AICEI PROCEEDINGS

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The Effects of the World Financial Crisis on the Serbian Economy

Abstract

The global downturn is amplifying its negative effects on the local economic crisis. The real sector is much more exposed to the crisis and its negative impact than the financial sector, which is dominated by foreign ownership. In the conditions of foreign capital squeeze and foreign debt repayment, the pressure is increased on the depreciation of the local currency followed by uncertain value of the nominal fix rate. Due to these underlying principles, the policy respond have the focus from the financial sector to the real sector. In the paper is explained that the sudden stop of the foreign capital inflow, due to the world financial crisis, has caused a sharp monetary contraction and consequently a drop in output in Serbia. The main problem of Serbia as the environment is the discrepancies between the real sector and the financial sector. The macroeconomic balance is directly related to the rate of implementing the industrial structural reforms and the level of the economic competitiveness. The increasing illiquidity, which is the major cause of decreasing demand and consequently manufacturing, is possible to be overcome by offering additional resources to the industry and the population.

Keywords: Global downturn, fiscal and monetary policy, bank rehabilitation, structural changes, competitiveness.

Introduction

Certainly the world economic crisis was caused by the decline of the financial sector liquidity. However, the liquidity crisis in the financial sector became soon manifest by the combination of the crisis of the real sector's solvency and productivity due to slowdowns caused by breaks in financing and/or increased costs of financing. Consequently, the crisis soon developed into the crisis of the production decrease, causing the crisis of the companies and the whole national economies competitiveness. Serbia is still in the processes of transition. The economic aspect of such processes becomes manifest in four aspects: privatization, macroeconomic stabilization, institutional reforms and reindustrialization.

In 2009 the economy of Serbia is characterized by: a low level of economic activities, the capital market inactivity, the depreciation of the dinar (in spite of high costs of maintaining the balance rate), a very slow privatization of small and medium firms and a reduced liquidity of the economy and of the state. The problems of late transition are deepened due to the global economic crisis in combination with the domestic stagflation. The global downturn contributes to strengthening the local economic crisis being present in Serbia for two decades already in the form of transitional stagflation. In the conditions of a high dependency from credits, their decrease contributes to recession. Due to reduced investments and drop in demand, as the consequence of the global downturn, the economy becomes less stable and highly vulnerable. The direct result of the global financial crisis to Serbia (and to the countries in the environment) is already visible through a decreased supply of foreign capital and credits and less favorable conditions for those banks borrowing abroad. Since being highly capitalized, the banking sector of Serbia can play the key role in amortizing the crisis negative effects. On the other hand, some economic sectors have been illiquid even before the crisis, and became additionally impaired by the global downturn.. Consequently, a number of measures should be undertaken in the aim of neutralizing the negative effects.

2. The causes of the crisis in Serbia and the countries in the environment

Serbia and the countries in the environment started their reforms already in 1989.[12] In the first stage of the reforms, being destabilizing by definition, the performances decrease, risk grows and the economic expectations become smaller. The performances decrease for several reasons (transitional stagflation):

(1) inflation grows due to increasing prices in the sectors of irreplaceable products as the result of emulation on the basis of increased salaries in the sectors of replaceable products.;
(2) the currency appreciation resulting from a sudden inflow of foreign currencies due to privatization and *green field* investments;
(3) the social policy of increasing salaries grows over the growth of labor productivity.

The transitional stagflation lasted until the conditions for intensifying the process of reindustrialization were set through the institutional reforms and macroeconomic stabilization.

After comparing the data (economic indicators) of the economies of Serbia and the countries in the environment it is possible to identify the moment when transition is terminated and recovery starts. The basic indicator of terminating transition is the achievment of the pretransitional level of GNP (the level from 1989). Also, additional indicators of terminating transition may be the macroeconomic stability (prices stability, i.e. single figure inflation) and positive growth rates. After almost 20 years from the transition starting (in spite of high growth rates during the last four years) Serbia remains on 0.73 GNP from 1989 and a two figure inflation. In the conditions of insufficient economic activities and a relative macroeconomic

[12] The process of transition is a complex and multidimensional phenomenon including not only the economic and geopolitical aspects, but also other major aspects (historical, anthropological and cultural ones).Probably the main reason of Serbia's lagging behind in transition is in the geopolitical cataclysm provoked by the disintegration of Yugoslavia and Serbia lacking the possibility to be included more efficiently into the process of integration to EU

stability, the contribution of higher growth rates of GNP is not appropriate due to the domination of investments in the sector of services and spending foreign currencies to maintain the currency rate instead to upgrade the real sector.

