

**Ministry of Finance of the Slovak Republic**



**| National Reform Programme  
of the Slovak Republic 2019**

April 2019

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## Summary

The National Reform Programme of the Slovak Republic 2019 describes the structural measures planned by the Slovak government to be taken in the next two years. Complex approach to the priorities identification taking into account GDP, as well as other life quality aspects, identified the education, the healthcare system and labour market again as the biggest challenges of the Slovak economy in 2019.

**Labour market outcomes supported by several measures have reached an all-time best.** In 2018, nearly 50 thousand of new job positions<sup>1</sup> were created, and the unemployment rate dropped to the lowest level since the establishment of the Slovak Republic (6.1 % in the fourth quarter 2018). The implementation of the action plan containing measures to reduce long-term unemployment will continue also in 2019. The projects of requalification and education of employees and job seekers are being implemented. Furthermore, expansion of childcare facilities for children up to three years of age will be supported in order to encourage parents on parental leave to return to the labour market. The measures to improve social integration of people from marginalised Roma communities will continue to be implemented.

**The National Program for Development of Education approved by the Government lays down a strategic framework for improvement of the quality of education for a ten-year period.** The attractiveness of teaching profession continues to be increased mainly through repeated increases of the teachers' pay in excess of the increase declared in the *Manifesto of the Government of the SR*. Additional funds have been set aside from the state budget for the increase in tariff wages for teachers at the beginning of their careers from September 2019. The new law regarding pedagogical and specialised employees<sup>2</sup> aims to improve the relationships between remuneration of teachers and the quality of their work by amending the attestation proceeding which is required for promotion. Changes in dual education support participation of schools and employees by reducing barriers preventing them from joining the system. In the university education area, the accreditation process is being reformed to meet European standards and the assessment of research activities of universities by external professionals is introduced. The planned support for professionally oriented university study programmes will ensure better connection with the labour market. Measures to reduce the impact of socio-economic background on academic results of students will continue to be implemented.

**Gradual implementation of measures regarding payments for drugs, medical devices and during procurement of healthcare technology in hospitals has been improving the cost efficiency of the system.** The expenditures for health-care system have been growing in line with international trends. However, Slovakia lags behind in several indicators and, compared to the OECD countries, Slovak health-care system continues to be less efficient. Amended budgeting system will depend on achieved results in order to achieve better allocation of resources. The system of payments based on diagnoses (DRG) and the price regulation of all healthcare treatments will improve the transparency and fairness of payments. The project of hospital stratification will continue in 2019. The next phase comprises introduction of the necessary underlying legislation and a specific plan of changes to the hospital network. Additional EUR 100 million is allocated in 2019 budget for hospital investments. Screening programs will be launched in 2019 for early detection of tumour diseases. The second spending review in 2019 is expected to propose additional set of measures to improve the efficiency of the health-care system, increase the quality of health-care provided and improve the results.

**The institutional arrangement of the Value for Money project was anchored in the budget planning process by the amendment to the Act on Budgetary Rules of the General Government.** The spending reviews focused on agriculture, healthcare, integration of the at-risk-of-poverty-and-social-exclusion groups, and employment and remuneration in public administration will be completed in 2019.

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<sup>1</sup> Based on the national accounts system (ESA).

<sup>2</sup> Passed by the Parliament in April 2019.

**Combating tax evasion contributes to improving the success of tax collection.** In the area of excise taxes, the legislative process for mineral oil marking with a marker (the so-called *nanomarker*) has been successfully completed. Electronic invoicing system and online interconnection of electronic cash registers (*eKasa*) with the Financial Authority will be implemented. The Financial administration implemented internal reliability assessment of tax entities. The legislation introducing annual clearance of social insurance has been passed. This clearance will take place for the first time in 2023 for 2022.

**An action plan to boost fight against corruption will be prepared.** The joint project with OECD relating to anti-corruption measures, support for the efficiency and coherence of general strategies for the management of risks associated with fraud and corruption, introduction of audit activities, identification and assessment of risks associated with fraud has been implemented since 2017. In 2019, this project will result in an action plan for the reinforcement of the fight against corruption and fraud in the area of EU funds.

**Better-working public administration and the judiciary system should be ensured by several measures.** A new legal regulation to protect the so-called *whistleblowers* will enter into force in March 2019. Attention in the judiciary system will concentrate on the solution of old debt enforcement proceedings and preparation for the civil code reform. Measures will continue to be taken in order to improve the provision and accessibility of legal aid by the Legal Aid Centre. An act governing judicial civil service will be prepared in accordance with the *Manifesto of the Government of the SR*.

**Several measures have been taken to reduce administrative burden for businesses.** Progress can be seen with regard to the extension of the support for the electronic and automated communication with the financial administration, implementation of the measures from anti-bureaucracy business packages already approved, or further optimisation of the business registry services. The *once-is-enough* rule was implemented effective as of September 2018. This rule eliminates the obligation to repeatedly submit several types of paper extracts to public authorities. The Ministry of Finance will prepare a draft income tax act that should make compliance with tax obligations easier for small and medium enterprises. Also the super deduction for research and development (tax allowance) will grow from the actual 100% to 150% in 2019 and to 200% in 2020. The Ministry of Economy will continue to coordinate the audit of legislation in order to remove the unjustified regulatory burden for businesses.

The NRP is also based on the country specific recommendations of the EU Council for Slovakia from 2018, as well as on the assessment of their implementation by the European Commission from February 2019<sup>3</sup>. The financing of measures from the NRP will be ensured within the set expenditure and personnel limits of the chapters of the state budget.

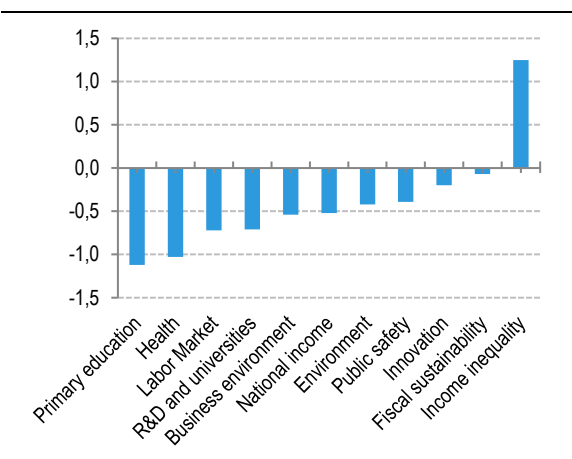
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<sup>3</sup> [Country Report Slovakia 2019](#)

# 1 Identification of challenges in the Slovak economy

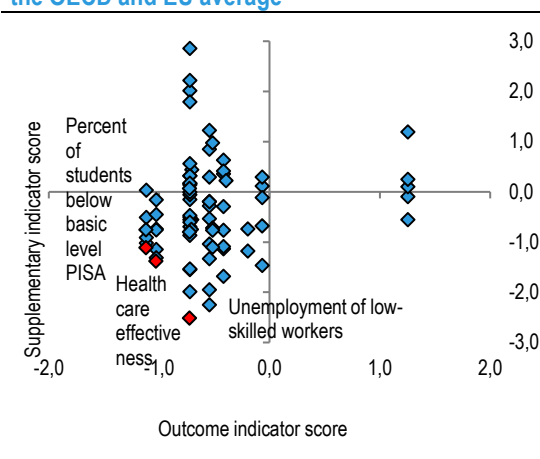
The three biggest challenges for Slovakia include the primary and lower secondary education, healthcare and the labour market. These areas have been identified based on Slovakia lagging behind the OECD or EU mean values for performance indicators (Figure 1). Based on international comparison, the labour market remains one of the main three challenges despite significant improvement of the long-term unemployment which represents one of the two main performance indicators for the labour market.

Figure 1: Main performance indicators, standard deviation from the sample average (OECD/EU)



Source: IFP

Figure 2: "Disaggregation" of the main performance indicators by means of supplementary indicators, standard deviation from the OECD and EU average



Source: IFP

**Performance indicators have been matched with supplementary indicators and provide more detailed information about the situation in a relevant area.** A more broadly defined problem (for example, the labour market with the performance indicators of employment and long-term unemployment rates) has been disaggregated down to more specific areas (e.g. unemployment rate of low-qualified people or employment rate of women)<sup>4</sup>. This means that the points in the left lower quadrant represent the main performance and supplementary indicators in which Slovakia shows worse-than-average values for both cases. In the left upper quadrant are the areas in which Slovakia shows worse-than-average results, but the supplementary indicators show better-than-average results (e.g. the proportion of solid fuel in the overall primary energy generation is low compared to other countries; nevertheless, Slovakia does not reach better-than-average results in the group of performance indicators for the environmental sustainability).

