Annex

Chronology of recent events

2002

July

The government sealed the largest privatisation deal up to then by selling a 49 per cent stake in gas utility *Slovensky Plynarensky Priemysel* to a consortium of Germany-based *Ruhrgas*, France-based *GdF* and Russia-based *Gazprom*.

Germany-based *Allianz* acquired Slovakia's largest insurance company *Slovenska Poistovna*, following approval by the antimonopoly authority.

August

The government approved a minimum wage increase by 13 per cent, effective from October 2002.

September

General elections led to the formation of a four party centre-right coalition government under prime minister Mikulas Dzurinda.

The antimonopoly office approved the sale of 49% in regional power distributors *Zapadoslovenska Energetika* (ZSE), *Vychodoslovenska Energetika* (VSE), *Stredoslovenska Energetika* (SEE) to, respectively, Germany-based E.ON *Energie*, Germany-based RWE *Plus*, and France-based *EdF*.

October

Electricity market liberalization became effective, enabling large corporate consumers to import electricity from abroad.

The National Bank of Slovakia lowered its two-week sterilization repo rate from 8.25 per cent to 8.0 per cent.

November

Rating agencies *Moody's* and *Fitch* upgraded the outlook on Slovakia's long-term foreign currency bonds to "A3" from "Baa3" and to "BBB-" from "BB+", respectively.

Parliament approved the reduction of the basic VAT rate from 23 to 20 per cent and an increase in the lower VAT rate from 10 to 14 per cent. It also approved an increase in excise taxes on tobacco and tobacco products.

The National Bank of Slovakia cut its key interest rates by 150 basis points.

December

The Telecommunications Office issued a license to operate a wireless cable network via MMDS to *Satro*, which became a competitor to the Slovakia's dominant cable network operator, UPC *Slovensko*.

Standard & Poor's Rating Service raised its long-term foreign currency ratings on the Slovak Republic to "BBB" from "BBB-".

2003

January

Administered prices for natural gas, heating, electricity, housing, transport, water and sewage were increased substantially.

The mortgage rate subsidy was reduced from 4.5 to 2.5 percent.

France-based PSA *Peugeot Citroën* announced its decision to build a new assembly plant in Slovakia at an investment cost of about € 700 million. The plant is scheduled to be operational in 2006, have an annual capacity of 300 000 cars, and employ 3 500 people.

Workers at the national railway company went on strike over the scheduled cancellation of passenger transport on 25 regional lines and associated job-cuts.

February

Parliament approved the abolishment of the Privatization Ministry, effective in April 2003.

March

Bratislavska Regionalna Kolajova Spolonost (BRKS) was established as the first regional railway company in Slovakia, initially operating two lines.

The Bratislava Stock Exchange twice suspended trading in shares of Slovakia's largest crude oil refiner *Slovnaft*, in response to suspicion about market manipulation in anticipation of the takeover of the company by Hungary-based MOL.

The Slovak Television Council approved a new programming and organisational structure for public service Slovak Television (STV), involving reductions in the workforce by 60 per cent by June 2003.

International rating agency *Fitch* further upgraded the Slovak Republic's long-term foreign currency rating to "BBB" from "BBB-".

April

Parliament approved a reduction in the state subsidy on private housing construction savings from 20 per cent to 15 per cent, effective January 2004.

May

At a referendum on Slovakia's European Union entry, 92.5 per cent of those who voted supported EU-membership. The turnout in the referendum was 52 per cent.

Parliament approved a revised Labour Code that increased the number of overtime hours employees can work from 150 to 250 hours per year and introduced new forms of part-time jobs up to twenty working hours per week, effective from July 2003.

Parliament passed a revision to the telecommunications law to unbundle local loops, change license proceedings and strengthen the powers of the market regulator, *i.e.* the Telecommunications Office.

Austria-based Meinl Bank acquired a majority stake in Banka Slovakia.

June

The World Bank approved a € 5 million Public Finance Management Project that aims to support Slovakia's public finance reform strategy.

July

Slovakia joined the agreement on the European Economic Area.

August

Excise taxes on tobacco, beer and mineral oils were increased.

