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Slovak Republic: Selected Issues and Statistical Appendix

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SLOVAK REPUBLIC

Selected Issues and Statistical Appendix

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Approved by the European I Department

July 6, 2000

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PREFACE

1. Preceding the statistical appendix, this background document contains two other sections.

2. First, there is a chapter that deals with unemployment in Slovakia, a serious problem from both a social and an economic standpoint. The chapter starts by highlighting the basic facts about unemployment. It then analyses several of the key underlying factors that have contributed to high unemployment in the Slovak Republic. Finally, it discusses policy actions to remedy high unemployment, drawing attention to the efforts that the Slovak authorities have made.

3. Second, an appendix deals with medium-term fiscal challenges in Slovakia. During the mission to conduct the Article IV consultation discussions, Fund staff presented a workshop, with a view to generating dialogue and encouraging a range of government officials to think early on about various fiscal tensions that could emerge over the medium-term while, at the same time, trying to secure fiscal deficit targets established within a macroeconomic framework. As the workshop was experimental, in that this was the first time such an approach was tried during an Article IV consultation to Slovakia, it may be of interest to the Executive Board. It was attended by about 35 officials from the Ministry of Finance, the Ministry of the Economy, the National Bank of Slovakia, and the office of the Deputy Prime Minister for the Economy, and was based on a package of slides. The Finance Minister, Governor of the National Bank, and Deputy Prime Minister for the Economy requested copies of that package, reproduced as this appendix.

I. UNEMPLOYMENT IN SLOVAKIA[1]

A. Summary and Overview

4. Unemployment in Slovakia raises serious economic and social concerns. The unemployment rate is high, currently near 19 percent.[2] Nearly one-half of those who are unemployed have been out of work for more than one year, and wide regional disparities exist, particularly between Bratislava and the Eastern areas of the country. There is evidence of a segmentation of the labor market between those already employed and those out of work in a way that reduces the prospects of re-employment for the latter. The situation appears to be particularly unfavorable for unskilled and young workers. Weak incentives to search for work and high social security payroll contributions are among the factors that exacerbate the unemployment problem.

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[1] Prepared by Marco Pani.

[2] According to the official register of the unemployed, the unemployment rate was 19.5 percent in January 2000 and 18.6 percent in May 2000.

5. Appropriate policy actions can help. The prospects for re-employing unskilled workers who lost their jobs as a result of economic restructuring after central planning was abandoned can be enhanced by active labor market policies such as retraining, and by measures that encourage foreign direct investment, particularly in depressed areas of the country where much of this restructuring occurred. The employment of young workers can be encouraged by reforming the benefits system so as to enhance incentives for job search, and by increasing labor market flexibility. Another key measure that would encourage job creation is a reduction in the high social security contributions, which both reduce the demand for, and supply of, labor. This could be achieved as part of a broader rationalization of the social benefits system, with a view to better targeting support for households that have the lowest income and potential for re-employment.

6. After analyzing the main features of unemployment and its evolution in Section B, Section C turns to assessing the main causes of unemployment. Section D then elaborates on possible ways to reduce unemployment in Slovakia, starting with a discussion of the employment policy of the government.

B. Unemployment in Slovakia: Some Basic Facts

7. Unemployment rates increased sharply at the start of the transition, then stabilized, and started rising again in the last two years. The worst-affected workers are the young and the unskilled. The average duration of unemployment is high. And there are marked regional disparities in unemployment rates. In addition, a large fraction of the unemployed find it difficult to get a new job and withdraw from the labor force. An uncertain but possibly large number of unemployed citizens are, however, working unofficially in the so-called gray economy.[3]

8. Although the recent increase in unemployment is partly due to cyclical factors, a large component of unemployment can be considered structural. This component mostly includes the unskilled and young workers mentioned above. However, the economic and social implications of unemployment, and the policy interventions that are most apt at tackling the problem, are different for these two groups of workers.

Unemployment statistics in Slovakia

9. As in other European transition economies, unemployment statistics in Slovakia are provided by two different sources: an official register of the unemployed (maintained by the

[3] Informal estimates of the gray economy suggest it could represent about 20 percent of official economic activity. From the standpoint of the public finances, this involves a loss of revenue, unwarranted expenditure, and a distortion in the distributional impact of the social security system, as workers in the gray economy normally evade social security contributions but frequently claim social security benefits by officially registering as unemployed.

National Labor office) and a Labor Force Survey (undertaken by the Statistical Office). The register of the unemployed, established in 1990, provides monthly statistics on the number of workers who are included in the register, while the Labor Force Survey, undertaken since 1993, provides quarterly data on employment and unemployment derived by interviewing a sample of 10,250 households.[4]

10. The number of unemployed workers reported by these two sources is different. In contrast to the official register, which counts the unemployed irrespective of whether they are actually seeking work, the Labor Force Survey (which follows the definition of the International Labor Organization) defines as unemployed "all persons aged 15 and over who are not working for pay or profit during the reference week, who are actively seeking job during the last four weeks and who are able to start work in the next two weeks" (Statistical Office of the Slovak Republic, 1999a). Moreover, since registration is required to receive social security benefits (unless a person is employed, retired, or disabled), many citizens who do not participate in the labor force (such as housewives) register as unemployed merely to receive these benefits. Thus, the Labor Force Survey data can be considered more informative about the actual extent of the unemployed who may actually be seeking work.

11. Over the years, the unemployment rates measured by the Survey have been systematically lower than those recorded by the register of the unemployed. However, the difference is not especially large (usually less than 2 percentage points), and the two series exhibit similar time paths (Table 1, Figure 1).

The evolution of unemployment

12. In the pre-transition years, the official picture of full employment disguised significant hidden unemployment.[5] While all able-bodied men and women of working age were formally employed under a full-employment policy based on the principle of "duty to work," a large part of the labor force was underemployed. Agricultural co-operatives and industrial firms, in particular, were encouraged by political directions and economic incentives to "hoard" labor beyond their productive needs in order to fulfill the target of full employment. This hidden unemployment resulted in part in the current unemployment problem.

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[4] The sample is renewed completely every five quarters, by dropping one-fifth of its households and adding an equal number of new households every quarter.

[5] Slovakia started its transition from a centrally planned economy to a market economy in 1990, one year after the "Velvet Revolution" of 1989. At the time, and until 1993, the Slovak Republic was, together with the Czech Republic, part of Czechoslovakia. The two republics split in 1993 into two sovereign states, maintaining a customs union and the free movement of workers. The monetary union was dissolved soon after the separation of the two states.

Table 1. Slovak Republic: Unemployment Rate (annual data)

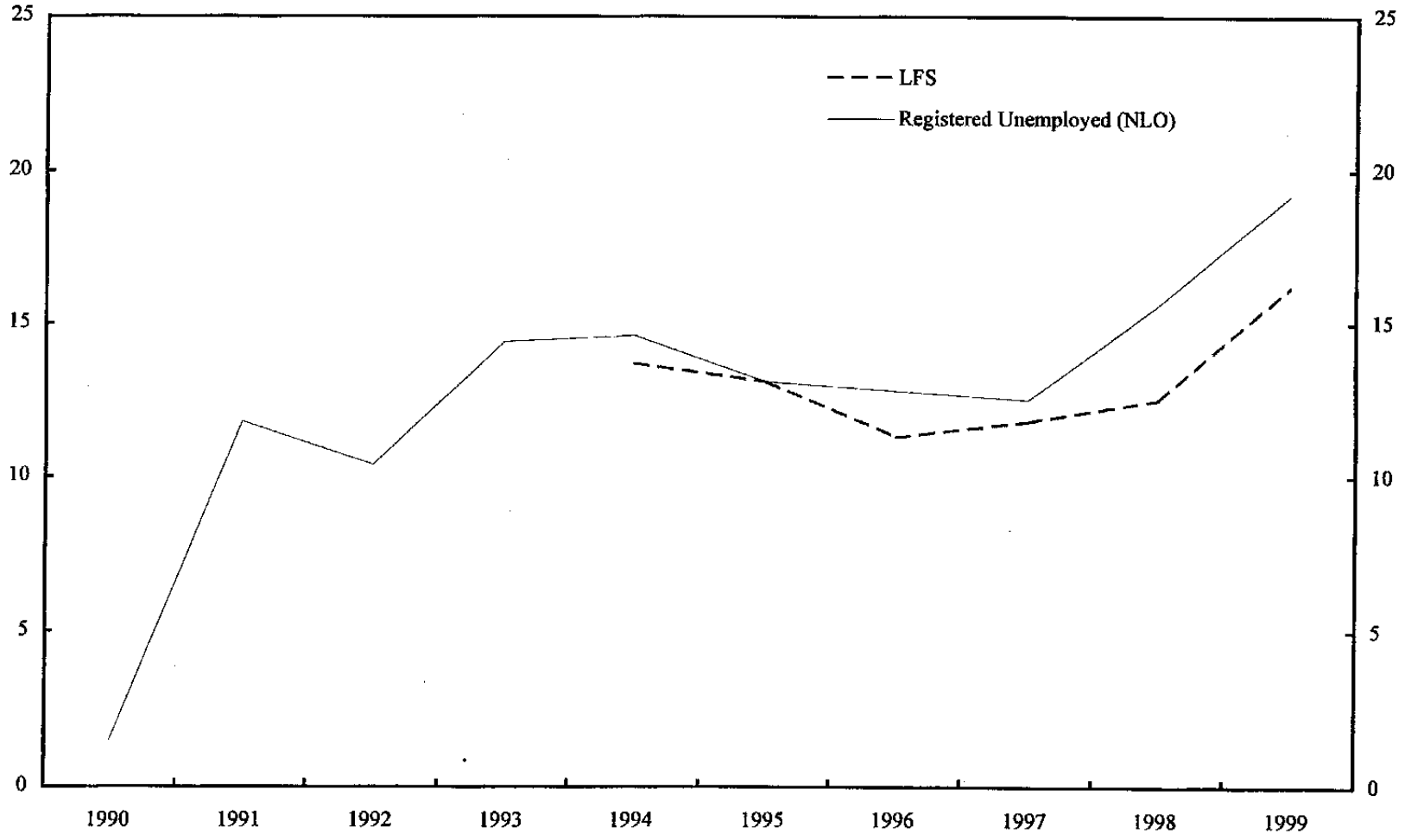
(percent of the labor force)

Year	Labor Force Survey (last quarter of the year)	Registered unemployed (December)	Registered unemployed (year average)
1990	...	1.5	0.82
1991	...	11.8	3.2
1992	...	10.4	11.3
1993	13.7 1/	14.4	12.7
1994	14.1	14.6	14.6
1995	12.4	13.1	13.7
1996	10.9	12.8	12.6
1997	11.8	12.5 2/	12.9 2/
1998	12.5	15.6	13.8
1999	17.1	19.2	17.5

Sources: Statistical Office and National Labor Office.

1/ First quarter, 1994
2/ Since 1997, unemployed workers who are available to work.

Figure 1. Slovak Republic: Unemployment Rate, 1990 - 99
(End of year; in percent)



Sources: Statistical Office and National Labor Office.

13. As the data reported in Tables 1, 2, and 3, and Figure 2 show, unemployment in Slovakia increased sharply at the start of the transition, was broadly stable during 1993-97, but has been rising since then, peaking at 19.5 percent in the first months of 2000. Between 1990 and 1993, employment in Slovakia fell by 300,000 workers as a result of economic restructuring, firm closures, and dismissals. Meanwhile, the labor force increased by 30,000 workers. As a result, unemployment reached 330,000 workers (about 14 percent of the labor force) at the end of 1993. Between 1993 and 1997, the increase in the labor force was matched by an equivalent increase in employment, and the number of unemployed workers remained stable (with small cyclical fluctuations), at around 350,000, equal to 12-13 percent of the labor force. Unemployment rose again after 1997, as a result of a sharp contraction in employment (which fell by 300,000 workers), only partly compensated for by a decline in the labor force of 130,000 workers. At the end of 1999, the unemployment rate reached an unprecedented 19.2 percent. It increased again in January 2000, reaching 19.5 percent, and then declined to 18.6 percent in May 2000.

Characteristics of the unemployed

14. The Labor Force Survey data for the last quarter of 1999 show that, compared with the employed labor force, the unemployed are on average younger and have lower qualifications, and those who have previous work experience have been mostly employed in jobs associated with low or outmoded qualifications. Unemployment also exhibits marked regional disparities, ranging from 7.8 percent in the Bratislava region to more than 20 percent in the Eastern regions of the country.[6] The average duration is long: according to the Labor Force Survey, in the last quarter of 1999, almost one-half of the unemployed had been seeking a new job for more than one year. Moreover, success rates in finding new jobs are low and most of the unemployed withdraw from the labor force before finding a job. However, an uncertain, but possibly large, number of unemployed citizens are working unofficially in the gray economy.

15. While unemployment rates do not exhibit particular gender disparities (rates are only slightly higher among women), unemployment varies considerably with age and education, affecting most severely young workers and workers with low qualifications (Table 4). In the last quarter of 1999 about one-third of the workers under 25 were without a job, and the proportion reached 62 percent among workers under 20. The situation was better among "prime-age" workers between 25 and 34 years (17 percent were unemployed), but this rate still raises concerns, as this age group is the most productive and bears family and child-bearing responsibilities. Among educational groups, workers with higher education or a university degree exhibited low unemployment rates (less than 6 percent), while unemployment was particularly large (35 percent) among workers with only a primary education or less. In recent years, youth unemployment has increased as a result of the inflow into the labor market of Slovakia's "baby boomers" born around 1980.

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[6] Labor Force Survey data, fourth quarter, 1999.

Table 2. Slovak Republic: Monthly Unemployment Rate

(registered unemployed; percent of the labor force)

Month	Rate	Month	Rate	Month	Rate	Month	Rate
Jan 1997	13.6	Jan 1998	13.4	Jan 1999	16.3	Jan 2000	19.5
Feb 1997	13.7	Feb 1998	13.6	Feb 1999	16.5	Feb 2000	19.5
Mar 1997	13.4	Mar 1998	13.4	Mar 1999	16.7	Mar 2000	19.3
Apr 1997	13.0	Apr 1998	13.2	Apr 1999	16.4	Apr 2000	18.8
May 1997	12.3	May 1998	12.9	May 1999	16.5	May 2000	18.6
June 1997	12.3	June 1998	13.5	June 1999	17.7		
July 1997	12.7	July 1998	14.1	July 1999	18.3		
Aug 1997	12.8	Aug 1998	13.8	Aug 1999	18.2		
Sept 1997	13.0	Sept 1998	13.8	Sept 1999	17.8		
Oct 1997	12.8	Oct 1998	13.9	Oct 1999	17.7		
Nov 1997	12.6	Nov 1998	14.5	Nov 1999	18.3		
Dec 1997	12.5	Dec 1998	15.6	Dec 1999	19.2		

Source: National Labor Office.

Table 3. Slovak Republic: Employment Statistics

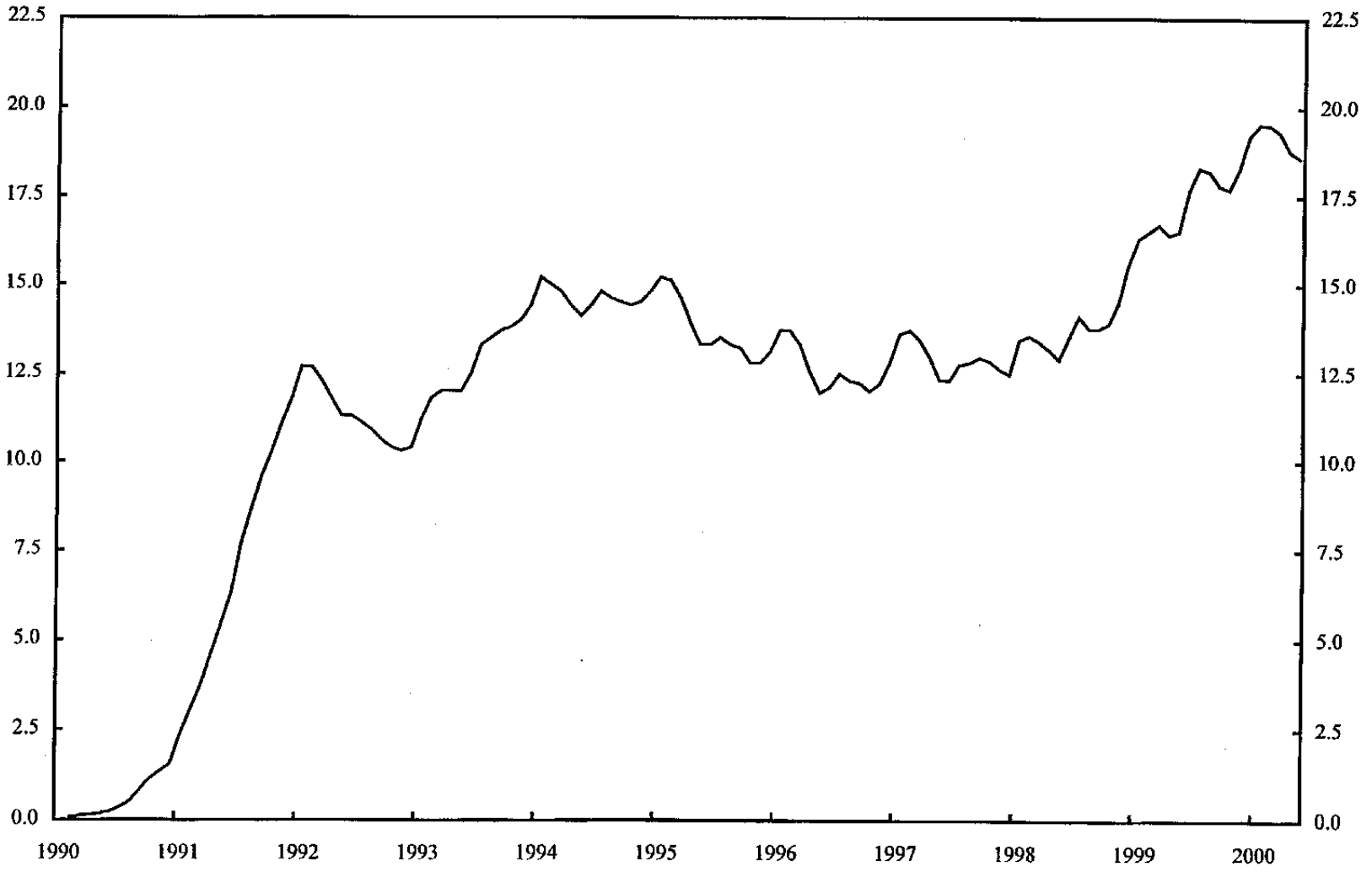
(millions of workers)

Year	Employment	Labor Force	Unemployment
		Total number	
1990	2.49	2.53	0.04
1991	2.26	2.56	0.30
1992	2.24	2.50	0.26
1993	2.19	2.56	0.37
1994	2.14	2.51	0.37
1995	2.21	2.54	0.33
1996	2.25	2.58	0.33
1997 1/	2.44	2.79	0.35
1998	2.20	2.61	0.41
1999	2.14	2.66	0.51
		Increase	
1990	n.a.	n.a.	n.a.
1991	-0.23	+0.03	+0.26
1992	-0.02	-0.06	-0.04
1993	-0.05	+0.06	+0.11
1994	-0.05	-0.05	0.00
1995	+0.07	+0.03	-0.04
1996	+0.04	+0.04	0.00
1997 1/	+0.19	+0.21	+0.02
1998	-0.24	-0.18	+0.06
1999	-0.06	+0.05	+0.10

Source: Data provided by the authorities.

1/ Since 1997, unemployed workers who are available to work.

Figure 2. Slovak Republic: Unemployment Rate, 1990 - 2000
(registered unemployed; in percent)



Source: National Labor Office.

Table 4. Slovak Republic: Unemployment Rate by Age Group and by Educational Level

(Q4 1999; in percent)

Group	Men	Women	Total
Age group			
15-24	33.4	33.6	33.5
25-34	15.4	19.9	17.3
35-49	12.4	12.5	12.4
50 +	10.9	7.8	10.3
Total	16.9	17.3	17.1
Educational level			
Primary education and less	40.6	31.3	35.4
Apprenticeship	17.6	18.5	17.9
Secondary	17.0	26.3	20.4
Apprenticeship with exams	14.9	15.9	15.2
Full Secondary, General	15.0	18.3	17.1
Full Secondary, Vocational	13.0	13.8	13.4
Higher education	5.4	6.5	6.1
University	5.7	6.1	5.9
Total	16.9	17.3	17.1

Source: Statistical Office (Labor Force Survey)

16. Among the unemployed workers who have previous work experience (equivalent to about three-quarters of all unemployed), the fraction of those who held jobs associated with low qualifications is larger than the corresponding fraction among employed workers. For example, 22.4 percent of the unemployed (but only 10.1 percent of the employed) have worked in elementary occupations (the men: miners and construction workers; the women: sales and other services); whereas only 3.2 percent of the unemployed with previous work experience have been professionals (compared with 10.2 percent of the employed) (Table 5).

17. The sectoral composition of the previous occupation of the unemployed workers is indicative of the relation between unemployment and structural change, and is also related to their educational level. Compared with the workers who were employed in the last quarter of 1999 (according to the labor Force Survey), a larger fraction of the unemployed had been previously employed in agriculture (10.8 percent against 7.8 percent), manufacturing (32.6 percent against 25.6 percent), construction (15.0 percent against 8.5 percent), and hotels and restaurants (4.3 percent against 3.0 percent). Conversely, the fraction of unemployed workers who had been employed in most of the other service sectors is lower than the corresponding fraction among employed workers (Table 6). Agriculture and industry were the sectors most affected by restructuring and labor shedding, while the service sector has been expanding and has been a net creator of jobs. Agriculture and industry are also the sectors with the largest ratio of workers with low qualifications, while the service sector is the largest employer of university graduates. The large proportion of unemployed workers in the construction sector may also be related to activity in the gray economy, which is apparently large in construction according to unofficial reports.

18. Unemployment in Slovakia exhibits marked regional disparities. In the region of Bratislava, the unemployment rate is well below the national average. In the last quarter of 1999, the regional rate in Bratislava was 7.8 percent, compared with the national average of 17.1 percent (Table 7). Conversely, in the Regions of Nitra, Banská Bystrica, Prešov, and Košice, unemployment was close to or above 20 percent.[7] Unemployment also varies widely across districts within the same region. The worst-affected district, Rimavska Sobota in the region of Banská Bystrica, registered an unemployment rate of 37.4 percent.[8]

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[7] Labor Force Survey data. Disparities are even more evident according to data from the register of the unemployed. These data exhibit regional unemployment rates at the end of 1999 ranging from 7.2 percent in the region of Bratislava to 26 percent in the regions of Košice and Prešov, with a national average of 19.2 percent (SOSR, 1999b). The difference in the interregional unemployment differentials measured by these two sources may reflect interregional differences in the propensity of non participants to register as unemployed in order to obtain social security benefits, as well as differences in employment in the gray economy.

[8] According to the register of the unemployed, December 1999. The Labor Force Survey does not report unemployment rates by district.

Table 5. Slovak Republic: Composition of the Employed and Unemployed Labor Force by Occupation

(Q4 1999; percent of the total)

Occupation	Composition of the employed labor force	Composition of the unemployed labor force with previous work experience
Legislators, senior officials and managers	5.9	2.1
Professionals	10.2	3.2
Technicians and associate professionals	17.5	8.3
Clerks	7.4	4.6
Workers in services and trade	12.9	15.0
Skilled agricultural and fishery workers	1.5	2.9
Craft and related trade workers	20.4	26.1
Plant and machine operators and assemblers	14.0	15.3
Elementary occupations	10.1	22.4

Source: Statistical Office (Labor Force Survey).

Table 6. Slovak Republic: Composition of the Employed and Unemployed Labor Force by Sector of Activity

(Q4 1999; percent of the total)

Sector	Composition of the employed labor force	Composition of the unemployed labor force with previous work experience
Agriculture	7.8	10.8
Mining and quarrying	1.3	1.0
Manufacturing	25.6	32.6
Electricity, gas and water	2.5	1.1
Construction	8.5	15.0
Wholesale and retail sale	12.2	12.9
Hotels and restaurants	3.0	4.3
Transport and communications	8.0	3.3
Financial intermediation	1.7	0.6
Real estate and business activities	4.0	2.9
Public administration and defense	7.2	7.0
Education	7.6	1.9
Health and social work	7.1	3.2
Other community activities	3.5	2.9
Other	0.1	0.2

Source: Statistical Office (Labor Force Survey).

Table 7. Slovak Republic: Selected Regional Statistics

Region	Brati-slava	Trnava	Trenčin	Nitra	Žilina	Banská Bystrica	Prešov	Košice	Total
Unemployment rate:									
Labor Force Survey 1/	7.8	125	12.2	19.6	16.5	21.6	19.9	24.5	17.1
Registered unemployed 2/	7.2	16.3	13.5	21.5	17.7	23.1	26.0	26.0	19.2
Value added per employed worker (SR = 100)	131.6	114.3	79.4	93.9	81.0	81.2	78.8	97.3	100
Average monthly wage 3/	14,133	10,201	9,821	9,477	9,627	9,751	8,917	10,605	10,945
Memorandum:									
Share of national population 4/	11.4	10.2	11.3	13.3	12.8	12.3	14.5	14.2	100
Share of national value added	35.4	8.8	8.5	9.2	8.5	10.8	7.8	10.9	100
Share of national employment	26.9	7.7	10.7	9.8	10.5	13.3	9.9	11.2	100

Sources: Statistical Office and National Labor Office.

1/ Fourth quarter, 1999.
2/ December, 1999.
3/ Sk per month.
4/ July 1999.

19. A large fraction of the unemployed have been out of work for a long period of time. In the fourth quarter of 1999, 48 percent of the unemployed had been seeking employment for more than 12 months, and 26 percent for more than two years (Table 8).[9] The fraction of long-term unemployed is higher among men, probably because many women withdraw from the labor force after a long spell of unemployment. A worrying fact is that 11 percent of the men and 17 percent of the women unemployed had been out of work for more than five years. Unlike the unemployment rate, the duration of unemployment exhibits small regional variations.

20. A large fraction of the unemployed (almost 30 percent in 1994)[10] leave the state of unemployment by withdrawing from the labor force (for instance, going into retirement). This situation is quite common in countries in Central and Eastern Europe (CEE): according to Boeri (2000), about one-third of the workers that leave the state of unemployment do not find a new job but simply stop looking for one; and, conversely, most new positions in the private sector tend to be filled by workers who already have a job in the public sector.[11]

21. Empirical studies have shown that the probability of leaving unemployment for a new job is positively affected by education, retraining, and by living in Bratislava or in other low-unemployment districts, and negatively affected by not being married, being female, belonging to an ethnic minority, or being elderly (OECD, 1996; Lubyova and van Ours, 1999a; b; 1998; 1997). The OECD study also presents evidence showing that social security benefits have a disincentive effect on finding a job.

22. It is important to keep in mind that unemployment statistics may be biased by the presence of a large and growing gray economy. A large gray economy is not uncommon in CEE countries, and is in part a legacy of the central planning period. Under central planning, informal transactions solved inefficiencies and bottlenecks inherent in the system, and were used to circumvent restrictions concerning, for instance, transactions in foreign currencies. With the transition, participation in the informal sector was encouraged by gaps in regulations and weak law enforcement (Allison and Ringold, 1996), and by high payroll taxes. New firms were established without complying with registration requirements, while controls were rare and law enforcement was not particularly effective. The establishment of a

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[9] The corresponding rates measured from the register of the unemployed, as of June 1999, are 41.4 percent and 16.8 percent.

[10] Data from the Statistical Office of the Slovak Republic, reported in OECD (1996).

[11] Boeri notes in particular that "large direct... shifts from state-sector employment to private-sector employment occur which are not mediated by intervening unemployment spells;" he also remarks that flows from employment to inactivity in transition countries are twice as large as flows from employment to unemployment (ibid., p. 12).