**Slovakia is most lagging behind in the area of primary and lower secondary education.** Internationally comparable outcomes are measured at the level of lower secondary schools through PISA testing of 15 year old students. In 2015, the results of Slovak students in the PISA testing got worse again<sup>5</sup> and are significantly worse than the OECD average. A student background to a large extent affects the test outcome and is one of the causes of low social mobility of the children of low-income parents<sup>6</sup>. Troublesome also is a high and still growing proportion of students who do not reach the basic level of skills in individual testing areas. The ability of the educational system to ensure equal opportunities for all students is substantially influenced by the quality of the work of teachers. This was also the reason for repeated increases in their pay with the goal

<sup>4</sup> A more detailed description of the main and supplementary indicators can be found in the document [Tri výzvy slovenskej ekonomiky – update \(March 2019\)](#).

<sup>5</sup> PISA tests are conducted every three years, last time in 2018. However, the 2018 testing results will not be available until December 2019.

<sup>6</sup> IFP's policy brief: [Jablko padá ďaleko od stromu](#).

of improving the attractiveness of teaching profession<sup>7</sup>. In spite of that, teachers' pay remains low in international comparison<sup>8</sup>.

**The educational system does not appropriately respond to the needs of children from socially disadvantaged backgrounds.** In general, the school readiness of children from disadvantaged backgrounds is improved as the participation in a high-quality preschool education grows<sup>9</sup> – this is another area where Slovakia continues to lag behind. The funding of the educational system is generally below average and this also translates into lower-than-average expenditures per student. The outflow of students from the system after completion of at most lower secondary education is lower than the comparable international average. However, the trend is negative and the results in this indicator are gradually getting worse. Completion of at least upper secondary education is important for successful entrance to the labour market and reduces the risk of poverty and social exclusion.

**In spite of record-breaking outcomes, the Slovak labour market remain a challenge.** The overall unemployment has been falling down since 2013 and nowadays reaches values at the average level of the EU and OECD countries. However, employment of low-skilled and long-term unemployment still remain a long-lasting structural challenges. Despite the economic growth, the employment rate of the Roma population has been significantly lagging behind the majority population. The employment rate of the Roma population only reaches one third of the employment rate of the majority<sup>10</sup>. Employment of women with children up to three years of age is one of the lowest in the OECD countries, which has a negative impact on the later employment in the form of lost skills and lower income<sup>11</sup>. The economic cycle relatively improved the employment rate of younger and older age groups when compared to EU and OECD countries.

**Slovakia lags behind in terms of the main performance indicators in the healthcare sector.** Compared to the average EU results, the life expectancy is significantly lower and the amenable mortality rate is worse (double the EU average)<sup>12</sup>. A relatively high avoidable mortality rates can be partially traced to the indicators of worse life style (smoking or high rate of alcohol consumption). Total spending expressed as a proportion of GDP remains to be lower than the average EU spending. The update of the efficiency model of the Slovak healthcare system has confirmed worse cost efficiency compared to the OECD countries in a longer run.

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<sup>7</sup> Wages of teachers were increased by 4% in January 2016, September 2016 and in September 2017 by additional 6%. They grew by 10 % in January 2019 and equal increase is planned in 2020. Furthermore, the Government set aside funds to increase tariff wages for teachers at the beginning of their careers from September 2019.

<sup>8</sup> The average wage of teachers in 2016 was 64% of the average wage of people with the university degree. The average of OECD countries reached 92% in the same year. Based on the Value for Money (ÚHP) division's calculations, this indicator is expected to reach 68% after the planned increase in teachers' pay in 2020 getting approximately to the level of average wage of employees in the national economy.

<sup>9</sup> [Review of spending on at-risk-of-poverty-and-social-exclusion groups, interim report](#), p. 21

<sup>10</sup> IFP's 18/2018 policy brief: [Inklúzia Rómov je celospoločenskou výzvou](#).

<sup>11</sup> More in the 8/2018 policy brief: [Milovať i pracovať](#), or in the economic analysis no. 48: [Women Still Can't Have It All analysis: Barriers to Higher Maternal Employment in Slovakia](#).

<sup>12</sup> **The avoidable mortality rate** is frequently used as a health care quality indicator and comprises two indicators. The first indicator **amenable mortality** (presented above), includes deaths which could have been averted if timely and appropriate diagnostics or appropriate healthcare and treatment was provided. In addition to amenable mortality, also the **preventable mortality** indicator is used. This mortality rate can be improved with the help of measures focusing on disease prevention (e.g. propagation of healthy lifestyle).



## 2 Measures taken in 2018

Review of the fulfilment of the NRP action plan tasks is arranged by individual specific recommendations which were approved in the June summit of the European Council and adopted by the Council in July 2018<sup>13</sup>.

### 1. Fiscal policy and healthcare efficiency

**Country-specific recommendation of the Council: Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1% in 2019, corresponding to an annual structural adjustment of 0.5 % of GDP. Implement measures to increase the cost effectiveness of the healthcare system and develop a more effective healthcare workforce strategy.**

*The fiscal outturn surpassed budget objectives in 2018. The Value for Money project became institutionalized in law in 2018, which creates a presumption for continued improvement in the public spending management. The measures identified in the healthcare spending review continued to be implemented. The modules for drug prescription and regular check-up logs started to be used in electronic healthcare system (eHealth). The payments for a diagnostic group (DRG – diagnostic-related groups) now are in the stage of payment reporting. Both measures remain to be the main priorities in the healthcare system. A 10% increase in the wages of nurses in excess of the usual indexation has moved their remuneration to the EU average.*

#### **Fiscal policy**

**The general government fiscal balance surpassed the goals of the budget in 2018.** From this year on, budget balance is expected over the entire horizon of the *Stability Programme of the Slovak Republic for 2019 – 2022*. Also the medium-term budgetary objective (MTO) will be attained. The MTO into consideration the necessary buffer in the budget for the fiscal costs of population ageing and for the absorption of normal cyclical fluctuations of the economy. The continued improvement of fiscal position is also confirmed by the continuing decrease in both the gross and net general government debt. In 2018 the gross debt of public administration reached 48.9% of the GDP and for the first time dropped below the lowest sanction zone of the constitutional Fiscal Responsibility Act. The net debt declined even more and reached 43.0% of the GDP in 2018. Gross debt will remain below the debt brake's sanction thresholds, which decline by one percentage point of GDP every year between 2018 and 2027. At the end of 2022, the gross debt should reach 44.4% of the GDP, 0.6 percentage points of GDP below the lowest sanction threshold. The net debt will fall down to the level of 37% of the GDP.

**Institutional arrangement of the Value for Money project has been anchored in the law in the form of an amendment act of the Budgetary Discipline Act passed by the Parliament.** Each subsequent Government will in future have an obligation to conduct and publish spending reviews during a four-year term for at least one half of the expenditures of the public administration budget. The review of implementation of the spending review measures (implementation report) will become a compulsory part of budget planning documentation. The Act imposes an obligation upon the Ministry of Finance to review and publish the reviews of investment projects. Now the public administration entity<sup>14</sup> will be obligated to prepare and publish a study<sup>15</sup> of investment feasibility<sup>16</sup> and concession. The review of the feasibility study will be conducted and published by the Ministry of Finance (effective as of January 2020). The Implementation Unit of the *Value for Money* projects moved to the Government Office of the Slovak Republic in 2018. Its role is to review the implementation of the spending review measures and to unblock processes where the performance of measures is the responsibility of several Ministries and where the measures are not being performed.

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<sup>13</sup> [Specific recommendations for Slovakia 2018](#)

<sup>14</sup> Except for municipalities and higher territorial units (VÚC), or a state-funded and state-subsidized organisation (*rozpočtová a príspevková organizácia*) set up by them.

<sup>15</sup> This does not apply to classified information, in which event the feasibility study is sent directly to the Ministry of Finance.

