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Institute for Economic and Social Reforms

SLOVAKIA 2007

Dušan Zachar (ed.)

Evaluation
of Economic
and Social
Measures
(The HESO Project)

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Evaluation of Economic and Social Measures (The HESO Project)

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*THE **HESO** PROJECT*

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*EVALUATION OF
ECONOMIC AND
SOCIAL
MEASURES*

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ECONOMIC AND SOCIAL MEASURES
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**Bratislava
July 2008**

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Dušan Zachar

Project Coordinator 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	1st Quarter of 2008
EUR	1	42.70	41.49	40.05	38.59	37.25	33.78	33.09
USD	1	45.34	36.77	32.26	31.02	29.72	24.71	22.14
CZK	1	1.39	1.30	1.26	1.30	1.31	1.22	1.29

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 2007, the experts expressed their opinions on 637 various measures of the public sector.

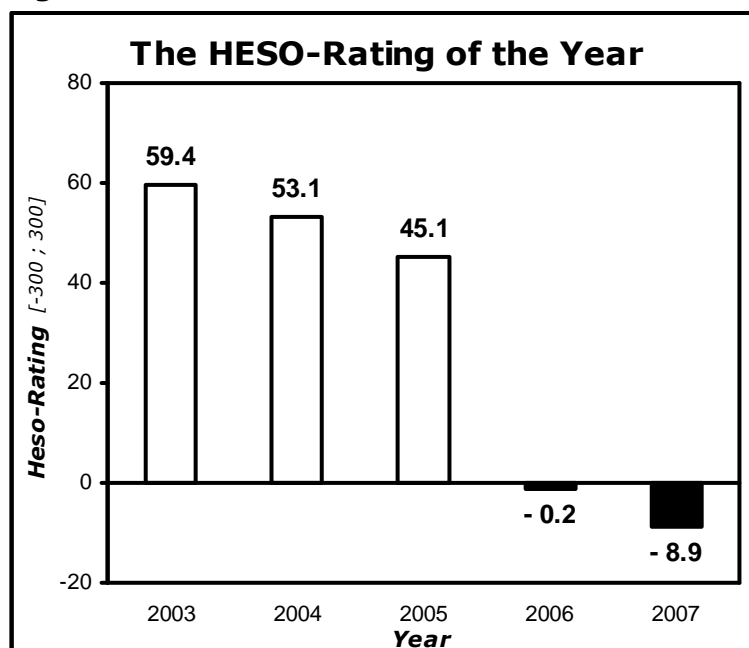
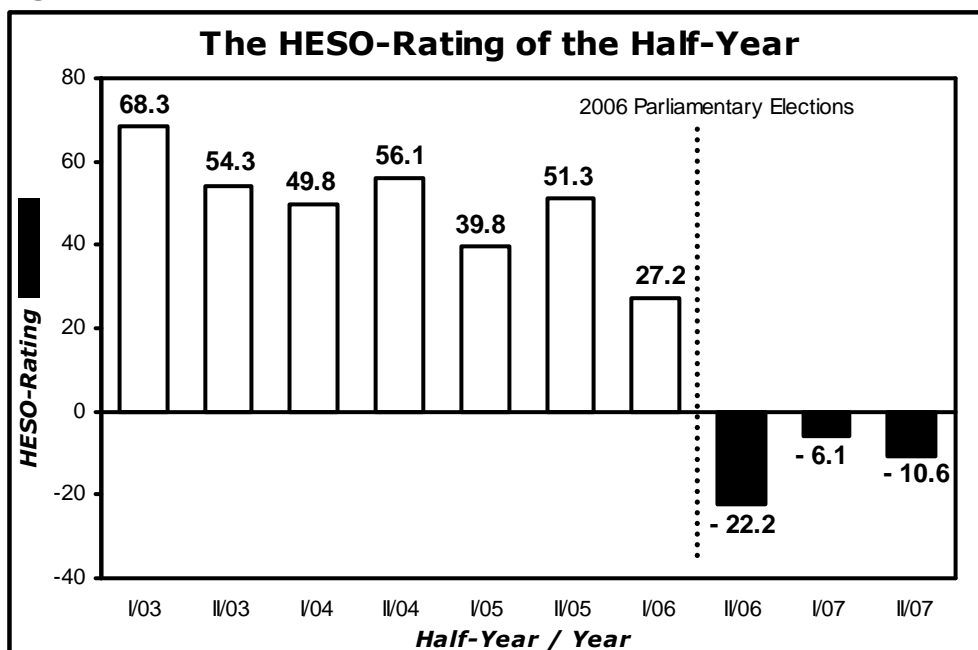
The ambition and the main objective of the HESO Project is not to monitor the development in individual areas of the society completely and in-details nor to provide professional starting points for the action of competent bodies but to regularly provide citizens with the opinion of the expert public 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 *SLOVAKIA 2007* publication that maps the HESO Project results for the period of January – December 2007. It follows six 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 *SLOVAKIA 2007* publication, you will find the description and evaluation of the selected 47 important and/or interesting economic and social measures of the year 2007, which were the subject of the evaluation by 64 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 2007, according to expert opinion, the most beneficial measure was the entry of the Slovak Republic into the Schengen area. The professional public also appreciated free availability of data from the real estate cadastre on the Internet as well as the introduction of electronic services of the Slovak Commercial Registry. Two measures of the Slovak Ministry of Finance achieved a very good rating – the so-called General Act on Euro Introduction and a compulsory programme budgeting for the entire local and regional self-government from 2009 as well as the amendment of the Trade Licensing Act from the Ministry of the Interior which created single points of contact ("one stop shops") at Trade Licensing Offices.

Unfortunately, up to 60% of the evaluated measures from 2007 obtained negative ratings from the professional public. The Act of the Ministry of Transport, Posts and Telecommunications of the Slovak Republic, which allowed the commencement of construction of parts of certain highways sectors on non-repurchased or non-deprived lands without the approval of the owners, was expressly highlighted as the most harmful measure of 2007. However, according to the evaluating experts, the Ministry of Labour, Social Affairs and Family and the Ministry of Health were responsible for the highest number of unfavourable measures. These included the Labour Code amendment, the prohibition of profit for health insurance companies, the introduction of voluntary entry and exit into/from the second pension pillar, and the extension of the minimum period for pension saving from 10 to 15 years, then extending obligations from a higher-level collective agreement to employers who neither signed it nor agreed with it, termination of the transformation process of state medical facilities to joint stock companies, introduction of new obligations for entrepreneurs regarding the working health service, increase of the maximum assessment base for social security contributions, renewal of compulsory recommendations from a general practitioner as a prerequisite for examination by a specialist, etc.

The year of 2007 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 acceptance (the level of consent or quality) of the implemented economic and social measures from the side of the evaluating experts which led to negative HESO-Rating values of all half-years (*see Figure 2 on next page*).

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. 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, Slovak Radio and Television, National Bank of Slovakia, Antimonopoly Office, Telecommunications Office, Financial Market Authority, Office for Public Procurement, 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 2007 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 of the measure for the 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 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 50% 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. 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 SELECTED ECONOMIC AND SOCIAL MEASURES – 1ST HALF OF 2007

(Note: The evaluation of measures represent opinions and views of the HESO Experts' Committee members and do not necessarily reflect the views of their employers or any organisations of which they are members, nor the views of INEKO.)

HESO – Evaluation of Economic and Social Measures – 1st Half of 2007					
Measures Ranked by HESO-Rating Values (i.e. Contribution to the Economic and Social Development)		HESO-RATING [-300;300]	Quality [-3 ; 3]	Importance %	See Page No.
1.	Compulsory programme budgeting for all local and regional self-governments by 2009 (Amendment of the Act on Budgetary Rules of the Local and Regional Self-Government)	71.1	1.76	40.4	<i>p. 13</i>
2.	Amendment of the Trade Licensing Act (creating single points of contact at Trade Licensing Offices; only one business activity per trade licence; SKK 100 for its issue; releasing of conditions (education and length of experience) for establishment of handicraft business)	65.8	1.60	41.3	<i>p. 15</i>
3.	Decrease in interest rates of the National Bank of Slovakia by 0.25% in March and by 0.25% in April (basic interest rate – 4.25% effective from April 25, 2007)	44.6	1.11	40.0	-
4.	Act on Food (tightening of control and sanctions in the area of food quality protection; increase of penalties for violation of food quality up to SKK 50m)	43.0	1.08	39.8	-
5.	Amendment of the Act on Archives and Registries (narrowing of registry obligations for entrepreneurs; general cancellation of the obligation to create a registry plan; obligation to create a registry plan for medium and large enterprises only)	38.3	1.32	29.0	-
6.	Pre-school education concept (the state will pay a monthly contribution of approximately SKK 380 per child in the last grade of kindergarten – annual costs up to SKK 290m; retention of voluntary kindergarten attendance for children under 5; transfer of kindergartens from the category of school facilities to the category of schools)	23.4	0.71	33.0	-
7.	Act on digital transmission (legislative framework for digital transmission; possibility for TV stations to broadcast via analogue until the end of 2011; holders of a valid analogue licence have preferential rights to a digital licence; creation of a statutory multiplex)	14.2	0.38	37.4	-
8.	Cancellation of regional offices and transfer of their competencies and employees to district offices and appropriate ministries (savings of 151 job positions; expected savings of SKK 78.6m by the end of 2009)	13.3	0.49	27.2	-
9.	State investment support for households to purchase solar collectors and boilers for biomass (SKK 100m annually; average subsidy for a household SKK 18,000 for solar collectors and SKK 25,000 for a biomass boiler)	9.8	0.41	24.0	<i>p. 17</i>

10.	General pardon II for debtors of concessionary fees of the Slovak Radio and Slovak Television (remission of interest for those who pay outstanding concessionary fees by February 20, 2006 if the previous general pardon has not applied to them)	6.3	0.23	26.7	-
11.	Approval of more than SKK 1bn for reconstruction, modernising and finishing of construction of the Slovak National Gallery in Bratislava by the end of 2013	6.1	0.28	21.6	-
12.	University Act Amendment (introduction of fees for a portion of external students; limiting the number of external students; possibility of drawing loans for universities; register of university employees; obligation to establish academic senates for private universities)	-18.3	-0.44	41.9	<i>p. 19</i>
13.	Renewal of the Act on Tripartite (renewal of the social dialogue formalised by the Act; establishment of the Economic and Social Board of the Slovak Republic as a consultancy and negotiation body of the government and social partners)	-27.6	-0.68	40.6	<i>p. 22</i>
14.	Extending the circle of managers in public administration that can be withdrawn without providing a reason (withdrawn officers do not have to be in direct management responsibility of political nominees; amendment of the Civil Service Act)	-31.8	-1.14	27.8	-
15.	A privilege tariff for delivery of natural gas for seniors over 65 years of age (average annual savings per pensioner of SKK 600)	-34.7	-1.61	21.6	<i>p. 25</i>
16.	Postponement of the effective date for deregulation of rental apartments in restored buildings and buildings in the property of municipalities from 1 July 2007 to 31 December 2008	-37.4	-1.44	26.0	-
17.	Amendment of the Act on Forests (relaxation of conditions for wood extraction; prohibition of cycling and horse riding outside marked routes and paths)	-38.0	-1.45	26.2	-
18.	Amendment of the Act on Regulation of Network Industries (greater state influence on staffing of the Regulatory Office; extension of price regulation possibilities)	-60.1	-1.20	50.1	<i>p. 27</i>
19.	Extending the obligations of high level collective agreements to employers who have not signed them and do not agree with them (amendment to the Act on Collective Bargaining)	-93.7	-2.19	42.8	<i>p. 29</i>
20.	Amendment of the Labour Code (strengthening of employee protection and position of trade unions in companies)	-116.0	-1.87	62.0	<i>p. 32</i>
HESO-Rating / Quality / Importance of Measures of the 1st Half of 2007		-6.1	-0.14	35.0	

Note: Measures which are mentioned and described in this publication are **bold**.

General Evaluation by Juraj Renčko: Legislative amendments are being prepared on an ideological basis without evaluating the impact of individual measures. Developed countries have been trying to implement the Regulatory Impact Assessment for several years. But interest in implementing this type of mechanism is not evident in Slovakia; ad hoc measures formulated on the basis of ideological (socialistic) platforms prevail. The legislative process often lacks transparency as serious legislative changes are accepted in the form of amendments to non-related Acts (e.g. The Act on Tripartite), or without sufficient evaluation of social partners.

Compulsory programme budgeting for all local and regional self-governments by 2009 (Amendment of the Act on Budgetary Rules of the Local and Regional Self-Government)

Submitted by: Ministry of Finance of the Slovak Republic

Intention of the Measure: To create a legislative framework for the implementation of programme budgeting in individual phases of the budgeting process as well as in the budgets of local and regional self-government; from the preparation, realisation, monitoring and evaluation stages of the programmes.

Contents of the Measure:

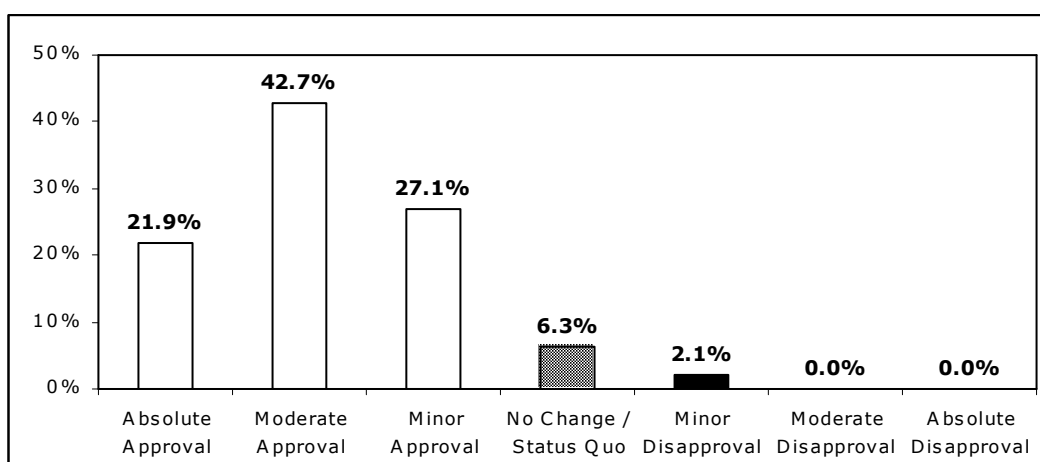
- By 2009, local and regional self-governments (villages, towns and higher territorial units (VÚC)) will have an obligation to formulate budgets in the form of programme budgeting – budgets of municipalities and higher territorial units will have to contain intentions and objectives that will be realised from their budget expenditures (municipality/ higher territorial unit programmes).
- Municipality/higher territorial units' programmes will contain intentions and objectives expressing the hierarchy of impacts, results and outputs of activities. Intentions are a form for expressing the expected positive impact of the long-term fulfilment of targets. They represent the highest strategic level, visions of where the municipality/higher territorial unit is heading. Objectives are a form for expressing the particular results and outputs that must be achieved in order to meet the intention.
- Municipalities and higher territorial units will be obliged to monitor and evaluate the fulfilment of their programmes during the year. Fulfilment of the evaluation of end-of-the-year programmes will contain the final account of a municipality or higher territorial unit.

Opinions of Proponents from Media Sources:

- Implementation of modern financial management methods will create conditions for more transparent and efficient management in local and regional self-government. The amendment moves the budgeting of local and regional governments to a significantly higher level.
- Local and regional self-government has obtained very important competencies together with a significant amount of money within fiscal decentralisation. Therefore, citizens are entitled to know for which purpose (what projects, programmes) the public funds in municipalities or higher territorial units are used.
- Citizens have obtained a tool for more efficient control of local and regional self-government in the area of public funds utilisation or fulfilment of set targets.
- Officers of local and regional self-government have obtained a management tool for obtaining feedback on the fulfilment of objectives, knowledge on the effectiveness of the objectives of individual programmes as well as information on the efficiency of utilisation of public funds – prerequisites for better strategic planning and decision-making in favour of people's needs.
- Another important step in the reform of public finance management that will significantly strengthen the dimension of multi-year public administration budgeting as the timeframe for several projects is longer than one year.

Opinions of Opponents from Media Sources:

- Application of programme budgeting in practice by local and regional self-government can be problematic. Even central state administrative bodies struggle with the implementation of programme budgeting despite the fact that this type of budgeting has been used in the Slovak Republic for more than three years
- It is questionable whether behaviour or management of self-government bodies will change in reality – programmes in several municipalities will only function formally for a long time if they are created in a forced and artificial way and mayors will not be persuaded of the benefits of such a form of budgeting.
- Uncertainty regarding the ability of smaller municipalities to implement programme budgeting in conditions of a multi-year budgetary framework – it can also lead to an increase in their administrative burden.

Evaluation of the HESO Experts' Committee:

Juraj Renčko: The measure will strengthen the transparency of local and regional self-government finance and will support the feeling of responsibility of regional politicians towards their electors. Programme budgeting (in other words "budgeting oriented on results") is a general trend in countries with developed economies. However, its real implementation is very difficult as it requires a significant change in the thinking of stakeholders. Programme budgeting has stopped half-way at the central level (strategic planning is not sufficiently connected to allocation of budget resources), so it is questionable whether it will also remain formal at the regional level.

Juraj Nemec: The introduction of programme budgeting is a necessary step towards increased efficiency of public expenses. I agree with the opinion that it has not yet been mastered at the central level but that does not mean that programme budgeting is bad.

Eugen Jurzyca: There is no doubt that the budgets of local and regional self-governments need to become more transparent and efficient. Financial problems of local and regional government are the problems of the whole country.

Milan Velecký: Programme budgeting is very efficient. It is possible that it will cause certain problems for the smallest municipalities but (according to the overall experience) it is more important to solve the existence of the smallest municipalities themselves. For example, amalgamating them into larger municipalities.

Mária Machová: Programme budgeting is only starting in Slovakia. Surely, it is suitable for application within local and regional government but definitely not in the form of an obligation. At first it is necessary to clearly prove the efficiency of this form of budgeting at the level of central state administration bodies and then it will not be necessary to solve anything through legislation.

Igor Hornák: When successful, it can be a significant step towards standardisation of planning within general government. The measure should probably be implemented gradually starting with larger units and ending with smaller ones.

Rural Parliament of Slovakia: It has great educational importance. But the powers of local and regional government by utilisation of public finance should not be limited.

Igor Hurčík: Great! Really.

Jaroslav Vokoun: „It must be clean here”, said a grandmother and kicked... Lots of municipalities do not master their competencies and are liable to pressure from interest groups. So far the only protection is an election cycle. As we speak about huge money, any pressure on efficiency, specificity, transparency ... is good.

Igor Daniš: An important measure but it should not grow into a planning process.

Amendment of the Trade Licensing Act (creating single points of contact at Trade Licensing Offices; only one business activity per trade licence; SKK 100 for its issue; releasing of conditions (education and length of experience) for establishment of handicraft business)

Submitted by: Ministry of Interior of the Slovak Republic

Intention of the Measure: To liberalise conditions for doing business; to create a network of single points of contact that will create prerequisites for the simplification of administrative procedures and for improved services provided to entrepreneurs by starting the business; to change the amount of administrative fees by filing a business and concession.

Contents of the Measure:

- Creation of Single Points of Contact (JKM) (resulting from the EU Directive on Services at the Internal Market).
- The task of JKM is to concentrate administrative acts connected to the establishment of a business at one place – receiving a summary from the Punishment Registry; obligatory submittal of the application for tax registration at the Tax Office and the application for obligatory public health insurance will be submitted by Trade Licence Offices instead of entrepreneurs via direct electronic communication with the appropriate bodies.
- JKM further provides information on general and special conditions for running a trade licence, on procedures related to obtaining a trade licence, on contacts for state administration bodies, on the possibility of access to public registries with databases of service providers, etc.
- All JKM tasks will be carried out within the current operating facilities of district (trade licence) offices .
- In the Czech Republic, the introduction of JKM decreased the administration burden of starting a business (expressed in hours spent on the way to the office and by the process of establishment) from 11 to 3 hours .
- A trade licence may contain only one business activity (so far without limitation); if an entrepreneur wants to perform more business activities he/she will need a separate trade licence to each activity.
- The cost for issuing a free business licence is SKK 100 (currently SKK 1,000 for an unlimited number of business activities), for a handicraft business licence or business licence requiring professional qualification it is SKK 500 (currently SKK 1,000), for issuing a concession list it is SKK 1,000 (currently SKK 2,000).
- Issuing a trade licence or concession list within 5 working days (currently 7 days).
- Incorporation of the EU Directive on Recognition of Professional Qualifications – previously-required length of three-year experience by handicraft business is reduced to one year with education in related specialisations (experience within the industry) or two years (with experience in a related industry), while the school leaving exam certificate from the post-graduate studies with one or two years of practical experience will also serve as a certificate of professional qualification; persons with at least 10 years of experience, of which a maximum of 3 years have lapsed, will also be able to obtain a handicraft business licence without the appropriate education .
- A total of 560,000 subjects with a trade licence were registered as of June 30th, 2007.

Opinions of Proponents from Media Sources:

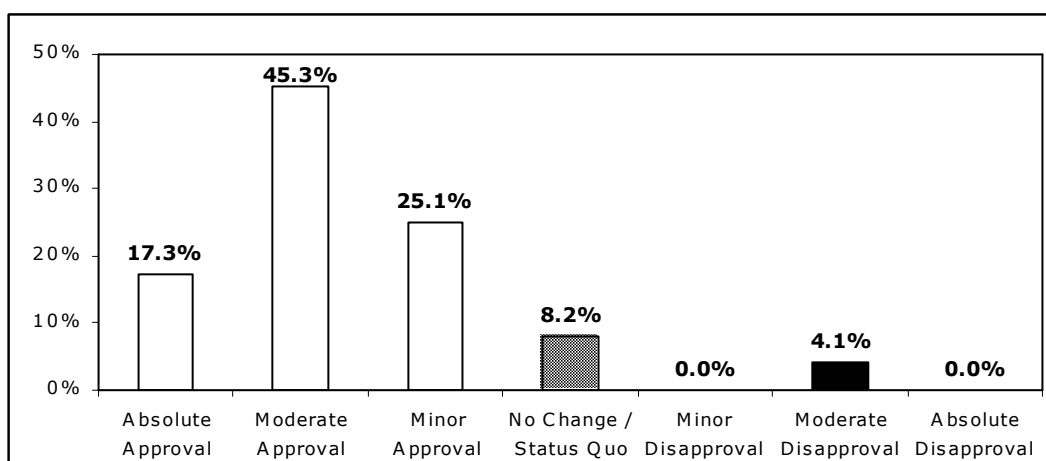
- The creation of a network of single points of contact will lead to an improvement of services provided to entrepreneurs by the establishment of their business as well as during its operation, to easier and more efficient access to the Slovak market for both Slovak and foreign entrepreneurs.
- A significant decrease in the administrative burden when starting business – all formalities will be settled at one place with the one-time stating of personal information and document submission.
- In connection with the limitation of the number of business activities stated on the trade licence, an administrative fee for its issue has been decreased.
- Several (often 50-60) unrelated business activities on one trade licence contributed to non-transparency and lower trustworthiness of Slovak traders abroad.
- The introduction of fees for each business activity will clear the number of valid trade licences with business activities that are really carried out while entrepreneurs (eight business activities per trade licence) will save with the issue of the average trade licence.
- Reducing the number of lists of business activities carried out on the basis of a trade licence from six to three (handicraft, requiring professional qualification, concessions) will simplify and, in some areas, also converge conditions for recognising professional qualifications.
- Liberalisation of conditions for opening a handicraft business.
- The measure will contribute to the creation of new jobs.
- The measure does not place increased demands on public finance as all JKM tasks will be carried out within the current operating premises of district (trade licence) offices.

- There will be a positive impact on citizens, business and an increase of the country's competitiveness especially through the opening of the European market with services and the removal of legislative and administrative barriers for free flow of services.

Opinions of Opponents from Media Sources:

- Filing of only one business activity per trade licence will make the useless issuing of trade licenses more expensive for the state as well as for the entities with more than 10 trade licences in the form of increased administrative fees.
- Each sole trader can judge by themselves whether they are reliable or not and, with a higher number of business activities, they do not require orders from the state in this area.
- Creation of a JKM network can lead to an increased number of officers at district offices.
- Reducing conditions for education and length of experience for handicraft traders will result in a lower quality of services in this industry and in worsening of the image of craftsmen.

Evaluation of the HESO Experts' Committee:



Luboš Vagač: This is probably the most positive measure of the current Government in the area of improving conditions for doing business. After system adjustments the single points of contact and more liberal issuing of permission can significantly decrease the administrative burden for small businesses.

Tomáš Dudáš: It is probably the best measure of the recent period. Introduction of single points of contact will accelerate bureaucracy by business establishment; start up businesses will have a simpler life. The only small deficiency of the amendment is a relatively useless limitation to one business activity per one trade licence.

Juraj Nemec: The measure contains one very positive element – the creation of so-called One Stop Shops, which are a rule all around us. Implementation of the principle that information already stored in the public administration information system may not be required again from a citizen/business should follow.

Jozef Orgonáš: Single points of contact are okay, but I do not believe that only one business activity on a trade licence is fine. Arguments of interpreters have not been sufficient. On the other hand, a trade licence with more than 10 business activities becomes unreliable.

Martin Jaroš: Efforts to simplify administrative procedures are agreeable but I do not understand limiting the number of business activities to one per trade licence.

Miroslav Siváček: A good step. I believe that tax offices will approach the recognition of expenses connected to business more benevolently related to a decrease in the number of business activities on a trade licence. The necessity to link expenses to a business activity has been a reason for their higher number.

Rural Parliament of Slovakia: Stuffed trade licences were quite funny. Education and experience are important for carrying out a professional business but they should be a prerequisite only for issuing licences for specialised activities and for the approval of operations allocation.

Radoslav Procházka: Formal and material simplification of access to the market for traders is good by itself, the market will take care of the rest. Reduction of a trade licence to one business activity proves that the state still does not trust the market as much as it could.

Richard Ďurana: The amendment will mean savings for many; it will mean increased costs for collectors of business activities. Therefore, I assess the Government's decision positively. Fiscal stamps represent a barrier for people mastering exactly one handicraft (e.g. hairdressers or car

mechanics). When protecting customers against the services of non-qualified craftsmen (it still takes education or experience into consideration) we always forget the fact that the market generates its own alternatives for informing customers. Starting with references from relatives ending with certification by private organisations focused on quality assessment. So one barrier is still left and it is useless because traders take responsibility for the work provided and they have to provide guarantee for realised services.

Vítězslav Palásek: The amendment of the Trade Licensing Act simplifies the process of handicraft business establishment by releasing prerequisites. This makes it more accessible for people interested in more simple handicrafts who were often distracted by even thinking of the necessary administration. The submitter should leave the care for quality of businesses to market forces, at least in a micro-economic customer-versus-trader relationship environment.

Juraj Renčko: Simplifies business, decreases the administrative burden by business registration, and also decreases formal requirements for assignment of a handicraft business licence in favour of proven experience.

Igor Hornák: In general I agree with the measure as it aims towards simplifying processes.

Eugen Jurzyca: One of few steps improving the business environment. Surprisingly, it does not come from the Ministry of Economy.

Mária Machová: I think that, despite some questionable parts (releasing of prerequisites), it will bring benefits to trade business.

Jaroslav Vokoun: It is necessary to mention that this is an EU initiative. Without EU pressure only a few changes would take place in Slovakia. Order makes friends and this measure contributes to it. I would not worry about poorer quality of craftsmanship. We already have enough bad experiences with the professionalism of craftsmen so, for sake of the market economy development, we can surely cope with a little more.

State investment support for households to purchase solar collectors and boilers for biomass (SKK 100m annually; average subsidy for a household SKK 18,000 for solar collectors and SKK 25,000 for a biomass boiler)

Submitted by: Ministry of Economy of the Slovak Republic

Intention of the Measure: To increase the utilisation of renewable energy sources in the Slovak Republic.

Contents of the Measure:

- For natural entities who will decide to mount **solar collectors**, the proposed amount of the state investment support is SKK 3,000 per m² of the installed collector area up to the size of 8 m²; in case of bigger solar facilities the subsidy can be up to SKK 24,000 plus SKK 1,500 per 1 m² above 8 m² of the installed collector area from 1 January, 2008.
- The subsidy should be provided to everybody who meets the programme's conditions. If funds are drawn out for one year, the subsidies for approved applications will be paid in the following budget year.
- The first applications for subsidies to purchase sun collectors can be submitted in October 2007 while the first payments will start in March 2008 at the earliest.
- Total annual amount of state support for solar collectors – SKK 75m.
- Based on current pricing, approximately SKK 100,000 (excluded VAT) for a turn-key delivery of the most used type of solar device for hot water preparation for family houses with the area of 6 m², the state subsidy will cover costs in the amount of SKK 18,000 – approximate costs for VAT (SKK 19,000).
- State support for households to install devices utilising biomass for heat generation – a subsidy of 25% per **biomass boiler** (pellets, briquette, chips).
- The plan to install 1,000 pieces with an average price of SKK 100,000/boiler.
- Total annual amount of state support for biomass boilers – SKK 25m
- The programme for higher utilisation of biomass and solar energy should last until 2015.
- European leaders committed at the EU summit in March 2007 that the European Union will produce 20% of energy from renewable sources until 2020.

Opinions of Proponents from Media Sources:

- Positive impact on environment.
- Conditions for higher utilisation of renewable energy sources by production of electricity and heat are being created – the percentage of utilising so-called utilisable renewable resources potential in Slovakia is very low compared to developed western countries.
- Diversification of resources, reduction of greenhouse gasses and harmful extracts emissions,

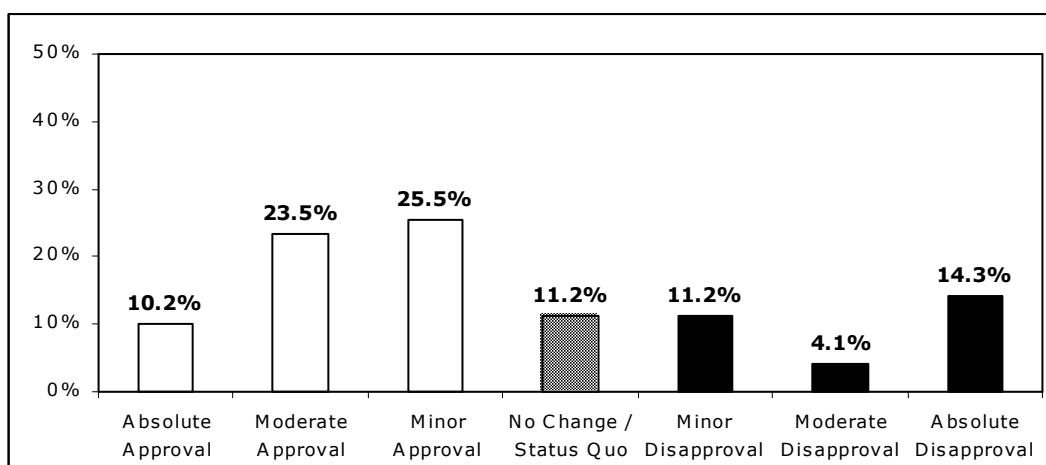
cushioning of energy price increases.

- The quality of people's lives will be increased by the implementation of environmentally friendly and new quality devices.
- Utilisation of state support will reduce the time necessary for the return of solar systems' installation costs.
- There is a production of high-quality solar collectors in Slovakia together with qualified workforce in the electronic industry. Only minimum operating costs are generated by the production of solar energy.
- Employment will be increased and the measure will finally have a positive effect on public finance.
- Larger utilisation of biomass will contribute to the development of the countryside and agriculture.
- A solar system is convenient as it can work with low or no accumulation of heat.
- State subsidies are approximately in the amount of VAT paid for solar collectors, or biomass boilers, so the measure can be financially neutral towards the state budget.

Opinions of Opponents from Media Sources:

- Low efficiency of solar energy conversion to electricity, high investment costs and long return on investment period – the utilisation of solar energy for production of electricity is therefore inefficient.
- State support for utilisation of solar energy or biomass is a typical example of selective support for one market segment at the expense of others – it is discrimination.
- A big disadvantage of solar devices is that they cannot be used as a self-existent source of heat.
- The main potential for solar energy utilisation development is represented by family houses and blocks of flats but there are old-fashioned heating systems in most of them and, therefore, it is necessary to invest in a new system or they will not meet the condition of sufficient heat insulation of the building – efficient utilisation of the solar system therefore comes into consideration only for new or renovated buildings but they represent a minority.
- The measure is more in accordance with political marketing of the SMER-SD party as with real support (what does SKK 100m mean?). For example, in the Czech Republic the state pays almost half of the costs to citizens and in several Western European countries the subsidy covers almost two-thirds of costs.

Evaluation of the HESO Experts' Committee:



Richard Ďurana: It is a non-systemic measure that violates the market environment and selectively supports only a portion of the market's players. We can see where the subsidies for production of bio fuels can lead with the current dramatic growth in prices for some basic foods. The real impact on the environment is also questionable.

Miroslav Siváček: Selective support deforms the market and creates a trap for the future. If the support is terminated in future, the demand for technology will change dramatically and, similarly, the return on investments of their production. If not, it will probably grow and in several years the generous support for utilisation of alternative resources can reach the status of the unfortunate agricultural subsidies. And, by the way, it is possible to assume that investment in modern technology will be mostly used by socially stronger groups of households.

Igor Hornák: It is a usual form of motivation but on the other side (SKK 100 m annually is probably not significant) it can deform the market. This happened, for example, in Germany where subsidies for solar elements deformed the market and stopped innovations by producers and in other energy segments. A more significant step in the area of energy efficiency would be to unlock the energy market. I would rather not comment on the support from the European Union because I generally refute this bureaucratic system of redistribution.

Eugen Jurzyca: It is easy to make promises if a man does not know that he lives in a world of limited resources. Today we see that the state did not have money for these subsidies. So we can see that it is not possible to command the wind, rain or the lack of resources only by concepts and law.

Luboš Vagač: The level of support is more or less symbolised by current costs. If the Government wants to support utilisation of renewable energy resources, it would be better off making a detailed analysis of costs and benefits and adjusting the subsidies according to it. Other forms of "saving" non-renewable resources such as thermal pumps, ecologic sewage tanks also deserve attention.

Juraj Renčko: It is a step in the right direction because it supports demand, not supply. But the total volume of funds is very low as well as the amount of subsidy for one household. The solar energy systems are preferable but they are (in addition in our climate conditions) less economically efficient. Solar energy and biomass are not the only renewable energy sources (small hydroelectric plants, biogas, bio ethanol and biodiesel ...). There is a lack of stability on the part of the producers, especially in the form of long-term rules for setting the prices for energy from renewable resources. It is not clear how and to what extent it will be possible to use EU funds to support renewable energy sources.

Tomáš Dudáš: It is a step in the right direction but SKK 100m annually is only a token amount. Support for renewable energy resources should be among the priorities of every developed society.

Jaroslav Vokoun: I agree with opponents only with the fact that the allocated amount is symbolic and I believe that it will grow in future. However it is still great progress compared to what had been shown by the former Government in the area of non-traditional energy resources support. The word discrimination does not suit for any type of politics. If you want to make a change, somebody will be always discriminated against. And only the ones who see only current prices can speak about inefficiency. Lots of things are not incorporated in these prices because we happily live at the expense of future generations – and this is real discrimination.

Jozef Orgonáš: A good solution but there is a question whether the state will be able to allocate more funds to this area!

Rural Parliament of Slovakia: The education impact of this lower efficiency is important.

Juraj Nemec: It could be useful.

Anonymous comment*: The first steps in the area of utilisation support for renewable resources utilisation should be appreciated.

Igor Hurčík: Too little, too late.

Mária Machová: I cannot judge it but to make a hole in the issue of renewable sources utilisation, SKK 100m seems too little to me. But better something than nothing.

University Act Amendment (introduction of fees for a portion of external students; limiting the number of external students; possibility of drawing loans for universities; register of university employees; obligation to establish academic senates for private universities)

Submitted by: Ministry of Education of the Slovak Republic

Intention of the Measure: To adjust the position of universities in connection with the needs of the information society; to increase quality of university education.

Contents of the Measure:

- Universities are allowed to ask a portion of external students for tuition; a university will determine which educational programmes it will cover for free and how many students it plans to accept until October 31st of the relevant year; the Ministry of Education of the Slovak Republic will determine the limits of financial funds for individual universities to ensure education on the basis of certain criteria (number of students, quality, economic costs, employment of graduates); if a university accepts more external students than it is able to support from these subsidies, it can ask them for tuition.
- A maximum annual tuition amount for the relevant academic year will be issued by the Slovak Ministry of Education in the form of a measure on the basis of real costs; the tuition may not be higher than the costs for studies for the specified educational programme.
- The possibility of obtaining a loan from the Student Loan Fund for external students.

* The respondent did not wish to be named.