The late transition process had a crucial impact on the performances of Serbia's economy. The basic indicators pointing to the situation in the economy and to the transitional deficit are: the economic activities level, inflation level, international exchange, unemployment and the personal incomes level, external liquidity, monetary indicators and indebtedness. According to the index of competitiveness, the economy in Serbia holds position 85 of the rank order.

Survey No. 1 Index of global competitiveness according to the World economic forum

-	Czech Republic	33	-	Hungary
-	Slovenia	42	-	Montenegro
-	Slovakia	46	-	Romania
-	Lithuania	54	-	Bulgaria
-	Croatia	61	-	Serbia

Source: Porter, M., Schwab, K., 2008. The Global Competitiveness Report 2008-2009, Palgrave-McMillan, New York.

Table No. 1 Key economic indicators of Serbia 2004-08

Economic activity					
	2004	2005	2006	2007	2008
GNP mird. EURs	19.13	20.41	23.61	29.12	33.86
GNP pc EURs	2563	2742	3185	3945	4597
GNP real growth in %	8.2	6.0	5.6	7.1	6.0
Inflation					
Retail prices (end of period),%	13.7	17.7	6.6	10.1	6.8
Costs of living, period average in %	11.4	16.2	11.7	7.0	13.5
Foreign trade exchange					

Commodity export, mird.EURs	2.83	3.61	5.10	6.43	7.77
Commodity import, mird. EURs	8.62	8.43	10.46	13.51	15.75
Commodity exchange deficit mird. EURs	-5.79	-4.83	-5.36	-7.07	-7.98
Export / GNP	0.15	0.18	0.22	0.22	0.23
Import / GNP	0.45	0.41	0.44	0.46	0.47
Employment and incomes					
Unemployment level %	19.5	21.8	21.6	18.8	-
Net income (period average) RSD	14108	17443	21707	27759	32171
Foreign trade transaction liquidity					
Current transactions deficit, mird. EURs	-2.61	-2.05	-3.35	-5.23	-6.19
Current transactions deficit % GNP	-13.6	-10.05	-14.18	-17.95	-18.27
Foreign direct investnments, mird. EURs	0.78	1.26	3.40	1.60	1.93
Foerign direct investments, p.c.	104	167	459	217	261
Monetary indicators					
Foreign exchange reserves NBS, mird. EURs	3.78	5.52	9.59	10.90	9.12
Value of EUR related to RSD	78.88	85.50	79.00	79.24	88.60
Population savings in mird. EURs	1.46	2.27	3.41	5.03	4.89
External debt indicators					
External debt, mird. EURs	10.35	13.06	14.88	17.79	21.61
External debt / GNP, %	0.54	0.64	0.63	0.61	0.64
Public debt / GNP	53.3	50.2	36.2	29.4	25.7

Source: Ministry of Finances, RS 2009.

Besides, the credit rating of BB-*stable* to the agencies Fitch and S&P is on the credit provision limit and below the major competitors.

Survey No. 2 Credit rating to Fitch and S&P

Country	S&P	Fitch (FCLT)
Czech Republic	A	A+
Slovakia	A	A+
Poland	A-	A-
Hungary	BBB+	BBB+
Bulgaria	BBB+	BBB
Croatia	BBB	BBB-
Romania	BBB-	BBB
Serbia	BB-	BB-

The lagging of transition in Serbia is characteristic for some negative aspects:

(1) investment short-sightedness – the brokers and renters mentality dominates over the mentality of industry and enterpreneurship[13];
   - the participation of *green field* investments is particularly unfavorable.

(2) high level of public expenditure – the size of the public sector and the expansion of the state administration;

(3) an unsustainable transition model "strong currency in weak economy";
   - the power of the domestic currency depending on the strength of the national economy;
   - the defense of the exchange rate by revenues from privatization is not in accordance to the axiom about the money supply being influenced by money flows and not by capital flows.

The real, the imposed and the fictive limitations of the economy of Serbia have the following basic characteristics:

[13] Even when investing the investments are placed into soft investment targets, like securities and immovable assets

- The total domestic consumption exceeding production and generating inflation;
- High deficit of foreign trade and current balance;
- Fall of export demand and higher supply of import;
- Lower inflow of direct foreign investments;
- Less available foreign credits to the firms;
- Relatively limited (and decreasing level) of foreign currencies reserves, and
- High level of interest rates.