<sup>16</sup> Investment means expenditures for the procurement of tangible or intangible assets (even if excluded from depreciation, including expenditures spent for rental with the right to purchase the property rented, and the expenditure for operative leasing). The value of the investment and concession subject to the obligation to prepare and publish feasibility studies and the conditions for the preparation thereof will be laid down by the Government in a regulation.



## Healthcare system

**The savings of EUR 98.7 million were implemented in 2017 based on the healthcare spending review<sup>17</sup>** with no negative impact on the health of population. The measures focused particularly on the reduction of overconsumption of prescription drugs, reference pricing of special medical material and improvement of revision work of the state-run public health insurance company. The healthcare spending reviews have been proposing cost-saving measures since 2016 in order to the value for money of the entire system. The implementation progress is tracked and they are part of the healthcare system's budget.

**Additional EUR 18.7 million of savings were reached in 2018 due to lower expenditures paid from the public health insurance than in 2017.** Due to statutory automatic increase in wages, the savings of hospitals have not been attained in spite of savings achieved by central procurement of healthcare technology conducted by the Ministry of Health of the Slovak Republic. At the same time, hospitals also generated additional expenditures during operation and due to consumption of drugs and special medical material<sup>18</sup>. The MF SR and the MH SR issued an interim report of the second healthcare spending review.

### MH SR's saving measures and their implementation

EUR mil.	Plan 2017	31/12/2017 status <sup>19</sup>	Plan 2018	31/12/2018 status <sup>20</sup>	Potential savings
<b>TOTAL saving measures</b>	<b>174</b>	<b>98.7</b>	<b>190</b>	<b>40.4</b>	<b>363</b>
<b>Measures decreasing expenditures of VZP</b>	<b>143</b>	<b>102.8</b>	<b>159</b>	<b>121.5</b>	<b>268</b>
Overconsumption of prescription drugs - introduction of prescription restrictions for outpatient care providers	20	22.2	20	29.7	59
Exceptions to medications - introduction of rules for exception reimbursement	10	1.8	10	-0.2	10
Potentially cost-ineffective medications - central procurement of medications by health insurance companies	25	-4.7	25	4.5	42
Special medical material - price referencing	35	33	45	33	55
Medical devices - referencing and revision	15	10.4	15	22.4	15
Specialised outpatient department - decrease in unit prices and limits for CT and MRI scans	10	10.9	16	5.9	25
Specialised outpatient department - introduction of prescription restrictions for outpatient care providers	3	2.0	3	-6.5	37
Improvement of state-run health insurance company revision work	25	27.2	25	32.5	25
<b>Measures reducing spending of hospitals (run by the MH SR)</b>	<b>31</b>	<b>-4.1</b>	<b>31</b>	<b>-81.1</b>	<b>95</b>
Optimisation of operating expenses	5	-3.1	5	-20.9	10
Optimisation of medical processes	15	-23.4	15	-59.4	74
Optimisation of drug and special medical material procurement	8	6.8	8	-17.3	8
Procurement of medical technology	3	15.6	3	16.4	3
Non-recurring expenses <sup>21</sup>	-	-	-	-100.3	-

Source: IJ, MH SR, data of health insurance companies

<sup>17</sup> EUR 98.7 million equal 57% of the annual plan of overall savings – both in public health insurance and spending of hospitals. They constitute structural savings which reduce annual expenditures in the healthcare system. The 2017 data was modified under the influence of the so-called backward revisions which influence the savings attained.

<sup>18</sup> Some part of these items has been procured centrally.

<sup>19</sup> Status on 31/12/2017 covers the period of 01/01/2017 – 31/12/2017. Compared to the 2017 Plan.

<sup>20</sup> Status on 31/12/2018 covers the period of 01/01/2017 – 31/12/2018. Compared to the 2018 Plan.

<sup>21</sup> Prescribed penalties by the Social Insurance Agency – added in excess of the measures monitored. In the accounting books of hospitals, the item is a part of the operating expenses, but it is not included in the evaluation of the *Optimisation of Operating Costs* measure for two reasons: 1) it is a non-recurring item outside normal operation; 2) the penalties were cleared off in 2018 and they did not have a negative impact on the economic results of hospitals.

Multiple projects which should contribute to better efficiency and transparency of the healthcare system have been implemented:

- **Implementation of e-Health and electronic healthcare services.** Several parts of the *eHealth* have been in operation since 2018, more precisely platforms for drugs prescription and records of conducted examinations and treatments. By the end of 2018, 62% of healthcare providers were connected to the system, 12% of healthcare professionals prescribed electronic prescriptions, and 10% of workers kept records from examinations in the system<sup>22</sup>. A functional development of the system will continue (e.g. repeated e-prescription, change of the method of patient authorisation, amendments to the *eVyšetrenia* (electronic examinations) and *eLab* (electronic laboratories)).
- **A diagnostic-related group-linked (DRG) payment mechanism** for hospital treatments was launched in 2017. It is used for reporting the treatments, but module accommodating payments has not been released yet. In 2018, 36 entities shared their data, out of the total 86 entities connected to the system<sup>23</sup>. The five-year convergence process of individual rates of individual hospitals was launched in 2018. This is expected to result in a nation-wide reference base rate in 2022. The progress of the process is in line with the schedule. The prices of add-on items to treatments (e.g. special medical material used during surgery) were used for the first time in 2018. The functionality of the DRG system is thus prepared for 2019.
- **The hospital stratification project launched in 2018 will significantly increase the quality and efficiency of hospitals.** This project will be implemented gradually until 2030. The quality of a facility will depend on the number of medical treatments provided. Therefore, hospitals will be allowed to provide several treatments only if they reach the prescribed minimum amount of treatments per year.
- **The buildings of hospitals are being reconstructed and their technical equipment renewed.** The reconstruction of hospital buildings and urgent care facilities, and the purchases of modern instruments and other equipment were funded in excess of health insurance budget using the state budget in 2018; these measures amounted to EUR 62 million<sup>24</sup>.
- **Wages of nurses increased by 10% in January 2019 in excess of the automatic pay rise mechanism<sup>25</sup>.** Nurses will thus earn 1.07 times the average salary getting nearly to the EU 28 average (earning the multiple of 1.1). Having 5.75<sup>26</sup> nurses per 1,000 inhabitants, Slovakia lags behind the OECD countries. The pay rise should help to solve the shortage and the adverse age structure of nurses.

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<sup>22</sup> The total number of health-care professionals includes all medical professions (physician, laboratory worker, hospital attendant, nurse, physiotherapist...), but the electronic healthcare system services are, for the time being, only available to a certain specific group (physician, nurse and pharmacist).

<sup>23</sup> The total number of general and specialised hospitals in Slovakia is 113.

<sup>24</sup> 2018 drawdown, March 2019 data. The final data of December 2018 were not available when this document was drawn up – the value is only an estimate.

<sup>25</sup> The automatic pay rise mechanism is linked to the average monthly salary of an employee in the Slovak economy from a year two years before the calendar year in which the basic component of salary is calculated. The indexation differs with respect to a specific medical professions.

<sup>26</sup> Data for 2016.

## 2. Long-term unemployment, unemployment of women and education

**Country-specific recommendation of the Council: Reinforce activation and upskilling measures, including quality targeted training and individualised services for disadvantaged groups, in particular by delivering on the action plan for the long-term unemployed. Foster women's employment, especially by extending affordable, quality childcare. Improve the quality and inclusiveness of education, including by increasing the participation of Roma children in mainstream education from early childhood onwards.**

The implementation of upskilling projects for the unemployed and the action plan to reduce long-term unemployment, which already supported thousands of disadvantaged job seekers, is ongoing. Conditions were prepared for the financial support of childcare facilities for children up to three years of age and flexible forms of childcare and work arrangements for mothers of pre-school children to promote the work-life balance. Projects improving social integration of Roma population have been implemented. The new long-term strategy National Program for Development of Education (NPRVV) contains measures also covered by the National Reform Programme. Key measures in the first action plan include pay increases for teachers to make this profession more attractive. The new law pertaining to pedagogical and specialised employees supports, among other things, the continual professional development of teachers<sup>27</sup>. The legislative process of the accreditation reform which is expected to increase the quality of university education is completed. Projects supporting inclusive education at primary schools continue to be implemented.