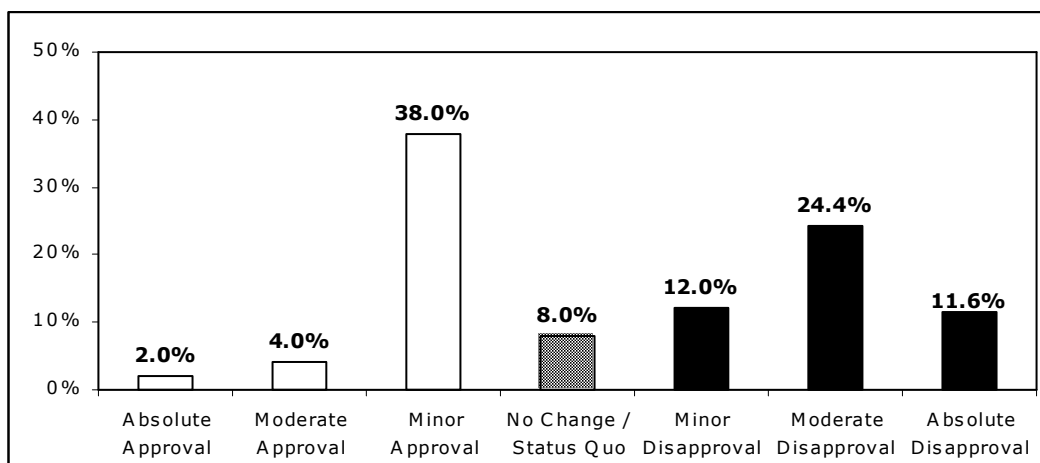
- A university can accept, at the most, the same amount of applicants for the external form of education in one academic year as it will accept in the relevant academic year for the daily form of education – only specialised colleges can have an exception.
- Tuition for each following year of study will be compulsory for the following daily and external students:
 - Those studying simultaneously at other educational programmes provided by a public university.
 - Studying an educational programme provided by a public university longer than its standard defined length.
- Public universities will be able to draw financial funds from bank loans if the total amount of the public university debt does not exceed 60% of real revenue in the previous budgetary year and if the amount of annual instalments does not exceed 25% of the real revenue in the previous budgetary year.
- The category of research universities is cancelled. New categories of universities are as follows:
 - Universities (colleges providing postgraduate educational programmes connected to their results in science in a significant extent)
 - Colleges
 - Special Colleges (colleges providing bachelor's degree educational programmes)
- The amendment requires private universities to have academic senates and convocations in the same form as at public universities; academic senates will approve critical documents related to development and the activities of a private university.
- Introduces the registry of university employees.
- The amendment allows the creation of new specialised workplaces of science and research at public universities dedicated especially to the transfer of knowledge into the society and support of legal entities dealing with research and development; the measure represents the basis for legislative adjustment of the supporting financial mechanism for this type of institutions in other legal acts.

Opinions of Proponents from Media Sources:

- The amendment can equalise private and public universities as they will be able to partially require payment for external education, they would be able to get loans, establish common workplaces, centres of excellence and incubators.
- The measure allows universities to require payment from external student that would otherwise rely on external organisations and various foundations.
- Introduction of the registry of university employees will help to eliminate the problem of so-called "flying professors" guaranteeing several programmes at the same time and will ensure information on universities in real time.
- The amendment of the Universities Act will increase the level of university education by creating space to obtain other financial funds.
- Creating specialised workplaces for science and research will have a positive impact by transitioning to an economy oriented on production with higher added value.

Opinions of Opponents from Media Sources:

- The measure does not solve questions of daily studies; it does not bring systematic solutions that would really increase the quality of university education.
- The amendment introduces central planning for determining prices for university education; the state will determine the level of subsidies to universities as well as how much money they can get from tuition.
- An obligation to establish academic senates for private universities and the right of their members to decide about strategic intentions of private universities violates the right of private investors to freely dispose of their property and to protect it.
- Cancellation of the principle of equal access to education; the approved amendment allows the parallel existence of paying and non-paying external students at the same school.
- The amendment does not provide sufficient guarantees for closing currently valid contracts that have been closed with external students so far by various associations, foundations and federations; from this point it still allows illegal payments for this form of education.

Evaluation of the HESO Experts' Committee:

Tomáš Dudáš: The amendment of the University Act is a wasted chance to improve the condition of Slovak universities, which fall significantly behind the world's best universities. The amendment unnecessarily creates castes of paying and non-paying external students while many basic principles in the area of tuition are still unclear. It is interesting that daily education remains free of charge and tuition has been introduced only in the area of external education that is usually worse (in terms of quality) than daily education.

Luboš Vagač: Non-transparent tuition conditions for a portion of external students and unequal conditions for daily and external students represent big minuses. The Government tries to avoid tuition for daily studies but this will be inevitable sooner or later in order to increase the quality of university education.

Igor Hurčík: A dual and discriminatory system.

Jozef Orgonáš: Education should be available equally for all students, i.e. everybody has to pay – including daily students. It will bring better education, students will determine the quality, not the school and this is the most important fact.

Richard Ďurana: External as well as daily studies should be paid for. This would create a space for better financing of schools as well as the pressure on quality of education. Education has value and everything that has a value has to have a price. I see no reason why citizens without university education should "collect money" for the education of university students.

Igor Hornák: I agree with tuition fees. Viewing education as an investment with an expected return will contribute to better allocation of the workforce among the specialised fields.

Rural Parliament of Slovakia: Optional education in a form of daily studies should not be paid for by the state. University education is an investment and it should be paid for by an investor. Those who do not have enough funds to pay should apply for a loan as they would with other investments. The social problem can be solved by scholarships. If education is free, quality becomes less important. With paid education the market economy would disqualify schools with bad quality. Our students get qualifications for free and the benefit is then utilised by their foreign employers. If academic senates continue in their current operation as they do at public universities (being tributary to rectors or deans), they will solve nothing. A rector and dean should be elected by the whole academic community, including students.

Eugen Jurzyca: This is the first step towards inevitable payment for university education in our country. It's a pity that, for pseudo-ideological reasons, the act does not prevent the best and poorest students from paying the same as the worst and richest.

Miroslav Siváček: Asymmetrical introduction of fees handicaps external students. This group contains a higher number of socially weak students.

Juraj Nemec: The amendment of the University Act does not solve the principal problems of university education whose quality is going down continually. University graduates should be comparable with university graduates from other EU countries but basic prerequisites are missing to fulfil this target. Public universities are up to 90% dependent on subsidies from the state budget which is an unbearable situation, for several reasons:

- Low participation in projects with real job experience due to the dominance of theoretical education.
 - Low subsidies per student (the number of students has grown in a short time almost by 100% while the total amount of resources in terms of % of GDP has decreased).
 - Obtaining university education brings benefits for students.
- The system got "looped" and it will be difficult to solve it effectively.

Juraj Renčko: The amendment solves a partial problem (payments for external studies going to external organisations and not to the budgets). It is not clear how this amendment contributes to the intention of this measure – adjust the position of universities in relation to needs of the information society.

Mária Machová: I consider this whole amendment to be a non-systemic failure. Never in the history of independent Slovakia has there been such a chance for significantly higher support of the whole education system and science by the state. So far this chance has been wasted in a criminal manner. I consider this to be one of the biggest mistakes of the current government coalition.

Robert Žitňanský: Nonsensical administrative interventions (ratio of external/internal students), significant strengthening of rectors' powers and selective tuition for external studies (without establishment of a functioning loan network) do not reflect the real problems of the Slovak education system, will not contribute to improving its frequently very poor quality and prestige and represents a waste of time, the impact of which will be felt by all of society for a long time.

Igor Daniš: Regarding the aspect of fairness when speaking about financing of external studies, it is a step known in other countries: those who are not knowledgeable enough to go through the sifter for limited free education shall pay for it in the form of external studies and they have the option to study further. In other cases the only solution is multiple coverage of lecturers and professors at various universities that ensure only their power in specialisations, not the quality of education. Even the competition was limited this way, which is nevertheless extremely low, especially in social and human sciences. Their level responds to this fact. But who cares? The diploma is important not the fact that you learn something. A basic step of the university system reform is to respect separation of studies to bachelor's and master's degree based on the difficulty (exactly the opposite is valid in Slovakia), as well as their recognition in social practice.

Radoslav Štefančík: Payments for external studies should have originally led to higher transparency in finances collected by universities from students according to the Prime Minister. According to him, this way private companies earn money from university students. As if he purposefully overlooked the fact that these "non-profit associations" were established by universities in order to increase the average monthly income of their teachers. In this case the Government should not ask how but rather why universities collected fees from external students. And the answer would be simple. Until university teachers (even after the habilitation procedure) earn the same (or even less) than an average bank employee with secondary school education and one year of experience, universities will always search for ways to bypass the regulation that will bring them this source of revenue.

Jaroslav Vokoun: The word justice is very problematic. In this case I understand the changes as a process and I view the payments for external studies as a step on the road towards a change in perceiving university education.

Vítězslav Palásek: The intention of the amendment is to improve the education process at universities. Limiting the number of external students to the actual educational capacity of individual universities, introducing the registry of professors as well as the establishment of academic senates for private universities should contribute to it. The area of tuition becomes a significant paradox in daily studies where excellent students who are able to master two or more specialisations are put in the same level with so-called "eternal students". Wider payment for education would intensify the brain-drain (often without return) of the young Slovak intellectual elite to Czech universities where the studies in Czech language are free of charge.

Renewal of the Act on Tripartite (renewal of the social dialogue formalised by the Act; establishment of the Economic and Social Board of the Slovak Republic as a consultancy and negotiation body of the Government and social partners)

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

Intention of the Measure: To implement efficient tripartite consultations (social dialogue) among representatives of the Slovak Government, employers and employees at the state level in a defined area as a democratic means for achieving economic and social development, development of employment and ensuring of social peace.

Contents of the Measure:

- A government advisory body is cancelled – the Board of Economic Partnership and Social Partnership of the Slovak Republic – which covered a relatively voluntary social dialogue that was not explicitly adjusted by the law.
- Renewal of the Act on Tripartite cancelled in 2004 – a social dialogue will be formalised by law.

- Establishment of the Economic and Social Board of the Slovak Republic as a consulting and negotiation body of the Slovak Government and social partners at the state-wide level.
- The board consists of: seven representatives of Government, seven representatives of employers' associations and seven representatives of trade unions.
- Representative employers' association: collects employers from several industries or operates in at least five regions together employing at least 100,000 employees.
- Representative trade unions: collects employees from several industries with at least 100,000 employees that are members of trade unions.
- The Board sits as needed but at least once a quarter while it discusses Acts and measures in the area of economic and social development and development of employment.
- Results of the Board's plenary session are common agreements, standpoints and recommendations that create a part of the material submitted to government negotiations or negotiations of the appropriate body; if the standpoints regarding the material are conflicting, the standpoint of the Government and of each social partner is a part of the results from the plenary session (until 2004 the Government was obliged to discuss the questionable materials once again in case of conflicts).
- Activities of the Board are financed from the state budget (from the chapter of the Slovak Republic Government Office).

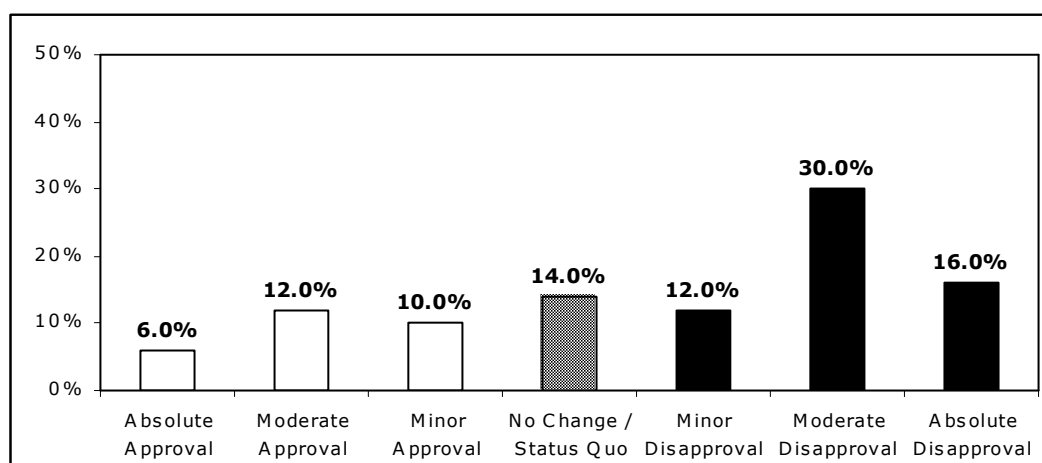
Opinions of Proponents from Media Sources:

- The Government is trying to confirm that the social dialogue is a valuable and democratic tool used by creating politics and through the legislative procedure.
- Conditions to strengthen the importance of tripartite and its comments have been created.
- According to the argumentative report to the Act a positive impact of the measure on employment and business environment is expected.
- The approved act is one possible tool for fulfilling international obligations of the Slovak Republic that requires measures supporting efficient consultancy at the state-wide level between state bodies and organisations of employers and employees.
- The days when the tripartite group commented on almost each act and was able to achieve re-discussion of any Act in Government by way of its veto has not returned.

Opinions of Opponents from Media Sources:

- The only change in the social dialogue is the change in the name of the Board of Economic Partnership and Social Partnership of the Slovak Republic to the Economic and Social Board of the Slovak Republic – a useless and expensive Act.
- The Government, if it wanted to, could peacefully lead the social dialogue with its partners without needing to have an Act for it.
- Despite the institutionalisation of the tripartite group, the Government often discusses only with trade unions and with important regulations it often bypasses the third party – employers.
- The level of representativeness of social partners is questionable.
- This represents an increase in the level of corporatism in the state, as two lobbying groups – trade unions and employers – are granted a privileged position within the legislation process.

Evaluation of the HESO Experts' Committee:



Eugen Jurzyca: The tripartite talks are just negotiation of subjects without a democratic mandate on the layout of the country behind closed doors backed up by legislation. In the current world, negotiations on social rules are useful but they are carried out without the Act and in the open, e.g. in media or on endless number of blogs. If entrepreneurs or trade unions have an opinion on the layout of the country, they will achieve more if they discuss it publicly. Subsequently the

Government, for the sake of its own interest, will discuss the details of relevant proposals. The factor forcing the Government to discussion is political pressure, not the Act. Anchoring this process into the Act is one of the top works of the current social buck-passing. Our society will be social and responsibly managed as a result of the Act on Tripartite just as the Democratic Republic of Germany was democratic because it was stated in its name. By the way, since tripartite's renewal the business environment has become worse and the country is, in terms of decisive parameters, less social. Tripartite was created on paper but in reality it operates weakly.

Miroslav Siváček: No act is necessary in order to be able to discuss with partners on matters of interest for all parties, the will to listen to arguments is sufficient. Furthermore, social partners defined in the Act are not and will never be representative (e.g. sole traders, small and medium enterprises, handicapped citizens, third sector, representatives of culture, education, pensioners and other layers of population are missing). Legislative Acts are related to all citizens of the state, not only to selected groups.

Radoslav Štefančík: From the political point of view, the Government contributes to the extension of corporatism in this country. Based on the law it prefers some pressure organisations at the expense of others. This way it restricts pluralism and a healthy competitive environment of non-profit organisations. From the economic point of view, strong influence of trade unions can have a negative impact on a healthy economic environment, especially in a period of economic decay when strong intervention is expected from the Government.

Luboš Vagač: A useless measure, the social dialogue has been working well without the Act – the existence of reasonable partners who do not need support in legislation for pursuing their interests is sufficient enough.

Milan Velecký: Agreement of social partners is important but I see no reason to adjust it by the Act. Either they are willing to discuss and, ideally, agree on something or they are not to able to do it (do not want to do it). So why do we have to force them with the Act?

Ludvík Posolda: Legal formalisation in reality complicates the situation of social partners and, in addition, it does not ensure improvement of social dialogue in any aspect – this is possible only on the basis of real partnership of all participating parties and the level of their communication. Political promise on this is only an empty declaration of something that already exists without the necessity to be adjusted by the Act.

Jaroslav Vokoun: Opinions of opponents express the fundamentals. It is true that the Act covers too many ideas. It also reflects a society where distrust rules, which is a bad basis for a better future.

Robert Žitňanský: Tripartite is (not looking at system stipulations against its existence in this form related, for example, to representativeness of the Confederation of Trade Unions of the Slovak Republic) useless and functionless – and this is the paradox confirmed by its renewal. Despite the great pomp around it, it has not become a place where principal matters are agreed on, and where the trade unions regained their power to influence the action. Maybe also because of the fact that, although the amendment of the Labour Code was discussed on its grounds, the Government has already expressed several times that it is not the third party but it creates one team with trade unions – this way the weight of tripartite as a place for searching for reasonable solutions and cushioning eventual social conflicts has dropped for employers.

Igor Hurčík: A consulting body should be independent and apolitical.

Richard Ďurana: Renewal of the tripartite group and an increase in trade union influence will not have a positive impact on the Slovak economy. It is a backwards step to strengthen employees "without responsibility" at the expense of owners of the means of production and those who risk their own capital by doing business. Furthermore, the Board of Economic Partnership and Social Partnership of the Slovak Republic had been working until the renewal of the tripartite and fulfilled the aims that the current Government wants to fulfil better than the tripartite before its cancellation by the second Dzurinda's Government.

Igor Surovčík: Although the Government formally enforced the establishment of the Economic and Social Board, government members are somehow not able to find the time to join tripartite discussions and surely this does not declare the equal partnership of the Government with trade unions and employers.

Martin Jaroš: A totally formal measure.

Rural Parliament of Slovakia: It will influence nothing.

Juraj Renčko: Institutionalisation of the social dialogue is usual in developed countries. However, real social dialogue requires the will to lead it by all parties and this can not be guaranteed by the Act. The Act, in the approved form, does not increase the quality of the social dialogue.

Igor Daniš: Inevitable fulfilment of a pre-election obligation towards trade unions leaders. As a persuaded social democrat, I have to say that it is socialistic nonsense and a relic that does not correspond to economic reality.

Igor Hornák: Standard commenting procedures to the Acts allow significantly wider participation of social partners.

Mária Machová: Although the philosophy of the tripartite dialogue will not solve all the problems of this triangle, I consider the renewal of the legally formalised social dialogue to be suitable. All other things that were intended and had been approved by this amendment have not brought anything relevant to "solving of economic and social development, development of employment and ensuring of social peace"; in fact, the contrary is true.

Juraj Nemec: Formalisation of relations makes some sense.

Vítězslav Palásek: Introduction of a formalised (compulsory) social dialogue with set rules and procedures of negotiations will be beneficial to cultivation of the Slovak labour market, which is desired.

Jozef Orgonáš: The tripartite operates everywhere in the cultural world except Slovakia. The socialist Government recognises it formally but the reality is different. It ignores it and leaves it to operate only because it is popular everywhere in Europe.

A privilege tariff for delivery of natural gas for seniors over 65 years of age (average annual savings per pensioner of SKK 600)

Submitted by: Prime Minister of the Slovak Republic, Mr Robert Fico (SMER-SD Party) and Slovak Gas Industry (SPP), a.s.

Intention of the Measure: To compensate seniors older than 65 for increased costs for gas heating.

Contents of the Measure:

- The Government and SPP agreed on a monthly discount of SKK 50 on gas bills for seniors older than 65.
- The Regulatory Office for Network Industries (ÚRSO) accepted the agreement between the Government and SPP and agreed with the creation of a new privilege tariff Plus Senior valid from July 2007.
- Pensioners (they must have permanent residence at the place of consumption and gas bills have to be paid in their name) consuming between 200 and 6,500 cubic metres of natural gas are entitled to a discount (those who use gas for heating in smaller houses or for heating water). Approximately 200,000 entitled applicants are expected (there are approximately 1.2 millions pensioners in the Slovak Republic).
- The average annual decrease of SKK 600 annually will be reflected in the lower fixed tariff – this represents between approximately 1% and 14% of the gas consumption of an entitled person.
- The discount will not be granted to persons paying the lowest tariff for gas consumption, which is SKK 54 without VAT, nor to those with consumption above 6,500 cubic metres.
- It is necessary to request the privilege tariff from SPP in writing.
- So-called social tariffs exist also in the Czech Republic, Hungary and Great Britain.

Opinions of Proponents from Media Sources:

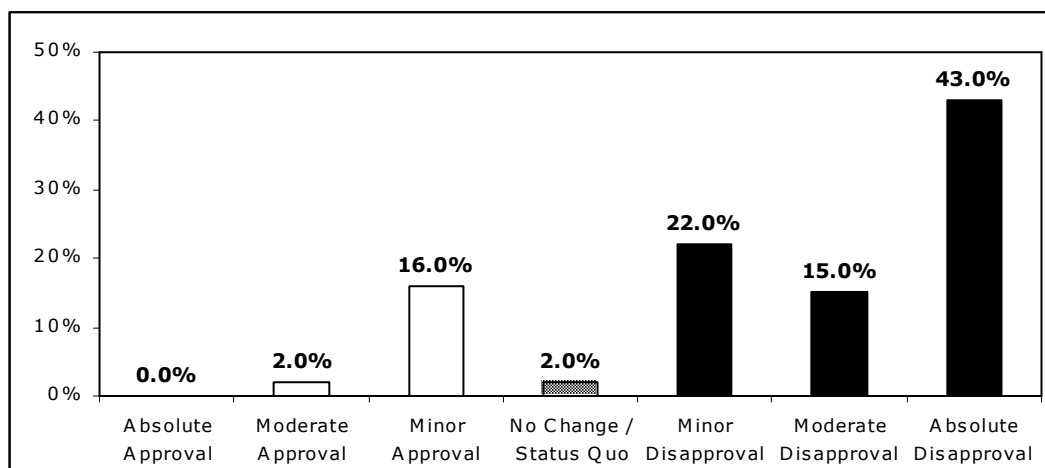
- A favourable impact on the older population in the amount of approximately SKK 120m annually – pensioners belong to the largest and socially weakest layer. This is an extremely socially sensitive group and all savings, every ten or twenty crowns, are important for those people.
- Considering the growing record profits of privatised monopolies, they should behave as generously as possible towards the population.
- SPP escaped from the "government fight against monopolies" only with small bruises as it can use the privilege tariff as a clever marketing tool to motivate consumers not to move to other types of heating and the gas consumption of seniors could even increase.

Opinions of Opponents from Media Sources:

- A non-systemic help to pensioners older than 65 who are not the most endangered social group in the Slovak Republic from the point of poverty; young people and unemployed persons are more at risk of poverty in Slovakia.
- A populist step used by the Prime Minister to buy his electors.
- A flat subsidy regardless of the pension amount or other incomes is not correct; if the discount would be granted only to poor pensioners it could be more significant.
- A socially dependant 64-year-old widow, a 44-year-old disability pensioner, a socially dependant parent or seriously handicapped person under 65, or pensioners in a block of flats using gas only for cooking is not entitled to the privilege tariff but a working or rich pensioner older than 65 living in a family house together with his employed children is entitled to it.
- A social fund from the side of energy monopolies to help socially weaker ones would be more welcomed as people would get contributions not on the basis of age but on the basis of social dependency.

- There is a threat of possible hidden cross-subsidies forbidden by European and Slovak legislation if SPP does not finance the senior discount from profits and this way it would happen at the expense of other gas consumers in the form of higher prices.
- If the gas subsidy goes from SPP profits, the state will cover it as a shareholder of the gas company – so all tax-payers will contribute to pensioners indirectly by the sum of approximately SKK 70m. This is an amount that will decrease the revenue of the state budget from SPP (SPP income tax would lower by SKK 20m and state dividends would lower by SKK 50m).

Evaluation of the HESO Experts' Committee:



Juraj Renčko: An absolutely populist and non-systemic measure that is not backed by any impact study and is discriminative and selective.

Tomáš Dudáš: A significantly non-systemic step that can be viewed as a populist step by the current Government. Available analyses clearly show that pensioners are not the most endangered social group in Slovakia (unlike, for example, young families with several children).

Radoslav Štefančík: It is really questionable why the government supports pensioners and not the most endangered groups like young families with children, invalids or unemployed people. The Government should explain why it only supports pensioners. A flat cut-off point based on age is absolutely ruthless towards groups that would need financial help to a greater extent.

Robert Žitňanský: A selective preference of a narrow group of the population (that in a greater volume creates the electorate of the current coalition) at the expense of society – because either SPP would have higher profits and society would have higher public finance revenues or the price could be decreased for everybody, albeit to a smaller extent than to this group of citizens. In addition, long-term statistics show that, from the point of poverty, pensioners are not the most endangered social group, young families with children are. So the "social state" in this case aims at a bad target.

Eugen Jurzyca: Pensioners are less endangered by the risk of poverty than young people. It is strange that people claiming that their social feeling is their biggest comparative advantage have not realised this. It is a measure visible in the media, invisible in the wallet. This measure will not help pensioners to a great extent. Private advertising agencies can envy how the government is able to work with marketing tools. If the government devoted its attention to building a quality business environment, it would have done better. And it would be better for the pensioners.

Rural Parliament of Slovakia: A non-systemic help to a social group that is not endangered. A populist step used by the Prime Minister to buy his electors.

Eduard Chmelár: A non-systemic solution that does not consider addressability and the social situation of a pensioner.

Richard Ďurana: A commercial company should not fulfil the function of the state's social system. In addition it is a non-addressing social help because it will be directed towards pensioners whose pensions exceed the average net income in the economy.

Igor Hornák: Social programmes and targets should not be carried out through price deformation.

Juraj Nemec: I definitely disagree; subsidising the price is not an efficient tool of social policy.

Milan Velecký: Why natural gas only and why only for people older than 65? And those who heat with electricity do not deserve such support? And pensioners using lots of medicine – do they get some medicine cheaper than their children and grandchildren? And food? Absolute nonsense.

Jozef Orgonáš: I disagree in principal but, on the other hand, the situation of pensioners is difficult, maybe it should be solved by social allowances.

Vítězslav Palásek: A privilege gas tariff (and maybe also electricity, sewage fees, telephone costs, travel costs, etc.) are classic tools of state social support for economically disadvantaged groups of population in several European countries. But the question is whether pensioners are really the most economically dependant group to receive this allowance in the form of privilege gas tariff. However, a definition according to a simple indicator – age 65 and above – will allow trouble-free distribution of this allowance and at the same time it is sufficiently visible in the society as a fulfilment of the election programme.

Jaroslav Vokoun: SPP accepted such a solution (it probably obtained something better in order to be motivated), so we can hardly fight. The truth is that compensation will be given to those who should not get it. Therefore the criteria for obtaining such advantage should be more strict.

Miroslav Siváček: I agree with opinions of the opponents.

Igor Hurčík: Non-systemic but social.

Igor Daniš: Naturally the core of the problem is somewhere else.

Mária Machová: A laughable measure not worth a comment.

Amendment of the Act on Regulation of Network Industries (greater state influence on staffing of the Regulatory Office; extension of price regulation possibilities)

Submitted by: Ministry of Economy of the Slovak Republic

Intention of the Measure: The possibility of complex price regulation, separation of the Regulatory Office from the Regulatory Board and the possibility of social control over the whole regulation process.

Contents of the Measure:

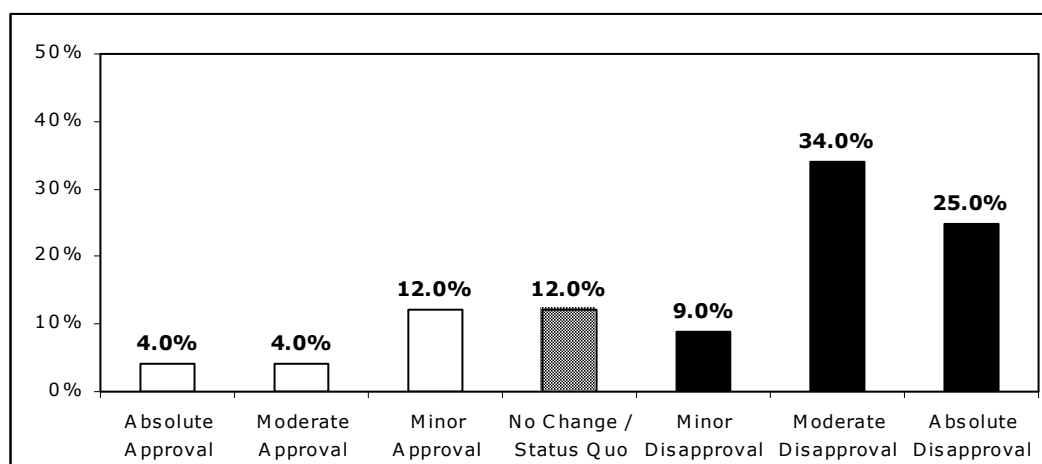
- The Board for Regulation has been established, replacing the original Regulatory Board (its functional period had finished when the amended Act came into effect on March 15, 2007) and it obtained greater powers.
- The Board mainly prepares a draft regulatory policy and approves the scope of price regulation and how it will come into place.
- The new Board has six members appointed by the President of the Slovak Republic – three of them at the proposal of the Government and three at the proposal of the Parliament (similar to the current situation; the original proposal was that also the “relevant associations of energy consumers” should be represented on the Board).
- A member of the Board for Regulation can be withdrawn by the President in case any illegality of the Office’s activity can be proven or if the member of the Board acts in conflict with the regulatory policy – the proposal will be submitted by the Government or the National Council of the Slovak Republic (Slovak Parliament) .
- Greater (especially personal) separation of the Board for Regulation from the Regulatory Office for Network Industries (ÚRSO) – the current Regulatory Board was the body of the ÚRSO, the current Board for Regulation is equal to the ÚRSO as an independent state administration body for price regulation in network industries.
- The chairman and vice chairman of the ÚRSO are appointed and withdrawn by the Government of the Slovak Republic based on the proposal of the Board for Regulation (so far the chairman and vice chairman have been the chairman and vice chairman of the Regulatory Board who appointed and withdrew them from the circle of its members).
- The verdicts of the Regulatory Office for approving energy prices will be controlled by the Ministry of Economy of the Slovak Republic (MH SR) or by the Ministry of Environment of the Slovak Republic (MŽP SR) – the ÚRSO will judge the price proposal submitted by the regulated subject at first, then this judgement will be submitted to the MH SR or MŽP SR together with all details necessary for price calculation and, if the statement of the ministries is negative and the ÚRSO approves the price proposal, the Regulatory Office shall publish the statement of the ministries including justification together with the price decision (originally the MH SR considered that the statements of the ministries would be obligatory for the ÚRSO’s approval or rejection of the price).
- The amendment entitled ÚRSO to extend the range of goods and services whose prices are currently not regulated (e.g. deliveries of gas for enterprises or so-called power electricity) if there is an extraordinary market situation, if the market is endangered by the influence of an insufficiently developed competitive environment or if it is required for consumer protection and if it is in accordance with the regulatory policy (the original proposal to regulate energy prices for wholesale consumers in a regular market situation was not accepted).

Opinions of Proponents from Media Sources:

- The possibility of social control over the decisions of the Regulatory Office as well as over the whole regulated price setting process in the area of network industries is increased as the activities of the ÚRSO, by approving energy prices, will be controlled by the Ministry of Economy of the Slovak Republic or the Ministry of Environment of the Slovak Republic.
- The potential for lower energy prices for consumers.
- A systematic solution of the regulatory framework including transparent, objective and fair pricing in the area of network industries.
- In extreme situations, extension of the scope of pricing regulation for energy supplies to wholesale consumers in the interests of society.

Opinions of Opponents from Media Sources:

- Limitation of the independence of the Regulatory Office – greater political influence and pressure on the ÚRSO and Board for Regulation – easier replacement of members of the Regulatory Office; with the establishment of a new Board and the so-called self-regulating one-third mechanism of Board members, renewal has been broken.
- A possible conflict of interest as the MH SR and MŽP SR will become participants in the pricing procedure.
- The amendment of the Act on Regulation of Network Industries has been significantly influenced by lobbying of consumers related to the Government.
- A negative step for opening the energy market in Slovakia – new businesses will be afraid to come to the unstable Slovak market.
- Inappropriate strengthening of control and regulatory powers of the state in the area of network industries increases the possibility for pricing regulation – an administrative decrease of prices that will not even cover the justified costs will be reflected in the lack of resources for renewal and development of infrastructure and improvement of services for people.

Evaluation of the HESO Experts' Committee:

Juraj Renčko: The amendment in its proposed form increases the possibility of political pressure on decision-making of the ÚRSO (with all negative economic impacts in case of an administrative decrease of prices) while it does not contribute to higher quality and professionalism of the regulator's operation. Incorporation of the Ministry of Economy of the Slovak Republic or the Ministry of Environment of the Slovak Republic into the process of regulation does not bring anything in this direction; officers at the ministries do not have sufficient capacity compared to the ÚRSO to improve the regulatory decisions.

Robert Žitňanský: The Government is trying to regain the position that it has finally abandoned recently. If prices are regulated by politicians (although indirectly through stronger control over the ÚRSO), there are two main mistakes caused. Firstly, politicians reflect their political interests in regulation so they adjust prices according to which interest group they would like to impress with more favourable prices and this has great long term consequences. Secondly, obtaining political points for pricing regulation in good times is a double-edged sword. When oil and gas prices in the world market start rising dramatically and their regulation at artificially low levels becomes unbearable, the public's wrath will turn against the politicians. In order to eliminate it, they will be inclined to accept further dangerous measures to solve the problems they already caused.

Richard Ďurana: Greater scope of powers of the government through the Ministry of Economy of the Slovak Republic by creation of prices is a step against total deregulation in the energy sector, which is one of the EU's priorities. It results in higher uncertainty of potential investors and, this way, is also in indirect limitation of competition in the energy market. I consider competition to be a better

"regulatory tool" for high profitability in the market; it means simplification of entry conditions in the industry and price deregulation.

Eugen Jurzyca: It is strengthening of political short-term interests in pricing at the expense of middle- and long-term interests based on economic analysis. The mechanism of price regulation should really be prepared and discussed at least with the professional public. It would be good to state publicly which factors will be taken into consideration by pricing and what their weighting will be. This would mean that pricing would be foreseeable, transparent and the pressures motivated by short-term interests of government parties would be minimised. These often prefer low prices up to the closest elections at the expense of investments and long-term positive influence on the related sectors as well as the living costs of citizens. I see the biggest negative of the new legal Act being the fact that the Government is sending a signal to existing and potential investors that, in the areas where the state can significantly influence regulation and, therefore, the ownership rights of investors, it will do that. I assume that, because of that, future investments will be more expensive for our country. Because investors already know that the Government can "skilfully" worsen their conditions, for example in PPP projects with the construction of highways, by the planned extension of the number of TV stations through digitalisation, in healthcare, education, etc.

Mária Machová: Although this topic does not belong within the scope of my interests, I always have a feeling from debates on justified costs, activities of the Regulatory Office, etc., that there are still gaps in the law to solve so that the regulation procedure becomes simpler, more transparent and definite. And if there was a space for amendment of the Act, the initiative of the lawmakers should have been directed this way. Instead of this, the main problem is found in organisational and personal schemes that will not solve anything important! Besides attention towards the Regulatory Office, the state should devote much more attention to the quality of its nominees in energy monopolies (and this was also the problem of previous Governments), because this is where I see the biggest reserves in controlling important aspects of business that are reflected in the whole energy pricing process. I have never heard that, for example, the supervisory board where the state has a majority of nominees of the state in the board of directors would act against the "greedy monopoly" and its sleazy profits or otherwise show their shareholder position protecting the real interests of the state.

Martin Jaroš: Unfortunately, one of the kept promises...

Igor Hurčík: A non-systemic measure.

Jozef Orgonáš: A state dirigisme leading to the socialist positions of the current Government means dismantling of democracy. The state would also like to control food prices. I think that soon we will write the following abbreviation before prices on the product labels: ŠMC (for those born earlier – State Retail Price).

Radoslav Štefančík: I assess the Government's Act negatively because it extends its influence to offices that should be independent from the Government.

Juraj Nemec: A violation of principles defined by the EU – if it is a regulatory office then it should be an independent one.

Igor Daniš: Strong independence of any regulatory offices allows greater influence from lobbying groups, i.e. stronger players at the market and this way it allows them to enforce their interests at the expense of the majority, a majority that should be defended by the state. In Slovakia, strong independence has been generally explained recently by so-called independence on the basis of naïve theoretical theories.

Rural Parliament of Slovakia: A possibility of social control over the decisions of the Regulatory Office increases. Governments are bad managers from their substance.

Jaroslav Vokoun: Movement in a non-market environment is often dictated by the vendor. Then the Regulatory Office is only the result of the skewed environment. The energy industry has no problem with low profits and it surely does not have to be afraid of the future in cohabitation with any regulatory office in the EU environment.

Extending the obligations of high level collective agreements to employers who have not signed them and do not agree with them (amendment to the Act on Collective Bargaining)

Submitted by: amendments of the Parliamentary Committee on Social Affairs and Housing

Intention of the Measure: Extension of the effectiveness of high level collective agreements to employers to which no valid collective agreement applies; support for free collective bargaining with minimal state intervention only for cases where the absence of collective agreements would protect employers without closed collective agreement and, at the same time, handicap those employees.