September

The World Bank approved two health sector reform loans totalling € 66 million.

The National Bank of Slovakia lowered its key interest rates by 25 basis points.

The Confederation of Trade Unions (KOZ) organised a nation-wide one-hour general strike to support its demands concerning wage increases and pension reform.

October

The government decided to increase the minimum wage by 9 per cent, starting October 2003. Moreover, representatives of the government and the Confederation of Trade Unions (KOZ) signed a collective agreement in the public service. The document stipulates a wage increase of public sector employees by 7 per cent as of August 2004.

The government approved a draft pension law, which provides for the creation of a second capital funded pillar. The new system will be mandatory for newcomers to the labour market, while current employees would be able to choose between the new and the existing pay-as-you-go system.

November

The European Commission published a comprehensive evaluation report on Slovakia's EU membership preparations suggesting that Slovakia has reached a high level of alignment with the acquis in most policy areas. However, the report warned that Slovakia must take immediate and decisive action to address four issues in the areas of competition and agriculture if it is to be ready by the date of accession.

Parliament approved a bill on regional and district administrative offices that abolishes all 79 existing district offices. They will be replaced by 50 area offices, to be supervised by eight regional offices, as of January 2004.

Parliament approved the law on financing of elementary and secondary schools and school facilities, which from January 2004 introduces a new model of financing taking into account the number of the students and the size and type of the facility.

Notes

1. See Sabol and Hošková, 2003.
2. Around 5 per cent, up from 4 per cent a year ago. See monthly Dun & Bradstreet reports on the creditworthiness of 5 000 Czech and 1 000 Slovak firms About three quarters of endangered firms (category IV) are likely to go bankrupt within a year. Their likelihood of bankruptcy is 150-times higher than among the firms with best payments discipline (category I) (*www.dbis.cz/speng/press/press_release_0603.htm*).
3. Under the assumption that one quarter of employment in loss-making enterprises might disappear, which would imply a loss of about 7 per cent of total employment, and that rationalisation in the public sector would reduce the share of general government employment in total employment to the OECD average, which would mean a loss of about 3 per cent of total employment, the total number of vulnerable jobs may be estimated at around 10 per cent of total employment.
4. The new tax system, with a higher deductible threshold, will increase the take-home pay of low-skilled workers and may exert a moderating impact on wages.
5. OECD *Economic Survey, Slovak Republic*, June 2002.
6. For the year ending 31 December 2002, the National Bank of Slovakia reported a loss of SKK 24 836 million, with revenues of SKK 45 104 million and costs of SKK 69 940 million. The losses originated mainly from foreign exchange transactions (see table below). For 2003, a loss of similar size can be expected.

Revenues and costs of the NBS in 2002-03
(SKK millions)

	2002	January-September 2003
Financial revenues	44 897	30 183
Realised exchange rate gains	15 463	16 294
Unrealised exchange rate gains	–1	17
Financial costs	–67 946	–47 368
Realised exchange rate losses	–31 832	–24 716
Unrealised exchange rate losses	–7 513	–5 098
Operating revenues	207	143
Operating costs	–1 994	–1 315
Total loss	**–24 836**	**–18 357**

Source: National Bank of Slovakia.