### **Support of disadvantaged groups in the labour market**

**The approved action plan<sup>28</sup> for the support of integration of long-term unemployed job seekers (JS) continues to be implemented:**

- Support within the project *Cesta z kruhu nezamestnanosti* continued until October 2018 in the form of financial allowances to employers for created job positions and for a work tutor. More than 6 thousand job positions have been created.
- The project *Šanca na zamestnanie* financially supported until December 2018 employment creation particularly for the long-term unemployed in the selected areas of public employment (around 12 thousand job positions).
- The project *Cesta na trh práce* focusing on less-developed counties of Slovakia supports creation of job positions both in the private and the public sectors. This project also supports self-employment of JS in agricultural production. More than 8 thousand job positions have been supported since 2017.
- Within the project to support individualised counselling for long-term unemployed JS:
  - Early in 2018, the labour offices gradually hired 129 specialised counsellors who support particularly least employable long-term unemployed JS with finding job. More than 11 thousand JS have been supported within this counselling programme.
  - At the 2018 year-end, the skills of JS started to be identified and analysed by cooperating external suppliers. This counselling support is expected to help the long-term unemployed to find employment in the labour market. Only some more than 300 JS were supported during the short period of implementation in 2018.
  - Undergoing both activities of the project is, if the conditions defined are met, supported by a financial allowance to cover for the expenses associated with the participation in the project (travel expenses, meals, etc.).
- Within the project aimed to return the long-term unemployed back to the labour market, financial incentives have been provided to JS who find work or improve their practical skills for the labour market based on cooperation with the labour office.

**Upskilling projects for the unemployed focusing primarily on the disadvantaged groups of job seekers continue to be implemented.** From the beginning of 2018, a new project is currently under way within active labour market policies (ALMP). This project takes the form of education and preparation for the

<sup>27</sup> Passed by the Parliament in April 2019.

<sup>28</sup> [Action plan to promote integration of long-term unemployed in the labour market in the SR.](#)

labour market, requalification, reinforcement of key skills, or education and preparation for the labour market on one's own initiative. More than 22 thousand JS have been included to engage in the activities throughout the year. By the end of 2018, 5 thousand JS were supported within specialised programmes focusing on professional education in the mechanical engineering area. From December 2017, a Sector Skills Development call focusing on professional courses, education and requalification of employees in the form of on-the-job trainings (hired also from among JS and disadvantaged JS) has been implemented<sup>29</sup>. Several projects are also being implemented to support employment of other disadvantaged groups in the labour market – young JS in the form of graduate programmes, employment support of JS over 50 years of age and of disabled individuals.

**The support of social economy should help the groups which have most difficulties to find employment in the labour market.** In December 2018, a project to support employment of disadvantaged people was launched in the form of provision of financial allowances to social integration enterprises as a new form of ALMP tool focusing on the support of registered social integration enterprises and their employees from among disadvantaged and vulnerable individuals. Target group covers, for example, the long-term unemployed, older and low-skilled individuals, and individuals with disability, members of a national or ethnic minority, or the inhabitants of less developed districts. The overall financial allocation for this new form of ALMP support amounts to approximately EUR 50 million for the eligible programming period until October 2023.

#### ***Work-life balance***

**The development and affordability of childcare facilities for children up to three years of age will be promoted in order to improve the work-life balance.** When the so-called nursery law was passed in 2017 that defines the legislative framework for the childcare facilities for children up to three years of age, the conditions were prepared for the financial support for EU fund drawing in the programming period 2014-2020. A call was announced in November 2018 from IROP for the support and development of the childcare facilities for children up to three years of age at a community level with the overall allocation of EUR 13.5 million<sup>30</sup>. Within the OP HR, projects for the development of flexible childcare forms and extension of flexible forms of work for mothers of small children were supported. The proportion of fathers receiving parental benefit has been significantly growing reaching 15%, i.e. triple the number in 2016, out of the average monthly number of the parental benefit beneficiaries. Moreover, the parental benefits can be drawn concurrently by both parents from 2019 if they have more than one child aged less than three years<sup>31</sup>.

#### ***Integration of socially excluded and marginalized Roma communities***

**Several projects and measures have been implemented to support inclusion of children from socially disadvantaged background.** The *School Open for All* project continues to be implemented. It received an allocation of nearly EUR 30 million from EU funds for the support of implementation of the model of inclusive education of children with special needs at kindergartens and primary schools, and informal education of children from MRC. In January 2019, 19,106 primary school students were supported; 5,353 kindergarten children; and 2,027 pedagogical and specialised employees undergoing upskilling trainings at 130 primary schools and 50 kindergartens in total. Within the *More Successful at School* call dating back to December 2016 and receiving an EUR 50 million allocation from the EU funds, which focuses on increasing the inclusiveness in the educational system, financial support has gone to the creation of new job positions for pedagogical assistants and specialized employees for the inclusive team, such as the special education teacher and social pedagogue, school psychologist and teacher's assistant. In January 2019, 474 contracts amounting to EUR 47 million were executed. The *More Successful at School II* continues in the above call. It was announced in November 2018 and received the allocation of EUR 9.5 million. The support of children and students from disadvantaged backgrounds is enhanced by the "free lunch" regulation, subsidy to support healthy eating habits in children of the last kindergarten grade starting from January 2019 and in primary school and lower secondary students starting from September 2019.

<sup>29</sup> 24 projects are being implemented.

<sup>30</sup> The relevant call requires a two-round project selection process. The call for project plans was closed on 19 September 2018, with 68 project plans amounting to EUR 24.17 million submitted. The first assessment round within the call for applications for non-refundable financial contribution will close on 30 April 2019.

<sup>31</sup> Each of the parents receives the parental benefits for a different child.

**Projects continue to support the inclusion of excluded communities by providing selected social services and field social work.** As of October 2018, 93 providers were deployed in a community centre, low-threshold day centre, or low-threshold social service for children and family. The number of clients participating in regular activities has reached nearly 37 thousand. The *Field Social Work in Towns I* has been implemented since October 2015 and should end in September 2019 in all regions of Slovakia with the total financial allocation of EUR 29.3 million. The project focuses on the help to individuals at risk of poverty, at risk of social exclusion, or those who face exclusion from society. 233 entities (224 towns and 9 non-governmental organizations) and 523 field social workers are engaged in the project right now.

**Several projects to increase employment rate, education and to improve the living conditions of the inhabitants from marginalised Roma communities continue to be implemented.** The field social work and community centres have also been supported in municipalities with MRC. The field social work is currently under way in 139 municipalities, and 52 providers of social services have been engaged in the project of community centres. 80 municipalities joined the support of pre-school education of children from MRC throughout 2018, now 103 municipalities are in the project. The goal of the project is to increase the education level of the population from MRC through increasing the number of children from the MRC attending kindergartens<sup>32</sup>. To improve the living conditions in the MRC settlements, the project supporting the settlement of the property rights in municipalities with MRC is under way. 143 municipalities are actually engaged in the project. The *Healthy Communities* projects under the *Healthy Region* organisation led to the employment of 261 health mediators who operate in 271 municipalities in all regions of Slovakia. Those figures were reported for January 2019. The goal of those projects is to reduce differences in the state of health and, at the same time, to improve the access to healthcare services for the people from MRCs.

#### ***Higher quality and better support for teachers***

**Measures continue to be taken to increase financial remuneration for teachers and improve quality of education.** The wage tariffs of pedagogical and specialised employees in regional education were increased by 10% effective as of January 2019<sup>33</sup>. Additional 10% rise will take place in January 2020. In addition, the budgetary allocation has been made for the increase of tariff wages of teachers at the beginning of their career for 2019 effective as of the beginning of the new school year in order to make the teaching profession more attractive. To improve the quality and support of the teaching profession, the Parliament passed a new law pertaining to pedagogical and specialised employees in April 2019. The law lays down a new mechanism of attestation proceeding which improves the relationship between quality and remuneration associated with a higher career level. A mechanism has been set up to audit quality of education in the professional development of teachers based on results of providers of this education.

#### ***Linking education and labour market needs***

**The amendment act on professional education and training strengthens the motivation to participate in the dual education system<sup>34</sup>.** Support went to small and medium enterprises to get involved in the dual education by providing allowance to compensate for a part of the cost of dual education. The administrative process to verify the eligibility of employers to offer practical education has been made easier, and the option to undergo practical education outside the employer's own capacities or to set up a workplace of practical education by multiple employers has been introduced. The reduction of financing for practical training for participating schools was removed, which was one of the main barriers for them to join the system. The new regulation of the number of students of secondary schools responds to the needs of the market. Binding criteria have been defined to determine the largest number of first-grade students for individual fields of study within self-governing regions.

