

# Good Governance Index 2013

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For measuring the governance performance of V4 countries (the Czech Republic, Hungary, Poland and Slovakia) in 2013.

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**Authors:** Vlastimil Havlík (Czech Republic), Csaba Fodor and Tamás Pesuth (Hungary), Maciej Szymanowski (Poland), Peter Spáč (Slovakia)

**Editors:** Csaba Fodor, Tamás Pesuth

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# Executive Summary

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The Good Governance Index, devised by Nézőpont Intézet, examines the governmental performance of V4 countries (the Czech Republic, Hungary, Poland and Slovakia) in the year 2013 along a total of twenty-four headings, organised into three question periods (political stability, social relations and economic perspective), each of which contain eight questions. Commissioned experts representing Visegrád Group countries analysed the year 2013 with respect to their countries' governmental performance on the basis of objective rankings and practical issues.

Good Governance Index values are produced by the average of countries' results gained in each question period as a percentage of the maximum score. Based on the results drawn, it can be claimed that the entire Visegrád region holds favourable positions within the European Union, and countries' individual performances also give cause for optimism. The Visegrád region could emerge to the forefront of the European Union in the upcoming years, provided that the various countries succeed in stabilising their political, social and economic situations.

At present, Hungary holds the most stable position within the region, followed in a close race between Poland and Slovakia. The Czech governance performance fell short of that of the other countries due to its weaker political stability.

V4 COUNTRIES	POLITICAL STABILITY %	SOCIAL RELATIONS %	ECONOMIC PERSPECTIVE %	AVERAGE RESULTS %
Hungary	72.50%	67.50%	60.00%	66.67%
Poland	57.50%	62.50%	72.50%	64.17%
Slovakia	65.00%	62.50%	62.50%	63.33%
Czech Republic	45.00%	57.50%	62.50%	55.00%

Hungary achieved the best result in the field of political stability. This area has also of key importance with regard to the entire emerging Visegrád region because stable governance enables predictability in social matters and sustainable economic policies. Moreover, political stability is also an important consideration for foreign investors too. However, further progress will be necessary in countries belonging to the region with respect to other factors with an influence on the stability of the political system, such as the efficiency of the system of government, the quality of legislation or the fight against corruption.

In the field of the social situation, Hungary also finished in first place, although the results for Poland and Slovakia are also favourable. Hungary's performance in the area was enhanced by high scores for questions addressing objective figures, such as the trend of broadening employment and the increase of real wages. Immediate attention to areas of social policy carrying high levels of risks is of key importance with regard to the region as a whole. Negative demographic

tendencies and problems endured by families and the future generation, such as the labour market situation and home-making, require coordinated and substantial solutions.

With regard to economic perspectives, Poland takes the lead, although the performance of the other three countries is also promising in the light of results for the year 2013. The position of the Visegrád region as regards economic policy and room for manoeuvre has been and continues to be determined chiefly by development. The main direction of this is the integration into knowledge-based society, job creation and economic strategy aimed at establishing a sustainable pattern of growth. Within the European Union, the Visegrád region is a highly dynamic area also in terms of the economy, which can be explained by several factors, including ascent from a lower base level and the enhancement of the region's geopolitical role. However, the future must see every country conscientiously concentrating on their so-far largely consistent budgetary policy, successful monetary policy and a growth-centred development agenda. These three factors are of prime importance with regard to the establishment of the sustainable pattern of economic growth currently already under formulation.

# Methodological Principles

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The Good Governance Index (hereinafter referred to as Index) measuring the governance performance of V4 countries (the Czech Republic, Hungary, Poland, Slovakia) is composed of three sets of questions ('Political Stability', 'Social Relations' and 'Economic Perspective'). The Index indicators are determined by eight questions within each set of questions. The specification of topics (e.g. 'Labour market conditions') serves solely for classification and transparency; i.e. topics that group certain questions within the sets of questions do not have separate weight in the scores.

In the view of researchers participating in the analysis, the questions are suitable for the overall evaluation of governance performance in the examined fields in a comprehensive and strategic manner – though obviously not covering every single subfield – as well as for complex trend analysis.

In order to calculate the Index value, first of all, the questions (as indicators) of the three sets of questions (question periods) shall be evaluated on a scale of 0 to 5. The underlying data collection and analysis are carried out by the researchers of each country individually, while the scores are determined jointly by consensus, with the involvement of all researchers. Questions to be scored based on ranking or interval shall be evaluated in accordance with the relevant databases of EUROSTAT, or, in the absence thereof, the databases of the national statistical institute, the National Bank, or the specific ministry/government agency of the given country. Statistical data can also be used for evaluating the questions that are not scored based on the pre-specified ranking, but in such cases, the opinion of researchers may have the same weight upon determining the specific score on the scale of 0 to 5. Upon forming the background or opinion, the analysts shall strive to approach and present the background of processes in possibly the most versatile manner, free from bias, focusing primarily on the interpretation of trends.

When all scores have been awarded, scores awarded for each question shall be summarized per each set of questions (question periods) and per each country, and the percentage gained by the analysed countries in each set of questions shall be determined. The exact Index value is the average of percentage values of the three sets of questions.

The experience with the evaluation of each country shall be briefly summarized in country-specific analysis, presenting the most significant scores and trends. The summary-like, textual evaluation of V4 countries shall be prepared based on the country-specific analyses in the framework of joint research work and by consensus, highlighting the current situation and perspectives of the V4 region within the European Union.

# Political Stability

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The question period addressing the political stability examined the stability of various countries' political systems along three sets of issues (institutional stability, government stability and public support). Within the part of 'Institutional Stability', the effectiveness of the government system is being examined. Within the part of 'Government Stability', the unity of the government and its institutional support are being analysed. Within the part of 'Public Support', the public support of the governance is being examined.

Hungary achieved the best result in the field of political stability. This area has also of key importance with regard to the entire emerging Visegrád region because stable governance enables predictability in social matters and sustainable economic policies. Moreover, political stability is also an important consideration for foreign investors too. However, further progress will be necessary in countries belonging to the region with respect to other factors with an influence on the stability of the political system, such as the efficiency of the system of government, the quality of legislation or the fight against corruption.

V4 COUNTRIES	TOTAL SCORE	COUNTRY'S SCORE	%
Hungary	40	29	72.50%
Slovakia		26	65.00%
Poland		23	57.50%
Czech Republic		18	45.00%

## Institutional Stability

### 1. How did the effectiveness of the government system change in the previous year in terms of the quality of legislation and the effectiveness of the work of bodies subordinated to the government (e.g. police, other authorities)?

For this question, **5 scores** shall be awarded if the quality of legislation and the effectiveness of the work of bodies subordinated to the government improved significantly in the given country in comparison with 2012, while **0 score** shall be awarded if significant setbacks were experienced in these fields, or these aspects did not prevail at all as part of the governance.

#### Czech Republic (score: 3)

One of the major discussions related to the effectiveness of the public administration aimed at the absence of the Civil Servants Act, which would enable depolitization of the public administration. Another issue discussed and repeatedly criticized by the European Union was ineffective use of money from the European structural funds and high level of corruption perception by the public. On the other hand, several watchdog organizations (e.g. Demagog.cz or the Reconstruction of the State initiative) were still in existence and created high pressure on politicians to enact new laws aiming at strengthening of quality and transparency of decision making. Nonetheless, the fall of the Nečas cabinet has frozen enactment of majority of these laws. As far as the work of police is concerned, one of possible indicators is the overall level of criminality and the amount of criminal offences which were solved successfully. The number criminal offences rose by 7 percent in 2013 up to 325 thousand. However, the level of successfully solved case remained the same at 45 percent. There were no reports informing about significant setback in functioning of public administration and of bodies subordinated to the government.

#### Hungary (score: 3)

In the course of the year 2013, the Hungarian National Assembly amended the Fundamental Law on two occasions and adopted almost 250 new laws. Together with legislative material falling under the category of decrees, this amounts to over 1 400 new pieces of legislation. However, it can be established beyond doubt that the creation of regulations in the form of decrees within several framework laws adopted in the previous year and the clarification of details occurred in 2013, in the course of the implementation of reforms introduced in certain subdivisions in the state hierarchy. Problems related to the application of legislation surfacing during the in-practice implementation of the new systems were also behind intensive lawmaking activity. The future consolidation of lawmaking could see the revision of the extent of legal material and the comparative stability and predictability of the legal system may well emerge as an aspect of greater significance. This is important also because it would enable the lawmaking process

in Hungary to be more professional and better prepared and considered, as well as to include in-substance dialogue with civil society in all major cases.

Concerning the efficiency of various bodies subordinated to the government, speeding up the administration of procedures handed at the level of counties and administrative districts ('járás') was a measure of general scope. It is also important to emphasise the work undertaken by the National Directorate for Disaster Management; the floods that engulfed the country presented the body, which has been almost entirely reorganised in many areas of operation, with a severe challenge. In spite of this, the authority carried out its tasks with professionalism, the natural disaster claimed no lethal victims and the efforts to protect property were successful. In connection with a different field, the improvement in the effectiveness of police investigations is also worthy of emphasis. However, it is important to establish a constant, organised and respected presence of police in all settlements and even outlying parts thereof, where possible.

### **Poland (score: 2)**

In 2013, the Polish Parliament passed the laws and regulations in 1 742 (2012: 1 555). The problem is that many laws were amended several times (for example, the Law on VAT tax in 5 times). For example, at the end of the year, the Parliament passed really fast (in 2 days) a law, what changed the rules of private social insurance pension funds (OFE). Senate in 2013 also passed 664 amendments (2012: 293).

### **Slovakia (score: 2)**

The situation in this field and its trends remained without crucial changes. No major laws covering this area were adopted and the same counts for the real functioning of the respective authorities. The main example here is represented by the effectiveness of the police. In the last decade there has been a clear trend of lowering of crime rate when in 2004 there were more than 130 thousand crimes reported and in 2012 this number fell to 90 thousand. In 2013 the amount of offenses again decreased though only slightly to 89 677 of crimes. The more important issue is the ability of the police forces to successfully close the reported offences as this share is continuously rising and year 2013 was no exemption here as this share rose over 54 percent.<sup>1</sup>

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<sup>1</sup> Source: Statistics of the Ministry of Interior of Slovakia



Year	Reported offences	Closed cases	Closed cases (percent)
2004	131 244	51 635	39.34
2005	123 563	54 024	43.72
2006	115 151	47 481	41.23
2007	110 802	45 975	41.49
2008	104 759	45 696	43.62
2009	104 905	49 453	47.14
2010	95 252	46 725	49.05
2011	92 873	47 182	50.8
2012	90 351	47 883	53
2013	89 677	48 723	54.33

During the year the police caused several scandals which have been intensely reported by the media. In June the police SWAT team made a raid in a Roma settlement in town 'Moldava nad Bodvou' in Eastern Slovakia. Police defended this action by claiming that it looked for persons suspected from previous crimes, however the Romas claimed that they were attacked by the police officers leaving them harmed and with damaged property. In later months this situation created a strong clash between the ombudsman (defending the Romas) and the government (backing the police). Another situation occurred in August when the police chased and shot at a car on a highway with four young people inside. The police claimed that it used force as the car belonged to a suspected murderer, but as it was found out, in the respective time he was not in the car.

## **2. Was the development of public administration successful in terms of modernisation, improvement of public services, establishment of a citizen-friendly administration and improvement of work of civil servants?**

For this question, **5 scores** shall be awarded if significant improvements were experienced in terms of modernisation, improvement of public services, establishment of a citizen-friendly administration and improvement of work of civil servants in the given country in comparison with 2012, while **0 score** shall be awarded if significant setbacks were experienced in these fields, or these aspects did not prevail at all as part of the governance.