Table 8. Slovak Republic: Unemployment Duration

(Q4 1999; percent of unemployed)

Duration	Labor Force Survey (Q4 1999) Men	Women	Total	Registered unemployed (June 1999) Men	Women	Total
Up to 3 months	15.7	15.1	15.5	23.4	24.4	23.9
4-6 months	14.8	16.1	15.4	17.1	13.3	15.4
6-12 months	21.4	18.1	19.9	22.8	19.8	21.5
12-24 months	32.0	9.8	21.8	19.0	19.2	19.1
More than 24 months	24.8	28.6	26.5	17.6	23.9	20.6
Not seeking	1.0	0.8	0.9	n.a.	n.a.	n.a.
More than 12 months	56.8	38.4	48.4	36.6	42.4	39.2

Sources: Statistical Office and National Labor Office.

social security system based on contributions increased incentives to operate in the gray economy in order to evade payroll taxes.

23. Although official statistics do not quantify the full extent of the gray economy,[12] informal estimates of the number of workers involved range from 40,000 to 170,000 workers. Including workers who also hold a regular job, estimates range from 150,000 to 250,000 workers. Assuming 150,000 to be the "true" number, informal employment would account for about 6 percent of the labor force and for about one-third of the unemployed. Not all these workers are officially unemployed: some are officially employed at low wages and receive undeclared earnings on top of their official salary; others hold both a formal job and an informal job. The gray economy also involves foreign workers, e.g., according to anecdotal evidence, construction workers from Ukraine and Russia, while an unspecified number of Slovak citizens perform informal and occasional jobs in Austria.[13]

Structural and cyclical components

24. Unemployment can be divided into "structural" and "cyclical" components. The structural component, which includes demographic factors, involves particularly two groups of workers: (1) those with low skills and qualifications dismissed by large industrial firms and agricultural cooperatives; and (2) young workers who graduated from school. Workers with more varied qualifications and backgrounds tend to be affected by cyclical unemployment, which derives from the reduction in labor demand that occurs in the negative phase of the business cycle.

25. The structural component of unemployment raises especially serious concerns. Workers who are unemployed owing to a temporary downturn in labor demand can rely on unemployment benefits in the short term and social assistance benefits on an ongoing basis. As the economic cycle turns up, these workers have good opportunities for re-employment. Conversely, workers who are out of work as a result of structural causes, e.g., insufficient skills or low incentives to hire inexperienced workers, have a much higher risk of remaining out of work for a long period. The situation of these workers involves high personal costs in terms of income, self-esteem, and working capacity, and is highly damaging for the country as a whole, not only for the budget but also for the deterioration in its human and social capital.

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[12] A correction to take account of its existence is, however, included in the new system of national accounts.

[13] No legal restrictions exist for Slovak workers employed in the Czech Republic. These workers are required to register with the employment authorities of that country, and if they lose their job they are entitled to receive social security support from the Czech Republic.

26. Low-skilled workers with previous work experience have generally lost their job in large manufacturing firms or agricultural cooperatives that were downsized or closed with the transition. Most of them had been previously underemployed, but others (for instance, in the armaments industry) have highly specialized qualifications and skills that are not easily transferable to the new, expanding sectors of the economy. Many live in areas that went into a deep crisis when the only local source of non-agricultural employment, usually a large industrial establishment, was closed or drastically downsized. For these workers, re-employment is hard to find. To a certain extent, these workers could become more employable by engaging in appropriate retraining schemes or in temporary subsidized jobs (although the authorities must be mindful of keeping expenditure within fiscal targets and of enforcing job acceptance requirements), while demand for their labor could be enhanced by an inflow of foreign direct investment in their area. For a large number of them, however, adequate living conditions can only be ensured by appropriate social security support.

27. Young unemployed workers are in a different position, which involves better prospects but more insidious risks. The employability of these workers is generally good: many have at least an apprenticeship qualification, and those who have low skills (or a curriculum out of line with current labor market demands) can improve their position through retraining or related work experiences. The risk for these workers occurs if they remain idle for a period sufficiently long. In this regard, a long period of inactivity not only gives a negative (and often incorrect) signal about one's work capacity (resulting in stigmatization), but it causes a deterioration in human capital and work attitudes. It is thus important to encourage these workers to devote more efforts to job search, and to encourage employers to hire more young people.

C. The underlying causes of unemployment

28. There are several key underlying factors that have contributed to high unemployment in Slovakia. Moreover, the presence of excess labor force in some industries and the ongoing process of privatization and structural reform poses risks to unemployment looking ahead. At the same time, the possibility of larger inflows of foreign direct investment, an upswing in economic growth, tax reductions that raise incentives for job search and job creation, and the positive impact of privatization and structural reform on employment over the medium term are among the factors that could counteract these risks.

29. While it is difficult to accurately predict the evolution of unemployment in the near future, unemployment may well have peaked in the first months of 2000, and may decline slightly by the end of the year. Projections of the Ministry of Finance (revised in April) forecast the average unemployment rate in 2000 between 15 percent and 17 percent. The Ministry of Labor is more conservative, indicating that the reduction in the unemployment rate could be about one-half of 1 percentage point by 2001. The National Labor Office is more pessimistic.

The legacy of central planning and recent economic developments

30. As in most transition countries, the unemployment problem in Slovakia originated from the transition from central planning to a market economy. In the early phases of the transition, the liberalization of prices, the removal of subsidies, and the opening of the economy to foreign trade and competition induced a rapid restructuring of the economy with unavoidable dislocations that caused a fall in output, income, and employment. The problem was aggravated by the simultaneous loss of traditional export markets caused by the demise of the Council for Mutual Economic Assistance (CMEA).[14] In Slovakia, employment also suffered as a result of the closure of the Czecho-Slovak armaments industry, whose plants were located mainly in Slovakia. These factors were reflected in the sharp fall in per capita GDP by one-quarter between 1990 and 1993.

31. Price and trade liberalization, the removal of subsidies, and the beginning of the privatization of enterprises also involved the dismissal of a large underemployed labor force that had been hired in previous years in response to political and economic incentives ("labor hoarding"). The financing constraints on firms became more binding, sales prices were no longer determined by administrative decisions but depended on domestic and foreign competition, and the prices of major inputs like energy and transportation were no longer as subsidized. As a result, firms were under pressure to cut production costs, including by shedding their excess labor force. The dismissal of workers was also prompted by the replacement of existing backward, labor-intensive production techniques with more modern, competitive and labor-saving technologies. Some firms unable to compete in the market stopped their activities, making their employees redundant.

32. The impact of the transition on unemployment was much worse in Slovakia than in the Czech Republic, where unemployment remained below 5 percent and was quickly reabsorbed. This difference is explained by structural, demographic, and geographic factors. In the first place, the Czech economy and the Slovak economy had a different structure. While the Czech Republic had a number of diversified small and medium-sized enterprises, which proved more resilient to the shocks of transition, heavy engineering and armaments industries were located in Slovakia and were characterized by large establishments and inefficient technologies, heavily exposed to adverse shocks. Moreover, the Slovak labor force was younger than the Czech labor force and did not have the opportunity to take advantage of early retirement schemes which were used quite extensively in the Czech Republic. Slovakia is also more distant than the Czech Republic from the export outlets of Western Europe, which also provide employment for Czech cross-border commuters. The Slovak population

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[14] In the 1980s, trade among the members of the CMEA (that included Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, Romania, the U.S.S.R., Vietnam, and Yugoslavia as an associate member), was based on bureaucratic commands. The CMEA, established in 1949, was dismantled in 1991 by mutual agreement.

may also have had fewer incentives to search for work, as it originally included proportionally more recipients of social benefits (Dědek, 1996, p. 53).

Some key determinants of the recent increase in unemployment

33. Between 1994 and 1997, as the adverse impact of the first reforms on employment started to fade, the policy of the government favored a containment of the negative social impact of transition, by slowing down the pace of privatization and containing job dismissals through more or less implicit public incentives.[15] Unemployment thus stabilized and the number of new redundancies diminished. At the same time, new jobs were created in sectors that had started expanding (trade, communications, financial services), and in a growing number of small and medium-sized enterprises. The rate of unemployment failed to decline, however, and remained at about 12 percent throughout the period; the actual rate of unemployment moved around this value in response to business cycle fluctuations and movements in real wages.

34. The new government that came into power in 1998 put a higher priority on economic reforms and further liberalization and privatization. These measures included the privatization of major state-owned banks and public utilities (yet to be completed), the liberalization of energy prices, and the removal of implicit incentive to firms to delay or contain job dismissals. In the medium term, these measures should boost employment, by creating an economic environment more favorable to private initiatives and foreign investment.

35. However, the change in policy occurred during a period of slowing real GDP growth. After years of above-average growth rates supported by unsustainable policies, real GDP growth declined to 4.4 percent in 1998 and to 1.9 percent in 1999. Labor demand weakened accordingly, at a time when labor supply was increasing. This weakening may have been reinforced by the short-term dynamics of real wages: real wages increased at an average rate of 6.8 percent in 1996 and 1997, compared with productivity growth of 1.6 percent. Moreover, preliminary econometric evidence suggests that, as a result of previous wage increases, employment at the beginning of 1998 may have been above its equilibrium level, which increased the scope for dismissals in the following years.[16]

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[15] Some authors (for instance, Goldman, 1999) argue that political support for the independence of Slovakia was also motivated by the desire to follow a slower path of transition and privatization with respect to the Czech Republic.

[16] Applying an error-correction model to quarterly data on GDP, industrial salaries and employment, estimates were obtained suggesting that, at the then current level of real wages, employment at the end of 1997 might have been above its long-term equilibrium. The increase in unemployment in 1998 might thus have been due, in part, to the adjustment of employment towards its long-term equilibrium level.

36. The authorities have noted that the surge in unemployment since 1998 is also due to the increase in the supply of labor as the "baby boomers" born between 1975 and 1985, who gradually completed their studies, started looking for jobs. This contributed to the increase in the supply of labor by 120,000 workers between 1996 and 1999.

Low demand for labor

37. The growth in labor demand in the private sector has been insufficient to attenuate the unemployment problem. Although the transition did indeed generate new employment opportunities through the development of new businesses and activities, the number of jobs thus created were not sufficient to absorb all the workers dismissed by declining sectors and the new entrants in the labor market.

38. In part, this was the result of low initial levels of productivity in the industrial sector, which allowed output to expand through productivity improvements rather than job creation. To the extent that further productivity gains remain feasible, an increase in labor demand in industry in the near future would require a substantial expansion of production (fuelled, for instance, by foreign investment). The largest increase in employment occurred in the service sector and in small and medium-sized enterprises, where the scope for rapid productivity gains could be limited.

39. The low number of advertised vacancies also suggests that demand for labor is low. Between 1991 and 1999 the number of vacancies per 100 employees exceeded 5 in only two years. In most years, there were more than 20 potential applicants for each vacancy reported to the Labor Office.[17] This number increased to 36 in 1998 and to more than 90 in 1999 (Table 9). As Figure 3 shows, the number of vacancies has been steadily declining since July 1997 and was around 6,000 posts (approximately one for every 88 unemployed) at the beginning of 2000. The number of unemployed workers per vacancy has increased sharply since 1997 (Figure 4).

40. Note that, while net job creation was low, the gross creation of jobs was significant in some sectors. Between 1991 and 1999, there was a net job loss of 12,000 workers. However, 150,000 new jobs were created in small enterprises and 260,000 people became self-employed. In addition, the state administration created 42,000 new jobs, while 38,000 new jobs were created in the sector of transport and communications, and 23,000 jobs in financial services and insurance. By comparison, there were net job losses in agriculture, industry and construction during the same period, of 186,000, 196,000, and 81,000 workers, respectively (Table 10).

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[17] Although employers are legally obliged to notify the Labor Office of their vacancies, anecdotal evidence suggests that this obligation is not always fulfilled, and many vacancies may be filled without being formally announced, through informal networks of contacts.

Table 9. Slovak Republic: Registered Unemployed

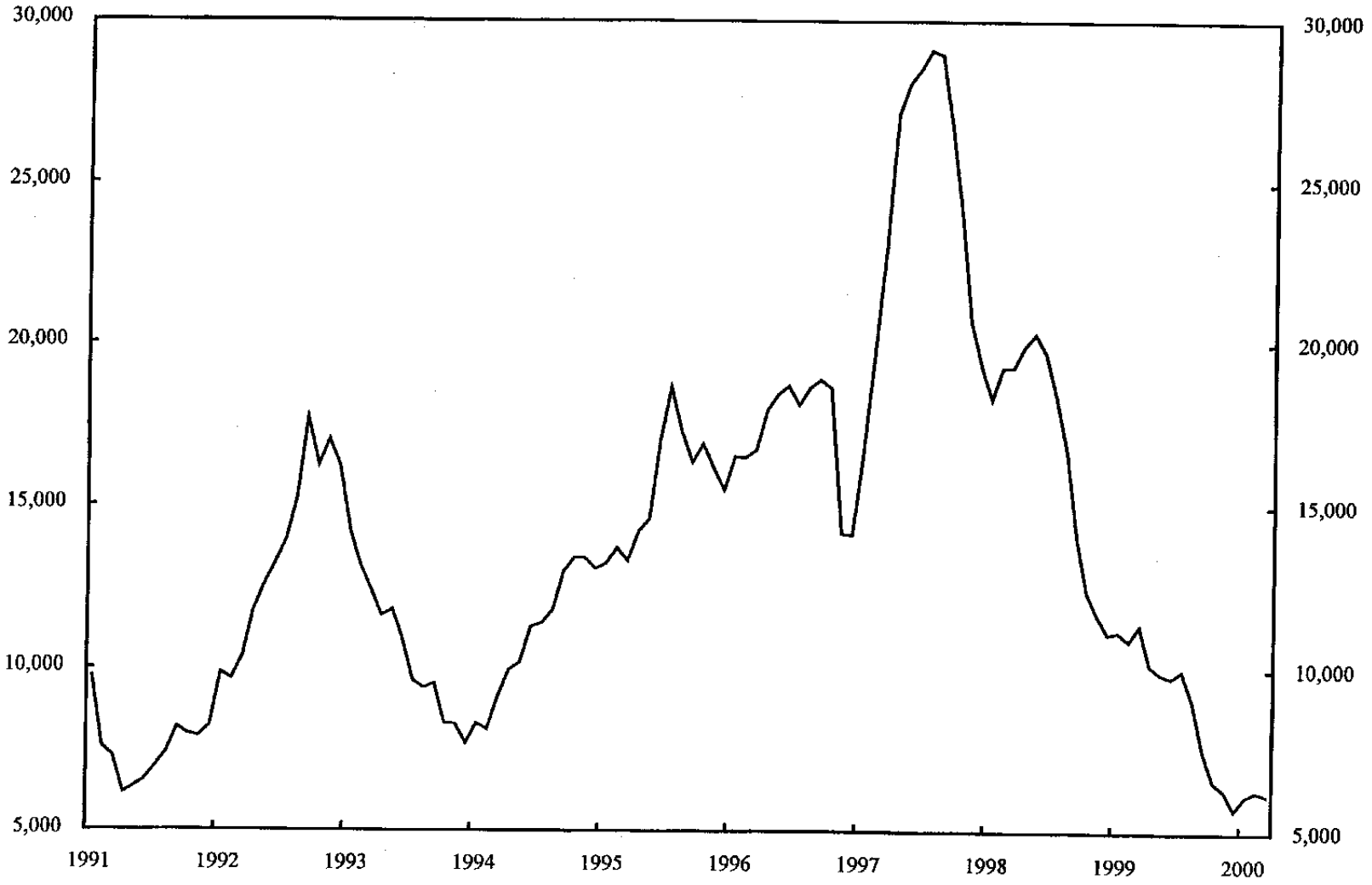
(end of year; number of workers)

Year	Registered unemployed	Of which: perceiving benefits (percent)	Of which: in retraining	Number of vacancies for 100 unemployed
1990	39,603	63.0	...	36.8
1991	301,951	82.0	0.77	2.71
1992	260,274	33.6	2.90	6.22
1993	368,095	33.4	0.87	2.08
1994	371,481	22.9	0.79	3.51
1995	333,291	27.0	1.12	4.64
1996	329,749	28.4	0.96	4.28
1997 1/	324,714	28.6	2.09	5.95
1998	407,084	29.5	0.25	2.73
1999 2/	510,729	25.5	0.25	1.12

Source: Statistical Office and National Labor Office.

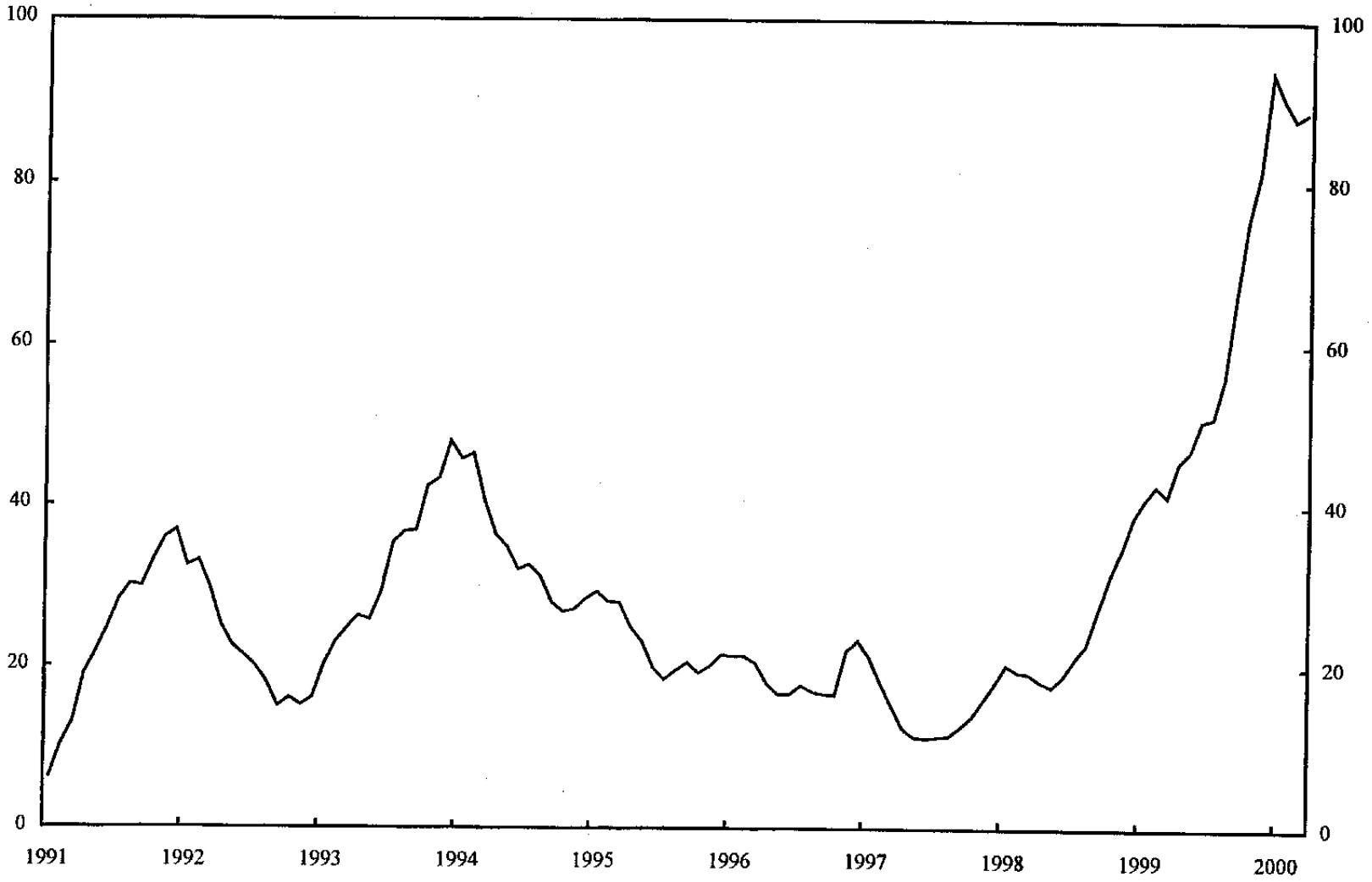
1/ Since 1997, unemployed workers who are available to work.
2/ Number in retraining refers to June 1999.

Figure 3. Slovak Republic: Vacancies, 1991 - 2000
(number of vacancies reported each month)



Source: National Labor Office.

Figure 4. Slovak Republic: Unemployed Workers per Vacancy, 1991 - 2000



Source: National Labor Office.

Table 10. Slovak Republic: Employment by Sector

(thousands of workers)

Sector	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total economy	2,008	2,013	2,012	1,977	2,020	2,036	2,041	2,032	1,988
Enterprises with 20 and more employees	1,818	1,646	1,606	1,515	1,503	1,488	1,448	1,436	1,388
Agriculture	297	245	209	183	171	157	140	126	111
Industry	656	576	547	517	522	514	497	484	460
Mining and quarrying	34	30	24	21	20	21	21	20	17
Manufacturing	583	508	478	451	458	449	431	417	395
Electricity, water and gas	39	38	45	45	44	44	45	47	48
Construction	151	128	106	93	88	86	85	83	70
Services	328	292	330	312	300	307	306	314	319
Financial serv. and insurance	12	15	20	25	27	31	33	34	35
Real estate	84	77	69	62	60	63	61	63	65
Trade and repairs	131	101	88	78	69	72	74	79	83
Hotels and restaurants	15	14	12	11	11	11	11	12	12
Transport and communications	86	85	141	136	133	130	127	126	124
State administration	386	405	414	410	422	424	420	429	428
Administration	47	59	77	71	78	81	84	84	81
Education	184	184	169	172	174	175	174	179	180
Health	117	126	129	127	122	114	110	114	117
Other social services	38	36	39	40	48	54	52	52	50
Enterprises with up to 19 employees	6	47	83	107	157	167	155	154	155
Private entrepreneurs	184	320	323	355	360	381	438	442	445

Source: Statistical Office.

Labor market segmentation

41. A low number of vacancies, in the presence of large gross job creation, could be a symptom of segmentation between a "primary" labor market, better accessible to workers already employed, and a "secondary" market, equally accessible to all but involving fewer and less appealing opportunities. The presence of this type of segmentation is also suggested by the fact that a large fraction of the workers who cease to be unemployed do not start a new job but simply withdraw from the labor force. This phenomenon is quite common in CEE countries, where, contrary to earlier expectations, the restructuring of the economy, and the associated transfer of workers from the public to the private sector, did not involve a flow in and out of unemployment but largely occurred through direct transfers from one job to another (Boeri, 2000). Therefore, many new jobs are filled by workers who already have a job and leave it, seeking a better salary or a more secure position; conversely, relatively few vacancies are made available to those who are out of work.[18]

42. In part, this segmentation of the labor market could be explained by information failures associated with the rapid pace of economic transformations. Boeri (1995) notes that, lacking better information on the quality of applicants, employers in the private sector may be using the employment state of workers as a screening device, presuming that those out of work have less appealing characteristics. It is also possible that, in a changing environment, employers may prefer to recruit their employees through informal contacts, friends, and connections which are better accessible to people who still have a job. Labor market segmentation, in turn, may explain the high proportion of long-term unemployed and the high unemployment rate among the youth: people who are out of work, either because they lost their job or because they never had one, have few chances of getting an offer.

High rates of social security contributions

43. The demand for labor is certainly discouraged by high rates of social security payroll contributions, which create a wedge between gross salaries and take-home pay. While this problem is common to many countries, it may be particularly acute in Slovakia, owing to high (and flat) marginal rates, equal to 50 percent of the salary, of which 38 percent are paid

[18] Boeri and Flinn (1999) provide evidence for Poland of another type of labor market segmentation, between workers employed in the public sector and those employed in the private sector. They note that job offers are more likely to be received from the same sector (public or private) where a worker has already been employed, and remark that as a result of this segmentation workers outside the private sector may find it difficult to get offers from the emerging sector of small private businesses.

Table 11. Slovak Republic: Social Security Contribution Rates

(percent of wage)

Contribution	Pension fund	Employment Fund	Health Insurance	Sickness Insurance	Total
Employer	21.6	3.0	10	3.4	38
Employee	5.9	1.0	3.7	1.4	12
Total	27.5	4.0	13.7	4.8	50

Source: Data provided by the authorities.

by the employer and 12 percent by the employee (Table 11). The employee's take-home pay is thus equal to 64 percent of the total labor costs incurred by his employer.[19] And because the employee pays the personal income tax on top of this, the wedge between gross and net salaries is even larger.

44. High social security contributions induce many employers to hire workers "off the books," expanding the informal economy, thus inducing a loss of revenue for the state and other social costs.[20] This effect is particularly relevant in periods of low profitability and low availability of credit, when firms resort to tax evasion as a source of self-finance. According to the authorities, these effects can explain part of the recent expansion of the gray economy.

Skills mismatch

45. High unemployment rates also result from a large skills mismatch between labor demand and supply. This mismatch shows up in the different educational level of the employed and unemployed labor force: as discussed above, the proportion of unemployed

[19] The cost of labor for the employer is equal to 138 percent of the worker's salary: 100 percent is paid to the employee and 38 percent is paid to the state in the form of social security contributions. The take-home pay of the worker amounts to 88 percent of the salary (the remaining 12 percent is paid in social security contributions). The take home pay is thus equal to 64 percent of the employer's total labor cost. The total amount of social security contributions paid by the employer and by the employee is equal to 57 percent of the take-home pay (100x(38+12)/88).

[20] A major concern appears to be the safety of workers employed in the gray economy, particularly in the construction sector. The need to conceal illegal employment may cause particular problems in case of accidents, which are quite likely to occur in construction work.

with only basic qualifications is larger than the corresponding proportion of the employed. This mismatch is also evident in the differences between the professional compositions of the employed and of the unemployed: compared with the employed workers, a relatively larger fraction of the unemployed have previously held jobs involving low skills and qualifications, suggesting that their failure to get a job may be due to a lack of skills.

46. In part, this mismatch is the result of deep and rapid structural changes. Workers with low qualifications and non transferable skills dismissed by the declining agricultural and industrial sectors could not be easily re-employed in the expanding service sector, where most new jobs required communication skills, client-orientation, or other specific skills that were previously unneeded. Some workers, dismissed by engineering and armaments firms, had indeed a high degree of technical expertise, but this was not particularly applicable to a job in financial services, retail trade, or public administration.

47. Among young workers, the skills mismatch is due in part to the inflow into the market of students who fail to complete studies beyond the primary level (whose number is declining but still too large) and in part to the pace at which the education system is adapting to the demands of the market economy. Some educational staff in schools and colleges (particularly older teachers) still continue to follow old attitudes and methods, which encourage the acquisition of a wide cultural background and of sound general and technical knowledge, but give less emphasis to entrepreneurship and to the acquisition of transferable skills. Some recent reforms in secondary and vocational school curricula have also been criticized as being out of line with the demands of the labor market. The extent of these factors is difficult to quantify, but vocational graduates account for 23 percent of the unemployed, and although their unemployment rates are below average (13.4 percent), the large size of this group has a strong impact on the overall level of unemployment.

Regional disparities

48. Unemployment is also aggravated by regional differences in economic structure, accompanied by low labor mobility, weaknesses in transport infrastructure, and an apparent reluctance to invest in the less developed areas. While the areas with a more diversified economic structure and better links with Western Europe are more dynamic, receive a larger share of foreign investments, and have lower rates of unemployment, the rest of the country is lagging behind. This polarization of economic activity increases unemployment: low opportunities in the less developed areas reduce incentives to work and the human capital of the local labor force. A labor market characterized by large regional imbalances is also less efficient, because migration costs reduce the possibility of taking advantage of existing job opportunities in other areas.

49. Regional differences in economic structure can be traced back to the early phases of industrialization and to the subsequent period of central planning. During this later period, heavy engineering plants and armaments industries were located, in response to political and strategic considerations, in agricultural regions in the East, far from the Western border and less exposed to attacks. These plants produced for export and were scarcely integrated in the

surrounding agricultural economy; as a result, the surrounding areas failed to develop a local industrial base.

50. Three patterns of regional development thus emerged: specialized industrial centers, diversified industrial areas, and marginal and peripheral areas (Smith, 1998, p. 140).[21] Specialized industrial centers were the core of the planned economy: they consisted of large industrial establishments ("monostructures"), located in agricultural areas and scarcely linked with the local economy, but highly integrated into the national and international markets. Diversified industrial areas were inherited from the earliest stage of industrialization (preceding central planning), and played a subordinate role in the planned economy, but proved to be the most dynamic during the transition. They consisted of a network of small and medium-sized firms operating in various sectors. Marginal and peripheral areas were mainly agricultural, although they hosted branch plants of large, specialized firms whose creation was encouraged during the 1970s as an attempt to reduce regional disparities and integrate these areas into the national economy.