7. Among Czech Republic, Hungary, Poland, Slovakia and Slovenia.
8. For the general government sector and on basis of government financial statistics (GFS).
9. The true level of public liabilities in 1993 was probably non-negligible, if one factors in the commitments resulting from bilateral agreements with the Czech Republic on the division of federal liabilities, and the implicit debt of the pay-as-you-go (PAYG) pension system.
10. The deviations of the 2003 expenditure and revenue outcomes from the budgeted and projected magnitudes are unevenly captured by existing methodologies. Certain non-tax incomes are not considered as current revenues and should be treated below the line in the ESA-95 methodology, while the continuing build-up of arrears in the education and health sectors are not properly recorded in the cash accounts. Transparency problems remain in the consolidation of the general government revenues and expenditures under decentralisation, and the quality of the 2002 and 2003 accounts is severely affected. These measurement problems are making difficult the accurate monitoring of the fiscal stance.
11. Historical and recent fiscal data is available on a GFS basis, while government's plans and projections are prepared on an ESA-95 basis.
12. The Ministry of Finance estimates that savings in government non-wage consumption of up to 1.5 per cent of GDP are technically possible within a four years horizon.
13. The authorities sought international assistance in analysing the long-term fiscal pressures and assessing available reform options with an aim to transfer the modern techniques of medium-term fiscal budgeting, functional programming and treasury and debt management in Slovakia. The Ministry of Finance (MOF) announced in April 2003 that the World Bank (WB) will provide a US$5.6 million 4-year loan for fiscal reform. Although its terms have not been specified, the loan will be earmarked for projects aimed at supporting the process of preparation of state budgets. This should include the improvement of the macroeconomic analysis and governance of the state treasury system. The WB equally supports a project to improve the analysis of the "economic impacts of legislation" and a WB judicial expert recently joined the Ministry of Justice. The US Treasury advised the MOF in 2000-2001 for the introduction of functional budgeting and programme budgeting techniques, including through a pilot application in co-operation with the Ministry of Education. European Commission also helps with project grants and "twinning operations" between the Slovak Government and the fiscal authorities of other European Union Member countries. Finally, the International Monetary Fund (IMF) initiated recently a "Public Expenditure Review" for the Slovak Republic.
14. Social security contributions will be reduced from 50.8 to 46.5 per cent of total wage costs as of January 2004. Further cuts will be needed in the future to reduce the high unemployment rate. Both labour tax wedges and labour supply-demand imbalances are largest of the low end of the labour market and need to be urgently addressed (see Chapters Iand IV).
15. Partly hidden in Slovakia because of the off-budget payment arrears in the hospital sector, which are periodically "cleaned" by the government. These arrears reached 1.5 per cent of GDP in 2002 alone.
16. Among Czech Republic, Hungary, Poland, Slovakia and Slovenia.
17. The old-age dependency ratio is at present around 15-16 per cent against more than 20 per cent in other post-transition countries.

18. The country has a small size and no natural obstacles fragment the territory. Should transportation shortcomings be remedied, eastern regions could rapidly be fully integrated in the national economy and share its attractiveness as an investment location in Central Europe. Latest investor surveys confirm the discouraging impact of the transportation bottlenecks.
19. The health status of the population depends only partially on the quality of health services. It is equally influenced by factors such as income levels, education, nutrition, working conditions, etc.
20. World Bank monograph, 2002.
21. In the ESA-95 methodology and excluding bank restructuring costs. The deficit was planned to decrease from 4.7 to 3.3 per cent of GDP with bank restructuring costs.
22. According to a recent assessment of the road infrastructure by the World Bank "under-maintenance is eating away at the stock of transport infrastructure". To correct the current backlog in maintenance and to adapt capacities in both basic and high standard network would require a 2.3 fold increase in funding. The world Bank estimates that this situation is "unsustainable in anything more than the very short term".
23. See OECD *Economic Surveys of Slovakia*, 1996, 1999.
24. Specific chapters are created for state treasury and debt, these can be exceeded if financial circumstances require it.
25. Information by the State Audit Office.
26. Social security spending is subject to the largest overruns, notably in the health area. Health insurance funds clear their fiscal projections with the Ministry of Health, but unbudgeted cost increases, unfunded pharmaceutical bills and ex-post deficits of hospitals have became common.
27. Expenditures in the electoral year 2002 were massively exceeded by pension and wage increases voted in the course of the year.
28. In 2003, the government could use part of its limited privatisation revenues to reduce debt.
29. "Old environmental burdens" (OEB) were estimated to reach SKK 21 billion, or around 2 per cent of GDP, by the Ministry of Environment, of which SKK 12 billion for contaminated territories and SKK 0.34 billion for the sanitation of former Soviet military bases. There are also other higher estimates of environmental commitments (see section below on Sustainable Development).
30. The parameters of the pension system are not stabilised and make the calculation of pension liabilities hazardous (see below).
31. These guidelines were based on the US and European experiences with functional budgeting and on the advice given by these countries' budgetary authorities.
32. Including the Ministry of Education, the Supreme Court and the Academy of Sciences.
33. This scheme requires tariff increases of 40 per cent in residential electricity and of more than 100 per cent in residential gas. Because of the expected impact on inflation and real incomes (administered prices account for nearly 20 per cent in the consumer basket) a gradual adjustment paths is planned.
34. In exchange of the lump sum subsidies received ZSR committed to stop all informal borrowing and arrear-building, and to close 25 regional lines. It is early to tell if outcomes are conforming the terms of the agreement – as loopholes remain numerous in the railway system.