### **Czech Republic (score: 4)**

The Internet access to services provided by public administration was broadened significantly. As an example, the new ePortal of the Czech Social Services Administration, which was launched in December 2013, can be mentioned. Using this new website, the Czech citizens and employers can access information related to social system (e.g. pension insurance, health insurance, sick leave) and communicate with institutions of social services administration broadened (see the next answer for more examples). On the other hand, realization of some projects was postponed (e.g. CzechPoint Home). The new act on civil servants was approved by the Nečas cabinet, his new version by the Rusnok cabinet, but the act has not come into force yet.

### **Hungary (score: 4)**

In 2013, a fundamental change was enacted in Hungary's system of public administration. Within the framework of a reform aimed at reorganising territorial public administration, 175 rural administrative districts ('járás') were established, along with 23 district authorities in the capital, below the county (secondary) level. As units of public administration carrying out governmental tasks at the local level with a general scope of authority, these bodies provide citizens with direct support in the management of all their affairs concerning the state. The intention of developing e-government and e-public services can also be considered a forward-thinking step; the relevant cabinet resolution included the appropriation of HUF 37-50 billion in funds to finance the objective. It is important to highlight that, parallel to the complete takeover of the debt stock amassed by local authorities on behalf of the government, questions concerning the administration of public services at the central (national, country and administrative district) and the local (municipal) level, i. e. the framework of public administration, have finally been clarified, along with a large share of exact tasks related to the details of the organisation of public services.

In connection with the organisation of public administration, the questions of deregulation and cutting back bureaucracy should also be addressed. While progress has been made in these areas in the course of the previous years, further measures remain necessary in order to establish a legal environment of the highest possible simplicity and efficiency.

As regards the stimulation of the professional commitment of those working in public administration, it is important to highlight the Hungarian Public Administration Scholarship programme, which also aims to contribute to a generational and cultural change in the field. The scheme is planned to be continued in the next European Union budgetary cycle with the training of a further thousand scholarship recipients. On a further note, sergeants in the ranks of the police force receive a HUF 10 000 monthly wage supplement from January 2014.

### **Poland (score: 2)**

In this area there were no significant changes, or the Polish cabinet not achieved much success in some cases connected to this area. For example, each ministry has separately constructed website, which is not citizen-friendly. The cabinet also postponed the date of the introduction electric identity cards once again. The Ministry of Administration and Digitalization, created in 2011, also failed with this project.

### **Slovakia (score: 2)**

In 2013 the country experienced no major change in this area, though there were several indications of rather deteriorating trends. First of all were the scandals connected to the police (see previous answer) which could undermine the trust of the society to police. According to a survey conducted in November 2013 only 43 percent of people trusted police while 55 percent did not trust this institution. Still there are institutions with an even lower trust of society, namely the courts.

In respect to public services the main area here was the so called ESO project – a reform of the state administration starting in October 2013. According to the plan of the Ministry of Interior the reform should lead to more effective public services while bringing substantial savings of public finances. The effects of the reform and its ability to fulfil its proposed aims cannot be yet decided as it was started only in the final months of year 2013.

### **3. How did the situation change in the previous year in terms of accessing public information and the government's measures to fight corruption?**

For this question, **5 scores** shall be awarded if access to public information and government measures to fight corruption improved significantly in the given country in comparison with 2012, while **0 score** shall be awarded if significant setbacks were experienced in these fields, or these aspects did not prevail at all as part of the governance.

#### **Czech Republic (score: 3)**

Implementation of various measures related to the eGovernment project which aims at a broader use of electronic communication and the Internet in the public administration continued on local, regional and central level in 2013. Information from several public registers became accessible online in 2013 ([www.szcr.cz](http://www.szcr.cz)). Number of so-called Czech Points (places where a citizen can access information from public registers) was increased, especially due to the fact that there were also placed in one of the commercial banks. One can also mention a growing number of cities that published their budgets on a website in an interactive form, or cities that have published information on public tenders in a very detailed way online. More importantly, the issue of public access and need for a bigger transparency of public administration activities has become widely discussed in the media and increasingly reflected by public administration institutions.

An updated version of the government strategy to fight corruption was passed. The strategy included several proposals including changes in The Free Information Access Act, The Public Tenders Act, better protection of whistleblowers or establishment of The Office for Fight against Corruption. Much of preparation work was done, however, the fall of the Nečas cabinet meant suspension of realization of some of these measures.

#### **Hungary (score: 2)**

An important step of the previous year was the country's accession to the Open Government Partnership, under which the government agreed to enhance the right of public access to budgetary figures and the right to bring proceedings in connection with public procurement data, as well as reinforcing the publicity of contracts concerning the utilisation of public property or the appropriation of public funds.<sup>2</sup> In spite of this, however, the fact that under the amendment of the law on the freedom of information, the technical criteria of attending to certain forms of information requests have been modified, which may lead to a setback in the area. Although the possibility of in-substance legal remedy will remain open for those requesting information if the disclosure of the requested information of public interest is denied regardless of the modification, it cannot be considered a step forward if courts will have to intervene in a higher number of cases in order to ensure the disclosure of data of public interest.

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<sup>2</sup> <http://www.kormany.hu/hu/kozigazgatasi-es-igazsagugyi-miniszterium/hirek/akcioterv-keszul-a-nyilt-kormanyzati-egyuttmukodeshez-valo-csatlakozas-vallalasairol>

Although this issue is surrounded by heavy political debate, it is important to mention in connection with the cabinet's measures against corruption that an anti-corruption programme is now in place in Hungary for the first time since the transition to democracy. More significant than this, however, are the amendments to several penal laws which have, for example, classified crimes against the purity of public life as cases of extraordinary importance. Alongside the establishment of an appropriate legislative environment, however, further progress is necessary to effectively fight off acts of corruption and to instill the importance of taking action against corruption into society.

### **Poland (score: 2)**

In this area there were no institutional changes. On the other hand, the Ministries, the Office of the Prime Minister, even the Office of the President of the Republic often refused access to a number of public information, e. g. contracts, analyzes.

### **Slovakia (score: 2)**

As for access to information in May the Prime Minister Fico announced that the law about free access to information should be changed in a more restrictive shape. According to him the law has been misused by citizens who put too much pressure on civil servants with their requests for various data f.e. students seeking for information for their final theses. This announcement was negatively perceived by non-governmental organizations and opposition parties. Based on them this aim would lead to closing the state administration from the citizens thus allowing it to hide potential corruption scandals. Until the end of 2013 the respective law was not modified.

Corruption remained a widely perceived problem in Slovakia. According to survey made by Transparency International in European countries, nearly two thirds of Slovak citizens found governmental measures against corruption to be non-effective (9<sup>th</sup> highest result out of 24 included states). In the global perspective the country based on Transparency International ended as 61<sup>st</sup> (out of 177 countries) which in fact copied the result from 2012 where Slovakia ranked on position 62 (out of 176 countries).

#### **4. How did the direct involvement of citizens in the government's decision-making change in the previous year?**

For this question, **5 scores** shall be awarded if the direct involvement of citizens in the decision-making of the government improved significantly in the given country in comparison with 2012, while **0 score** shall be awarded if significant setbacks were experienced in this field, or this aspect did not prevail at all as part of the governance.

##### **Czech Republic (score: 3)**

One major change, which enabled citizens to be more involved in the political process, was introduced for the first time in 2013. In January and February 2013, the first direct presidential elections were taken place. In the second round of the election, Miloš Zeman beat Karel Schwarzenberg and became the first direct elected president of the Czech Republic. However, when assessing the improvement of citizens influence on decision-making, one should keep in mind a relatively weak position of the President in the Czech political system (despite intensive discussion on a possible move of the Czech Republic towards semi-presidentialism). Several discussions on introduction of general referenda act took place and it is quite probable that the act will be passed before the next general election.

##### **Hungary (score: 1)**

The Hungarian government is rather at disadvantage in this field if the scope of enquiry is confined to the year 2013, although the analysis of the entire cabinet term presents a somewhat different picture. Although the continuation of the so-called 'National Consultations' was mentioned on several occasions at the end of 2012, no nationwide consultation took place in the year under examination. Partial progress, for example with regard to allowances afforded in the field of food vouchers, has been made in including the results of the consultation on job creation, carried out in 2012. The collection of signatures to assess popular support for the government's policy of decreasing public utility costs and the letter sent by the Prime Minister to ethnic Hungarians living beyond the country's borders can also be mentioned under this heading. The latter could prove important in times to come because Prime Ministerial correspondence could form a basis for providing regular information to Hungarians living beyond the country's boundaries, provided that this will not result in a unilateral dialogue. Further progress is also needed in the inclusion of citizens' organisations into the lawmaking process.

##### **Poland (score: 1)**

In this area there were no institutional changes. On the other hand, a civic initiation to hold a referendum on the reform of education (compulsory education from 6 years old and reducing the number of hours of history in the schools), signed by 1.5 million citizens, was rejected by the parliamentary majority. Consultations with social organizations, e. g. trade unions, had been reduced to an absolute minimum.

**Slovakia (score: 2)**

This area was marked by absolutely no change at all. The government composed of only one party – Smer-Social Democracy often uses dialogue with more subjects including the trade unions, employers unions or towns and cities. After elections in 2012 the government also created or maintained several advisory bodies where representatives of various sectors are present. Both these aspects rather diminished in 2013 and they were more publicly stressed in the first year of the electoral term as a way how the government wanted to present an image of a cooperative body thus weakening the image of a single party holding all the power in the country.

Individual citizens are not involved in the decision process in a visible way. Citizens have the right to sign petitions or call for referendums, but none of these factors played a role in 2013. However the position of citizens in the decision process may be threatened by the announced aim to modify the law guaranteeing free access to information (see answer above), although such a change has not occurred until the end of 2013.

## Government Stability

### **5. Were there any internal conflicts, was there a clear internal opposition within the government, did government members leave in the previous year? Were government member changes frequent?**

For this question, **5 scores** shall be awarded if there was no internal conflict, no internal opposition operated within the government and no government members left in the previous year, while **0 score** shall be awarded if internal conflicts within the government, internal opposition, and constant governmental changes due to the continuously leaving government members hindered a stable governance.

#### **Czech Republic (score: 3)**

There were two governments in 2013. The first, centre-right, cabinet was headed by Petr Nečas and consisted of the Civic Democratic Party, TOP 09 and Liberal Democrats. There were several disputes within the cabinet but not so intensive as they were in recent years. There were differences in approach of the governing parties towards the amnesty granted by the President Václav Klaus or disputes over nomination of a new Minister of Defence, or over the European fiscal pact.

Only one ministerial replacement took place when Vlastimil Píček was appointed as the Minister of Defence in March 2013 after three months when Ministry had been without its Minister (Karolína Peake was dismissed in December 2012).

In June 2013, an interim cabinet led by Jiří Rusnok was appointed. There were neither internal disputes, nor changes of government members.

#### **Hungary (score: 5)**

Similarly to the year 2012, no major disagreements within the government surfaced last year and the incumbent cabinet was not faced by the existence of an internal opposition. Governmental proposals and the implementation of decisions were not hindered by the conflicting interests of various groups of politicians within the governing side. Consequently, the government displayed unity in this regard too. With regard to cabinet reshuffles, the number of these was minimal and at ministerial level (Minister of National Economy György Matolcsy was appointed as Governor of the National Bank of Hungary), the explanation for the change in personal composition was not due to the lack of political trust or governmental stability.

#### **Poland (score: 4)**

Internal tensions in the ruling coalition did not occur too often, and were not too intense. In autumn, there were changes in the Cabinet: six ministers, including a Deputy Prime Minister (Minister of Finance).