51. Transition has had a strong negative impact on the specialized industrial centers and peripheral regions, while diversified industrial areas proved much more resilient. The demise of the CMEA and the loss of traditional export markets hit heavy industry hard, since it was inefficient, overstaffed, and technologically backward, and thus unable to compete in a market economy. The labor force dismissed by these firms could not be locally re-employed, as those firms were often the sole industrial employer in the area. This led to high, and persistent, local rates of unemployment. Conversely, the firms in diversified industrial areas, producing mainly for the national market, were little affected by the loss of export outlets, smaller in size, more efficient, and better integrated in the local economy. As such, they were better placed to face foreign competition. They employed smaller amounts of "excess" labor, and workers who were dismissed in these areas could look for jobs in other firms or set up their own business.

52. These initial disparities persisted, and were aggravated, by weaknesses in transport infrastructure and by the sharp increase in transportation costs that followed the liberalization of energy and transport prices. The location of new productive units in the less developed areas, even if they could be induced by differentials in salaries and in the price of land, is still discouraged by poor links with the major export markets, by insufficient road and railway connections (albeit gradually improving), and by high transport costs. As a result, most foreign investment takes place in areas close to the Western border, where local demand is higher, transport costs to export outlets are lower, and productivity is increased by local industrial scale economies.

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[21] Smith defines these patterns "specialized regional economies," "regionally diversified industrial economies," and "marginal industrial areas and peripheral agricultural economies," respectively.

Low geographic mobility

53. Large regional disparities also persist because of the low geographic mobility of the labor force. The low worker mobility is reflected in the low number of people who migrate from one region to another. Between the first and third quarters of 1999, the net migration into the region of Bratislava increased its population by only 3 persons, while the net outflow from the two Eastern regions of the country (Prešov and Košice) amounted to fewer than 400 persons. In comparison, the population of the country as a whole increased by 954 migrants.

54. Cultural factors and inherited habits can only partly explain this reluctance to move. People living in rural communities are certainly tied to their local community by links of kinship, friendship, and cultural traditions, and are unwilling to relocate. And passive attitudes inherited from the past, leading to the expectation that individual economic problems should be solved by the state, certainly do not encourage migration. But this type of obstacle has more of a chance of being overcome, in the face of strong economic incentives.

55. An analysis of the incentives confronting potential migrants suggests that a major obstacle to mobility may be provided by the high cost of migration (Box 1). Price differentials between depressed and prosperous areas are large and may not be covered by the differential in salaries, particularly for low-skilled workers whose prospects of finding a well-paid job are highly uncertain. Housing costs in prosperous areas are relatively high, and widespread house ownership, coupled with a thin housing market and the scarce availability of credit, provide a disincentive to relocate.

56. A particular impediment to migration is the scarcity of affordable accommodation. Under central planning, all houses were owned by the State or by cooperatives, which provided them at cheap and subsidized rents. With the transition, tenants were encouraged to buy the house they lived in on favorable terms, and the public construction of new houses diminished in response to fiscal constraints. This, accompanied by the maintenance of rent controls on public properties, greatly reduced the supply of rented accommodation, leading to rationing, long waiting lists, and large search costs.[22] A private market for rented accommodation has developed, but is still too thin to meet the needs of would-be tenants, and rents on private properties are much higher than rents on public apartments. Moreover, workers who already own their house in high unemployment areas are unwilling to move, as property price differentials highly penalize such relocations. A two-bedroom apartment in Košice, for instance, sells for Sk 14 million, one-half its price in Bratislava.

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[22] Although publicly owned properties account for approximately one-tenth of the market for rented accommodation, their market share is probably larger in the case of relatively more inexpensive accommodation (apartments) in large cities. Moreover, rent controls on public property are believed to induce some downward pressure on rents of private properties as well, thus constituting a major obstacle to the development of the market for rented accommodation.

BOX 1. MIGRATION COSTS AND REGIONAL DISPARITIES

Traditional Harrod-Todaro models of migration feature mass migration into the cities of rural residents attracted by higher wage levels; in equilibrium, high unemployment rates in the cities compensates the wage differential, and migration flows end. This picture contrasts with the situation in Slovakia, where both employment and wages are higher in some areas but migration flows are scarce. The Slovak equilibrium may, however, be explained in terms of social assistance benefits, price differentials, and migration costs.

Let b be the nominal value of social assistance benefits received by an unemployed worker, and w and w^* be the nominal wage level of a worker in the "country" and in the "city," respectively. Normalize living costs in the country to 1 and let p be the index of living costs in the city. Assume that the probability of being employed in a given period is equal to 1 minus the unemployment rate, which is equal to u in the country and to u^* in the city. Let c be the costs of migration, and assume that workers live for only one period.

The expected real earnings of the worker if he remains in the country are equal to $ub+(1-u)w$, while if he migrates to the city his expected earnings are equal to $u^*b/p+(1-u^*)w^*/p$. The worker thus migrates if and only if $ub+(1-u)w < u^*b/p+(1-u^*)w^*/p - c$. In fact, the relation is more complicated: workers live for more periods and discount the expected value of net earnings over a longer time horizon. In addition, the probability of being employed is not 1 minus the unemployment rate. The simplified formula above provides, however, an illustration of the issues involved in interregional labor mobility.

A tentative quantification of these incentives – with all the caveats mentioned above – may be attempted considering, for instance, the choice of an unemployed worker with a wife and two children living in Trebišov in the region of Košice, and contemplating a move to the fourth district of Bratislava. In Trebišov, this worker receives social assistance benefits of Sk 8,410 per month (the MLS for this type of family) if he remains out of work, and equal to Sk 10,092 per month (1.2 times the MLS) if he accepts a job at the average local wage of Sk 8,164. The local unemployment rate is 34 percent. Migrating to Bratislava, the worker receives the same amount of benefits if he remains out of work, and a net salary equal to Sk 12,908 if he accepts a job at the average local wage of Sk 14,669. The unemployment rate in Bratislava IV is 4.2 percent.

Assuming that the probability of being out of work is equal to $1-u=0.66$ in Trebišov and to $1-u^*=0.958$ in Bratislava, this worker migrates if and only if $(0.042*8,410+12,908*0.958)/p > (0.34*8,410+0.66*10,092) + c$, yielding $12,719/p > 9,520 + c$. Assuming that prices in Bratislava are 20 percent higher than in Trebišov, c (the cost of migration) would have to be equivalent to Sk 1,079 for the worker to move.

High migration costs may derive from widespread house/apartment ownership and penalizing differentials in the prices of property. If the worker sells his Trebišov two-bedroom apartment, he may get Sk 2.2 million, only about one-fourth of what he needs to buy one outside Bratislava.

However, the probability of employment is not simply equal to 1minus the unemployment rate. Employees are not randomly extracted each month from the total pool of the labor force. And labor market segmentation sharply reduces the regional differentials in the probability of employment. Other factors may also explain low migration flows. Low unemployment rates in one particular district, for instance, may be due to high living costs and property prices, which push low-income workers and the unemployed out of that district. Employment opportunities may be the same as everywhere else, but the unemployed simply cannot afford to live there.

The above-mentioned differentials suggest, however, that there may be a potential for improvement in the mobility of workers. A better information service, allowing workers in depressed areas to come into contact with potential employers in prosperous areas, may increase the probability of obtaining a job offer in a distant city at a salary sufficient to compensate for the costs of relocation. Better information on the housing market in the most important cities may also make it possible to reduce housing costs for prospective migrants, thus increasing mobility. And, of course, reforms in the market for housing would raise the supply of accommodations.

57. The low mobility of workers could also be due, in part, to the segmentation of the labor market. If most new jobs are offered to people who are already employed, those out of work may gain little from migrating, or extending their search efforts, to areas of low unemployment. Empirical evidence in this sense is ambiguous: while the duration of unemployment exhibits little regional variation (suggesting that people out of work have the same probability of ceasing to be unemployed irrespective of the area where they live), studies on sample data showed that the probability of finding a job is indeed higher in areas where unemployment is lower. The difference, however, may not be sufficiently large to induce migration at the current high costs.

Perverse incentives and unemployment traps

58. The current regime of social security benefits (briefly described in the annex), while not discouraging the acceptance of job offers, could weaken the incentives to engage in active job search, particularly for unskilled workers with children, young workers, and workers living in depressed areas. True unemployment traps, in which accepting a job reduces net income through a loss of social security benefits, do not appear to exist, at least for the majority of workers. Unemployment benefits are not particularly generous (the maximum replacement rate is 50 percent), and are strictly limited in time (a nine month maximum). Social assistance benefits (SABs) are unlimited in time, but, after recent reforms, they now provide an incentive to accept job offers, by ensuring an increase in net income of at least 20 percent for those who take on a job. Unemployment traps may remain, but only in particular situations (for instance, for unemployed persons living in households in which another person already has a low-wage job[23]), and they probably affect only a limited number of people.

59. Social assistance benefits, however, could weaken the incentives to look for a job, especially for specific categories of workers with low earning prospects and for workers living in high-unemployment areas. Social assistance benefits are provided by the state and ensure that all households earn at least a guaranteed net level of income, based on a Minimum Living Standard set by law, which depends on the composition of the household

[23] These households face an unemployment trap if their Minimum Living Standard is high compared to the wages that are, or would be, earned by their members. If the total wage income of a household, together with all other income sources, are below its guaranteed level of income (equal to 1.2 times the Minimum Living Standard when at least one adult works), that household receives an amount of social assistance benefits that brings its total income to its guaranteed level. If the adult who works is employed at low wages, a second adult accepting a low-wage job may still fail to bring the total household income (net of social security benefits) above its guaranteed level. In this case, the household would still need social security benefits to reach its guaranteed level of income, and the employment of a second adult would only replace some benefits with wage earnings, without altering the total household income. The second adult would thus have no incentive to accept a low-wage job.

(see Annex). They are the main form of support for those unemployed workers whose entitlement to unemployment benefits has expired, and they provide an additional source of earnings for employed people whose wages are insufficient to cover their living costs. In fact, 96 percent of the recipients are unemployed.

60. Social assistance benefits reduce incentives to search for jobs because the Minimum Living Standard is high compared with the average level of wages and because it is uniform across the country, irrespective of local living costs and labor market conditions. The Minimum Living Standard is higher than the minimum wage for most households, while for households with children living in high unemployment areas the Minimum Living Standard can even exceed the average local wage. Although there are incentives for social assistance benefit recipients who are offered a job to accept the offer because this increases their guaranteed income to 1.2 times the Minimum Living Standard,[24] workers out of employment, relying on their guaranteed benefits income, may be unwilling to undertake a long and difficult job search whose outcome is uncertain. Incentives to job search are particularly low for workers whose employment prospects are weak (unskilled workers, long-term unemployed, the young, and workers living in high-unemployment districts) and for workers who live in areas where living costs are low (generally coinciding with high-unemployment areas).

61. As an illustration, consider a family with two adults and two children, for whom the Minimum Living Standard in 1999 was Sk 8,410 per month (Annex). This figure amounts to 78 percent of the average national salary (but to 89 percent of this salary net of contributions), and is larger than the net average salary paid in 1999 in agriculture (Sk 7,516 per month), hotels and restaurants (Sk 7,997), and in the public administration at large (Sk 8,400) (Table 12). If the family lived in the region of Banská Bystrica, its Minimum Living Standard amounted to 94 percent of the average salary paid in the region, and was larger than the average net salary.

[24] If the worker rejects a suitable job offer or remains unemployed for other "subjective reasons," the household is only entitled to a guaranteed income of 50 percent of its Minimum Living Standard—which provides a further incentive to accept job offers.

Table 12. Slovak Republic: Wages by Sector

(year average; Sk per month)

Sector	1997	1998	1999
Total economy /	9,226	10,003	10,728
Enterprises with 20 and more employees	9,356	10,212	10,945
Agriculture	7,363	7,930	8,541
Industry	9,527	10,371	11,349
Mining and quarrying	10,485	11,053	12,008
Manufacturing	9,197	10,001	10,940
Electricity, water and gas	12,212	13,371	14,515
Construction	9,970	10,619	10,854
Services			
Financial serv. and insurance	17,886	19,487	20,169
Real estate	10,710	11,970	12,933
Trade and repairs	10,094	11,122	12,150
Hotels and restaurants	7,743	8,363	9,087
Transport and communications	10,089	11,163	12,184
State administration	8,573	9,241	9,546
Administration	11,240	12,362	13,005
Education	7,771	8,247	8,459
Health	8,373	8,674	8,693
Other social services	7,372	8,866	9,853
Enterprises with up to 19 employees	11,528	11,422	12,070
Private entrepreneurs	7,454	8,262	8,970
Minimum wage	2,700	3,000	3,600

Source: Statistical Office.

62. Although many employed workers also receive some benefits from the state that bring their net income above the guaranteed minimum (and that would be deducted from social assistance benefits if the worker were unemployed),[25] incentives to work remain weak if the salary is not especially high. When the salary is low, employed workers may still receive social assistance benefits, and their income, compared with the income of an unemployed person, is thus only 20 percent higher. As an illustration, consider the above-mentioned family and assume that the head of the household received the average agricultural salary (equal to Sk 7,516 per month net of contributions). In addition, he would receive child allowances of Sk 1,460 per month, and housing allowances of Sk 175 per month, yielding a total net monthly income of Sk 9,151.[26] This amount is higher than the Minimum Living Standard (Sk 8,410 per month), but lower than 1.2 times that figure (Sk 10,092 per month); the household was thus entitled to receive Sk 941 per month (= Sk 10,092 – 9,151) in social assistance benefits. Put another way, in this example, the marginal increase from working compared with unemployment would be only SK 941 per month.

63. The empirical evidence is not particularly strong. The presence of disincentive effects of social security benefits is suggested by an empirical study by the OECD (OECD, 1996). However, Ham et al. (1998) estimated that a 1 percent increase in unemployment benefits reduces the probability of leaving unemployment by less than 1/10 of 1 percent.[27] Lyubova and van Ours (1999a; 1998) find no significant effects of social security benefits on the probability of leaving unemployment. Neither the probability of finding a job nor the probability of taking a non active position appear to be significantly affected by the

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[25] For instance, many households receive child allowances and low-income households also receive housing allowances from the state. Added to the salary (even at wages below the guaranteed minimum), these benefits can bring the total income of the household above the guaranteed minimum income. Without wage earnings, instead, these benefits are in most cases insufficient to allow the household to reach its guaranteed minimum income, and need to be complemented by social assistance benefits. In this case, the household only receives an income, inclusive of social assistance benefits, equal to its guaranteed minimum. Household members thus have an incentive to work even it their wages are close to, or lower than, the guaranteed minimum, provided that wage earnings, added to other benefits paid by the state, bring the total household income above the guaranteed minimum. Note that the guaranteed minimum income of the household increases by 20 percent once one of its members accepts a job.

[26] These figures are merely indicative; the criteria used to determine the actual amount of allowances and benefits are quite complex and require a lot of specific information about the household and its sources of income.

[27] The estimated coefficient is 0.06, and it is not significantly different from zero. The upper-bound estimate of the elasticity at the 95 percent confidence interval is 0.13.

Minimum Living Standard or by the presence of children, and this result holds for both educated workers with good chances of finding a well-paid job, and for workers with low qualifications. The probability of finding a job does not significantly increase at the end of the entitlement period for unemployment benefits.

64. One possible explanation for these empirical findings is that unemployed workers take rational, long-sighted decisions, and are willing to accept even a low-paid job because it improves their future career opportunities (Lyubova and van Ours, 1999a, 1998). This hypothesis is supported by evidence of labor market segmentation: in this context, accepting a job provides a better signal about the characteristics of the worker (see Boeri and Flinn, 1999), and may gain access to a network of contacts that opens the way to wider job prospects. However, the significance of the empirical results may be reduced by the quality of the data. An accurate analysis of the effects of social assistance benefits on labor supply would require matching household data on social assistance benefits with individual data on employment—a match that is not allowed by existing datasets. In addition, an accurate analysis should take account of regional living cost differentials.

Trade unions, wages and the minimum wage

65. Formal union membership is large (60 percent of the labor force), a legacy of the planning period (when union coverage was virtually 100 percent). Trade unions play an important part in wage setting by negotiating collective agreements at the national and enterprise levels. Their attitude is generally perceived as favoring cooperation over confrontation and conflict. Trade unions are more influential in sectors that also in other countries exhibit a high degree of union participation, such as engineering and heavy industry; salaries in this sector have slightly increased in relative terms, while employment has declined. This evolution is consistent with insider power, but it can also be explained by several factors apart from insider power. Some empirical evidence showed a moderate, increasing, insider effect in Slovakia, but in earlier years (Svejnar, 1996). In the new, expanding sectors of the economy, trade unions are not overbearing, and job creation is unlikely to have been reduced by high wage demands.

66. Is the high rate of unemployment also due to excessive wage demands by employed workers (so-called insider power)? While answering this question would require a detailed econometric analysis that goes beyond the scope of this paper, the general picture does not seem to support this hypothesis. Trade unions do not appear to be exerting significant insider power, real wage growth has been moderate, and a comparison of wages across regions and sectors shows that wages are positively correlated with employment and with value added per worker, suggesting that wages are determined more by labor demand than by insider power. An intersectoral comparison shows a weak but positive correlation between wages and employment, suggesting that wages are driven by labor demand. A similar correlation is found comparing average wages and unemployment rates across regions. Regional wage levels are also positively correlated with regional value added per worker, suggesting a positive correlation between wages and productivity. Interregional wage differentials,

initially low as a consequence of the uniformity of conditions under economic planning, have increased over time and are now more responsive to local market conditions.

67. The minimum wage—which is below its 1991 level and has fallen relative to average wages—is unlikely to have had a major impact on employment for most categories of workers, but it could have reduced employment of young and unskilled workers and of the long-term unemployed. In real terms, the minimum wage, introduced in 1991, declined by 30 percent until 1997 (Table 13). Since 1997, the minimum wage has increased in real terms by 13 percent. In relative terms, the minimum wage has declined to one-third of the average wage level, down from about one-half in 1991. The minimum wage is also lower than the Minimum Living Standard for most types of households.

Ethnic minorities: Hungarians and the Roma

68. Lubyova and van Ours (1999b) present empirical evidence of discriminatory practices by showing that both Roma (Gypsy) and Hungarian unemployed workers have, ceteris paribus, a lower probability of finding a job than other Slovak citizens. Unemployment also tends to be higher among these minorities. Hungarians are formally the largest ethnic minority in Slovakia, accounting for more than 10 percent of the population. Most Hungarians live in regions near the border with Hungary. The Roma minority, according to unofficial estimates, account for roughly one-tenth of the Slovak population. Most reside in the southwestern areas of the country. Unemployment rates are much higher among the Roma, as a result of both discrimination and low educational qualifications. These factors, in turn, reflect the fact that the Roma minority is not well integrated with the rest of the Slovak population.[28] While no clear solution seems to exist at the moment to the issues confronting the Roma, the authorities are welcoming a deeper and more critical appreciation of the complexities involved, including by foreign representatives and officials of the European Union.

D. Policy actions to reduce unemployment

69. This section discusses possible remedies to tackle the problem of unemployment, examining policy interventions that have been adopted or are being considered by the authorities, and proposing other actions for consideration.

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[28] Goldman (1999), quoting CSCE (1997), *Human Rights and Democratization in Slovakia*, Washington D.C., p. 23, claims that the Roma had been subject to "official discrimination in housing, employment, and the administration of state services," adding that "official discrimination persisted throughout the 1990s."

Table 13. Slovak Republic: Average Nominal Wages and Real Wage Index

Year	Average nominal wages (Sk per month)	Real wage index	Nominal minimum wage (Sk per month)	Minimum wage as a percent of average wages	Real minimum wage index	Memorandum: living cost index
1989	3,142	100.0	...	...	...	100.0
1990	3,278	94.4	...	...	...	110.6
1991	3,770	69.6	2,000	53.1	100.0	172.5
1992	4,543	75.7	2,200	48.4	99.3	191.0
1993	5,379	72.8	2,450	45.5	89.9	235.1
1994	6,294	75.0	2,450	38.9	79.1	267.1
1995	7,185	78.2	2,450	34.1	72.2	292.7
1996	8,154	83.8	2,700	33.1	75.2	309.7
1997	9,226	89.2	2,700	29.3	70.8	328.9
1998	10,003	91.8	3,000	30.0	73.8	350.6
1999	10,728	88.2	3,600	33.6	80.2	387.1

Source: Data provided by the authorities.

The employment policy of the government

70. The Slovak government implements three types of policies that are relevant for employment: Active labor market policies (ALMP), aimed at facilitating the re-employment of the unemployed workers; social security interventions, aimed at reducing poverty and providing various forms of social support for people out of work; and various other policy measures aimed at encouraging job creation. Active labor market policies are provided by the National Labor Office (NLO) on an ongoing basis, but they have been sharply curtailed recently, owing to funding problems.[29] Recent social security reforms have been aimed at rationalizing the system, increasing incentives to work, and reducing costs to the public budget. Other policy interventions include the Employment Policy Concept (formulated in 1999), the National Employment Program (to be debated by the government in July), and the institution of a Guarantee Fund to protect the workers dismissed by bankrupt firms (the budgeted amount of the Guarantee Fund for 2000 is Sk 421 million).

71. Active labor market policies include various types of interventions directly aimed at increasing the employability of the unemployed, ranging from training and subsidized jobs to support in the labor search process. These policies have been in place since 1991, and were substantially reformed in 1997, with a stronger emphasis on preventive measures and a better targeting of specific groups of disadvantaged workers, such as the disabled, the young, and long-term unemployed. Boeri (1997) argued that these measures have not been very effective in reducing unemployment in Slovakia, possibly because they were not adequately targeted and their implementation was not sufficiently monitored.[30] Lubyova and van Ours (1999b) found empirical evidence of a positive effect of specific active labor market policies, notably, retraining and "public utility jobs" (subsidized public works) on the probability of finding a

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[29] The National Labor Office (NLO) is an autonomous, self-governing body that implements the labor policies of the Slovak government. Its governing boards are composed of representatives of the government, the employers, and the trade unions. The NLO is organized in one central office, 8 regional offices, 79 district offices, and additional branch offices in many districts; it employs about 5,000 employees. Reform plans include a rationalization of the internal organization of the NLO, the creation of local labor market centers staffed with mediators and counselors, and the recruitment of more staff with a university degree. The NLO also aims at expanding activities, such as retraining and counseling, that can increase the employability of the workers. With the support of the World Bank, the NLO is improving its information system to provide nationwide information on vacancies at all its local branch offices.

[30] It has also been argued that participation in such programs may in some cases reduce employability through "stigmatization" (yielding a negative signal to potential employers about the quality of the applicant). Another negative effect may derive from substitution effects, as employers hire on subsidized program workers whom they would have hired anyway on normal terms.

job; other measures, however, such as subsidized jobs in the private sector, appear to have a negative effect. In general, active labor market policies tend to be more effective when they are addressed at increasing the working capacity of specific groups of workers—an aim that may have been strengthened by recent reforms.

72. In 1999, expenditure on active measures has been severely curtailed as a result of funding problems. Active policy expenditure is financed by the Employment Fund. This Fund also finances "passive" policy expenditure (unemployment benefits and social security contributions for the unemployed). The Fund, in turn, is financed by contributions paid by employers and employees (Table 14). Unlike expenditure on active labor market policies—whose amount is discretionary—expenditure on passive policies is determined by a legal obligation to provide benefits of a given amount to each eligible unemployed worker. As a result, when unemployment increases, passive policies absorb more resources while the available funds diminish as a result of the fall in contributions—squeezing the funds available for active labor market policies. Between 1998 and 1999, as the registered unemployed increased from an average annual number of 380,000 to 485,000, contributions diminished by 1.2 percent while expenditure for passive labor market policies increased by one-third. Meanwhile, expenditure for active labor market policies was reduced by 80 percent. In per capita terms, active labor market policy expenditure per unemployed worker diminished from Sk 6,000 to less than Sk 1,000 per year, while passive policy expenditure remained almost unchanged, at Sk 15,000 per year per unemployed worker (Table 15).

73. The social security system has been frequently reformed to adapt it to new needs in a rapidly changing economic and social environment. The most recent reforms, in force since July 1998, were aimed at increasing incentives to work, better targeting social support to those who really need it, while allowing cost savings for the budget of the state and for extra budgetary social funds. The coverage of unemployment benefits was reduced from 60 percent to 50 percent of the last salary for the first three months of unemployment, and from 50 percent to 45 percent for the remaining period of entitlement. The ceiling on unemployment benefits—which is based on the minimum living standard—was set at Sk 4,800 per month. The period of entitlement to benefits, in turn, was reduced to six months (raised to nine if the worker has more than 15 years of active service).

74. Reforms of the social assistance benefits (SABs) also tried to mend unemployment traps that could have discouraged unskilled and young workers from accepting a job. Before the reform, accepting a low-wage job would have no effects on the net income of the household, if this income remained below the Minimum Living Standard. A net household income equal to the Minimum Living Standard was always ensured by the provision of social assistance benefits, and accepting a low-paid job only involved new costs. Although openly rejecting a suitable job offer would involve the loss of social security benefits, workers could find several ways to circumvent these rules—thus, stricter enforcement of job acceptance rules is needed. The way these disincentives were removed was by raising the guaranteed income of households to 1.2 times the minimum living standard when at least one member is

Table 14. Slovak Republic: Budget of the National Labor Office

(millions of Sk)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 1/
Receipts	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,703	10,580	10,563
Of which: contributions	n.a.	n.a.	n.a.	445	6,183	7,157	7,536	8,030	7,937	8,122
Expenditure	3,262	5,524	2,966	3,606	6,080	7,353	7,088	8,978	9,116	9,264
Employment Fund	3,263	5,524	2,966	3,606	6,080	7,353	7,088	7,774	7,766	7,385
Passive Labor Market Policies	2,740	1,711	1,859	1,710	2,181	3,063	3,990	5,485	7,292	6,930
Active Labor Market Policies	523	3,813	1,107	1,896	3,899	4,290	3,099	2,289	474	456
Administration Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,205	1,350	1,458
Guarantee Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	421
Balance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,725	1,465	1,299
Memorandum: unemployment rate 2/	11.8	10.4	14.4	14.6	13.1	12.8	12.5	15.6	19.2	n.a.

Source: Data provided by the authorities.

1/ Budgeted.
2/ Registered unemployed, end of year.

Table 15. Slovak Republic: Expenditure on Labor Market Policies

(Sk per worker per year)

	1998	1999	Percentage change
Total receipts	10,703	10,580	-1.1
Total expenditure	8,978	9,116	1.5
Average receipt per employed worker	5,627	5,322	-5.4
Contributions	3,952	3,992	1.0
Average expenditure per unemp. Worker	23,660	18,788	-20.6
Passive Labor Market Policies	15,403	15,029	-2.4
Active Labor Market Policies	6,032	977	-83.8
Memorandum:			
Employed workers (thousands)	2,032	1,988	-2.2
Registered unemployed (year average)	379,466	485,202	27.9

Source: Data provided by the authorities.

employed, and by reducing it to 50 percent of the Minimum Living Standard when all members are unemployed for "subjective reasons," e.g., rejecting a suitable job offer.[31]

75. Other reforms concerned the de-linking of many social security benefits from the minimum wage. These reforms should reduce the burden on the public budget, because a revision of the minimum wage no longer involves additional social security expenditure. This provision is quite important, given that the procedure to revise the minimum wage involves a tripartite agreement between social partners and is not completely under the control of the government.

76. Further social security reforms are in the pipeline, involving the unification of the administration of various forms of social security benefits under a single autonomous body. This should rationalize the administration of benefits, reduce administrative costs and the duplication of functions, allow the authorities to maintain better contacts with the recipients, and better enforce eligibility tests. Moreover, the transparency and the fairness of the system should be enhanced by these reforms.

77. In 1999, the government formulated the *Employment Policy Concept till 2002* and the guidelines for the National Employment Plan. The Employment Policy Concept defines the basic principles of the employment policy of the government, which follows the four "pillars" adopted by the European Union: improving employability, developing entrepreneurship, encouraging adaptability of business and their employees, and equal opportunities.