In other words, the real limitations are:

a) insufficient efficiency, productivity and competitiveness of the domestic economy generating unsustainable external deficits, and
b) low trust in the state on the world financial markets to be in the position to borrow, in a credible way and in competitive conditions, up to standard limits (for example, as presented in Mastriht criteria).

Those limitations may be removed in the medium and long-term, but can hardly be changed in short-term. Simultaneously, those fundamental limitations are the basis of some imposed ones. Accordingly, a low confidence and limited credit rating of Serbia leads to a sharp fiscal limitation, subsequently eliminating the possibility of using the fiscal stimulus, rightfully expected from the economies with a better credit rating. Consequently, the imposed limitations are: a low fiscal deficit, a restrictive fiscal and monetary policy and an exceptionally low target value of the public foreign debt (33% BDP).

After the crisis became manifest, in the financial sector three kinds of measures have been undertaken:

- the guarantee of deposit (late limitation of deposit to 50.000 EURs resulting in the thesaurization of a large part of savings);
- a continued defense of the exchange rate by using the NBS foreign currency reserves (the maintenance of this measure is doubtful in the conditions of decreasing capital from investments, privatization and remittances);

- growth of the financial system liquidity (by lowering the level of obligatory reserves and conditional using resources to induce demand).

The foreign direct investments (SD), i.e. their level and the sector structure in particular contribute to a special image of the countries in Southeast Europe (JIE).There is an evident inconsistent and uneven distribution of foreign direct investments to sectors. Except in Romania (52%) and some specificities in Bosnia and Herzegovina between 19% and 28%of the total capital invested refers to the sector of production[14]. The other fields where a considerable generating of foreign direct investments took place are: banking and finances (except Moldavia), trade (Bosnia and Herzegovina, Bulgaria and Romania), transport and telecommunications (Bulgaria, Croatia, Macedonia, Moldavia and Romania) as well as the sector of services in Bulgaria, Bosnia and Herzegovina, Moldavia and largely in Croatia).

3. The banking sector in Serbia

The exposition to stresses of transition in the banking sector of Serbia is relatively small due to a high participation (almost 80%) of foreign ownership in this sector. There are just few important domestic banks without foreign capital and with stable positions. However, the banking sector in Serbia is indirectly exposed to risk by liquidity through the head offices and their policy of crediting branch offices (affiliations). The domination of credits with a foreign currency clause and a wide use of their reprogramming and conversion contribute to increased risk. But still the banking sector in Serbia is not overheated as in the developed market economies and in those having completed their transition. For example, the relation between credits and deposits in Serbia is 1:1, being considerably more favorable than in some other economies where the exposition to risk was much stronger at the start of the economic crisis. A relatively more favorable situation is also the result of a lower indebtedness level of the state and the population, as well as from the scope of repaying annuities due to collection.

[14] EBRD. Transition report 2008: Growth in transition. http:/transitionreport.co.uk/TRO/b/transition-report/volume2008/issuel.

The high capitalization of banks in Serbia is a factor of the crisis amortization[15]. The average coefficient of the capital adequacy in Serbia's banking at the end of 2008 amounted to approximately 25%, while for example in Croatia it amounted to 15.4%, in Bulgaria 8.2% and in Hungary 9.1%.

Table No. 1 The banks capitalization level December 31, 2008

Indices of capital adequacy	**Number of banks**	**Participation in the total balance amount**
- up to 20%	10	50.6%
- 20-30%	11	28.9%
- 30-50%	9	19.0%
- over 50%	5	1.5%

Source: The banks business operations control. Report for the fourth quarter in 2008. NBS.

The problem may be the solvency of private debtors and their ability to promptly service their liabilities, thus maintaining the banking sector's liquidity. For example, the increase of credit to private persons amounted to almost 40% in 2008. Also, a great problem is in the inability of the economy to maintain and/ or increase export.
After comparing the level of Serbia's banking sector exposure to risk to the other economies in transition regarding the relation credit/deposit and the participation of foreign credits in total crediting, its relatively favorable position is evident. The major part of credits (over 70%) are those coming from abroad, but due to the global downturn and the defense of the foreign banks liquidity those credits may be expected to decrease.