**Slovakia (score: 5)**

After elections 2013 the government was extremely stable for the whole time and this trend continued also in 2013. As the government composes of only one party, no quarrels between coalition partners may happen. Also the ruling party Smer-SD stays very stable with no signs of internal struggles.

The composition of government has not changed in 2013. All 14 ministers (10 from Smer-SD and four independents) stayed in office. As the same counted for year 2013 it may be summed up that since elections 2012 there was no modification on none of the ministries in Slovak government.

## **6. Was there parliamentary majority behind the government in the previous year?**

For this question, **5 scores** shall be awarded if there was a stable parliamentary majority behind the government of the given country in the previous year, supporting the government in all significant questions, while **0 score** shall be awarded if no stable government supported by the parliamentary majority worked in the previous year.

### **Czech Republic (score: 1)**

After several internal disputes and splits within the government parties between 2010-2012, Nečas government did not have a clear majority in the Chamber of Deputies (or had a very tiny majority at best) but was still able to secure day-to-day majority for pushing legislation through. After a corruption affair which affected the Prime Minister, the head of the Cabinet Office (and Nečas's mistress at the same time) and several former MPs, Petr Nečas was forced to resign. Despite a declared parliamentary majority for a (re)newed centre-right cabinet which would have been lead by Miroslava Němcová (former Speaker in the Chamber of Deputies) from the Civic Democratic Party, President Miloš Zeman decided to appoint a non-party caretaker cabinet led by Jiří Rusnok (former minister from left-centre cabinets between 1998-2003). However, the government lost the confidence vote in the Chamber of Deputies and was forced to resign according to the Constitution. The lack of President's willingness to appoint a new government and the lack of a clear parliamentary majority led to dissolution of the Chamber of Deputies. As a result, Rusnok cabinet stayed in office till the end of January 2014.

### **Hungary (score: 5)**

Similarly to previous years, the incumbent Orbán government maintained its stable, two-thirds parliamentary support throughout the year 2013, during which only two MPs (József Ángyán and József Balogh) left Fidesz's parliamentary group to continue as independent representatives. The parliamentary majority voted in support of the cabinet and certain governmental proposals in all major cases.

### **Poland (score: 5)**

In the Parliament, there was usually a greater support of the Cabinet than the formally owned support, because the Cabinet was supported by one of the smaller opposition parties too.

### **Slovakia (score: 5)**

The backing of the government and its proposals continued to function in parliament without any change when compared to previous year. Parliamentary group of Smer-SD which holds the majority of 83 MPs out of 150 works absolutely in the line of the government. The party's parliamentary group also showed permanent stability as none of the MPs left the group what is quite in contrast with opposition parties as some of them were affected by departure of several of their MPs. The full support of Smer-SD's

parliamentary group for the government was significantly visible during the attempts of opposition to call for a vote of no confidence towards some of the ministers or to open a discussion in the parliament about various political topics. For illustration in December the opposition wanted to open a special meeting of the parliament about non-banking entities and executions, but the MPs of the ruling party blocked this initiative using their majority. Similar outcome had the aim of the opposition to hold a veto of no confidence against the Prime Minister in September. In the beginning of the session the Prime Minister had a speech in which he bid MPs of his party to leave the meeting room what they followed with no exemption.

## Public Support

### 7. How did the direct support of the head of government and the ratio of sympathizers with the parliamentary parties supporting the government change in the total population in the previous year?

For this question, **5 scores** shall be awarded if the head of government of the given country would have been elected proportionally by significantly more people directly for this position than its potential challengers in the previous year, and if the parliamentary parties supporting the government managed to increase the ratio of their sympathizers in the total population in the previous year or maintain their high support. For this question, **0 score** shall be awarded if the head of government of the given country did not have any direct support, and the ratio of sympathizers of parliamentary parties supporting the government dramatically decreased or remained low in the total population.

#### Czech Republic (score: 1)

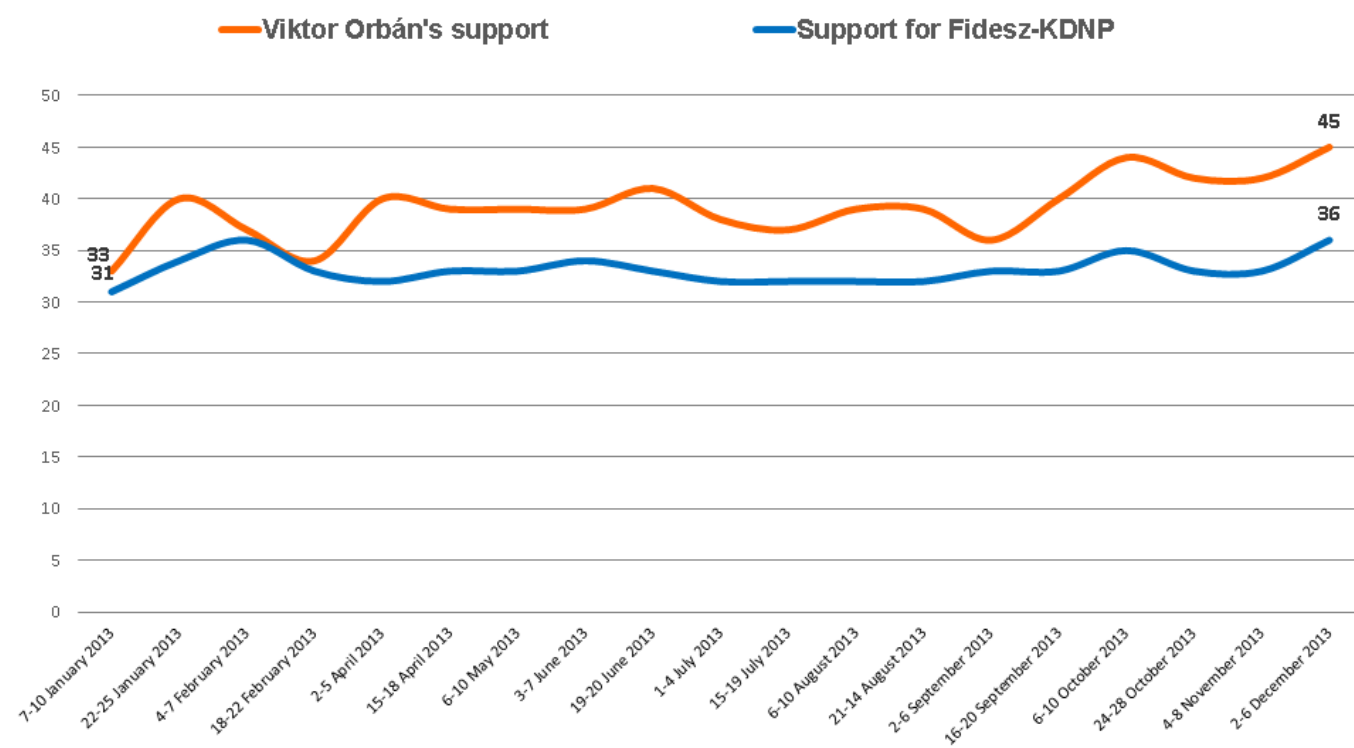
Popular trust to Petr Nečas decreased to 16 percent in March 2013 (the last month this measure is available for Nečas) which is considerably less in comparison to the beginning of 2012 (25 percent) but more or less the same as it was in the second half of 2012. In September 2013 (the only available data), Jiří Rusnok belonged to the most popular politicians in the Czech Republic (46 percent of respondents expressed their trust to him).

The support for the parties of the Nečas cabinet remained more or less the same when Nečas cabinet was in office. However, in comparison to the 2010 election results, the Civic Democratic Party experienced a significant drop of its support (12 percent compared to 20 percent of votes in 2010). The support of TOP 09 was around 16 percent which corresponded to the result of the party in 2010. The support of the LIDEM party remained below 1 percent. Both the Civic Democratic Party and TOP 09 experienced a major defeat in the 2013 early election when the Civic Democratic got 7 percent of votes and TOP 09 only 12 percent of votes. Since the Rusnok cabinet was not supported by any parliamentary political party, similar measures are not applicable in that case.

#### Hungary (score: 5)

In the year 2013, Prime Minister Viktor Orbán significantly gained in popularity among the total population, while the Fidesz-KDNP party alliance successfully maintained its popular support at a high level and even managed to increase its backing among the electorate. At January 2013, 33 percent of respondents indicated their intention to directly reelect the Prime Minister for this position, which increased to 45 percent by the end of 2013. While 31 percent of respondents were in support of the

Fidesz-KDNP alliance at the beginning of 2013, this figure increased to 36 percent of respondents by late 2013.<sup>3</sup>



## Poland (score: 2)

According to public opinion research institute CBOS, confidence in the Prime Minister Tusk in 2013 decreased from 41 percent (January) to 31 percent (December). Number of government supporters also decreased, from 28 percent to 23 percent in 2013.

## Slovakia (score: 4)

In Slovakia a PR list system is used for the general elections what is also reflected in surveys which mostly map the support of parties rather than trust of specific politicians. In respect to the support of parties the situation in 2013 remained more or less stable. The ruling party kept its dominant position with the support balancing near the 40 percent. The five parliamentary opposition parties remained small and they mostly ranged from five to ten percent. The numbers provided in the chart represent an average of outcomes of relevant agencies (Median, MVK, Polis and Focus). In the end of the year a slight decrease of support of the ruling party was measured, but this cannot be observed from the table as the numbers for December are only from one agency – Median – which constantly measured higher support for Smer-SD when compared to other agencies throughout the whole year.

<sup>3</sup> Surveys was made by Nézőpont Intézet with representative sample of 1,000 voting age adults.

Party	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Smer-SD	36.9	40.33	41	41.87	42.65	43.85	44.65	45.7	40.05	39.87	41.9	42.8
KDH	10.9	9.1	9.2	9.8	10	9.55	9.55	9.5	10.6	10.33	8.95	10.6
OLaNO	8.8	8.47	8.6	7.83	7.63	8.25	6.7	6.4	8.78	8.67	8.3	6
Most-Híd	5.2	6.6	6.57	6.57	7.18	8.05	7.8	7.1	6.63	7.03	7.35	6.3
SDKÚ-DS	8.8	8.2	8.1	8.43	6.63	7.6	7.1	8.8	7.28	8.27	8.4	10.4
SaS	6.9	6.77	6.5	5.33	3.8	4.45	5.25	6.2	5.13	5.73	4.8	4.9

As for the support of the Prime Minister, among the mentioned agencies only two surveys were found, both in spring (March and April). In both of them the Prime Minister got the highest support among all with 28.5 percent and 31.5 percent respectively. His personal support could be also traced from the surveys mapping the support of candidates for the office of the president. Although Robert Fico announced his candidacy in the end of the year, his name was included in the surveys from the beginning. With no exception he got the highest amount of support mostly above 30 percent with clear distance from all his rivals.

## 8. How was the long-term stability of the political system affected by the power relations between the parties in the previous year?

For this question, **5 scores** shall be awarded if the party competition was dominated by the competition of moderate political parties in the previous year in the given country, while **0 score** shall be awarded if the party competition was dominated by the significant loss of ground of moderate political parties and the significant spread of one or more protest political parties.

### Czech Republic (score: 0)

The division line between moderate and protest parties is not a best descriptor of a major change which the Czech party system experienced in 2013. Instead, the dichotomy consisting of the established/parliamentary and protest parties can be easily applied. The 2013 election was simply disaster for the political parties which were represented in the Chamber of Deputies after 2010 election with more than 80 percent of votes.<sup>4</sup> The same parties managed to get only 47 percent in the 2013 election in which new protest parties (ANO 2011 and Tomio Okamura's Dawn of Direct Democracy) gained more than 25 percent of votes.