78. To improve employability, the Policy Concept defines four areas of intervention: education, social security contributions, active labor market policies, and reforms of the social security system. Concerning education, the Policy Concept indicates various types of measures aimed at achieving a closer response of the education system to the needs of the labor market. The Policy Concept also envisages a reduction, effective in 2001, in social security contributions for employers who hire young persons or registered unemployed from groups "at risk." Active labor market interventions include retraining programs aimed at school graduates and the long-term unemployed, and support to the disabled, as well as public works. Social security reforms involve the harmonization of unemployment benefits

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[31] As an alternative to raising the guaranteed income by 20 percent, the relative incentive to work could have been provided by reducing the guaranteed income of those households in which all members are out of work to some fraction of the Minimum Living Standard. Compared to the reform that was enacted, this alternative would have yielded a lower income to those households whose members have few chances to find a job, e.g., unskilled workers, but it would have provided stronger incentives to find a job for those workers who have the potential to get an offer, e.g., young workers. This paper does not attempt to evaluate the adequacy of the Minimum Living Standard.

and social assistance benefits, with the purpose of ensuring social support while at the same time providing incentives to work.

79. To develop entrepreneurship, the Policy Concept envisages measures aimed at attracting foreign direct investment and supporting industrial restructuring and regional development. These measures include the development of industrial parks, duty-free zones, support for the establishment of new co-operatives and training programs for small and medium-sized entrepreneurs, and the implementation of regional and local job creation programs, including jobs in social services. Other measures concern the gray economy, and include tougher controls on informal labor.

80. The Policy Concept also aims at encouraging flexible working arrangements, reducing work time and expanding part-time work (currently all but non existent in Slovakia), and spreading the use of performance-oriented wage incentives. Equal opportunity policies include the development of a legal and institutional framework to eliminate discrimination in the labor market, monitoring the situation for specific groups at risk and facilitating the employment of persons taking care of children and other family members. They also include the development of adult education for long-term unemployed and unskilled young people. The authorities are also considering an amendment to the Act on Self Employment that would provide tax incentives and other forms of encouragement to the self-employed and to small companies.

81. In the context of efforts to harmonize the national legislation with that of the European Union (the so-called *acquis communautaire*), the Labor Code is also due for reform. The European labor legislation is concerned with the areas of equal conditions for men and women, worker representation, contractual conditions (including working hours), hiring and firing, and health and safety at work. Not all these aspects of labor legislation will involve major reforms for Slovakia, as some aspects of Slovak labor legislation are already in line with EU requirements, and are sometimes more restrictive (the legal limit on working hours, for instance, at 42½ hours per week, is well below the European limit of 48 hours per week). Amendments to health and safety legislation are likely to lead to more effective implementation through stricter and more frequent controls of provisions that are already in force. With respect to the need to reform legislation on the hiring and firing of workers and on other contents of labor contracts, it is important to avoid measures that are not requirements of the *acquis* and that, by reducing labor market flexibility and increasing administrative obstacles to hiring and firing, could discourage job creation with negative impacts on employment.

82. In February 2000, the government established an Interdepartmental Committee to deal with the problems of unemployment. The Committee, which is headed by the Ministry of Labor and includes representatives of the Ministries of Finance, and Interior, as well as the National Labor Office, the Social Insurance Agency, and the Work Safety Inspectorate, has been meeting regularly since March. Its main area of intervention, so far, has been the problem of informal employment in the gray economy, where the Committee provided for

better coordination between the Labor Office and the law enforcement authorities, which should lead to more frequent and effective controls.

Additional considerations

83. Many of these policy interventions, and others, are worthy of further elaboration and consideration, aimed at enhancing labor demand (and thus net job creation), boosting job search and labor supply, and increasing the efficiency of the labor market. Labor demand can be enhanced through general reductions in payroll social security contributions, measures in support of foreign direct investment and small and medium-sized enterprises, an improvement in the infrastructure, and the resolution of legal issues concerning property rights over land. Job search can be encouraged through a better targeting of social security benefits, and through stricter enforcement of eligibility tests, as well as through greater support by local Labor Offices in the search for jobs and in retraining. The efficiency of the market can be improved by expanding the information about vacancies and by measures to encourage interregional mobility.

84. Reducing social security contributions is important for boosting job creation and reducing employment in the gray economy. This is because such reductions would reduce the wedge between gross and net salaries, increasing both labor demand and incentives to work. In order to keep to overall fiscal targets, these cuts would, however, need to be timed with reductions in social security or other expenditure. The authorities could explore the possibility of reducing social security expenditure in a way that does not compromise the achievement of primary social targets, notably, poverty reduction and income support for the unemployed and for other people in need, e.g., elderly citizens or the disabled. In this respect, some attention could be devoted to reforms in child and housing allowances. Child allowances cover a large share of the population, and the form of support provided by child and housing allowances could possibly be provided more efficiently by increasing net income and employment opportunities through appropriate cuts in contribution rates.

85. Reductions in contributions specifically targeted at certain groups "at risk"—the young, workers with low skills, or the long-term unemployed—may be justified in some situations, but care should be taken to avoid distortions that could lead to job losses for workers already employed (so-called "substitution effects"). To a certain extent, even substitution effects can be welfare-improving. Favoring the employment of workers from groups at risk (whose general employment prospects are poor) at the expense of other workers who are employed and thus have better chances of being re-employed if they were to lose their job, can act to reduce the average duration of unemployment and to reallocate its costs more equally across society. These effects, however, would need to be carefully evaluated and taken into account when considering targeted tax reductions.

86. The issue of a reduction in the real value of the minimum wage is somewhat more controversial and politically very sensitive. In principle, a lower minimum wage could facilitate the employment of young and unskilled workers who would not be in demand at a higher minimum wage. However, lowering the minimum wage would have ambiguous

effects on the state budget and on the net income of households, because the minimum wage is already lower than the Minimum Living Standard of most households. While it is possible that a reduction in the minimum wage could increase social security contributions and reduce social security outlays without having a negative impact on the net earnings of low-income households, these effects should be accurately quantified when considering this option.[32]

87. Another key factor to augment labor demand is attracting greater foreign direct investment (FDI). In the near future, FDI can be encouraged by consolidating economic stabilization and by improvements in the legal framework, including a more effective bankruptcy law, better governance, lower corruption and crime rates.

88. FDI can be a major factor in the development of the central and eastern regions of the country, where local sources of capital and employment are scarce, unemployment is high, and low wages and a large market potential provide an attractive environment for foreign investors. In this respect, it can be helpful to ensure that wage agreements at the national level do not prevent a regional differentiation of wages based on living cost differentials and local labor market conditions. Improving the provision of essential infrastructure (transportation, roads, telecommunications) can also encourage investment in depressed areas. It is also important to remove the remaining legal obstacles that hamper the establishment of new industrial and business areas, for instance, by clarifying the regime of property rights over land and establishing precise zoning rules and simple procedures for issuing permits and licenses.

89. An additional contribution to job creation could derive from the creation and expansion of small and medium-sized enterprises, as these firms already employ the largest share of the labor force. Measures to support small and medium-sized enterprises in non distortionary ways include reductions in red tape and administrative costs, the provision of information, and support for the creation of networks of cooperation on specific issues, e.g., legal advice and export facilities.

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[32] Households of workers employed at the minimum wage receive social assistance benefits if their net income is lower than 1.2 times the Minimum Living Standard—which can easily occur for households with a single working member and many children. A reduction in the minimum wage would result in an increase in social assistance benefits received by these households, which would leave their net income unchanged but would increase public expenditure. Conversely, the net income of households where all members are unemployed would increase by at least 20 percent if one of their members were offered a job at a reduced minimum wage, because once they get a job their guaranteed income would rise to 1.2 times the Minimum Living Standard. In this case, the balance of the state budget would improve as part of their income would now be paid by their employer in the form of wages, and additional revenue would accrue to the budget from the social security contributions paid by the employer.

90. Employment of those workers who, at present, account for the largest share of unemployment (the unskilled, the long-term unemployed, and the young) could be boosted by creating a more flexible labor market, with more frequent use of part-time and temporary contracts. At the moment, part-time jobs involve only 2 percent of employed workers, and temporary jobs an additional 4 percent. Both types of arrangements are mainly used by workers with low skills and qualifications; more widespread use of these contracts could improve the employment prospects of the weakest groups of workers. The use of these contracts could be encouraged by amending the current rules on social security contributions (which require a fixed minimum payment for each worker, thus penalizing part-time work), and by easing legal restrictions on the use of temporary contracts (currently limited to 100 hours per person per year). While an excessive use of this form of contracts may have perverse effects, reducing the stability of employment, the existing provisions appear to be excessively restrictive and to limit the access of the above mentioned groups of workers to the labor market, who could well benefit in their search for more permanent work by demonstrating job experience.

91. In this sense, it is important that the forthcoming reform of the Labor Code avoid the adoption of standards for the content of labor contracts, and hiring and firing that are too restrictive. In this regard, the extension to Slovakia of European laws and regulations must bear in mind the specific needs of the country, in particular avoiding an unwanted degree of labor market rigidity. It must be noted that labor legislation in the EU remains mostly in the national domain.[33] Even the European Social Chapter leaves great autonomy to member countries to determine the specific contents of their labor and social legislation. In fact, countries such as the United Kingdom, the Netherlands, and Denmark, have adopted legislation that ensures a high degree of flexibility in the labor market, and are currently experiencing unemployment rates below the EU average.

92. A more active and effective job search effort on the part of the unemployed would be encouraged by a reform of social security benefits which targeted them more specifically at households in particular need with little prospects of working. This would increase incentives to find a job for all other workers, while at the same time allowing contribution rates to be reduced, thereby boosting job creation. It must be noted that the social security system in Slovakia has evolved in accordance with changing economic and social demands. At the time of central planning, with full employment under the principle of "duty to work," social support was universally available and free. During the transition, when many people lost their jobs and social demands were high, the provision of social support was generous but costly, and financed from large payroll contributions. At the present stage, improving incentives to work and to invest appears as a key factor to boost employment and growth. In response, the concept of social security should be reconsidered on the basis of a more focused approach which, circumscribing eligibility to specific groups of people with high

[33] See for instance Mayhew and Orlowski (1996).

needs and low earning potential, would reduce the tax burden and increase incentives to work for the rest of the population.

93. Social security benefits, of various types, could thus be redesigned to grant adequate support (on the basis, for instance, of current minimum living standards) mainly to households with low prospects of earning labor income. These may include households of workers with low or non transferable skills who are unable to be retrained, workers whose employability has been gravely reduced by a long period of unemployment, old age workers, and of course those who are unable to work due to family conditions or disability. While incentives should always be provided for these workers to accept job offers when they become available—and, in general, stricter enforcement of job acceptance rules should be sought—the social security system cannot ignore the reality of their needs and the scarcity of opportunities.

94. Consideration could also be given to reforming social security benefits to take account of local labor market conditions, and of regional differentials in living costs. While care should be taken to avoid regional disparities in the accessibility of benefits, the nominal amount of benefits could be differentiated across regions in accordance with local living costs—reducing disincentive effects and increasing interregional equity. Reforms could also include a more selective targeting of benefits that are currently received by a large fraction of households. Child allowances, for instance, are currently received by about three-fourths of households, and may be re-targeted in favor of those households with lower income levels and higher child-care needs, freeing resources for cuts in contribution rates.

95. The provision of social security benefits to young unemployed persons deserves particular attention. While some of these workers suffer from poor living standards, others apparently use social assistance benefits improperly to afford a better living standard, well above the poverty line. In fact, single-member households are overrepresented among social assistance benefit recipients (accounting for 34 percent of these people), and receive the largest share of benefit payments (61 percent). Although single-member households also include elderly people, some of them could be young people who declare that they are living as singles in order to be eligible for benefits, while receiving economic support from elsewhere. For these people, social assistance benefits, rather than being a shield against poverty, provide a disincentive for a more active approach to job search.

96. Labor supply can also be boosted through measures aimed at reducing the skills mismatch between labor demand and labor supply. These measures typically involve active labor market policies and, over time, keeping labor market issues in mind when reforming the education system. In light of evidence on the positive effects of active labor market policies in increasing the employability of workers (Lyubova and van Ours, 1999b), the authorities may consider an expansion of these programs, possibly accompanied by improved targeting toward the workers who can derive the largest benefits from them. The funding mechanism for these measures could also be reformed to remove the current pro-cyclical bias, whereby funds for active labor market policy are reduced in times of high unemployment.

97. Measures aimed at spreading information on vacancies and removing the segmentation that relegates the unemployed into a "secondary" market with worse opportunities would help increase the efficiency of the labor market. In this respect, a major role can be played by the National Labor Office by making information about vacancies in all areas of the countries available on a timely and regular basis at all branch offices (this project is already under way but that has not yet been completed). In addition, the Labor Office can devote more resources to maintaining regular contacts with the major potential employers (including associations of small and medium-sized enterprises) and assisting the workers in their search for jobs. Employers, in turn, should be encouraged to abide by the legal requirement to inform the Labor Office about vacancies and reduce hiring practices based on informal networks and less transparent procedures.

98. The efficiency of the labor market can also be increased by facilitating the mobility of workers across districts and regions. Central and local authorities can increase mobility by providing better and cheaper transportation for commuters and migrant workers, and by adopting measures aimed at increasing the supply of affordable accommodation (such as the removal of rent controls that slow down the development of the market for rented accommodation and discourage investment in the construction of rental apartments).

THE SOCIAL BENEFITS SYSTEM

99. This appendix provides a brief overview of the social benefits system in Slovakia. After a brief illustration of the main types of benefits provided, some particular features of the social benefits system, that affect more directly the incentives to look for a job, are discussed in specific sections. Section 1 illustrates the Minimum Living Standard, a key concept that forms the base to determine the amount of many social benefits; Section 2 discusses child and housing allowances, Section 3 discusses social assistance benefits, and Section 4 discusses unemployment benefits.

100. The social benefits system in Slovakia is organized in three different components: social security (to be renamed social insurance), state social benefits (to be renamed state social support), and social assistance.

101. Social insurance provides benefits on an insurance basis (it is financed by contributions paid by the workers and their employers into an extra-budgetary fund), and it is managed by the Social Insurance Agency (SIA). It provides: maternity benefits; sickness benefits; equalization allowances in pregnancy and maternity; and benefits for widows, widowers and orphans.

102. State social support provides one-off and recurrent benefits financed directly from the state budget. Non-recurrent benefits include: birth grants; one-off foster care allowances; funeral allowances; and a special allowance for triplets. Recurrent benefits include: child allowances; special child allowances for the disabled; parental allowances; recurrent foster-care allowances; an allowance paid when the family head is under military service; and housing allowances.

103. Social assistance benefits are paid to families in material and social need; they are financed by the state budget, and include: social assistance benefits (SAB); and benefits for the disabled (SAD).

104. In addition to social security benefits, Slovak citizens receive pensions, unemployment benefits and health insurance. Pensions are paid out of the Pension Fund,[1] to retired workers, to workers in early retirement schemes, to disabled persons and to widows, widowers and orphans. Health insurance is financed by the Health Fund and managed by the SIA. Unemployment benefits are financed by the Employment Fund and administered by the National Labor Office; they are paid to registered unemployed for a limited period of entitlement.

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[1] The Pension Fund, the Health Fund, and the Employment Fund, are extra-budgetary funds financed from payroll contributions paid by employers and employees.

Minimum Living Standard

105. The Minimum Living Standard (MLS) forms the basis for the calculation of several types of benefits, including social assistance benefits and child allowances. The Minimum Living Standard is set by law and automatically increased in line with inflation whenever the CPI index for low income households increases by more than 10 percent a year from April to April (the increase comes into effect in July). The Minimum Living Standard is uniform throughout the country and depends on the composition of the household and on the number and age of children. The basic amount (Sk 3,230 per month in 1999, raised to Sk 3,490 per month in June 2000) has been calculated according to the highest income of the poorest decile of households. The Minimum Living Standard for a particular household results from the sum of a household allowance and a personal allowance. The household allowance refers to the entire household and depends on the number of adults and children; the personal allowance refers to each individual member and depends, for each adult, on the number of adults in the household and, for each child, on the age of that child. The minimum living standard for typical households of different composition in 1999 are reported in Table 16.

Table 16. Slovak Republic: Minimum Living Standard for Different Types of Households, 1999

(Sk per month)

Adults	Children	MLS	Adults	Children	MLS
1	0	3,230	2	2	8,410
1	1	4,690	2	3	9,870
2	0	5,490	2	4	11,330
2	1	6,950	2	6	14,250

Source: Data provided by the authorities.

State social support: child allowances and housing allowances

106. Child allowances are means-tested benefits paid to all families whose income Is less than two times the Minimum Living Standard. The amount of these allowances is equal to one-half of the personal allowance for each particular child if the total household income does not exceed 1.5 times the Minimum Living Standard, and to one-third of the personal allowance if the total household income lies between 1.5 and 2 times the Minimum Living Standard. A household is entitled to receive child allowances only if at least one of its members is employed, retired, disabled, or registered as an unemployed worker. The above

mentioned eligibility criteria are not particularly restrictive, and about three-quarters of the households are eligible for child allowances.

107. Housing allowances have been introduced in 2000 to compensate low-income households for the sharp increase in energy and utility prices at the end of 1999. Their aim is to cover part of the housing costs. These allowances are uniform throughout the country and can be increased in line with inflation by a discretionary decision of the government once a year. Their amount depends on the income of the households and on the number of its members; it is determined by subtracting 30 percent of the average household income in the previous six months from a fixed amount that depends on the size of the household (Table 17).

Table 17. Slovak Republic: Housing Allowances

(amount of housing allowances in Sk per month)

Number of members	Housing Allowances (Formula)	Salary earned by the employed member of the household 1/		
		Average salary, agriculture	Minimum salary	Average salary, Prešov region
1	1,110 – 0.3 Y	0	160	0
2	1,750 – 0.3 Y	0	800	0
3	2,090 – 0.3 Y	0	1,140	0
4 or more	2,430 – 0.3 Y	175	1,480	76

Source: Staff calculations on data provided by the authorities.

1/ It is assumed that only one adult in the household is employed.

Social assistance benefits

108. Social assistance benefits are a residual form of support that is paid to households whose other income sources (inclusive of other forms of benefits) do not allow the household to reach a guaranteed minimum. This minimum is equal to the Minimum Living Standard if the household is earning a low income owing to "objective reasons" beyond its control, and is reduced to one-half of the Minimum Living Standard if its economic problems depend on "subjective reasons." If at least one member of the household has a job, the guaranteed minimum is raised to 1.2 times the Minimum Living Standard.

109. Social assistance benefits are calculated as the difference between the guaranteed minimum for that household and the total net income (inclusive of other types of benefits) that the household is already receiving. A household whose income lies below its guaranteed

minimum is legally entitled to receive these amounts of benefits, subject to some eligibility requirements. An essential requirement is that all adults in the household are either employed, retired, disabled, or registered as unemployed workers.

110. At the end of 1999, 296,000 households, involving about 5000,000 people, had applies for social assistance benefits; the average level of social assistance benefits paid in 1999 was Sk 3,050 per household.

Unemployment benefits

111. Unemployment benefits are paid for a limited period to workers who have lost their job, and to students who have left school and fail to find a job. In order to be eligible, a worker must have been employed and must have paid social security contributions for at least 12 months during the previous three years; students who leave school can claim unemployment benefits six months after the termination of their studies. Unemployment benefits are paid for an entitlement period of six months, increased to nine months in the case of workers who have paid social security contributions for at least 15 years. Unemployment benefits amount to 50 percent of the last salary received by the worker (calculated as an average of the last five years of employment) for the first three months of unemployment, and are thereafter reduced to 45 percent of the last salary. Students who leave school receive a standard amount equal to 45 percent of the minimum wage. Unemployment benefits are also subject to a ceiling equal to 1.5 times the minimum wage. The period of entitlement is interrupted in case of sickness or when the worker undertakes certain types of subsidized jobs.

112. At the end of 1999, only 27 percent of registered unemployed met the eligibility requirements and received unemployment benefits. The other workers remained registered as unemployed in order to be eligible for other types of benefits (such as child allowances and social assistance benefits).

113. Unemployment Benefits are paid by the National Labor Office and financed by the Employment Fund. The Employment Fund also pays social security contributions on behalf of the workers who receive unemployment benefits.

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Balancing Fiscal Priorities
Slovakia's Challenges for the Future 1/

1/ Prepared by Costas Christou.

Slovakia's Fiscal Position Has Improved Markedly

- The deficit of the general government has been reduced to 3.6 percent of GDP in 1999, and a target deficit of 3 percent of GDP was established for 2000.

- Progress has been made in reforming the tax system and reducing the tax burden.

- Efforts are underway to improve tax administration.

- And some steps have been taken to reduce expenditure.

But Challenges Remain

These include dealing with:

- High expenditure for Slovakia's per capita income.

- Relatively high share of government expenditure devoted to social benefits.

- Relatively high tax rates and a narrow tax base.

- Poor tax collection by continuing to improve tax administration.

Moreover, Looking Ahead, It is Essential to Deal with These Challenges in the Context of an Overall Macroeconomic Framework

- On the heels of huge external current account deficits in the past and the associated rapid build-up of debt, it will be important to ensure a sustainable external current account path over the medium term, lower the ratio of external debt to GDP, and reduce external vulnerability generally.

- Further fiscal consolidation would help support external adjustment, and leave more room for a growing private sector.

- At the same time, setting fiscal policy in a medium-term framework provides more opportunity to manage fiscal policy strategically.

An Important Issue is Establishing Fiscal Targets Within a Macroeconomic Framework

- A gradual reduction in the deficit of the general government to about 2 percent of GDP by 2003 would seem appropriate, and is broadly in line with the fiscal targets in the Joint Assessment.

- To arrive at this figure, we assume an increase in the savings/investment (S/I) balance of the non-government sector of about 1-1.5 percentage points of GDP. Of course, it difficult to map precisely changes in fiscal policy into changes in the external current account. We have tried to be conservative with regard to the S/I balance.

	1998	1999	2000	2001	2002	2003
Savings-Investment gap (external current account)	-10.1	-5.8	-4.7	-3.9	-3.1	-2.9
Non-government net savings	-5.1	-2.2	-1.7	-1.1	-0.8	-0.9
Government net savings	-5.0	-3.6	-3.0	-2.8	-2.3	-2.0

- Greater recourse by the enterprise sector to internally generated funds—the result of higher profitability spurred by structural reform—would contribute to this increase.

- On the external side, this implies an external current account deficit of about 3 percent of GDP by 2003.

Consistent With This Framework, an External Current Account Deficit of 3 percent of GDP Would Support Other Important Objectives

- With higher FDI resulting in a significant surplus for the capital account, the ratio of external debt to GDP would be put on a decidedly downward trend, reducing vulnerability considerably.

- In this regard, the ratio of external debt to GDP could be expected to fall from about 56 percent in 1999 to perhaps 43 percent by 2003.

- The international reserves of the National Bank could increase to cover roughly 140 percent of short-term debt.

Moreover, a Sustainable External Current Account Deficit Is Important for Durable Economic Growth – Why?

- With volatile capital inflows, it means that the economy is less susceptible to negative external shocks, such as a decline or reversal of capital inflows that can occur for reasons unrelated to developments in Slovakia.
- It means it is less likely that macroeconomic policies will have to be tightened especially sharply, when this kind of negative external shock occurs, thereby keeping growth on a smoother path.
- The level of the current account deficit can be a problem in its own right--even if easily financed in a given year, when the market focuses on a particular headline number. For example, an external current account deficit of over 5 percent of GDP seems to pop up on radar screens.
- This can affect the willingness of investors to place funds, including those of a longer term nature, in a particular country by raising the perception of risk and generating doubts about the ability of a country to service its debts.

Turning to Fiscal Policy Itself, Meeting a Fiscal Target of 2 Percent of GDP for the General Government by 2003 Will be Challenging

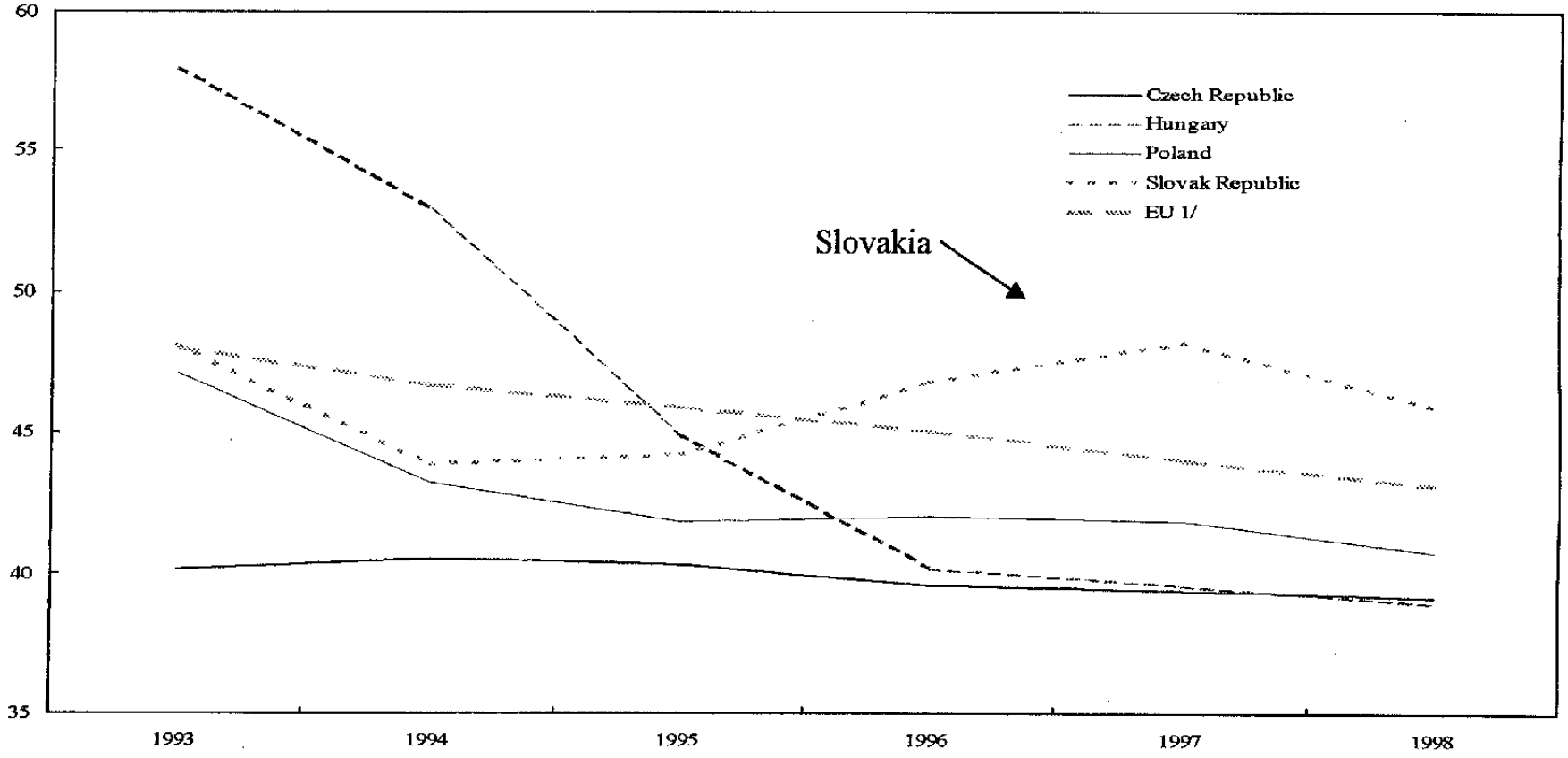
- There are a number of considerations to be taken into account on the expenditure side. These include which expenditures are discretionary, and can therefore be adjusted for policy purposes.

- Also note that Slovakia is being compared to some other transition countries. Of course, this may not be the best benchmark of comparison because other countries in the region also need to reduce their expenditures.

- Lowering tax rates needs to be carefully coordinated with expenditure reduction, if deficit targets are to be met. Though it is important to see tax rates fall, there are limits to how quickly taxes can realistically be cut.

Which Expenditure Items Seem Relatively High and Therefore Would be Candidates for Cuts

General Government Primary Expenditure
(In percent of GDP)



1/ Unweighted average, excluding Luxembourg.

