Table 1. Slovak Republic: Quantitative Targets and Outcomes 1/

| | Actual, Level December 31, 2000 | Cumulative Flows from December 2000 September 30, 2001 | | | Adjuster clauses | Cumulative Flows from December 2000 December 31, 2001 | | | Adjuster clauses | Cumulative Flows from December 2001 March 31, 2001 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Target SMP | Adjusted Target | Outcome | | Target SMP 2/ | Adjusted Target | Outcome | | Target |
| **Fiscal targets** | | | | | | | | | | |
| Ceiling on general government deficit/net credit to the government 3/a/ (in millions of Slovak koruny) | 30,249 | 33,990 | 33,990 | 14,200 4/ | | 36,316 | 37,816 | 38,464 5/ | V | 5,836 |
| Ceiling on general government expenditures b/ (in millions of Slovak koruny) | 362,557 | 292,836 | … | … | | 399,944 | 401,444 | 402,764 | | 94,924 |
| **Monetary targets** | | | | | | | | | | |
| Floor on net International Reserves of the National Bank of Slovakia c/ (in millions of US$) 6/ | 3,753 | 318 | -153.2 | -197 | I, II, III | 126 | 136 | 291 | VI, VII | -52 |
| Ceiling on net domestic assets of banking system d/ (in millions of Slovak koruny) 7/ | 503,900 | 25,200 | 42,691 | 43,800 | I, III, IV | 75,800 | 70,920 | 58,700 | VI, VIII | 18,600 |
| **Other** | | | | | | | | | | |
| Ceiling on contracting or guaranteeing by the government of external debt, 1-12 year maturity (in millions of Slovak koruny) 9/ | … | 19,950 | 19,950 | 4,696 8/ | | 10,000 | 10,000 | 6,636 | | … |
| Ceiling on contracting or guaranteeing by the government of short-term debt (less than 1-year maturity, excluding normal import credits) (in millions of Slovak koruny) | … | 0 | 0 | 0 | | 0 | 0 | 0 | | 0 |

**Adjuster clauses:**

I WB disbursement $100 mln lower than assumed
II SLSP privatization revenues deposited at NBS $154.2 mln lower than assumed
III VUB revenues of $217 mln not yet received, as assumed.
IV SLSP privatization revenues (total) $52 mln less than assumed
V Sk 1.5 bln in spending on disasters and/or overrun in statutory expenditures
VI WB disbursement $ 3 mln lower than assumed
VII VUB privatization receipts deposited at NBS $ 12 mln higher than assumed
VIII VUB privatization receipts $ 106 mln higher than assumed

Sources: National Bank of Slovakia and Ministry of Finance.

1/ Definitions of the concepts to be measured are set out in the Technical Memorandum of Understanding.
2/ Revised during October/November 2001 Review Mission.
3/ Adjusted so as to include the impact of the January 2001 and March 2001 transfer of bank restructuring bonds to banks (Sk 83.7 billion and Sk 21.3 billion, respectively).
4/ On the basis of preliminary information, which is incomplete as concerns transactions of the National Property Fund.
5/ Comprised of Sk 34,464 mln of cash general government deficit, Sk 2,100 mln of NPF expenditures other than debt repayment, and Sk 1,900 of increase in arrears.
6/ At fixed cross exchange rates of end-December 2000.
7/ Foreign currency component valued at fixed exchange rates and fixed cross rates of end-December 2000.
8/ In the second quarter of 2001, domestic guarantees amounting to Sk 14.1 billion were issued instead of the issuance or roll over of external guarantees assumed under the program.
9/ The target ceiling has been adjusted for June through December to reflect actual foreign borrowing (euro 100 million equaling to Sk 4.35 billion) by the NPF in April.
In addition to the NPF borrowing, the target ceiling includes new borrowing of Sk 5.8 billion, for the bridge project and for Slovak Railways, and a roll over of existing guarantees in the amount of Sk 11.8 billion.

a/ The limits on net credit to the government for March, June, and September will be adjusted upward by the amount of any shortfall in privatization receipts to be used for the retirement of debt of the health and pension funds.
b/ The limit on general government expenditure will be adjusted upward for unforeseen expenditure associated with natural disasters, and statutory expenditure of up to Sk 1.5 billion.
c/ The floor on the net international reserves of the NBS will be adjusted downward (upward) to reflect cumulative downward (upward) deviations from program assumptions about privatization revenues, and disbursements from the World Bank under the EFSAL.
d/ The ceiling on net domestic assets of the banking system will be adjusted downward (upward) to reflect cumulative upward (downward) deviations from program assumptions about privatization, revenues, and disbursements from the World Bank under the EFSAL. The ceiling will also be adjusted to take account of the possible effects on the banking system data of the removal of the license of the Slovak Consolidation Bank.