35. High risk guarantees will be conservatively reported at 100 per cent of face value.
36. See Diamond (2002).
37. Sub-central governments obtain only a very limited share of total tax revenues. This share amounted to only 5 per cent for municipalities in 2001.
38. As they do in many Slovak regions.
39. Over-reliance on central government grants may shift the focus of sub-central government actions on negotiating and bargaining for additional subsidies rather than achieving savings. The problem is frequently faced in countries using earmarked grants based on ex-post actual costs to fund local public services, notably in health, education and employment assistance areas, such as Ireland, Switzerland and until recently Italy (see Joumard and Kongsrud, 2003).
40. There is mounting evidence of arrears accumulation and unauthorised debts in the education and health sectors in 2002 and 2003, when the governance of these sectors has remained in a limbo between central, regional and local governments. Political pressures to re-open the 25 loss-making local railway lines, often mediated by regional authorities, have also intensified during the same period.
41. This is best illustrated by the transportation and communication links between Northern Hungary and Southern Slovakia which remain very weak. The first region is labour-constrained while the second suffers high unemployment. Their labour markets are not integrated and interregional mobility is low. Policy coordination for road infrastructures and labour market schemes could enhance regional welfare.
42. A senior official from the Ministry of Interior in charge of staff reductions reported that the latest amendment to the Civil Service Act creates new bureaucratic obstacles to layoffs because each case has to be consulted with the Civil Service Office.
43. The decentralisation reform in the Czech Republic is faced with the same problem.
44. In the absence of consensus with teachers' unions, the concept of a performance-based pay system for primary and secondary school teachers was abandoned in 2003. Tertiary education teachers and their institutions have been given a choice between classical and performance-based pay systems.
45. OECD, *Education at a Glance*, 2003.
46. A recent OECD assistance programme for the introduction of Internal Financial Control Systems in Slovak public administration stressed the need for re-training: "Many of our recommendations, if implemented, would represent further complex and significant changes to current working practices…In principle, a budgetary organisation will need an accounting system with much the same capabilities as a medium-sized business company… The accounting system will not only be a system for financial control but also an important tool for the management of the budgetary organisation." Need for re-training was also underlined for fighting fraud: "There is very little experience to effectively investigate fraud. Attention is to be given to adequately resourcing investigation teams and to have them provided with appropriate training" (OECD, 2003f).
47. The Central Bank recently issued a warning on the excessively optimistic character of the projections associated with the pension reform.
48. Part of recent privatisation revenues, amounting to 6 per cent of GDP, have been set aside to finance this reform. Reserve needs are larger, however, as more than 1 per cent of GDP will be diverted away every year during a 20-30 years transition period.