Contents of the Measure:

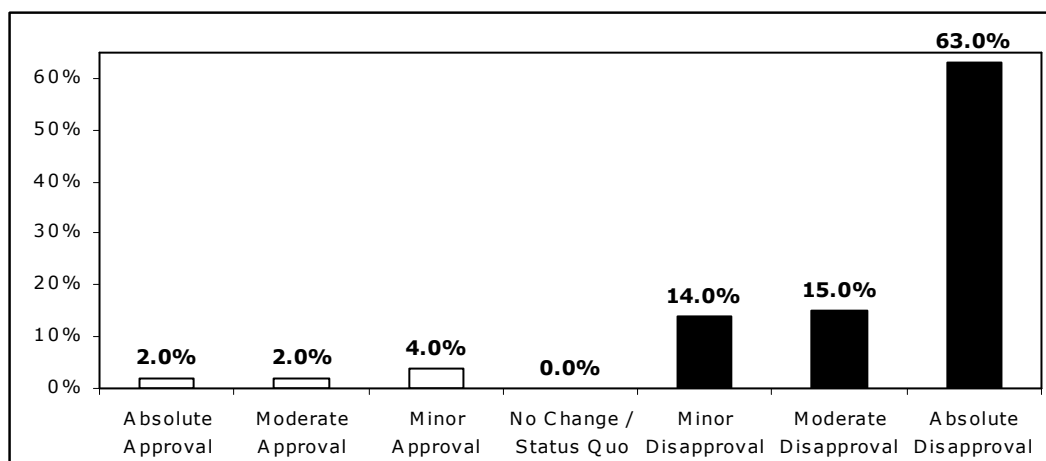
- The Ministry of Labour, Social Affairs and Family (MPSVR SR) can, at the proposal of one or both contractual parties of the high level collective agreement (so called industry collective agreement), determine by an announcement that the collective agreement of higher level is obligatory for employers whose predominant activity is in the relevant industry that are not already members of the employment organisation involved in the collective agreement.
- The current legal status allows extending the effectiveness of high level collective agreements only with the agreement of the applicable employer.
- The proposal for extending the validity of the high level collective agreements can only be submitted only by the largest employer association operating in the applicable industry or trade unions representing the largest number of employees in the given industry.
- MPSVR SR will ask the employer to which it wishes to extend the effectiveness of the high level collective agreement for a statement or comment about the said proposal – to discuss the proposal the ministry sets up a three-party advisory committee containing an equal number of representatives of trade unions and employers – individual applications for extension of the collective agreements will be judged individually while the conclusions of the three-party advisory commission will have a recommending role for the Minister of Labour.
- The effectiveness of the high level collective agreement cannot be extended to employers if:
 - Doing so would undermine the effectiveness of another high level collective agreement.
 - The employer is in bankruptcy proceedings.
 - The employer is in liquidation.
 - The employer employs less than 20 employees.
 - More than 10% of the employer's staff are handicapped.
 - The employer has experienced an extraordinary event whose consequences are still being felt.

Opinions of Proponents from Media Sources:

- Protection and social status of employees will improve.
- Ensuring consistent standards for employment and salaries but also balanced competitive conditions for employers in certain industries.
- Balancing of regional differences.
- Resulting from practices in other countries (Belgium, France, Germany, the Netherlands, Portugal, Spain, Czech Republic, Hungary, Poland, Bulgaria) and recommendations of international institutions (e.g. International Labour Organisation)
- It is a return to the situation that existed in Slovakia prior 2004.

Opinions of Opponents from Media Sources:

- The measure can significantly violate the business environment and worsen competitiveness of businesses that will be forced to take over the fulfilment of high level collective agreements – e.g. for small businesses, extending the collective agreement to their company could also mean the termination of their activity, which could be reflected in rising unemployment.
- Abuse of the measure in favour of inappropriate influence of trade unions and on the unfair competitiveness among companies.
- The measure is in conflict with the principles of contract freedom (how can one or two contractual parties oblige the third one to comply without its approval?), also with the Constitution of the Slovak Republic and the Agreement on human rights and protection of basic freedoms.
- The role of the Labour and Social Affairs department will be strengthened by judging of the extension of the collective treaty obligation that will replace the will of a concrete business subject.
- The Ministry of Labour, Social Affairs and Family of the Slovak Republic is not able to professionally judge whether the extension of obligation of the collective treaty to any company would not seriously harm the company – and consequently employees that originally should have been protected by the collective agreement will have to participate in losses.
- By negotiations on amendments the social partners have been bypassed (especially employers), as the relevant provisions have been suggested in the legislative process only by Members of Parliament in the Committee of the National Council of the Slovak Republic and this way the more complicated legislative procedure through the Government has been bypassed.
- Industry classification of economic activities is obsolete today and many companies operate equally in several industries.
- Strengthening of collectivism in the labour market is in conflict with standard EU practice.

Evaluation of the HESO Experts' Committee:

Radoslav Procházka: Besides the fact that the same provision is amended for a second time within half a year, it is again an inappropriate intervention into contractual freedom, the right to judicial protection and into several other important elements of the legal state.

Robert Žitňanský: An unforeseeable measure that bumps into constitutional limits and their application in free society is unimaginable.

Igor Hurčík: Nonsense!

Igor Hornák: Each limit of individual contractual freedoms because of protection is usually in conflict with the real interests of the protected ones.

Radoslav Štefančík: The influence of trade unions is strengthened, the freedom of an individual to agree with an employer on his/her own conditions is limited. This step ties the hands of employers by decision of the wage amount that can finally have a negative impact on employment growth.

Richard Ďurana: It is a drastic intervention into ownership rights of employers and entry of a third party into the voluntary contract of two subjects – employers and employees. The measure decreases labour market flexibility and decreases the competitiveness of Slovakia in the global labour market.

Jozef Orgonáš: Dirigisme of the state continues. It is a comic approach to non-economic reality. Let's imagine the situation that the professional association will negotiate weak conditions, i.e. employees will have excessive rights and demands. This will lead to bankruptcy of several companies. Nobody can have the right to decide on the costs of the third party and especially not the state. Although it would really like to (at least Smer-SD).

Ludvík Posolda: Totally in conflict with contractual law. It brings uncertainty into the legal environment of companies and, in a wider context, into their business objectives and this way into their existence.

Mária Machová: Similar to the renewal of the Act on Tripartite, I consider this measure to be the fulfilment of SMER's pre-election agreements with trade unions and another demonstration of strong power and arrogance. There are many employers included in this obligation who employ people, fulfil all their obligations towards employees and the state and, despite the fact that they, for some reason, do not meet (or objectively cannot meet) the conditions of the high level collective agreement, they have to accept it! Fulfilment of all conditions may and probably will be simply outside the economic abilities of a certain group of employers, with all negative impacts on employment.

Juraj Renčko: The act administratively strengthens the position of trade unions where they are not able to make right with their own authority, it provides excessive regulatory powers to the MPSVR SR, its procedure is too bureaucratic and in reality it will probably be inapplicable.

Eugen Jurzyca: Another alibistic "masterpiece". It would be good to look at whether conditions of collective agreements are really being extended to the employers who did not sign collective agreements or if it is just an act with zero benefit. We would approve the Act that, together with Miss XY, the Slovak Republic wishes peace to the whole world. Nothing will change but our legal framework is more complicated and sends false signals to citizens and especially to law students. Investors and others operate in an environment where it is impossible to achieve success without being "guided through a mine field" and without corruption.

Miroslav Siváček: Again a completely useless and contra productive Act that will either be applied selectively or will not be applied. Fortunately. Proper fulfilment of the Act's intentions would seriously violate market operations, unified conditions and secondarily increased pressure on the growth of unemployment especially in less developed regions. Another step could be to table salaries for comparable job positions and group recreation.

Martin Jaroš: Communism lives... sorry, but it is really not possible to react more on the most of those things.

Juraj Nemec: It is quite a normative problem but I personally vote for better protection of entrepreneurs than employees.

Igor Surovčík: Enforcing fulfilment of the collective agreement from employers that did not sign it voluntarily should serve only one purpose – so that the Government was able to fake its social feeling towards the employees.

Rural Parliament of Slovakia: It will harm small businesses.

Jaroslav Vokoun: Negotiation is difficult. Accepted lightening of the situation can help in a way that water in the glass will spill and then a new level of relations will be found at the new level of balance.

Igor Daniš: Solution of the previous Government went outside the standards. Reasons for coming back are clear to each person educated in the area on development of economic, social and working relations during the previous 200 years at a medium level.

Vítězslav Palásek: The legal definition of the employer–employee relationship is the same as in small, medium and large enterprises. For large (flagship companies) in the Slovak Republic the collective agreement is no obstacle to their operations and further development.

Amendment of the Labour Code (strengthening of employee protection and position of trade unions in companies)

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

Intention of the Measure: To ensure a balanced legal position among participants of the employment relationship – strengthening of employee protection, improving of working conditions including health and safety; deepening of social dialogue between employers and employees and their representatives.

Contents of the Measure:

- Definition of dependent work – only personal execution of the work of an employee for an employer based on the instructions of the employer, in his or her name and for wage or salary, during the working time, at the expense of employer, by his or her means of production and at the responsibility of the employer, and that consists mostly of repeating predetermined activities is considered to be dependent work performed in the relation of superiority of the employer and subordination of an employee.
- Entrepreneurship or other income activity based on a contractual civil law or commercial law relationship according to special legislation is not dependent work.
- By notice from organisational reasons an employee is entitled to a notice period and payment of compensation (in the amount of 2 or 3 times his/her salary); in case of notice because of occupational disability, an employee is entitled to compensation in the amount of 10 times his/her salary.
- Employment for a definite period can be prolonged or agreed repeatedly without reason only once every three years without exceptions such as representation of an employee, seasonal work, necessity of a significant increase in the number of employees for a temporary period or if it is a category of employees by the employer employing a maximum of 20 employees or these are employees who receive retirement or disability pensions or managers in direct scope of powers of the statutory body.
- By repetitive closing of employment it is not possible to negotiate a probationary period.
- Average weekly working hours for an employee including overtime may not exceed 48 hours; healthcare employees are an exception, they can work more than 48 hours a week on average but only during a maximum period of four subsequent months for a maximum of 56 hours on average per week.
- Working emergencies of the employee are incorporated into the working time and the employee is entitled to substitute 20% of his/her minimum salary; if there is a job performance during the emergency, it will be considered for overtime; an employer can direct a working emergency to a maximum extent of 100 hours annually.
- The legal institution of agreement on working activity is renewed – an employee may carry out working activity to a maximum of 10 hours weekly.
- A new form of employment is introduced – telework (work by an employer at home or at a different agreed place using information technology).

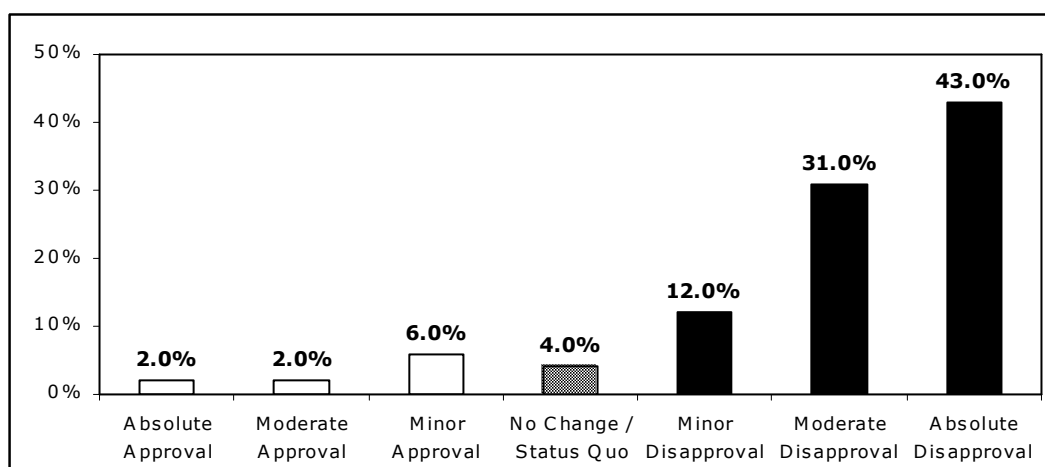
- Conditions for temporary employment are changing – salary conditions must be similarly favourable for an employee temporarily assigned by the employer or the agency for temporary employment who is fulfilling tasks by an employer for more than 3 months.
- The position of trade unions is strengthened. They should cooperate on work standards and uneven working schedules; if there are less than 50 members of the trade unions employed in the company, an employer is obliged to provide at least one of their representatives with four hours of working leave with salary substituted monthly for trade union agendas, for 50 to 100 trade union members this number is 12 hours and for more than 100 members of trade unions, there are 16 free hours monthly.
- Employees' representatives will be protected against measures that could harm them following the termination of their function period (six months more than the current situation).
- An employer, after agreement with the representatives of employees, must allow entry into his premises to a person that is not his employee but acts on behalf of trade unions with which his or her employee is associated.
- An employer is obliged to excuse the absence of an employee at work during the time of his/her participation in a strike; in this case an employee is not entitled to salary substitution; in case the court decides on the invalidity of a strike, such time is considered to be an unjustified absence of the employee at work.
- Higher indemnification on the part of employees if they cause a loss to the employer (increase from three times to four times the employee's salary).
- The right of employers to lay a penalty in the amount of one month's salary if the employee stops working during the notice period and if this financial substitution has been agreed in the employment contract.

Opinions of Proponents from Media Sources:

- During negotiations of the draft Act there was an agreement and removal of most of disputes – most compromises during the negotiations have been made by representatives of employees.
- The amendment of the Labour Code is the most important social Act of 2007 and is in full accordance with the Programme statement of the Government of the Slovak Republic.
- Strengthening of employee protection that became worse after the amendments of the previous Government.
- The amendment does not endanger the flexibility of the labour market and it will not increase the unemployment rate, on the contrary it brings a series of measures that support the labour market, strengthen a balanced competitive environment and increase the flexibility of the labour market.
- The amendment ensures a balanced legal position between the participants of the employment relationship.
- Changes brought by this amendment will have a mainly positive impact on public finance.
- Finally there is a solution for so-called "forced self-employed".
- The introduction of new flexible forms of employment is a positive (agreement on working activity, "teleworking"), that will increase the competitiveness of companies and will allow harmonisation of the work and family life of the employee to a greater extent.
- The Labour Code was amended also because it is necessary to continually harmonise the area of labour legislation with the EU legislation.

Opinions of Opponents from Media Sources:

- Employer associations expressed principal disagreement with the Labour Code amendment and they consider it to be incompatible with the requirements for increasing competitiveness of the Slovak business environment and the fastest possible means of catching up to the developed world, not only in the area of economic performance.
- The new wording of the Labour Code will increase companies' costs and they will have less money left for investments, creation of new jobs, increase of salaries and improvement of employees' working conditions.
- The costs for releasing customers is doubled.
- Modification of the labour code has been approved without the agreement of all social partners for the first time – this fact does not guarantee stability for the future and at the same time shows the low level of social dialogue in Slovakia.
- "Trade Union Labour Code" – the Government and trade unions acted in the negotiation on the final wording of the amendment as one united force fighting against employers.
- Increased controlling competencies of employees' representatives but they bear no responsibility and do not share the business risk.
- The impact of the amendment will be negative in the whole range of industries, especially in healthcare (hospitals will not be able to ensure continuous provision of health care without violation of provisions on maximum working time and overtimes, while many healthcare facilities declared even before approval of the amendment that the Labour Code will lead to their further indebtedness because they will not have enough money for new employees).
- The amendment has been insufficiently prepared without impact studies and practical knowledge on the side of their submitters.

Evaluation of the HESO Experts' Committee:

Radoslav Štefančík: One of the worst decisions of this Government since its formation. The amendment leads to limitation of competitiveness in the business environment, increasing unemployment, and further brain-drain. It negatively interferes with the labour market. It limits the freedom of an individual by determination of the number of worked hours. The first negative impacts appeared already a few weeks after it came into effect, especially in healthcare. The whole amendment was approved at a very unprofessional level. If only the Slovak Prime Minister was an economist by education not a lawyer.

Tomáš Dudáš: Amendment of the Labour Code is a step backwards in the area of employment as it decreases flexibility at the labour market. Immature limitation of overtime hours additionally caused problems in several industries (healthcare is one).

Igor Hurčík: A significant step but, unfortunately, backwards.

Luboš Vagač: This amendment unnecessarily limited the flexibility of employment relations. The effort lies in stronger protection of an employee instead of focusing on speeding his/her return to the labour market in case of partial loss or change of employment, i.e. investing in lifetime education, active measures in the labour market, etc. Increasing costs for employment is a minus, it discourages hiring of new employees and the further decrease of unemployment – especially claims for compensation accompanying salary during the notice period, limitation of employment for a definite period and employment for shortened working hours as well as unreasoned strengthening of the position of trade unions in companies without taking any more responsibility. Takeover of the resolution of the European Court on working emergency seems to be unsustainable as hospitals are not able to comply with it under the current economic and personal conditions, so they bypass it. One of few pluses of this measure is the extending of employment possibilities outside the employment relationship and the incorporation of "telework" into legislation.

Eugen Jurzyca: The Labour Code motivates to select the forms of cooperation not covered by this Act. Its biggest negative lies in deepening uncertainty of legal order and legal uncertainty.

Miroslav Siváček: Pending harmonisation of the Labour Code with the dinosaur of the EU labour legislation, which is one of the biggest obstructions for its development, finally remained more symbolic than practical change. But it creates unnecessary additional costs for employers that could have been invested into the creation of new jobs. Obstacles that were created in the Act, such as overtime work, can be gradually overcome by organisations in cooperation with their employees. Demand for qualified employees has been shown to be better protection than legislation.

Juraj Nemec: I principally disagree with the elements of the amendment (although there is a connection to the EU legislation). A positive will be the possible introduction of telework. From my personal legislative point of view I prefer a more liberal labour market. Limitation of the number of working hours wipes the principle of consumer rationality (of a subject offering his/her labour to the market).

Juraj Renčko: A repugnant amendment containing both positive (new forms of employment), but especially negative elements that, in the current situation, excessively strengthens employees' protection at the expense of creating new jobs. A significantly negative fact is that the amendment was accepted without a consensus between social partners, which proves that the renewal of the Tripartite Act was only a formal matter and it has not contributed to improvement of social dialogue.

Furthermore, the way it was accepted, i.e. without a professional and independent impact study, shows the lasting low quality of the legislative process.

Robert Žitňanský: The style of the Ministry of Labour in negotiating the amendment is even worse than the very wording, which is a big compromise and has only very few points in common with the original wording. And it is also a useful example of concentration of power in hands of the Prime Minister occasionally entering the negotiations.

Richard Ďurana: Presented protection of an employee is a double-edged sword and changes that should help current employees will harm the ones looking for a job. The Labour Code amendment as well as 10% of minimum wage show that the Government does not deal with economic dependencies at the labour market. Simplicity of employment as well as the height of tax burden are the most critical factors judged by domestic and foreign investors and the Government seems that it does not want to take into consideration the fact that decreasing labour market flexibility will not help developing regions and the low-qualified workforce but will harm them. I assess the obligation for an employer to finance trade unions negatively. It is again an intervention into the rights of owners that are forced to finance activities from their own resources that they would not otherwise finance. I also assess the possibility of trade unions to stop the operations. Why, when currently the security is controlled by the Health and Safety rules and by the Inspectorate of Labour?

Igor Surovčík: The Labour Code Amendment surely helped trade unions, as their feeling of importance in companies has grown and it will maybe help some employees, but it will harm the less-qualified unemployed for whom it will be more difficult to find a job.

Igor Hornák: It could have been worse. It protects those who does not need to be protected.

Ludvík Posolda: There has never been a de facto Labour Code in the Slovak Republic. Only a political myth as a prerequisite for fulfilment of pre-election agreements with trade unions officers. Understanding of work in the life of a person and society in the thoughts of socialist politicians is wrong and their enforcing of the Labour Act as a protective working standard is total nonsense.

Rural Parliament of Slovakia: It will not help to the economy of the state.

Mária Machová: In a great part this is a nonsensical amendment and already the situation today at many workplaces confirms the objections of the opponents of this amendment. More precise definition of dependent work is one of the few beneficial changes.

Jozef Orgonáš: And also by participation of the state. The reality confirmed that it was an enforcement of the Act that is devious even in its idea for change, especially if the socialists are ruling. The European socialists only twist their heads, DG Employment rather does not say anything as it goes against their long-term enforced policy of so-called Flexicurity, where the flexibility is a relevant part but it is unfortunately very limited in the currently valid Act and it will eventually turn against employees.

Martin Jaroš: By the way, when the Labour Code of Kaník was neoliberal, which adjective would Mr Fico use for the Danish Labour Code?

Igor Daniš: The former Government solved the problem of the labour market badly and unfairly: it did not try to solve both sides of the working process but it provided employers or managers with blackmailing levers that were appropriately used by some children of socialism and affiliation and obedience towards KSS ... This step of the current Government, especially in the part of defining dependent work, returns the situation back to the standard. But it does not mean that this solves the current changed environment in terms of economic-working relations in the globalised economy and competition. The process in Scandinavian countries is different. The notion "Flexicurity" (Flexibility and Security) is the idea. Our social democracy has neither an idea nor a programme in this respect and what is worse, it resists this.

Vítězslav Palásek: The Labour Code amendment carries a visible stamp of value orientation of the current social democratic Government it was working with in the election fight in several sections. It won the elections quite successfully and replaced the need for wider analyses and modelled impact studies that are reflected especially in connection with working conditions of employees in the healthcare sector. On the other hand, the Labour Code amendment also showed a mirror to the understanding of competitiveness in the current business environment that lies in intense utilisation of labour by low salary costs that are probably the biggest, if not the only, element of competitiveness of the domestic economy in the international markets. The Labour Code is usually the most often amended legal Act and we can expect that, with continuous improvement of communication between business and government, the Labour Code will also move from war to more pragmatic positions.

Jaroslav Vokoun: If the legal form brings order into relationships, it is a good step. The amendment does not harm good employers. The others are heading for markets where an employee should be happy that he/she receives a salary and he/she should not care further. Companies that are not able to find specialists should express their opinion on this problem. It is also about respecting an employee. Some employers know how to do this, some do not. The employer-employee relationship

is asymmetric; therefore it is solved in a good society. And nothing is stable – everything bad will be stopped once.

EVALUATION OF SELECTED ECONOMIC AND SOCIAL MEASURES – 2ND HALF OF 2007

(Note: The evaluation of measures represent opinions and views of the HESO Experts' Committee members and do not necessarily reflect the views of their employers or any organisations of which they are members, nor the views of INEKO.)

HESO – Evaluation of Economic and Social Measures – 2nd Half of 2007					
Measures Ranked by HESO-Rating Values (i.e. Contribution to the Economic and Social Development)		HESO-RATING	Quality	Importance	See Page No.
		<i>[-300;300]</i>	<i>[-3 ; 3]</i>	<i>%</i>	
1.	Entry of the Slovak Republic into the Schengen area on December 21st, 2007 (estimated costs for related measures – more than SKK 3.5bn)	213.9	2.74	78.0	<i>p. 40</i>
2.	Free-of-charge publication information from the Real Estate Cadastre on the Internet from September 2007	129.3	2.56	50.6	<i>p. 42</i>
3.	Launching of electronic services of the Commercial Registry of the Slovak Republic from August 2007 (electronic submission of proposals to the Commercial Registry of the Slovak Republic; electronic statements also for legal purposes; electronic request registration fees lowered by half)	120.2	2.41	49.9	<i>p. 44</i>
4.	General Act on Euro currency implementation (rules of procedure by transition from the Slovak currency to EUR)	107.9	1.50	72.1	<i>p. 46</i>
5.	The National Strategic Framework of the Slovak Republic for the years 2007–2013 (determination of basic priorities for drawing almost SKK 400bn from Eurofunds – infrastructure, knowledge economy, human resources and education)	54.3	0.76	71.3	<i>p. 48</i>
6.	Limiting of the number of persons obliged to submit the annual settlement of health insurance (state insured persons, e.g. students, pensioners) working on the basis of agreement as well as employees or traders if their base of assessment does not exceed the summary of minimum wages; cancellation of outstanding payments and overpayments less than SKK 100; amendment of the Health Insurance Act)	26.0	0.79	33.1	-
7.	Introduction of degressive trade margins for drugs (the cheapest drugs with a higher margin than current, more expensive ones with lower margin; planned cost savings for drugs up to SKK 400m in 2008 and SKK 800m in 2009)	20.5	0.52	39.2	<i>p. 51</i>
8.	Tightening of conditions of the claim for premature retirement pension (at the earliest two years before achieving normal retirement age and after 15 years of pension insurance; receiving the unemployment benefit if it does not have a positive impact on the amount of premature pension; amendment of the Social Insurance Act)	5.0	0.12	40.9	-
9.	Introduction of a so-called ecological tax – excise tax on electricity, coal and natural gas from July 2008 (until 2010, 50% of minimum EU rates; many exemptions from the tax (e.g. consumption of households, generation of electricity from renewable resources); annual revenue from the tax up to SKK 1bn)	-2.1	-0.05	44.0	<i>p. 52</i>

10.	Determination of the public minimum network of providers of hospital health care (only 34 state hospitals in the minimum network; decrease in the number of beds in the minimum network by 10%)	-3.7	-0.08	47.3	<i>p. 54</i>
11.	Introduction of an extra payment to the contribution for the birth of a first child in the amount of SKK 11,000 to SKK 20,440 (together with the contribution - SKK 25,000); regular (monthly) preventive gynaecological examination during pregnancy as a prerequisite for the extra payment)	-14.0	-0.41	34.5	<i>p. 56</i>
12.	The decision of the Government of the Slovak Republic to build 157 km of highways and expressways with public capital through the PPP projects (the costs from SKK 150bn to SKK 300bn)	-14.5	-0.23	61.9	<i>p. 58</i>
13.	The 2008 State Budget (State Budget Deficit - SKK 32bn; Public Finance Deficit - 2.3% of GDP)	-19.2	-0.27	71.0	<i>p. 61</i>
14.	The Act on Minimum Wage (if social partners do not agree on the minimum wage it will be increased automatically by the government resolution by interim nominal growth of the average salary in the Slovak economy; modification of the minimum wage always takes place on January 1st)	-21.0	-0.49	42.6	<i>p. 65</i>
15.	The plan for a flat decrease in the number of state employees by 20% by the end of 2007 (the real decrease in the number of state officers is, according to various opinions, between 0% and 5%)	-23.8	-0.58	40.8	<i>p. 67</i>
16.	Special forgiving of penalty for owed social contributions in case of their payment to the Social Insurance Agency until the end of January 2008 (estimate of increased revenues of the Social Insurance Agency - SKK 900m; amendment of the Social Insurance Act)	-36.0	-0.97	37.1	<i>p. 69</i>
17.	Determination of the maximum amount of total interest and fees for provision of consumer loans (suggested limit - double the market average annual percentage measure of costs for the appropriate type of a consumer loan)	-37.4	-0.91	41.1	-
18.	Decreasing the rate of the value added tax (VAT) for books from 19% to 10% (decrease in state budget revenues - approx. SKK 140m)	-44.0	-1.38	31.9	<i>p. 71</i>
19.	Introduction of an annual Christmas contribution for pensioners on the basis of the amount of the pension (SKK 2,000 for pensioners with a pension lower than SKK 3,753, SKK 1,750 for pensioners with a pension between SKK 3,753 and SKK 7,505 and SKK 1,500 for pensioners with a pension between SKK 7,506 and SKK 11,257)	-49.3	-1.54	31.9	<i>p. 73</i>
20.	Renewal of nine district courts cancelled by the justice system optimization in 2005 (amendment of the Act on Residence and Districts of Courts of the Slovak Republic)	-58.6	-1.62	36.3	-

21.	Re-introduction of compulsory recommendation tickets from general practitioners as a prerequisite for examination by a specialist and renewal of the health districts (zones) by keeping the free choice of doctor (amendment of the Act on Health Care)	-69.8	-1.63	42.8	<i>p. 75</i>
22.	Increase in maximum assessment base for payment of social security contributions from three times to four times the average wage in the economy for working pensioners and invalids (estimated increase in social security burden – more than SKK 2bn amendment of the Social Insurance Act)	-75.7	-1.79	42.2	<i>p. 78</i>
23.	Compulsory closing of contracts with companies providing working health service accredited by the state for all entrepreneurs (or those who do not employ anyone) (obligation of an employer to ensure compulsory medical preventive examinations at their own expense only by these companies)	-77.8	-2.12	36.8	-
24.	Termination of the transformation of state health care facilities to joint stock companies (the share of the state in the facilities that have already been transformed may not fall under 51%; amendment of the Act on Health Care Providers)	-78.0	-1.60	48.8	<i>p. 81</i>
25.	Introduction of voluntary entry and, for a period of half a year, exit from the second pillar of the pension scheme for everybody (extension of the minimum period for saving from 10 to 15 years for creation of title for pensions from the second pillar; the state will not pay contributions to the second pillar for invalids; amendment of the Act on Old-Age Pension Savings)	-95.5	-1.64	58.3	<i>p. 83</i>
26.	Prohibition of profits for health insurance companies (obligation to use profits from public health insurance for payment of health care; decrease in the upper limit for expenses of health insurance companies for their operation from 4% to 3.5% of the collected premium; amendment of the Act on Health Insurance Companies)	-97.9	-1.66	59.0	<i>p. 86</i>
27.	Permission to start construction of certain sectors of highways without repurchasing or claiming private lands without the approval of the owner (Act on One-off Special Measures by Preparation of some Constructions of Highways and Expressways)	-153.3	-2.37	64.6	<i>p. 89</i>
HESO-Rating / Quality / Importance of Measures of the 2nd Half of 2007		-10.6	-0.35	47.5	

Note: Measures which are mentioned and described in this publication are **bold**.

Entry of the Slovak Republic into the Schengen area on December 21st, 2007 (estimated costs for related measures – more than SKK 3.5bn)

Submitted by: Government of the Slovak Republic, Ministry of Interior of the Slovak Republic

Intention of the Measure: Accepting of several measures preceding entry into the Schengen area (note: including some during the previous Government), whose main intention was to harmonise with the norms of the Schengen area and removal of means of criticism from the side of the European Commission (EC).

Contents of the Measure:

- Controls at the inner borders of member countries of the Schengen area have been cancelled since December 21, 2007 and they are applied only at the common outer borders – Slovak citizens have the right to cross borders in the Schengen area at any place with an identity card or passport (except anywhere in natural reservations, etc.)
- Restrictions in airline traffic lasted till March 2008, after which time travelling without controls began.
- In exceptional cases (e.g. Bin case of risk of international terrorism attacks, ethnic unrest threatening to grow into neighbouring countries or the risk of unrest at large international sport events) every state from the Schengen area may temporarily renew controls at the borders.
 - Implementation measures that were to be realised include, without limitation:
 - Technical measures necessary for ensuring free movement of persons without endangering of security of the states included in the Schengen agreement.
 - Common definition of requirements for issuing of visas.
 - Coordination of institutions responsible for border protection, policing, visas, customs and justice cooperation, personal data protection areas, illegal migration and common asylum policy.
 - Determination of the responsibility of carriers in the fight against illegal migration.
 - And one of the most important tasks was the creation of the Schengen Information System II (SIS II) – a computer network connecting police stations and providing all important data on persons and goods that could endanger public safety.
- In September 2006 the EC advised that, especially due to technical problems with the Schengen Information System, the extension of the Schengen area will be delayed to 2008 or 2009.
- In connection to this fact Slovakia was accused of many shortcomings in the evaluation report, such as: insufficient ensuring of borders (with Ukraine) and delaying the application of the Schengen Information System, outdated equipment, insufficient number of custom officers and soldiers guarding the borders and overall unpreparedness for the entry.
- Members of many countries (e.g. Austria and Czech Republic) provided negative comments regarding the unpreparedness of Slovakia for entry into Schengen.
- Delay of the whole preparation process for entry was caused in the Slovak Republic, especially by problems in public procurement.
- The Government reacted to criticism and in November 2006 it appointed a representative for Schengen entry and in March 2007 it accepted the Action plan for ensuring entry into the Schengen area.
- It was necessary to buy error-protection equipment, video equipment, various information systems and mobile monitoring units.
- Preparation for the entry of the Slovak Republic into Schengen required reconstruction of the border control departments (Vyšné Nemecké, Petrovce, Čierna nad Tisou), building of new control departments (in Ulič, Ublá, Podhorodie, Maťovské Vojkovce and Veľké Slemence) and construction of the directorate of the border police (in Sobrance); the camera system cost SKK 33m and total fees for adjustment of border objects to Schengen conditions cost SKK 508m.
- The information campaign connected to the entry of the Slovak Republic to Schengen cost SKK 15m.
- There has been another harmonisation of legal acts in the legislation; the most relevant changes being:
 - The institute for seizing and extradition of a person located in the member country after fulfilment of conditions stated by the law is an European warrant of arrest.
 - The court procedure after issuing of the European warrant of arrest has been determined.
 - After entry into the Schengen area the Slovak Republic is obliged to accept decisions of other member countries on expulsion.
 - The visa granted at the border will be a visa granted by Slovak authorities, but it will be a unified Schengen visa with territorial validity for the whole Schengen area or a selected country/countries within this area (visa with limited territorial validity).
 - Within the amendment of the Act on Police Forces of the Slovak Republic, the circle of subjects to which information from the Schengen Information System will be provided was determined.

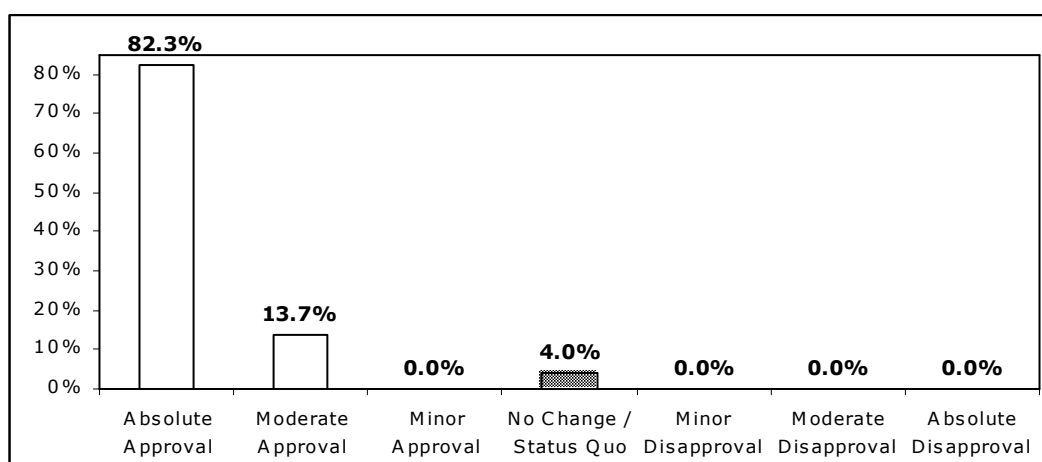
- It is an obligation of Slovakia to harmonise the internal legislation for administrative fees; within the amendment of the Act on administrative fees, especially fees for issuing visas, were adjusted in accordance with Schengen acquis.
- The amendment of the Act on the stay of foreign citizens was adjusted following the filing of undesirable persons into the Schengen information system.
- From the Criminal Code, the institute of cross-border hunts have been dismissed, which is an institute of police cooperation and the aim of the amendment of the Act on European Committitur Piece was to determine communication among the member states of the Schengen Treaty via the Schengen Information System and a special contact point – SIRENE.
- The right of police and other internal bodies to verify the identity of people has not been changed and it should be carried out more frequently, especially in the inlands.
- The Evaluation Report on Preparedness of New Countries for Entry into the Schengen area that was introduced at the meeting of the Board of Ministers of Justice and Interior (December 2007) showed that Slovakia met all the conditions and nothing was preventing the entry of the country into the Schengen area on December 21, 2007, while the system for border protection with Ukraine was evaluated as one of the best within the whole EU.
- Total costs related to preparation of the entry of Slovakia into the Schengen were estimated by the Minister of Interior Robert Kaliňák (SMER-SD party) at more than SKK 3.5bn (more than half of this amount was provided by the EU).
- The Schengen area is created by 24 countries from December 21, 2007: all EU members (except Great Britain, Ireland, Cyprus, Bulgaria and Romania) plus Norway and Iceland.
- The Schengen Treaty on the cancellation of border controls on inner borders was signed on June 14 by representatives of France, Germany and the Benelux countries in the village of Schengen in Luxembourg.

Opinions of Proponents from Media Sources:

- Controls at the inner borders of countries entering the Schengen area are removed and this way one of the basic principles of EU is fulfilled – free movement of persons.
- Strong economic benefit – transaction costs for businesses and regular people will be dramatically reduced and they will not have to wait minutes, hours and by the trucks even days at border controls.
- Increased tourism within the Schengen zone.
- Elimination of border controls will bring strengthened police and court cooperation in the shape of cross-border supervision and control of suspected persons inland while the security equipment has been modernised.
- Schengen Information System will ensure optimum sharing of information between police and court bodies.
- For new EU members it is a historic milestone and strong symbolism that they do not live behind the iron curtain any more and that they do not have to consider themselves to be "second-class citizens".