ANO 2011 was founded by Andrej Babiš, one of the richest businessmen in the Czech Republic and owner of a big agro-chemical holding Agrofert. In a declaration which was issued by Babiš in November 2011, he criticized the established political parties for being incompetent to run the country and stealing public money. He publicly encouraged citizens to join his initiative and expressed his willingness to form a new political movement. In 2012, the movement was founded and after a massive electoral campaign based mainly on anti-establishment appeal it gained almost 20 percent of votes. The movement entered the government alongside with the Czech Social Democratic Party and the Christian and Democratic Union – the Czechoslovak People's Party (the government was officially appointed in January 2014).

The Dawn was established by Tomio Okamura, senator and unsuccessful presidential candidate. A Czech-Japanese businessman Okamura has been well-known as the President of the Association of Travel Agencies often having commented on Czech politics. With radical anti-establishment rhetorics, strong emphasis put on direct democracy and radical-right wing sentiments (anti-immigration and anti-Gypsies discourse), the movement managed to get almost 7 percent of votes. Nevertheless, it remained in opposition.

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<sup>4</sup> Source: volby.cz

Party	Votes (number)	Votes (percent)	Change (2010)	Seats	Change (2010)
ČSSD	1 016 929	20.50	-1.60	50	-6
ANO 2011	927 240	18.7	+18.70	47	+47
KSČM	741 044	14.8	+3.50	33	+7
TOP 09	596 357	12	-4.70	26	-15
ODS	384 174	7.7	-12.50	16	-37
Tomio Okamura's Dawn of Direct Democracy	342 339	6.9	+6.90	14	+14
KDU-ČSL	336 970	6.8	+2.41	14	-10
VV	N/A	N/A	-10.88	N/A	-24
Other parties	628 663	11.86	+6.31	0	0
Invalid votes	37 228	0.74	-0.11	0	0
TOTAL	5 010 944	100	0	200	0

### **Hungary (score: 4)**

In 2013, the stability of the Hungarian political system continued to be ensured by a relatively high level of support for the moderate Fidesz-KDNP alliance, governing from the position of the political centre. Popular backing for the rhetorically radical Left and Jobbik, both occupying positions of protest against cabinet policies, was significantly lower than that for the governing party; moreover, the ability of these parties to govern is questionable. With regard to the long-term stability of the political system, however, it would be important for a stronger, moderate and competent opposition force to appear on the Hungarian political scene to replace the current radical, fragmented and weak opposition.

### **Poland (score: 5)**

No evidence of growth the extreme political parties in Poland. The anti-parliamentary or racist parties receive in the polls onyle 1 percent or less support.

### **Slovakia (score: 4)**

Throughout the year 2013 the moderate parties kept their dominant position in the system. However in the regional elections held in November in one of the eight regions the leader of an extreme right party M. Kotleba won over the incumbent from party Smer-SD and got elected as the president of the region. His party has still marginal support in the public as in parliamentary elections 2010 and 2012 it scored under two percent, but in the end of the year several surveys showed raising numbers of its support closing to 5 percent which is the barrier for entering Slovak parliament. The party strongly objects the existing establishment and its program is aimed strictly against the Roma minority. In respect to protest parties, one of such cases may be also found in the parliament, namely the party 'Ordinary Citizens and Independent Personalities'. The party exists mostly as a platform for independent candidates and before elections 2012 strongly criticized the establishment and political parties as such. Since the elections it shows some signals of protest, but altogether it works in the parliamentary arena mostly together with the remaining opposition parties. During year 2013 its support ranged from 5 to 10 percent.



## Social Relations

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The question period addressing the situation of society also examined various countries' social policies along three sets of issues (the labour market situation, the net value of average wages and pensions and demographic indicators as a whole, concerning the perspectives of the future generations and social inclusion). In the round of questions directed at the 'Labour Market Condition', we examined the position of young people on the labour market alongside the rate of employment. As for the field of 'Average Net Salaries and Pensions', our enquiries focused on tendencies and changes compared to the earlier situation. In the case of 'Demographic Indicators, the Perspective for Future Generation and Social Inclusion', we analysed the performance of governments in areas carrying a high level of risk with regard to the entire region.

In the field of the social situation, Hungary also finished in first place, although the results for Poland and Slovakia are also favourable. Hungary's performance in the area was enhanced by high scores for questions addressing objective figures, such as the trend of broadening employment and the increase of real wages. Immediate attention to areas of social policy carrying high levels of risks is of key importance with regard to the region as a whole. Negative demographic tendencies and problems endured by families and the future generation, such as the labour market situation and home-making, require coordinated and substantial solutions.

V4 COUNTRIES	TOTAL SCORE	COUNTRY'S SCORE	%
Hungary	40	27	67.50%
Poland		25	62.50%
Slovakia		25	62.50%
Czech Republic		23	57.50%

## Labour Market Conditions

### 9. How did employment change in the previous year?

For this question, **5 scores** shall be awarded if the specific country is one of the first four placers (1<sup>st</sup>-4<sup>th</sup>) of the ranking of the member states of the European Union, created based on the descending order of the ratio of the nominal employment data of the third quarter of 2013<sup>5</sup> and the third quarter of 2012.

**4 scores** shall be awarded if the country is one of the 5<sup>th</sup> to 9<sup>th</sup> placers.

**3 scores** shall be awarded if the country is one of the 10<sup>th</sup> to 14<sup>th</sup> placers.

**2 scores** shall be awarded if the country is one of the 15<sup>th</sup> to 19<sup>th</sup> placers.

**1 score** shall be awarded if the country is one of the 20<sup>th</sup> to 24<sup>th</sup> placers.

**0 score** shall be awarded if the country is one of the 25<sup>th</sup> to 28<sup>th</sup> placers.

1	Ireland	1.0314
2	Malta	1.0310
3	Hungary	1.0137
4	Latvia	1.0130
5	United Kingdom	1.0125
6	Estonia	1.0110
7	Sweden	1.0109
8	Lithuania	1.0080
9	Germany	1.0069
10	Czech Republic	1.0067
11	Belgium	1.0050
12	Denmark	1.0040
13	Poland	1.0010
14	Romania	0.9993
15	Bulgaria	0.9990
16	Luxembourg	0.9980
17	Slovenia	0.9970
18	Austria	0.9970
19	France	0.9970
20	Slovakia	0.9960
21	Netherlands	0.9900
22	Finland	0.9850
23	Portugal	0.9780
24	Italy	0.9773
25	Greece	0.9720
26	Spain	0.9710
27	Cyprus	0.9630
28	Croatia	0.9370

<sup>5</sup> The ranking includes third quarter data because the employment data of the fourth quarter of 2013 was not available for all EU member states in the EUROSTAT database.

### **Czech Republic (score: 3)**

The EUROSTAT database ranked the country on position 10 among the member states.

### **Hungary (score: 5)**

The significant improvement to employment figures is a result of the economic policies pursued by the government; for example, changes included in the new Labour Code have increased the flexibility of the labour market. Although the public works programme is, of course, included in statistics, the objective of this governmental scheme is for participants to enter or reenter the competitive sector as soon as possible. While the effects of this will become known only in the years to come, the tendency appears to be favourable.

### **Poland (score: 3)**

In 2013, the level of employment was fundamentally stagnant in Poland. This is presumably connected to the fact that the country's economic growth for 2013 was the lowest among the previous years, despite the Polish economy having made it through the crisis without descending into recession.

### **Slovakia (score: 1)**

Comparison of employment provided by EUROSTAT<sup>6</sup> for the third quarters of 2013 and 2012 shows that the situation in Slovakia remained without major change. This ranked the country on position 20 among the member states with available data.

According to the domestic Statistical Office there were some fluctuations during the year which affected various categories of economic subjects on the market. From those who are worth mentioning, the amount of self employed persons fell sharply in the beginning of the year while rose back in later months. The categories that decreased in a more significant way were the employees in the industry and younger employees under 36 years.

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<sup>6</sup> Source: EUROSTAT

## 10. How did the unemployment rate of young people under the age of 25 change in the previous year?

For this question, **5 scores** shall be awarded if the specific country is one of the first four placers (1<sup>st</sup>-4<sup>th</sup>) of the ranking of the member states of the European Union, created based on the descending order of difference between the unemployment rate of the end of 2013 and 2012.

**4 scores** shall be awarded if the country is one of the 5<sup>th</sup> to 9<sup>th</sup> placers.

**3 scores** shall be awarded if the country is one of the 10<sup>th</sup> to 14<sup>th</sup> placers.

**2 scores** shall be awarded if the country is one of the 15<sup>th</sup> to 19<sup>th</sup> placers.

**1 score** shall be awarded if the country is one of the 20<sup>th</sup> to 24<sup>th</sup> placers.

**0 score** shall be awarded if the country is one of the 25<sup>th</sup> to 28<sup>th</sup> placers.

1	Latvia	-5.3
2	Lithuania	-4.8
3	Ireland	-3.6
4	Estonia	-2.2
5	Denmark	-1.0
6	Hungary	-0.9
7	Malta	-0.7
8	Czech Republic	-0.6
9	Luxembourg	-0.6
10	United Kingdom	-0.5
11	Sweden	-0.3
12	Slovakia	-0.3
13	Germany	-0.2
14	Portugal	0.0
15	Bulgaria	0.3
16	France	0.4
17	Austria	0.5
18	Poland	0.8
19	Belgium	0.9
20	Romania	0.9
21	Finland	0.9
22	Slovenia	1.0
23	Netherlands	1.5
24	Spain	2.5
25	Greece	3.3
26	Italy	4.7
27	Croatia	6.8
28	Cyprus	11.1

### **Czech Republic (score: 4)**

The EUROSTAT database ranked the country on position 8 among the member states.

### **Hungary (score: 4)**

The Job Protection Action Plan, launched earlier by the government, continued in the year under scrutiny. Under the action plan, employers employing persons under the age of twenty-five were afforded concessions from the social contribution tax. In the medium term, the Hungarian government could produce more favourable results if the policy of concessions and the reorganisation of higher education to suit economic needs continue.

### **Poland (score: 2)**

The level of youth unemployment, a figure showing a declining trend until 2009, has been constantly growing since that year. However, this tendency of growth was, in general terms, replaced by stagnation by 2013. These phenomena are influenced by the conjunctural situation – the falling pace of economic growth – on the one hand and structural problems, such as the condition of the educational system and the effects of skill mismatch, on the other.

### **Slovakia (score: 3)**

According to the Eurostat data for the years 2013 and 2013 Slovakia ranked on twelfth position among the EU countries with a decrease of unemployment rate under the age of 25 by 0.3 pp. In a comparative perspective the country did quite well although a few countries including two Baltic cases and Ireland lowered this indicator in a more significant way.

The unemployment of the younger age groups rose dramatically since the world economic crisis. In 2008 less than 20 percent of people under 25 years were unemployed and in next two years this indicator grew rapidly and crossed 30 percent. Since then the development was rather stabilized and ranging between 33-34 percent. The year 2013 thus supported this low fluctuation as the unemployment of the young reached 33.6 percent. Starting with year 2014 the government announced a complex programme for the next six years which included also this topic.