49. Two of these three acts have already been passed. The one which will re-define the universal benefit package is in the inter-ministerial review process and is expected to be voted on early 2004.
50. Competition in social health insurance markets has not delivered the intended cost improvements for a range of reasons. Notably, insurers, even if they are allowed to do so, have not engaged in selective contracting with providers or negotiated with them improvements in quality or better managing of care, particularly in countries where historically insurers had an obligation to contract with all providers.
51. This process will be further accelerated by the integration with the EU markets in pharmaceuticals, medical equipment and health professionals. A recent estimation of the prospective fiscal cost of wage and price equilibration in the health sector projected sizeable spending pressures from this process in the neighbouring Czech Republic. See OECD *Economic Survey of the Czech Republic*, 2003.
52. Recent surveys on perceptions of corruption by the business sector are available on the website of the Slovak chapter of Transparency International (*www.transparency.sk*).
53. In contrast, the Czech authorities appear to have been more successful to date in their combat with economic crime. A number of former high-level officials, including a former Minister of Finance, were convicted. Although both countries share high levels of corruption, the Czech legal system appears to be more robust in terms of the quality of legislation and enforcement. This may well result from the lack of a genuine legal tradition in Slovakia prior to the split of the Czech and Slovak Federal Republic at the end of 2002; until then, Czech and Slovak jurisprudence was mostly Prague-centred. The most experienced law-enforcement authorities were also based in the Czech part of the former Federation.
54. To improve the situation, the government hired 400 officials in 2003 to process routine court cases and another 200 are to be employed in 2004.
55. The government has prepared legislation to streamline appeals procedures that should become effective within a year.
56. One recent manifestation is the relatively low proportion of Slovak adults (36 per cent) who believe that the planned conflict-of-interest legislation should also apply to regional governments (*www.transparency.sk*).
57. According to the research commissioned by Transparency International Slovensko, foreign-invested corporations introduce higher standards of business ethics to Slovakia than those prevailing among domestic firms. Such demonstration effects are valuable. They are likely to be reinforced by the declining relevance of one-off "games" such as privatisation and the growing influence of repeated "games" such as continuous business activity where the mutual adherence to rules is associated with positive payoffs. See "Ako vnímajú korupciu podnikatelia", Hospodárske noviny, 27 August 2003.
58. The new regime ought to liberate the Commercial Register staff from the time-consuming burden of examining the material substance of the documents submitted, enabling them to focus instead on procedural aspects of the registration process. This implies that the market actors engaging in transactions with the newly registered firms will incur the costs of collecting information on the background of new entrants.
59. See the discussion of vulnerable jobs and the related methodological note in Chapter I.
60. See the interview with the Minister of Justice, Trend, 3 July 2003.

61. This framework is based mainly on the legislation that entails a simplification of ownership transactions (Act 175/1999), investment incentives similar to those in neighbouring countries (Act 565/2001), tax relief (Act 366/1999), job creation and retraining subsidies (amendments to Act 387/1996), support for industrial parks (Act 193/2001), and state aid (Act 434/2001).
62. In addition to SE, the group of strategic companies include entities partly sold to strategic investors (Slovak Gas Company, Transpetrol, Slovak Telecom, Slovak Insurance Company, Slovak Savings Bank) as well as fully state-owned entities (Slovak Water Company, Slovak Post, Slovak Railways and State Forest Enterprises) and state-controlled regional bus operators. The government decided recently to privatise strategic firms on a case-by-case basis, reserving the right to sell all shares. The relevant amendment to the Strategic Companies Act is yet to be approved by Parliament.
63. See Bella and Durkovic (2003) for a detailed discussion. See also "Dispute Between Slovak Telecom and eTel Continues", ISI News, August 2003.
64. See "Ability of Telecommunications Office to Use its New Powers Doubted", ISI News, September 2003.
65. In July 2002, the Telecommunication Office of the Slovak Republic granted Profinet.sk (an internet service provider) a GSM and UMTS license, after it was the only bidder for the combined GSM/UMTS license and thereby becoming the third mobile operator in the country. However, in September 2002 both the GSM and UMTS licenses were revoked as Profinet.sk failed to come up with the first installment of the license fee in time.
66. With an annual consumption of more than 40 GWh.
67. As of 30 June 2003.
68. Actually, some households have apparently experienced large price increases along with deteriorating service standards. The plight of consumers dealing with monopolistic energy distributors has often been described in the Slovak daily press. See *e.g.* "Energetika zostáva monopolom", H*ospodárske noviny*, 7 May 2003.
69. This persuasion by the competition authority was successful in the case of the power industry where the transmission grid was split from the dominant generator and controlling stakes in regional distributors sold to different strategic investors. However, the gas utility (SPP) was privatised as a whole.
70. For instance, this highest court of appeal reversed in June 2003 a competition authority decision detecting an abuse of dominant position by the incumbent telephone operator (ST).
71. This distribution is based on NBS statistics pertaining to newly drawn loans in the non-financial business sector for the first 4 months of 2003. No comparable data are available for earlier periods.
72. For details of the loan programme schemes see National Agency for Development of Small and Medium Enterprises (2002), pp. 46-7.
73. The completion of this project has been time consuming because of consultations and co-operation between existing supervisory authorities.
74. Kontinuita had 5 per cent of the life insurance market in June 2003.
75. The maximum compensation awarded to a car accident victim in Slovakia last year was about 4 times higher than the maximum amounts awarded by courts in Germany or the

United Kingdom, 10 times higher than the maximum amount in Spain and more than 20 times higher than in the Czech Republic. See Trend, 12 June 2003.