#### ***Tertiary education, science and research***

**Measures focus on systemic changes to improve quality assurance.** Effective as of November 2018, the Slovak Accreditation Agency for tertiary education has been legally established with the goal to meet the

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<sup>32</sup> National project *Support of Pre-School Education of Children from Marginalised Roma Communities I*.

<sup>33</sup> From the beginning of the electoral term, the wages were increased by 6% in September 2016 and again in 2017.

<sup>34</sup> The amendment act was passed in June 2018.

European standards of quality assurance in education. Just like for the pedagogical and specialised employees in regional education, also the tariff wages of university teachers, research and development employees have been increased. Similarly, the 2019 budget counts with the increase in tariff wages at the beginning of career with the planned start in September 2019. The amount of funds in grant schemes for science and research VEGA, KEGA and APVV has grown on a year-to-year basis. This will further support the competition for funds in science and research.



### 3. Efficiency and transparency of public administration, business environment

**Country-specific recommendation of the Council: Increase the use of quality-related and life cycle cost criteria in public procurement operations. Tackle corruption, including by ensuring enforcement of existing legislation and by increasing accountability at the level of police and prosecution. Improve the effectiveness of the justice system, in particular by safeguarding independence in judicial appointment procedures. Reduce the fragmentation of the public research system and stimulate business innovation, including for small and medium-sized enterprises.**

*Based on the State of the Judiciary Report, an action plan was elaborated in 2018 with the proposal of measures focused on the efficiency of courts. In the area of public procurement full electronization was introduced in 2018. The amendment act on public procurement makes the contract awarding processes more efficient and simpler.*

#### **Judiciary**

**Based on the State of the Judiciary Report, an action plan was elaborated with the proposal of measures focused on the efficiency of courts.** The *State of the Judiciary Report* was published by the European Commission for Efficiency of Justice CEPEJ<sup>35</sup> in 2017. The *Action Plan for the Implementation of New Measures for Courts* was prepared based on the CEPEJ Report in September 2018, when it also was submitted as one of the deliverables of the *AUDIT* project to the managing authority (MI SR). The action plan developed by the Ministry of Justice is based on seven priority topics, aiming to analyse current situation and develop further steps with time schedule. Key topics include the preparation of a court map proposal of specialisation of courts and judges and resolution of old debt enforcement proceedings.

#### **Public procurement**

**Full electronization, effective as of October 2018, accelerates proceedings and improves efficiency of public procurement.** Furthermore an extensive amendment act was passed in 2018. Its goal was to make the public procurement processes more efficient and simpler. It regulates, in detail, the low-value contract awarding process, introduces new and simpler below-threshold contracts, allows for optional set up of an assessment committee, or submission of a simple statutory declaration as a preliminary replacement for the documents proving satisfaction of the selection criteria.

#### **Research, development and innovation support**

**International cooperation was supported in the area of research and development of businesses.** In November 2018, the Government passed the draft institutional support for the Slovak innovation diplomacy which also covers funding of the support for the development and innovation of Slovak products and services, and their roll out to global markets. Slovakia will thus have first four innovation diplomats in history in four countries of the world with the greatest innovation potential: in Finland, the USA, Israel and China. The Government Council of the Slovak Republic for Science, Technology and Innovations took measures in its meetings to reinforce the management system for the implementation of the *Research and Innovation Strategy for Smart Specialization of SR (RIS3)*. The EDP process<sup>36</sup> was implemented in five RIS3 domains: Vehicles for the 21<sup>st</sup> Century, Industry for the 21<sup>st</sup> Century, Digital Slovakia and Creative Industry, Population Health and Medical Technologies, Healthy Food and Environment. Preparation works on the RIS3 update started in 2018 in cooperation with the EC<sup>37</sup> and are expected to be approved in 2020. The strategy will response to the urgent need to increase the efficiency of the national system of research, development and innovations in the context of digital transformation in order to help improve competitiveness of the economy and, at the same time, abide by the principles of sustainable development.

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<sup>35</sup> [State of the Judiciary Report](#)

<sup>36</sup> Entrepreneurial Discovery Process

<sup>37</sup> Structural Reform Support Programme – SRSP.



#### 4. Most significant changes in other areas

##### ***Tax and customs collection***

**The measures to combat tax evasion continued to be implemented.** In the area of excise taxes, the legislative process for mineral oil marking with a marker (the so-called *nanomarker*)<sup>38</sup> has been successfully completed. The aim of the legal regulation drafted is to prevent evasion of excise duty on mineral oils. The tax reliability index was launched at the end of 2018. The first notice of special tax regimes was sent to more than 294 thousand tax entities throughout December 2018. A legal regulation establishing on-line connection of electronic cash registers with the financial administration systems (the so-called *eKasa*) was passed in December 2018. All business operators will gradually connect to the *eKasa* system in 2019. Moreover, the Financial Directorate of the SR (FD SR) continued in the activities relating to the strengthening of analytical capacity.

**Legislation concerning annual clearance of social insurance was passed in October.** The legislation is actually being implemented on the side of the Social Insurance Agency (SIA). SIA will also be responsible for rolling out the annual clearance. The premiums for medical insurance, pension insurance and unemployment insurance will start to be paid in the form of advances during the period from January 2022 and the annual clearance will take place for the first time in 2023 for 2022. In addition to more equitable setting of tax and social contributions burden on earnings, the annual clearance of social insurance will bring approximately EUR 53 million to the public budget.

##### ***Support of labour mobility***

**Reducing barriers to employment of workers from third countries easier is addressing regional labour shortage.** As many as one third of new job positions were occupied by workers from third countries in 2018. From May 2018, the amendment act on the public employment services also simplifies the conditions for employment of the nationals of third countries in selected professions which are proved to suffer from the shortage of qualified labour force and in districts reporting average registered unemployment rate lower than 5%. A *Strategy of Labour Mobility for Foreigners in the SR* has been prepared. This strategy proposes measures particularly to reduce administrative barriers to employment of workers from third countries. The first change passed at the 2018 year-end has reduced the time necessary to obtain work permits for seasonal work and the temporary stay for positions suffering from shortage of labour force or in technological centres.

##### ***Increasing motivation of people in need***

**The motivation to find work and the amount of the social assistance benefit has been increased within the social assistance benefit system.** Effective as of April 2019, the amount of the back-to-work allowance (*aktivačný príspevok*) for people in need who find work earning at least the minimum wage. In order to motivate the long-term unemployed or inactive individuals in the social assistance benefit system to find work, the period of provision of the special allowance has been extended from 12 to 18 months. Also the amount of the social assistance benefit has been increased by 5% (social assistance benefit, back-to-work allowance, social protection allowance and allowance for a child without income). It also introduces a mechanism for regular adjustment of amounts of social assistance benefits always at the beginning of a calendar year based on the adjustment of subsistence minimum in the previous calendar year.

##### ***Support of integration of individual with severe disability***

Within the system of financial allowances to compensate for the social consequences of severe disability, the amount of financial allowances intended for compensation of dependency of individuals with severe disability on the help of another individual has been increased effective as of July 2018. The allowance for the care of disabled persons has been significantly increased not only for working-age people, but also for the beneficiaries of pension benefits. The same applies to the financial allowance for a personal assistant.

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<sup>38</sup> Act No. 98/2004 Coll. on the excise duty on mineral oil.

### **Business environment**

**Additional action plans were approved in order to reduce the regulatory burden of businesses.** The Government of the Slovak Republic passed the second anti-bureaucracy business package in May 2018 which contains 23 measures aiming, for example, to facilitate family business or make the environmental impact assessment process simpler. The package includes proposals to conduct analyses which should, later on, be used as a basis for new measures<sup>39</sup>. The amendment act on VAT has significantly reduced both the administrative and financial burden of future tax payers effective as of January 2019. For example, the analysis of the financial administration resulted in the removal of the obligation to pay a deposit securing payment of tax at registration for VAT.

**In relation to the previous measures the third anti-bureaucracy business package was passed in February 2019.** It contains 37 measures aiming particularly to simplify the process to start a business and make inspections more transparent. Its adoption will lead to the reduction and better transparency of the obligations of business operators in relation to, e.g. regional public healthcare authorities, Slovak Trade Inspection (*Slovenská obchodná inšpekcia*), or to building authorities. Also certain obligations of businesses in relation to tax offices and other institutions will be reduced.