## 11. How did the labour market conditions of women change in the previous year?

For this question, **5 scores** shall be awarded if the employment of women increased in comparison with the end of 2012 in the given country, and simultaneously, the difference between the employment of women and men decreased

**4 scores** shall be awarded if the employment of women increased, but the difference between the employment of women and men did not decrease

**3 scores** shall be awarded if the employment of women did not change

**2 scores** shall be awarded if the employment of women did not change, though separate governmental measures aimed at increasing their employment

**1 score** shall be awarded if the employment of women decreased, though separate governmental measures aimed at increasing their employment

**0 score** shall be awarded if the employment of women decreased, and no separate governmental measures aimed at increasing their employment

### Czech Republic (score: 5)

63.8 percent of women were employed at the end of 2013 which means a rise of women employment by 1.3 percent in comparison to 2012. In 2013, 81 percent of men were employed which is by 0.8 percent more than it was in 2012. If we compare these numbers, the employment gap between men and women slightly decreased between 2012 and 2013. No special measures aiming at increasing of unemployment of women were enacted.

### Hungary (score: 4)

The rate of female employment improved in the year 2013, with the relevant indicator displaying an increase of 0.9 percentage points.<sup>7</sup> Beside this, however, a positive development of 1.9 percentage points to the employment rate among the male population also occurred, meaning that the difference between female and male employment has not decreased.

### Poland (score: 5)

According to relevant figures published by EUROSTAT, the rate of female employment in Poland (in the age group encompassing individuals between the ages of 15 and 64) stood at 53.4 percent at the end of 2012, which increased to 54.4 percent by the end of 2013. During the same period, the rate of employment among the male population (in the identical age group) grew from 66.6 per cent to 67.2 percent, meaning that the gap between employment figures for the male and female population has narrowed.

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<sup>7</sup> [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_eves/i\\_glf003.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_glf003.html)

## Slovakia (score: 5)

During the preparation of this text the data from EUROSTAT for the year 2013 were not available for Slovakia. As a solution the most recent data from domestic sources were used, particularly for the third quarter of 2013 which are gathered based on a survey of the labour force. Based on these results the employment of men slightly decreased when compared to the previous year and reached 72.3 percent. On the contrary the employment of women in the third quarter of 2013 increased to 58 percent compared to the same term of the year 2012. Together the amounts of employment of both genders got closer to each other, though it was not a very significant shift.<sup>8</sup>

	Employment in 2012 (percent)	Employment in 2013 (percent)
Men	73.3	72.3
Women	57.5	58
DIFFERENCE	15.8	14.3

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<sup>8</sup> Source: Bulletin of Prognostic Office of the Slovak Academy of Science 1/2013 and 1/2014.

## Average Net Salaries and Pensions

### 12. How did average net salaries change in the previous year?

For this question, **5 scores** shall be awarded if net salaries of the specific country increased significantly – above inflation – in 2013, and **0 score** shall be awarded if the net salaries of the specific country did not increase in 2013.

#### Czech Republic (score: 2)

The gross average wage was 26.637 CZK (1 EUR = 27 CZK) in the Q4 of 2013 which means a drop by 1.8 percent (by 2.9 percent when inflation is included into calculation) in comparison to Q4 of 2012. The median was 22.288 CZK. The average wage in 2013 was 25.128 CZK which means increase by 16 CZK (0.1 percent) in comparison to 2012.

#### Hungary (score: 4)

The system of personal income taxation valid since 1 January 2013 has, on average, resulted in the net increase of incomes because of the completion of phasing out the so-called 'super gross' rule. This is accompanied by an extraordinarily low inflation environment and the decrease of public utility costs, which account for a significant share of families' expenditures, as well as the decision to increase the wages of teachers and healthcare professionals. The combined effect of these supposedly resulted in the increase of real wages.

#### Poland (score: 5)

Between 2012 and 2013, the gross average wage increased from 3521.67 zlotys to 3650.06 zlotys in Poland.<sup>9</sup> Taking into account that there were no significant changes in the Polish tax system in the course of 2013, growth of similar dimensions can be presumed with respect to net wages also. Parallel to this, the level of inflation in Poland fell to an extraordinarily low level in the course of 2013, which resulted in the hefty growth of wages' real value in the previous year.

#### Slovakia (score: 5)

Slovakia did fairly well in the area of net salaries change. Based on the data provided by the domestic Statistical office the wages increased in 2013 by 2.4 percent. The inflation grew slower and it decreased when compared to previous years when it reached 4.1 percent (2011) and 3.7 percent (2012) respectively.

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<sup>9</sup> [http://www.stat.gov.pl/gus/5840\\_1630\\_ENG\\_HTML.htm](http://www.stat.gov.pl/gus/5840_1630_ENG_HTML.htm)



The net salaries thus increased by one per cent when compared to 2012. Data from EUROSTAT indicate even faster growth of net earnings.<sup>10</sup>

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Annual net earning	3223.1	3376.5	3787.2	5046.1	5565.4	5706.1	5883.9	6094.2	6272	6570.1

According to the domestic Statistical office, the earnings grew more significantly in areas of art, science, education and industrial production. On the contrary in some economic sectors the average net earnings decreased, what was the case of finances or the real estate trading, refining and several services.

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<sup>10</sup> Source: EUROSTAT

### 13. How did the situation of the elderly change in the previous year?

For this question, **5 scores** shall be awarded if the real value of pensions significantly increased and the cost of living of elderly significantly decreased in comparison with the end of 2012, while **0 score** shall be awarded if the real value of pensions significantly decreased and the cost of living of elderly significantly increased.

#### Czech Republic (score: 1)

After valorization of pensions, the average pension has been 11.015 CZK since January 2014 which means increase by 35 CZK in comparison to the beginning of 2013. A change of legislation passed in 2012 has made valorization of pensions more difficult as it is based only on one third of the inflation (unlike the previous law in which valorization was based on inflation) and only on one third of the rise of real salaries. Therefore, the real value of pensions decreased, especially thanks to the changes in legislation which have caused that valorization of pensions do not reflect the inflation. The consumer price index of the households of pensioners was 102 in 2013.

#### Hungary (score: 3)

The value of pensions increased by 5.2 per cent at the beginning of 2013, which represents an increase in the real value of pensions with the annual level of inflation, amounting to 1.7 per cent, is taken into account.<sup>11</sup> Additionally, it is important to devote attention to the fact that public utility costs, which decreased by a total of almost twenty per cent in the course of 2013, make up for a larger-than-average share in the pensioner consumer basket.

#### Poland (score: 3)

In Poland, every year in March takes place automatic revaluation of pensions. Its amount depends on the rate of inflation and wage growth in the preceding year. In 2013 polish pensioners got 4.4 percent raise of pensions (in practice from 30 to 55 zlotys: 7-12 Euro). In the same year, especially in the second half of the year, drug prices started rising.

#### Slovakia (score: 3)

The situation of pensioners has not changed at all during 2013. The amount of pensions as a share of the average wage increased slightly to 47.39 percent, so by less than one percentage point. As the chart indicates the pensions are gradually being increased when compared to the wages, but this trend is rather slow. In 2013 the pensions were close to reach the half of amount of average wage.<sup>12</sup>

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<sup>11</sup> [http://net.jogtar.hu/jr/gen/hjegy\\_doc.cgi?docid=A1200377.KOR](http://net.jogtar.hu/jr/gen/hjegy_doc.cgi?docid=A1200377.KOR)

<sup>12</sup> Source: Social Insurance Agency

<b>Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Pension	339.73	352.54	362.08	375.89	390.51
Average wage	744.5	769	786	805	824
Percent of wage	45.63	45.84	46.07	46.69	47.39

In 2013 several changes in pension calculations were introduced. First, starting with 2013, the pensions will be increased by a fixed sum of money. Second, in the following years (including 2013) the differences between the heights of pensions will be decreased. This is achieved by gradual reduction of coefficients for those who would be otherwise granted a higher pension. Following year 2013 the framework for pensions is seeking a higher rate of solidarity, thus reducing variation among them.

## Demographic Indicators, the Perspective for Future Generations, Social Inclusion

### 14. How did the demographic indicators change in the previous year in terms of the number of births, life expectancy at birth and the number of children per families?

For this question, **5 scores** shall be awarded if the number of births, life expectancy at birth and the number of children per families increased significantly in comparison with the end of 2012, while **0 score** shall be awarded if the number of births, the life expectancy at birth and the number of children per families decreased significantly.

#### Czech Republic (score: 2)

Population of the Czech Republic decreased in 2013 by 3 700 people to 10 512 thousands. The decrease was caused both by decreased number of births (by 1 800) and by red numbers in immigration (the number of immigrants decreased and the number of emigrants increased).

#### Hungary (score: 2)

The number of births declined by 1.7 percent in 2013.<sup>13</sup> Developments to life expectancy at birth followed international tendencies. The number of children per family continues to be a problem; however, with the introduction of the family tax concession and its extension to contributions, the state recognises a share of the costs brought on by the decision to have children.

#### Poland (score: 2)

According to data from the Central Statistical Office, Poland recorded a negative natural increase. Real growth rate was minus 0.1 percent. 2013 year was another year of decline in the birth rate, while increasing the number of deaths. The number of births was lower than the number of deaths by about 15 thousand people. At the same time Polish people are living longer. Men live in Poland on average 72.7 years, and women on average 81 years. It's about six years longer than the early 90's and almost three years longer than in 2000.

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<sup>13</sup> [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_wns001.html](http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_wns001.html)

### **Slovakia (score: 3)**

Based on national data provided by the Statistical Office the general demographic indicators did not change in 2013.<sup>14</sup> In respect to country's population, the number of births and deaths resembled the data from previous year. As in 2012 Slovakia's population was evenly increased by net migration. Altogether the population of the country increased by 5 113 citizens (2 379 by migration). So far the country continues its pathway typical for many European countries with only low population increase.

<b>Year</b>	<b>2012</b>	<b>2013</b>
Births	55 535	54 823
Deaths	52 437	52 089
Migration	3 416	2 379
<b>TOTAL</b>	<b>6 514</b>	<b>5 113</b>

In respect to life expectancy, no final data for year 2013 have been published yet. The only information was provided by the Prognostic Office of the Slovak Academy of Science the average length of life should follow the continuous increase from the previous years. For men the office expected 72.5 years for men and seven years more for women.

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<sup>14</sup> Source: Statistical Office of Slovakia

## 15. How did the perspective for the future generations change in terms of participation in higher education, family support, home-making and healthy environment?

For this question, **5 scores** shall be awarded if the opportunities for participating in higher education, the amount of family support, the chances of home-making and the conditions of healthy environment increased significantly in comparison with the end of 2012, while **0 score** shall be awarded if the opportunities for participating in higher education, the amount of family support, the chances of home-making and the conditions of healthy environment decreased significantly.

### Czech Republic (score: 3)

The conditions for participating in higher education have not been changed. Despite discussions on introduction of fees for university education, this has not been implemented yet and university education has remained very open. There was no new important legislation related to state family support enacted in 2013. Nevertheless, one can mention a new funding programme of the Ministry of Labour and Social Affairs aimed at support of families and protection of children's rights. All in all, there were no major setbacks related to the support of families in the Czech Republic in 2013. There have not been any data released which would enable to assess the quality of environment in 2013.

### Hungary (score: 2)

Although the number of those submitting higher education applications has shown a tendency of decline since 2006,<sup>15</sup> this can partially be explained by the falling numbers of the age groups reaching the phase of entry into the higher education system. With regard to the quality of higher education, however, it can be considered a step forward that the proportion of students accepted for state-funded tuition has somewhat grown.<sup>16</sup> At the same time, the state reserves the right to orientate applicants in the direction of higher education programmes favoured by the national economy. Technological innovation, which could be propelled to a great extent by centres of higher education, is an important element of the country's long-term economic strategy. This could also present the future generations with perspectives if governmental measures aimed at improving their position on the labour market are simultaneously maintained or expanded.

With the family tax concession, the state recognises a share of the costs brought on by the decision to have children, and in the previous year, Parliament enabled those with children to vindicate the family tax concession after the deduction of contributions.