76. As of 30 June 2003.
77. In no-fault auto insurance regimes, there is no fault assigned in the case of an accident. The drivers involved submit claims to their own insurance companies and receive immediate compensation from them without any involvement of lawyers, courts and judges. Interpretable damages (pain, emotional distress, etc.) are usually not covered while compensation for injuries is restricted by pre-determined limits. No-fault auto insurance regimes are operated in some states of the US and British Columbia in Canada.
78. The mandatory buyout price cannot be less than the average stock value during the last 6 months preceding the takeover. In the Slovnaft case, the average share value was boosted from SKK 1 093 to SKK 1 379 by a single transaction taking place five days before MOL bought the majority stake. MOL asked Financial Market Authority for the approval of the takeover bid with the price of SKK 1 200 per share; this offer was rejected by the Financial Markets Authority. MOL subsequently asked Financial Market Authority for the approval of the takeover bid with the price of SKK 1 379 and this offer was accepted on 29 October 2003. However, MOL had not initiated the approved takeover bid by December 2003.
79. "Conservative", "Balanced" and "Growth-Oriented" pension funds are distinguished. Funds with higher risks will only be accessible to contributors with a long-term investment horizon, *i.e.* those remote from retirement. Persons near retirement will be allowed to invest in the safest instruments only.
80. Rather than creating a new and necessarily less experienced authority.
81. The previous OECD *Economic Survey of the Slovak Republic* (2002) included a special chapter on the labour market, focussing on high unemployment and the development of human capital.
82. The same ratio in other OECD countries with large government sectors amounts to 14.5 per cent in Spain, 16 per cent in Italy, 18 per cent in Portugal and 18 per cent in Belgium, all below Slovakia. France has a slightly higher ratio at 23 per cent.
83. The share of disability benefit recipients in the working-age population observed in Slovakia exceeds the comparable proportion in the Czech Republic, a country with similar rules, by 3½ percentage points.
84. The Slovak authorities now require at least one verified job application in the two-week reporting period. Many small businesses have reportedly reacted to the influx of unemployed job seekers by refusing to accept their job applications to reduce processing costs; others have started to provide bogus attestations in exchange for illegal side-payments.
85. According to a report prepared by the Trexima company (*www.trexima.sk*) for the Ministry of Labour, Social Affairs and Family, the share of the minimum-wage earners in the final quarter of 2002 ranged from 0.8 per cent in the Bratislava region to 1.5 per cent in the Presov and Trnava regions.
86. 2 per cent of households live in apartments that are subject to rent regulation.
87. See "Informácia o nákladoch na dopravu a ich vplyv na flexibilitu pracovného trhu a územnú mobilitu pracovnej sily" 25.03.2002, *www.employment.gov.sk*.
88. The insufficient capacity of Slovak universities has resulted in growing enrolment of Slovak students in academic programmes available in the neighbouring countries, especially in the Czech Republic. The 1999 bilateral treaty has provided Slovak citi-

zens with non-discriminatory access to Czech universities, which means that they do not pay any tuition fees. Given the absence of a serious language barrier, this has resulted in a rapidly growing number of Slovak university students in the Czech Republic. Improving business environment conditions could motivate many of these students to return home after graduation. In the past, many Slovak graduates found employment in the Czech Republic, taking advantage of the 1993 labour market treaty that provides free access for Slovaks to the Czech job market and *vice versa*.

