is what. I think that if the biggest problems – system motivations settings and strong regulation – are not resolved, it can hardly be considered a true reform.

Peter Gonda: The new Schools Act is not an education reform aimed at principles of freedom, competition and decentralisation in education, but the changes are aimed at minor mechanical reduction of the compulsory elements for schools and some measures aimed against freer and more decentralised education. Some of the absurd examples would include limits on the number of pupils attending 8-year gymnasiums and the limitation of private schools financing (including what they can use the finances for) and encroachment into decisions on headteacher appointments.

Igor Hornák: It is a missed chance for a true reform of education curriculum.

Igor Hurčík: I cannot imagine a Slovak Schools Act which would make everyone happy.

Juraj Lazový: It is a generally accepted fact that reform of the education system is very much required. Once put into practice, the approved reform will show whether it has brought in any positive changes. In any case, it seems to have been put together with an inappropriately short time-frame for its introduction. I missed a wider public discussion and a comparison with other countries high in the international charts.

Zdenek Lukáš: Compatibility of the Slovak education system with the EU education system is important.

Mária Machová: I do not particularly follow the reform, but if its proponents proclaim that its main contribution is that school teachers will be able (will have) to teach what they want and how they want, as far as a part of the curriculum goes, already in this school year and that education at a distance will be allowed, then our education system will not be substantially improved. A chance for essential changes to schools, for a new approach of society to education, teachers and pupils, has probably been missed.

Juraj Nemeč: A reform of all levels of the education system is necessary, for the quality of education is declining rapidly and its content and methods are not adapted to the modern age (why do pupils need to know the distance between the Earth and the Moon...?). This reform is probably hastily put together and contains contradictory elements (appointing headteachers etc.). Moreover it does not solve the basic problem – teachers' status and remuneration.

František Okruhlica: Education system reform is needed. So it's a positive.

Jozef Orgonáš: Not everything is ideal, but it is a good step forward. I wholly disagree with the individual education of pupils by their parents.

Ludvík Posolda: Some of the measures are reasonable, some cause concerns about bureaucratic dictates determining the education process, which is already Austro-Hungarian in character.

Radoslav Procházka: I appreciate the effort to make a reform and the ability to enforce it in the Parliament. My reservations concern inadequate cooperation with those participants in the educational process who are to put the new Act into practice, inadequate "technical" preparedness, the absence of any measures for the integration of disadvantaged children and strengthening the powers of public administration in the appointment of headteachers.

Miroslav Siváček: It is a single positive attempt on the part of this Government (and perhaps the only one so far), to systematically improve the situation in a certain sphere of society in Slovakia. It contains more positive elements, but its preparation and implementation was and still is going on under desperately amateur conditions. Most of all, schools and teachers were not given either time or opportunity to express their opinions about the changes and to prepare for them.

Radoslav Štefančík: The concept (a better term than reform) has its strengths and weaknesses. Compulsory education in two foreign languages belongs among the positives. The question, however, is who is going to teach them, because graduates find the remuneration for teaching at elementary schools unappealing. The intention to introduce multicultural education can be also evaluated as positive. In times when, according to public opinion surveys, Slovak youth take a negative stance towards Hungarians and Romanies, it may be considered as an agreeable decision of the Ministry presided over by a nominee of the Slovak National Party (SNS). However, the question remains whether multicultural education will only be an unaccomplished plan considering the scandalous statements of Mr Ján Slota, chairman of SNS, directed towards Hungarians and Romanies and the slavish subordination of its nominees to their leader. I see the strengthening of state officials' influence in headteacher appointments as a sign of increasing state centralism.

Luboš Vagač: A measure with some positive efforts (more emphasis on foreign languages education, linking curriculum content with the world of work), which is, however, being criticised for an unfulfilled aim to decentralise the system and transfer more competences and independence to schools (centralised textbooks, limits on numbers of pupils, hastened preparation of education programmes etc.). We are left to believe that, with the contribution of all participants, the reform will be "straightened out" over the course of a few years.

Rural Parliament in Slovakia: Only unimportant changes are being made. The education of individual pupils by their parents should be restricted to cases where there is no other way to provide education. Measures concerning inadequate financing of schools and teachers' wages should have been taken a long time ago. Reform will only happen when the teaching profession is one which is sought after, respected and well paid. There is a constant fear of morally and financially differentiation between good teachers, natural born teachers, and those teachers who take up teaching just as work. The reform will not stand the test, if there is a lack of money and no differentiation of teachers.

Jaroslav Vokoun: Order makes friends. What is good, that will become established and if the intention misses the mark, the politicians will modify it. This education system reform has avoided some issues, so there will be a sequel.

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