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<sup>15</sup> [http://www.kormany.hu/download/6/9f/11000/Gyorsjelentes\\_felsooktatasi\\_statiztika\\_2013.pdf](http://www.kormany.hu/download/6/9f/11000/Gyorsjelentes_felsooktatasi_statiztika_2013.pdf)

<sup>16</sup> <http://www.kormany.hu/hu/emberi-eroforrasok-miniszteriuma/felsooktatasi-felelos-allamtitkarsag/hirek/klingshammer-istvan-a-kormany-teljesitette-vallalasait>

While the home-building sector looks upon major perspectives in Hungary, further progress needs to be made in this field. At present, the government provides subsidised forint-denominated loans and levy concessions for young property buyers below the age of thirty-five.

On the whole, a comprehensive governmental action plan to spell out adequate answers to problems such as migration, alongside the aforementioned areas, would be necessary to ensure the long-term perspectives of future generations.

### **Poland (score: 2)**

In this area there were no significant changes compared to 2012. The biggest problem in the country is that many young Polish people leave Poland. It would be very important to have a concrete government-plan against this trend. On the other hand, Polish economic situation is the best in the region, which is a good perspective to the future generations as well.

### **Slovakia (score: 3)**

The participation in higher education remained rather stable in the year 2013. Based on the statistical data from the Ministry of Education, the amount of students on higher schools and universities slightly decreased. The categories where the drop was more significant were the bachelor and master levels on public universities and public vocational schools.<sup>17</sup>

	2012	2013	Change	Change (percent)
Higher schools	241 287	228 399	-12 888	5.34
Universities	141 764	138 205	-3 559	2.51
TOTAL	383 051	366 604	-16 447	4.29

A similar change occurred in the number of enrolled students. In both types of schools (higher and universities) there was a slight decrease when compared to previous year. While in 2012 more than 60 thousand students enrolled to higher schools, in 2013 this dropped to 58.5 thousand. In respect to universities the amount of newly enrolled students lowered from nearly 42 thousand to more than 38 thousand. As for the remaining areas, no major changes here were identified. The family as an institution is officially protected by legal declarations and during 2013 this status quo did not change.

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<sup>17</sup> Source: The Ministry of Education of Slovakia

## **16. How did social inclusion change in the previous year in terms of people living in a less favourable position for reasons beyond their control, the minorities and persons with disabilities?**

For this question, **5 scores** shall be awarded if the outlooks for people living in a less favourable position for reasons beyond their control, the minorities and persons with disabilities improved significantly in comparison with the end of 2012, while **0 score** shall be awarded if the outlooks for people living in a less favourable position for reasons beyond their control, the minorities and persons with disabilities deteriorated significantly.

### **Czech Republic (score: 3)**

Analyzing changes of position of people living in less favourable circumstances, one can mention – especially in relation to the Great Crisis – the unemployed people. A new legislation raising the minimal wage to 8.000 CZK was enacted. Moreover, the financial support for the unemployed people was increased. In addition, parental allowance can be combined with support related to the care of handicapped children. This support was increased in case of selected degrees of handicap. No controversial legislation related to minorities right was enacted in 2013.

### **Hungary (score: 3)**

Public works programmes are of vital importance with regard to social inclusion. The introduction of public works schemes was necessary because beforehand, almost one-third of the Hungarian population capable of carrying out work was not engaged in any form of gainful employment. The public works programme attempts to provide a solution for a variety of objectives ranging from the development of participants' fundamental skills or possibly vocational expertise to the establishment of a healthy work ethic. These considerations aside, the public works programme is merely a preliminary solution, the goal of which is ultimately the facilitation of participants' entry or re-entry to the competitive sector. However, the importance of the public works scheme is not to be underestimated because a large proportion of participants have no previous work experience and count as highly disprivileged members of society. Although the effects of the measure can, of course, only be assessed in the long term, the system of public works programmes in itself constitutes a step forward in the field of social inclusion.

Public utility price cuts, the effect of which had a general scope and therefore appeared in the bills received by all clients, made up for further assistance to those living in difficult circumstances by no fault of their own.

The possibility of acquiring parliamentary mandates under preferential terms provided by the new electoral law represents a change in the life of ethnic minorities living in Hungary. Consequently, minorities will definitely have representation in the National Assembly, which could result in an improvement in the ability to put their interests across.



For voters with disabilities, the previous year saw a very significant step forward as regards the fact that new electoral regulations guarantee institutional state assistance in order to enable those concerned to practice their right to vote, such as accessible polling stations and ballot papers in the Braille script. This counts as an exceptional solution of expanding voters' rights even in the European Union.

### **Poland (score: 3)**

In this area there were no significant changes compared to 2012.

### **Slovakia (score: 2)**

Slovakia's population includes various ethnic minorities out of which the Romas, who live prevalingly in the central and eastern parts of the country, have the worst economic position. Based on a complex research study done in 2013 about four hundred thousand Romas lived in Slovakia what made up about seven per cent of the whole population. Discussions considering this minority have got considerable interest in the domestic politics in 2013 what was connected to the success of the leader of extreme right LSNS party in the regional elections.

One of the most problematic issues regarding Romas is the educational process and this includes higher rate of Roma kids placed in special schools or the segregation of classes on primary schools. In 2013 the government together with the Attorney for Roma issues made preparations for a general reform with an aim to solve the major problems connected with Roma minority. Until the end of the year only limited legislature changes were adopted and thus the reform may not yet be evaluated.

As for the persons with disabilities an important indicator is the amount of students in special primary and secondary schools. According to statistics of the Ministry of Education, these amounts were comparable to those of the previous year. While the number of pupils in the special primary schools increased, the secondary schools had an opposite trend. Together the situation had not changed when compared to year 2012.<sup>18</sup>

	<b>2012</b>	<b>2013</b>	<b>Change</b>	<b>Change (percent)</b>
Special primary schools	23 711	23 323	-388	-1.64
Special secondary schools	6 126	6 255	129	2.11
<b>TOTAL</b>	<b>29 837</b>	<b>29 578</b>	<b>-259</b>	<b>-0.87</b>

<sup>18</sup> Source: The Ministry of Education of Slovakia

# Economic Perspective

The question period directed at economic perspectives analysed the governmental performance of Visegrád Group countries on the basis of two subdivisions within the block of questions; while the first of these extended to the examination of developments in the field of 'Economic Growth, Budget Deficit, Public Debt and Inflation', the second saw the assessment of governance in countries belonging to the region on the basis of 'Industrial Production, Investment Rate, Market Sentiment and Growth Potential'.

With regard to economic perspectives, Poland takes the lead, although the performance of the other three countries is also promising in the light of results for the year 2013. The position of the Visegrád region as regards economic policy and room for manoeuvre has been and continues to be determined chiefly by development. The main direction of this is the integration into knowledge-based society, job creation and economic strategy aimed at establishing a sustainable pattern of growth. Within the European Union, the Visegrád region is a highly dynamic area also in terms of the economy, which can be explained by several factors, including ascent from a lower base level and the enhancement of the region's geopolitical role. However, the future must see every country conscientiously concentrating on their so-far largely consistent budgetary policy, successful monetary policy and a growth-centred development agenda. These three factors are of prime importance with regard to the establishment of the sustainable pattern of economic growth currently already under formulation.

On a further note, the ability of the region to attract capital independently appears to be on the rise and domestic savings have also taken on strength. As opposed to the previous period, the consolidation of independent productive capacities with an ability to integrate into the global economy, such as the creation of domestic brands and the strengthening of innovative activity, is a question on the agenda. With regard to public finances, the year 2013 is especially noteworthy because the countries of the region aimed to pursue a policy of fiscal prudence. Loose monetary policy, which may have contributed to growth, was a general characteristic in the region. In conclusion, the transformations necessary to emerge out of the crisis have been completed, the region appears to be in transition to a new structure of growth and the culture of production necessary to achieve this has also become more solid.

V4 COUNTRIES	TOTAL SCORE	COUNTRY'S SCORE	%
Poland	40	29	72.50%
Czech Republic		25	62.50%
Slovakia		25	62.50%
Hungary		24	60.00%

## Economic Growth, Budget Deficit, Public Debt, Inflation

### 17. How did GDP growth change in the previous year?

For this question, **5 scores** shall be awarded if the specific country is one of the first four placers<sup>19</sup> (1<sup>st</sup>-4<sup>th</sup>) of the ranking of the member states of the European Union, created based on the descending order of GDP growth data of the end of 2013.

**4 scores** shall be awarded if the country is one of the 5<sup>th</sup> to 9<sup>th</sup> placers.

**3 scores** shall be awarded if the country is one of the 10<sup>th</sup> to 14<sup>th</sup> placers.

**2 scores** shall be awarded if the country is one of the 15<sup>th</sup> to 19<sup>th</sup> placers.

**1 score** shall be awarded if the country is one of the 20<sup>th</sup> to 24<sup>th</sup> placers.

**0 score** shall be awarded if the country is one of the 25<sup>th</sup> to 28<sup>th</sup> placers.

1	Latvia	4.1
2	Romania	3.5
3	Lithuania	3.3
4	Malta	2.4
5	Luxembourg	2.1
6	United Kingdom	1.9
7	Poland	1.6
8	Switzerland	1.5
9	Hungary	1.1
10	Bulgaria	0.9
11	Slovakia	0.9
12	Estonia	0.8
13	Denmark	0.4
14	Germany	0.4
15	Ireland	0.3
16	Austria	0.3
17	Belgium	0.2
18	France	0.2
19	Netherlands	-0.8
20	Czech Republic	-0.9
21	Croatia	-1.0
22	Slovenia	-1.1
23	Spain	-1.2
24	Portugal	-1.4
25	Finland	-1.4
26	Italy	-1.9
27	Greece	-3.9
28	Cyprus	-5.4

<sup>19</sup> In the ranking, the missing EUROSTAT GDP growth data of the end of 2013 of four countries (Luxembourg, Ireland, Austria and Spain) were complemented with the data in the economic forecast of the European Commission in winter.

### **Czech Republic (score: 1)**

The EUROSTAT database ranked the country on position 20 among the member states.

### **Hungary (score: 4)**

With economic growth at 1.1 percent, Hungary occupies the ninth position in the ranking. The favourable figure can be explained primarily by the low base level, the good performance of the agricultural sector, the recovery of the construction industry from its bottommost point and a modest increase in consumption. Beyond the rate of growth, its structure is also an important consideration; in this field, it is a positive development that by the end of 2013, it was supported by not only export activity but also the recovery of domestic consumption. However, it can be established that almost all branches of the economy were capable of growth, which could serve as a comparatively broad base with regard to future economic expansion.

### **Poland (score: 4)**

The Polish GDP increased by 1.6 percent on an annual basis in 2013; this figure can be considered the weakest among the previous years for the country. The decline in the pace of growth is to be attributed mainly to the downturn of domestic consumption and investments. However, having regard for the considerations that this can be regarded the bottommost point of the Polish economy and the acceleration of growth can be expected from 2014 onwards, Poland's performance in this respect can be assessed in a positive light once again.

### **Slovakia (score: 3)**

Slovak's GDP growth of 0.9 percent thus lowered when compared to previous year's 1.8 percent to about a half, but it still belonged to the better results from EU countries. As in year 2012 the leaders here were the Baltic countries.