Opinions of Opponents from Media Sources:

- Fears of increased criminality and easier movement of suspected persons almost throughout the EU are connected to the extension of Schengen.
- Slovak bodies lost opportunities for efficient monitoring and control of incoming and outgoing people and goods into and from the Slovak Republic.
- The risk of ongoing problems related especially to coordination of institutions responsible for border protection, illegal migration, insufficient technical equipment, control of outer borders and issuing of visas.
- As borders can be crossed almost anywhere there is a risk of violation of currently peaceful natural or residential places by increased mobility of people and motor vehicles.
- This measure should have come earlier, together with entry into EU.
- Entry into the Schengen area was our duty, not a "reward", because for new members of the EU there was no possibility to withdraw from this part of the accession agreement.
- Closing of the Slovak-Ukrainian border will limit development in the whole region, limit possibilities of cross-border business and if there is no agreement on small border contact signed, there are also fears about breaking of family connections.
- Hoteliers in the Slovak Tatras of Polish Zakopané are afraid that Ukrainians and Russians will not bother to obtain an expensive Schengen visa and if they do, they would rather go to the Alps or the Dolomites for a better skiing experience.

Evaluation of the HESO Experts' Committee:

Juraj Lazový: I feel it is very positive, another step towards "full membership" of Slovakia in the EU (only closing introduction of EUR and full release of the labour market for Slovak citizens are missing). I think that we can express great appreciation to current management of the Ministry of Interior in this respect.

Radoslav Procházka: Another step that both at a symbolic and practical level means reduction of "second-classness" of Slovakia or its citizens as EU citizens.

Miroslav Siváček: A necessary step that has been successfully fulfilled. We are once again more a part of the "good old" Europe with increased comfort of movement and business freedom.

Richard Ďurana: Regardless of the delay (it should have been realised together with entry into EU) one of the basic freedoms resulting from membership in EU – free movement of persons – has become a reality.

Tomáš Dudáš: One of the most positive events during recent years. Entry into Schengen will simplify life of both entrepreneurs and regular citizens.

Jozef Orgonáš: The costs are not so high from the point of Slovakia as part of it has been paid from European funds. Now the Eurozone and the process of entry will be definitely completed.

Juraj Nemec: Integration is inevitable for a country like Slovakia.

Igor Hurčík: Happy!

Martin Kahanec: Positive, however it brings some risks for which we may not be sufficiently prepared.

Rural Parliament of Slovakia: It is a step towards improving of the quality of life. It will support revitalisation in border areas. But it is necessary to avoid consequences for the economic and social level in the Slovak Republic: criminality and a decrease in tourists from the countries of the former USSR.

Milan Velecký: Only a groan - finally! And to Ukrainians or Russians: yes, today they pay the same money for a visa to the Austrian Alps or Tatras. But try to find beer for EUR 1 to 1.5 in Austrian skiing resorts (EUR 0.33 in a supermarket). And a pizza in a pizzeria for EUR 4 can be found in Jasná or in Tatranská Lomnica without problems. Russians and Ukrainians prefer the Tatras because other things are cheaper with a visa to Slovakia.

Free-of-charge publication information from the Real Estate Cadastre on the Internet from September 2007

Submitted by: Geodesy, Cartography and Cadastral Authority of the Slovak Republic

Intention of the Measure: Allow free-of-charge provision of information from the Real Estate Cadastre Information System to all subjects via the Internet on the Cadastre Portal.

Contents of the Measure:

- Free access to data from the real estate cadastre on the website www.katasterportal.sk for the public since September 2007.
- The cadastre has been published on the Internet since 1 February, 2004 and for the public since 1 February, 2005, but until 31 August, 2007, its utilisation was burdened with fees (e.g. SKK 60 per statement) and conditioned by registration and depositing of money to a fictional account

from which the fees for cadastre services were drawn; only state budgetary organisations could use it free-of-charge and subjects were freed from paying the administration fees.

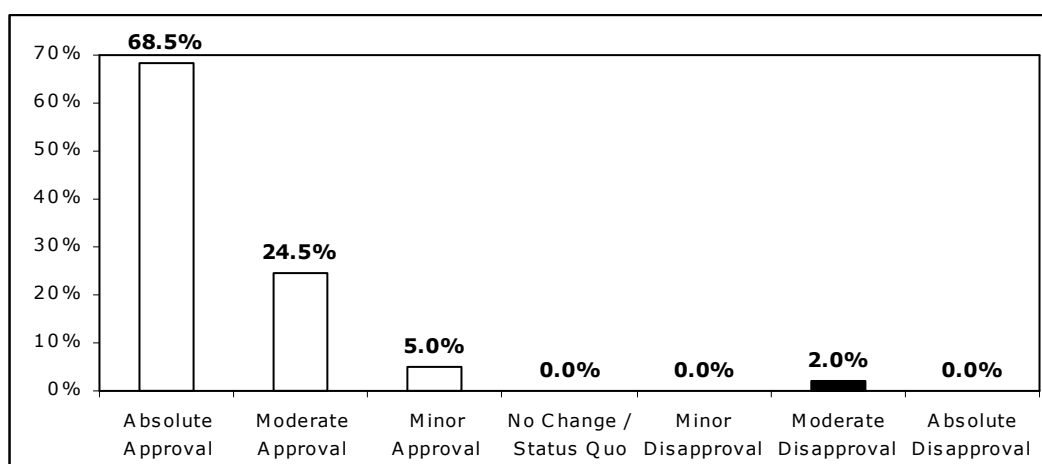
- Since the beginning of the cadastre portal operation until 1 August, 2007, 27,600 users were registered and approximately 3,300 people visited each month; during the first days of free access to the electronic cadastre, 176,000 persons used it.
- The portal allows visitors to search for information (descriptive, geodetic and statistical data, data on ownership, maps and territorial entities) and the status of cadastral procedures based on the name of the owner, the number of the allotment, the number of the building, the number of the ownership letter or birth number within the cadastral territory; reports on real estate, owners and locations can be created from the data; it is also possible to search cadastral maps.
- Portal information is updated weekly.
- Information obtained from the portal is not public documentation, it only has an informational quality and cannot be used for legal purposes.
- The proposal for entering information into the real estate cadastre in an electronic form is not possible.
- Before September 2007 approximately 57% of real estate was recorded on the portal, the rest should be added during 2008.
- The state will lose approximately SKK 12m by cancellation of the fees annually.
- SKK 42m was dedicated to the establishment of the project, annual costs for portal operation and maintenance reported in media were SKK 9m (however only SKK 4m a year based on the argumentative report).

Opinions of Proponents from Media Sources:

- The Geodesy, Cartography and Cadastral Authority of the SR is a public institution financed from citizens' taxes so it should provide information free of charge.
- The workload for cadastral officers will be decreased, people should not have to wait so long at the office when obtaining certain information and by changes in the cadastre – e.g. recoding of their ownership right.
- A positive impact on informatisation of the society – especially people doing business with real estate (real estate agencies, lawyer's offices, developers, commercial geodetic companies) will benefit the most.
- Entering of online data and easier access to information will improve the transparency of relations referring to properties, which will facilitate the process of purchasing or selling real estate for people.
- The service will allow working more efficiently with media, police, courts, tax offices, executors or layers.
- Transparency, reliability and consistency of data will increase with the information being online (e.g. many buildings appeared several times in the database of the cadastre).
- In many countries the cadastre is available on the Internet, however only in the Czech and Slovak Republic it is possible to get information on the status of a procedure, while from the V4 (Visegrad) countries the information from the electronic cadastre is free of charge only in Slovakia.

Opinions of Opponents from Media Sources:

- Anonymous and free provision of data from the cadastre on the Internet can cause duplication of the information misuse problem (e.g. birth numbers of owners were published on the portal for a certain time) and the problem of property juggles; in addition it will not be possible to identify the applicant for information.
- Payment for electronic statements from the real estate cadastre on the Internet were symbolic and they had a self-regulating effect on demand for information – information was requested only by those who really need it because they were buying or selling the real estate.
- The operation of the electronic cadastre should be financed, preferably by those who use it – the remaining fees for services provided would contribute to the efficiency of input and operational costs while the existence of fees would also improve the quality of services provided by the portal.
- Within the testing period of the cadastre portal it was possible to enter the name and the system showed all registered real estate of the given person in the whole country but now it is necessary to enter the cadastre area as an obligatory entry.
- Until it is necessary to realise the registration into the cadastre via paper form, the amendment solves the problem only partially.

Evaluation of the HESO Experts' Committee:

Martin Kahanec: I consider this to be a very positive measure. It allows a more efficient real estate market as well as an increase in its transparency.

Jaroslav Vokoun: One of the steps to an "ordinary person". Because we love the self-regulation effects of demand for information.

Juraj Lazový: A correct step towards greater use of the Internet by public administration services. Similar to the commercial code, another step should follow – full conversion of information to the Internet, which will allow full efficient online communication with the cadastre.

Richard Ďurana: The measure simplifies communication between citizens and a public institution.

Robert Žitňanský: Great measure – finally the public administration is moving towards citizens.

Juraj Nemec: A step forward within e-governance.

Igor Hurčík: A standard in a civilised world.

Rural Parliament of Slovakia: Decrease in the number of required journeys into town will simplify the life of countryside inhabitants. Extension of the utilisation of electronic services will support the development of information and communication technologies and computer skills.

Tomáš Dudáš: I evaluate this very positively; it is a good step in the right direction, towards better access to information. The only pity is the huge delay of this step becoming a reality.

Pavol Žilinčík: Finally.

Miroslav Siváček: A good decision, some negatives can be removed step-by-step.

Mária Machová: Positive – speed, availability. I think that certain price regulation is correct – services are mostly used by entrepreneurs as a part of their "core business" and for some "super users" payment for services can partially help to regulate number of accesses (similar to fees for the doctor), and this way influence the efficiency of public resource consumption.

Luboš Vagač: It is relatively free for users, but we all pay the operation from our taxes. But as it is a service used by wide masses it is justifiable.

Martin Hošták: When the citizen pays taxes, he/she should have free access to all information.

Launching of electronic services of the Commercial Registry of the Slovak Republic from August 2007 (electronic submission of proposals to the Commercial Registry of the Slovak Republic; electronic statements also for legal purposes; electronic request registration fees lowered by half)

Submitted by: Ministry of Justice of the Slovak Republic

Intention of the Measure: Provision of full electronic services of the Commercial Registry of the Slovak Republic (OR SR) to citizens and entrepreneurs; extension of legal obligation of OR SR documents issued in an electronic form.

Contents of the Measure:

- From August 1, 2007, the services of OR SR will be made available via Internet forms on websites of the OR SR, Ministry of Justice of the Slovak Republic and Central Public Administration Portal (www.portal.gov.sk), although registration is necessary.
- The option to submit a proposal for registration of a company into the Commercial Registry, request for change in registration, for statement from the registry, electronic provision of documents from the Collection of Documents as well as the ability to request statements from the Commercial Registry and copies of documents from the Collection of Documents. All this can be obtained in a legally binding electronic or paper form (previously, the statements in an electronic form served only for informative purposes).
- The request for statements from the Commercial Registry or a copy of the Collection of Documents submitted via electronic means do not have to be signed by an electronic signature from the side of applicant, whereas the proposal for registration into the Commercial Registry, a change or deletion from the Commercial Registry or a request for a document to be added to the Collection of Documents in an electronic form requires a guaranteed electronic signature.
- In case of electronic application for an electronic statement from the Commercial Registry, the registry court shall issue the statement within two working days of the day when it receives the information on payment of the fee (SKK 10 per electronic statement, SKK 200 per paper statement), in case of request for the electronic issue of a copy from the Collection of Documents, the registry court shall issue the document within five working days.
- Fees for electronic services of the Commercial Registry are 50% lower than for paper applications – e.g. the fee for an electronic proposal for the first registration of a joint stock company is SKK 12,500, for other legal entities (ltd.) it is SKK 5,000, for a natural entity (entrepreneur) it is SKK 2,500, for a proposal to change the legal form of the commercial company the fee is SKK 5,000, and a proposal for modification or completion of data costs SKK 1,000.
- The costs for this modernisation of the services of the Commercial Office of the Slovak Republic are SKK 50m.
- For the first three months since launching electronic services of the Commercial Registry, citizens and companies submitted almost 950 electronic applications, with the highest interest being in electronic statements from the Commercial Registry.

Opinions of Proponents from Media Sources:

- Electronic communication with the Commercial Registry will reduce the administrative burden of doing business and increase the flexibility of the companies registration system (finally it will be possible to establish the company with the click of a mouse) – reduction of barriers for entry and exit for doing business.
- The modernisation of the system will speed up correspondence between the citizen and the court and the waiting period will be reduced, while the citizens and entrepreneurs will not have to visit the office personally – decreasing the burden of time-consuming bureaucratic procedures for citizens and businesses.
- Significantly lower fees by electronic communication with the Commercial Registry compared to the paper form – the fees for electronic proposals for registration into the Commercial Registry were decreased by 50%, fees for creating and issuing an electronic burden were reduced by 95%.
- Issuing of the guaranteed electronic signature is a single shot investment and it represents a minor expense for the entrepreneur but utilisation of the electronic signature is universal and in future it will be possible more and more often.
- Full publicity of the Commercial Registry will be ensured, access for entrepreneurs and public to information will improve.
- Electronic services of the Commercial Registry are the first services at the central public administration portal whose output is an electronic document with the legal relevance for legal acts.

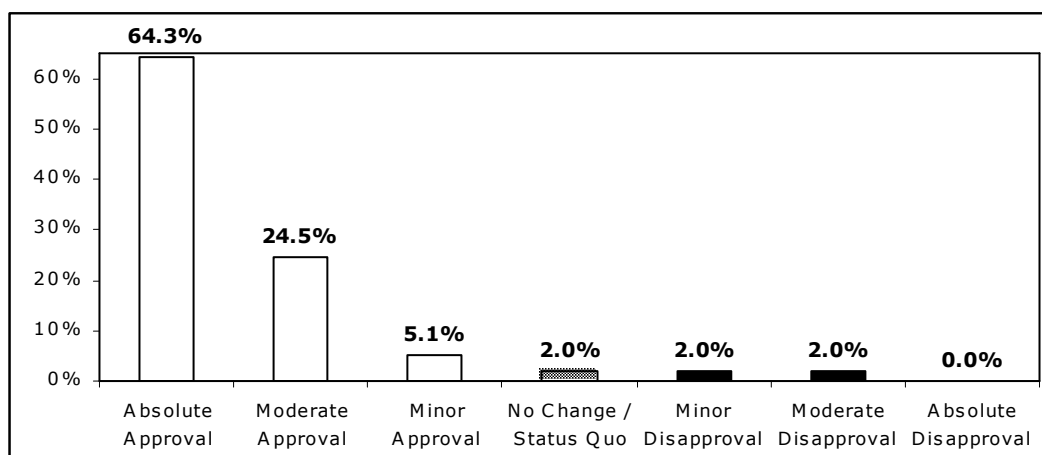
Opinions of Opponents from Media Sources:

- The electronic statement is efficiently utilised for legal purposes only when the second party is technically prepared to process requested documents in an electronic form and this is not a rule in Slovakia yet – a guaranteed electronic signature is not used by health insurance companies and also not all financial institutions show understanding when the client sends a document in an electronic form.
- A guaranteed electronic signature is required for application for registration into the Commercial Registry, the use of which so far is very limited and requires high initial costs – issuing of a guaranteed electronic signature can cost several thousand crowns and this makes its occasional utilisation inefficient.
- If the proposal for registration of the company into the commercial registry was submitted in paper form, other related documents must be submitted in paper form.
- Difficult work with an electronic registry (individual steps heading towards utilisation of electronic services of the Commercial Registry on the chaotic public administration portal are not

user-friendly) with an electronic signature and a requirement to register deters many people from using electronic forms of communication with OR SR.

- While a paper statement is obtained immediately, electronic statements will be issued by the registry court only within two days of the fee being credited to the OR SR account.
- An increase in technical difficulties on the part of the OR SR and difficulty of rework of documents archived in a paper form into an electronic form.
- EU directives ordered the incorporation of changes related to the electronic registry into the Slovak legal order back in January 2007 but some of them only came into effect from August 2007.

Evaluation of the HESO Experts' Committee:



Jozef Orgonáš: Solving of e-governance from one place supports business, the measure is good. However, in the overall context it is necessary that the interconnection among individual institutions allows the entrepreneur to visit only one place. If it is possible in Finland, why not in Slovakia?

Juraj Lazový: Despite some small shortcomings I definitely rate this as a positive step towards necessary modernisation of public administration. It is necessary that other state and public administration bodies and institutions follow this step.

Juraj Nemec: A step forward within e-governance.

Igor Hurčík: Standard in a civilised world.

Róbert Kičina: An excellent measure – finally public administration has started to move towards the citizen.

Richard Ďurana: Despite room for improvement, the measure simplifies communication between citizens and a public administration authority and decreases time and financial costs of clients.

Rural Parliament of Slovakia: Similar to an electronic cadastre of real estate, the decrease in the number of necessary journeys to the town will simplify the life of the countryside's inhabitants. It will also contribute to the extension of utilisation of electronic services, support of information and communication technology and development of computer skills.

Miroslav Siváček: A good decision where the benefits significantly outweigh the stated shortcomings.

Martin Kahanec: Positive, but not finished completely.

Mária Machová: I still see trouble in conditions for obtaining and possibilities of applying for the guaranteed electronic signature.

Jaroslav Vokoun: It is difficult to keep up with the EU. We have been seated in a very fast train.

General Act on Euro currency implementation (rules of procedure by transition from the Slovak currency to EUR)

Submitted by: Ministry of Finance of the Slovak Republic

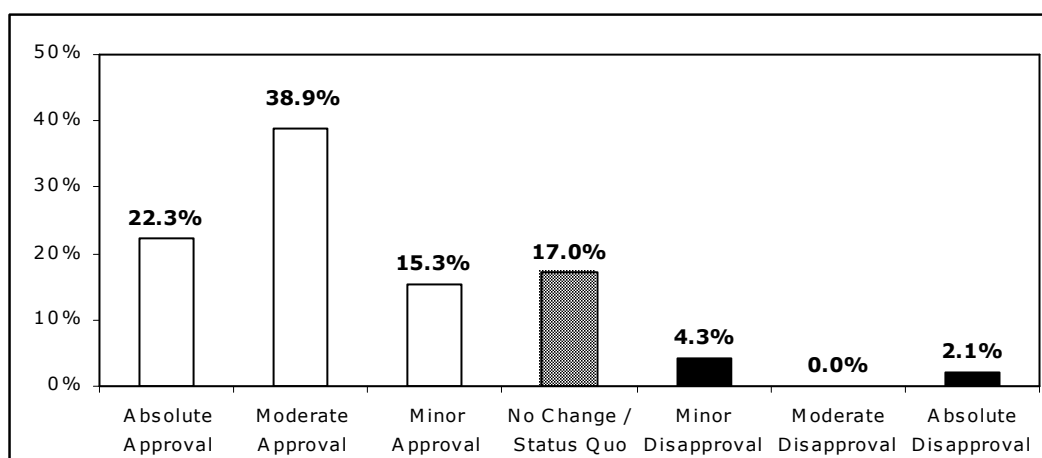
Intention of the Measure: To ensure fluent and trouble-free transition from the Slovak currency (Slovak Koruna (SKK)) to the common European currency – Euro (EUR).

Contents of the Measure:

- During the dual pricing that will begin no later than 30 calendar days since the day for determination of the conversion exchange rate and will finish at the earliest on 31 December, 2009, all sellers will be obliged to label prices in SKK and EUR and banks will be obliged to display the opening and closing balance on accounts in SKK and EUR.
- During the dual circulation, i.e. from 1 January, 2009 to 16 January, 2009, citizens will be able to pay in shops in both Slovak crowns and EUR, but shops will only give change in EUR.
- After the termination of the dual circulation it will be possible to change crown banknotes for EUR in commercial banks free of charge until the end of 2009 and coins until the end of June 2009, the National Bank of Slovakia will exchange banknotes free of charge without any time limitation and coins until the end of 2013.
- From January 1, 2009 ATMs will issue EUR exclusively.
- Until January 17, 2009 banks will be obliged to change 100 banknotes and coins to a client free of charge (50 according to the original proposal).
- Re-calculation of prices will be exactly according to the conversion exchange rate and mathematical rules for rounding (rounding in principle for two decimal places (to the whole euro cent), for some commodities (e.g. electricity, gas, fuel, telephone tariffs) in the interests of more precise pricing to three decimal places, and by unit and pension funds to six decimal places).
- All accounts of banking clients, loan products, letters of credit, guarantees and cheques will be recalculated in EUR; for securities both nominal and market values will be recalculated in EUR.
- Interest rates and other conditions will be preserved in accordance with the contracts continuity principle; market exchange rates, indexes and investment fund performance indicators will be recalculated in EUR so that the continuity of reports is preserved.
- Calculations of tax duties, tariff fees, social and health insurance allowances and contributions will be adjusted to EUR (final amounts that are the revenue of the state budget or other public administration budget will be rounded down in favour of persons obliged to carry the payment of these payments and final amounts that are the expenses of the state budget or other public administration budget will be rounded up, in favour of entitled recipients of these payments).
- Prices, fees and other financial fulfilments may not be increased or implemented because of coverage of increased costs related to transition to EUR.
- For violations of the Act the supervisory authorities are entitled to impose fines of EUR 1,500 for natural entities and EUR 15,000 for non-natural entities.
- Opinions of Proponents from Media Sources:
- An inevitable "manual", "timetable" for technically trouble-free transition to EUR – help for both citizens and entrepreneurs.
- The Act is in favour of consumers – by determination of precise rules it can act against increased prices by rounding of prices to EUR.

Opinions of Opponents from Media Sources:

- The Act should have been submitted to the Parliament earlier, one year for implementation of measures is too short.
- The Act imposes obligations on entrepreneurs and other subjects that they have to pay from their own pockets, while these costs may not be reflected in reasonable increases of prices.
- The extent of the act is too wide, it has doubled compared to the original proposal while it contains many parts that are not related to EUR transition.

Evaluation of the HESO Experts' Committee:

Jozef Orgonáš: One of the best-prepared legislative measures during the last 15 years. Objective, clear, transparent and definitely determining the rules of the game.

Juraj Nemec: Integration is inevitable for a country like Slovakia. Maybe the Act has its problems (plus legally as well as economically inappropriate statements of the Prime Minister on punishment for misuse the EUR implementation), but it is important that it exists. Entry into the Eurozone is suitable when the economy is doing well.

Juraj Lazový: A necessary Act that should have been accepted earlier.

Tomáš Dudáš: This act contains gradual steps for the transition to EUR and is important, but its relatively late approval can be criticised considering the expected entry to the Eurozone on 1 January, 2009.

Mária Machová: Long preparation and sometimes unnecessarily complicated and long wording of the Act. Lots of ambiguities require solution in the form of regulations.

Igor Hurčík: This is probably the lesser of several evils.

Rural Parliament of Slovakia: Natural obligation.

Martin Kahanec: The Act is a technical issue. The introduction of EUR is controversial, advantages and disadvantages are almost equal. Risks are underestimated in Slovakia.

Róbert Kičina: The Act is necessary but the prohibition of transition of increased business costs related to transition to EUR into prices is a measure without contents, businesses will behave based on the market situation and competition is the best price regulator.

Richard Ďurana: The absence of discussion on measures that will be significantly reflected to the costs of many entrepreneurs is negative. In connection to accepting the EUR as of January 2009, I think that this deadline is not the most suitable for Slovakia and the country should wait until it enters the Economic and Monetary Union (EMU). The reason is the high risk of inflation that will be brought by removal of the possibilities for approaching of the Slovak price level to the European in the way of strengthening of the crown towards nearby currencies. Approximation of our price levels to those of Europe via strengthening of our currency will not be possible after EUR introduction. It will happen via absolute growth of food, energy, living, goods and services process and it will be accompanied by delayed growth of salaries.

Peter Gonda: The general Act on EUR introduction confirms that the current Government wants to get political points from the EUR introduction and eagerly continues with its quick rate of steps towards replacement of the Slovak crown by the EUR started by the previous Government. The price for earlier drawing of some benefits from early entry into the Eurozone will probably be the faster giving-up of the exchange rate and non-inflation of Slovakia approaching the economic level of the West, earlier falling into the Eurozone with financial tensions and worsening of conditions for personal freedom and competition in Slovakia. I consider the prepared membership of Slovakia in the Eurozone to be risky, unprofitable and supporting the processes of centralisation and top-down harmonisation that are more and more dominant elements within the European integration not only for citizens of Slovakia. I believe that via the appearance of international freedom principles and economic principles such as competition it is impossible to agree with today's European currency integration.

The National Strategic Framework of the Slovak Republic for the years 2007–2013 (determination of basic priorities for drawing almost SKK 400bn from Eurofunds – infrastructure, knowledge economy, human resources and education)

Submitted by: Ministry of Construction and Regional Development of the Slovak Republic

Intention of the Measure: Determination of priorities of the Slovak Republic for utilisation of funds (structural funds and Cohesion Fund) of the European Union during the period 2007–2013.

Contents of the Measure:

- The Slovak Republic will fulfil its strategic priorities via 11 individual sector operational programmes where the possibilities offered by the new programme period 2007-2013 by utilisation of EU funds are stated.
- In case of success of individual euro projects Slovakia should receive, during the period of 2007-2013, EUR 11.588bn from the EU (EUR 7.689bn from structural funds and EUR 3.898bn from the Cohesion Fund), currently approximately SKK 388bn.
- The National Strategic Reference Framework (NSRR) refers to a significant increase in competitiveness and performance of regions and the Slovak economy until 2013.
- The EU cohesion policy will be realised in the programme period of 2007-2013 via focus on contributions from funds on three main targets: convergence, regional competitiveness and employment and European territorial cooperation.

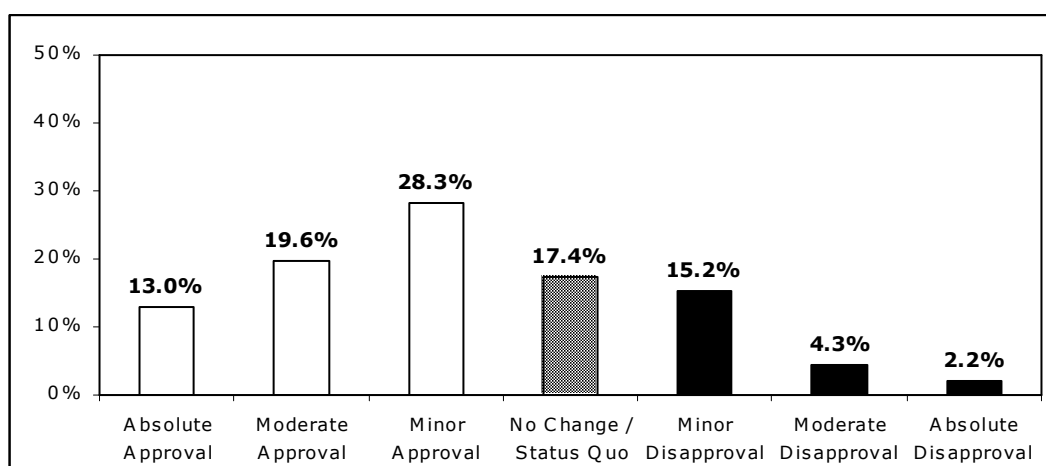
- Within the objective of "convergence", financial support from the European Fund of Regional Development and European Social Fund will go to regions whose Gross Domestic Product (GDP) per capita for the last three years before the acceptance of new regulations will not reach 75% of the extended EU average.
- Financing from the Cohesion fund refers to help to the regions whose GDP for the three years before the accepted regulation does not achieve 90% of the EU average.
- Priorities of NSRR are as follows:
 - Infrastructure and regional accessibility: building and modernisation of a public infrastructure that will allow accessibility of infrastructure of individual regions and increase the efficiency of public services; the centre is transport, environmental, educational and social infrastructure and renewal of municipalities.
 - Knowledge economy: support for knowledge economy development via investment into electronic services and contents, research and development and support of competitiveness of companies and services via innovations.
 - Human resources and education: support of human resources development that will lead to employment growth, improvement of workforce and human resources considering the needs of the knowledge economy and increased social integration of disadvantaged groups.
- NSRR also defined horizontal priorities that support the achievement of the framework objectives in four areas: minority Roma communities, equal opportunities, sustainable development and the "information society".

Opinions of Proponents from Media Sources:

- In the past the system for drawing money from euro funds was set in a quite complicated way and the processes took a long time but currently this material means unification, simplification and efficiency of processes at each level.
- The bureaucracy caused by submitting projects will be simplified and this way the time necessary for their evaluation will be shorter.
- Thanks to financial funds from the EU, the next few years will bring significant development of the knowledge economy.
- There are such priorities selected in the NSRR that will increase employment and allow the workforce to adjust to unstable conditions in the labour markets.
- It is a very important document that will allow Slovakia to draw resources from euro funds while this also creates the space for fulfilment of the Programme Statement of the Government of the Slovak Republic.
- The EU resources will help Slovak towns, villages and regions as well as the whole economy to converge faster.

Opinions of Opponents from Media Sources:

- The biggest danger to the fulfilment of the NSRR targets is the fact that it has to be strongly connected to the national reform programmes of the EU member countries by determining measures that will be accepted for fulfilment of the goals of the Lisbon Strategy.
- Utilisation of EU funds in Slovakia during 2004-2006 was only at the level of approximately 30%, and therefore, according to critics, we cannot expect that all objectives of the NSRR will be fulfilled to 100%.
- It will be necessary to personally ensure that individual ministries are able to realise the euro projects and this will require further resources from the state budget.
- The whole process could have been significantly faster; approval was very delayed because the framework of individual operational programmes had been extended.
- Approval of the NSRR does not mean anything as not all operational programmes have been approved yet and only after their acceptance and approval can the calls for submission of concrete projects be published and also the projects do not have to be prepared well or approved at all.
- Fears of misuse or unsuitable use of the EU funds while there are still reserves in their transparency, while the political influence caused by the allocation of money is currently a significant risk in Slovakia.
- Competency disputes between coalition parties who will be sitting at the source – the unwillingness of the Ministry of Construction and Regional Development to cooperate with the autonomous districts by reallocation of a part of money from euro funds.
- The money from euro funds deforms the market environment as they privilege certain business subjects, encourage the inefficient utilisation of resources (also domestic) because of obligatory co-financing of projects.

Evaluation of the HESO Experts' Committee:

Juraj Nemec: The framework has to exist; its contents can be discussed.

Miroslav Siváček: Elaboration of the NSRR was a duty and in principle there is not much to criticise on the set priorities. The decisive point will be how objectively and transparently the proposals will be judged and evaluated. However, Internet procedures for submitting projects focused on speed and attention of the applicants, which does not add credibility to this process.

Juraj Lazový: I assess the Government's decision positively. But it will be significant to what extent the drawing of euro funds will be efficient and transparent and to what level the probable clientelism and corruption will be suppressed.

Igor Hurčík: The quality of projects and state officers will be decisive as will how the state sets-up the processes. I hope that we will not repeat old mistakes.

Aleš Michl: The Slovak and Czech Republics have many strategies on many pages but drawing of funds stands and falls also with the management approach by redistribution of money.

Martin Kahanec: Euro funds as such are a controversial measure, but efforts for their efficient distribution are positive. However, the declared targets such as education have very little in common with actual ones.

Ludvík Posolda: In principle, euro funds are like a steam engine: big supply (tax burden for payers in EU) versus low performance (small efficiency) and big losses of heat (bureaucracy, corruption).

Luboš Vagač: It is difficult to evaluate such a package of measures as the NSRR at once. It is a form of assistance to less developed areas and spheres upon which the whole European Union agrees. It is huge amount of money that can surely help in many areas. However, from my point of view it is unsustainable as it is mostly financed by the countries that cannot draw on it (or only to a limited extent) and this way they finance their competition. The ability to draw the funds is at the same time deformed by the domestic business environment and decisions of politicians (for example, the possibility of using the resources from the European Social Fund for active labour market policy frees up politicians to decide on other new measures, decreases pressure on efficient decision making and economy, etc.).

Peter Pažitný: In my opinion, euro funds are the curse of Slovakia. The European Union (and Slovakia) would operate better without them.

Róbert Kičina: It is clear that euro funds are the cancer of the EU. They deform the market and redistribute resources that could be used more efficiently by private subjects if they had not been taken from them in the form of taxes. Anyway, if the EU offers us this sick money, it is better to use it than to not accept it. Therefore, I assess this measure positively and because we are speaking about such huge amount of money, the impact on society will be significant. However, I would welcome it if they would be dedicated solely for the development of public goods (renewal of schools, hospitals and development of infrastructure) and not for direct financial support of (selected) companies.

Jaroslav Vokoun: The fear of deformation of the market environment is actual only where such environment exists. We will not come far in Slovakia if we have only declarative statements. It is necessary to point at concrete possibilities where the problem exists and this way we solve something concrete. NSRR frees up domestic resources that can help with financing of areas where no money has been left otherwise. A lot of money equals a high risk of fraud.

Rural Parliament of Slovakia: The processing took too long. The NSRR does not use all possibilities for improving transparency. In the part of the Regional Operational Programme the criteria disables a large number of municipalities from drawing assistance; the powers have only

minimally been delegated to self-governing regions. The first step was scandalous and dubious. It finally caused the negative reaction of the Deputy Prime Minister Dušan Čaplovič. It should have been thought over more regarding education of unemployed at the countryside, including language courses.

Introduction of degressive trade margins for drugs (the cheapest drugs with a higher margin than current, more expensive ones with lower margin; planned cost savings for drugs up to SKK 400m in 2008 and SKK 800m in 2009)

Submitted by: Ministry of Health of the Slovak Republic

Intention of the Measure: To introduce rational utilisation of public resources and fair distribution of margins by expensive and cheap drugs; to find savings of costs for drugs in a way that more expensive drugs will have lower margins and cheaper drugs will have higher margins on while preserving the original amount of the patient's additional payment.

Contents of the Measure:

- The introduction of degressive trade margins for drugs and dietary foods (reduces as the price of the drug rises) for distributors of pharmaceuticals and pharmacies.
- Degressive trade margins are determined by a cumulative percentage rate for each of 11 price levels (e.g. for distributors of drugs in the price range from SKK 0 to SKK 80 – a maximum of 14.1%; for drugs in the range from SKK 80 to SKK 160 – a maximum of SKK 11.28 (i.e. 14.1% from SKK 80) plus 11.1% from the amount exceeding SKK 80, etc. up to the level of drugs above SKK 20,000 – SKK 445.20 plus 1.8% from the sum exceeding SKK 20,000).
- So far there has been a fixed percentage trade margin (e.g. for drugs paid for by the insurance company on the medical receipt the distributor could have a maximum margin of 11% from the price of the drug manufacturer and the pharmacy as well as 21% from the price of distributor).
- Drugs with an end price SKK 464.60 will have, after introduction of the degressive margin, a total trade margin, and this way the end price of the drug will be higher than it has been so far, while drugs above this threshold will have it lower.
- Additional payments of patients due to the introduction of degressive margins will not be changed, on average, to a great extent.
- The introduction of degressive trade margins in drug policies will bring savings of SKK 300 to 400m in the first year, according to the Ministry of Health and, in the next year, SKK 700 to 800m.
- Costs for drugs in Slovakia in 2007 reached more than one-third of total health care expenditures.

Opinions of Proponents from Media Sources:

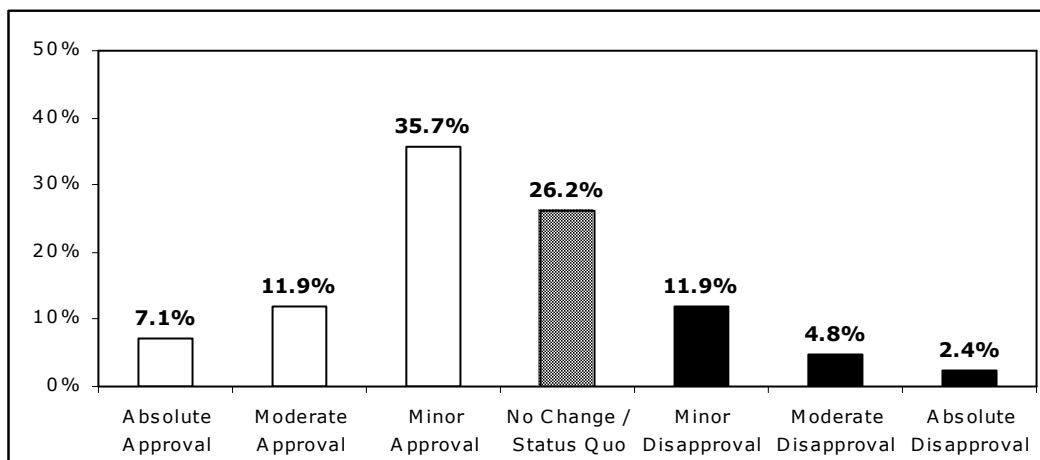
- An efficient solution for the regulation of drug consumption that will bring savings in the system – a decrease of total costs for drugs that are too high in Slovakia by 2.3%.
- The introduction of degressive trade margins will bring savings, especially for expensive drugs and financial savings may be used for the improvement of treatment for more patients.
- Degressive trade margins are more fair – the old system encouraged the issuing of expensive drugs and at the same time handicapped smaller, especially country pharmacies with a regular cheaper range of drugs compared to bigger pharmacies in towns close to health care facilities or compared to pharmacies delivering expensive special drugs to casualty wards and hospitals.
- The availability of drugs for hospitals will be better considering the decrease of the end price of drugs.
- The accepted model of degressive trade margins is suitably selected because the absolute amount of the margin continually grows with increased prices of the drug (not in jumps through ranges), while it drops when expressed as a percentage.
- In absolute numbers the price for cheaper drugs will increase only slightly whereas the price of more expensive drugs will decrease significantly.
- Degressive trade margins are implemented in several EU countries.