**Early in 2018, the Government of the SR adopted the Strategy of Better Regulation – RIA 2020 to improve the quality of laws and remove excessive regulatory activities.** The strategic material contains a series of tools, analyses and measures relating to the removal and prevention of *goldplating*, inspection of regulatory activities and their creation employing behavioural approaches or testing the *one-in one-out* method (each new regulation leads to the removal of other one). The aim is to focus on comprehensive assessment of the impact of laws on business operators, and thus create pressure on the reduction of direct cost triggered by legislation.

### **Analytical capacities**

**The capacities of state administration have been strengthened.** Support continues within the operational programme *Effective Public Administration* within the two projects *Public Spending Effectiveness* (spending review) and *Building and Development of Analytical Departments at Selected Central Bodies of State Administration*. More employees were hired for the existing analytical departments and new analytical departments were created throughout 2018 at the Ministry of Defence, the Ministry of Agriculture and at the DPMOII.

### **IT and transport infrastructure**

**The informatization of public administration projects will help reduce administrative load burdening the contact between citizens and business operators and the state.** The Act on Certain Arrangements for Reducing Administrative Burdens by Using Public Information Systems and on the amendment and supplement of certain acts (Anti-Bureaucracy Law) entered into force in 2018. The aim is to establish the *one strike rule*, i.e. to cancel the obligation to submit to the public authorities paper extracts that the public authorities can acquire on their own. Such extracts include the extract from the title deed, from the companies register, from the trade register, and extracts from the crime register.

**14 projects amounting to EUR 268 million were reviewed based on the new assessment rules of economic efficiency of IT investments.** The new methodological instruction prepared by the DPMOII along with the MF SR details the rules for the cost-benefit analyses of projects. Expert estimates of benefits have been replaced with quantification based on actual measurements, which reduces the degree of uncertainty in the project selection process. In the cost area, the new rules lay emphasis on the operational effectiveness, application of discounts on price list prices and, starting from June 2019, on mandatory conduct of preliminary market consultations. The expenditures on the purchase of information technologies in excess of EUR 1 million are subject to audit and IT systems with the cost of more than EUR 1 million are entered in the budget separately. Investment projects with the cost of more than EUR 5 million require preparation of a feasibility study.

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<sup>39</sup> For example, the analysis of the temporary residence permit processes for foreigners responds to the needs of the Slovak labour market and indirectly follows up to in the amendment act on the public employment services of 2018 which simplifies employment of foreigners.

**The transport spending review continued in 2018 within the *Value for Money* project.** The MTC SR is implementing 31 measures in total, and the liabilities of the MTC SR were met to the extent of 74% for the first six months of 2018<sup>40</sup>. This year saw particularly the update of the project assessment methodology (CBA) and substantial extension of the scope of data subject to publication duty treating the contracted projects within the Operational Programme Integrated Infrastructure 2014 – 2020. In cooperation with the MF SR and JASPERS, the methodology for multi-modal assessment of transportation structures was prepared with the application of the Transportation Model of the SR. In cooperation with the MF SR, the methodology and minimum standards of transportation modelling<sup>41</sup> have been elaborated. Their goal is to make uniform the method of preparation of transportation forecasts for similar types of investment or operational measures and which serve e.g. to assess the efficiency of transportation projects. Partial results have been achieved within the *Value for Money* project within preparation of the Bratislava rail node feasibility study.

#### ***Transformation of the Upper Nitra region***

**After discontinuation of the support for brown coal mining, the *Draft Transformation of Upper Nitra Region*<sup>42</sup> reacts to the issue of Upper Nitra transformation.** The DPMOII, in cooperation with the ME SR and the relevant Ministries<sup>43</sup>, will present a complex plan of gradual discontinuation of the support for brown coal mining. An action plan should be created in the course of 2019 within implementation of the *EU Initiative for Coal Regions in Transition*. The main goal is to transform the vision of economic future of the region by gradual discontinuation of coal mining into specific projects in other areas. Project plans will be collected from February 2019. The energy security should be taken care of along with the transformation of the Upper Nitra region by completing the transformer station of Bystričany.

#### ***Environmental sustainability and energy sector***

**The measures of the Ministry of Environment taken in 2018 focus primarily on the need to improve the quality of air and waste management.** The Act on Waste Deposition Fees was amended effective as of January 2019. The increase in the fees is expected to help reduce waste dumping and increase recycling rate in Slovakia. The *Strategy of Adaptation of Slovakia to Climate Change* has been updated. This strategy aims to connect scenarios and possible consequences of climate change with the proposals of appropriate adaptation measures. At the same time, the *Action Plan to Solve the Consequences of Drought and Water Shortage* was adopted with the ambition to prevent drought by preventive measures and eliminate thus negative consequences of climate change. To improve environmental education in Slovakia, the *Green Education Fund* supported 25 projects<sup>44</sup>, and it already celebrates the second anniversary.

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<sup>40</sup> Based on the interim Implementation Report for the first six months of 2018

<sup>41</sup> [Methodology of transport modelling and transport forecasts](#).

<sup>42</sup> The document was approved by the Government of the SR in 2018.

<sup>43</sup> MT SR, MEnv SR, MLSAF SR and MESRS SR.

<sup>44</sup> The financial allocation for the projects amounts to EUR 142,000.

### 3 Macroeconomic framework and medium-term forecast

The macroeconomic and fiscal stability is understood by the Slovak Government as the basic condition for healthy development of economy and growth of the quality of life. This chapter contains the basic macroeconomic outlook.

***The growth of economy will be supported mainly by domestic demand.***

**Slovak economy reached its cyclical peak in 2018 achieving the year-over-year GDP growth in constant prices at the level of 4.1%. We expect the growth to reach 4% this year.** Adverse development of foreign demand will also translate into the export performance of the Slovak economy. However, our economy will be partially supported by the continued ramp-up of the production at Volkswagen (VW) and Jaguar Land Rover (JLR). The actual development thus copies the years of 2012 and 2013 when the new production at VW supported export in spite of slowdown in the EU. This year's growth will be encouraged particularly by the household consumption which will remain as dynamic as in previous years due to pay rises and social measures. Adverse development of foreign environment, accumulating risks, and base effect will lead to the slowdown of investments.

**Slovak economy as well as its potential will grow by 3.7% in the next year.** The output gap will thus level out just above the level of 1% of the potential GDP and will not open further. The economy will rely on domestic consumption and export, which has been a typical picture of the Slovak economy in the past three years. Export will continue to benefit from the new production at JLR which is expected to start with the production of the second model. Increase in wages, particularly in the public sector, will support the consumption of households and investments will partially recover after the previous slump. Starting in 2021, the economy will start approaching its long-term potential and will slacken. Export will again play the role of the most important driver when JLR reaches full production. Due to lower dynamic of wages, the consumption of households should slow down as well. Investments may slightly accelerate with the approaching end of the third programming period. However, we expect to see a more significant public investment financed from the EU funds in the next year.

**Labour market will slightly slowdown in 2019, and the employment rate will grow by 1.1%.** Nearly 30 thousand new job positions, a half of which in the market services sector, will be created in the economy. Active population will slim down, but also the number of Slovaks working abroad will fall down. At the same time, the trend of inflow of workers from abroad will continue. Based on the COLSAF's data, the number of those workers totalled nearly 70 thousand at the end of the last year and they helped increase the employment growth by as much as one third. The process of hiring foreigners will be made easier this year through simplification of administrative labour permit processes. The slowdown of the economic activity and the stagnation of economically active population in the years to come will slacken the dynamics of employment rate towards 0.5% at the end of the forecasting horizon. The unemployment rate will drop to 6% this year<sup>45</sup>. Moderate increase in the participation in the labour market will continue also due to higher retirement age and decreases in the numbers of Slovaks flowing abroad. The continued increase in the employment rate will help reduce the number of job-less people in each year of the forecasting horizon. The unemployment rate will drop to 5.3% in 2022. The growth of nominal wages will reach 6.7% and real wages will grow by 4%.