## 18. How was the budget deficit met in 2013 in comparison to the originally planned?

For this question, **5 scores** shall be awarded if the budget deficit in 2013 was met better than originally planned, and no additional, originally not planned, in-year budgetary income (hereinafter: adjustment) was necessary in order to achieve the planned deficit target

**4 scores** shall be awarded if adjustment was made, but the budget deficit was met better than originally planned

**3 scores** shall be awarded if the budget deficit was met as originally planned, and no adjustment was made

**2 scores** shall be awarded if the budget deficit was met as originally planned, but adjustment was necessary

**1 score** shall be awarded if the budget deficit was not met as originally planned, and no adjustment was made

**0 score** shall be awarded if the budget deficit was not met as originally planned, in spite of the fact that adjustments were made

### Czech Republic (score: 5)

The budget deficit of the Czech Republic was 81 billion CZK which was significantly less than 100 billion expected by the State Budget Act. The lower budget was explained by the cabinet by a better VAT payment and by an increased support from the European Union structural funds and lower state expenditures (e.g. lower investments in transport infrastructure were mentioned).

### Hungary (score: 4)

Although the original budget calculated with a 2.7 percent budgetary deficit rate, the final figure, at 2.2 percent, was lower than the anticipated rate.<sup>20</sup> Adjustments were made to the budget on several occasions during the year. A decision was reached on decreasing the operational costs of the state and increasing revenue from financial transactions. On the whole, the year 2013 carries exceptional importance from the point of view of public finances, because the Excessive Deficit Procedure in place against the country was lifted thanks to the low budgetary deficit level.

### Poland (score: 4)

While the budgetary deficit increased in comparison to the previous year, the deficit target was successfully reached; what is more, the figure amounted to eighty-two per cent of the anticipated level of almost 14 billion U. S. dollars. However, the Maastricht criteria concerning budgetary deficit remains to be attained as the deficit rate as a percentage of the GDP amounted to 4.3 percent in 2013. The target

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<sup>20</sup> Source: Hungarian National Bank

had to be adjusted in August because the GDP increased by only 1.6 percent instead of the anticipated rate of 2.2 percent.

### **Slovakia (score: 5)**

The government's ambition for year 2013 was to reduce its height from previous year, when it reached 4.5 percent of the country's gross domestic product. The government thus announced the target of deficit of 2.9 percent later modified closer to 3 percent. In the first quarter of 2013 the deficit was higher than expected, but during the next months it lowered. The result of 2.5 percent met the expectations.

Both the public incomes and expenses lowered what led to the final deficit. The expenses rapidly dropped in the area of eurofunds where the country was able to gain only limited resources thus paying lesser amount of money for common projects. The public incomes in general were lower than expected by more than one billion EUR. One of the reported successes was the higher amount of collected VAT. In September the country launched a lottery where citizens could enroll their invoices from shops. This activity has met considerable attention by the public, most of all in its beginning phases, though its effect on the amount of collected taxes has not been publicly reported by the authorities yet.

## 19. How did the public debt change in proportion of the country's GDP?

For this question, **5 scores** shall be awarded if the government debt-to-GDP ratio decreased with 2 or more percentage points in the period between the fourth quarter of 2012 and 2013

**4 scores** shall be awarded if the debt-to-GDP ratio has decreased with 1.5-to-2 percentage points

**3 scores** shall be awarded if the debt-to-GDP ratio has decreased with 1-to-1.5 percentage points

**2 scores** shall be awarded if the debt-to-GDP ratio has decreased with 0.5-to-1 percentage point

**1 score** shall be awarded if the debt-to-GDP ratio has not changed (increase or decrease with less than 0.5 percentage point)

**0 score** shall be awarded if the debt-to-GDP ratio has increased (with more than 0.5 percentage point)<sup>21</sup>

### Czech Republic (score: 1)

The public debt of the Czech Republic increased by 15.7 billion CZK to 1 683 billion CZK. However, the government debt-to-GDP ratio decreased by 0.2 percent from 46.2 percent to 46 percent. According to commentators, the decreased was cause mainly because a restricted fiscal policy and lower level of investments into the infrastructure.

### Hungary (score: 2)

Owing to the fact that almost forty per cent of public debt is denominated in foreign currency, developments to the level of government debt are influenced to a great extent by the structure of the debt stock. Therefore, nominal debt expressed in forints on the day of evaluation is fundamentally dependent upon the exchange rate of the forint.<sup>22</sup> Stimulating the growth of the GDP is a governmental objective aimed at decreasing the indicator. Economic growth, which took off by the end of the year, and the government's prudent budgetary policies both could have played a part in the improvement of the debt-to-GDP ratio.

### Poland (score: 0)

According to the European Commission's figures, Poland's debt-to-GDP ratio increased from 55.6 percent to 57.8 percent between 2012 and 2013. The country's indebtedness rate has been rising constantly since the inset of the economic crisis, a problem that has been causing ever greater concern for the government. In order to manage the issue, the Polish government decided to restructure the pension system in 2013, which will see the debt-to-GDP ratio decrease from 2014 onwards as a result of the partial takeover of assets held in private pension funds.

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<sup>21</sup> If the specific value is boundary, the more favourable score shall be taken into account in all cases.

<sup>22</sup> We used the Hungarian National Bank's database to calculate the value: 2012/4 (79.8 percent) - 2013/4 (79.2 percent) = 0.6 percent.  
[http://www.mnb.hu/Root/MNB/Statiztika/statiztikai-adatok-informaciok/adatok-idosorok/xi-puszamlak/mnbhu\\_nemz\\_modsz\\_idosorok090107](http://www.mnb.hu/Root/MNB/Statiztika/statiztikai-adatok-informaciok/adatok-idosorok/xi-puszamlak/mnbhu_nemz_modsz_idosorok090107)

**Slovakia (scores: 0)**

The public debt of Slovakia continued in its gradual increasing trend which started in 2008. During 2013 the public debt rose to its historical maximum when it reached 58,1 percent of GDP in the second quarter of the year. The third quarter ended with a slightly better result and the same counted for the end of the year. Altogether the public debt rose by more than two percentage points. In 2011 Slovakia adopted a law which orders the government to take various actions and cuts in case of high public debt. The amount of debt during 2013 rose very close to 60 percent which would bind the government to create the next country's budget with no deficit.



## 20. How did the inflation change in the previous year, taking into consideration its sustainability and compliance with the inflation target?

For this question, **5 scores** shall be awarded if inflation was definitely on a stable path in terms of sustainability and compliance with the inflation target in the previous year, while **0 score** shall be awarded if the inflation target was not met in the given country, which meant a huge risk or was particularly damaging to the economy as a whole.

### Czech Republic (score: 4)

The inflation target was set by the Czech National Bank at 2 percent level with expectable decrease of inflation under this level as a result of diminishing of the impact of taxes. The average level of inflation was 1.4 percent in 2013. The inflation was on a stable path ranging from 0.9 percent in October to 1.9 percent in January (in comparison to the same months in 2012). This slightly bigger increase in January 2013 can be explained by the raise of the VAT by 1 percentage point.

	Jan	Feb	March	April	May	June	July	April	Sep	Oct	Nov	Dec
m/m-12	1.9	1.7	1.7	1.7	1.3	1.6	1.4	1.3	1	0.9	1.1	1.4

### Hungary (score: 4)

In the medium term, no major inflationary pressure can be identified and the inflation environment on the European level is also low.<sup>23</sup> This rate of inflation is below the inflation target set out by the National Bank and at 3.3 percent, core inflation is also near the predetermined target, meaning that the stability of prices is sustainable. The discrepancy between core inflation and the consumer price index can be attributed fundamentally to the effect of public utility price cuts.

### Poland (score: 5)

While the inflation target pursued by the National Bank of Poland is 2.5 percent, the actual level of inflation, at 0.9 percent, fell short of this despite the National Bank's expansive monetary policy. This meagre level was produced primarily by falling energy prices. The international inflation environment is low, an effect that is exacerbated by the fact that the zloty was one of the region's best-performing currencies in the previous year. Consequently, attaining the mid-term inflation target involves no major risk either.

<sup>23</sup> [http://www.mnb.hu/Kiadvanyok/mnbhu\\_inflacio\\_hu/mnbhu-inflaciosjelentes-20140327](http://www.mnb.hu/Kiadvanyok/mnbhu_inflacio_hu/mnbhu-inflaciosjelentes-20140327)

### Slovakia (score: 4)

According to EUROSTAT the inflation rate (Harmonised Index of Consumer Prices – HICP) in Slovakia reached 1.5 percent in year 2013.<sup>24</sup> This meant that the prices grew much slower than in previous two years, when 4.1 percent and 3.7 percent were measured. In its prediction the National Bank of Slovakia expected the inflation rate of 1.9 percent and this aim was fulfilled. The inflation rate in 2013 started in higher amounts above 2 percent, but in later months it gradually weakened. As in the remaining Central European countries, in the last quarter of the year the inflation rate became slow and in case of Slovakia it dropped under one per cent. Altogether the country's inflation of 2013 was equal to the average for the whole European Union with twelve member states having the same or higher outcome.

Month	HICP (percent)	Month	HICP (percent)
January	2.5	July	1.6
February	2.2	August	1.4
March	1.9	September	1.1
April	1.7	October	0.7
May	1.8	November	0.5
June	1.7	December	0.4
TOTAL		1.5	

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<sup>24</sup> Source: EUROSTAT

## Industrial Production, Investment Rate, Market Sentiment, Growth Potential

### 21. How did the industrial production change in the previous year?

For this question, **5 scores** shall be awarded if the specific country is one of the first four placers<sup>25</sup> (1<sup>st</sup>-4<sup>th</sup>) of the ranking of the member states of the European Union, created based on the descending order of industrial production data of the end of 2013.

**4 scores** shall be awarded if the country is one of the 5<sup>th</sup> to 9<sup>th</sup> placers.

**3 scores** shall be awarded if the country is one of the 10<sup>th</sup> to 14<sup>th</sup> placers.

**2 scores** shall be awarded if the country is one of the 15<sup>th</sup> to 19<sup>th</sup> placers.

**1 score** shall be awarded if the country is one of the 20<sup>th</sup> to 24<sup>th</sup> placers.

**0 score** shall be awarded if the country is one of the 25<sup>th</sup> to 28<sup>th</sup> placers.

1	Slovakia	12.7
2	Luxembourg	9.1
3	Romania	8.4
4	Czech Republic	6.7
5	Portugal	5.9
6	Hungary	4.4
7	Poland	4.4
8	Slovenia	4.3
9	Germany	3.2
10	Spain	2.1
11	United Kingdom	1.7
12	Greece	0.6
13	Austria	0.5
14	Belgium	0.4
15	Bulgaria	0.0
16	France	-0.2
17	Netherlands	-0.6
18	Italy	-0.7
19	Denmark	-1.1
20	Finland	-2.0
21	Sweden	-2.7
22	Croatia	-2.9
23	Latvia	-4.0
24	Lithuania	-4.8
25	Estonia	-5.9
26	Ireland	-6.8
27	Malta	-7.4
28	Cyprus	-7.9

<sup>25</sup> The EUROSTAT data set does not include the partial industrial production data regarding construction. The percentage change shall be understood as compared to the same period in the previous year.

### **Czech Republic (score: 5)**

The EUROSTAT database ranked the country on position 4 among the member states.

### **Hungary (score: 4)**

Industrial companies' expectations have improved, this being the case especially among those producing for export. This was induced mainly by favourable European – primarily German – conjuncture indicators. Within industrial production as a whole, developments and investments in the automotive sector carried the greatest weight. The upsurge in production of the Mercedes plant at Kecskemét contributed especially heavily to improving figures.

### **Poland (score: 4)**

The broadening of Polish industrial production in the year 2013 can be considered impressive also in a European comparison. The heftier upsurge of industrial production characterized chiefly the second half of the year, which reflects a connection with international conjunctural developments.