Opinions of Opponents from Media Sources:

- Negative impacts of the measure will be carried, especially by distributors and large pharmacies whose margins will decrease as will revenue growth in future years.
- While prices of more expensive drugs will be decreased by degressive margins, there is the risk of deliberate prescription of bigger and therefore more expensive packages of drugs, especially for chronic patients – the risk of useless waste of drugs.
- Possible increase of prices of free drugs for patients.
- Technical problems from the transition to a new pricing system and costs associated with it as well as the re-pricing of drugs having to be carried by owners of pharmacies without being entitled to compensation.

- A relatively complicated calculation of the amount of margin and end price for the drug.

Evaluation of the HESO Experts' Committee:



Peter Pažitný: The only bright moment of the health policy in 2007.

Igor Daniš: The Government sometimes makes good measures.

Milan Velecký: Degressive margin seems to me like a non-taxable base by income tax. It looks non-systemic but it can be justified logically. The costs of distribution do not grow proportionally with the price of the drug.

Juraj Nemec: The measure can have certain positive impact but there are more efficient channels for the regulation of drugs consumption – mainly the existence of recognised diagnostic standards that we have not been able to implement so far.

Ludvík Posolda: Although the consumption of drugs is excessive, this measure will solve nothing and it is a dangerous economic nonsense.

Jozef Orgonáš: Ingerention of the state has to take the direction that there was a sufficient amount of generics and not to regiment the amount of margin.

Rural Parliament of Slovakia: Not important.

Introduction of a so-called ecological tax – excise tax on electricity, coal and natural gas from July 2008 (until 2010, 50% of minimum EU rates; many exemptions from the tax (e.g. consumption of households, generation of electricity from renewable resources); annual revenue from the tax up to SKK 1bn)

Submitted by: Ministry of Finance of the Slovak Republic

Intention of the Measure: To decrease the consumption of gas, electricity and combustibles and internalise negative externalities resulting from consumption of these energies.

Contents of the Measure:

- Introduction of so-called ecological taxes into the Slovak tax system as required by EU directives.
- From 1 July, 2008 to 31 December, 2009 the rate for excise tax on electricity is SKK 0.02 per kWh, from 1 January, 2010 it is SKK 0.04 per kWh.
- From 1 July, 2008 to 31 December, 2009 the rate for excise tax on natural gas is SKK 0.20 kWh if the gas is used as a fuel; SKK 0.02 per kWh if the gas is used for the production of heat; from 1 January, 2010 both rates will double.
- From 1 July, 2008 the rate for excise tax on coal is SKK 320 per ton.
- The excise tax rate on electricity and natural gas for the period of 1 July, 2008 to 31 December, 2009 is at the level of 50% of the minimum rate determined by the EU (transition period), from 1 January, 2010 it will be 100% of the minimum rate.
- The following items are exempted from excise taxes without limitation: electricity, coal and natural gas used by households, electricity used for the production of a product if the costs for electricity create more than the half of total costs for the product, the production of electricity from renewable resources, the combined production of electricity and heat, energy used for transportation of persons and goods by trains, trams, trolleybuses, cable cars, underground,

production of coke from coal, natural gas used for the manufacture of compressed gas used as a fuel.

- Estimated cost of the project for 2008 – SKK 357m.
- EU introduced excise taxes on energies on 1 January, 2004, Slovakia originally planned to do so from 1 January, 2007, later from 1 January, 2008.

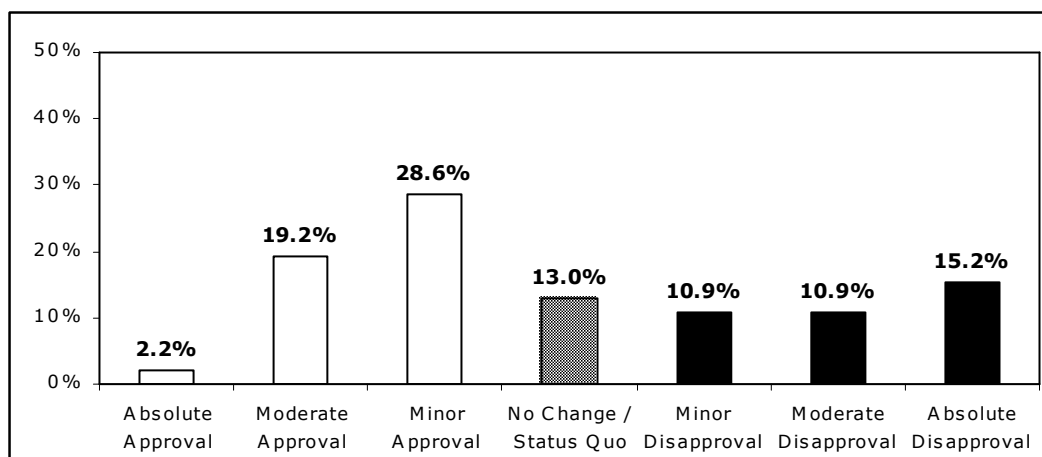
Opinions of Proponents from Media Sources:

- The measure motivates businesses and citizens to achieve higher energy savings, more environmentally-friendly consumption, creation of modern ecologically-friendly technology.
- Money obtained from the ecological tax can be directed by the state to supporting renewable energy resources.
- The Act does not set rates higher than the minimum required by the EU, which are not high, fully utilises the transition period and does not add any complications to the system, therefore it will burden businesses and citizens only to the minimum necessary extent.
- As most of the Slovak exports head towards EU countries that also have to implement and harmonise excise taxes, this additional tax burden will not cause a handicap for Slovak companies in the market.

Opinions of Opponents from Media Sources:

- In the whole EU directive as well as in the Slovak Act there are many exemptions and this creates space for avoiding payment of the tax. Some states have negotiated specific exceptions and this deforms the intended creation of equal conditions by excise taxes for all subjects of the common EU market.
- Arbitrary determination of tax exemptions.
- Average costs of companies for electricity will increase by 1%.
- Introduction of the ecological tax can be, to a certain level, reflected indirectly in prices of some goods and services for exempted households.
- Because of the price elasticity of energy products, energy consumption will not decrease due to the introduction of a low ecological tax.
- Considering the wide extent of tax exemptions, the necessity for free capacities for administration of the new tax and relatively low rates of the excise tax, the positive impact on public finance will be negligible.
- There is the threat that the ecological tax will be increased gradually and will include more and more products (containing, for example, carbon oxide)

Evaluation of the HESO Experts' Committee:



Juraj Nemec: It is an obligation resulting from EU membership. However, these fees (as showed by research) are definitely not efficient as a tool for improving the environment in their current form and they will only have a revenue impact on the budget and they will result in significant administrative and induced costs.

Richard Ďurana: I have not given the measure the worst possible mark only because we had to implement the measure in Slovakia because of the EU. Neither application of the Act nor the amount of taxes will lead to the fulfilment of declared objectives. The tax will become just another simple revenue of government, it is not tied to concrete utilisation and there has been no discussion about which taxes could be decreased to the same extent as recommended by the European Commission.

Ludvík Posolda: Again an example of how to "kill" a good idea (environment protection) by bad management.

Miroslav Siváček: Why does the state administration always show a tendency to create unequal conditions at the market and selectively determine tax burdens? Let everyone form his or her own opinion based on his or her own experience and judgement.

Róbert Kičina: We are pushed by the EU, so okay, but why so many exceptions?

Martin Kahanec: A controversial measure for a very specific market. I assess it somewhat positively considering the ecological factor but I assess exemptions for households negatively.

Juraj Lazový: Efficient support of ecological energy resources is definitely important. I cannot judge whether the introduction of such an ecological tax is really an efficient support.

Jozef Orgonáš: A non-systemic measure if it is compensated by social allowances. The state has to accept such decisions that all inhabitants have access to ecological fuels and we would be self-contained in electricity, we have possibilities for this.

Rural Parliament of Slovakia: Not important.

Determination of the public minimum network of providers of hospital health care (only 34 state hospitals in the minimum network; decrease in the number of beds in the minimum network by 10%)

Submitted by: Ministry of Health of the Slovak Republic

Intention of the Measure: To define the list of hospital health care providers with strategic importance for the state (state security); to guarantee the network of facilities where citizens will be provided with appropriate health care in exceptional situations.

Contents of the Measure:

- Determination of the minimum network of hospitals for ensuring immediate health care - 34 health care facilities under the responsibility of the state (so no non-profit organisations, no limited liability companies, town hospitals or hospitals of higher territorial units (VÚC); originally non-state facilities were also listed in the proposal of the minimum hospital network; in Slovakia there are between 65 and 101 hospitals based on the definition).
- With facilities in the minimum network the health insurance companies have to close the contracts on payment for health care provided; with others they do not have to close the contracts.
- The amended resolution has not only determined the minimum network of hospitals but also adjusted the minimum numbers of beds in individual specialisations and individual Higher Territorial Units that have to be financed by the health insurance companies – a decrease in number of beds within the minimum network in the whole Slovakia to 29,080, i.e. by more than 10%.
- The resolution on the minimum network also contains the list of specialised workplaces of the hospital health care providers (so-called end hospitals, i.e. the centres of top specialised care).

Opinions of Proponents from Media Sources:

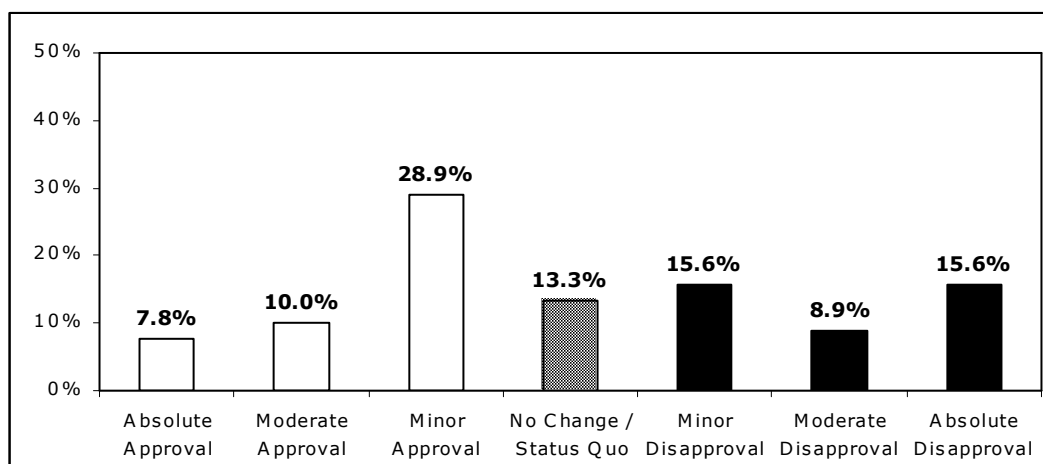
- The public minimum network contains such health care facilities that are under the operational reach of the Ministry of Health Care based on what the state is able to guarantee in terms of operation of these facilities in exceptional situations.
- It was necessary to determine the minimum network of hospitals so that available, quality and efficient health care could be guaranteed.
- Hospitals outside the network will have to carry out their activities so that they succeed in closing the contracts with health insurance companies based on their quality.
- It is not necessary to be afraid of closing of hospitals that do not belong to the minimum network, as within the minimum network there is also the minimum number of guaranteed beds determined, which significantly exceeds the number of beds in the minimum network facilities. Such determination of the minimum network will free up the health insurance companies by the selection of contractual hospitals and can contribute to greater efficiency of resources provided for hospital care.
- The planned reduction of beds as there are too many of them in Slovakia, or at least a change in the structure of hospital beds.
- Determination of the minimum network of end specialised facilities is beneficial as, finally, the workplaces that should be the centres of excellence in the Slovak health care system have been named. This should also mean the obligation on the part of the state to invest in quality equipment and human resources so that these workplaces can provide the best health care in Slovakia.

- Assembly of health care into a smaller number of quality facilities will ensure an increase in utilisation of capacities and also the efficiency and consequently the situation of patients and health employees will improve.

Opinions of Opponents from Media Sources:

- These are arbitrary decisions by government officers – the public minimum network should be determined according to professional, geographic and demographic criteria and predominantly from the point of quality and efficiency criteria. However, these criteria are missing in the government resolution while we can suppose that the hospitals for the minimum network were selected only on the basis of ownership relations and only partially according to the criterion of time accessibility.
- By hospitals in the minimum network the quality and efficiency indicators will lose their importance and they belong to the principal criteria for selective closing of contracts with providers – thanks to guarantees of the contract the selected hospitals will lose the motivation to improve their services for patients.
- The minimum network prefers one type of hospital over others – protection of state facilities against non-state competition.
- Creation of the list of privileged health care facilities will lead to increased lobbying pressure for the inclusion of other providers into the public minimum network.
- The first step towards a significant reduction of health care facilities – in case the health insurance companies do not close contracts with all district hospitals, it would have an impact on the provision of health care, accessibility would be worse, costs for citizens would be increased – the approved minimum network is not optimal for the needs of citizens and does not meet the criteria of the same accessibility for all citizens.
- It will have a negative impact on employment in health care facilities outside the regional cities that are not in the public minimum network.
- It is not true, as written by the submitter of the measure – the Ministry of Health – that the government resolution on the public minimum network does not establish increased demands for the state budget, municipalities budgets or budgets of the Higher Territorial Units or that it does not have a financial or economic impact on employment and business environment.
- The approved wording of the government resolution has not gone through the interdepartmental commenting procedure as it was significantly different from the one submitted by the Ministry of Health into the commenting procedure.

Evaluation of the HESO Experts' Committee:



Miroslav Siváček: Determination of the minimum network and the proposal for reduction of the number of beds does not have to be bad in itself. But the reality is worse – the manner of selection into the minimum network, the selective approach to providers, the softening of budgetary rules for providers of hospital care, the termination of transformation of hospitals to joint stock companies, uncertainty regarding a reduction in the number of beds.

Tomáš Dudáš: It is a beneficial step as available analyses show that Slovakia has excess hospital capacities. Only the implementation of this step is questionable and especially the selection of hospitals where only state hospitals have been selected. I was stunned by the fact that no hospital has been selected into the minimum network in southern Slovakia.

Juraj Lazový: The very measure for "determining the public minimum network" seems to me as a reasonable step. But I consider the method of selecting the providers to be questionable.

Juraj Nemec: The minimum network could have some significance but its determination was not achieved in suitable manner.

Igor Hurčík: Officers decide arbitrarily... And on what basis?

Rural Parliament of Slovakia: Such measures may not be left to the arbitrary decisions of officers. It creates suspicion of clientelism. Two ways would be rational. Either on the basis of professional evaluation of all criteria (quality, availability, efficiency, etc.) or by practical verification of the viability. But it is also necessary to find a solution so that the weakest doctors were not in the state hospitals.

Ludvík Posolda: It is known that the capacities are over-dimensioned but the solution is again in the level of bureaucracy and group interests.

Martin Kahanec: Rationalisation of the basis for health care infrastructure is inevitable.

Jozef Orgonáš: Another regimentation. The market will solve most of the problems also in health care. Ingerention of the state has to go to the areas where partners are not able to agree.

Milan Velecký: I am in agreement. I would not say that the current Government will have the courage to do this. Slight objections against ownership as a dominant criterion for selection. But my overall opinion is that the minimum network is not the same as the optimum one or the real one. The same as with the salary. The state guarantees a certain minimum but the average is somewhere else. Let's leave the health care facilities to prove to health insurance companies how efficiently they are able to ensure quality health care for their insured persons. Especially the private facilities who claim that they will manage it. It is not clear why they suddenly want the state to guarantee that the health insurance companies (by the way, thanks to the "great" reformers - commercial companies striving to achieve profit) have to close the contract even if they otherwise did not consider it to be beneficial.

Peter Pažitný: Finishing of the "state health care" concept. But try to explain modern health policy to Fico.

Richard Ďurana: It is a measure that cartelises the industry and ensures the safety of contracts exclusively to state facilities.

Dušan Mitický: It is a measure that disadvantages the patient and we will see in a few years when the motivation to services for patients will disappear.

Róbert Kičina: I cannot judge it but I think that this measure will neither improve nor impair health care.

Igor Rintel: Insufficient.

Introduction of an extra payment to the contribution for the birth of a first child in the amount of SKK 11,000 to SKK 20,440 (together with the contribution - SKK 25,000); regular (monthly) preventive gynaecological examination during pregnancy as a prerequisite for the extra payment)

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

Intention of the Measure: To contribute to moderation of initial high family expenses related to the birth of a first child by direct financial support. Increased motivation to establish a family.

Contents of the Measure:

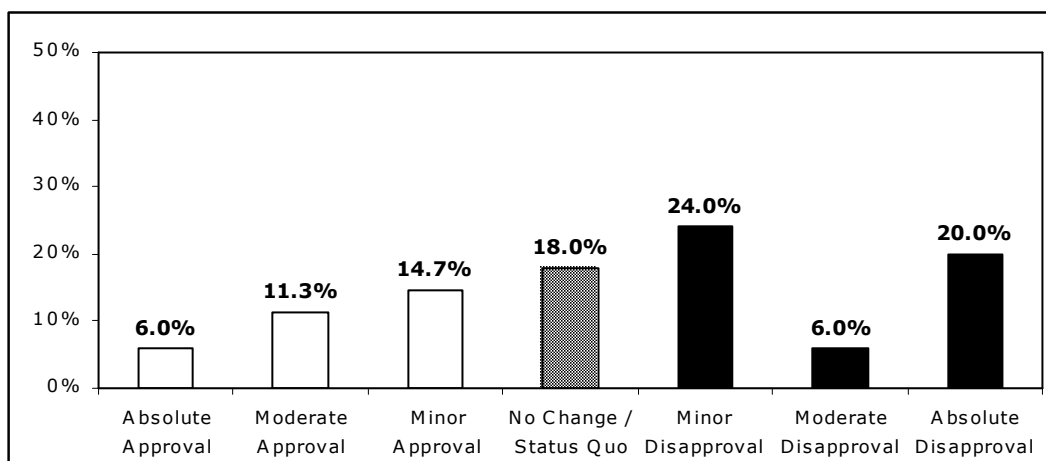
- Increasing the extra payment to the contribution for the birth of the first child from SKK 11,000 to SKK 20,440 (the amount of contribution for the birth of each child is SKK 4,560 – this means that parents receive a total of SKK 25,000 for the birth of the first child and SKK 4,560 for the birth of subsequent children).
- An extra payment to the contribution is a social allowance paid for by the State for increased expenses related to ensuring the needs of the first child born to a mother and living at least 28 days (in certain cases the father can be an entitled person).
- Rejected proposal of Member of Parliament Július Brocka (KDH), who proposed the increase of the contribution for the birth of each child to SKK 10,000 (the proposal has been supported by the Union of Mother Centres of Slovakia).
- Stricter conditions for obtaining the extra payment to the contribution – the mother is obliged to prove that from the beginning of the fourth month of the pregnancy until the birth she participated in preventive gynaecological examinations once a month (a stay in a health care facility is also considered to be preventive examination).
- Costs for the increase in the extra payment: in 2008 – SKK 225m, in 2009 – SKK 252m and in 2010 – SKK 258m
- There are approximately 25,000–26,000 first-born children in Slovakia annually.

Opinions of Proponents from Media Sources:

- The extra payment for the birth of the first child will be also provided to a juvenile mother.
- The birth of the first child is connected to increased initial expenses ensuring his/her needs, therefore all help is welcomed.
- Support for young families that are among the most endangered social groups in Slovakia.
- Introduction of the prerequisite of regular preventive gynaecological examinations during the pregnancy for entitlement to extra payment to the contribution will encourage women to take care of their health and the health of their unborn child. Hopefully, this way women will not misuse the state social support and social assistance.

Opinions of Opponents from Media Sources:

- The measure discriminates against families having more than one child; the extra payment to the contribution should be introduced also by the birth of other children although to a lesser extent height.
- Socially secure, richer families who would not miss such an allowance will get this extra payment to the contribution as well.
- The increased single shot extra payment will not have a motivational impact on increasing the birth rate within the population as it only covers initial expenses connected with the birth of a child.
- It would be better to help families in the form of tax or social contribution relief and by the creation of conditions for finding and retaining employment.
- Increase in state budget expenditures.

Evaluation of the HESO Experts' Committee:

Radoslav Procházka: Any allowances that the state can assign, take, change etc. anytime only strengthen dependency on it and create a false impression that the state, like a good monarch, has its folks who he loves and cares for. In reality this way only the bureaucracy supports its own necessity and sneaking ubiquity..

Richard Ďurana: Unfounded increase of demogrant (the title for allowance every mother obtains regardless of their internal motivation for having the first child and her property situation). Another example of inefficient social allowance that decreases the level of solidarity in the social system.

Ľuboš Vančo: Motivating people to have a first child makes no sense as most people want to have at least one child. Motivation should be provided for further children.

Peter Pažitný: Lawless populism. It is not the families with one child who are endangered by poverty but families with more children living with only one parent. And the Government did nothing for them.

Rural Parliament of Slovakia: The fee is not high. The social situation of the family is getting worse by third or the next child. Women who have raised several children should be financially privileged through their pension.

Ludvík Posolda: More political impact than social.

Andrej Salner: I do not understand the special support for the first child although momentarily I do not mind it as I expect my first one.

Milan Velecký: I see no reason why the society should support one child more and another one less. My experience: the second child does not seem to me cheaper from the parents' point of view (especially if it is born soon after the first one). I do not understand the argument that the second child does not need as much as the first one. Should I have left the older son sleeping on the floor

when the younger one was born? The younger one inherited the cot but I had to buy a bed for the older one. Or should I have given him less food? Or paid less for petrol? Should I wash laundry less? Buy less? Or should we go for holiday without him? Surely the younger one inherited clothes after the older one. But when children are small they grow quickly and they do not manage to destroy their clothes by wearing them. So you can sell it quite well to other parents with younger children. And when they are older they do not grow so quickly and they wear out the clothes. Not forgetting the fact that with age the differences (height, size of the shoes) between the older and the younger one disappear and we have to buy everything separately (the younger does not inherit anything now). Also the coach can be inherited but otherwise you would sell it quite well. I really do not believe that the second child is cheaper for the parents. How many children does Robert Fico have? He probably has a different experience. So if increasing the parent contribution (and I think that this should be done) then do it at the same level for each child. Maybe to start the discussion whether not to contribute MORE to the subsequent children than to the first one.

Adrián Ďurček: A non-systemic measure.

Tomáš Dudáš: It is a positive step in the area of young families but the questionable part is focusing this measure only on the first child in the family. Furthermore, it is naïve to think that this allowance will significantly help to change negative demographic trends in Slovakia.

Juraj Nemec: I am not sure of the efficiency of the measure from the point of view of growth in the birth rate.

Juraj Lazový: I assess this principally as being positive although we can dispute its practical meaning for improvement of the demographic situation or the structure of contributions for all new-born children.

Miroslav Siváček: A non-systemic and non-addressed measure. The payment of 447,000 SKK is not motivational for establishing a complete family and, furthermore, it is not connected with further system measures.

Jozef Orgonáš: However, I miss system measures. Europe has to wake up here as it is a pan-European problem.

Martin Kahanec: The measure and its conditioning by examinations is slightly positive. However it is non-systemic and not supported by analysis.

Dušan Mitický: The non-systemic measure is misused, better to increase family contributions with the prerequisites of good care of a child.

Róbert Kičina: It is necessary to support the birth rate but through more addressed social policy. SKK 25,000 should be given to people with a salary under the national average, for example, and by higher revenues to decrease this allowance progressively. Rich people are not dependent on this allowance.

Igor Hurčík: Demographic development in Slovakia is quite scary so I agree.

Igor Daniš: But the contrary has become the truth. There is high population density in Slovakia, especially in the west. The expected demographic development can endanger not only functions of the country's economy but also various social and moral obligations in society. The solution would be to keep the balanced status by supporting the first two children.

The decision of the Government of the Slovak Republic to build 157 km of highways and expressways with public capital through the PPP projects (the costs from SKK 150bn to SKK 300bn)

Submitted by: Ministry of Transport, Posts and Telecommunications of the Slovak Republic

Intention of the Measure: Via PPP (Public-Private Partnership) projects, to significantly accelerate the construction of the D1 highway with the planned connection of Bratislava and Košice by 2010 and R1 expressway with the planned connection of Bratislava with Banská Bystrica by 2010.

Contents of the Measure:

- The Government of the Slovak Republic decided that the construction of 157 km of highways or expressways will be realised in the form of the public-private partnership projects (so-called PPP projects).
- The sectors Hričovské Podhradie–Ivachnová (74 km), Jánovce–Jablonov (18.5 km) and Fričovce–Svinia (11 km) on the D1 highway and sectors Nitra–Selenec–Tekovské Nemce (47 km) on the R1 expressway and the north bypass of Banská Bystrica (6 km) were determined at the PPP projects.
- The planned deadline for finishing is 2010, with the exception of the Hričovské Podhradie–Dubná Skala sector (29 km) and tunnel sectors that should be ready for use in 2012.

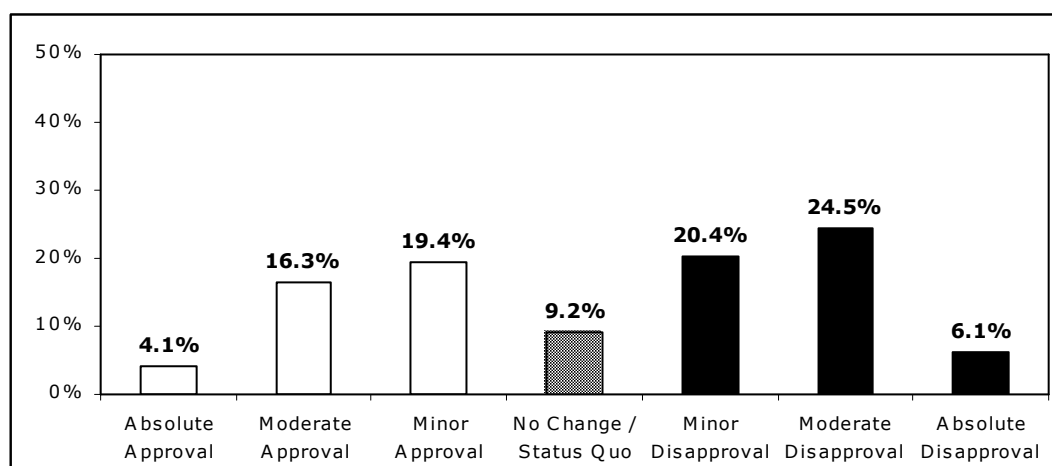
- The principle of prepared public-private partnership projects will be that the concession company (investor), selected in the public tender will ensure projecting (designing of the technical solution), financing of construction, the construction and realisation of operation and maintenance. These are DBFOT (Design-Build-Finance-Operate-Transfer) based on the concessionary agreement between the investor and the state (Ministry of Transport after approval of the Government) closed for the period of 25-30 years. The state will be subsequently paying annual payments to the concessionary (in the expected amount of SKK 7-15bn annually, the money will come mainly from the state budget and later also from tolls for trucks while the government will not introduce a special toll for the sectors operated by the concessionaire.
- The state will require a minority share in the concessionary company by preferring a non-cash deposit.
- The concessionaire shall take over the risks of construction, operation (availability of the highway) and part of the risk of demand (traffic volume); the risk lies in early obtaining of lands prepared for construction.
- The whole project of realisation of highways via PPP projects is divided into four packages (plus the bypass of Banská Bystrica) – public procurement for concessionaires of the first two packages (sectors) started in November or December 2007, while according to the plan the winners should be known by May 2008, by which time the concessionary contracts should have been signed; the signature of contracts with the concessionaires of the next two packages is expected in the second half of 2008.
- Construction of 157 kilometres of highways via PPP projects represents, according to the analysis of the Ministry of Finance (MF SR), quite high demands for public finance and therefore it suggested a reduction of construction via PPP projects to 95 km but this has not been accepted. MF SR calculated the costs for construction of such scope of highways at SKK 300bn while the Ministry of Transport (MDPT SR) calculated an amount of SKK 150-225bn.

Opinions of Proponents from Media Sources:

- Experience from other countries shows that properly motivated private partners can create transport infrastructure faster, more efficiently and is able to ensure its suitable operational ability during the whole lifecycle of the project.
- The private investor can better manage risks (quality, keeping to deadlines, etc.).
- The decision to use private capital for construction of highways will help to speed up progress in fulfilling the target of connecting Bratislava with Košice by highway by 2010 – without private money it would not be possible to finance such fast construction from public resources of Slovakia and the EU.
- The advantage of highway construction via PPP projects is that it combines several advantages (guarantee on the part of the state, better surveillance of the investment and efficiency from the side of private investor).
- As assigning of the concession is considered to be the procurement of services and as the concessionaire will take over the risk of construction, the risk of availability and the partial risk of demand, the PPP projects can be considered from the government's point of view as a transaction not included in the state debt.
- As projection of the construction will be also the subject of concessions, applicants will be motivated to elaborate on the project with lower costs.
- Annual instalments of the project should be partially paid for from revenue from the introduction of the electronic toll collection (planned for 2009).

Opinions of Opponents from Media Sources:

- Construction of highways via PPP projects is hidden indebtedness because, even if the whole sum is not paid at once but in the future, it is a transfer of debt to future generations while it can also negatively influence fulfilment of the Maastricht criteria for Euro adoption in a sustainable way.
- Lots of problems can appear in management of PPP projects and in negotiations of concrete contracts – there is a high risk of non-transparency and corruption.
- There are differing estimates of the total costs from MF SR and MDPT SR and also various recommendations regarding extend of the construction via PPP projects.
- Construction of highways can be significantly overcharged as the price will be subject to negotiations with the investor and they will incorporate the increased risk of the long-term contract as, according to current statements, the amendments to the contracts will not be possible.
- Problems can also arise with property rights settlement – the risk of lawsuits will be taken over by the state and in case of a lost dispute, this can mean further overcharging of construction.
- According to the estimates of some experts, with the help of PPP projects only approximately 68 kilometres of highways will be built by 2010 and not the planned 100 km.
- Camouflage of connection of Bratislava and Košice with the D1 highway until 2010 – it will not be a full highway as at many places it will be substituted only by better roads of the I. class and tunnels will be only in half profile.

Evaluation of the HESO Experts' Committee:

Juraj Nemec: The public sector is not prepared for management of such huge amounts of PPP projects which result in the principal risk of inefficiency. PPP projects are in principle only some form of loan from the private sector and they can be efficient only under the conditions of extremely high-quality contract management. The impact on public finance is clear – calculation of the contract volume into the deficit is determined by the rules of Eurostat.

Juraj Lazový: It is a serious and financially demanding government decision. On one hand, well managed PPP projects can bring increased efficiency for public investments, on the other hand, badly managed projects will put an increased burdens on public finance. The decision on PPP projects for construction of highways was, from my point of view, accepted very quickly and without sufficient discussion. However, it can bring the necessary acceleration of the construction of road infrastructure. I do not dare to predict the final result.

Miroslav Siváček: I see the decision to build highways in the form of PPP in principle as the equal alternative to the procedures already used. The decisive success factor and at the same time the main risk will be the ability of the state to manage the project transparently and efficiently. No experience, lobbying, absolute unpreparedness, happy-go-lucky nature of the whole action (e.g. already realised first tenders for suppliers without the approval of the PPP methodology) create anticipation that we will see unpleasant surprises.

Tomáš Dudáš: While the very fact of utilisation of the PPP projects can be evaluated positively, the process of their implementation on the part of the government is very hurried. Slovakia has no experience with a project of such financial magnitude and the whole process is artificially accelerated in order to meet the hardly realistic target of connecting Bratislava and Košice by 2010. Currently MF SR is not able to estimate the long-term impact of these projects on public finance in a professional manner.

Luboš Vagač: The Ministry of Finance of the Slovak Republic pointed to the fiscal risks of such a megaproject. It wanted pilot projects first that would reveal pluses and risks of such forms of construction and not for each (political) price to increase the risk of indebtedness of future generations.

Róbert Kičina: Slovakia needs highways urgently but not at any price! We have no experience with PPP projects. We do not know what impact this decision will have on public finance in future. Definitely it would be necessary to test PPP on a selected sector or another, smaller project.

Martin Hošťák: PPP projects will have a big impact on public finance in future. It is necessary to access to them very carefully.

Eugen Jurzyca: It is necessary to build highways but we should test the PPP system at first in Slovak on smaller projects.

Peter Pažitný: Construction of highways by 2010 is overcharged by a minimum of two factors: 1) insufficient current knowledge of the difficult terrain, and 2) the price of private capital. Additionally Slovakia has no experience with such type of project and experimenting on such important project as highways is hazardous, in my opinion. I personally prefer construction from public sources according to the original schedule.

Richard Ďurana: I consider construction of private highways to be a better solution. The huge project within a short time horizon without real experience with PPP projects may not result in anything other than wasting of public resources.

Pavol Žilinčík: insufficient economic evaluation, adjustment of all legal and economic parameters to the achievement of one political decision without looking for iterations, without confronting reality. This threatens a loss of a large extent.

Adrián Ďurček: I consider it to be positive.

Milan Velecký: Careful agreement, PPP projects are demanding for the state from the point of view of selecting a partner and setting conditions. I think that this is the first utilisation of this tool and to a relatively large extent. It is necessary, purposeful but demanding for the government. We have to believe that it is not too demanding.

Ludvík Posolda: The idea is good, but its implementation is not.

Martin Kahanec: Infrastructure is an important carrier of the development. PPP is a risky way to implement it.

Jozef Orgonáš: The decision to build highways is correct but only to the extent to which we have resources. Little transparent decisions influence the expenditures of future generations.

Igor Hurčík: I love infrastructure, it is the only way for development of Slovakia. A small effect is the impact on the budget and therefore I cannot fully agree nor reject the decision of the Government.

Rural Parliament of Slovakia: Acceleration of the construction of roads will make the countryside regions accessible and support their development. However, the PPP projects being initiated without previous experiences also creates a risk. The impact on the decades to come is not known. Legislation for dispossession of land for highways construction in public interest remains the problem.

Igor Daniš: Roads connect people. This is valid within living memory. It is interesting that there are still critics of highways construction in Slovakia. Connection of the two biggest cities of Slovakia in the length of approximately 350 km will last approximately 30 years i.e. 11 km of highways a year. Slovakia will probably reach the world record in snowlines. Probably only the Polish are worse than this. Excuses about technical difficulties are definitely stupid because, firstly, Slovakia has wide lowlands between the mountains and, secondly, everybody who has ever travelled knows in what broken reliefs highways are built. Regarding the buy-out of land, not speaking about speculators and their media pressures, the Government should have surely negotiated more and offered higher prices and only then started with extreme measures.

Aleš Michl: A step in the right direction, but the result is important.

Jaroslav Vokoun: We have to learn that the journey forward correlates to indebtedness. Therefore it is necessary to show a vision about how the future will cope with this aspect (this has been neglected in the case of pension reform so here another axe can threaten). There is money in the state but it is given for everything so finally nowhere is enough. If the regional policy exists here maybe it is time to show in practice how to make it. Western Slovakia has highways so the east should be rewarded because it has been waiting for so long. Once, for a certain time, it is good to change the location of the capital city and the natural things will stop being natural. Lots of money equals a high risk of fraud.

The 2008 State Budget (State Budget Deficit - SKK 32bn; Public Finance Deficit – 2.3% of GDP)

Submitted by: Ministry of Finance of the Slovak Republic

Intention of the Measure: To continue with public finance consolidation and fulfilment of the key Maastricht convergence criterion for EUR adoption – decreasing the public finance deficit to 3% of GDP in a sustainable way.

Contents of the Measure:

- The budgeted public finance deficit in 2008 expressed in the ESA 95 methodology is 2.3% of GDP (SKK 46.5bn), including the influence of the implementation of the second (fully-funded) pillar of the pension scheme (influence 26.86bn; 1.4% of GDP).
- In 2006 the public finance deficit reached 3.6% of GDP and in 2007 it was 2.2% of GDP.
- The planned state budget deficit for 2008 expressed on the basis of the cash principle was SKK 31.98bn.
- State budget revenues should be increased by 12.6% compared to 2007 (to SKK 348.25bn) and expenditures by 8.99% (to SKK 380.23bn).