On the other side, the banking sector liquidity is influenced by two more trends:

- outflow of the domestic savings due to distrust in the system;
- outflow of the capital invested in short-term into the securities of NBS (repo papers).

[15] In theory such a high capitalization is directly damaging the return on capital, being the basic motive of the owners always wanting to get the highest possible return with least capital, and earning not just on their own resources but on those of others as well

In the aim of overcoming such a situation the operations on the open market should be increased and the interest rates level should be lowered.

Since distrust and insecurity are the major dimensions of this crisis, the game rules should be made public and the ambiguities referring to the measures undertaken should be avoided as much as possible. The savings deposits insurance is of particular importance, since the depositors are not investors; they invest resources expecting a fix interest rate and no risk. The savings deposits are the foundation stone of the banking system's credit potential, so the insured value of the deposit should be high enough as not to provoke the depositors panic reactions in case of crisis. The dispersion of the market participation is one of the most positive factors favoring the banking structure of Serbia, pointing to a high level of competition that should eliminate a part of future problems for the economy and the population (possibly to stem from the monetary restrictions and limiting the credit potential in charge of the banks profit).

The high dispersion is favorable also for decreasing specific risk, since in case some banks face more serious problems, the dispersion will contribute to their overcoming.

Table No. 2 Top five banks in Serbia and Croatia (in million EURs)

Banks in Serbia			**Banks in Croatia**		
Bank	Assets	Market share	Bank	Assets	Market share
Banka Intesa Bg	2988	13.4%	Zagrebacka	11798	23.19%
Raiffeisen	2138	9.5%	Privredna Zagreb	8666	17.04%
Komercijalna Bg	2063	9.2%	Erate Zg	8244	12.24%
Hypo AA Bg	1588	7.1%	Reiffeisen Aus	5590	10.90%
Eurobank EFG Bg	1338	6.0%	Soc.Ge. Split	3535	6.95%
Top 5 total	**10144**	**45.2%**	**Top 5 total**	**35813**	**70%**
Top 10 share		**69%**	**Top 10 share**		**90%**

Source: Sites of the Central banks of Serbia and Croatia

4. Possible directions of the crisis overcoming

The global economic and financial crisis is present and its termination is impossible to be predicted with certainty. The financial crisis was transferred quickly to the real sector due to decreasing the credit support to investments and consumption. The credit multiplication in the developed market economies is up to four times larger than the credit potential. In order to overcome the global turndown negative effects, the following measures are proposed:

1) Increasing solvency and decreasing the risk of banking;
   - primarily with banks, since they are the financial anchor of each economy;
   - rehabilitation (recapitalization) of banks is carried out through various arrangements of the central bank (interbank crediting – issuing the state guarantees for interbank credits, conversion of illiquid assets into treasury bills or priority shares);
   - rehabilitation is not carried out in a linear manner but according to the level of the bank's importance to the national economy;
2) Extension of terms of credit repayment (payment of liabilities);
   - achieved by granting guarantees for credits as well as guarantees for paying out deposits[16];
3) Dilution of illiquid balance positions;
   - change of the level of obligatory reserves of the central bank and using the discharged resources for crediting the economy;
4) Elimination of the toxic financial assets;
   - transactions with toxic assets but based on the estimation using the methods respecting all possible risks instead of those of fair market value;
5) Support to the real sector[17];
   - the increase of aggregate demand requires financial infusions in the real sector and reducing taxes in the sector of population;

[16] Some countries announced their guarantee regarding the settlement of the whole deposit (Germany, Slovenia, or limiting the settlement of the deposit at a given amount (Serbia)

[17] One of the most efficient measures of assistance to the real sector is the reduction of interest rates (for example, the prime rate in the USA amounts to 3.25%, in Great Britain 1.0% and in EU 2.0%

  - the increased demand is influenced also by investments in infrastructure and energy from renewed sources as well as in development priorities;
  - support may be provided by writedown of credits and reducing taxes;
6) Limiting the incomes of managers and directors;
7) Primarily, incomes are limited to the financial intermediaries, but also to the firms beneficiaries of the state assistance;
8) The global use of the mentioned measures;
  - due to the market's global character, the mentioned measures have sense only if being harmonized.