Table 2. Slovak Republic: Structural Benchmarks

| Policy Action | Implementation Date | Status of Implementation | Staff comment |
|---|---|---|---|
| 1. The government will adopt a resolution introducing quarterly ceilings on general government expenditures. These ceilings can only be revised in consultation with the IMF. | In conjunction with approval of the staff-monitored program. | Completed | |
| 2. The government will adopt a resolution stipulating that higher-than-budgeted revenues in 2001 will be used only as long as the fiscal deficit is contained at 3.9 percent of GDP. In this connection, any revision to the expenditure ceiling will be done in consultation with the IMF. The only exception to this principle will be expenditures to cover the cost of natural disasters and financing additional statutory expenditures up to a maximum amount of Sk 1.5 billion. | In conjunction with approval of the staff-monitored program. | Completed | In light of higher than expected revenues, the government, in collaboration with the IMF, revised its expenditure ceiling and its fiscal deficit target (to 3.7 percent of GDP) in November 2001. |
| 3. The government will use privatization revenues for "development projects" only as long as the fiscal deficit is contained at 3.9 percent of GDP in 2001. | Continuous during 2001. | Completed | |

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| 4. The government will submit to Parliament a draft act on state debt and state guarantees with the goal of having this legislation come into force on January 1, 2002. The legislation will include provisions indicating that any future privatization receipts will be used exclusively to reduce state debt and finance the pension reform, and that the stock of state guarantees will be reduced substantially over the next several years. | September 2001. | Not completed. | The draft act on state debt and state guarantees is currently reviewed by the legal council of the government. The draft does not include provisions on the use of privatization receipts. |
| 5. Out of 12 state (extra-budgetary) funds, the government will abolish: | | | Out of the two remaining funds, one was abolished in December 2001, and the last one will be abolished by January 1, 2003. |
| • eight funds; | September 2001 | Completed with delay (December 2001). | |
| • and, two funds. | December-2001. | Completed | |
| 6. Based on recommendations from the IMF, the government will implement the new organizational structure of Tax Administration at the headquarters, regional, and local levels. | March 2002. | Likely to not be implemented. | The Parliament did not approve the new organizational structure. |
| 7. The government will establish a large taxpayer unit in Bratislava. | December 2001. | Delayed | Technical preparations are well advanced. |
| 8. The government will decide on the institutional location of bank supervision. | May 2001. | Delayed. | The government is expected to anounce its decision in the coming weeks. |

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| 9. The bank supervision authority will adopt a proactive approach to bank supervision, through the introduction of a new supervisory policy and procedures in line with the supervisory development plan agreed with the World Bank under the Enterprise and Financial Sector Adjustment Loan. | September 2001. | Completed in part | The NBS board approved a new supervisory policy in December 2001, but the corresponding procedures have not been introduced. As a precondition to introduce the new procedures, the bank supervision department was reorganized on January 1, 2002. |
| 10. The bank supervision authority will develop an overall staffing plan to implement the proactive bank supervisory approach and make satisfactory progress in implementing the hiring under this plan (20–25 percent). At least four banks will be re-evaluated according to the new procedures, starting with the largest banks that are classified as high risk according to the CAMEL ratings. | January 2002. | Delayed | Following the reorganization of the Bank supervision department, the authorities are preparing staffing plans to implement the supervisory development plan (SDP). The reevaluation of four banks under the SDP is expected to start in May 2002. |
| 11. The bank supervision authority will approve a new remedial action policy and corrective action plans in conjunction with supervisory strategies prepared by the four banks identified above with inputs from international supervisory experts. | January 2002. | Delayed | Remedial action policies and corrective action plans will be adopted following the reevaluations of the four banks. |
| 12. The government will sell at least 67 percent of IRB's shares to a strategic investor(s), or initiate alternative resolution procedures. | December 2001. | Completed. | The purchase agreement has been signed and the exchange of shares is expected before end March 2002. |

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| 13. The government will define an optimal network for institutional healthcare facilities, and for primary and secondary outpatient care. | June 2001. | Completed with delay (on August 20, 2001). | The savings generated from the new framework are difficult to evaluate. In particular, it is clear that this measure will not prevent accumulation of new arrears in 2002 |
| 14. The government will introduce incentives in medical practices and the pricing of pharmaceuticals to lower the cost of healthcare. | June 2001. | Completed with delay (in December 2001) | The new legislation is expected to contribute to greater cost effectiveness in the health system although payment arrears will not be eliminated in 2002 |
| 15. The government will approve a timetable for the gradual increase of the retirement age. | June 2001. | Completed with delay (on October 3, 2001). | The timetable rising the retirement age for women from 55 to 60 (the same as for men) was revised in the social insurance bill approved in February 2002 by the cabinet, and the end of transition period was extended from 2018 to 2026. Till 2026, early retirement will be available for women with children. |
| 16. The government will approve a comprehensive package to improve labor market flexibility and restrict the informal hiring of workers. | June 2001. | Completed, but subsequently reversed with regards to labor market flexibility. | The New Labor Code adopted by parliament in July 2001, and effective on April 1, 2002, reduces labor flexibility. The government is discussing amendments to the Code to avoid this outcome. |

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| 17. The government will approve a comprehensive model for the introduction of a three-pillar pension system. | March 2002. | To be delayed | Analytical work has begun. The authorities are discussing technical assistance from the World Bank to help design and implement the second pillar. |
| 18. The government will offer for sale 49 percent of the state's stake in the three electricity distribution companies. | December 2001. | Completed (tenders were announced in November 2001). | |
| 19. The government will offer for sale 49 percent of the state's stake in the Slovak gas company (SPP). | September 2001. | Completed. | |
| 20. The government will establish an independent regulatory authority for the utilities. | December 2001. | Completed (on August 1, 2001). | |