Public Expenditures in Selected Areas					
	2007		2008		Nominal Change
	<i>in SKK bn</i>	<i>% of GDP</i>	<i>in SKK bn</i>	<i>% of GDP</i>	<i>%</i>
Health Care	87.2	4.9	100.3	5.0	15.0
Education, Science and Research	73.6	4.1	75.5	3.8	2.6
Social Welfare	51.8	2.9	52.9	2.7	2.1
Defence	29.1	1.6	31.7	1.6	8.9
Agriculture	23.4	1.3	29.2	1.5	24.8
Interior	23.1	1.3	26.1	1.3	13.0
Finance and State Debt	8.4	0.5	10.8	0.5	28.6
Environment	8.0	0.4	10.7	0.5	33.8
Highway Construction	10.1	0.6	10.3	0.5	2.0
Business Sector	7.4	0.4	8.0	0.4	8.1
Housing Construction	7.8	0.4	7.9	0.4	1.3
Judiciary	7.3	0.4	7.8	0.4	6.8
Culture	4.0	0.2	5.1	0.3	27.5
<i>Note: Public expenditures include State Budget expenditures as well as expenditures of all public administration bodies and Eurofunds. Amount of GDP is based on Ministry of Finance estimates.</i> <i>Source: weekly economic magazine TREND</i>					

- The areas with the highest nominal increase in public expenditures compared to the previous year (9% more, higher than the growth of total budget expenditures): government reserve (+75%) and of the Prime Minister (+20%), environment, culture, agriculture (out of which, subsidies to agriculture increased 32.8%), science and research (+23.8% but, after removing sources from Eurofunds, +5.7%), health care (+15%, without premiums, 10.4%), interior and defence.
- Direct payments for agriculture – the budgeted volume of SKK 26bn (including resources from the EU and means growth of almost 33% compared to 2007); budget for 2008 calculated with national additional payments of direct payments up to the maximum allowed amount of 80% in EU15 countries (in 2007 the maximum possible level of additional payments represented 70% of the level in EU15 countries).
- Expenditure growth less than the growth of total expenditures of the State Budget: e.g. universities (+3.7%).
- Growth of public expenditures at or below the level of planned inflation: e.g. highway construction, social welfare expenditures, regional education (elementary and secondary schools) (+1.8%), state support for housing construction (without own revenues of the State Housing Development Fund (ŠFRB) – a decrease by 3.2%).

Opinions of Proponents from Media Sources:

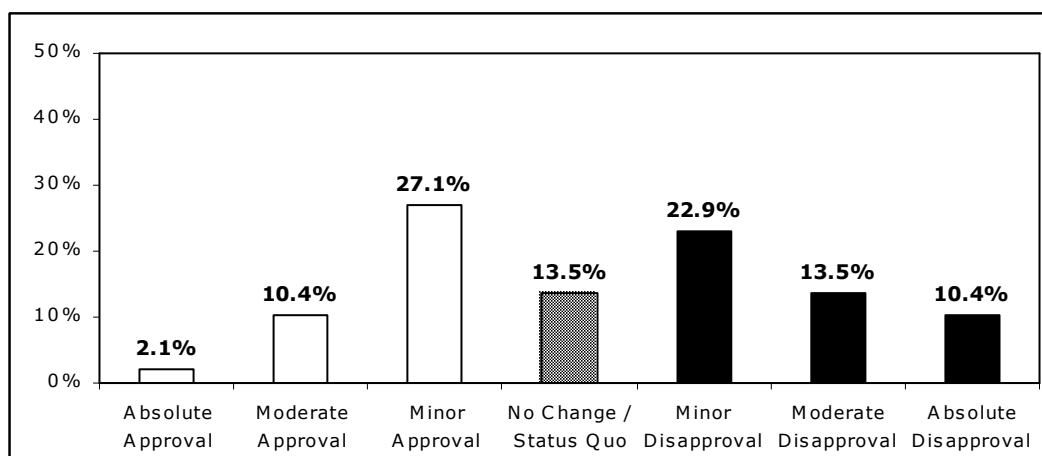
- With the public finance deficit under 3% of GDP, the country should meet the budgetary criterion for EUR implementation in 2009.
- The budget thoroughly meets the Maastricht criteria and liabilities of the Stability and Growth Pact while it also fulfils and realises the Programme Statement of the Government of the Slovak Republic – the state budget for 2008 is proof that it is possible to combine building of the social state and maintaining of the high economic growth in Slovakia.
- An example that the Government really operates responsibly and keeps financial discipline is also the real deficit of public finance in 2007, it achieved the level of 2.2% GDP, which is the lowest level that had been approved in the budget (2.9% GDP).
- In the area of health care, increases in payments for state insured persons to 4.5% during the whole year will be applied.
- Space for increase of allowance by the birth of the first child has been created and for payment of Christmas contributions to pensioners also in 2008.
- An increase in the national additional payment to direct payments to agriculturists up to the maximum allowed limit of 80% of the EU average will contribute to supporting and utilising investments incurred in agriculture during the recent periods.

Opinions of Opponents from Media Sources:

- It is another lost chance for a balanced budget that can be achieved now, in the economically good times – by high real growth of GDP.
- Slightly improved management in public finance should not be achieved by decreasing expenditures but by increasing revenues.
- Other indicators that deficits testify better on fiscal policy management and impact of public finance on the economy – so-called consolidation efforts and fiscal impulses that do not show very optimistic numbers for 2008.

- The budget does not strive to redirect economic policy towards building the knowledge economy, but it continues in inefficient financing of agriculture – the main deformation in the budget for 2008 is significant public expenditures supporting entrepreneurs in agriculture.
- Although the coalition succeeds in selling a marketing concept of a "socially oriented budget" to the public, it does not speak about the facts that:
 - In the state budget there are really less funds allocated to support of housing.
 - Social welfare sector is not the priority as the expenditures of this sector on GDP decreased interim.
 - The ratio of expenditures for education on GDP falls down for all kinds of schools so the Government rescinds on its promise to increase expenditures for education, science and research at the level of 5% of GDP.
 - The budget does not take into consideration the Government's ambitious priority to accelerate the construction of highways and expressways as the ratio of interim expenditures on GDP drops down also here.
 - It does not count the increase of payments of health premiums for state insured persons from 4% to 5%, despite the fact that the Government had it in its Programme Statement.
 - No 20% planned decrease in number of officers appears as the budget for 2008 only calculates a 3% decrease in the number of employees in public administration, etc.

Evaluation of the HESO Experts' Committee:



Peter Gonda: The state budget and the public administration budget for 2008 is subordinate to the aim of replacing the crown by the euro in 2009. It does not contribute to solving defects in public finance but it deepens them. In my opinion it is the next lost opportunity to solve the public finance problems in an economically favourable period. Planned improvement of public administration in the economy for 2008 is tiny compared to the budget for 2007. I consider this in times of fast real economic growth and, for example, high real growth of consumption, as another lost chance to realise more visible savings. Slightly improved management in public finance again should not be achieved by a decrease (of the growth) in public expenditures but by significant increase of revenue that will be "inflated" thanks to higher generation of resources and growth of consumption of the subjects in the economy. But public administration in 2008 should reallocate more than SKK 64bn more than was budgeted in 2007. Public expenditures should be increased this way compared to the 2007 budget by almost 10%, so they significantly overrun expected inflation. However, the budget continually transfers the deformed structure of expenditures – continuing high consumption of public administration, excessive expenditures for transfer to the business sphere and still not addressing large package of social expenditures. But the main defect in the budget is still significant "subsidies" to entrepreneurs. The "chosen" are again the entrepreneurs in agriculture. In 2008 they will likely have access to public resources that are 32% higher than budgeted in 2007, but they can say thank you to the resources from the EU. Such support means an omissible part of farmers' revenues and it often keeps surpluses and higher prices in the industry. There is no speech about savings or the effort to solve public finance defects in the budget.

Mária Machová: Unused chance for a balanced budget.

Martin Kahanec: At the current enormous rate of economic growth it should be the responsibility of the Government to put out a balanced budget.

Luboš Vagač: The evaluation would surely be better if the economic boom has been used for a more significant decrease in the deficit or for higher investment in areas on which the country should build in future (education, science, infrastructure).

Martin Hošťák: Not ambitious enough from the point of view of deficit reduction – the current favourable status of the economy allows more ambitious measures for the reduction of the public finance deficit.

Aleš Michl: I would expect a balanced budget with such growth of GDP.

Peter Pažitný: With such high growth it would be possible to create a balanced budget already in 2008.

Ludvík Posolda: The state budget should have been balanced for the third year and now it is overdue. From the point of view of its structure there is too much overeating and too little for education.

Miroslav Siváček: A lost opportunity. An increase of expenditures by almost 9% p.a. is unusually high and comes in a year when it is not necessary to direct resources into "compulsory" expenditures such as social insurance. Additionally, no special investment actions are financed from the state budget in 2008. Direction of resources into less important areas has been criticised many times so far.

Richard Ďurana: In the study Savings and Resources of Public Finance (authors INESS, KI, NFAH) we identified possible real savings whose application would allow the compilation of a balanced state budget. By inefficient expenditures that led to the deficit budget the Government has caused indebtedness for future generations. The Government, in a period of high growth of tax revenue, has wasted the opportunity to balance the state budget.

Jozef Orgonáš: It is necessary to save in a period of prosperity; the space for savings is sufficient, but the socialist Government will hardly manage it, the Government received money without making any effort.

Igor Daniš: The Government without values and strategy submits a similar budget. Who is able to lobby has something, who is not has nothing. It is good to graze on the fertile land created by the work of one's predecessors. And they will probably go to prison as a reward.

Rural Parliament of Slovakia: The state budget for 2008 does not support development of the countryside (besides not very stimulating support of agriculture companies) to the required extent. Modernisation of the road network, housing development, education and diversification of the countryside economy are underestimated. State administration is not made efficient at a sufficient rate, the budget deficit is decreased insufficiently as well. The budget unreasonably increases the reserve of Government for non-systemic measures and does not follow the European trend of supporting education and research.

Tomáš Dudáš: The very height of the state budget deficit is quite commendable, although by current record economic growth the Government should maybe strive to compile a balanced budget. But it is necessary to criticize the priorities of the budget as again there is a significant increase in resources for agriculture, while expenditures on education and science grow only to a limited extent. Unfortunately, with subsidies to agriculture we will not match up with the modern knowledge economy.

Juraj Lazový: Considering the leftist composition of the current Government I assess the decreasing planned public finance deficit positively, in principle. I assess negatively the structure of expenditures, especially the uselessly high growth of expenditures for agriculture and decrease in the ratio of expenditures for education, science and research.

Róbert Kičina: Stability of public finance is a plus, little ambition is a minus, the result is zero.

Igor Hurčík: Maastricht criteria excellent. I slightly miss a long-term view and investments into the future (knowledge economy, etc.).

Juraj Nemec: The real deficit will probably be different (PPP and social reform). Meeting of the deficit criterion is at the expenditure of cutting resources for key departments – especially education, by excessive subsidies for entrepreneurs, which I consider to be a system error, and the buying of votes.

Milan Velecký: Out of many arguments against I will state only one in the area that I try to monitor slightly. Not increasing state payments for economically inactive insured persons (or other forms of co-financing of public health insurance, e.g. narrowing of the circle of persons for whom the state pays premiums). I thought that there is an agreement throughout the political spectrum that we have insufficient financing of health care. Gradual increases of state payments was recognised (although only in the last year of governance) also by the previous Government considered to be a reformist one. And the current one put this fact not only into its programme but also implemented it partially last year. I cannot agree with the fact that we return again to discussions about whether it is necessary to co-finance health care.

The Act on Minimum Wage (if social partners do not agree on the minimum wage it will be increased automatically by the government resolution by interim nominal growth of the average salary in the Slovak economy; modification of the minimum wage always takes place on January 1st)

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

Intention of the Measure: To establish a new process for modification of the minimum wage that gives bigger space to social partners and the Government of the Slovak Republic through negotiations that achieve mutual agreement on the minimum wage; achieve such an amount for the minimum wage by 2010 that will represent 60% of the average wage in the Slovak economy.

Contents of the Measure:

- Introduction of a new system for regular increase of the minimum wage, always on January 1st (so far mostly on October 1st).
- Representatives of employers and employees will at first discuss the amount of the minimum wage for the next calendar year.
- If the social partners do not agree by July 15th, the Ministry of Labour (MPSVR SR) will suggest the minimum wage and submit it for discussion to the Economic and Social Board of the Slovak Republic (tripartite body).
- If the adjustment of the minimum wage suggested by the ministry is not agreed upon by August 31st, MPSVR SR will, by September 15th, submit to the board and subsequently to the meeting of the Government of the Slovak Republic the draft government resolution that will determine the minimum wage calculated according to the legal provision as a conjunction of the valid monthly minimum wage and index of the interim growth of the average monthly nominal wage of an employee in the economy of the Slovak Republic for the calendar year that precedes the calendar year when the proposal for adjustment of the minimum wage is submitted.
- There are recommending criteria in the new Act on the minimum wage that the social partners should take into consideration when negotiating the increase in the minimum wage – the overall economic and social situation in Slovakia during the last two years, especially the development of consumer prices, employment, average monthly wages in the economy and living wages.
- The provision allowing some industries to agree on the lower amount of the minimum wage as approved by the Government in the resolution in the collective agreement of the higher level was finally dismissed from the draft Act.
- Transition period: during 2008 the minimum wage will not be changed, the valid minimum wage will be the one approved by social partners on October 1, 2007, when the minimum wage was increased by 6.6%, from SKK 7,600 to SKK 8,100 (41.5% of the average wage in the economy, SKK 2,970 higher than the living wages).
- In Slovakia less than 2% of employed persons work for the minimum wage.

Opinions of Proponents from Media Sources:

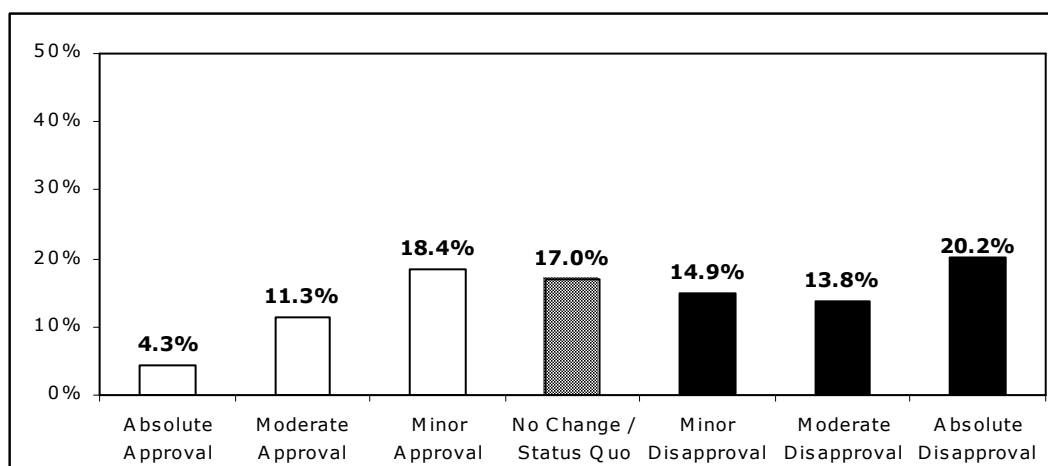
- It will be possible to better predict development in the wage area, no above-average increase in the minimum wage will be possible without the approval of the social partner.
- Trade unions have guaranteed a certain adjustment of the minimum wage so the Government can forget the annual conflict caused by negotiations over the minimum wage.
- The guarantee of an increase in the minimum wage by the growth of average wages in case of non-agreement of the social partners will ensure such reward to employed persons that will be sufficient for a dignified living standard.
- Employers obtained a guarantee with the Act that, without their approval, the growth of the minimum wage may not exceed the growth of average wages in the economy.
- Time harmonisation to a calendar year will bring simplification – so far the minimum wage has been increased in October but, for example, the minimum contributions to health insurance have been increased only since the beginning of the new year

Opinions of Opponents from Media Sources:

- If the social partners do not come to an agreement, the ratio of the minimum and average wage will become fixed (at the level of 40%), and the planned 60% will never be achieved. On the other hand, the Act guarantees, in principle, that the ratio of the minimum and average wage will never be decreased while its potentially high growth (to 60%) would create barriers to employment for people with lower qualifications.
- The wage is the result of agreement between the employee and employer and the strong regulation of wages on the part of the state will not have a positive impact on employment.
- For a country with big regional differences like Slovakia it would be efficient to allow the existence of lower minimum wages in some industries or regions.
- The negative impact of the minimum wage is generally known (growth of wage costs, social contributions, black market work, unemployment, public expenditures for social benefits and

other titles that are tied to the minimum wage, etc.), therefore we should think about cancellation of the Act on the obligatory minimum wage.

Evaluation of the HESO Experts' Committee:



Martin Kahanec: The measure whose impact is not clear even to its proponents. It defines the equilibrium in collective bargaining that, de facto, means weakening the position of collective bargaining and decreasing the labour market flexibility and introducing inflation elements into the economy.

Igor Hurčík: This measure will not fulfil the social purpose and will not help the weakest social layers (qualification, education, etc.) by getting or maintaining jobs.

Rural Parliament of Slovakia: The minimum wage may increase unemployment, does not motivate people to increase their qualifications, and handicaps small businesses. Meanwhile it has no principal influence on the modern part of the Slovak economy.

Richard Ďurana: The institute of the minimum wage is not economically justifiable and represents, together with high social contributions, a principal barrier to the creation of new jobs for the low-qualified workforce that creates the majority of the long-term unemployed population in Slovakia. Therefore I consider its cancellation to be a better solution than its regular growth.

Miroslav Siváček: I think that the minimum wage has lost its place in current society. It is a useless administrative measure.

Juraj Nemec: First of all I do not agree with the existence of the minimum wage.

Jozef Orgonáš: The guaranteed insurance should be cancelled.

Ludvík Posolda: Although it is actually a real compromise of social partners, from the strategic point of view the institution of minimum wage with all its connections to other legal Acts is a harmful nonsense.

Martin Kahanec: This means the creation of a partially more transparent process through the increase of the minimum wage. Although the minimum wage as an institution should be cancelled from a long term point of view.

Róbert Kičina: Finally the minimum wage will be more predictable; it will grow by the growth percentage of the average wage. I do not suppose that social partners will be able to agree on a different compromise.

Juraj Lazový: I do not have a clear opinion on the existence of the minimum wage. If such an institution exists, I support the clear mechanism of its growth and not the annual complicated negotiations of social partners that often do not bring a general agreement.

Anonymous comment*: The agreement results considering the fact that the minimum wage is low. But this approach is not suitable for all economies.

Luboš Vagač: The act does not solve the problem of the same determination of the minimum wage regardless of the regional differences in average wages.

* The respondent did not wish to be named.

The plan for a flat decrease in the number of state employees by 20% by the end of 2007 (the real decrease in the number of state officers is, according to various opinions, between 0% and 5%)

Submitted by: Prime Minister of the Slovak Republic, Mr Robert Fico (SMER-SD Party)

Intention of the Measure: To achieve savings in the chapters of the state budget and, at the same time, ensure more efficient spending of public funds by taking into consideration the individual needs of particular budgetary chapters.

Contents of the Measure:

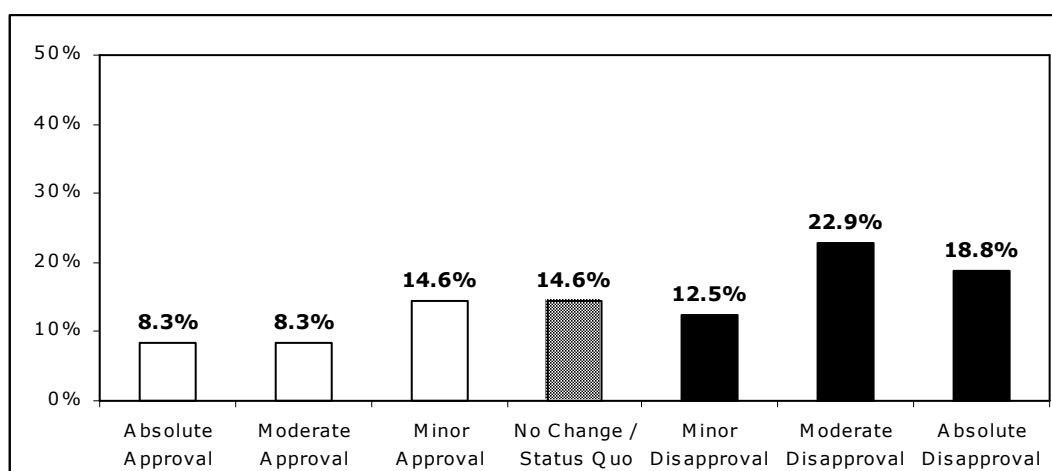
- Wording of the task: by December 31st, 2007, ensure a 20% decrease in the planned number of employees in the state budgetary organisations and semi-budgetary organisations.
- Statement of Robert Fico: till the end of 2007 the number of state officers decreased by 7,000 (less than 5%).
- Member of Parliament Tomáš Galbavý (SDKÚ-DS): according to the numbers of the state budget for 2008, in 2006 there were 152,770 people working in state budgetary and semi-budgetary organisations; in 2007 the number was 152,801 (i.e. an increase of 0.02%).
- Statement from the Pravda daily newspaper: out of 13 ministries and their subordinate bodies and the Government Office of the Slovak Republic, more than 4,000 people were dismissed in 2007 (less than 3%).
- The dismissal of approximately 30,000 people (i.e. 20% of state employees) should have brought savings for the state treasury in 2008 in the amount of SKK 8bn from the salaries of officers. However, in the state budget for 2008, more money is planned for the salaries of state officers (SKK 1.4bn more) than in the previous year.
- The final number of dismissals of state employees is not available – e.g. in the Department of Labour, Social Affairs and Family more than SKK 765m were paid to former employees in 2007.
- According to the words of Robert Fico, the dismissal of state officers should continue in 2008.

Opinions of Proponents from Media Sources:

- A shrinking bureaucracy is beneficial as there is over-employment in the state administration – the state administration will become more efficient.
- Savings in public finance will come in the short- and medium-term.
- A simply defined flat decrease in the number of officers is politically more simple to force and controllable and it has a clear political message to the public.

Opinions of Opponents from Media Sources:

- A flat decrease in the number of officers does not take into consideration (as informed in the past by individual departments) the needs and possibilities of individual departments, the number of employees they need for quality fulfilment of their tasks – it is like ordering that everybody has to have their hair cut by five centimetres and the bold ones will have to have a part of their head cut.
- Without system reorganisation of the state administration the flat decrease in the number of officers will bring endangerment of functionality (quality and quantity of task fulfilment) of ministries and their subordinate organisations.
- Paradoxically, some departments need stronger administrative capacities because of drawing on euro funds.
- Flat dismissal can be in conflict with other government priorities – e.g. dismissal of approximately 1,300 regular employees from the unemployment offices working directly with unemployed persons and poor persons will surely not contribute to an increase in the quality of services provided to these social groups.
- It would be necessary to analyse each individual office via personal and process audits and then maybe it would be possible to dismiss even more than 20% of officers as happened at the Ministry of Finance during the previous Government (decrease in number of employees by 30%).
- It is not visible that the expenditures for public administration are lower after the decrease in the number of employees.
- During the previous Government, employment in overall public administration went down on average by 2.7% annually while the current Government has hardly moved it so far.
- The risk that the total decrease in the number of officers also included the so far unoccupied functional job positions at the ministries and offices will be incorporated as well as transfers of officers to the self-government e.g. after the cancellation of the district offices.

Evaluation of the HESO Experts' Committee:

Miroslav Siváček: The very proposal sounds seductive but it is a measure that will stay on paper. Before the determination of such ambitious targets, any other organisation would elaborate at least a basis analysis. This is only guessing and unnecessary uncertainty for the sector employees.

Richard Ďurana: Empty words to the wind will not help anybody. Without a process analysis removing the duplicity and useless public administration functions, this liability cannot lead to improvement of the status especially when there are no savings in the budgeted wage expenses. The objective is good but the real effort to change something – the realisable plan – is missing. That means limiting the scope of powers of the public administration and replacing its functions with market institutions.

Igor Hurčík: In my opinion we should not speak about the number of employees but about efficiency and productivity – in other words about the process management. If I remember it well during 1990 to 1993 all companies were state ones and at the Ministry of Finance there were less than 250 employees. And today?

Luboš Vagač: The effort to streamline the state administration is commendable. However, the selected form of flat decrease, more declared than actually realised, is inefficient. It would be interesting to compare the numbers on paid compensation and real/planned savings and find out in what number of cases it was only a transfer of staff to different job positions.

Mária Machová: With a flat decrease, nothing has been achieved. In principle only the planned and real number of employees has been made real in most departments and also the reported savings are mostly fictional. Without significant changes that will lead to more efficient state administration processes. All ideas about decreases in the number of staff are unreal.

Eugen Jurzyca: It is like a plan for going up in a hot balloon by throwing out one-fifth of the weight. Besides sand sacks, you are also throwing out part of the balloon.

Aleš Michl: I recommend a different procedure: audit the department and then apply its results. A flat decrease in the number of employees is nonsense.

Jozef Orgonáš: An ambitious objective, maybe even correct, but without relevant analysis. Bureaucracy in a positive sense may not be carried out without people and their real and objective need has to be given by the need and not by the wish.

Juraj Nemec: Flat measures in the public sector are always the worst possibility that could have ever been done. A quality officer at the right place and with the right functions has the same benefits for society as a prosperous business!

Róbert Kičina: The measure can endanger the operation of the entire public administration. In departments where audit has been realised, the number of employees has been optimised. A decrease in the number of staff does not mean lower expenses for salaries of state employees. At the MF SR and MO SR, the budget after dismissal of redundant officers has not been changed in the meantime and money was used for motivational rewarding of skilled people. A populist objective without consideration of real impacts.

Tomáš Dudáš: Already, by approving this plan, several analysts pointed to its unrealistic character that was also proved later by control of meeting this plan. It is a typical populist plan whose aim is to create an image of decisiveness and wariness.

Juraj Lazový: The intention to decrease the number of state employees is correct, the chosen form of realisation is bureaucratic and the results funny. It means that the main incentive was not to make the public administration more efficient but to formally accept a popular measure.

Anonymous comment*: I do not find a flat decrease to be a suitable solution. It is important to look at the problem with regard to the specific characteristics of an actual department, organisation, etc. and consider the purpose of the changes, needs and tasks of the organisation, etc. Regarding entry into the EU and the necessity to strengthen further capacities, 20% was an unrealistic aim.

Adrián Ďurček: A non-systemic and bypassed resolution. It is not possible to achieve quality results by such a flat decision.

Martin Kahanec: The plan for decreasing is okay, but its non-realisation is likely.

Dušan Mitický: Only promises.

Peter Pažitný: A sci-fi.

Ludvík Posolda: The intention is very good but difficult to fulfil as it is in strong conflict with ideas and the political intention to increase the influence of the state. And even if it would be real, 20% is not enough.

Jaroslav Vokoun: It is evident that it is something like a "Spartakiáda" movement. To do something flatly in a heterogeneous organism, there has to be a special head developed to think something like this up.

Igor Daniš: Who came with this proposal? Fico alone? Is it a joke? Is it possible to deal with it seriously? Is it a lever for disobedient employees?

Pavol Žilinčík: This measure has been skilfully misused so that the new heads of offices were able to get rid of inconvenient employees. So it happened that employees at a high professional and moral level have been dismissed based on this plan and their work is currently carried out by people who can carry out any illegal but politically desired decisions. Specifically, the Department of the Environment is seriously damaged by this measure and its impact has begun to be visible in reality – in decisions that are not professionally and legally sufficient but are politically convenient. Filling positions at the offices with people without restraints has a very negative impact on society.

Rural Parliament of Slovakia: Costs for management of the state should be decreased by rationalisation not by a flat decrease in the number of staff. At first this measure offers a chance to get rid of people with professional or personal foot-faults or close relatives.

Vladimír Mojš: It should not only be a question of decrease in expenditures but especially the question of increase in performance measured next to other indicators by an increase in suitable revenue of the appropriate department. In this case it is a partial solution in one direction.

Milan Velecký: We should at least appreciate the effort and trend.

Special forgiving of penalty for owed social contributions in case of their payment to the Social Insurance Agency until the end of January 2008 (estimate of increased revenues of the Social Insurance Agency – SKK 900m; amendment of the Social Insurance Act)

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

Intention of the Measure: To act in favour of ensuring the financial stability of the pay-as-you-go pension scheme; to improve the liquidity of the Social Insurance Agency.

Contents of the Measure:

- The Social Insurance Agency (SP) will forgive payment of penalties tied to owed premiums for social insurance and owed contributions to pension insurance during the period before January 1, 2007, if the debtor (a natural or legal entity) pays the principal of these owed social contributions no later than by January 31, 2008.
- Payment of the principal will cause automatic forgiveness of the penalty, without the need to submit a special written request as used to be the case in the past.
- The increased revenues of the Social Insurance Agency in 2008 due to the "general pardon" are estimated at around SKK 900m.
- In 2002 the Social Insurance Agency received SKK 4.9bn from non-payers via the general pardon for debts in the years 1998-2001 penalty remission of SKK 2.9bn (23,100 applications were submitted, out of which 4,400 were rejected).
- A general pardon was approved by the Social Insurance Agency in October 2004 that should have been the last special forgiving of penalties, and it brought the Social Insurance Agency paid premiums in the amount of SKK 1.555bn while the amount of forgiven or decreased penalties represented SKK 628.6m (15,602 requests were submitted).

* The respondent did not wish to be named.

- The amendment of the Act on Social Assurance from December 2, 2004 cancelled the possibility to forgive or decrease the penalty from unpaid social security contributions.
- At the end of October 2007 the Social Insurance Agency recorded receivables in the amount of SKK 47bn, SKK 39,2bn in enforcement process (out of which the prescribed insurance is SKK 18.7bn and the penalties are 19.8bn); the current success rate of collection of premiums is 95%.
- The biggest debtors of the Social Insurance Agency are state health care facilities.

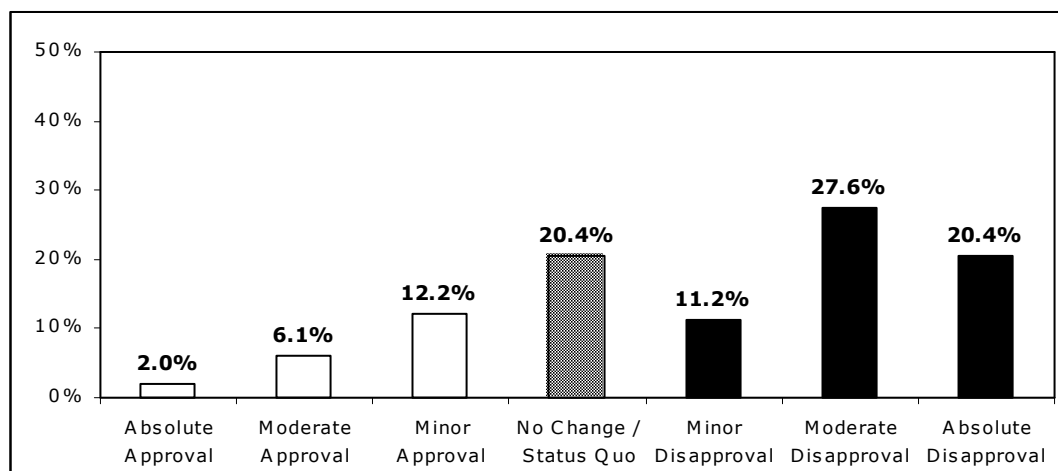
Opinions of Proponents from Media Sources:

- In 2008 revenue in basic funds of the Social Insurance Agency will be increased and this will at least partially improve the financial situation of this public institution.
- Settlement of receivables that would otherwise (by non-forgiveness of penalties) be difficult to collect – generally low return by collection of the receivables of the Social Insurance Agency plays in favour of the general pardon.
- The purpose sacrifices the means.

Opinions of Opponents from Media Sources:

- A non-standard way of increasing the revenue of the Social Insurance Agency that helps lots of speculators, slackers and oblivious people and handicaps honest payers of social security contributions as they could not in the past (compared to non-payers) use part of their cash flow (unpaid social security contributions) for investments and financing of other purchases.
- If the general pardon is really recommended to be declared only singularly and unexpectedly, then repeated forgiveness of penalties and interests creates a moral hazard, i.e. decreases the motivation of people to pay taxes and social security contributions on time as they rely on similar amnesties in the future.
- An unsocial measure – the more the general pardon is repeated, the more significant the decrease in the payment discipline by social security contributions, especially by large enterprises.
- Uncertainty about whether the Social Insurance Agency was able to collect such a high planned amount so shortly after the last general pardon in 2004.
- Non-payment of social security contributions is a criminal deed and the Social Insurance Agency should focus on improving the collection of its receivables – by connecting the collection of premiums with taxes, the collection of receivables would probably be higher and it would also decrease the administrative burden for entrepreneurs.

Evaluation of the HESO Experts' Committee:



Radoslav Procházka: A more absurd way to increase the revenue of the Social Insurance Agency is hardly thinkable – by regular creation and confirmation of expectations that it is worth paying social security contributions, the legislator only worsens payment discipline. The only positive is consistency of this measure with the attitude of power in other issues, e.g. relation to arbitration with the shareholders of health insurance companies – it not only preaches the moral hazard, it also practises it.

Róbert Kičina: I suppose that also this amnesty has an attribute, "the last". Non-payment of social security contributions makes it the most convenient loan. When another government comes along with another amnesty, the entrepreneur will get an interest-free loan from the state. Surely, not paying social security contributions is a criminal deed but how many entrepreneurs have been arrested so far (or how many directors of hospitals!)?

Juraj Nemec: Honesty is not worth anything...

Peter Pažitný: Again the debtors win against the honest ones.

Richard Ďurana: The desperate effort to increase the revenue of the Social Insurance Agency. The energy of its employees and the Ministry of Labour should be directed towards increasing the efficiency of collecting social security contributions.

Rural Parliament of Slovakia: Forgiving of penalties has already been done several times. The measure acts negatively against those who have no debts. Measures focused on improvement of collection would be more efficient and necessary.

Juraj Lazový: I am not a proponent of regularly repeating forgiveness of penalties from the side of the Social Insurance Agency. I support the idea of a system solution in the form of common collection of premiums with taxes. I do not know the statistics but I suppose that the state is significantly more successful at collecting taxes than in collecting social security contributions.

Miroslav Siváček: Amnesty for criminal deeds should not be issued every three years.

Jaroslav Vokoun: This can even become a regular, so-called forgiving-penalty Act.

Ludvík Posolda: A repeated joke is not a joke anymore. In this case it is just dangerous.

Martin Kahanec: Moral hazard and non-transparency of the system.

Igor Hurčík: Retroactive change of rules that will not ensure stabilisation of the first pillar.

Igor Daniš: The development shows that the set-up of the system is bad. It is necessary to change it efficiently.

Jozef Orgonáš: If it does not include "repeated offenders"...

Decreasing the rate of the value added tax (VAT) for books from 19% to 10% (decrease in state budget revenues – approx. SKK 140m)

Submitted by: Ministry of Finance of the Slovak Republic

Intention of the Measure: To improve the accessibility of literature.

Contents of the Measure:

- Decreasing the value added tax rate for books from 19% to 10% (original idea of publishers was to 0%).
- Decreased VAT rate will not be applied to books and printed materials where advertising represents more than 50% of the total contents of the product.
- The last change in the VAT rate for books was made in 2004, when it was increased within the tax reform from 14% to a unified rate of 19%.
- Decreasing the VAT rate for books will reduce the state budget revenue by SKK 137m in 2008, SKK 100m in 2009 and SKK 150m in 2010.
- The decreased VAT rate also applies (as of 1 January, 2007) to drugs and some health care instruments.
- VAT for books was increased in the Czech Republic as of January 2008 from 5% to 9%, in Austria it is 10%, in Hungary 5% and in Poland 0%.

Opinions of Proponents from Media Sources:

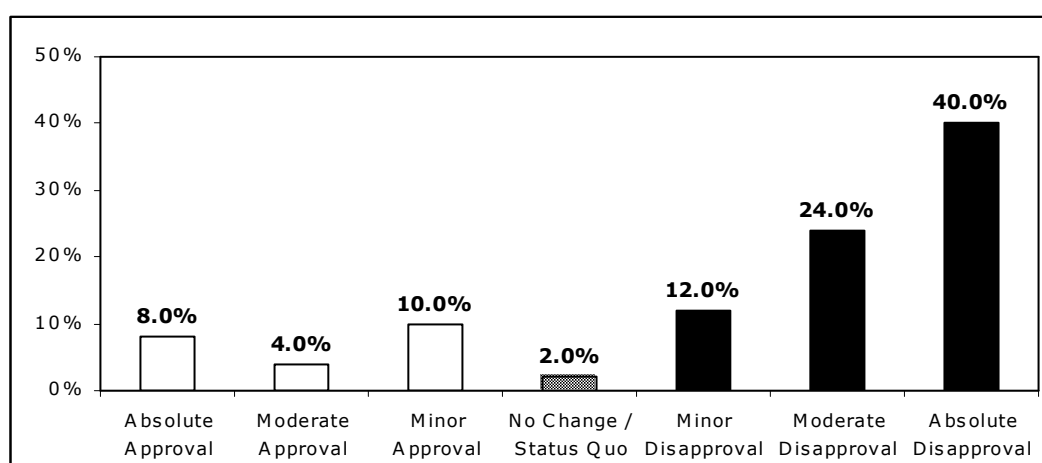
- It is the first decrease in VAT for books since 1990; books could be cheaper by 5%.
- Extending, enriching and improving the supply of books.
- Reclassification of books into a lower VAT rate will stop the decrease in completion of book stocks, increase the supply of school libraries and the development of the state language, which has an impact on the total educational level of the Slovak population in the European and global context.
- After increasing VAT from 14% to 19%, the sales of books went down. Literature has become unavailable for certain parts of the population because of financial reasons; After decrease of the tax to 10%, sales could grow.
- The price of books will not grow in the short term, even though energy and wage costs are growing, in the long term the growth of prices will slow down.
- Small publishers and bookstores offering mostly intellectual-type books will be more likely to survive in the market (recently some small publishers ceased operations because of high costs and low sales of books).
- VAT on books in Slovakia was one of the highest in the EU although the Slovak literature market is among the smallest (annual turnover approximately SKK 1.7bn).
- The majority of European countries (except Denmark) have a decreased VAT rate (some countries even zero).