Selected Components of General Government Expenditure in Transition Countries 1/

(In percent of GDP)

	Slovak Republic	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovenia
Primary expenditure	45.1	25.5	41.7	39.3	43.6	30.9	44.5
Current expenditure	38.4	24.5	36.5	35.4	40.4	25.4	42.2
Wages and salaries	7.9	3.7	3.5	...	8.1	4.9	7.7
Goods and services	5.7	9.9	4.8	...	...	5.8	1.7
Social expenditure	21.2	8.5	19.0	9.2	21.1	11.6	28.8
of which: Pensions	7.9	6.3	9.4	...	...	...	13.3
Health	6.2	...	5.7	...	...	...	6.8
Subsidies	3.6	0.7	8.4	4.7	2.5	2.5	3.2
Other	0.0	1.7	0.8	21.4	8.7	0.6	0.8
Capital expenditure	6.1	1.0	5.1	4.0	3.4	4.8	2.3
Net lending	0.6	0.0	0.1	0.0	-0.2	0.6	0.0

Sources: Various Recent Economic Development Reports, International Monetary Fund.

1/ Data pertain to 1998 for the Slovak and Czech Republics and Hungary, to 1997 for Bulgaria, Romania, and Slovenia, and to 1996 for Poland.

Expenditure on General Government Administration is Relatively High

- There exist some notable imbalances in the structure of government wages: the average wage in administration is well above, and had been growing at a higher rate than, the economy-wide average wage; the average wage in public education and health has been below the economy-wide average wage.

- Expenditure on goods and services has been reduced recently as a share of GDP, but there is still room for rationalization.

- Interest expenditure is relatively low but it has been growing recently owing to an increase in public debt.

Subsidies Have Declined But are Still Considered High

- The largest subsidies pertain to transportation and agriculture.

- Timely adjustments in administered prices so as to achieve full-cost recovery should gradually eliminate subsidies.

Expenditure On Social Transfers Does Not Show Signs of Retrenchment

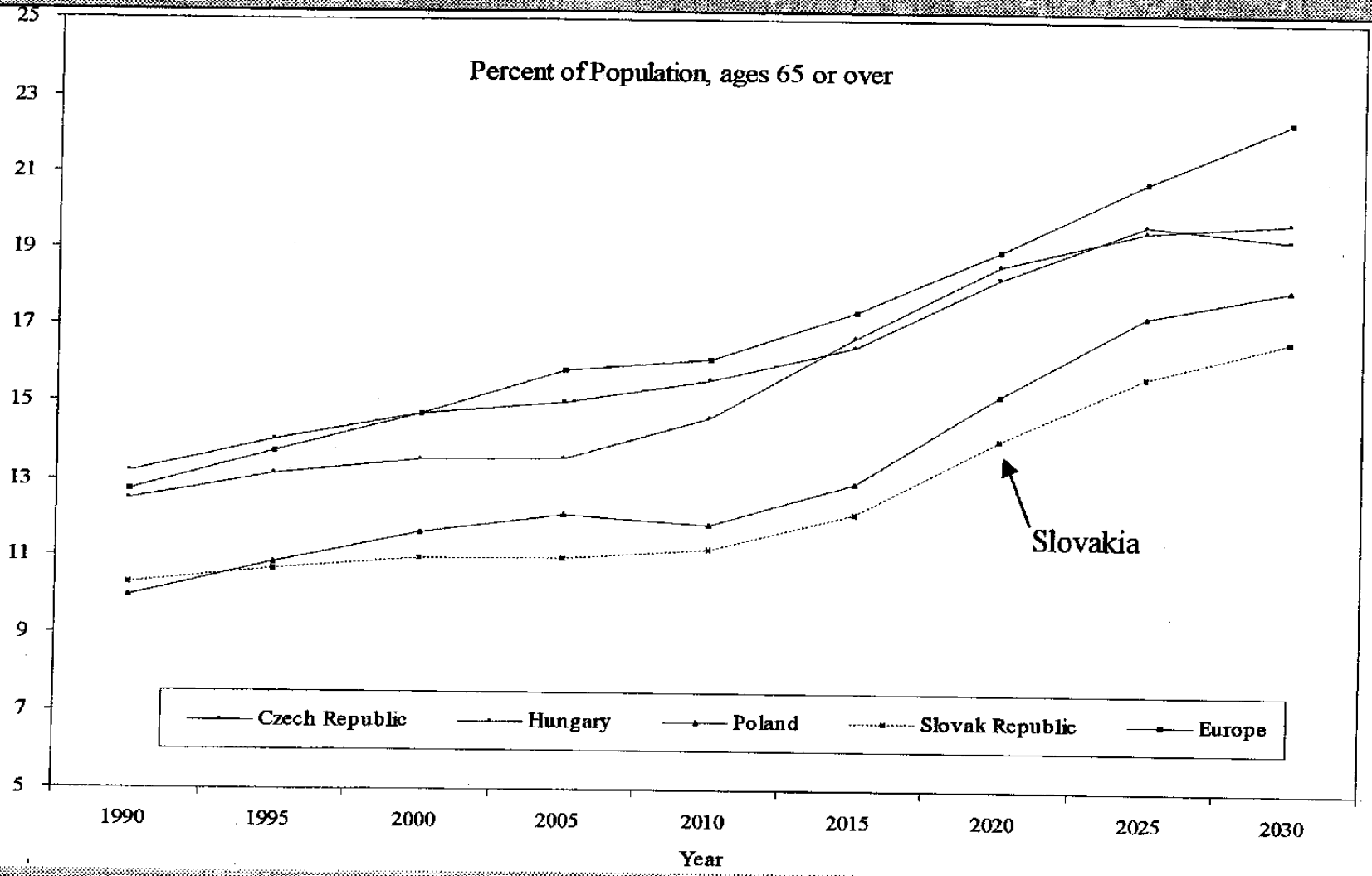
Social Security System Expenditure, 1995-99

(In percent of GDP)

	1995	1996	1997	1998	1999
Total expenditure	20.9	22.1	21.3	21.2	22.2
Health funds	5.3	6.4	7.0	6.2	6.0
Social transfers	15.6	15.8	14.3	15.0	16.2
Pensions	8.4	8.0	7.8	7.9	8.6
Unemployment benefits	1.1	1.3	1.1	1.1	1.1
Sickness benefits	1.1	1.3	1.2	1.3	1.3
Social assistance	2.2	2.4	1.7	2.3	2.6
State benefits	2.9	2.8	2.5	2.4	2.6

Sources: Ministry of Finance; and staff estimates.

... As Evidenced by the Relatively Low Share Of the Population Over 65 Years Old



The Retirement Age Is Among the Lowest

Country	Male	Female	Country	Male	Female
Austria	65	60	Italy	64	59
Belgium	65	61	Luxembourg	65	65
Czech Republic	62	61	Netherlands	65	65
Denmark	67	67	Poland	65	60
Finland	65	65	Portugal	65	65
France	60	60	Slovak Republic	60	57
Germany	63	63	Spain	65	65
Greece	65	60	Sweden	65	65
Hungary	60	57	United Kingdom	65	60
Ireland	66	66			

Sources: U.S. Social Security Administration; and Slovak authorities.

Expenditure on Health is Not Especially High, but the Composition of Health Expenditure is of Concern

- Health care spending is less than the average in the EU.

- However, the main characteristic of the structure of health expenditures is the disproportionately high spending on medication (35 percent of spending compared with 15 percent in the EU). At the same time, spending is disproportionately low for nursing.

- High deficits are attributed to expenditure rising at a very fast pace without similar increases in revenues (owing to significant revenue arrears).

The Pension System is in Trouble, Despite Favorable Demographics . . .

- While most pensions are comparatively low, the number of and amount spend on disability and early retirement pensions are very high compared with OECD countries.

- The long-term sustainability of the pension system is alarming and points to the need for a comprehensive reform.

There Exists a Broad System of State and Social Assistance Benefits

- Their aim is to ensure that all households are able to meet a certain minimum standard of living.

- State benefits comprise 13 different programs many of which overlap with more than 20 social assistance programs that form part of the social safety net operated by regional offices.

- Thus, the costs of administering these benefits is quite high.

- Important challenges of a medium-term strategy would include strengthening eligibility criteria and means testing for state benefits, which could generate significant savings.

Maternity Benefits Are Relatively Generous

Country	Maternity Leave Benefit	Country	Maternity Leave Benefit
Austria	100% salary for 16 weeks, if insured	Ireland	70% earnings up to a ceiling, minimum payment, for 14 weeks, if insured
Belgium	82% salary in first month. 75% for further 11 weeks, if insured	Italy	80% earnings for 5 months, if insured
Czech Republic	69% earnings for 28 weeks, if insured	Luxembourg	100% earnings for 16 weeks, if insured: or flat-rate for 16 weeks
Denmark	60% earnings for 30 weeks, if insured	Netherlands	100% earnings for 16 weeks, if insured
Finland	Earnings replacement declines with income, for 155 workdays, if insured	Poland	100% earnings for 16 weeks for first birth, if insured: longer period for subsequent births
France	100% of earnings to max limit, if insured. 16 weeks if first child, 26 weeks for subsequent child, up to 46 weeks for multiple births	Portugal	100% earnings, minimum payment 50% minimum wage, for 98 days with 60 days after confinement, if insured
Germany	100% earnings for 16 weeks, then 80% earnings for 8 weeeks	Slovak Republic	90% earnings, up to max amount, for 28 weeks, if insured
Greece	50% of reference salary for 16 weeks to working mothers. Full salary to civil servants. Some employers supplement benefit to provide full income replacement. Self-employed not covered.	Spain	100% benefit base payable 16 weeks, if insured
		Sweden	Reduced earnings replacement, payable 450 days
Hungary	100% earnings for 24 weeks, if insured	United Kingdom	90% average earnings for 6 weeks, flat rate for further 12 weeks, if insured: lower flat-rate benefit for 18 weeks if not eligible for above

Source: OECD, 1999.

Spending on Unemployment Benefits Has Increased Recently, as Unemployment Has Increased

- Unemployment benefits affect job search behavior and thus the length of unemployment spells.

- The average level of unemployment benefits depends not only on the generosity of benefits, but also on the way they are administered.

- In this regard, there is a need for imposing strict criteria for eligibility or for availability for work.

Which Taxes Are Relatively High and Therefore Candidates for Reduction

- Social security payroll contribution rates
- Corporate income tax (?)

Personal Income Tax Collection Is Comparable With That of Other Transition Countries

- Tax collections have been robust, mainly due to the fact the tax brackets had not been adjusted for inflation since 1994.

- Recently introduced legislation addressed some of the PIT weaknesses.

- However, a more comprehensive reform would be a useful element of a medium-term strategy.

The Corporate Income Tax Rate is Now More in Line with Other Countries . . .

Corporate Income Tax Rates in Selected Central European and EU Countries					
(In percent)					
Central European Countries			**EU Countries**		
Czech Republic	35		Germany	30-45	3/
Hungary	18		Greece	35-40	4/
Poland	34		Ireland	32	
Slovak Republic	29		Italy	37	
			Luxembourg	30	
EU Countries			Netherlands	35-37	
Austria	34		Portugal	34	
Belgium	40	1/	Spain	25-35	5/
Denmark	34		Sweden	28	
Finland	28		United Kingdom	30	
France	36.7-40	2/			

Sources: International Bureau of Fiscal Documentation.

1/ Effective rate; it comprises a corporate income tax rate of 39 percent and a 3 percent austerity surcharge.

2/ Effective rate; it comprises a corporate income tax rate of 33.3 percent and a surtax of 10-20 percent.

3/ The lower rate applies to distributed profits and the higher rate to retained profits.

4/ The higher rate applies to companies in the Athens Stock Exchange and the lower rate to other companies.

5/ The lower rate applies to non-resident companies and the higher rate to resident companies.

..... But Corporate Income Tax Collections Are Relatively Low

- Although the corporate income tax rate was quite high until recently, collections are weak due to the poor financial performance of enterprises.

- Declining discipline and governance also has contributed to weak collections.

- Although there could be some scope for further reductions in the corporate income tax rate, that could usefully be accompanied by avoidance of special tax incentives.

Social Contribution Rates Are Very High . . .

Social Contribution Rates in Selected Countries

(In percent of gross labor income)

	Employer's Contribution	Employees' Contribution	Total		Employer's Contribution	Employees' Contribution	Total
Slovak Republic	38.0	12.0	50.0	Hungary	33.0	8.0	41.0
Health	10.0	3.7	13.7	Health	11.0	3.0	14.0
Sickness	3.4	1.4	4.8	Sickness			
Pensions	21.6	5.9	27.5	Pensions	22.0	5.0	27.0
Unemployment	3.0	1.0	4.0	Unemployment			
Czech Republic	35.0	12.5	47.5	Poland	16.7-24.4	18.7	35.4-43.1
Health	9.0	4.5	13.5	Health and Maternity	0.0	2.5	2.5
Sickness	3.3	1.1	4.4	Disability	6.5	6.5	13.0
Pensions	19.5	6.5	26.0	Pensions	9.8	9.8	19.5
Unemployment	3.2	0.4	3.6	Injury	0.4-8.1	0.0	0.4-8.1
European Union 1/	23.6	12.9	36.5				
Western Europe 2/	22.1	11.7	33.8				
OECD 3/	16.2	8.6	24.8				

Sources: International Bureau of Fiscal Documentation; and World Bank (1998).

1/ Unweighted average of the European Union countries (excluding Denmark).

2/ Unweighed average of European Union countries (excluding Denmark) and Iceland, Norway, and Switzerland.

3/ Unweighed average of Western Europe (as defined above) and Australia, Japan, Mexico, New Zealand, and the US.

. . . And Social Security Tax Collections Are High

- This is so, even with arrears.

	Slovak Republic	Bulgaria	Czech Republic	Hungary	Poland	Romania	Slovenia
		(In Percent of GDP)					
Social security tax collection	14.0	6.9	15.6	13.4	9.5	7.1	15.6

- Combined with personal income taxes, the tax wedge between employers' total labor costs and employees' take home pay is close to 60 percent.

- Reducing contribution rates would help reduce unofficial employment.

The VAT Has Been Designed to Follow EU Directives

- However, the large differential between the lower and the standard rates creates a source of distortions. For example, taxation of construction at the lower rate results in extensive VAT refund claims as construction materials and equipment (taxed at the standard rate) may be purchased by contractors for use in taxable (at the lower rate) construction activities.

- A medium-term strategy would include an increase in the lower rate accompanied by a gradual decline in the standard rate.

- This would need to be done in conjunction with moving items to the standard rate as part of harmonization with EU standards.

Value-added Tax Rates in Selected Central European and EU Countries

(In percent)

	Lower	Standard		Lower	Standard
Central European Countries			**EU Countries**		
Czech Republic	5	22	Germany	7	16
Hungary	12	25	Greece	4, 8	18
Poland	7, 12	22	Ireland	3.6, 10, 12.5	21
Slovak Republic	10	23	Italy	4, 10, 16	19
			Luxembourg	3, 6, 12	15
EU Countries			Netherlands	6	17.5
Austria	10, 12	20	Portugal	5, 12	17
Belgium	1, 6, 12	21	Spain	4, 7	16
Denmark		25	Sweden	6, 12, 21	25
Finland	6, 12, 17	22	United Kingdom		17.5
France	2.1, 5.5	20.6			

Source: International Bureau of Fiscal Documentation.

Tax Administration Continues to Face Challenges in Mobilizing Revenue

- The stock of tax arrears keeps increasing, reaching 32 percent of total tax collection in 1999. This figure is a cause for alarm and indicates a clear problem with collection enforcement.

- There are also problems in collecting the VAT, and refunds are extremely high (120 percent of domestic VAT collections).

- Inefficiencies in the collection of social security contributions still remain.

Absent Strong Fiscal Efforts, the Deficit of the General Government Could Balloon Even With Conservative Assumptions

Just for illustration, it is assumed in the subsequent table, that:

- Subsidies decline only modestly.
- Social benefits are reduced only marginally.
- Government administration expenditure remains unchanged as a share of GDP.
- Limited improvements in tax administration.
- Very limited cuts in taxes.
- Moderate growth (for illustrative purposes it is assumed that growth reaches just under 4 percent by 2003).
- Note that this excludes costs related to NATO and EU accession and the impact of the redemption of NPF bonds.

Of course, Policy Makers Would Never Allow This to Happen

Consolidated General Government Operations

	1999	2000	2001	2002	2003
			(In percent of GDP)		
Revenue	**40.7**	**37.5**	**35.2**	**33.6**	**33.6**
Expenditure	**44.3**	**42.3**	**40.2**	**39.0**	**39.9**
Balance	**-3.6**	**-4.8**	**-5.0**	**-5.4**	**-6.3**
Public debt	**26.8**	**28.6**	**31.0**	**33.6**	**38.2**

How, Then, Might the Fiscal Target Be Met

- One possibility is shown in the next table.
- It shows a possible scenario for expenditure, to be discussed first.
- It also shows a possible scenario for revenue, to be discussed second.

Medium-Term Fiscal Prospects--General Government Operations, 2000-2003 1/

(In percent of GDP)

	2000	2001	2002	2003
	Illustrative Projections			
Total revenue	37.7	35.1	34.5	34.4
Tax revenue	33.6	31.3	31.1	30.9
Personal income tax	5.1	5.1	5.1	5.2
Corporate profit tax	3.0	2.0	2.0	1.9
Social security contributions	12.5	12.2	11.9	11.6
VAT	7.4	7.4	7.5	7.6
Excises	3.2	3.2	3.2	3.2
Import duties and surcharge	1.4	0.5	0.5	0.5
Other	0.9	0.9	0.9	0.8
Nontax revenue	4.1	3.8	3.5	3.5
Total expenditure	40.4	37.5	36.4	36.0
Current expenditures	37.1	34.4	33.3	32.9
Gross wages	6.8	6.7	6.7	6.7
Other goods and services	4.9	4.7	4.7	4.7
Social transfers	13.7	13.0	12.6	12.3
Health care	5.1	5.0	5.0	5.0
Subsidies	3.5	2.7	2.6	2.6
Interest	2.9	2.2	1.8	1.7
Investment expenditures	3.3	3.1	3.1	3.1
Financial balance	-2.7	-2.4	-1.9	-1.6
Net lending (excluding privatization proceeds and guarantees)	0.4	0.4	0.4	0.4
Overall balance	-3.0	-2.8	-2.3	-2.0
of which:				
State budget	-1.9	-1.8	-1.4	-1.2
Local authorities	0.0	0.0	0.0	0.0
Social security system	-0.8	-0.7	-0.6	-0.5
Extrabudgetary funds	-0.4	-0.3	-0.3	-0.3
Extrabudgetary projects and NPF	0.0	0.0	0.0	0.0

Sources: Ministry of Finance; and staff estimates and projections.

1/ Excludes the impact of future operations pertaining to the restructuring of the banking system and costs related to EU accession.

For Expenditure . . .

The scenario envisages that:

- Rationalization of social assistance and state benefits would provide savings of 1.4 percent of GDP.

- Lower government administration costs (including rationalization of discretionary expenditures on goods and services) would result in savings equivalent to 0.3 percent of GDP.

- Subsidies would be reduced, thereby saving 0.9 percent of GDP.

- Interest expenditure is lower on account of the declining debt-to-GDP ratio and lower interest rates.

For Revenue . . .

- Consistent with the deficit target of 2 percent of GDP for the general government, revenue would be cut by 3.3 percentage points of GDP from 2000 to 2003.
- However, the meaning for tax reduction is really hidden within this number.
- Of the decline of 3.3 percent of GDP, a decline of 0.9 percent of GDP reflects the removal of the import surcharge, a decline of 0.6 percent of GDP reflects a decline in non-tax revenue (mainly as a result of the sale of the Gas company), but improved tax administration is assumed to raise revenue by 0.4 percent of GDP.
- This means that the remaining decline in the revenue-to-GDP ratio reflects true tax cuts. This corresponds to a cut in the corporate income tax to 25 percent in this scenario, and a cut in the social security contribution rate to only 45 percent.
- To reduce the social security contribution rate by significantly more would be clearly desirable from the standpoint of reducing unemployment.
- To make room for further tax cuts would require additional reductions in expenditure.

Other Tensions Would Arise on Various Fronts

- EU accession (costs are estimated at 1.2 percent of GDP annually, in the case of Hungary; in the case of the Czech Republic, total environmental costs have been estimated at about 3 percent of GDP).
- On top of this, NATO accession.
- Redemption of NPF bonds.

Accommodating these costs within the fiscal targets would require additional measures elsewhere.

You all have some challenging tasks ahead.

Table A1. Slovak Republic: Gross Domestic Product, Current Prices

	1993	1994	1995	1996	1997	1998	1999
			(In billions of koruny)				
Domestic demand	389.5	417.6	507.4	636.2	721.4	797.5	818.8
Consumption	288.5	315.8	360.8	409.5	468.5	514.8	555.5
Private	196.2	221.9	252.7	286.1	322.3	360.1	395.4
Public, including NPISH 1/	92.3	93.9	108.1	123.4	146.2	154.7	160.1
Investment	101.0	101.8	146.6	226.7	252.9	282.7	263.3
Fixed investment	120.7	129.4	141.5	212.7	252.7	292.4	257.3
Change in stocks	-19.7	-27.6	5.1	14.0	0.2	-9.7	6.0
Non-government	...	81.9	121.4	191.8	207.0	238.7	234.4
Government	...	19.9	25.2	34.9	45.9	44.0	28.9
Net exports of goods and nfs	-20.4	22.9	9.4	-60.5	-67.5	-80.1	-39.5
Exports of goods and nfs	227.8	286.6	325.8	334.0	396.9	456.8	504.9
Imports of goods and nfs	248.2	263.7	316.4	394.5	464.4	536.9	544.4
Gross domestic product at market prices	369.1	440.5	516.8	575.7	653.9	717.4	779.3
			(In percent of GDP)				
Domestic demand	105.5	94.8	98.2	110.5	110.3	111.2	105.1
Consumption	78.2	71.7	69.8	71.1	71.6	71.8	71.3
Private	53.2	50.4	48.9	49.7	49.3	50.2	50.7
Non Profit Institutions Serving Households	0.5	0.5	0.6	0.4	0.4	0.4	0.4
Public	24.5	20.8	20.3	21.0	21.9	21.2	20.2
Investment	27.4	23.1	28.4	39.4	38.7	39.4	33.8
Fixed investment	32.7	29.4	27.4	36.9	38.6	40.8	33.0
Change in stocks	-5.3	-6.3	1.0	2.4	0.0	-1.4	0.8
Private	...	18.6	23.5	33.3	31.7	33.3	30.1
Government	...	4.5	4.9	6.1	7.0	6.1	3.7
Net exports of goods and non factor services	-5.5	5.2	1.8	-10.5	-10.3	-11.2	-5.1
Exports of goods and non factor services	61.7	65.1	63.0	58.0	60.7	63.7	64.8
Imports of goods and non factor services	67.2	59.9	61.2	68.5	71.0	74.8	69.9

Sources: Slovak Statistical Office; and staff estimates.

1/ Non Profit Institutions Serving Households.

Table A2. Slovak Republic: Gross Domestic Product, Constant Prices of 1995

	1993	1994	1995	1996	1997	1998	1999
				(In billions of koruny)			
Domestic demand	483.6	456.1	507.4	597.4	631.2	656.9	628.6
Consumption	362.6	349.4	360.8	391.0	417.2	431.8	433.7
Private	244.4	244.4	252.7	270.2	287.1	301.3	302.7
Public, including NPISH 1/	118.2	105.0	108.1	120.8	130.1	130.5	131.0
Investment	121.0	106.7	146.6	206.4	214.0	225.1	194.9
Fixed investment	140.9	134.4	141.5	197.8	226.4	251.2	205.5
Change in stocks	-19.9	-27.7	5.1	8.6	-12.4	-26.1	-10.6
Net exports of goods and non factor services	-22.8	27.3	9.4	-46.6	-44.4	-44.2	-4.1
Exports of goods and non factor services	276.7	316.0	325.8	324.9	371.0	410.9	439.7
Imports of goods and non factor services	299.5	288.7	316.4	371.5	415.4	455.1	443.8
Gross domestic product at market prices	460.8	483.4	516.8	550.8	586.8	612.7	624.5
				(Annual percentage change)			
Domestic demand		-5.7	11.2	17.7	5.7	4.1	-4.3
Consumption		-3.6	3.3	8.4	6.7	3.5	0.4
Private		0.0	3.4	6.9	6.3	4.9	0.5
Public		-11.2	3.0	11.8	7.7	0.3	0.4
Investment		-11.8	37.4	40.8	3.7	5.2	-13.4
Fixed investment		-4.6	5.3	39.8	14.5	11.0	-18.2
Change in stocks		...	...	...	...	...	...
Exports of goods and non factor services		14.2	3.1	-0.3	14.2	10.8	7.0
Imports of goods and non factor services		-3.6	9.6	17.4	11.8	9.6	-2.5
GDP at market prices		4.9	6.9	6.6	6.5	4.4	1.9

Sources: Slovak Statistical Office; and staff estimates.

1/ Non Profit Institutions Serving Households

Table A3. Slovak Republic: Gross Domestic Product by Sectors, Constant Prices

	1995	1996	1997	1998	1999
			(In billions of 1995 koruny)		
Gross domestic product	516.8	550.8	586.8	612.7	624.5
Agriculture	28.8	28.6	28.8	28.5	30.4
Industry	166.3	167.1	171.0	172.5	186.1
Mining and quarrying	5.1	6.1	6.1	6.4	7.4
Manufacturing, *of which:*	139.5	138.1	143.1	149.9	153.5
Food	23.4	24.5	23.8	25.0	26.9
Chemicals and plastics	34.0	31.4	33.0	32.6	29.5
Metal products	19.1	19.2	20.4	19.2	19.2
Machinery and vehicles	25.5	27.6	29.8	34.9	39.7
Electricity, water and gas	21.8	22.9	21.8	16.3	25.2
Construction	23.7	23.7	27.3	25.3	17.624
Services	298.0	331.5	359.6	386.4	390.3
Market services	198.6	230.6	252.4	275.6	280.8
Transportation	32.1	33.6	33.8	36.6	35.9
Communications	10.9	14.4	16.2	18.0	19.1
Wholesale and retail trade	92.9	120.9	126.7	133.0	133.1
Other market services	62.6	61.7	75.7	87.1	92.8
Non-market services	63.4	66.2	74.6	78.2	77.0
Other 1/	36.0	34.6	32.7	32.6	32.4
			(In percent of GDP)		
Agriculture	5.6	5.2	4.9	4.7	4.9
Industry	32.2	30.3	29.1	28.2	29.8
Mining and quarrying	1.0	1.1	1.0	1.0	1.2
Manufacturing	27.0	25.1	24.4	24.5	24.6
Food	4.5	4.5	4.1	4.1	4.3
Chemicals and plastics	6.6	5.7	5.6	5.3	4.7
Metal products	3.7	3.5	3.5	3.1	3.1
Machinery and vehicles	4.9	5.0	5.1	5.7	6.4
Electricity, water and gas	4.2	4.2	3.7	2.7	4.0
Construction	4.6	4.3	4.7	4.1	2.8
Services	57.7	60.2	61.3	63.1	62.5
Market services	38.4	41.9	43.0	45.0	45.0
Transportation	6.2	6.1	5.8	6.0	5.7
Communications	2.1	2.6	2.8	2.9	3.1
Wholesale and retail trade	18.0	22.0	21.6	21.7	21.3
Other market services	12.1	11.2	12.9	14.2	14.9
Non-market services	12.3	12.0	12.7	12.8	12.3
Other 1/	7.0	6.3	5.6	5.3	5.2

Sources: Slovak Statistical Office; and staff estimates.

1/ Imputed banking services charges, indirect taxes, and own supplies.