89. Unfortunately, Slovakia did not participate in the 2000 student performance assessment in 28 OECD countries so that there are no reliable comparative data on the quality of its education system. Results of the 2003 comparative assessment of the OECD countries, including Slovakia, are not available yet.
90. Many Roma have been scholarised in primary education institutions specialised in the education of children with difficulties.
91. See Ministry of Environment (2001).
92. Air pollution issues in the Slovak Republic are discussed in greater detail in OECD (2002a).
93. For example, the cost of air pollution in the EU countries was estimated to be as high as 5 per cent of GDP in the early 1990s.
94. UNECE (United Nations Economic Council for Europe) is the secretariat for the Convention on Long-Range Transboundary Air Pollution. It addressed some environmental problems of the UNECE region and has been extended by eight protocols which identify specific obligations or measures to be taken by Parties and so lays down the general principles of international cooperation for air pollution abatement.
95. Directive "Euro III" No. 98/70 of 2000.
96. This degradation of the fiscal position relates to pensions only. Ageing will put additional pressure on public finances because of increasing health care expenditure.
97. New benefit formula based on "personal wage development points" reflecting the ratio of the employee's wage to the average wage during the contribution history will tighten the link between benefits and contributions.
98. In an early estimation based on simplifying assumptions, the Ministry of Labour and Social Affairs calculated that once the new benefit calculation system becomes fully applicable, up to 4 per cent of retiring men and up to 18 of retiring women may fall in the social safety net and qualify for additional social transfers.
99. Even the increase in pensions by 6 per cent for an additional year of work would not suffice to offset the costs of foregoing pensions for one year and paying contributions at the rate of 28 per cent.

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Table of contents

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Boxes

Tables

Figures

BASIC STATISTICS OF THE SLOVAK REPUBLIC (2002)

THE LAND

Area (sq.km)	49 035	Inhabitants in major cities (end-2001)	
Agricultural area (sq. km)	24 440	Bratislava	428 094
		Kosice	236 036
		Presov	92 720
		Nitra	87 308

THE PEOPLE

Population (thousands)	5 379
Inhabitants per sq. km	110
Average annual population growth (1990-2002, per cent)	0.1
Infant mortality (per thousand live-births, 2000)	8.6
Life expectancy (2000) : Males	69.2
Females	77.4
Registered unemployment, % of the labour force	18.0
LFS unemployment, % of the labour force	18.5
Employees (thousands, Labour Force Survey)	2 127

PRODUCTION

GDP (billion SKK)	1 096.4
GDP per capita (in US$, market exchange rate)	4 406
Gross domestic investment (% of GDP)	29.8

THE GOVERNMENT

		Composition of the National Council of the Slovak	
Per cent of GDP		Republic (elections of September 2002):	
General government revenue	43.6	Movement for a Democratic Slovakia	35
General government expenditure	50.8	Slovak Democratic and Christian Union	27
Public debt	38.2	SMER	24
Official foreign debt of the government		Hungarian Coalition Party	20
and the National Bank of Slovakia	15.3	Christian Democrat movement	15
		Alliance of New Citizen	14
		Communist Party of Slovakia	11

FOREIGN TRADE

Exports of goods and services, % of GDP	71.8	Imports of goods and services, % of GDP	78.9
Main exports of goods, % of total		Main imports of goods, % of total	
Machinery and transport equipment	39.6	Machinery and transport equipment	38.2
Manufactured products	41.0	Manufactured products	28.8
Chemical products	6.9	Chemical products	10.7
Others	12.5	Others	22.3

THE CURRENCY

Monetary unit: Slovak Koruna	
Currency units per US dollar (period average)	
Year 2002	45.3
December 2003	33.5

This Survey is published on the responsibility of the Economic and Development Review Committee of the OECD, which is charged with the examination of the economic situation of member countries.

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The economic situation and policies of The Slovak Republic were reviewed by the Committee on 24 November 2003. The draft report was then revised in the light of the discussions and given final approval as the agreed report of the whole Committee on 16 December 2003.

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The Secretariat's draft report was prepared for the Committee by Rauf Gönenç, Peter Walkenhorst and Jaromir Cekota under the supervision of Yutaka Imai.

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The previous Survey of The Slovak Republic was issued in June 2002.