Opinions of Opponents from Media Sources:

- Decreasing VAT for certain type of goods can cause a precedent and an effort to reclassify other goods to a lower rate. This can have a negative impact on budget revenues and cause another deformation of the so-far unified 19% VAT rate.

- Decreasing the VAT rate will not decrease prices; it will only increase the profits of distributors, bookstores and publishers.
- Compared to the past, more and more books are being published, despite the increased VAT; VAT increase for books has not been significantly reflected in sales of books, only perhaps some readers who pre-stocked themselves with books before the introduction of 19% VAT and therefore postponed the purchase of other book titles.
- Lower VAT on books is not a solution to significantly help publishers because it is practically impossible to increase prices due to strong competition and the demand on the market is limited.
- High VAT is not the problem for publishers. The problem is a bad distribution system and margins of distributors that reach up to 35-50%.
- Publication of quality literature should be supported by grants but the Ministry of Culture tightened conditions for obtaining grants and it allocated significantly less money for these projects than in previous years; a VAT decrease will help quality literature just as much as best-sellers, cookbooks or narrative publications.
- By growing tax revenues and not increasing state budget expenditures, there is room for a flat VAT decrease that would help not only some goods with a lowered VAT rate but the entire economy.

Evaluation of the HESO Experts' Committee:



Radoslav Procházka: A unified VAT rate is a benefit and any intervention should be done only in case of real and urgent need. This measure will not increase the demand for books just as it has not been significantly decreased by the introduction of the 19% rate. The only real effect will be that some entrepreneurs (publishers and distributors) will have a slightly increased tax base.

Ludvík Posolda: Hard economic nonsense whose malignance does not lie in the very fact but in its ideological base that gives an assumption of erosion of an efficient tax system with all the dangerous side effects.

Igor Hurčík: Only if the books will be cheaper?

Jozef Orgonáš: It does not show in prices. It liquidates the unified system in taxes that the whole of Europe envies.

Peter Pažitný: Fico's "present" to intellectuals. But it will miss its aim for two reasons: 1) Fico's employment base does not read books, and 2) books will not become cheaper and for SKK 140m we disassemble the whole fantastic system of the unified VAT rate (already the second commodity after drugs).

Róbert Kičina: Another partial demolition intervention into the tax system. Negatives in the form of a more complicated tax system will exceed the questionable positive of lower prices of books.

Miroslav Siváček: Useless cosmetic measure that solves nothing but violates the system of a unified VAT rate and complicates accounting operations and recording at the level of companies.

Rural Parliament of Slovakia: A useless violation of the tax system. Unsocial – people that could not afford to buy books will not be able to afford them after the price decreases by 5%.

Mária Machová: The principle has been disturbed. Without any effect for the end consumer.

Juraj Nemec: Useless measure without any real impact.

Adrián Ďurček: Useless populism that will not bring the expected result.

Dušan Mitický: Populism. The measure will not be reflected in prices.

Tomáš Dudáš: Although I often buy books I have to say that it is only a cosmetic adjustment with populist roots. Each step to introduce exceptions and special groups into the tax systems and complicating the whole tax system has to be evaluated negatively.

Aleš Michl: Against the spirit of simplicity of the equal tax, diversification of the system, new exceptions...

Luboš Vančo: A non-systematic solution with minimum impact.

Martin Kahanec: A non-systemic measure.

Juraj Lazový: I assess it as a non-systemic measure from the point of view of violation of the unified tax system. I cannot assess the impact on the sales of books (as well as other goods in other cases), I would like to see the analysis of its real impact. Support for publishing of quality literature can be probably done more efficiently.

Milan Velecký: I miss any logic of this measure. I saw it in terms of drugs (at least from the point of view of this Government although I have not unified with it totally) but I really have no idea why the state should support, for example, the publisher of Erotic Cookbook with lower VAT.

Igor Daniš: Such measures can be proposed only by those who do not understand the book market – production, costs, published titles, missing titles, emptiness of Slovak libraries – people with no interest in literature and education. The solution is either to introduce zero VAT or direct subsidies of certain book market areas or literature genres, e.g. also by the mentioned amount of SKK 137m.

Anonymous comment*: Slovakia had the second highest VAT rate in this category within the EU. Considering the specific character of this goods and the need to build the knowledge economy I consider this decrease to be suitable.

Richard Ďurana: I welcome any decrease of the tax burden (although it can result in higher complexity of the tax system), although a better solution would be a flat decrease of VAT. Also such a partial solution should be accompanied by changes to the expenditure side of the state budget.

Jaroslav Vokoun: Taxes should have an allocation effect. The measure will be mostly felt by those who buy books, therefore it does not have a significant impact on the whole society.

Introduction of an annual Christmas contribution for pensioners on the basis of the amount of the pension (SKK 2,000 for pensioners with a pension lower than SKK 3,753, SKK 1,750 for pensioners with a pension between SKK 3,753 and SKK 7,505 and SKK 1,500 for pensioners with a pension between SKK 7,506 and SKK 11,257)

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

Intention of the Measure: To provide a Christmas contribution differentiated by the amount of pension for softening of the social situation of retirement pensioners and disability pensioners.

Contents of the Measure:

- A new State social contribution determined by law for beneficiaries of retirement pensions, premature retirement pensions (achieved by the parliamentary amending proposal of I. Radičová (SDKÚ-DS)), disability pensions, social pensions and retirement rents or disability retirement rents (soldiers and policemen) whose pensions (or sum of pensions including widow, widower or orphan pension) did not overreach the limit of SKK 11.257 was paid for the second time after 2006.
- The amounts of Christmas contributions in 2006 were determined based on the amount of the pension:
- For pensions under 20% of the average wage in the Slovak economy for 2006 (i.e. SKK 3,753), the Christmas contribution was SKK 2,000 (approximately 30,000 pensioners).
- For pensions between 20% and 40% of the average wage (i.e. SKK 3,753 – SKK 7,505), the Christmas contribution was SKK 1,750 (300,000 pensioners).
- For pensions between 40% and 60% of the average wage (i.e. SKK 7,506 – SKK 11,257), the Christmas contribution was SKK 1,500 (700,000 pensioners).
- In November the amended Act on the provision of Christmas contributions to some pensioners allowed payment of contributions either in December or in January (so far only in December).
- Payment of the Christmas contribution by the Social Insurance Agency was finally made in the December payment of pensions although originally the January date was considered in order to meet the Maastricht criteria.
- Increase in state budget expenditures of approximately SKK 1.7bn.

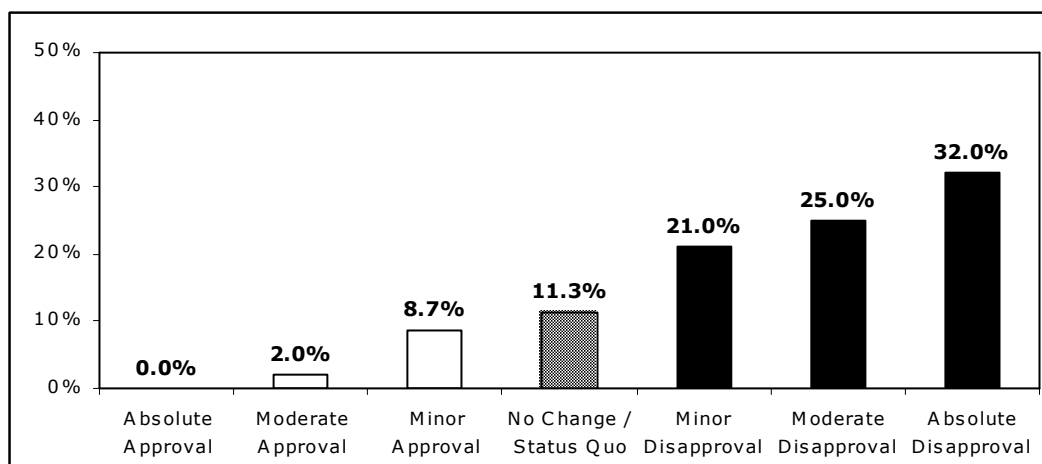
* The respondent did not wish to be named.

Opinions of Proponents from Media Sources:

- After 2006, enough money was found for Christmas contributions to pensioners again in 2007 and this negates the opinion that it will be only an ad hoc contribution that will not be repeated in the future although the Act counts on it.
- The Christmas contribution for pensioners represents solidarity and it can help to soften the differences among pensions and the difficult social situation of some pensioners.
- More people are entitled to Christmas contributions than in 2006, as it is devised based on the percentage share of the average wage and this grows faster than pensions (the ceiling for the claim for contribution compared to 2006 increased by SKK 892).
- The contribution was paid before Christmas, not in January.

Opinions of Opponents from Media Sources:

- A new non-systemic populist contribution that helps a social group that is not the most endangered in Slovakia (young families with children are the most endangered).
- High expenditures of the state budget do not contribute to meeting the criteria for the introduction of the euro.
- Another administrative burden for the Social Insurance Agency.
- The Christmas contribution considers the living situation of pensioners only to a small extent as it will be received by the significant majority of pensioners, not only those who need it. It would be more efficient to recalculate the pensions and ensure a permanent adjustment of the lowest pensions.
- Unethical and unsocial measure as many employees who are in a worse situation than pensioners (the maximum pension that can receive the contribution (SKK 11,257) equates approximately to a gross wage of SKK 14,000 and is higher than, for example, the average wage of low-skilled employees in some industries and in some poorer regions of Slovakia) contribute to the Christmas contributions of pensioners who can still work.
- Pensioners who are still working will receive the contribution and it does not matter how much they earn (especially relatively young people with a premature pension or retirement rent).
- The contribution should decrease linearly with a growing pension and not in jumps according to ranges (a pensioner with a pension higher by SKK 1 can have a lower contribution or does not have to have the title for it).
- Beginning of the deformation of the pension system as it suppresses the natural insurance and credit character.

Evaluation of the HESO Experts' Committee:

Richard Ďurana: Non-systemic and non-addressed way of solving the difficult situation of many pensioners. It reduces solidarity in the social system as the contributions are paid to pensioners only on the basis of the current amount of their pension while totally ignoring the property status of the pensioner. Contributions of SKK 1,500 will also be provided to a pensioner with an income of SKK 11,257. The median net wage (the wage which half of employed people earn more than and half less than) was recently approximately SKK 12,700. The difference in the claim for Christmas contributions between a pensioner who receives it and an employed person who probably also feeds their family is only SKK 1,481. Increase of purchasing power for current pensioners in the form of a flat decrease of VAT is a better solution. Such measures will not increase the nominal income of pensioners but will help them to decrease expenses significantly and to save.

Luboš Vagač: It is interesting that people whose monthly salary is lower than the limit for provision of the Christmas contribution help pay for contributions for pensioners. It is a populist gesture towards the population that does not belong to the most socially endangered groups.

Peter Pažitný: Lawless populism. Not the pensioners but families with several children living with one parent are primarily endangered by poverty.

Miroslav Siváček: A useless measure. Why not young families, health care patients, students, handicapped citizens?

Juraj Lazový: It is a non-systemic and clear marketing ploy that will surely be popular among pensioners.

Ludvík Posolda: More political than social impact while the purposeful orientation towards the right electoral group is clearly visible.

Dušan Mitický: Populism.

Igor Daniš: Dangerous populist nonsense. Buying of electoral preferences.

Róbert Kičina: It is populist provision of Christmas packages. If we have enough money, let's increase pensions by SKK 5,000 monthly. If we do not have enough money for this and it is clear that we will not have enough money then, please, do not pretend that we can afford it!

Jozef Orgonáš: The Government has not earned, it just throws around.

Juraj Nemec: Christmas contributions are provided in other countries but I do not consider them to be a good tool of social policy. In this case it is again more buying of votes.

Tomáš Dudáš: It is a measure that is repeated from last year and similarly it is possible to say that it is a non-systemic measure that does not fix the situation of pensioners and serves only for the maintenance of government parties' preferences.

Rural Parliament of Slovakia: Non-systemic, populist and socially unfair. Working pensioners should not get the contribution, those in lower social categories should.

Igor Hurčík: Non-systemic.

Luboš Vančo: A non-systemic measure.

Adrián Ďurček: A non-systemic measure.

Radoslav Procházka: The idea that this non-systemic measure that does not serve its declared purpose could be considered to be the act of solidarity and efficient social help it is below the level of believability for me. Any allowances that the State can assign, take, change etc. at any time only strengthens the dependency on it and creates a false impression that the state, like a good monarch, has its folks who it loves and cares for. In reality this way only the bureaucracy supports its own indispensability and sneaking ubiquity.

Milan Velecký: I disagree. I agree with contributions to pensioners but equally throughout the year and not additionally in the form of a contribution (at least because of administrative costs for its distribution). If I was a pensioner I would be offended that the Government underestimates me. Pensioners are clever and they are able to save for Christmas by themselves (nevertheless they have the presents purchased earlier than in December). Yes, the 13th and another salary is usual for employed people but it is one of the tools for motivation of employees (it contributes to the success of the company). The Government of Robert Fico changed pensioners to the "employees of the state". It behaves towards the state as it does towards the company – it wants to have its employees satisfied so it pays them bonuses. But this is a mistake, the state is not a company. We have established the state for fulfilment of the tasks that we do not want to fulfil by our business, our economic activity.

Re-introduction of compulsory recommendation tickets from general practitioners as a prerequisite for examination by a specialist and renewal of the health districts (zones) by keeping the free choice of doctor (amendment of the Act on Health Care)

Submitted by: Ministry of Health of the Slovak Republic

Intention of the Measure: To contribute to ensuring the increased level of provided healthcare; to ensure that every citizen has the right to availability of walk-in health care.

Contents of the Measure:

- Specialised walk-in care paid from the resources of public health insurance (in the original draft from the Ministry of Health (MZ SR), the health care not paid from public resources was mentioned) has been available since January 2008 provided only on the basis of recommendation from a general practitioner.
- Recommendation tickets (so called exchange tickets) from the general practitioner are not required by acute conditions – within 24 hours since suffering the injury or other sudden change

of the health condition, in case of dispenzarization (active and systematic monitoring of the health condition of the person where there is an assumption of the health condition worsening, its examination and treatment – e.g. carcinologic patients, chronic patients (diabetics, patients with allergy, etc.)) and by visit of dentist, gynaecologist and paediatrist.

- Recommendations tickets from general practitioner are not necessary (according to MZ SR) neither to subsequent checks related to treatment of the same diagnosis or when the specialist sends a patient in connection with the same diagnosis to other examinations to a different specialist (however the HPI institute warned that this "ministry interpretation" go above the framework of the act).
- If a doctor – specialist does not have the number of patients treated covered by the sufficient number of exchange tickets, the health insurance company does not have to refund these outcomes and the doctor is threatened by the penalty in the amount of half a million.
- Since April 2008 renewed health districts (so called zones) for all general practitioners for adults, youth and children, gynaecologists and dentists; division into zones is not related to hospitals.
- District doctor may not reject a patient with permanent or temporary residence in his district even if he/she would be forced to overreach his/her bearable work load (so far he/she could reject a patient in such case), while the free choice of a general practitioner from any district still remains valid.
- Territorial definition of health districts will be determined by Higher Territorial Units (VÚC) in cooperation with MZ SR.

Opinions of Proponents from Media Sources:

- The aim of recommendation tickets is better management of a patient so that the general practitioner has overall overview on complex health condition and treatment of his/her patient, was able to coordinate the treatment and so that patients would not undergo the same repeated examinations by various specialists which are often costly – therefore this step should also bring also the effect of public resources savings.
- Patients sometimes want to visit a specialist uselessly and they are not always able to judge the necessity of such examination – a general practitioner in his consulting room with his/her knowledge and skills is able to solve approximately 60%-80% of all health problems of a patient.
- Solving of the worsened situation in waiting rooms is only a matter of better organisation of work.
- Division into districts does not change the free choice of a doctor so this measure means no dictate for a citizen, on the contrary it will be beneficial for him/her as it will ensure that the doctor in his district may not refuse to examine him/her and this way the right of everybody for available walk-in healthcare will be fulfilled – especially pensioners and people outside home will appreciate it.
- Current situation when patients visited their general practitioner also from the places distant more than 50 km, while they had the consulting room of a general practitioner in the next house can not be considered to be a functional primary care.
- Accepted changes support efficient utilisation of available resources of public health insurance and also other European countries prefer systems based on primary care we can say that current changes in Slovak health care respect these latest trends and experiences.

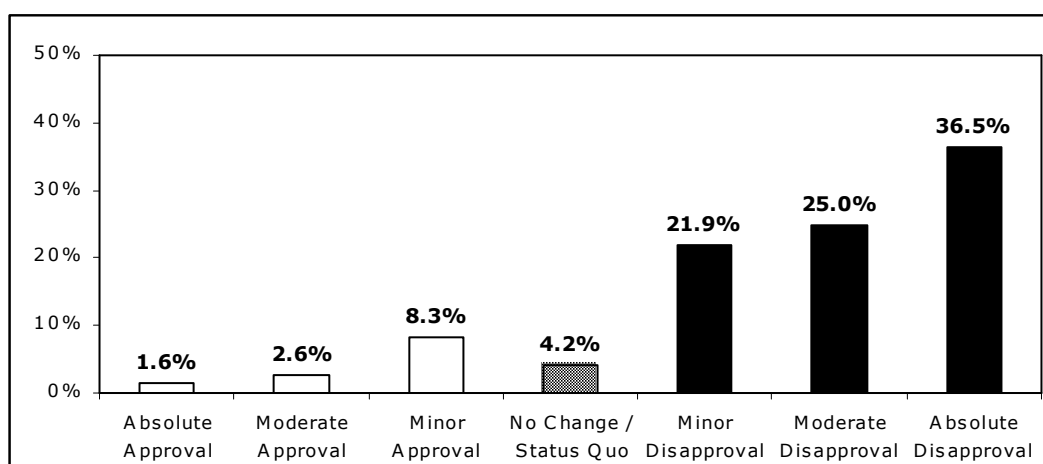
Opinions of Opponents from Media Sources:

- Compulsory recommendation tickets will have negative impact on the patient – quality of provided health care and availability of specialised health care for a regular citizen will decrease and the space for illegal payments allowing easy obtaining of recommendation or bypassing of this obligation is created (the easiest way will be to declare acute worsening of the health condition).
- Instead of waiting in one waiting room the patients will now have to wait in two of them – a patient with e.g. problems with a joint will especially during the flue epidemic be displayed to useless risk of infection in the waiting room of a general practitioner (GP) that can finally lead to overall increase and not to planned decrease of health care costs not speaking about the lost time that a patient could use more efficiently than by waiting in waiting rooms of various doctors.
- The risk of artificial increases in drug prescriptions and the volume of outcomes of specialists – if a patient suffers in a long queue at his/her GP's office, he/she will require a prescription for a longer period as well as, for safety's sake, recommendation tickets to other specialists.
- A better way to regulate demand of the public for health care services would be the re-introduction of SKK 20 fees or determination of a socially appropriate level of financial participation of a patient to cover the costs of his/her treatment.
- Despite the fact that the patient has their health documentation at their ophthalmologist, they may not come to check the value of dioptries without the recommendation of his/her GP.
- Chicane of patients – many of them have their GP or a district GP many kilometres from their home. This means that they have to travel with a health problem when they do not feel well to one end of the district and then to a specialist at the other end of the district. This creates the risk of consequences of not providing timely and appropriate health care while the complicated

procedures may distract some patients from visiting a doctor and their health condition will become worse, leading to increased costs for treatment.

- Useless raids on the consulting rooms of general practitioners and an increase of their administrative burden. This also shortens the time that a doctor can devote to treatment of other patients who do not need to go to a specialist.
- If the Ministry of Health of the Slovak Republic wanted to have better monitoring of visits by specialised doctors so that the GPs were not bypassed when getting information on the result of the specialised examination, it should have solved it by implementing an information system and enforcing the valid legal resolution determining the obligation of a specialist to send the medical report to a GP.
- Specialists have not considered the current system to be problematic – the Slovak health care system traditionally preferred the narrow specialisation of doctors, GPs dealt with regular health difficulties.
- By renewing zones for some patients, having their doctor outside their district may lead to poorer availability of primary health care as these doctors will not be able to refuse patients living in their zone and if there are many of them, the doctor will have to refuse the patients from outside his/her zone in order to prevent the overload.
- The amendment does not contain any rules for determining health districts – it can happen that determination of districts will be the decision of VÚC and that some districts that also cover, for example, Roma villages, will not have doctors or that some doctors will have their district totally outside their consulting room.
- There is a chance that, without clear rules, the policy of zone distribution will be subject to corruption – for example, when VÚC will decide on the allocation of zones to new doctors.

Evaluation of the HESO Experts' Committee:



Miroslav Siváček: The absence of any strategy or even a consistent opinion on the direction of health care brings chaotic decisions that does nothing for anybody but can make life unpleasant for both patients and doctors.

Radoslav Procházka: With this proposal the Minister of Health has proved his "special gift" to hit the nail on the head and solve problems in health care where they really exist. "Pleasant experiences" of patients thanks to the application of this measure can be properly overcome only by a good feeling that money from their social security contributions is being "returned back to the system".

Peter Pažitný: The own goal of Minister Valentoviča. It means more bureaucracy for doctors and a bottleneck for patients. I assume that by the end of 2008 the recommendation tickets will be the past.

Jozef Orgonáš: And what is a patient – a servant of the Ministry of Health?

Ludvík Posolda: Bureaucracy and bottleneck for citizens. Probably also an attempt to "moralise the wrong ones".

Igor Daniš: Too much freedom for citizens and doctors has clearly annoyed this socialist Government. Without chicane the governance has no taste.

Róbert Kičina: Useless bureaucracy for population, excessive demands for health care should have been solved differently (payments, additional payments, etc. not to mention determination of the basic package of healthcare paid from public health insurance).

Igor Hurčík: A step backwards.

Eugen Jurzyca: SKK 20 was more efficient in harmonising demand and supply.

Martin Kahanec: After cancellation of the SKK 20, which was slightly negative, this is defective but it is a patch. Zones can help to protect marginalised groups of people against discrimination.

Tomáš Dudáš: While we can talk about introduction of recommendation tickets, I view the renewal of health zones as a throw-back by maintaining the free choice of a doctor.

Richard Ďurana: The measure increases time and financial costs of patients. An hour in the waiting room at a doctor costs an employed person six times more than the cancelled SKK 20 fee whose implementation significantly contributed to reducing the number of visits at the doctor's.

Rural Parliament of Slovakia: Recommendation tickets increase the burden for both patients and doctors, for rural patients they increase costs for travelling. Patient management (so that the GP has an overview of the health condition and treatment of his/her patient and coordinated the treatment) can be ensured today by information and communication technology. Carrying of medical reports by a patient belongs to the previous century. Maybe training in computer literacy for employees of the Ministry of Health would help. Districts are a step backwards – it short-sightedly introduces borders between health districts while Schengen removes borders between states. An unsocial measure – those who have enough money will manage without an exchange ticket.

Dušan Mitický: A bureaucratic measure that questions the professionalism of doctors and supports corruption.

Juraj Nemec: This obligation of recommendations for a specialist is working in most countries and it has its justification (a GP should know his/her patients and should work as a "gate-keeper"). But it is a mistake that the direct channel between specialist and specialist has been closed and maybe the circle of specialists where no recommendation is needed is too narrow.

Milan Velecký: Agreement with supporters. It has probably been forgotten what used to work. It should be possible to visit some specialists (sexologist, psychiatrist, etc.) without a recommendation ticket from the GP. Otherwise I am in agreement. If the state pays the costs for provided care via compulsory public insurance, it has the right to determine also its extent and conditions. One such legitimate condition is a recommendation ticket. Do we really leave the patient to decide whether the treatment of his headache will be paid for by a GP, an ophthalmologist, a neurologist, a neurosurgeon? This is a financial issue – the GP serves as a gate-keeper. I can even imagine elements of the fund economy (the GP will participate, for example, in outcomes within common examination and treatment components, maybe partially of specialists – but this is a demanding and long-term project). Besides financial considerations there are also medical effects – headaches and sight loss can be the symptoms of serious illnesses (e.g. cardio-vascular problems). An older patient is seeing double and wants to visit an ophthalmologist to get the glasses. But it is in his favour that he/she is examined by his/her general practitioner so that other diseases could be excluded (blood pressure, EKG, other examinations).

Juraj Lazový: I cannot judge the impact of the measure in terms of increasing the system's efficiency. I personally disagree with it. I missed more professional discussion on the topic but this is a general problem of many ministries in connection with submitted proposals of changes and Acts.

Increase in maximum assessment base for payment of social security contributions from three times to four times the average wage in the economy for working pensioners and invalids (estimated increase in social security burden – more than SKK 2bn; amendment of the Social Insurance Act)

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

Intention of the Measure: To accept a measure that would help ensure the financial stability of the pay-as-you-go system of social insurance; contribute to reform of the pension system that will be sustainable and financeable in changing economic conditions with a higher level of solidarity.

Contents of the Measure:

- Until 31 December, 2007 the maximum assessment base for pension assurance (retirement and invalid), insurance during unemployment and premiums for reserve fund of solidarity (note: an employee does not pay contributions to the reserve fund) was equal to three times the average wage in the economy. Since January 1, 2008 the maximum assessment base for this type of insurance has been increased to four times the average wage in the economy (the original proposal considered total cancellation of maximum assessment bases).
- Maximum assessment bases for other types of social insurance (such as hospital and guarantee) have not been increased.
- In the first half of 2008 the increased maximum assessment base will be equal to four times the average wage for the year 2006, so $4 \times \text{SKK } 18,761 = \text{SKK } 75,044$ (before the increase it would

be SKK 56,283); in the second half of 2008 it will be equal to four times the average wage for 2007.

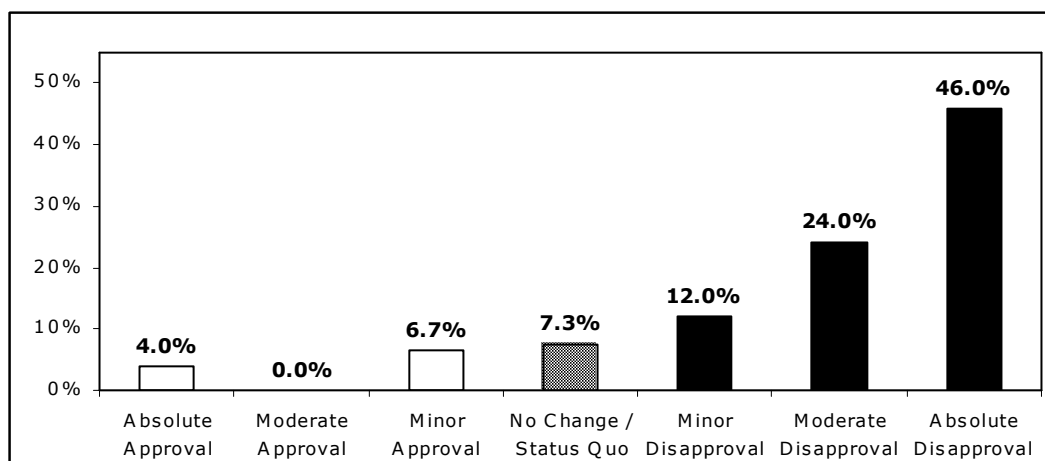
- Because of the increased maximum assessment base the maximum amount of contributions monthly will be higher by SKK 5,770, which means social security contributions will rise by more than SKK 69,000.
- According to the Social Insurance Agency (SP) the increase of the maximum assessment base will be related to approximately 48,000 insured persons while it will lead to an increase of SP revenues in 2008-2011 of SKK 1.6-1.8bn annually (according to critics, the increase of the social contribution ceiling does not relate only to people exceeding this border regularly each month but also to people receiving an increased salary in the form of year-end bonuses or similar bonuses once or several times a year so their income will exceed the set border in a single shot – then this measure will apply to approximately 100,000 people).
- Compulsory sickness insurance will be again related to pensioners receiving pensions, early pensions and full disability pensions carrying out gainful activity. The estimated number of affected persons will be 71,000; the increase of the SP balance in 2008-2011 will be SKK 200-300m per year.
- Compulsory payment of contributions for disability insurance from invalids carrying out gainful activity. The estimated number of affected persons is 9,000; the increase in revenues of SP in 2008-2011 will be SKK 65-80m per year.
- Postgraduate students in daily studies will not necessarily be socially insured so universities will not have to pay social security contributions to the SP for them as they would for employees (if they would like to enter or stay in the second pillar of the pension scheme they will have to register as voluntary payers of premiums). The estimated number of affected persons is 3,500. This will lead to a decrease in revenues of SP or a decrease in expenditures of the Ministry of Education of the Slovak Republic during 2008-2011 of approximately SKK 200m per year.
- Persons doing business according to special regulations – lawyers, notaries, experts, interpreters, tax advisors, auditors, insurance agents, etc., doing business by employment will have an advantage by payment of social security contributions – their assessment base will not have to be at least the amount determined by the Act. The estimated number of affected persons will be 2,700. SP Revenue will decrease during 2008-2011 by SKK 60-70m per year.
- The total impact of the amendment of the Social Insurance Act from the point of view of payment of contributions and taxes represents according to the SP increase in social security and tax burden of citizens and companies during 2008-2011 would be SKK 1.7-2.0bn per year.

Opinions of Proponents from Media Sources:

- The measure will increase solidarity of higher income groups – the rich will contribute more to the poor and differences among incomes will be decreased.
- The revenue of the Social Insurance Agency will be increased and this will lead to bigger stability of the pay-as-you-go pension scheme.

Opinions of Opponents from Media Sources:

- Social security contributions that will be paid from the amount exceeding three times the average wage will not be reflected in the pension increase from the first pillar, sickness contribution or dole – an unfair system that will motivate people to find a way to avoid payment of social security contributions to the Social Insurance Agency (for example, by payment of profit shares that are not burdened by social security contributions).
- The measure will not bring more solidarity into the pension scheme, it will only make the current difficult system even more difficult and, furthermore, citizens and entrepreneurs will not contribute to pensions in the pay-as-you-go first pillar but to bureaucratic apparatus of SP, as it will swallow an additional SKK 900m annually for its operations (temporary increase of administration fund of the SP from 2.9% to 3.5% of the volume of collected contributions).
- The increase in social security contributions will cause lower growth of real income of all employees, it will significantly increase costs of employers and it will force highly-qualified experts to live abroad while it can create the pressure on growth of consumer prices.
- Net incomes of full invalids will be decreased – invalids are a group of citizens that will suffer most from the amendment of the Social Insurance Act.
- The measure practically changes the social security system to a tax one, which means cancellation of equal tax and increase in tax burdens.
- The measure will not ensure greater long term financial balance of the first pillar as, paradoxically, the increase of the maximum assessment base will not be reflected in higher pensions from the first Pillar. However it will in the full-credit pensions from the second pillar, which increases the attractiveness of the second pillar and brings benefits to above-the-average earning savers in the second pillar compared to the above-the-average earning savers staying only in the first pillar.
- Negation of the principle of equality of citizens before the law – evidently some groups of population with good lobbying (lawyers, notaries, experts, auditors, tax advisors, etc.) will be more equal before the law than others – it is a pity that similar privilege has not been given to regular traders doing business by employment.

Evaluation of the HESO Experts' Committee:

Peter Gonda: An increase in the maximum assessment base for payment of contributions for social security will increase the contribution burden of people with medium-high and higher incomes and it will increase the labour costs of employers. This will impair conditions in the labour market for maintaining and creating new jobs. This can result in fewer resources for social security contributions to the Social Insurance Agency and increased demand for financing of the dole.

Jozef Orgonáš: Anything contributing to increases in the contribution burden is a mistake. We have one of the highest contribution burdens in Europe.

Martin Kahanec: I generally assess high tax burdens of the workforce negatively. I consider the system of social security contributions to be non-transparent and non-systematic, especially regarding the clear separation of credit and solidarity principles.

Róbert Kičina: I consider the idea that if we ask the rich for more we will collect more to be the Jánošík mistake. Except that many people will be motivated to move to a different form of taxation (trades, limited liability companies, agreements, etc.) The paradox is that the state forces increased payments but the affected citizens have no claims for the above stated fulfilments.

Eugen Jurzyca: The principle of credits has been decreased in the first pillar. It can help from a short-term point of view but from the long-term point of view people with higher incomes will probably choose other alternatives for assurance in pensions that are more and more available.

Igor Hurčík: Higher social security contributions do not guarantee the stability of the system. It is yet another complication of an already complicated system. The Government on one side sends the signal of activity and fights for solidarity yet on the other side this solidarity and model of the pension insurance stability will not be substantially changed in reality (after measures). The pension system needs system standardisation and measures in the amendment of the Social Insurance Act do not guarantee this. I assume increase in bureaucracy and non-transparency and permanent discussions of politicians/specialists how and where to find money for pensions.

Peter Pažitný: Instead of unification of the social security basis for social and health insurance with one tax, we destroy the system totally. Not only health and social insurance are not paid from the same type of pensions but they will also have a different ceiling - health insurance three times and social security four times. Congratulations to the creators of the Act!

Rural Parliament of Slovakia: Unnecessarily complex and unfair. It is also necessary to think about small companies, upon which it can have negative impact.

Miroslav Siváček: The amendment of the Act to increase social security contributions is only a small example how it is possible to keep the first pay-as-you-go pillar alive. Increasing costs of entrepreneurs by approximately SKK 2bn annually, decreasing the competitiveness of businesses and again showing a selective approach to various groups of the population. After all, somebody has to finance the subsidies to tobacco-growers from the state budget. Let's look forward to what will come next.

Dušan Mitický: This is money for populist steps.

Richard Ďurana: Non-systemic parametric change in the social insurance system. It will not help to solve the deficit of pension insurance because of which it has been implemented. If the Government wants to stabilise the first pension pillar it should focus on decreasing of credit principle, not increasing social security contributions.

Ludvík Posolda: Purposeful, short-sighted while again the malignance does not lie in the very fact but in its ideological basis. Instead of basic system solutions, "marketing" ones are looked for.

Luboš Vančo: A non-systemic measure. It affects mainly qualified people.

Martin Hošták: The said measure can motivate qualified workforce to leave abroad.

Adrián Ďurček: Punishment for effort, development and success connected with a great risk for entrepreneurs.

Luboš Vagač: The measure that is aimed to increase solidarity of people who earn more with those who earn less. However, the result will be bypassing payments of higher social security contributions via various shirks, discouraging of skilled and hardworking people, increased costs of employment.

Juraj Lazový: It is a typical left-oriented measure that will formally increase solidarity in the social system as well as probably increasing the total amount of social security contributions into the Social Insurance Agency. The measure will, at the same time, increase the motivation of people with higher incomes to search for ways to avoid payment of social security contributions.

Juraj Nemec: Redistribution is based on the principle that the rich pay more. It is possible to apply this approach also in social insurance but then there is a question whether they should not also be motivated. I do not consider growth by pensioners and invalids to be appropriate.

Jaroslav Vokoun: We have to admit that a transition period is connected with the pension scheme reform where redistribution has its place and the weight of redistribution is being reduced.

Milan Velecký: I know that many will not agree with me but I even vote for cancellation of the maximum assessment base. It is only a different form of tax and, in order to be fair, it should affect everybody to the same extent. It is not envy, it is an effort for solidarity. The one who earns SKK 30,000 monthly, has to pay double social security contributions comparing to the one earning SKK 15,000 monthly. I understand this, it is logical. He earns twice as much, he pays twice as much. But if somebody earns SKK 60,000 monthly and pays the same social security contributions as the one earning twice as much, where is the justice? Neither income tax has a maximum assessment base.

Termination of the transformation of state health care facilities to joint stock companies (the share of the state in the facilities that have already been transformed may not fall under 51%; amendment of the Act on Health Care Providers)

Submitted by: Ministry of Health of the Slovak Republic

Intention of the Measure: To stop the transformation of health care facilities so that the state remains the owner of health care facilities with nationwide scope of powers and those fulfilling special tasks in extraordinary situations.