Table A4. Slovak Republic: Gross Domestic Product by Sectors, Current Prices

	1993	1994	1995	1996	1997	1998	1999
			(In billions of koruny)				
Gross domestic product	369.9	441.3	516.8	575.7	653.9	717.4	779.3
Agriculture	17.3	29.3	28.8	29.9	31.6	31.6	33.2
Industry	113.1	125.8	166.4	172.9	184.1	191.3	215.6
Mining and quarrying	4.6	3.8	5.1	6.0	6.1	6.3	7.5
Manufacturing, *of which:*	72.7	106.4	139.5	144.2	154.6	166.7	178.1
Food	8.4	12.6	23.4	25.6	26.4	29.3	32.2
Chemicals and plastics	14.2	18.6	34.0	33.9	36.9	36.9	36.9
Metal products	12.4	14.7	19.0	20.8	22.0	21.5	21.4
Machinery and vehicles	15.7	19.2	25.5	28.5	31.7	38.4	45.6
Electricity, water and gas	35.8	15.6	21.8	22.7	23.5	18.3	30.0
Construction	17.5	20.1	23.7	27.3	34.5	35.5	31.3
Services	222.0	266.1	297.9	345.6	411.9	459.1	499.2
Market services	156.6	191.2	198.5	240.5	289.5	332.5	364.9
Transportation	22.5	29.9	32.1	33.6	3.5	39.4	44.6
Communications	7.2	8.3	10.9	14.4	17.2	20.5	23.6
Wholesale and retail trade	96.1	115.7	92.9	127.9	142.2	158.0	168.6
Other market services	30.8	37.3	62.6	64.6	94.2	114.6	128.0
Non-market services	49.0	53.1	63.4	69.6	90.7	90.7	94.3
Other 1/	16.4	21.8	36.0	35.5	31.7	35.9	40.0
			(In percent of GDP)				
Agriculture	4.7	6.6	5.6	5.2	4.8	4.4	4.3
Industry	30.6	28.5	32.2	30.0	28.2	26.7	27.7
Mining and quarrying	1.2	0.9	1.0	1.0	0.9	0.9	1.0
Manufacturing	19.7	24.1	27.0	25.0	23.6	23.2	22.9
Food	2.3	2.9	4.5	4.4	4.0	4.1	4.1
Chemicals and plastics	3.8	4.2	6.6	5.9	5.6	5.1	4.7
Metal products	3.4	3.3	3.7	3.6	3.4	3.0	2.7
Machinery and vehicles	4.2	4.4	4.9	5.0	4.9	5.3	5.8
Electricity, water and gas	9.7	3.5	4.2	3.9	3.6	2.5	3.9
Construction	4.7	4.6	4.6	4.7	5.3	4.9	4.0
Services	60.0	60.3	57.6	60.0	63.0	64.0	64.1
Market services	42.3	43.3	38.4	41.8	44.3	46.4	46.8
Transportation	6.1	6.8	6.2	5.8	0.5	5.5	5.7
Communications	1.9	1.9	2.1	2.5	2.6	2.9	3.0
Wholesale and retail trade	26.0	26.2	18.0	22.2	21.7	22.0	21.6
Other market services	8.3	8.5	12.1	11.2	14.4	16.0	16.4
Non-market services	13.2	12.0	12.3	12.1	13.9	12.6	12.1
Other 1/	4.4	4.9	7.0	6.2	4.9	5.0	5.1

Sources: Slovak Statistical Office; and staff estimates.

1/ Imputed banking services charges, indirect taxes, and own supplies.

Table A5. Slovak Republic: Investment by Sector

	1993	1994	1995	1996	1997	1998	1999
			(In billions of koruny)				
Total investment, national accounts	101.0	101.8	146.6	226.7	252.9	282.7	263.3
Total	126.1	135.7	163.0	242.3	281.3	318.3	277.1
Agriculture	4.9	6.1	6.4	8.4	9.9	9.8	7.5
Industry	57.0	57.1	65.7	85.5	95.3	125.5	100.1
Mining and quarrying	2.1	2.4	4.2	6.8	6.9	3.6	1.6
Manufacturing	37.8	28.0	34.8	48.9	56.0	69.6	70.8
Electricity, water and gas	17.1	26.7	26.7	29.8	32.4	52.3	27.7
Construction	4.1	5.0	5.1	7.1	8.0	7.6	4.7
Services	60.1	67.5	85.8	141.3	168.1	175.4	164.8
Market Services	41.5	49.8	61.0	95.2	115.6	119.9	121.8
Financial intermediation	10.0	13.4	17.1	25.0	25.8	26.7	27.5
Real estate	14.1	13.5	14.5	20.3	25.5	27.4	32.8
Trade and repairs	4.5	6.3	7.7	14.9	22.8	27.1	34.2
Hotels and restaurants	1.1	1.0	1.5	2.9	3.2	2.6	3.0
Transport and communications	11.8	15.6	20.2	32.1	38.3	36.1	24.3
Non-Market Services	18.6	17.7	24.8	46.1	52.6	55.5	43.0
Public administration and defense	5.6	6.4	9.7	25.2	29.2	30.7	22.9
Education	2.2	2.3	4.1	6.0	6.5	6.9	5.5
Health and social work	3.4	3.5	5.0	7.5	8.6	8.6	6.1
Other social services	7.4	5.5	6.0	7.4	8.2	9.3	8.5
			(In percent of total)				
Buildings	45.9	44.7	45.5	40.6	41.6	40.3	39.1
Machinery	46.8	47.1	47.8	47.9	49.5	51.9	53.1
Other	7.3	8.2	6.7	11.5	8.9	7.8	7.8
Memorandum items (in billion Sk, unless otherwise indicated):							
Public	78.4	69.5	79.9	120.0	128.3	135.2	100.8
(in percent of total investment)	62.2	51.2	49.0	49.5	45.6	42.4	36.4
Private	47.7	66.2	83.1	122.3	153.0	183.1	176.3
(in percent of total investment)	37.8	48.8	51.0	50.5	54.4	57.6	63.6

Source: Slovak Statistical Office.

Table A6. Slovak Republic: Employment by Sector

	1991	1992	1993	1994	1995	1996	1997	1998	1999
				(In thousands)					
Total economy 1/	2,008.0	2,013.0	2,012.0	1,977.0	2,020.0	2,036.0	2,041.0	2,032.0	1,988.2
Enterprises with 20 and more employees 2/	1,818.0	1,646.0	1,606.0	1,515.0	1,503.0	1,488.0	1,448.0	1,436.0	1388.0
Agriculture	297.0	245.0	209.0	183.0	171.0	157.0	140.0	126.0	111.0
Industry	656.0	576.0	547.0	517.0	522.0	514.0	497.0	484.0	460.0
Mining and quarrying	34.0	30.0	24.0	21.0	20.0	21.0	21.0	20.0	17.0
Manufacturing	583.0	508.0	478.0	451.0	458.0	449.0	431.0	417.0	395.0
Electricity, water and gas	39.0	38.0	45.0	45.0	44.0	44.0	45.0	47.0	48.0
Construction	151.0	128.0	106.0	93.0	88.0	86.0	85.0	83.0	70.0
Services	328.0	292.0	330.0	312.0	300.0	307.0	306.0	314.0	319.0
Financial services and insurance	12.0	15.0	20.0	25.0	27.0	31.0	33.0	34.0	35.0
Real estate	84.0	77.0	69.0	62.0	60.0	63.0	61.0	63.0	65.0
Trade and repairs	131.0	101.0	88.0	78.0	69.0	72.0	74.0	79.0	83.0
Hotels and restaurants	15.0	14.0	12.0	11.0	11.0	11.0	11.0	12.0	12.0
Transport and communications	86.0	85.0	141.0	136.0	133.0	130.0	127.0	126.0	124.0
State administration	386.0	405.0	414.0	410.0	422.0	424.0	420.0	429.0	428.0
Administration	47.0	59.0	77.0	71.0	78.0	81.0	84.0	84.0	81.0
Education	184.0	184.0	169.0	172.0	174.0	175.0	174.0	179.0	180.0
Health	117.0	126.0	129.0	127.0	122.0	114.0	110.0	114.0	117.0
Other social services	38.0	36.0	39.0	40.0	48.0	54.0	52.0	52.0	50.0
Enterprises with up to 19 employees 3/	6.0	47.0	83.0	107.0	157.0	167.0	155.0	154.0	155.0
Private entrepreneurs 4/	184.0	320.0	323.0	355.0	360.0	381.0	438.0	442.0	445.0
				(In percent of total employment)					
Total economy	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Enterprises with 20 and more employees 2/	90.5	81.8	79.8	76.6	74.4	73.1	70.9	70.7	69.8
Agriculture	14.8	12.2	10.4	9.3	8.5	7.7	6.9	6.2	5.6
Industry	32.7	28.6	27.2	26.2	25.8	25.2	24.4	23.8	23.1
Mining and quarrying	1.7	1.5	1.2	1.1	1.0	1.0	1.0	1.0	0.9
Manufacturing	29.0	25.2	23.8	22.8	22.7	22.1	21.1	20.5	19.9
Electricity, water and gas	1.9	1.9	2.2	2.3	2.2	2.2	2.2	2.3	2.4
Construction	7.5	6.4	5.3	4.7	4.4	4.2	4.2	4.1	3.5
Services	16.3	14.5	16.4	15.8	14.9	15.1	15.0	15.5	16.0
Financial services and insurance	0.6	0.7	1.0	1.3	1.3	1.5	1.6	1.7	1.8
Real estate	4.2	3.8	3.4	3.1	3.0	3.1	3.0	3.1	3.3
Trade and repairs	6.5	5.0	4.4	3.9	3.4	3.5	3.6	3.9	4.2
Hotels and restaurants	0.7	0.7	0.6	0.6	0.5	0.5	0.5	0.6	0.6
Transport and communications	4.3	4.2	7.0	6.9	6.6	6.4	6.2	6.2	6.2
State administration	19.2	20.1	20.6	20.7	20.9	20.8	20.6	21.1	21.5
Administration	2.3	2.9	3.8	3.6	3.9	4.0	4.1	4.1	4.1
Education	9.2	9.1	8.4	8.7	8.6	8.6	8.5	8.8	9.1
Health	5.8	6.3	6.4	6.4	6.0	5.6	5.4	5.6	5.9
Other social services	1.9	1.8	1.9	2.0	2.4	2.7	2.5	2.6	2.5
Enterprises with up to 19 employees 3/	0.3	2.3	4.1	5.4	7.8	8.2	7.6	7.6	7.8
Private entrepreneurs 4/	9.2	15.9	16.1	18.0	17.8	18.7	21.5	21.8	22.4

Sources: Slovak Statistical Office; and staff estimates.

1/ Average number of employed, including persons employed by entrepreneurs and entrepreneurs themselves, excluding women on maternity leave, apprentices and armed forces.
2/ Untill 1996, the data is for enterprises with 25 and more employees.
3/ Until 1996, the data is for enterprises with up to 24 employees.
4/ Estimate.

Table A7. Slovak Republic: Average Monthly Wages

	1991	1992	1993	1994	1995	1996	1997	1998	1999
					(In koruny)				
Total economy 1/	3,770	4,543	5,379	6,294	7,195	8,154	9,226	10,003	10,728
Enterprises with more than 20 employees 2/	3,776	4,483	5,275	6,160	7,144	8,221	9,356	10,212	10,945
Agriculture	3,771	4,149	4,556	5,191	5,835	6,579	7,363	7,930	8,541
Industry	3,836	4,535	5,496	6,464	7,477	8,508	9,527	10,371	11,349
Mining and quarrying	4,445	5,458	6,482	7,383	8,621	9,382	10,485	11,053	12,008
Manufacturing	3,757	4,370	5,234	6,193	7,194	8,230	9,197	10,001	10,940
Electricity, water and gas	4,480	6,006	7,767	8,766	9,905	10,902	12,212	13,371	14,515
Construction	3,845	4,617	5,533	6,502	7,489	8,722	9,970	10,619	10,854
Services	3,653	4,458	5,583	6,775	8,012	9,525	10,971	12,109	13,087
Financial services and insurance	5,260	7,667	10,386	11,770	13,529	15,328	17,886	19,487	20,169
Real estate	3,733	4,516	5,559	6,642	7,883	9,648	10,710	11,970	12,933
Trade and repairs	3,386	4,049	4,848	5,748	6,848	8,600	10,094	11,122	12,150
Hotels and restaurants	3,169	3,843	4,474	5,192	5,746	6,958	7,743	8,363	9,087
Transport and communications	3,840	4,427	5,467	6,634	7,742	8,810	10,089	11,163	12,184
State administration	3,758	4,584	5,035	5,671	6,576	7,442	8,573	9,241	9,546
Administration	4,189	5,110	6,179	7,350	8,350	9,818	11,240	12,362	13,005
Education	3,547	4,448	4,706	5,157	6,205	7,005	7,771	8,247	8,459
Health	3,942	4,605	4,813	5,443	6,274	6,947	8,373	8,674	8,693
Other social services	3,683	4,342	4,933	5,626	5,805	6,337	7,372	8,866	9,853
Enterprises up to 19 employees 3/	2,844	5,118	6,675	9,039	9,074	9,722	11,528	11,422	12,070
Private entrepreneurs 4/	4,000	4,950	5,850	5,900	6,300	6,773	7,454	8,262	8,970
Memorandum item:									
Minimum wage	2,000	2,200	2,450	2,450	2,450	2,700	2,700	3,000	3,600

Sources: Slovak Statistical Office, and staff estimates.

1/ Since 1997, the payout associated with profit sharing is not included in the average monthly wage, and, as of January 1998, rewards for standby services are excluded to
2/ In 1997, for enterprises with 20 or more employees
3/ Until 1996, for enterprises up to 24 employees
4/ Estimate.

Table A8. Slovak Republic: Unemployment and Vacancies

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999 1/
					(In thousands, end of period)					
Population 1/	5,309	5,289	5,308	5,336	5,356	5,375	5,381	5,388	5,393	5,399
Labor force	2,533	2,559	2,503	2,556	2,510	2,544	2,576	2,786	2,607	2,662
Employment	2,495	2,257	2,064	1,950	1,976	2,022	2,049	2,439	2,048	2,004
Unemployment 2/ 3/	38	302	260	368	371	333	330	348	407	511
Receiving benefits 2/	25	246	87	123	85	90	94	93	120	145
Receiving social allowances 2/	...	...	121	140	172	147	135	...	...	...
Vacancies 2/	14.6	8.2	16.0	8.0	13.0	15.0	14.0	19.0	11.0	5.7
					(In percent)					
Participation rate 2/	47.7	48.4	47.2	47.9	46.9	47.3	47.9	51.7	48.3	49.3
Unemployment rate 2/ 4/	1.5	11.8	10.4	14.4	14.8	13.1	12.8	12.5	15.6	19.2
Vacancy rate 2/	0.6	0.3	0.6	0.3	0.5	0.6	0.5	0.7	0.4	0.2

Sources: Statistical Office of the Slovak Republic; and National Labour Office.

1/ Preliminary.
2/ Data from the National Labor Office.
3/ From 1997 onwards, the data refers to the number of unemployed available for work.
4/ From 1997 onwards, the data is calculated based on the number of unemployed available for work.

Table A9. Slovak Republic: Profits and Losses of Enterprises 1/

	Profits				Loss				Net			
	1996	1997	1998	1999	1996	1997	1998	1999	1996	1997	1998	1999
	(In billions of koruny)											
Total economy	92.5	89.3	80.3	126.3	-46.6	-48.5	-66.5	-77.1	45.9	40.8	13.8	49.2
Total economy, without financial services	67.0	71.6	58.2	73.2	-33.0	-39.3	-52.8	-50.7	34.0	32.3	5.4	22.5
Agriculture	1.6	2.5	1.7	1.8	-4.2	-3.5	-3.1	-3.8	-2.6	-1.0	-1.4	-2.0
Industry	39.7	39.4	32.7	42.6	-19.6	-23.8	-30.3	-21.9	20.1	15.6	2.4	20.7
Mining and quarrying	1.1	1.1	0.9	0.9	-0.3	-0.7	-0.3	-0.4	0.8	0.4	0.6	0.5
Manufacturing	18.9	22.2	20.7	26.2	-19.2	-22.7	-29.1	-21.2	-0.3	-0.5	-8.4	5.0
Electricity, water and gas	19.7	16.1	11.1	15.5	-0.1	-0.4	-0.9	-0.3	19.6	15.7	10.2	15.2
Construction	3.5	4.1	3.2	3.1	-1.1	-0.9	-2.0	-2.4	2.4	3.2	1.2	0.7
Services	47.7	43.3	42.7	78.8	-21.7	-20.3	-31.1	-49.0	26.0	23.0	11.6	29.8
Services, without financial services	22.2	25.6	20.6	25.7	-8.1	-11.1	-17.4	-22.6	14.1	14.5	3.2	3.1
Trade and repairs	8.7	11.1	10.1	12.4	-2.7	-2.6	-5.4	-11.0	6.0	8.5	4.7	1.4
Hotels and restaurants	0.5	0.3	0.4	0.6	-0.3	-0.3	-0.4	-0.4	0.2	0.0	0.0	0.2
Transport and communications	7.0	8.7	4.6	6.2	-2.7	-5.8	-8.2	-7.4	4.3	2.9	-3.6	-1.2
Financial services 2/	25.5	17.7	22.1	53.1	-13.6	-9.3	-13.7	-26.4	11.9	8.5	8.4	26.7
Real estate	5.1	4.2	3.8	5.0	-1.1	-1.2	-2.6	-2.7	4.0	3.0	1.2	2.3
Other services	0.9	1.3	1.7	1.5	-1.3	-1.2	-0.8	-1.1	-0.4	0.1	0.9	0.4

Source: Statistical Office of the Slovak Republic.

1/ Enterprises with 20 or more employees including subsidized public organizations.

2/ Data for financial intermediaries refer to all enterpirses, rather than only to enterprises with 25 or more employees

Table A10. Slovak Republic: Number of Enterprises 1/

	1995	1996	1997	1998	1999 2/
Total economy	43,636	47,866	53,819	60,334	58,333
Agriculture	1,931	3,603	3,682	3,642	3,419
Industry	7,476	7,718	8,463	9,196	8,876
Mining and quarrying	80	88	99	105	99
Manufacturing	7,318	7,541	8,264	8,948	8,639
Electricity, water and gas	78	89	100	143	138
Services	34,229	36,545	41,674	47,496	46,038
Financial services and insurance	674	601	563	529	546
Real estate	6,060	6,916	8,205	9,803	10,206
Trade and repairs	20,266	21,232	24,114	27,254	25,392
Hotels and restaurants	1,101	1,157	1,307	1,487	1,462
Transport and communications	1,613	1,437	1,679	1,926	1,864
Other	4,515	5,202	5,806	6,497	6,658
Private enterprises	42,054	46,185	52,362	58,970	57,137
Public enterprises	1,581	1,681	1,457	1,364	1,196
			(In percent of total)		
Private enterprises	96.4	96.5	97.3	97.7	97.9
Public enterprises	3.6	3.5	2.7	2.3	2.1

Source: Statistical Office of the Slovak Republic.

1/ Profit-oriented organization, included subsidized ones, for which revenues exceed 50 percent of costs reported.
2/ Estimate.

Table A11. Slovak Republic: Electricity Production and Consumption

	1995	1996	1997	1998	1999
	(In millions of kilowatt hours)				
Production	26,306	25,278	24,822	25,465	...
Thermal	9,561	9,396	9,537	9,221	...
Hydro	5,226	4,533	4,358	4,567	...
Nuclear	11,437	11,261	10,797	11,394	...
Other	82	88	130	283	...
Exports	2,065	698	374	157	...
Imports	3,448	4,220	4,429	1,447	...
Losses	1,715	1,627	2,082	2,039	...
Domestic consumption	21,730	23,479	22,840	21,020	...
Agriculture	904	854	1,136	844	...
Industry 2/	8,940	10,334	9,870	9,265	...
Households	4,998	5,451	5,507	5,619	...
Other	6,888	6,840	6,327	5,292	...
	(In percent of production)				
Production	100.0	100.0	100.0	100.0	...
Thermal	36.3	37.2	38.4	36.2	...
Hydro	19.9	17.9	17.6	17.9	...
Nuclear	43.5	44.5	43.5	44.7	...
Other	0.3	0.3	0.5	1.1	...
Exports	7.8	2.8	1.5	0.6	...
Imports	13.1	16.7	17.8	5.7	...
Losses	6.5	6.4	8.4	8.0	...
Domestic consumption	82.6	92.9	92.0	82.5	...
Agriculture	3.4	3.4	4.6	3.3	...
Industry 1/	34.0	40.9	39.8	36.4	...
Households	19.0	21.6	22.2	22.1	...
Other	26.2	27.1	25.5	20.8	...

Source: Statistical Office of the Slovak Republic.

1/ Excluding construction

Table A12. Slovak Republic: Agricultural Production

	1994	1995	1996	1997	1998	1999
Vegetable products (in thousands of tons)						
Grain, *of which:*	3,700	3,490	3,322	3,741	3,488	2,829
Wheat	2,145	1,938	1,713	1,886	1,789	1,187
Rye	96	89	71	84	96	70
Barley	874	794	718	687	875	724
Corn	521	597	750	819	637	779
Sugar beets	1,112	1,176	1,713	1,688	1,331	1,405
Potatoes	399	441	777	504	412	385
Animal production						
Meat (in thousands of tons)	417	398	410	412	375	352
Beef	122	108	111	116	104	90
Veal	5	3	4	5	4	3
Pork	290	287	295	291	267	259
Milk (in millions of liters)	1,155	1,151	1,125	1,116	1,142	1,073
Eggs (in millions)	1,606	1,608	1,618	1,579	1,544	1,166

Source: Slovak Statistical Office.

Table A13. Slovak Republic: GDP Deflator

	1993	1994	1995	1996	1997	1998	1999
			(1995 = 100)				
Domestic demand	80.5	91.6	100.0	106.5	114.3	121.4	130.3
Consumption	79.6	90.4	100.0	104.7	112.3	119.2	128.1
Private	80.3	90.8	100.0	105.9	112.3	119.5	130.6
Public	78.1	89.4	100.0	102.1	112.4	118.5	122.2
Investment	83.5	95.4	100.0	109.8	118.2	125.6	135.1
Fixed investment	85.7	96.3	100.0	107.5	111.6	116.4	125.2
Change in stocks	...	...	...	...	...	...	...
Net exports of goods and non factor service	89.5	83.9	100.0	129.8	152.0	181.2	963.4
Exports of goods and non factor services	82.3	90.7	100.0	102.8	107.0	111.2	114.8
Imports of goods and non factor services	82.9	91.3	100.0	106.2	111.8	118.0	122.7
Gross domestic product at market prices	80.1	91.1	100.0	104.5	111.4	117.1	124.8
			(Annual percentage change)				
Domestic demand	...	13.7	9.2	6.5	7.3	6.2	7.3
Consumption	...	13.6	10.6	4.7	7.2	6.2	7.4
Private	...	13.1	10.1	5.9	6.0	6.5	9.3
Public	...	14.5	11.8	2.1	10.0	5.5	3.1
Investment	...	14.3	4.8	9.8	7.6	6.3	7.6
Fixed investment	...	12.4	3.9	7.5	3.8	4.3	7.6
Change in stocks	...	...	...	...	...	...	...
Net exports of goods and non factor service	...	...	...	...	...	...	...
Exports of goods and non factor services	...	10.2	10.3	2.8	4.1	3.9	3.3
Imports of goods and non factor services	...	10.2	9.5	6.2	5.3	5.5	4.0
Gross domestic product at market prices	...	13.8	9.7	4.5	6.6	5.1	5.0

Source: Fund staff estimates.

Table A14. Slovak Republic: Consumer Price Index

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total	106.6	171.2	188.6	232.0	263.7	290.1	306.8	325.5	347.3	384.3
Food	110.5	163.4	174.5	212.0	246.8	275.9	287.1	302.6	319.5	...
Non-food	103.6	184.5	202.6	243.8	275.4	298.8	319.3	338.5	360.8	...
Services	103.8	146.7	176.8	226.5	251.4	273.9	289.7	310.0	335.1	...
Public catering	109.3	169.2	180.8	244.8	277.4	310.3	327.9	339.7	359.1	...
Total	...	60.6	10.2	23.0	13.7	10.0	5.8	6.1	6.7	10.7
Food	...	47.9	6.8	21.5	16.4	11.8	4.1	5.4	5.6	...
Non-food	...	78.1	9.8	20.3	13.0	8.5	6.9	6.0	6.6	...
Services	...	41.3	20.5	28.1	11.0	8.9	5.8	7.0	8.1	...
Public catering	...	54.8	6.9	35.4	13.3	11.9	5.7	3.6	5.7	...

Source: Statistical Office of the Slovak Republic.

Table A15. Slovak Republic: Producer Prices and Energy Prices

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
					(1995 = 100)					
Agriculture	68.6	71.6	76.3	87.4	96.8	100.0	105.4	111.3	111.0	109.0
Plant products	70.4	74.0	77.8	93.3	98.1	100.0	109.9	116.8	109.6	106.0
Animal products	67.2	69.8	75.1	83.1	95.9	100.0	102.1	108.1	111.7	110.4
					(December 1995 = 100)					
Industry	39.4	66.5	70.0	81.9	90.0	98.1	102.2	106.8	110.3	114.5
Mining and quarrying	...	76.3	80.2	91.5	96.5	106.1	103.2	105.7	106.2	108.2
Manufacturing	...	65.6	68.6	80.7	89.8	98.2	102.6	106.8	110.1	113.8
Electricity, gas and water	...	81.0	93.5	102.3	95.8	99.6	99.3	106.9	111.8	118.5
					(Average of 1995 = 100)					
Construction										
Works	41.5	57.7	62.7	77.8	86.3	96.7	111.2	122.0	132.7	147.3
Materials	39.5	64.7	69.3	78.7	85.9	96.4	103.5	111.4	119.4	121.6
					(Annual percentage change)					
Agriculture	...	4.4	6.6	14.5	10.8	3.3	5.4	5.6	-0.3	-1.8
Industry	...	68.8	5.3	17.0	9.9	9.0	4.2	4.5	3.3	3.8
Construction works	...	39.0	8.7	24.1	10.9	12.1	15.0	9.7	8.8	11.0
					(In koruny per unit)					
Petroleum products										
Gasoline, 91 octane (liter)	10.47	16.00	16.22	18.68	18.68	18.35	19.76	21.27	21.22	...
Gasoline, 95 octane (liter)	11.78	18.00	18.22	19.55	19.50	19.45	20.86	22.33	22.05	...
Diesel (liter)	9.49	15.00	14.68	15.91	15.80	17.11	18.52	21.02	20.60	...
Electricity (MWh)										
Households	497.0	845.0	845.0	1,018.0	1,018.0	...	...	...	...	...
Enterprises	840.0	1,433.0	1,433.0	1,455.0	1,455.0	...	...	...	...	...
Natural gas (1000 m3)										
Households	900.0	2,075.0	2,075.0	2,190.0	2,190.0	...	...	...	...	...
Enterprises	2,530.0	3,350.0	3,350.0	3,550.0	3,550.0	...	...	...	...	...
Central Heating										
Households	21.0	89.0	89.0	120.0	140.0	140.0	140.0	140.0 1/	165.0 2/	200.0 3/
Enterprises	140.0	180.0	197.0	200.0	200.0	...	...	...	...	...

Source: Statistical Office of the Slovak Republic.

1/ From August 1, 1997, the price was Sk 150 per unit.
2/ From January 1, 1998.
3/ From July 1, 1999, the price was Sk 290 per unit.