The crisis overcoming requires an appropriate sequence and a precise dosing of measures. The turning point's essence is in the rehabilitation of the financial sector and stimulation of the domestic demand through reducing taxes and increasing public expenditure. In spite of being based of credits expansion, the monetary policy during the crisis should be selective in order to prevent deficient financing. Also, the maintenance of the fiscal system's credibility is essential, as well as efficient measures of the social policy providing minimum social stability.

In the field of attracting direct foreign investments measures are necessary for reducing taxes (tax exemption on profit for a longer time period, reducing taxes on investments, possibility of transferring losses and accelerated depreciation .and financial stimulus for the employed.

In the real sector the following measures may be undertaken: nationalization of large systems or recapitalization by the state, i.e. an active role of the state in joint ventures. During the next three years, the realization of structural reforms should result in a higher level of the economy's capability to satisfy the conditions built in the process of stabilization and joining, as a frame of the European way Serbia will pursue until its joining the European Union.

However, in the new situation much stronger measures of the economic policy are necessary in order to provide a more lasting macroeconomic and financial policy, as a fundamental precondition of the future economic growth revival. Starting from such a situation, the program of the Serbian government is based on the following four pillars[18]:

- strengthening the fiscal policy;
- continuing a considerate monetary policy;
- advancing the system of reaction to future crises and disturbances, and
- speeding (and completion of) the structural reforms.

On the other side, the competition in attracting direct foreign investments is more intensive than ever (the major part of capital has already been allocated in the countries in Eastern and Central Europe). Having all this in mind, the high-quality and balanced policy and an adequate institutional frame (overcoming the limitations faced by small and fragmented markets) present the next questions in the aim of convincing the potential investors. On the basis of the analysis of the direct foreign investments inflow during the last six years, it may be noticed that Austria, Greece, Norway, Germany and the Netherlands are those continously investing in Serbia, their investments present 56.86% of the total inflow of direct foreign investments and amount from 1.1 to 2.5 billion EURs.[19]

The priority of the Serbian government in the next medium-term period must be the state- owned firms restructuring and privatization, as well as the liberalization of infrastructural activities in which those firms are carrying out their business operations. Having in mind that those firms dispose of 30% engaged resources and employ 16% of the total number of those employed in the economy of Serbia, the mistakes possible to occur could have long-term and nationwide consequences.[20] Consequently, the plans of actions and clear strategies should be defined the soonest possible in order to present this task as the country's largest competitive advantage in the period of the economic crisis, and to reach, together with the foreign

[18] IMF, 2008, Republic of Serbia: Request for a Stand-By Arrangement, December 30, 2008

[19] The Chamber of Commerce of Serbia: Direct foreign investments in the Republic of Serbia export/import, Belgrade, October, 2008, http:/pkskomora.net7Portals/0/Strane_20direktbe _investicije _ 20u_20R.20 Srbiji.pdf

[20] Republic of Serbia Ministry of finances: Memorandum on the budget and the economic and fiscal policy for 2009, with the projections for 2010 and 2011, Belgrade, December, 2008 http://www.mfin.sr.gov.yu

investors, a more competitive public sector, a higher level of liberalization and better quality of services.

5. Countries in the environment – answer to the crisis

When compared to the standard package of measures as the reaction to the global world financial and economic crisis, the program of the countries in the environment (and Serbia) is characteristic primarily by its considerably restrictive fiscal and somewhat less restrictive monetary policy. During the last twelve months the following common characteristics of the standard package of measures took their definite shape:

1) The pragmatic content of the intervention package:
   - all intervention packages contain a pragmatic combination of the monetary and fiscal policy but also the measures of adding the regulatory and broader institutional arrangements for the financial markets and instruments in the aim of restoring the investors confidence;
2) Advancing coordination
   - a strong coordination on the national and global level, but without cooperation the participants to opt systematically for a worse solution (the coordination of the legislative, executive and monetary power);
3) Providing a necessary level of liquidity
   - due to a panic withdrawal of the banks and investors a necessary level of liquidity should be provided by using adequate instruments;[21]
4) Supporting the financial sector restructuring and reversing expectations
   - taking on the risky assets through the capitalization of banks and providing an adequate system of guarantees (including the savings deposits insurance);
5) Maintaining and supporting the economic growth;
6) The necessity of a parallel and coordinated and effective fiscal stimulus (on the global level the global fiscal stimulus amounts to approximately 2% of the world **GNP** with the mentioned level of output decrease);

[21] At the global level MMF provided 250 billion dollars to support liquidity through a new instrument (Short-Term Liquidity Facility)

- it should be directed to a target and undertaken by those countries disposing with a sufficient fiscal space for borrowing;

7) Reducing the influence of the crisis to the most sensitive parts of the population
   - beside the already existing social programs, the expected increase of fiscal expenditure could be directed to a stronger social protection and priority infrastructure being crucially important for an economic growth sustainable in long-term and socially inclusive, including investments into knowledge and pure technology;
8) Removing the essential institutional sources of crisis;
   - Intensifying the financial institutions control in longer term, advancing considerably the accounting standards for establishing the solvency of some financial instruments and supplementing the regulations of the financial markets.