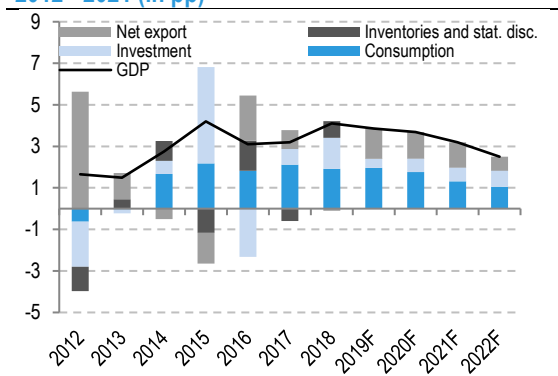
**Prices are expected to grow by 2.6% this year. They will be pulled mainly by higher salaries and will also be influenced by the legislation.** Overheating of the labour market pushes up the prices of services that will drive the inflation development in 2019. However, prices will also be influenced by legislative changes this year (up to 0.3 pp in total). Free lunches particularly in kindergartens will have an opposite effect and prices will marginally fall down also due to lower VAT rate on accommodation. The growth of food prices will be influenced by the base effect in the first six months of the year that will dampen the impact of the special levy on retail chains. Regulated prices will rise particularly due to increase in the prices of energies. However, they will be kept down by the above mentioned free lunches. The prices of fuel will fall down in response to

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<sup>45</sup> Based on the Labour force survey of SO SR.

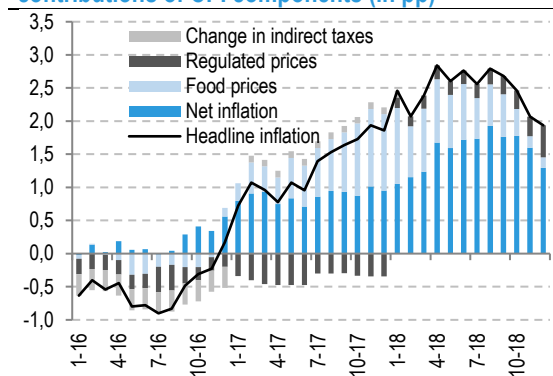
the falling oil price. Prices of marketable goods will mirror the price trend abroad. Inflation will be more moderate in the years to come. After the initial moderate increase, the prices of energies should start gradually decreasing based on the price development of the energy commodities in global markets and the development of futures contracts. Inflation will also be affected by free lunches at primary schools in 2020. The growth of prices of services will reflect the continued overheating of the labour market and the related growth of wages. The dynamics of the prices of services will keep the overall inflation at the level of 2.4% in the medium-term horizon.

**Figure 3: Contributions to GDP growth in Slovakia, 2012 - 2021 (in pp)**



Source: SO SR, MF SR

**Figure 4: Structure of consumer inflation - y/y contributions of CPI components (in pp)**



Source: SO SR

**The last year's growth was driven particularly by investment and consumption of households**

**The Slovak economy grew by 4.1 % last year.** Investment and consumption of households were the largest contributors to growth. Investment were substantially supported particularly by JLR and local governments. The consumption of households was supported by the wage base, while the other components of disposable income of households grew only slowly. Export in the second half-year grew mainly due to automotive industry when the new production at VW grew more significantly. The the new production at JLR ramped up only gradually. This means that the annual production of cars in Slovakia at the level of 1.08 million of pieces was only minimally influenced by JLR.

**Labour market expanded in 2018, too.** The employment grew by nearly 50 thousand individuals and surpassed the level of 2.4 million people. The increase in the number of employed by 2%<sup>46</sup> reduced the unemployment rate (based on LFS)<sup>47</sup> to the new minimum at the level of 6.6 %<sup>48</sup>. Most noticeable increase in the employment rate occurred in the construction industry (by 3.9% on a year-over-year basis – the greatest increase since 2008) and then in the sector of services and mainly in lower-qualification sectors, such as trade, transportation and storage. The growth of the number of foreigners working in Slovakia was record-breaking (increase by 16 thousand); foreigners have occupied a third of the new job positions.

**The average nominal wage in the Slovak economy for 2018 crossed the boundary of EUR 1,000.** The growth of wages accelerated to more than 6%, most since the crisis. The acceleration of inflation has not stopped the acceleration of real wages. Those grew by 3.6% last years and the growth was faster than the growth of productivity. The scissors between the growth of average wages in the economy and the labour productivity will gradually close in the years to come.

**Inflation accelerated in 2018 mainly due to higher food prices.** The prices measured by the CPI index grew up by 2.5% (equally as HICP<sup>49</sup>). Inflation was pushed up predominantly by the growth of prices of services reacting to the rising wages. Strong growth of food prices continued as well, the price of fuel also rose significantly. The growth of prices of marketable goods accelerated in response to the pick-up of inflation abroad. The growth was also supported by the increase in the regulated energy prices at the beginning of the year.

<sup>46</sup> Based on the national accounts concept (ESA).

<sup>47</sup> Labour Force Survey (SO SR)

<sup>48</sup> Annual average.

<sup>49</sup> Harmonised index of consumer prices (HICP)



### Box 1: Expected impact of Brexit on the Slovak economy

**Based on the estimates of IFP, hard Brexit would slow down Slovak economy by 0.7% to 1.4% of GDP in a long-term horizon.** In the event of the so-called soft Brexit, negative effects can be expected to hit 0.4% to 0.9% of GDP. They are cumulative effects over a longer time horizon which are based on direct and indirect commercial ties. This estimate does not include negative impacts already registered in 2016 to 2018 in response to the referendum results. Although Slovakia is a small open economy with greater GDP volatility, the economic ties with the UK are relatively low due to greater geographical distance between the countries. The economy will slow down particularly due to decrease in direct exports from Slovakia to the UK, a relatively small contribution is represented by indirect exports via our business partners and a drop of JLR production<sup>50</sup>.

**In case of hard Brexit, the estimates of international institutions forecast decrease in the Slovak economic performance ranging from 0.3 to 1.9% of GDP and, in case of soft Brexit, from 0.1 to 0.6% of GDP.** Huge uncertainty of estimates is the result of the great diversity of the estimates of import elasticities ( $\epsilon$ ) in response to the change of customs tariffs with respect to which no consensus has been reached in specialised literature. The source of great variability of estimates also stems from the use of diverse models and presumptions with regard to the response of the British pound and the unforeseeable reaction of the market sentiments.

Based on specialised literature, the economy of the entire Euro area would be affected by hard Brexit to the extent of 0.3 to 1.5% of GDP (IMF 2018), which is similar to the estimate for Slovakia.

#### Impact of Brexit on Slovak economy (in % of GDP)

	Hard Brexit (WTO rules)		Soft Brexit (free trade zone)	
	$\epsilon = 2.3$	$\epsilon = 5$	$\epsilon = 2.3$	$\epsilon = 5$
Direct export	0.56	1.21	0.34	0.74
Indirect export	0.04	0.09	0.02	0.05
JLR	0.06	0.14	0.04	0.08
<b>Total impact acc. to IFP</b>	<b>0.7</b>	<b>1.4</b>	<b>0.4</b>	<b>0.9</b>
<b>Total impact acc. to other institutions</b>	<b>0.3</b>	<b>1.9</b>	<b>0.1</b>	<b>0.6</b>

Source: IFP, IMF (2018), Vandenbussche et al. (2017)

**Estimated long-term impact needs to be spread out over a longer period, usually 5 to 10 years.** Such long-term impact may be termed as the impact on the potential of the economy. However, in the event of hard Brexit we expect a more significant drop in economy performance in the first two years and, thereafter, the loss can be expected to gradually fall down.

**The drop of the economic performance should also have a negative impact on the public administration budget, whereas it should lead to lower revenues from taxes and contributions. The structural fall of revenues will reach 0.2 to 0.5% of GDP in a long-term horizon.**

**The Brexit form (soft vs. hard) has only a minimum effect on the discussions over the EU budget after 2020.** The EC's draft for a multi-annual financial framework of the EU for 2021 to 2027 already counts only on 27 states (Member States have not questioned this EC's decision)<sup>51</sup>. If the UK leaves the EU without reaching agreement, the requirements for SR's contributions to the EU budget will grow by additional EUR 47 million in 2019 and by EUR 70 million in 2020.

<sup>50</sup> Around 17% of Land Rover Discovery car production has customers directly in the Great Britain.