Table A16. Slovak Republic: General Government Revenue, 1995–99

	In billions of koruny					In percent of GDP					In percent of total				
	1995	1996	1997	1998	1999 Estimate	1995	1996	1997	1998	1999 Estimate	1995	1996	1997	1998	1999 Estimate
Total revenue	251.7	274.5	293.4	304.1	335.7	48.7	47.7	44.9	42.4	43.1	100.0	100.0	100.0	100.0	100.0
Tax revenue	217.1	236.4	251.3	266.1	275.0	42.0	41.1	38.4	37.1	35.3	86.3	86.1	85.7	87.5	81.9
Indirect taxes	72.3	70.3	76.8	78.3	84.1	14.0	12.2	11.7	10.9	10.8	28.7	25.6	26.2	25.8	25.1
VAT	52.3	48.7	54.9	55.3	58.9	10.1	8.5	8.4	7.7	7.6	20.8	17.7	18.7	18.2	17.6
Excise taxes	20.0	21.6	21.9	23.1	25.2	3.9	3.8	3.4	3.2	3.2	7.9	7.9	7.5	7.6	7.5
Direct taxes	58.5	64.9	61.0	68.5	69.3	11.3	11.3	9.3	9.6	8.9	23.2	23.6	20.8	22.5	20.6
Corporate income tax	35.2	34.8	24.4	26.0	23.2	6.8	6.0	3.7	3.6	3.0	14.0	12.7	8.3	8.6	6.9
Personal income tax	23.2	30.1	36.6	42.5	46.1	4.5	5.2	5.6	5.9	5.9	9.2	11.0	12.5	14.0	13.7
Wage income	15.7	20.3	25.6	29.5	31.6	3.0	3.5	3.9	4.1	4.1	6.2	7.4	8.7	9.7	9.4
Entrepreneurial income	3.6	4.7	5.3	5.4	4.6	0.7	0.8	0.8	0.7	0.6	1.4	1.7	1.8	1.8	1.4
Capital income	3.9	5.1	5.7	7.6	9.8	0.8	0.9	0.9	1.1	1.3	1.6	1.8	1.9	2.5	2.9
Import duties and surcharge	8.8	9.9	12.8	11.7	12.5	1.7	1.7	2.0	1.6	1.6	3.5	3.6	4.4	3.8	3.7
Road tax	1.5	1.5	2.5	2.6	2.8	0.3	0.3	0.4	0.4	0.4	0.6	0.6	0.9	0.9	0.8
Other taxes	4.2	4.8	4.2	4.5	4.9	0.8	0.8	0.6	0.6	0.6	1.7	1.7	1.4	1.5	1.5
Social security contributions	71.9	85.0	94.0	100.5	101.3	13.9	14.8	14.4	14.0	13.0	28.6	31.0	32.0	33.0	30.2
Nontax revenue	34.6	38.1	42.1	38.0	60.7	6.7	6.6	6.4	5.3	7.8	13.7	13.9	14.3	12.5	18.1
Budgetary and subsidized organizations	11.9	1.8	2.2	5.3	4.2	2.3	0.3	0.3	0.7	0.5	4.7	0.6	0.8	1.7	1.3
Interest	0.9	1.2	0.7	1.2	1.3	0.2	0.2	0.1	0.2	0.2	0.3	0.4	0.2	0.4	0.4
Fees and fines	3.9	7.1	5.6	5.1	7.8	0.8	1.2	0.9	0.7	1.0	1.6	2.6	1.9	1.7	2.3
NBS profits	1.4	2.4	1.1	1.0	27.7	0.3	0.4	0.2	0.1	3.6	0.6	0.9	0.4	0.3	8.3
Other	16.4	25.7	32.5	25.4	19.6	3.2	4.5	5.0	3.5	2.5	6.5	9.4	11.1	8.4	5.8

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

Table A17. Slovak Republic: General Government Expenditure, 1995-99

	In billions of koruny					In percent of GDP					In percent of total				
	1995	1996	1997	1998	1999 Estimate	1995	1996	1997	1998	1999 Estimate	1995	1996	1997	1998	1999 Estimate
Total expenditure and net lending	249.7	282.2	327.4	340.2	363.7	48.3	49.0	50.1	47.4	46.7	100.0	100.0	100.0	100.0	100.0
Current expenditures	225.2	248.0	276.7	292.9	309.3	43.6	43.1	42.3	40.8	39.7	90.2	87.9	84.5	86.1	85.0
Consumption	112.8	120.5	144.8	141.8	142.8	21.8	20.9	22.2	19.8	18.3	45.2	42.7	44.2	41.7	39.3
Gross wages	28.7	33.2	50.7	56.5	55.4	5.5	5.8	7.7	7.9	7.1	11.5	11.8	15.5	16.6	15.2
Health care	27.5	36.7	45.9	44.7	43.6	5.3	6.4	7.0	6.2	5.6	11.0	13.0	14.0	13.1	12.0
Education 1/	7.7	1.9	2.2	1.5	2.5	1.5	0.3	0.3	0.2	0.3	3.1	0.7	0.7	0.5	0.7
Other	49.0	48.6	46.1	39.0	41.2	9.5	8.4	7.0	5.4	5.3	19.6	17.2	14.1	11.5	11.3
Subsidies to enterprises	19.4	24.0	26.1	26.1	26.2	3.8	4.2	4.0	3.6	3.4	7.8	8.5	8.0	7.7	7.2
Agriculture	7.4	6.0	7.0	6.8	7.6	1.4	1.0	1.1	1.0	1.0	3.0	2.1	2.1	2.0	2.1
Industry	0.4	0.3	0.3	0.3	0.3	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Transportation	3.0	2.9	2.2	2.2	2.2	0.6	0.5	0.3	0.3	0.3	1.2	1.0	0.7	0.7	0.6
Heating	3.5	4.3	4.2	3.4	1.8	0.7	0.8	0.6	0.5	0.2	1.4	1.5	1.3	1.0	0.5
Other (including state funds)	5.2	10.5	12.3	13.3	14.2	1.0	1.8	1.9	1.9	1.8	2.1	3.7	3.8	3.9	3.9
Interest	12.2	12.7	12.3	17.5	23.3	2.4	2.2	1.9	2.4	3.0	4.9	4.5	3.8	5.1	6.4
Social expenditures	80.7	90.8	93.5	107.5	117.0	15.6	15.8	14.3	15.0	15.0	32.3	32.2	28.6	31.6	32.2
Pensions	43.3	46.1	51.0	56.9	61.9	8.4	8.0	7.8	7.9	7.9	17.3	16.3	15.6	16.7	17.0
Labor policies	5.5	7.4	7.1	7.8	7.8	1.1	1.3	1.1	1.1	1.0	2.2	2.6	2.2	2.3	2.1
Unemployment benefits	5.5	7.4	4.0	5.5	7.3	1.1	1.3	0.6	0.8	0.9	2.2	2.6	1.2	1.6	2.0
Active policies	0.0	0.0	3.1	2.3	0.5	0.0	0.0	0.5	0.3	0.1	0.0	0.0	0.9	0.7	0.1
Sickness benefits	5.7	7.4	8.1	9.0	9.5	1.1	1.3	1.2	1.3	1.2	2.3	2.6	2.5	2.6	2.6
Social assistance	11.3	13.7	11.0	16.4	20.3	2.2	2.4	1.7	2.3	2.6	4.5	4.8	3.3	4.8	5.6
Other state benefits	14.9	16.3	16.3	17.5	17.5	2.9	2.8	2.5	2.4	2.2	6.0	5.8	5.0	5.1	4.8
Investment expenditures	25.2	34.9	45.9	44.0	28.9	4.9	6.1	7.0	6.1	3.7	10.1	12.4	14.0	12.9	7.9
Net lending	-0.7	-0.6	4.8	3.4	25.5	-0.1	-0.1	0.7	0.5	3.3	-0.3	-0.2	1.5	1.0	7.0
Lending 2/	3.0	2.0	6.3	3.5	26.7	0.6	0.3	1.0	0.5	3.4	1.2	0.7	1.9	1.0	7.3
Repayments	3.7	2.6	1.4	0.2	1.2	0.7	0.4	0.2	0.0	0.2	1.5	0.9	0.4	0.0	0.3

Source: Data provided by the Slovak Ministry of Finance; and staff estimates

1/ Excludes wages.

2/ Beginning 1998, it excludes invoked guarantees.

Table A18. Slovak Republic: Government Financial Assets in 1994–99

(In millions of koruny, end of period)

	1994	1995	1996	1997	1998	1999
Assets						
Bank accounts of reserve character	473.6	473.6	473.6	0.0	0.0	0.0
Counterpart deposits on foreign loans	6,492.9	8,341.5	8,341.5	88.8	88.8	269.1 1/
SAL from the IBRD	793.5	793.5	739.5	0.0	0.0	0.0
Borrowing from G-24	3,262.9	3,262.9	3,262.9	88.8	88.8	88.8
SAL from the IBRD	2,436.6	2,532.0	2,532.0	0.0	0.0	0.0
Borrowing from JEXIM BANK	0.0	1,753.1	1,753.1	0.0	0.0	0.0
Other bank accounts	556.6	534.3	534.8	6,971.5	2,934.5	1,239.1
Claims on foreign countries; other than CSOB	59,011.9	52,254.2	49,150.4	52,682.2	52,491.8	56,143.2 2/
Civil; nonconvertible	24,683.0	23,320.9	18,994.8	19,233.1	16,575.2	15,945.6
Civil; convertible	9,307.2	8,771.8	9,341.1	10,065.3	10,940.3	7,313.4
Special; nonconvertible	118.7	117.9	120.9	124.2	100.7	103.3
Special; convertible	17,654.3	18,338.9	20,325.9	22,970.9	24,748.1	27,529.9
Clearing account: Czech Republic	5,867.3	1,224.7	367.7	288.6	127.5	0.0
Other claims, including on FSU	1,381.4	480.0	0.0	0.0	0.0	0.0
Claims on foreign countries; CSOB 3/	29,775.7	28,556.9	28,583.8	31,817.0	33,348.7	52,082.8 4/
Nonconvertible	28,805.2	27,555.9	27,534.6	31,817.2	32,747.1	36,837.5
Convertible	970.5	1,001.0	1,049.2	699.8	601.5	173.4
Participations in international banks	2,892.4	2,171.7	2,308.1	2,435.6	2,720.5	2,966.5 5/
IBEC	831.7	324.1	343.0	358.4	380.3	365.1
IIB	720.1	391.9	414.8	433.4	459.9	441.6
EBRD	335.2	467.8	511.0	533.8	614.9	741.6
World Bank institutions	1,005.3	987.9	1,039.4	1,110.0	1,265.4	1,409.3
Deposits with domestic companies	792.3	919.1	925.1	3,537.2	3,527.8	24,423.8
Receivables from returnable assistance	643.3	1,389.0	3,456.5	2,421.9	3,955.9	5,788.9
Receivables from state guarantees	1,683.5	2,742.1	3,466.6	6,550.5	9,578.6	17,520.1
Securities held by the state	0.1	0.1	0.1	0.0	0.0	0.0
Other receivables	240.0	240.0	240.0	263.0	11,757.5	9,795.4
Total assets	102,562.3	103,323.2 6/	99,705.9 7/	115,269.9 8/	129,655.9 9/	182,647.8 10/
(as a percentage of GDP)	23.2	20.0	17.3	17.6	18.1	23.4

Source: Data provided by the Slovak Ministry of Finance.

1/ Includes counterpart deposits on foreign loans: "special" of Sk 108.1 million; and counterpart deposits of foreign loans:"civil" of Sk 72.2 million.
2/ Includes claims on foreign countries-loans performed and managed by the NBS of SK 5,248.3 million; and claims on Vietnam Socialist Republic of SK. 2.7 million.
3/ CSOB - Ceskoslovenska Obchodni Banka.
4/ Includes claims on foreign countries; CSOB managed by the NBS of Sk 942.3 million; other claims on CSOB of Sk 14,129.6 million
5/ Includes participation in social development fund of Sk 5.8 million; and in the social development reserve fund of Sk 3.1 million.
6/ Includes issued treasury bills of Sk 5,700.9 million.
7/ Includes issued treasury bills of Sk 1,442.3 million and accounts receivable (Mochovce) of Sk 783.1 million.
8/ Includes issued treasury bills and bonds of Sk 6,053.9 million and accounts receivable (Mochovce) of Sk 2,448.4 million.
9/ Includes issued treasury bills and bonds of Sk 6,324.9 million and accounts receivable (Mochovce) of Sk 2,926.9 million.
10/ Includes issued treasury bills and bonds of Sk 7,338.7 million; acounts receivable (Mochovce) of Sk 2,239.6 million; accounts receivable (Electricity Industry) of SK2,840.6 million.

Table A19. Slovak Republic: Government Financial Liabilities in 1994–99

(In millions of koruny, end of period)

	1994	1995	1996	1997	1998	1999
Liabilities						
Credit from the NBS	21,903.2	6,871.1	5,495.0	5,495.4	0.0	0.0
Due to state lending abroad	0.0	0.0	0.0	n.a.	n.a.	0.0
Due to exchange rate changes	0.0	0.0	0.0	n.a.	n.a.	0.0
Direct credit	21,903.2	6,871.1	5,495.0	5,495.4	0.0	n.a.
Slovak budget deficit of 1991	6,877.6	6,871.1	n.a.	n.a.	n.a.	n.a.
Federal budget deficit of 1992	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Slovak budget deficit of 1992	0.0	0.0	n.a.	n.a.	n.a.	n.a.
T-bills issued in 1992	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Direct credit in 1992	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Budget deficit of 1993	15,025.6	0.0	n.a.	n.a.	n.a.	n.a.
Treasury bills issued in 1993	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Direct credit in 1993	15,025.6	0.0	n.a.	n.a.	n.a.	n.a.
Budget deficit of 1994	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Treasury bills issued in 1994	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Direct credit in 1994	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Credit from commercial banks	4,846.0	3,464.2	2,168.5	1,807.0	1,445.6	1,084.2
Related to CSOB	1,954.7	934.3	0.0	0.0	0.0	0.0
Investment Bank/KTUK Dolinska	2,891.3	2,529.9	2,168.5	1,807.0	1,445.6	1,084.2
Balance of payments support loans	15,663.6	16,485.3	17,472.6	14,962.5	11,730.7	12,180.0
SAL/IBRD	4,691.6	4,457.6	4,784.3	4,695.5	4,429.6	4,437.9
EU	4,703.6	4,757.6	4,945.7	2,366.3	0.0	0.0
G-24	3,834.3	3,423.6	3,674.5	1,572.6	522.8	0.0
ERL/IBRD	2,434.0	2,377.4	2,551.6	2,782.6	2,953.0	3,240.3
JEXIM BANK	0.0	1,469.2	1,516.5	3,545.4	3,825.3	4,501.8
Liabilities related to CSOB	22,874.1	14,339.2	11,531.6	10,206.0	7,770.1	5,714.3
Convertible currencies	18,387.0	9,921.3	7,113.0	4,460.3	2,112.6	35.1
Non-convertible currencies	4,487.1	4,417.9	4,418.6	5,745.7	5,657.5	5,679.2
Issued state bonds	17,692.2	54,325.7	53,894.9	61,683.7 1/	92,303.8 2/	89,515.6 3/
KBV	5,205.6	4,200.0	4,200.0	1,500.0	1,500.0	0.0
Rehabilitation bonds	520.0	0.0	0.0	23.0	21.2	16.5
Budget deficit of 1991	600.3	600.0	0.0	0.0	0.0	0.0
Bills of exchange; IBRD participation	230.2	230.2	230.2	230.0	230.2	230.0
Gabcikovo, Turcek, Malinec	3,150.1	3,150.0	0.0	0.0	0.0	0.0
Bonds to refinance 1993 deficit	7,986.0	23,080.0	15,100.0	8,970.0	8,350.0	6,040.0
Bonds to refinance the 1994 deficit	0.0	23,065.5	23,065.5	23,065.5	14,205.5	6,640.0
Bonds to finance 1995 deficit	0.0	0.0	8,299.2	0.0	0.0	0.0
Bonds for roads	0.0	0.0	3,000.0	0.0	0.0	0.0
Treasury bills outside NBS	22,892.0	14,830.0	27,000.6	43,053.0	19,940.0	16,127.0
Foreign loans	...	...	801.7	2,615.5	2,926.9	2,239.6
Mochovce	...	...	801.7	2,615.5	2,926.9	2,239.6
Total liabilities	105,871.1	110,315.5	118,364.9	149,636.8 4/	177,664.9 5/	192,324.5 6/
(As a percentage of GDP)	24.0	21.3	20.5	22.9	24.8	24.7
Net assets	-3,308.8	-6,992.3	-18,659.0	-34,366.9	-48,009.0	-9,676.7
(As a percentage of GDP)	-0.8	-1.4	-3.2	-5.3	-6.7	-1.2

Source: Data provided by the Slovak Ministry of Finance.

1/ Includes Sk 27,895 million bonds to refinance the 1996 deficit.
2/ Includes Sk 67,996.9 million bonds to refinance 1998 bonds principal payment.
3/ Includes Sk 15,360 million bonds to refinance 1998 bonds principal payment; Sk 61,229 million bonds to refinance 1999 principal payment.
4/ Includes government loan from Nomura (Sk 6,608.5 million), Matra Communication loan (Sk 2,652.7 million) and foreign loan (Sk 552.3 million).
5/ Includes foreign issued bonds (Nomura) (Sk 37,958.2 million), Matra Communication loan (Sk 2,996.8 million), and foreign loan (Sk 592.6 million).
6/ Includes foreign liabilities abroad-loans of Sk 691.3 million; Matra Communication loan (Sk 2,861.4 million);
other liabilities (bonification of the mortgage loans) of Sk 85 million; includes foreign issued bonds of Sk 61,826.1 million.

Table A20. Slovak Republic: Fiscal Operations of the Central Government, 1994–99

(In millions of koruny, unless otherwise indicated)

	1994	1995	1996	1997	1998	1999 Estimate
Total revenue	135,938	154,684	155,908	159,545	166,008	202,971
Tax revenue	114,587	136,499	140,129	145,466	152,978	160,437
Personal income tax	14,195	19,722	25,455	31,293	36,999	40,233
Wage tax	11,241	15,808	20,404	25,642	29,372	30,389
Withholding tax on capital income	2,954	3,914	5,051	5,651	7,627	9,844
Corporate income tax	30,282	33,667	33,560	23,590	24,701	22,019
Indirect taxes	58,263	72,266	70,320	76,749	78,335	84,102
VAT	37,138	52,300	48,679	54,877	55,264	58,938
Excise taxes	21,125	19,966	21,641	21,872	23,071	25,164
Custom duties and import surcharge	7,164	8,754	9,894	12,815	11,664	12,534
Social security contributions	4,040	0	0	0	0	0
Other tax revenue	643	2,090	900	1,019	1,279	1,549
Nontax revenue	21,351	18,185	15,779	14,079	13,030	42,534
Total expenditure and net lending	135,533	157,063	166,980	176,687	182,413	217,059
Current expenditures	101,561	126,911	129,657	136,568	144,732	160,496
Wages	16,697	18,805	21,320	33,877	37,929	38,019
Social security contributions	0	7,224	8,190	12,670	14,195	13,440
Health, education	8,172	8,306	2,395	2,873	2,056	3,027
Social expenditure 1/	15,269	26,373	28,523	25,390	31,810	35,866
Subsidies to enterprises	13,909	14,301	15,198	16,535	14,430	15,672
State equalization allowance	2,535	0	0	0	0	0
Interest	16,683	12,000	12,101	11,614	16,626	22,434
Other current expenditures	28,296	39,902	41,931	33,609	27,686	32,039
Capital expenditure	10,368	14,395	20,705	16,290	11,713	8,394
Investment projects	8,093	11,952	17,557	12,814	8,841	6,981
Transfers to enterprises	2,275	2,443	3,148	3,476	2,872	1,413
Intragovernmental transfers	26,121	16,429	19,082	18,889	26,026	25,603
To local authorities	1,080	1,190	1,266	1,443	1,801	1,888
To social security sector	22,522	11,956	13,725	11,007	11,680	12,179
To state funds	2,519	3,282	4,091	6,440	12,545	11,535
Net Lending 2/	-2,517	-672	-2,464	4,941	-58	22,566
State budget overall balance	405	-2,379	-11,072	-17,142	-16,405	-14,088
In percent of GDP	0.1	-0.5	-1.9	-2.6	-2.3	-1.8

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates

1/ Includes social assistance and social benefits.

2/ Beginning 1998, it excludes invoked guarantees.

Table A21. Slovak Republic: Fiscal Operations of the Social Security Funds, 1995-99 1/

	1995	1996	1997	1998	1999 Estimate	1995	1996	1997	1998	1999 Estimate
	(In millions of koruny)					(In percent of GDP)				
Health Fund										
Revenue	28,011	36,201	39,507	41,286	41,329	5.4	6.3	6.0	5.8	5.3
Contributions	26,002	34,449	37,581	39,737	40,959	5.0	6.0	5.7	5.5	5.3
Other	2,008	1,752	1,925	1,549	370	0.4	0.3	0.3	0.2	0.0
Expenditure	26,808	36,229	45,221	44,211	43,148	5.2	6.3	6.9	6.2	5.5
Balance	1,203	-28	-5,715	-2,925	-1,819	0.2	0.0	-0.9	-0.4	-0.2
Sickness Fund										
Revenue	7,943	7,946	10,181	10,722	10,640	1.5	1.4	1.6	1.5	1.4
Contributions	7,693	7,310	9,578	9,817	10,001	1.5	1.3	1.5	1.4	1.3
Other	249	636	604	905	638	0.0	0.1	0.1	0.1	0.1
Expenditure	6,148	8,166	9,257	10,130	10,567	1.2	1.4	1.4	1.4	1.4
Balance	1,794	-220	924	592	73	0.3	0.0	0.1	0.1	0.0
Pension Fund										
Revenue	44,852	51,568	52,106	57,204	57,184	8.7	9.0	8.0	8.0	7.3
Contributions	44,603	50,932	51,503	56,299	56,546	8.6	8.8	7.9	7.8	7.3
Other	249	636	604	905	638	0.0	0.1	0.1	0.1	0.1
Expenditure	44,738	46,866	52,142	58,037	62,940	8.7	8.1	8.0	8.1	8.1
Balance	115	4,702	-36	-833	-5,757	0.0	0.8	0.0	-0.1	-0.7
Employment Fund										
Revenue	7,225	8,219	8,547	9,026	8,846	1.4	1.4	1.3	1.3	1.1
Contributions	6,183	7,157	7,536	8,030	7,937	1.2	1.2	1.2	1.1	1.0
Other	1,042	1,062	1,011	996	909	0.2	0.2	0.2	0.1	0.1
Expenditure	6,203	7,695	8,818	8,977	9,106	1.2	1.3	1.3	1.3	1.2
of which: contributions 2/	580	1,125	1,187	1,736	1,953	0.1	0.2	0.2	0.2	0.3
Balance	1,022	524	-271	49	-260	0.2	0.1	0.0	0.0	0.0
Total										
Revenue	87,451	102,809	109,154	116,502	116,045	16.9	17.9	16.7	16.2	14.9
Contributions	83,902	98,722	105,011	112,146	113,490	16.2	17.1	16.1	15.6	14.6
Other	3,549	4,087	4,143	4,355	2,555	0.7	0.7	0.6	0.6	0.3
Expenditures	83,317	97,832	114,252	119,618	123,808	16.1	17.0	17.5	16.7	15.9
Balance	4,134	4,977	-5,098	-3,116	-7,763	0.8	0.9	-0.8	-0.4	-1.0

Sources: Data provided by the Public Expenditure Department at the Slovak Ministry of Finance; and staff estimates and projections.

1/ Social security funds includes health insurance companies, the sickness fund, pension funds and the employment fund.

2/ Contributions made by the Employment Fund to the Health, Sickness and Pension Funds on behalf of unemployed persons.

Table A22. Slovak Republic: Fiscal Operations of the State Funds in 1996–99

(In millions of koruny)

	Own revenue	Transfers from Budget	Total Revenue	Current Expenditure	Capital Expenditure 1/	Total Expenditure	Balance
1996							
Environment Fund	934.9	297.0	1,231.9	58.8	1,194.3	1,253.1	-21.2
Fund for Culture "Pro Slovakia"	15.4	116.7	132.1	153.9	0.0	153.9	-21.8
Fund for Physical Culture	462.8	18.3	481.1	311.6	0.0	311.6	169.5
Health Fund	499.1	0.6	499.7	62.9	441.2	504.1	-4.4
Fund for Market Regulation in Agriculture	1,762.2	653.5	2,415.7	4,242.7	0.0	4,242.7	-1,827.0
Road Fund	448.5	1,174.0	1,622.5	1,628.8	2,959.4	4,588.2	-2,965.7
Forestry Fund	139.9	571.1	711.0	647.9	0.2	648.1	62.9
Fund for Agricultural Land Protection	626.2	25.2	651.4	297.5	130.1	427.6	223.8
Fund for Water Management	63.3	200.2	263.5	139.2	87.5	226.7	36.8
Financial Support Fund for Agriculture	947.6	135.3	1,082.9	74.8	1,786.5	1,861.3	-778.4
Nuclear Waste Fund	1,518.6	139.3	1,657.9	0.7	656.1	656.8	1,001.1
Housing Fund	11.7	760.0	771.7	5.5	349.0	354.5	417.2
State funds, total	7,430.2	4,091.2	11,521.4	7,624.3	7,604.3	15,228.6	-3,707.2
1997							
Environment Fund	798.5	239.5	1,038.0	55.1	944.0	999.1	38.9
Fund for Culture "Pro Slovakia"	141.9	100.0	241.9	190.3	0.0	190.3	51.6
Fund for Physical Culture	489.5	16.5	506.1	594.5	90.8	685.3	-179.2
Health Fund	89.6	0.0	89.6	8.2	166.4	174.6	-85.0
Fund for Market Regulation in Agriculture	3,198.7	1,250.0	4,448.7	4,112.7	0.0	4,112.7	336.1
Road Fund	1,664.0	2,600.0	4,264.0	2,986.4	12,135.4	15,121.8	-10,857.8
Forestry Fund	45.4	450.0	495.4	594.1	0.0	594.1	-98.7
Fund for Agricultural Land Protection	925.8	135.0	1,060.8	1,271.8	0.0	1,271.8	-211.0
Fund for Water Management	439.2	380.0	819.2	309.9	369.4	679.3	139.9
Financial Support Fund for Agriculture	910.2	20.0	930.2	749.7	396.7	1,146.4	-216.2
Nuclear Waste Fund	896.7	89.2	985.9	3.5	1,191.6	1,195.0	-209.1
Housing Fund	1,781.6	1,160.0	2,941.6	21.5	3,246.8	3,268.3	-326.7
State funds, total	11,381.2	6,440.2	17,821.4	10,897.7	18,541.0	29,438.7	-11,617.3
1998							
Environment Fund	985.9	150.0	1,135.9	120.3	967.2	1,087.5	48.4
Fund for Culture "Pro Slovakia"	84.4	140.1	224.5	194.3	21.6	215.9	8.6
Fund for Physical Culture	291.0	17.5	308.5	305.5	0.1	305.6	2.9
Health Fund	23.8	30.0	53.8	21.1	31.7	52.8	1.0
Fund for Market Regulation in Agriculture	1,555.5	834.0	2,389.5	2,275.6	-322.0	1,953.6	435.8
Road Fund	1,794.1	5,800.5	7,594.6	3,791.3	12,641.0	16,432.3	-8,837.7
Forestry Fund	59.0	488.9	547.9	537.9	0.2	538.0	9.9
Fund for Agricultural Land Protection	1,022.7	0.0	1,022.7	130.8	795.5	926.3	96.5
Fund for Water Management	601.6	188.2	789.8	197.7	554.7	752.4	37.4
Financial Support Fund for Agriculture	1,026.8	0.0	1,026.8	750.8	90.0	840.8	186.0
Nuclear Waste Fund	2,972.3	150.0	3,122.3	701.6	1,003.1	1,704.7	1,417.6
Housing Fund	273.0	4,746.0	5,019.0	38.1	7,156.7	7,194.8	-2,175.8
State funds, total	10,690.1	12,545.1	23,235.3	9,064.9	22,939.7	32,004.6	-8,769.4
1999 Preliminary Estimates							
Environment Fund	717.7	140.0	857.7	64.6	793.1	857.7	0.0
Fund for Culture "Pro Slovakia"	8.8	80.0	88.8	88.8	0.0	88.8	0.0
Fund for Physical Culture	273.0	18.0	291.0	291.0	0.0	291.0	0.0
Health Fund	233.0	23.0	256.0	26.5	216.6	243.2	12.8
Fund for Market Regulation in Agriculture	1,249.7	940.0	2,189.7	1,497.2	3.5	1,500.7	689.0
Road Fund	2,007.5	6,080.0	8,087.5	4,353.4	10,733.4	15,086.8	-6,999.3
Forestry Fund	39.5	345.6	385.1	377.9	0.0	377.9	7.2
Fund for Agricultural Land Protection	941.5	0.0	941.5	317.9	404.3	722.2	219.3
Fund for Water Management	407.6	144.0	551.6	102.0	418.9	520.9	30.7
Financial Support Fund for Agriculture	1,107.2	0.0	1,107.2	667.1	146.8	813.9	293.3
Nuclear Waste Fund	3,116.1	64.5	3,180.6	497.0	645.3	1,142.3	2,038.3
Housing Fund	596.9	3,700.0	4,296.9	628.4	3,644.4	4,272.8	24.1
State funds, total	10,698.4	11,535.1	22,233.5	8,911.8	17,006.3	25,918.1	-3,684.6

Sources: Data provided by the Slovak Ministry of Finance; and staff estimates.