### **Slovakia (score: 5)**

Slovakia's industrial production kept its good condition from the previous year and with 5.3 percent of annual growth scored as the second best among EU countries. Only Romania with industrial production growth of 7.8 percent had a better result. Throughout the year the image of Slovak industrial production changed rapidly. In its beginning the amount of production rose when compared to the previous year, but only slightly. In the second half the growth increased significantly and it culminated in November and December when the indicator crossed twelve per cent. Based on the information provided by the domestic Statistics Office, the sharp growth in the end of the year, was positively influenced mostly by the rise of the production of automobiles and their components, a large sector in Slovak economy.

## 22. How did investment rate change in the previous year?

For this question, **5 scores** shall be awarded if the investment rate for 2013 increased significantly in the specific country, and **0 score** shall be awarded if the investment rate for 2013 decreased significantly in the specific country.

### Czech Republic (score: 3)

The extent to which the number of investments had decreased for two years slowed down by the end of 2013. Uncertain economic perspectives are the main limiting condition for the growth of investment. The strict measures concerning European Union co-funded projects had a major impact on the decrease of government investments.<sup>26</sup>

### Hungary (score: 2)

The investment rate increased from 18.1 per cent to 19.1 per cent of the GDP between 1 January 2013 and 1 January 2014.<sup>27</sup> Although this can be considered extremely low in comparison to other countries in the region and new members of the European Union, the discrepancy is less significant compared to the average of Eurozone countries. The improvement was brought on by the accelerated withdrawal of EU funds and the upsurge of state investments on the one hand, and the lending-for-growth programme launched by the National Bank of Hungary on the other.

### Poland (score: 3)

According to figures released by EUROSTAT, gross fixed capital formation as a percentage of the GDP decreased from 19.2 percent to 18.4 percent between 2012 and 2013 in Poland. Beside the downturn of domestic consumption, the decline in the pace of economic growth can be attributed mainly to setbacks in investment activity.

### Slovakia (score: 2)

Based on the domestic Statistical Office the investment rate (calculated as the share of Gross capital formation of the country's Gross Domestic Product) reached 18.32 percent in year 2013. Compared to the previous year this indicator slightly decreased as in 2012 it ended above 20 percent of GDP. Formation of gross capital also decreased in absolute numbers when compared to year 2012. In respect to quarters of 2013 the worst numbers were reported for the first term with the share of Gross Capital Formation below 15 percent of the country's GDP. The second quarter ended with improved results and the third quarter had the best results nearly reaching to 23 percent of GDP. The numbers for the last quarter dropped again below 20 percent of GDP.

<sup>26</sup> [https://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/monetary\\_policy/inflation\\_reports/2014/2014\\_I/download/ir\\_I\\_2014.pdf](https://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/monetary_policy/inflation_reports/2014/2014_I/download/ir_I_2014.pdf)

<sup>27</sup> [http://www.mnb.hu/Kiadvanyok/mnbhu\\_inflacio\\_hu/mnbhu-inflaciosjelentes-20140327](http://www.mnb.hu/Kiadvanyok/mnbhu_inflacio_hu/mnbhu-inflaciosjelentes-20140327)

## 23. What was the market sentiment like in general in the previous year?

For this question, **5 scores** shall be awarded if the overall market sentiment (including local small and medium-sized enterprises) improved significantly – taking into consideration external and internal factors as well – in the given country in the previous year, while **0 score** shall be awarded if the overall market sentiment was characterised by permanent lack of confidence in the given country.

### Czech Republic (score: 4)

For answering this question, The Economic Sentiment Indicator values were used. The Economic Sentiment Indicator (ESI) is a composite indicator made up of five sectoral confidence indicators with different weights: Industrial confidence indicator, Services confidence indicator, Consumer confidence indicator, Construction confidence indicator Retail trade confidence indicator. Confidence indicators are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable they are supposed to track (e.g. industrial production for the industrial confidence indicator). Surveys are defined within the Joint Harmonised EU Programme of Business and Consumer Surveys. The economic sentiment indicator (ESI) is calculated as an index with mean value of 100 and standard deviation of 10 over a fixed standardised sample period. Data are compiled according to the Statistical classification of economic activities in the European Community, (NACE Rev. 2).

	Jan	Feb	March	April	May	June	July	April	Sep	Oct	Nov	Dec
Industry	-10.2	-7	-8.2	-11.1	-9.8	-10.2	-8.2	-7.7	-5.1	-0.9	3.5	1.2
Services	24.8	23.3	22.3	21.3	21.4	22.9	18.2	22.8	24.4	26.1	25.8	27.9
Consumer	-24.9	-26.1	-20.3	-22.2	-18.4	-16.9	-18.8	-16.5	-13.4	-13.6	-9.8	-10.8
Retail trade	9.8	7.6	5.7	-0.2	3.8	5	5.9	6.4	7.8	5.7	5.5	11.7
Construction	-45.5	-49.2	-43	-53.3	-53.4	-53.8	-47.7	-52.4	-48.4	-47.7	-48.1	-47.5
ESI	87.8	87.6	88	85.2	87.2	88.4	87.2	89.5	92.2	94.6	97	97.3

Although ESI remained under the longterm average in the Czech Republic for the whole year, its values grew more or less constantly over the year from 87.8 in January to 97.3 in December 2013. The rise of confidence could be observed especially in the industrial and consumer sectors. The economic confidence in services, retail trade and construction remained more or less the same.

### Hungary (score: 2)

In comparison to the previous year, improvements are apparent in several conjuncture indices. Frequent changes to the taxation system during the year could have resulted uncertainty primarily in the financial sector. The market atmosphere may have somewhat improved as a result of expectations in connection with the lending-for-growth programme led by the National Bank of Hungary.

## Poland (score: 5)

With regard to Poland, HSBC'S Purchasing Manager Index constantly produced a value of over 50 from the beginning of the second half of the year, which implies expectations of economic enlargement. On the basis of these considerations, it can be seen that the atmosphere and expectations of market actors assumed a positive direction from the second half of the year, following the improvement of the international conjunctural situation. However, consumer expectations were pessimistic throughout the year; although these began to develop in a positive direction in the second half of the year, this can be attributed to the broadening of employment and the low inflation environment. Additionally, it deserves attention that Poland is one of the region's most appealing countries with regard to the influx of working capital.

## Slovakia (score: 4)

The Economic Sentiment Indicator (ESI – see the table below)<sup>28</sup> considerably grew in Slovakia during 2013. In December 2012 the indicator was below 82 points and twelve months later it crossed 95 points which meant an annual increase of 13.6 percentage points. In respect to components of ESI the confidence grew most notably in the consumer index by nearly 20 percentage points and this shift was continuous throughout the whole year with only few exemptions. Trust significantly rose also in industrial and construction indicators. On the other hand the confidence in retail and services went through stagnation or a slight decrease. ESI for 2013 showed rather positive trends in the general view as a sign of returning trust in the markets efficiency after the drop which occurred after the world financial crisis.

Month	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13
<b>ESI</b>	<b>81.8</b>	<b>87.70</b>	<b>88.6</b>	<b>90.4</b>	<b>92.6</b>	<b>92.7</b>	<b>90.7</b>
Industrial	-10	-9.30	-12.30	0.0	1.0	-3.3	-7.3
Construction	-57	-54.00	-53.5	-52.0	-54.0	-53.5	-52.0
Retail trade	5.7	5.30	7.3	4.0	2.7	3.0	3.3
Services	13	4.70	15.0	8.3	9.0	0.7	-4.3
Consumer	-38.9	-37.10	-32.9	-29.6	-30.0	-26.0	-25.6
Month	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Change
<b>ESI</b>	<b>89.5</b>	<b>89.8</b>	<b>91.2</b>	<b>93.1</b>	<b>94.2</b>	<b>95.40</b>	<b>13.6</b>
Industrial	-4.3	-5.3	-0.3	3.7	-1.3	-1.00	9
Construction	-48.0	-48.5	-49.0	-45.5	-43.0	-43.50	13.5
Retail trade	0.7	3.0	-1.3	-0.7	2.3	4.70	-1
Services	-3.3	2.7	-0.3	6.0	4.7	7.70	-5.3
Consumer	-20.1	-22.6	-23.0	-21.8	-18.5	-19.00	19.9

<sup>28</sup> The column labeled as 'Change' maps the difference between December 2013 and December 2012. Source: Statistical Office of Slovakia.

## **24. How did governmental measures and ad hoc or permanent events in 2013 influence the growth structure of the economy and how did they facilitate progress, inclusion and recovery?**

For this question, **5 scores** shall be awarded if the economic growth in the country was on a sustainable, permanent path due to the governmental measures taken and/or ad hoc or permanent events in the given country in the previous year, while **0 score** shall be awarded if the governmental measures taken and/or ad hoc or permanent events significantly deteriorated the quality of economic growth in the given country.

### **Czech Republic (score: 2)**

Despite the fact that it is quite difficult in the global economy and especially in an export-oriented economy like the Czech Republic to identify the causal mechanism between the government measure and the rise/decline of economy, many commentators criticized austerity fiscal measures introduced by the Nečas cabinet and lack of investments which may have had a positive effect on the economic growth.

### **Hungary (score: 2)**

The most important governmental measure is the maintenance of fiscal prudence, which can be measured on the planning and implementation of the budgetary deficit. In addition, the preservation of fiscal prudence is an important consideration for investors also. This aside, the year 2013 can be divided into two halves with regard to the Hungarian economy, the first being recovery from the crisis and the second being transition to a course of growth, the latter of which can be attributed to internal and external factors alike. In the case of internal factors, the modest increase of domestic consumption and investments are both important. The increased value of real wages due to the low level of inflation, as well as the policy of public utility price cuts and the increase of teachers' salaries could have contributed to the improvement of domestic consumption. With regard to external factors, the upsurge in the industrial output of Germany as the country's chief export partner, which in turn stimulated Hungarian industrial production, also had a positive effect.

### **Poland (score: 4)**

In 2013, quick-starting growth was the Polish government's most important objective in the field of economic policy. The cabinet adequately perceived that the decline in the pace of growth was chiefly a result of narrowing investment activity and therefore devoted the most attention to addressing this area. 2013 marked the in-substance launch of the government's investment scheme, under which an investment fund drawing incomes from the sale of shares in certain state-owned companies was established. The most important objective of the measure was to provide a supplementary service to commercial banks in financing larger projects, i. e. to add the last few zlotys needed to finance certain



investments. Another positive development in the field of investments was that the Polish government was successful in negotiating highly favourable conditions for Poland at talks on the EU budget for the period between 2014 and 2020.

### **Slovakia (score: 2)**

The major economic indicators showed mixed outcomes about Slovakia's economy in 2013. On one hand the growth of GDP stayed rather low, while the budget deficit was considerably reduced. As for the governmental measures, the public expenses were reduced, but as it was mentioned in one of the previous answers, this was significantly due to country's inability to get more financial resources from EU sources, thus saving its share of financing. A rather negative trend was connected with unemployment and employment as both of them were prevalingly stagnant.

After elections 2012 the new leftist government adopted vast changes in the Labour law which were criticised both by the opposition and by representatives of the employers. According to the report of World Economic Forum (WEF), the country's competitiveness in 2013 dropped to its historical minimum as Slovakia ranked on position 78 with only one EU member state – Greece – with a worse result. Among the reasons of this negative shift, the new Labour law was mentioned as one of the most important.

The government also publicly announced its aim to fight against organized frauds with VAT. One of the tools was the establishment of the public lottery of invoices what should have increased the motivations of shopkeepers to register all their income. Due to time restraints it is not yet possible to determine the effectiveness of the governmental actions. However, during 2013 the amount of collected VAT increased which could indicate that the measures taken might have some positive effects.