Contents of the Measure:

- Provisions of transformation of state health care facilities to joint stock companies have been released from the Act.
- So far (according to the legal framework compiled by the previous Government) untransformed facilities (six hospitals managed to transform to joint stock companies) will remain state budgetary or semi-budgetary organisations in the direct scope of powers of the Ministry of Health (MZ SR) (faculty hospitals, health care facilities with nationwide operations, and facilities fulfilling special tasks in extraordinary situations).
- The property share of the state in already-transformed health care facilities – joint stock companies – may not fall below 51%, even in case of an increase in basic capital. Eventual transfer of stock below this limit may happen only on the basis of decision of the Government of the Slovak Republic.
- A transformed joint stock company created from the state organisation according to legislation effective until December 29, 2007, may also perform other activities than the provision of health care.
- Ministry of Health of the Slovak Republic does not expect a financial impact on the state budget during the period 2008-2010 in relation to preserving the statute of semi-budgetary organisations within the scope of the powers of the Ministry of Health of the Slovak Republic.

Opinions of Proponents from Media Sources:

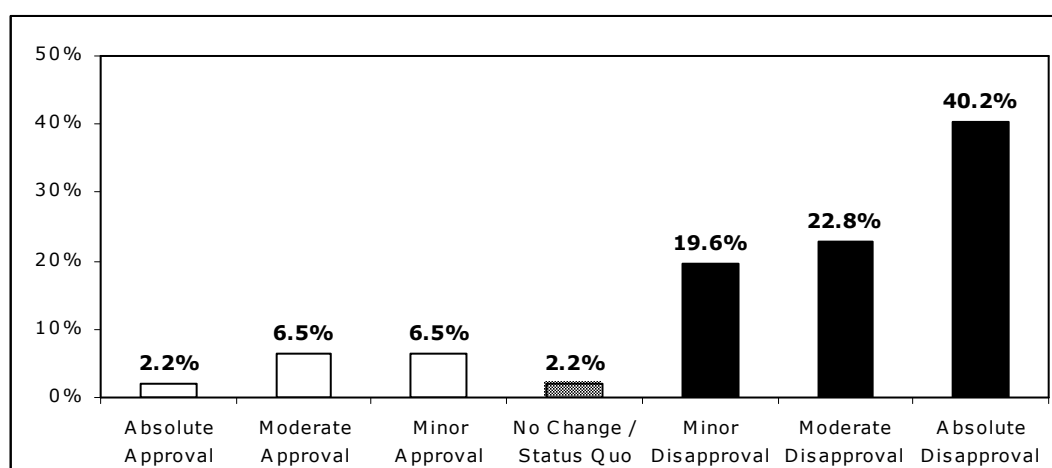
- By the previous Government changing the legal form of state health care facilities to joint stock companies, the state lost one of its most efficient tools for ensuring the competence of state administration of health care and execution of the state health policy. Therefore, it is positive that the state has strengthened its influence in important health care facilities, in facilities with nationwide operation and in such a way that fulfils special tasks in extraordinary situations.

- Big hospitals will not be transformed to private profit-driven joint stock companies and for selecting the cream of the public health insurance system.
- Continued transformation of state health care facilities would slow down the process of drawing and implementing based on EU structural funds.

Opinions of Opponents from Media Sources:

- Termination of transformation will be negatively reflected in the economy of state hospitals – deepening of soft budgetary limitations will lead to further indebtedness that will also create pressure on public finance and sustainability of fulfilment of Maastricht criteria.
- Deviation from transformation means a definitive loss of motivation for the balanced and transparent management of hospitals, this will subsequently lead to an increase in indebtedness that prevents improvements in remuneration, which will increase pressure on outgoing health care employees and, as a result, the quality of health care provision for citizens will be decreased.
- Transformation of hospitals to joint stock companies would contribute to clear rules of management, transparency and control of accounting and transparency in property situations while such transformed facilities would have to carry out their activities pragmatically and efficiently so that they were able to operate at least with a balanced budget, so that their liquidity was ensured, i.e. they would avoid bankruptcy. By contrast, state budgetary and semi-budgetary organisations are not currently forced by their founder to have a balanced budget although the Act on budgetary rules of public administration places this obligation on them.
- Termination of transformation means termination of development of state health care facilities, as the state as an owner is not able to ensure sufficient renovation and development investments, public finances do not have enough resources to cover the investment deficit created during the last 20 years in Slovak hospitals within a reasonable period and, therefore, their modernisation is impossible without the participation of private capital.
- Transformation of health care facilities to joint-stock companies does not necessarily mean their privatisation, whereas for joint stock companies with one hundred percent participation of the state or self-governance, universities or employees could be created.
- The primary purpose of transformation was not the change of ownership relations but equalisation of providers in the health care market – e.g. creditors do not have the possibility to efficiently force state budgetary and semi-budgetary organisations to pay their liabilities, unlike joint stock companies.
- Growing debts of bad health care facilities in the scope of powers of the MZ SR speak in favour of transformation and good economy of transformed hospitals (even the transformed facilities with a 100% property share of the state record profits).
- The Act made transformation to a joint-stock company with the subsequent possibility to sell stock impossible. However, in contrast, it has not forbidden sales of minority shares in already-transformed hospitals, which could be labelled as "under-the-counter privatisation".

Evaluation of the HESO Experts' Committee:



Miroslav Siváček: An increase in the indebtedness of large hospitals without an increase in quality of provided services is one of consequences of not addressing responsibility and soft budgetary rules. Termination of transformation is a step backwards.

Richard Ďurana: Comparing growth in debts of untransformed and transformed health care facilities where the latter have better results has not convinced the Ministry of Health about continuation in transformation to joint stock companies. Experience shows that hospitals with

compulsory audits and which, in case of bad management, face the threat of execution, operate more efficiently. However, the Ministry sees the solution in tighter control and centralisation of powers while it unreasonably overestimates the skills and especially the motivation of a state officer to efficiently manage public finance.

Peter Pažitný: The only chance to stop indebtedness of hospitals is their transformation to joint stock companies. Any other tools are inefficient or periodically expensive.

Igor Hurčík: A legal form of the facility does not guarantee quality service, efficiency and financial discipline. So what is next?

Igor Daniš: Who knows the next steps of transformation? Interest groups would like to take their word.

Juraj Nemec: Two problems: retroactivity and, most importantly, not the property basis but the state's ability to regulate the industry efficiently, determines the quality of operation of the health care facility. A modern European public sector is not about "ownership", but about "partnership".

Milan Velecký: Hospitals as semi-budgetary organisations have lots of advantages, such as drawing on funds from the EU. I do not consider legal forms to be so important. I am more for the real transformation of health care facilities (including re-profiling of some hospitals to other type of facilities – treatment houses for chronic patients, spa facilities, etc.).

Rural Parliament of Slovakia: The measure will not encourage efficiency. The ability to prove which form has a better viability should have been left, instead of the intervention of the state. The question is whether Ministry officers will be good managers.

Jozef Orgonáš: Another regimentation.

Ludvík Posolda: the measure will not improve the situation in the health care industry.

Martin Kahanec: This measure keeps the system in agony.

Juraj Lazový: Ministry of Health is specially oriented on partial measures focused on the removal of such elements of the health care reform accepted by the previous Government that seem just as unpopular or ideologically unacceptable. A complex vision is missing. Changing of a significantly right and left view over the operation of health care industry does not help.

Dušan Mitický: Non-conception and already overcome once.

Jaroslav Vokoun: Transformation of the health care industry was done unfortunately. Anyone who does not believe that should become ill and will be able to carry out some simple research (with probability of worsening health condition due to added stress). Of course, Government has to decide somehow and the previous Government made a decision. It would be good to know which countries inspired it and which did not.

Introduction of voluntary entry and, for a period of half a year, exit from the second pillar of the pension scheme for everybody (extension of the minimum period for saving from 10 to 15 years for creation of title for pensions from the second pillar; the state will not pay contributions to the second pillar for invalids; amendment of the Act on Old-Age Pension Savings)

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

Intention of the Measure: To introduce an element of voluntariness into the legal framework of the pension scheme so that its existence does not violate the stability of the pay-as-you-go pension scheme (the first pillar) and solve the situation of savers in the second pillar for whom this form of saving is unprofitable; support ensures the financial stability of the first pillar.

Contents of the Measure:

- From January 1, 2008, for a period of six months, the second (capitalisation) pillar of the pension scheme was open for exit or entry for those persons who had already been participating in the pension scheme or for those who had not managed to enter into the second pillar by June 30, 2006.
- Young people who become employees or self-employed for the first time will have six months time to decide whether they will enter the second pillar (so far the participation in the second pillar for young people entering the labour market for the first time has been mandatory).
- All saved money in the personal account of the saver leaving the second pillar will be transferred by the Pension Administration Company (DSS) to the account of the Social Insurance Agency (SP) (originally the Ministry of Labour - MPSVR SR), considered payment of saved money to savers).

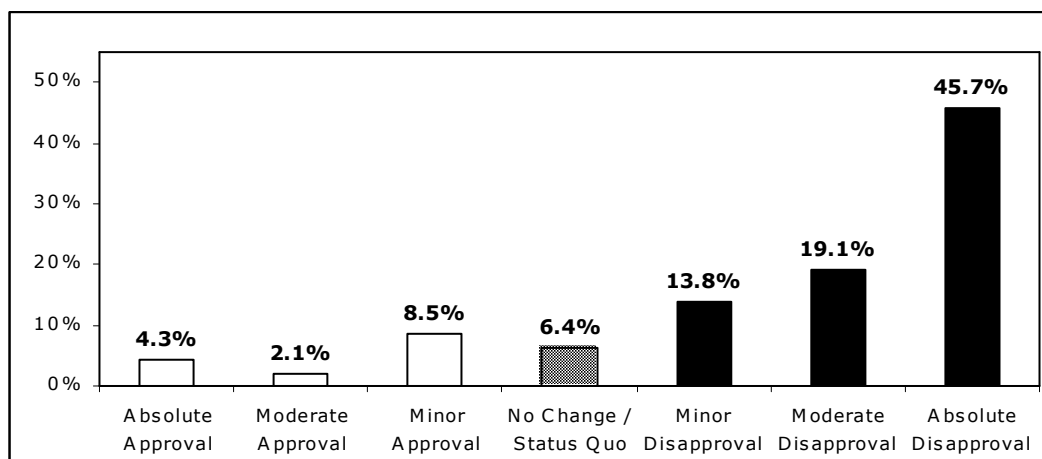
- The minimum length of a pension saving for creation of the title for the payment of pensions from the second pillar was prolonged from 10 years to 15 years (opposition submitted the motion to the Constitutional Court of the Slovak Republic because of this fact).
- The state, via the Social Insurance Agency, will not pay contributions to the second pillar for its insured persons – invalids, members of the Fire and Rescue Service and the Mountain Rescue Service (originally also mothers on maternity leave and care-givers of persons with serious health disabilities, which together would bring the Social Insurance Agency an increased amount of approximately SKK 1.7bn per year).
- Ministry of Labour, Social Affairs and Family estimated that, after opening the second pillar, almost 10,000 people will enter it (causing a decrease in SP revenue of more than SKK 200 m) and almost 31,000 people will exit, which represents almost 2.2% of the number of active savers (increasing SP revenues in 2008 by more than SKK 1.6bn followed by SKK 600-700m per year).
- DSSs estimated that 5% of savers will leave the second pillar.
- The Ministry of Finance of the Slovak Republic estimated that 68,000 savers will leave the second pillar, which should increase the revenues of the Social Insurance Agency in 2008 by approximately SKK 3.6bn in 2009 by SKK 1,3bn and in 2010 by SKK 1,4bn.
- From the beginning of 2008 until April 16, 2008, 21,500 savers left the second pillar and 7,900 people entered it.
- At the end of 2007 more than 1.5m people were saving for pensions in the second pillar.

Opinions of Proponents from Media Sources:

- Every citizen, especially young people, will have greater freedom of choice regarding the possibilities of selection of the form of their pension assurance.
- The balance of the Social Insurance Agency will improve and this will contribute to better financial stability of the first (pay-as-you-go) pillar.
- No enormous number of savers is expected to leave the second pillar so in this case it can be termed a "win-win" operation – making it voluntary and keeping the long-term sustainability of the multi-pillar pension scheme in Slovakia.
- The state should not contribute on behalf of its insured persons to their private pension accounts in DSSs; public resources should be used for public purposes and so for the saturation of pension needs from the first "state" pillar.

Opinions of Opponents from Media Sources:

- Changes will have a negative influence especially on older savers who entered the second pillar assuming that they have to be saving for at least 10 years to be entitled for the pension and not 15 years – it is a change of set-up from the pension scheme during its operation and currently this virtually forces all people who had less than 15 years until their pension when entering the second pillar to exit it so their money saved so far will be transferred to the SP, who will consequently redistribute it to all pensioners within the first pillar.
- Prolonging the minimum period for saving and excluding invalids from the second pillar represents changes that take legitimate titles from the part of future pensioners and disability pensioners they had based on the current system – a serious interference into the rights of citizens and a possible violation of the Constitution of the Slovak Republic.
- Limitation of invalids does not relate only to current savers but also to the savers that will become invalids after an unpleasant life event in the future and until then they will not manage to save at least for 15 years in the second pillar – so only their descendants will receive their savings from the pension saving account.
- Multiple groups of people (such as women who work in the home for a long time or long-term unemployed persons who will not manage to save for 15 years) will be left without a pension from the second pillar and will be reliant on social allowances.
- Leaving the possibility for parents on parents' leave to stay in the second pillar brings the risk of low pensions in the future as during maternity leave their income is very low and so will be their pension contributions.
- Voluntary entry into and exit from the second pillar will mean increased marketing costs for maintaining customers and acquiring graduates from schools for administration companies but this decreases the profitability of pensions funds and, therefore, future pensions of all savers.
- The planned positive financial influence of the accepted changes is more than questionable from a long-term point of view – the measure will not ensure greater long-term financial stability of the first pillar.

Evaluation of the HESO Experts' Committee:

Peter Gonda: The possibility of leaving the private pension scheme within half a year from the date of the Act's effectiveness, together with prolonging the minimum pension saving period from 10 to 15 years, should motivate a significant proportion of savers to move from the private to the public pillar. Certain measures are more purposeful than the systematically focused solutions of key problems in the pension system. Similarly, neither the previous nor the current Government has increased the weight of voluntariness. However, it brings temporary voluntariness, the aim of which is to strengthen the public pay-as-you-go pillar of the pension scheme by contributors so that they finance its deficit. It creates the illusion that a financial pyramid game controlled by the state will ensure higher pensions than they would have saved by themselves. Government brings uncertainty and distrust in public saving into the system by its proposals in the areas of pensions and increases the social security burden of some groups of citizens. At the same time, it does not solve systemic problems and the large financial burden of the indebted pay-as-you-go system in the Social Insurance Agency that will start to deepen after consuming resources from privatisation in 2009 to the level of several tens of billions of crowns annually.

Juraj Lazový: Introduction of voluntariness for the entry of newly-insured persons represents a principal change to the system. The result is de facto cancellation of the compulsory twopillar system over the long-term, which was one of the strategic aims of the original pension reform. I consider prolonging of the minimum saving period to 15 years to be at the edge of constitutionality. But the half-year opening of the second pillar seems to me to be a reasonable step. Generally it is a measure where solving of short-term problems happens at the expense of a long-term goal.

Róbert Kičina: A dangerous gamble with pensions full of misleading information. Short-sighted effort of the current Government to solve actual problems of the Social Insurance Agency regardless of the impact in 30-40 years.

Luboš Vagač: Voluntary entry/exit is acceptable. Prolonging the minimum period for saving principally changes the conditions for many older savers entering the system under different rules. Not contributing for invalids is a discriminatory step.

Radoslav Procházka: The absence of transition provisions related to prolonging the compulsory period for saving in the second pillar and, as a result, exclusion of invalids from the saving pillar, makes the amendment unconstitutional in these parts.

Anonymous comment*: I see the problem at least in the change of the limit related to the minimum period of saving.

Juraj Nemec: A problem of retroactivity.

Rural Parliament of Slovakia: Change of the rules during the game.

Richard Ďurana: The Government should allow exit from the second pillar to those who could prove that they entered the second pillar under pressure or on the basis of untrue information. I expect that the Constitutional Court of the Slovak Republic will decide that prolonging of the period from 10 to 15 years "during the run" is illegal.

Martin Kahanec: The measure violates the stability, credibility as well as sustainability of social security. Negatives strongly outweigh possible positives. Eventual stabilisation of the first pillar is at the expense of the second pillar and is made by non-systemic and unsustainable measures (e.g. also by forgiving of penalties).

* The respondent did not wish to be named.

Tomáš Dudáš: The whole government proposal radiates the effort to weaken the second pension scheme as much as possible. The Government tries to handicap the position of the second pillar while it tries to attract people back to the first pillar. But the problem is that, according to several available analyses, the first pillar is unsustainable in the long-term.

Milan Velecký: A useless measure. The second pillar solves a serious problem in social security in the long term. We should strengthen it (even at the expense of current problems).

Ludvík Posolda: Deliberate, short-sighted measure – its malignance does not lie in the very fact but in its ideological basis – instead of principled system solutions, "marketing" ones are being searched for.

Jozef Orgonáš: A stupid measure, the Government does not know what to do.

Peter Pažitný: For the one who thought it up and implemented it, any argument is useless.

Igor Daniš: Opening of the system creates the field for democratic discussion. The previous Government pushed the system by rough strength without the mandate in the elections and without discussion. The benefits for the private sector are enormous, so a free professional (not political or quasi professional) discussion in the media is at boiling point.

Jaroslav Vokoun: It is a good measure as it provides the ability to choose when people have more balanced information compared to the period when pension reform started.

Prohibition of profits for health insurance companies (obligation to use profits from public health insurance for payment of health care; decrease in the upper limit for expenses of health insurance companies for their operation from 4% to 3.5% of the collected premium; amendment of the Act on Health Insurance Companies)

Submitted by: Ministry of Health of the Slovak Republic

Intention of the Measure: To define explicitly the purpose of establishment of a health insurance company as a subject of public administration to whom the state assigned the obligation to manage the resources of public health insurance and define use of profits from the public health insurance solely for financing of health care.

Contents of the Measure:

- The amendment imposes the obligation to use profits from public health insurance solely for payment of health treatment paid from compulsory public health insurance for health insurance companies (both private and state ones) and this at the latest until the end of the calendar year following the calendar year when the profit was achieved.
- Possible profits of a health insurance company from public health insurance will be free of income tax as of 2009.
- Returning of profits of health insurance companies for payment of health care would currently mean additional resources into the health care industry in the amount of almost SKK 1.9bn.
- Obligation of health insurance companies to have separate accounting for public health insurance, individual health insurance and operational activities.
- Reducing the maximum amount of expenses for operational activities of a health insurance company from 4% to 3.5% (original proposal 3%) from the collected premiums before redistribution (average overheads of insurance companies in non-regulated year 2006 – 6.2%) – annual savings of approximately SKK 450m.
- Shareholders of the Dôvera health insurance company sent a pre-arbitration notice where they require SKK 15bn as compensation for a damaged investment – it represents the loss of future revenue that the insurance company will lose after prohibition of payment of profits.
- Other private health insurance companies are preparing for international arbitration against the Slovak Republic – the Association of Health Insurance Companies estimated the amount of redemption for investments that will be requested by all health insurance companies from the state at SKK 30bn.
- In 2006 private health insurance companies reported total profits of more than SKK 1.5bn.

Opinions of Proponents from Media Sources:

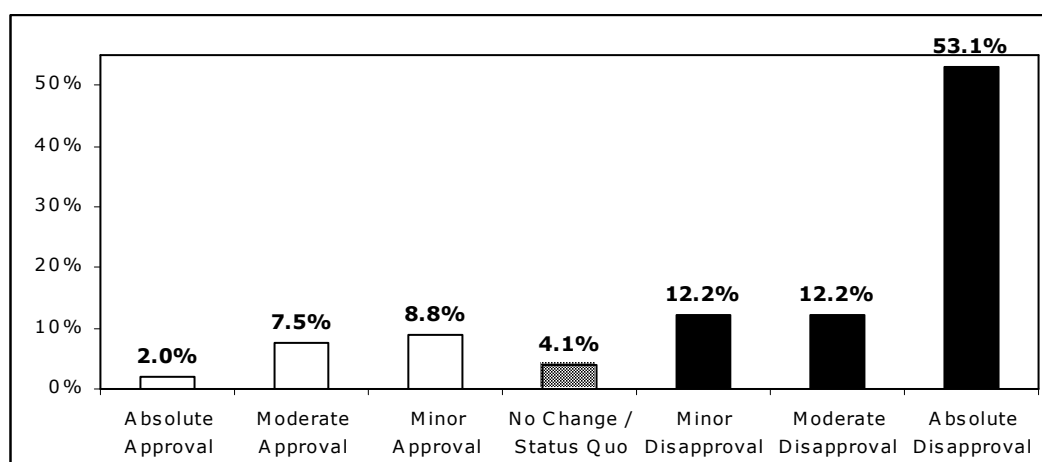
- Money from insurance company profits will be returned back into the health care industry – resources from public health insurance belong in the health care system, not in the private hands of stockholders who will then transfer them abroad.
- In all European countries with compulsory public health insurance the public funds of health insurance are filled by private organisations participating in the administration of public health insurance solely for social purposes and their activity is based on the principle of solidarity and is completely non-profit – their activity is not considered to be a profit-generating activity and

organisations carrying it out are not considered to be entrepreneurs – the current system of health insurance in the Slovak Republic, despite the fact that it is realised by special joint stock companies established only for the purpose of health insurance, is an analogy of these systems of public health insurance and not compulsory private insurance like it is in, for example, the Netherlands or Switzerland.

- If public health insurance is organised as a compulsory one that respects solidarity and equality in the provision of health care and its availability, and if the state can help financially with the public administration subjects (which are also health insurance companies) in case of insolvency so that the system may not be based on the principles of profitability and competition, which are the attributes of commercial and voluntary insurance or compulsory private insurance.
- The legal definition of utilisation of a positive economic result does not mean intervention into ownership rights as it brings neither removal nor limitation of property. It is only a way of administering public resources limited by the state – resources from the compulsory health insurance may not be owned by the health insurance companies or used and handled at their disposal – they can only administer them.

Opinions of Opponents from Media Sources:

- Prohibition against paying dividends to shareholders of health insurance companies affects the right to own and use the property guaranteed by the Constitution of the Slovak Republic and violates the principle of legal security.
- The negative impact of the Act will be probably felt the most by insured persons in the form of decreased quality of the health care provided as such serious limitation of competition will result in decreasing long-term motivation of health insurance companies to act efficiently, better manage patients' needs, invest in a long-term perspective and innovate what will be highlighted more strongly after limitation of the administration fund of health insurance companies; shareholders of insurance companies would rather try to get dividends from already-invested funds in other ways (e.g. by the use of profits for funding health care by financially related providers).
- It is not clear according to what key the profit will be returned to the health care industry. The Act also does not solve the problem of what to do with profits if an insurance company meets all its obligations towards health care providers in a given year.
- The risk of the "bulldozer effect" – insurance companies will consume their allowed maximum of 3.5% of premiums to overheads; they will push profits in front of them and will wait with its payment for a government that will cancel the restrictions.
- By a vote in Parliament on the provision according to which insurance companies should return the profits into the health care industry for the first time in 2009 from the economy of 2008 was dismissed from the amendment. This way they will have to return the profit generated in 2007 into the system in 2008. That means retroactivity while they will also have to tax it as the profit returned to the health care system will be exempt from tax by 2009.
- The measure goes against the declared intention to respect the system of plurality of health insurance companies to which Government signed up in its own Programme Statement and heads towards the creation of the only state insurance company.
- There are several subjects of a profit-generating nature whose profit is created from compulsory payments prescribed by law (e.g. stations of technical control (STK) or pension administration companies (DSS)).
- The profit of health insurance companies is neither the problem nor the key to solving the desolate condition of again indebting health care – the state should focus instead on creating such rules of the game that will help to improve patient's health care but, in particular, it should stop pretending that it is able to finance the treatment of all diagnoses from public insurance.

Evaluation of the HESO Experts' Committee:

Tomáš Dudáš: It is one of the most harmful steps of the current Government coalition. If private health insurance companies lose the motivation of profit, nothing will push them to improve the services they provide. The Government could not nationalise them so it at least worsened conditions for their operation.

Richard Ďurana: Prohibition of profits for health insurance companies removes the main driver for the most efficient satisfaction of patients' needs - innovation and investment of capital necessary for increasing productivity in the industry. In our publication, *Healthy Profit* (INESS, 2007), we write about the reasons why profit not only belongs in the health care industry but why it is essential for increasing efficiency, quality, innovations, new services and inflow of investments. Prohibition of profits will finally harm the ones who should have been helped according the government coalition - patients. If the Government wants to limit the profitability of insurance companies, there are also other mechanisms. The best control is competition and free access to the industry that will ensure that even a slightly "above average" profit will attract other competitors that will push the price, and therefore also profits, downwards.

Róbert Kičina: Profit equals motivation to be efficient. Profit prohibition equals motivation not to report the generated profit so new transactional costs arise that will help nobody.

Rural Parliament of Slovakia: Intervention that again reversed the move towards an efficient system. Profit is deserved as it is achieved by increases in revenue and decreases in costs. Increases in revenues with the same premiums are achieved by increasing the number of clients through better services. A decrease in costs is oriented towards economy, not limitation of services that would decrease the number of clients.

Miroslav Siváček: Private health insurance companies started to run nicely. The first differentiation of services, savings of costs and pressure on quality and efficiency of the provided health care appeared. Furthermore, conditions for 2008 offered to health care providers by private insurance companies were better than by state insurance companies. The criteria for closing of contracts with hospitals and the selective approach presented by the General Health Insurance Company is only a small example of how the operation of health care would look in case of one health insurance company.

Juraj Nemec: I consider this measure to be a violation of the basic principles of the EU operation - the state entered directly into the operations of the private sector and this way it violated *acquis communautaire*.

Juraj Lazový: The measure is on the edge of constitutionality. It is highly likely that it will bring losses caused by failures in international arbitration to tax-payers. Additionally, in my opinion, neither quality nor the volume of resources will be increased in the health care industry.

Peter Pažitný: The Act is probably unconstitutional (it does not respect private ownership), retroactive and definitely not practical.

Ludvík Posolda: A very bad and dangerous solution. As a fact it will not improve the situation in the health care industry and as its ideological basis it has features of the creation of an "internal enemy", which is typical for imperative regimes.

Jozef Orgonáš: Where would the Government like to go in its regimented spirit? Is it at all possible to do business in Slovakia?

Martin Kahanec: "First best" is to finish the health care reform. This measure is non-systemic and it decreases the credibility of the Slovak Republic in the eyes of investors.

Milan Velecký: I disagree with such administrative limitation of overheads without any analysis for the real evaluation of needs. I agree with the limitation of profit but only temporarily. In my opinion it is necessary to make a real reform of public health care financing (at least an analogy of the pension reform of Mr Dzurinda). And then in the first pillar of public health insurance there would be no place for commercial companies and, on the contrary, a space would be created for competition in the new second pillar. No responsible person would change, for example, the Social Insurance Agency to a joint stock company and expect profits from it. What would be the next one? The courts, police, tax offices?

Jaroslav Vokoun: If you have an inflammation in your body and doctors are going to order you as an insured company of some health insurance company in three months then you see that the system is also sick, not just you. Health insurance companies came with little added value during their existence so it is time for a change.

Permission to start construction of certain sectors of highways without repurchasing or claiming private lands without the approval of the owner (Act on One-off Special Measures by Preparation of some Constructions of Highways and Expressways)

Submitted by: Ministry of Transport, Posts and Telecommunications of the Slovak Republic

Intention of the Measure: Use of one-off extraordinary measures in building procedures to allow faster administrative preparation of highways construction so that, on March 1, 2008, the contracts with vendors within PPP projects could be closed and construction works could start.

Contents of the Measure:

- The act determines that the building contractor does not have to obtain property rights or other rights to lands for the building procedure (it is sufficient to declare that until the day of starting the building procedure the Act for obtaining ownership rights or other rights to the land has been completed), but only for the construction inspection procedure and this according to the submitter so that billion-crown investments are not delayed because of waiting for registration of closed contracts in the cadastre of real estates, for the completion of lawsuits regarding determination of the owner, inheritance procedures and negotiations on the amount of substitutes for acquisition with some individuals (does not relate to buildings on these lands as their sanitation has to be decided in the building procedure it means that the property settlement has to be finished by them).
- The Act allows that, even if the conditions for the highway construction inspection are met due to reason that prevents both safe testing operation of the highway and/or safe and fluent traffic on it, the building office may decide on premature utilisation of the highway and determine conditions for its utilisation and traffic.
- The act relates only to problematic sectors of the D1 highway and R1 expressway through PPP: Hričovské Podhradie-Ivachnová, Jánovce-Jablonov, Fričovce-Svinia (all D1) and Nitra-západ-Hronský Beňadik (R1).
- Current owners of houses and apartments will be allowed to agree on compensation, not only in terms of money but also through the procurement of new accommodation by purchase or construction of a flat or a house.
- Expenses for redemption for the purchase and deprivation of lands and buildings designed for sanitation are estimated at SKK 2.144bn (D1); it will be necessary to sanitise 48 buildings out of which 24 are family houses.
- Opposition Members of Parliament sent the motion to the Constitutional Court of the Slovak Republic because of violations of the ownership rights. This is because the Act allows the construction of highways on private lands without the agreement of its owners.

Opinions of Proponents from Media Sources:

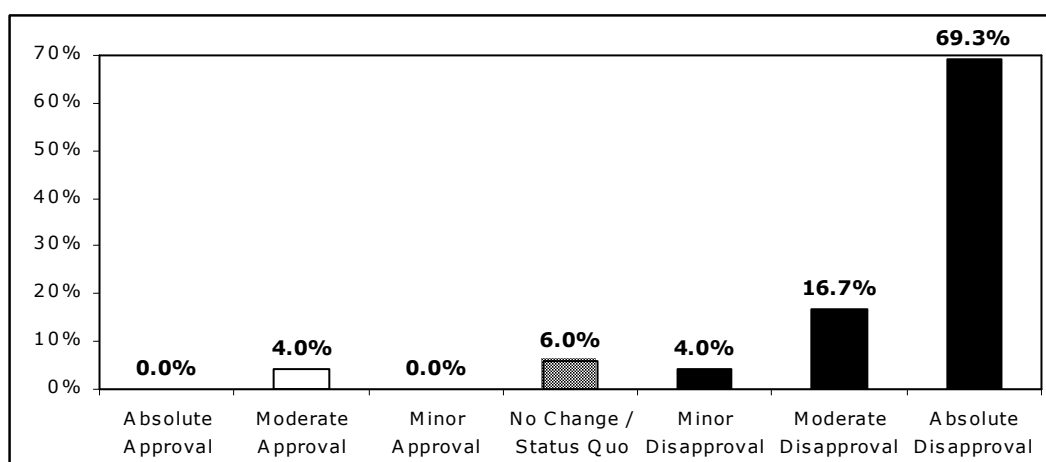
- Acceleration of construction and connection of the D1 highway from Bratislava to Košice by 2010 and the R1 expressway to Banská Bystrica will have a positive effect on the whole economy and development of the area (saving time necessary for transportation of people and goods, saving fuel, a decrease in carbon oxide emissions, increased traffic safety, making the economically less-developed regions more accessible to investors, etc.). The Research Institute of Transport estimates positive direct effects of SKK 100bn and indirect of SKK 300bn.
- It shows that, without accepting extraordinary measures, at the current average annual rate of highway construction (16.9km) it would not be possible to meet the target of connecting Bratislava and Košice and Banská Bystrica by quality expressways by 2010.
- The most serious problem with highway construction was the long time needed to acquire land, while this measure shortens it.
- A single extraordinary measure stated in the Act will not apply to the whole highway network, only certain parts.

- Public interest in highway construction is very strong. Therefore, it has priority over private ownership – some speculating individuals may not block the whole highway construction from which the whole country will benefit.

Opinions of Opponents from Media Sources:

- Inept presentation of rough power.
- The most significant violation of basic human rights to own property on the part of the state since 1989 – highway construction will not wait until the lands are properly settled but it will be possible to build on the land that has been neither repurchased nor deprived – it is uncertain whether Slovakia is still a legal state.
- Inappropriate preference of public interests compared to private ones.
- The Act is unconstitutional while the possible preliminary hold of its validity can finally prolong the whole process of highways construction.
- Although the Constitutional Court of the Slovak Republic will probably cancel the Act, irrevocable losses may occur as, once the state starts to build the highway on private land, it is not possible to return it to its previous condition.
- No period for the state until it has to settle private lands where it has already started construction.
- In case of such hard intervention into ownership rights the full highway from Bratislava to Košice will not be finished by 2010.
- This act allows building on foreign land without the approval of the owner and without finalisation of settlement of ownership rights and this creates a dangerous precedent that no citizen's ownership is safe. This was reflected by proposals of the legislation for deprivation of land under roads, schools, cultural centres or hospitals that were built without repurchase of land in the last 60 years in favour of self-governance and without redemption.

Evaluation of the HESO Experts' Committee:



Radoslav Procházka: The lawmakers have not displayed a high level of temerity and respect for the most basic pillars of a free society in this election period.

Richard Ďurana: Ownership rights are a basic pillar of the market economy, so I consider that this Act is an attack at the basics of the market economy. The state strengthens its position by enforcing its own interests this way at the expense of the ownership rights of its citizens. Democracy cannot work without the protection of ownership rights. Four wolves and one rabbit may not vote what will be for dinner.

Milan Velecký: The way to the hell is paved with good intentions. Even the creators knew that the Act is in conflict with the Constitution of the Slovak Republic but they believe that they will manage to utilise it until the Constitutional Court of the Slovak Republic stops its validity. The Government seems to me like a homeless person eating quickly in the supermarket as it knows that has no money to pay for the food and sooner or later will be caught by security. I understand this homeless person and forgive him but do not justify his behaviour because we should not steal, even if we really need it). The government does not need to steal and cheat.

Rural Parliament of Slovakia: The problem can be solved just as well by more sophisticated methods as by rough violence from the side of the state. The measure is in conflict with a generally declared principle of the right to ownership. There is a risk of high costs after eventual failures in court. It is a solution that will bring money to lawyers, not to owners.

Róbert Kičina: It is an unprecedented interference into ownership rights. Why doesn't the state offer triple price instead of the market one? It prefers to go on the edge of the law and I think that

when the aggrieved persons turn to the European Court of Justice, they will win the disputes and the state will finally lose.

Igor Rintel: The principle of cancellation of the protection of private ownership.

Peter Gonda: This creates conditions for easier deprivation of private property and makes it easier to roughly interfere with ownership rights and the personal freedom of people in Slovakia. Any deprivation should be unacceptable in a society that respects the right of the owner.

Tomáš Dudáš: Another one of the very harmful measures of the current Government. In my (but not only my) opinion, this step is in conflict with the Constitution of the Slovak Republic and significantly violates the right to private property.

Adrián Ďurček: Savaging of the basic rights of the citizens of the Slovak Republic.

Martin Kahanec: When the apparatus of state power fails, the power comes. Endangering of ownership rights.

Jozef Orgonáš: A communist tragedy.

Igor Hurčík: I am curious about the Constitutional Court of The Slovak Republic and about Strasbourg.

Peter Pažitný: Unconstitutional! Unconstitutional! Unconstitutional! We are lucky that the Prime Minister and President are college lecturers of law...

Luboš Vagač: Public interest defined by the Government will be superior to private ownership. A useless measure.

Miroslav Siváček: The desire to enforce so-called state interests against a citizen is timeless and it is enforced quite easily because there is always a majority of the seemingly unaffected. But it is dangerous that nobody knows the limits of this effort.

Pavol Žilinčík: Amendments to the Chinese constitution from 1982, 1999 and 2004 have significantly strengthened private rights of owners, including the right for redemption in case of limitation of this right. Slovak legislation goes exactly the opposite way and after this Act it is possible that protection of owners in China is at a higher level than protection of owners in Slovakia. I am not sure whether it is an inappropriate preference of the public interest in this case. It not in the public interest to finish the construction of highways within a given deadline but to finish them in a way that will ensure balanced protection of rights and interests of citizens. I rather think that this drastic limitation of people's rights happened only in the interests of one political decision, not in the public interest.

Juraj Lazový: It is a classic dilemma, the right of an individual versus the public interest. I view the measure as a pragmatic solution but it is probably unconstitutional. I would welcome it if there would be a more acceptable solution for this problem (highways were built and are also built in other countries, often to a significantly greater extent; how do they solve problems regarding the repurchase of lands?).

Ludvík Posolda: Highways are very necessary but the danger of misuse of this Act is very high.

Martin Kahanec: This is dominant politics.

Juraj Nemec: Similar Acts exist but the risk of misuse is enormous.

Dušan Mitický: I feel that it is unconstitutional. It is necessary to fight against speculators, not against citizens.

Jaroslav Vokoun: It is necessary to agree with the owner or it is necessary to say that those whose lands stand in the way of infrastructural constructions are the unlucky ones.

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