6. Possibilities of the inflow of direct foreign investments

A number of factors influence the choice of the location for direct foreign investments, but the market size is the major factor influencing decision making regarding those investments. However, if we consider the relation of the per capita gross domestic product and the inflow of direct foreign investments of Serbia and the countries in the environment, the results are not consistent. For example, Slovenia which had the highest per capita domestic product (22.932 USD in 2007) had an inflow of direct foreign investments amounting to 1.426 million dollars, while Croatia with a twice lower per capita domestic product (11.576USD), had an inflow amounting 4.925 million dollars.[22] Regarding the relation of the population number and direct foreign investments, we may notice that that the countries having s similar number of inhabitants (Slovenia, Croatia, Macedonia, Bosnia and Herzegovina) have very different cumulative scopes of those investments, pointing to an obvious mutual dependency between direct foreign investments and the level of the economy openness. The openness (defined by the sum of export and import through the total trade) could be

[22] UNCTAD, 2008, World Investment Report: Transnational Corporations and the Infrastructure Challenge; Country fact shet: Croatia www.unctad.org/sections7dite: dir/docs/wir08 fs hr on.pdf

either substituted or complemented by direct foreign investments.[23] A high level of competitiveness, followed by price advantages could support the strategies of direct foreign investments directed towards markets being broader that the country itself.[24] The complete description of such an investment behavior points to the concentration of production at the most efficient locations and targeting the entire region.

Also, the basic resource for all the countries in the environment is the qualified workforce, considered as possessing a relatively high level of education and training, and a strong scientific basis.[25] Thereby we should have in mind that the expenses of the workforce are not the factors attracting direct foreign investments, but the quality and the reputation of the highly skilled experts as well as the accessibility of the unskilled workforce due to a high level of unemployment.

Interceding in the aim of attracting direct foreign investments in the conditions of the economic crisis, and difficulties in providing capital for investment and stronger sensibility to risks of investing is related to providing the institutional and macroeconomic stability, but also to the financial and non-financial stimuli available to foreign investors. Consequently, distinct signals should be provided telling that the financial sector is stable, being the result of the policy to direct foreign investments and not of *ad hoc* arrangements with strategic investors.

Conclusion

Certainly, overcoming the economic crisis (i.e. reduced production and the world trade, and a drastically reduced liquidity on the world financial markets) will be a long-lasting process, requiring to set in time a number of the economic policy measures. Primarily, the financial system should be reformed. Adequate activities of the Central Bank should be undertaken in the aim of restoring the confidence in the business banks, but also the

[23] This variable describes the country's competitive position regarding the internationalization of trade and investments

[24] Serbia is the only country not being member of ZND, while using the benefits of free trade with Russia, enabling its companies to have access, exempted from duty, to a market of 150 million inhabitants

[25] World Economic Forum, 2008. The Global Competitiveness Report 2008-2009, http:/www.ger. weforum.org/(20.12.2008)

recapitalization of the business banks. Simultaneously, an adaptation of the macroeconomic policies should be carried out in the aim of stimulating demand through reducing taxes and financing public consumption. On the other side, in the conditions of a considerably reduced foreign capital and current repayments of the external debt, the pressure on the depreciation of the dinar will increase, followed with great uncertainty regarding the balanced rate of exchange. In order to overcome the crisis in Serbia the following measures should be undertaken, among others:

1) regulating the public debt – paying the state's liabilities to the private sector;
2) a clear option to the monetary model and the exchange rate policy;
3) priority to investing in the non-importing and exporting branches (energetics, agriculture, infrastructure with telecommunications);
4) solving the problems of the effective and ethical corporate management in the public sector;
5) clear separation of the personal incomes and pensions policy from the policy of assisting the most destituted parts of the population.

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