1/ Includes net lending.

Table A23. Slovak Republic: Monetary Survey, 1993–2000 1/

	1993	1994	1995	1996	1997	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1
	(In billions of korumy, end of period; unless otherwise indicated)													
Net foreign assets	-35.0	15.5	63.9	65.0	70.5	72.2	73.1	51.5	43.5	47.7	34.6	38.5	50.8	60.4
Foreign assets	46.6	101.9	150.1	187.8	233.5	252.5	272.5	246.5	233.8	183.6	184.6	181.7	196.9	206.8
Foreign liabilities	81.6	86.4	86.2	122.8	163.0	180.3	199.4	195.0	190.3	135.9	150.0	143.2	146.1	146.4
Net domestic assets	288.2	284.8	293.3	351.9	383.0	372.0	378.3	397.5	429.2	434.0	456.5	459.0	476.0	479.6
Domestic credit	339.3	344.1	370.6	430.6	468.7	468.1	483.3	506.5	530.1	541.5	559.5	564.6	559.8	558.5
Net credit to government	69.9	76.4	66.4	71.6	101.7	95.0	103.8	119.2	138.6	142.3	151.4	155.4	148.9	145.5
Net credit to Property Fund	4.9	1.0	-2.3	-3.2	-3.0	-0.2	0.5	0.4	0.2	0.8	1.1	1.5	1.2	1.9
Credit to enterprises and households	264.5	266.7	306.5	362.2	370.0	373.3	379.0	386.9	391.3	398.4	407.0	407.7	409.7	411.1
In domestic currency	256.4	252.3	283.8	331.4	334.6	338.8	342.2	346.3	346.9	347.9	352.2	352.7	357.5	358.9
In foreign currency	8.1	14.4	22.7	30.8	35.4	34.5	36.8	40.6	44.4	50.5	54.8	55.0	52.2	52.2
Other items, net	-51.1	-59.3	-77.3	-78.7	-85.7	-96.1	-105.0	-109.0	-100.9	-107.5	-103.0	-105.6	-83.8	-78.9
Broad Money	253.2	300.3	357.2	416.9	453.5	444.2	451.4	449.0	472.7	481.7	491.1	497.5	526.8	540.0
Currency outside banks	25.1	34.1	34.5	43.5	48.7	49.5	51.2	52.8	49.8	49.8	50.1	50.5	57.5	53.3
Deposits	228.1	266.2	322.7	373.4	404.8	394.7	400.2	396.2	422.9	431.9	441.0	447.0	469.3	486.7
In domestic currency	199.6	227.8	283.0	331.6	357.8	345.6	346.8	334.6	354.4	360.0	364.5	371.4	393.3	410.1
Demand deposits	91.3	94.8	113.9	130.4	117.4	100.6	103.2	96.2	97.4	93.2	92.4	87.7	96.5	89.7
- households	31.3	31.5	37.4	46.2	46.2	44.0	44.6	43.5	41.6	41.6	41.2	40.5	40.5	42.4
- enterprises	59.0	61.7	75.0	82.5	69.6	55.6	57.7	51.9	55.1	49.9	50.4	46.4	55.0	46.6
- insurance companies	1.0	1.6	1.5	1.7	1.6	1.0	0.9	0.8	0.7	1.7	0.8	0.8	1.0	0.7
Time deposits	108.3	133.0	169.1	201.2	240.4	245.0	243.6	238.4	257.0	266.8	272.1	283.7	296.8	320.4
- households	82.1	98.0	125.7	148.4	182.8	190.8	196.1	192.2	211.6	217.2	220.8	225.8	238.4	248.2
- enterprises	11.8	28.2	27.7	35.0	41.4	35.7	32.4	31.5	31.8	34.3	35.5	41.8	41.4	51.0
- insurance companies	14.4	14.8	15.7	17.8	16.2	18.5	15.1	14.7	13.6	15.3	15.8	16.1	17.0	21.2
In foreign currency	28.5	38.4	39.7	41.8	47.0	49.1	53.4	61.6	68.5	71.9	76.5	75.6	76.0	76.6
- households	24.1	32.3	35.4	35.9	39.6	38.7	39.9	45.6	49.6	53.2	55.4	53.2	51.8	51.5
- enterprises	4.4	6.1	4.3	5.9	7.4	10.4	13.5	16.0	18.9	18.7	21.1	22.4	24.2	25.1
Memorandum items 2/ (annual percent change)														
Broad money	18.5	18.6	18.9	16.7	8.8	9.2	8.8	6.4	4.2	8.4	8.8	10.8	11.4	12.1
Foreign currency deposits	126.2	34.7	3.4	5.3	12.4	19.5	20.0	35.1	45.7	46.4	43.3	22.7	10.9	6.5
Net foreign assets	25.4	-144.3	312.3	1.7	8.5	12.8	20.0	-23.7	-37.7	-33.9	-52.7	-25.2	16.8	26.6
Net domestic assets	19.3	-1.2	3.0	20.0	8.8	8.5	6.8	12.2	11.9	16.7	20.7	15.5	10.9	10.5
Domestic credit	25.5	1.4	7.7	16.2	8.8	8.8	9.5	12.2	13.9	15.7	15.8	11.5	5.6	3.1
Credit to enterprises and households	10.8	0.8	14.9	18.2	2.2	3.9	4.5	6.2	6.7	6.7	7.4	5.4	4.7	3.2
of which in domestic currency					1.0	3.0	3.6	4.7	4.7	2.7	2.9	1.8	3.1	3.2
Contribution to money growth (since January 1)														
M2	18.5	18.6	23.9	16.6	8.8	-2.1	-0.5	-1.0	4.2	1.9	3.9	5.2	11.4	14.2
NFA	-3.3	19.9	15.9	0.3	1.3	0.5	0.7	-4.0	-5.8	0.9	-1.9	-1.1	1.5	3.6
NDA, of which	21.9	-1.3	8.0	16.4	7.5	-2.6	-1.2	3.0	10.0	1.0	5.8	6.3	9.9	10.7
Net credit to gov. and NPF	20.3	1.0	-2.0	1.2	7.3	-0.8	1.3	4.7	8.9	0.9	2.9	3.8	2.4	1.8
Credit to private sector	12.0	0.9	13.9	15.6	1.9	1.4	2.7	4.4	5.4	1.5	3.3	3.5	3.9	4.2

Source: National Bank of Slovakia.

1/ At current exchange rates.
2/ Growth rates adjusted for reclassification of various items between December 31 and January 1.

Table A24. Slovak Republic: Monetary Base, 1997–2000

(In billions of koruny; average of the month; unless otherwise indicated)

	1997				1998				1999				2000
	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March
Net foreign assets	86.5	67.7	78.2	84.3	79.7	98.8	91.3	75.9	84.4	82.6	92.6	103.8	129.9
Foreign assets	114.5	98.2	106.9	114.9	111.9	128.3	118.5	105.9	116.1	116.2	117.3	129.8	155.0
Foreign liabilities	28.0	30.5	28.7	30.6	32.2	29.5	27.3	30.0	31.7	33.6	24.7	26.0	25.0
Net credit to government	-10.6	-9.2	-8.6	-6.1	-5.1	-15.3	-3.2	-3.4	-4.4	-7.3	-9.9	-8.1	-22.4
Credit to banks and open market operations	3.3	16.1	14.9	6.4	4.3	-4.5	-2.2	14.4	9.5	11.1	1.9	-4.6	-48.7
of which government securities	3.9	13.4	13.0	3.4	3.9	0.0	3.1	14.0	9.8	11.4	3.0	1.0	0.2
Other items net	9.0	9.4	7.3	9.8	18.5	18.7	15.2	13.4	9.9	11.4	13.2	15.5	19.3
Reserve money	88.1	84.0	91.7	94.3	97.4	97.6	101.2	100.2	99.4	97.8	97.8	106.5	103.1
Currency in circulation	51.8	53.0	54.4	58.2	58.6	59.3	61.7	61.1	58.5	59.1	58.9	66.6	62.3
Reserves	36.4	31.0	37.3	36.1	38.8	38.3	39.4	39.1	40.9	38.7	38.9	39.9	40.9
Required	36.2	36.8	37.1	36.3	38.1	38.0	39.1	38.8	40.7	38.6	38.8	38.5	40.7
Excess	0.2	-5.8	0.2	-0.2	0.7	0.3	0.3	0.3	0.3	0.2	0.1	1.4	0.1
Memorandum item:													
Official reserves in U.S.$, EOP	3453	3018	3150	3284	3143	3790	3110	2923	2814	2953	2935	3425	3699

Source: National Bank of Slovakia.

Table A25. Slovak Republic: Selected Interest Rates, 1997–2000

(Average in each period, in percent per annum)

	1997				1998				1999				2000
	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March	June	Sep.	Dec.	March
Deposits													
Total	7.5	7.8	8.7	8.7	10.0	9.9	10.3	10.4	10.5	10.9	10.3	9.9	8.6
Sight deposits	3.0	3.2	3.5	3.5	3.7	3.7	3.8	4.2	3.8	3.8	3.8	3.8	3.8
Term deposits	10.0	10.2	11.4	11.6	12.7	12.7	13.1	13.2	12.9	13.4	12.4	12.1	10.1
7 days	18.2	14.8	20.4	17.1	15.5	15.0	21.9	16.2	14.3	16.1	13.0	12.1	8.5
One month	10.7	12.3	15.5	16.3	18.0	16.4	17.3	17.5	14.9	16.1	13.9	13.8	9.6
One year	10.0	10.1	10.5	10.5	10.7	11.0	11.1	12.0	12.3	12.5	12.3	12.3	11.3
New credits													
Total	16.2	19.3	19.9	20.9	20.3	16.4	24.9	18.6	17.2	19.1	16.5	12.6	14.2
Short-term	16.2	20.0	20.9	21.6	20.6	16.6	25.6	18.9	17.4	19.3	16.8	16.4	14.5
Medium-term	15.4	15.6	16.8	16.3	15.3	15.2	13.6	14.2	12.5	17.6	13.3	10.4	14.9
Long-term	17.7	15.5	15.5	15.4	15.9	14.5	14.5	14.8	11.9	12.6	13.6	14.2	8.7

Source: National Bank of Slovakia.

Table A26. Slovak Republic: Balance of Payments, 1995–99

(Millions of U.S. dollars)

	1995	1996	1997	1998	1999
Trade Balance	-228	-2,293	-2,081	-2,353	-1,104
Exports, f.o.b.	8,579	8,831	9,639	10,720	10,197
Imports, f.o.b.	-8,807	-11,124	-11,720	-13,074	-11,301
Services and income balance	527	-8	-48	-137	-152
Services balance	540	36	74	20	149
Receipts	2,376	2,068	2,170	2,295	1,994
Payments	-1,836	-2,032	-2,096	-2,275	-1,845
Income balance	-14	-45	-122	-157	-301
Current transfers	92	203	175	367	173
Current account	391	-2,098	-1,953	-2,124	-1,083
Capital transfers	46	30	0	71	156
Foreign investment, net	380	295	121	1,107	1,316
Direct investment	134	199	95	314	692
Portfolio investment	246	96	26	793	624
Medium and Long-term credits	394	986	1,146	796	283
Credits extended, net	69	136	107	167	-9
Credits received, net	325	849	1,039	629	292
Disbursements	1,052	2,033	2,226	1,843	1,506
Repayments	-726	-1,184	-1,187	-1,214	-1,214
Short-term capital, net	91	882	581	27	66
Capital account	994	2,192	1,848	2,000	1,822
Errors and omissions	385	268	-31	-171	-183
Overall balance	1,771	362	-137	-295	555
Financing	-1,771	-362	137	295	-555
Gross reserves (increase, -)	-1,579	-237	188	362	-502
Use of Fund credit, net	-192	-125	-52	-67	-53

Sources: National Bank of Slovakia; and staff estimates.

Table A27. Slovak Republic: Foreign Trade, 1993–99

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998	1999
Exports f.o.b	5,447	6,691	8,579	8,831	9,639	10,720	10,197
Developed countries	1,783	2,632	3,510	3,925	4,937	6,408	6,419
European Union 1/	1,609	2,340	3,208	3,644	4,538	5,955	6,063
Austria	271	351	426	534	692	790	822
France	87	113	171	187	231	369	488
Germany	828	1,144	1,613	1,871	2,284	3,084	2,822
Italy	148	288	413	431	576	760	900
United Kingdom	55	86	112	136	160	165	178
EFTA 2/	40	56	85	106	124	194	197
Other developed countries 3/	134	236	217	175	275	259	159
Of which:							
Japan	8	6	18	19	12	12	14
United States	60	108	107	119	156	150	145
Developing countries	288	338	371	387	213	183	515
Of which:							
China	66	23	17	39	11	4	194
India	15	61	67	65	43	17	0
Economies in Transition 4/	3,371	3,721	4,697	4,519	4,480	4,073	3,263
CEFTA countries 5/	2,716	3,059	3,799	3,658	3,582	3,416	3,029
Of which:							
Czech Republic	2,310	2,502	3,024	2,738	2,471	2,175	1,846
Hungary	247	366	391	403	433	470	459
Poland	159	189	378	427	507	586	540
BRO countries 6/	453	467	612	641	712	496	235
Of which:							
Russia	256	278	331	308	333	205	102
Ukraine	140	117	191	236	269	198	133
Other transition economies	202	195	286	220	186	161	0
Others and nonspecified	5	0	1	0	9	56	0

Table A27 (Concluded). Slovak Republic: Foreign Trade, 1993–99

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998	1999
Imports f.o.b.	6,334	6,611	8,771	11,123	11,720	13,074	11,301
Developed countries	2,109	2,646	3,674	5,023	5,962	7,440	6,480
European Union 1/	1,769	2,210	3,049	4,147	5,109	6,501	5,843
Austria	394	382	448	538	582	604	546
France	96	148	215	360	419	499	436
Germany	723	888	1,252	1,625	2,297	3,334	2,957
Italy	190	290	406	663	681	837	801
United Kingdom	80	106	148	210	279	267	251
EFTA 2/	96	104	166	183	181	206	167
Other developed countries 3/	244	332	459	693	672	733	469
Of which:							
Canada	18	12	20	29	41	35	0
Japan	73	82	131	205	192	212	180
United States	112	188	215	300	362	378	289
Developing countries	195	221	348	468	605	732	674
Of which:							
Brazil	9	16	16	19	21	20	0
China	30	38	58	82	114	150	655
India	9	18	31	27	20	18	0
Economies in Transition 4/	4,024	3,737	4,736	5,616	5,139	4,828	4,147
CEFTA countries 5/	2,489	2,249	2,903	3,233	3,183	3,222	2,644
Of which:							
Czech Republic	2,275	1,958	2,434	2,708	2,493	2,379	1,887
Hungary	85	111	193	222	242	317	260
Poland	123	158	243	271	298	323	316
BRO countries 6/	1,438	1,378	1,672	2,207	1,910	1,550	1,503
Of which:							
Russia	1,237	1,191	1,456	1,934	1,573	1,281	1,356
Ukraine	152	119	123	173	284	239	147
Other transition economies	97	110	161	176	46	56	0
Others and nonspecified	7	6	13	16	14	74	0

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ EU-15 for all years.

2/ The European Free Trade Association (EFTA) consists of Iceland, Liechtenstein, Norway and Switzerland.

3/ OECD members as of end-1993 (i.e., excludes CEFTA members).

4/ All formerly centrally planned economies.

5/ The Central European Free Trade Association (CEFTA) includes the Czech Republic, Slovak Republic, Hungary, Poland, Slovenia, Romania and Bulgaria. However, trade with Romania is not included here.

6/ Former Soviet Union countries.

Table A28. Slovak Republic: Shares of Partners in Foreign Trade, 1993–99

(In percent of total)

	1993	1994	1995	1996	1997	1998	1999
Exports f.o.b.							
Developed countries	32.7	39.3	40.9	44.4	51.2	59.8	63.0
European Union 1/	29.5	35.0	37.4	41.3	47.1	55.5	59.5
Austria	5.0	5.3	5.0	6.0	7.2	7.4	8.1
France	1.6	1.7	2.0	2.1	2.4	3.4	4.8
Germany	15.2	17.1	18.8	21.2	23.7	28.8	27.7
Italy	2.7	4.3	4.8	4.9	6.0	7.1	8.8
United Kingdom	1.0	1.3	1.3	1.5	1.7	1.5	1.8
EFTA 2/	0.7	0.8	1.0	1.2	1.3	1.8	1.9
Other developed countries 3/	2.5	3.5	2.5	2.0	2.9	2.4	1.6
Of which:							
Japan	0.1	0.1	0.2	0.2	0.1	0.1	0.1
United States	1.1	1.6	1.3	1.3	1.6	1.4	1.4
Developing countries	5.3	5.1	4.3	4.4	2.2	1.7	5.0
Of which:							
China	1.2	0.3	0.2	0.4	0.1	0.0	1.9
India	0.3	0.9	0.8	0.7	0.4	0.2	0.0
Economies in Transition 4/	61.9	55.6	54.8	51.2	46.5	38.0	32.0
CEFTA countries 5/	49.9	45.7	44.3	41.4	37.2	31.9	29.7
Of which:							
Czech Republic	42.4	37.4	35.3	31.0	25.6	20.3	18.1
Hungary	4.5	5.5	4.6	4.6	4.5	4.4	4.5
Poland	2.9	2.8	4.4	4.8	5.3	5.5	5.3
BRO countries 6/	8.3	7.0	7.1	7.3	7.4	4.6	2.3
Of which:							
Russia	4.7	4.1	3.9	3.5	3.5	1.9	1.0
Ukraine	2.6	1.7	2.2	2.7	2.8	1.8	1.3
Other transition economies	3.7	2.9	3.3	2.5	1.9	1.5	0.0
Others and nonspecified	0.1	0.0	0.0	0.0	0.1	0.5	0.0

Table A28 (Concluded). Slovak Republic: Shares of Partners in Foreign Trade, 1993–99

(In percent of total)

	1993	1994	1995	1996	1997	1998	1999
Imports, f.o.b.							
Developed countries	33.3	40.0	41.9	45.2	50.9	56.9	57.3
European Union 1/	27.9	33.4	34.8	37.3	43.6	49.7	51.7
Austria	6.2	5.8	5.1	4.8	5.0	4.6	4.8
France	1.5	2.2	2.4	3.2	3.6	3.8	3.9
Germany	11.4	13.4	14.3	14.6	19.6	25.5	26.2
Italy	3.0	4.4	4.6	6.0	5.8	6.4	7.1
United Kingdom	1.3	1.6	1.7	1.9	2.4	2.0	2.2
EFTA 2/	1.5	1.6	1.9	1.6	1.5	1.6	1.5
Other developed countries 3/	3.9	5.0	5.2	6.2	5.7	5.6	4.2
Of which:							
Canada	0.3	0.2	0.2	0.3	0.3	0.3	0.0
Japan	1.2	1.2	1.5	1.8	1.6	1.6	1.6
United States	1.8	2.8	2.5	2.7	3.1	2.9	2.6
Developing countries	3.1	3.3	4.0	4.2	5.2	5.6	6.0
Of which:							
Brazil	0.1	0.2	0.2	0.2	0.2	0.2	0.0
China	0.5	0.6	0.7	0.7	1.0	1.1	5.8
India	0.1	0.3	0.4	0.2	0.2	0.1	0.0
Economies in Transition 4/	63.5	56.5	54.0	50.5	43.8	36.9	36.7
CEFTA countries 5/	39.3	34.0	33.1	29.1	27.2	24.6	23.4
Of which:							
Czech Republic	35.9	29.6	27.8	24.3	21.3	18.2	16.7
Hungary	1.3	1.7	2.2	2.0	2.1	2.4	2.3
Poland	1.9	2.4	2.8	2.4	2.5	2.5	2.8
BRO countries 6/	22.7	20.8	19.1	19.8	16.3	11.9	13.3
Of which:							
Russia	19.5	18.0	16.6	17.4	13.4	9.8	12.0
Ukraine	2.4	1.8	1.4	1.6	2.4	1.8	1.3
Other transition economies	1.5	1.7	1.8	1.6	0.4	0.4	0.0
Others and nonspecified	0.1	0.1	0.1	0.1	0.1	0.6	0.0

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ EU-15 for all years.

2/ The European Free Trade Association (EFTA) consists of Iceland, Liechtenstein, Norway and Switzerland.

3/ OECD members as of end-1993 (i.e., excludes CEFTA members).

4/ All formerly centrally planned economies.

5/ The Central European Free Trade Association (CEFTA) includes the Czech Republic, Slovak Republic, Hungary, Poland, Slovenia, Romania and Bulgaria. However, trade with Romania is not included here.

6/ Former Soviet Union countries.

Table A29. Slovak Republic: Merchandise Trade, 1995-99 1/

(In millions of U.S. dollars, and changes in percent from a year earlier)

	1995					1996					1997					1998					1999				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Exports, f.o.b.	1,966	2,231	2,128	2,269	8,595	2,065	2,154	2,265	2,340	8,824	2,337	2,554	2,286	2,464	9,641	2,473	2,710	2,735	2,802	10,720	2,300	2,417	2,679	2,800	10,197
(percent change)	37.8	33.6	27.3	16.5	28.0	5.0	-3.5	6.4	3.1	2.7	13.2	18.6	0.9	5.3	9.3	5.8	6.1	19.7	13.7	11.2	-7.0	-10.8	-2.0	-0.1	-4.9
Imports, f.o.b.	1,967	2,257	2,086	2,475	8,786	2,612	2,568	2,675	3,254	11,109	2,879	3,127	2,740	2,931	11,677	2,988	3,312	3,238	3,536	13,074	2,683	2,801	2,647	3,170	11,301
(percent change)	29.3	46.4	26.1	29.4	32.5	32.8	13.8	28.2	31.5	26.4	10.2	21.8	2.4	-9.9	5.1	3.8	5.9	18.2	20.7	12.0	-10.2	-15.4	-18.3	-10.4	-13.6

Source: Data provided by the Slovak authorities.

1/ Quarterly data may not add to annual totals due to differing exchange rate conversion factors.

Table A30. Slovak Republic: Commodity Composition of Trade, S.I.T.C. Classification, 1993–99 1/

(In millions of U.S. dollars)

S.I.T.C. Category	Description	1993	1994	1995	1996	1997	1998	1999
	Exports, f.o.b.	5,447.5	6,691.0	8,578.9	8,831.1	9,638.9	10,720.0	10,197.0
0	Food and live animals	299.3	303.3	431.3	331.3	332.1	343.4	305.9
1	Beverages and tobacco	48.1	62.8	75.0	63.6	65.7	56.9	51.0
2	Crude Materials	268.0	342.5	437.2	393.4	409.4	382.6	387.5
3	Fuels and related products	268.1	310.4	362.5	434.3	444.6	375.4	489.5
4	Animal and vegetable oils and fats	5.6	6.8	9.2	12.1	14.8	19.8	15.3
5	Chemicals and related products	654.6	862.2	1,132.1	1,096.8	1,039.5	949.7	805.6
6	Intermediate manufactured products	2,111.0	2,633.8	3,469.1	3,379.5	3,272.6	3,201.4	2,783.8
7	Machinery and transport equipment	1,057.5	1,271.4	1,614.7	2,047.0	2,737.3	3,982.7	4,027.8
8	Miscellaneous manufactured articles	730.5	893.7	1,045.5	1,065.8	1,318.2	1,350.7	1,315.4
9	Other	4.8	4.1	2.3	7.3	4.7	4.1	15.3
	Imports, f.o.b.	6,334.1	6,611.1	8,770.5	11,123.4	11,671.9	12,959.4	11,301
0	Food and live animals	464.2	458.7	604.7	670.9	659.2	686.3	582.0
1	Beverages and tobacco	92.2	85.3	96.1	120.3	122.4	116.3	130.0
2	Crude Materials	326.5	348.8	525.6	543.7	516.0	500.2	429.4
3	Fuels and related products	1,324.1	1,273.3	1,535.1	1,861.4	1,826.9	1,418.8	1,457.8
4	Animal and vegetable oils and fats	15.6	19.0	17.6	19.4	21.5	27.3	22.6
5	Chemicals and related products	720.0	871.7	1,189.2	1,282.1	1,354.0	1,382.1	1,277.0
6	Intermediate manufactured products	956.7	1,113.7	1,560.8	1,700.5	1,929.3	2,343.5	2,068.0
7	Machinery and transport equipment	1,852.8	1,829.3	2,534.9	3,917.6	4,190.6	5,184.2	4,260.3
8	Miscellaneous manufactured articles	571.1	599.8	698.0	995.6	1,046.5	1,294.4	1,073.5
9	Other	10.9	11.5	8.5	11.9	5.5	6.3	0.0

Table A30 (Concluded). Slovak Republic: Commodity Composition of Trade, S.I.T.C. Classification, 1993–99 1/

(In percent of total)

S.I.T.C. Category	Description	1993	1994	1995	1996	1997	1998	1999
Exports, f.o.b.								
0	Food and live animals	5.5	4.5	5.0	3.8	3.4	3.2	3.0
1	Beverages and tobacco	0.9	0.9	0.9	0.7	0.7	0.5	0.5
2	Crude Materials	4.9	5.1	5.1	4.5	4.2	3.6	3.8
3	Fuels and related products	4.9	4.6	4.2	4.9	4.6	3.5	4.8
4	Animal and vegetable oils and fats	0.1	0.1	0.1	0.1	0.2	0.2	0.2
5	Chemicals and related products	12.0	12.9	13.2	12.4	10.8	8.9	7.9
6	Intermediate manufactured products	38.8	39.4	40.4	38.3	34.0	29.9	27.3
7	Machinery and transport equipment	19.4	19.0	18.8	23.2	28.4	37.2	39.5
8	Miscellaneous manufactured articles	13.4	13.4	12.2	12.1	13.7	12.6	12.9
9	Other	0.1	0.1	0.0	0.1	0.0	0.0	0.2
Imports, f.o.b.								
0	Food and live animals	7.3	6.9	6.9	6.0	5.6	5.3	5.2
1	Beverages and tobacco	1.5	1.3	1.1	1.1	1.0	0.9	1.2
2	Crude Materials	5.2	5.3	6.0	4.9	4.4	3.9	3.8
3	Fuels and related products	20.9	19.3	17.5	16.7	15.7	10.9	12.9
4	Animal and vegetable oils and fats	0.2	0.3	0.2	0.2	0.2	0.2	0.2
5	Chemicals and related products	11.4	13.2	13.6	11.5	11.6	10.7	11.3
6	Intermediate manufactured products	15.1	16.8	17.8	15.3	16.5	18.1	18.3
7	Machinery and transport equipment	29.3	27.7	28.9	35.2	35.9	40.0	37.7
8	Miscellaneous manufactured articles	9.0	9.1	8.0	9.0	9.0	10.0	9.5
9	Other	0.2	0.2	0.1	0.1	0.0	0.0	0.0

Source: Data provided by the Slovak authorities.

1/ Data are on customs basis and exclude 'private' imports.

Table A31. Slovak Republic: External Debt in Convertible Currencies, 1992–99

(In millions of U.S. dollars; end of period)

	1992 1/	1993 1/	1994	1995	1996	1997	1998	1999
Debt in convertible currencies	2,829	3,380	4,660	5,678	7,667	9,871	11,902	10,474
Medium- and long-term	2,262	2,665	3,424	3,964	4,721	5,581	7,297	7,780
By debtors:								
National Bank	554	917	1,181	1,025	876	900	812	588
Commercial banks	199	214	275	529	764	680	602	350
Government	1,071	1,059	1,083	1,011	844	764	1,698	2,225
Corporations	438	475	885	1,399	2,237	3,237	4,184	4,616
Short-term	567	715	1,236	1,714	2,946	4,290	4,605	2,694
Government	0	0	0	0	0	186	0	6
Other	567	715	1,236	1,714	2,946	4,104	4,605	2,688
Commercial Bank	...	...	...	...	1,424	2,225	2,063	335
Enterprise & Other	...	...	...	...	1,522	1,879	2,541	2,353

Sources: Data provided by the Slovak authorities; and staff estimates.

1/ Excludes debt towards the Czech Republic.