<sup>51</sup> In case of soft Brexit, the EU budget would continue, for several years, to receive contributions from the UK due to financial settlement between the UK and the EU. Their expected volume (approximately EUR 20 billion) is insignificant compared to the total volume of the multi-annual financial framework of the EU (EC's proposal amounting to EUR 1.279 trillion) and would pose a positive risk for the existing estimate of the MF SR for the contributions into the EU budget for 2020 to 2022.

## 4 Planned measures in structural topics

This chapter describes the measures that the Government of the Slovak Republic has committed to take in the upcoming period. The measures concern the area of economics and social agenda, as well as public administration. The following table includes the most important planned measures, which respond to individual country specific recommendations of the Council (CSR).

### The most important measures planned in the NRP structured by CSR

CSR	Task name	Deadline	Sponsor
1	Introduction of default saving strategy in the II. pillar	31/12/2020	MLSAF SR
1	Implementation of the health spending review outcomes	31/12/2019	MH SR
1	Implementation of hospital stratification	31/12/2019	MH SR
2	Employment services and ALMP focused on disadvantaged groups	31/12/2019	MLSAF SR
2	Improvement of the employment conditions for mothers with small children	31/12/2019	MLSAF SR, MARD SR
2	Integration of marginalized Roma communities (education, labour market, social inclusion, and other areas)	31/12/2019	MLSAF SR, MESRS SR, MI SR, SGPFR
2	Higher quality and better support for teachers	31/12/2019	MESRS SR
2	Linking education and labour market needs (dual education)	31/12/2019 <sup>52</sup>	MESRS SR
2	Completion of the preparation process for the functioning of the Slovak Accreditation Committee and preparation of the methodology for regular assessment of the creative work of universities	30/06/2020	MESRS SR
2	Increasing funding of science and research at universities through grants	31/12/2019	MESRS SR
3	Implementation of the measures from packages to decrease the administrative and regulatory burden for businesses.	31/12/2019	ME SR
3	Implementation of the <i>Action Plan of New Measures for Courts</i> based on the State of the Judiciary Report (CEPEJ 2017)	31/12/2019	MJ SR
3	Solution of judicial debt enforcements	31/12/2019	MJ SR
3	Action plan for the reinforcement of fight against corruption and fraud	31/12/2019	DPMOII
3	<i>eGovernment</i> implementation	31/12/2019	DPMOII, MF SR

<sup>52</sup> The proposal of the optimisation of the secondary vocational school network will be ready until the end of 2020.



## 4.1 Fiscal policy and public finance

The efficiency of tax collection, especially for VAT, was successfully increased to a substantial extent in the past period. New measures have been implemented since 2019 to combat tax evasion. Several variants of spending caps for the upcoming electoral term will be prepared until the end of incumbent term. The Value for Money project became institutionalized with several changes for budgetary practise to take effect in 2020. The scope of compulsorily budgeted expenditures and revenues for local government will be made wider from 2019.

### Outcome indicators for fiscal policy and public finance

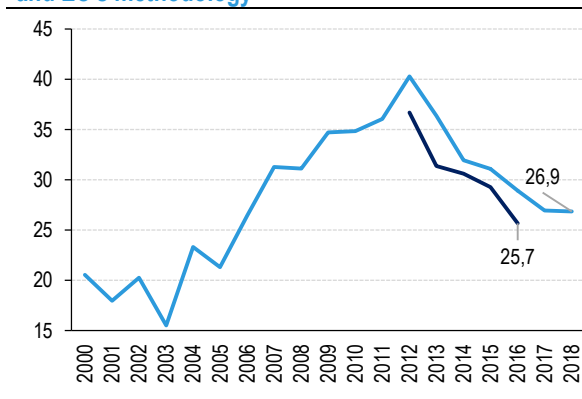
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Target 2020
<b>Long-term sustainability indicator (GAP)<sup>53</sup></b> (% of GDP)	<b>SK</b>	9.5	9.2	7	4	1.9	1.4	0.4	-0.1	1.1	-	-
	<b>EU</b>	-	-	-	-	-	-	-	-	-	-	-
<b>VAT collection effectiveness</b> (% of GDP)	<b>SK</b>	55.5	54.3	54.3	49.8	54.7	57.2	58.1	59.9	61.1	-	-
	<b>EU</b>	64.1	65.3	66.0	66.0	66.3	67.7	67.0	68.9	67.3	-	-
<b>VAT gap</b> (% of the potential revenue)	<b>SK</b>	34.7	34.8	36.1	40.3	36.4	32.0	31.1	28.9	27.0	26.9	-
	<b>EU</b>	-	-	-	15.4	15.2	14.3	13.2	12.3	-	-	-

According to the Council for Budget Responsibility Report of April 2018, the long-term sustainability indicator reached 1.1% of GDP in 2017. Fiscal policy strategy is based on the main objective of ensuring effective and sustainable public finances which promote sustainable economic development and improvement of the quality of life in the context of ageing population and by taking into account contingent liabilities. This objective is also stated in the constitutional law on fiscal responsibility which influences the regular update of the public finance management strategy. Based on that Report, the upper threshold of the debt brake set by the constitution (at the level of 50% GDP) should not be exceeded until 2043 (after taking into consideration the macroeconomic scenario, the demographic trend, and existing policies without change of legislation). If the debt runs over the upper threshold over the entire 50-year horizon of the basic scenario (until 2067), measures amounting to 1.1% of GDP compared to the basic scenario would have to be taken.

### Efficiency of tax collection

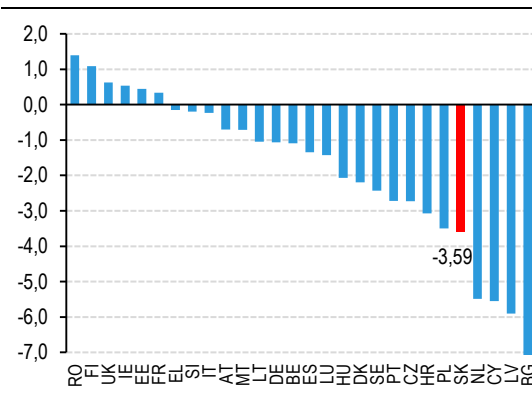
The gap of VAT collection has narrowed down since 2012 from more than 40% of potential tax collection to 26.9%. Based on the most recent data from the national methodology, the VAT gap has levelled off, and new measures might help to narrow the gap down again. This positive trend has also been confirmed by the methodology used within the EU which estimated the tax gap in 2016 to reach 25.7%, which was the fifth fastest closing of tax gap in that year.

Figure 5: VAT gap (% of potential revenue), national and EC's methodology



Source: SO SR, MF SR

Figure 6: Change of VAT gap in the EU (2016)



Source: SO SR

<sup>53</sup> Data is available for Slovakia only.

**The *eKasa and Electronic Invoice* project is being implemented. This project will make the transactions between the entities of the private sector and the state electronic.** Furthermore, the proposal counts on liberalisation in the area of end devices – it will be possible to use not only a cash register but also e.g. mobile or tablet connected to the Internet and equipped with a printer to print cash receipts. In addition to fight against tax evasion, the project aims to help business operators to reduce costs and administrative burden. Business operators will connect to the *eKasa* system as of July 2019. The electronic invoicing continues to be implemented. The central bodies of state administration will have a duty to receive and process electronic invoices for public procurement processes in 2021. This obligation will apply to all contracting authorities, whether public or not, since 2022.

**Based on the legislative framework for implementation of identification system for the fuel sold in the SR with an identification substance, the so-called *nanomarker*, the steps to implement it will be taken after compliance with the statutory conditions.** The aim of the measure is, in particular, to increase the efficiency of the collection of excise duty on mineral oils and to improve the quality of the fuel sold, and to increase the competition in the area of fuel production and sale. Steps to find a supplier of the *nanomarker* are actually being taken. This will be followed by the testing phase of the fuel identification system with identification substance.

**The financial administration continues to improve the pro-client approach in relation to tax payers and support wider use of electronic communication.** Tax returns for 2018 will be filed by the affected entities in the electronic form in 2019 for the first time. This should significantly reduce the error rate of the returns filed.

#### ***Technical preparation for budget control using spending caps***

**Based on the MF SR's study<sup>54</sup> of 2018 year-end, public discussion continues in the area of expenditure ceilings as one of the potential main operational fiscal rule.** Further to the discussion study, a workshop with both domestic and foreign institutions<sup>55</sup> took place in February 2019. The outcomes of that workshop serve to build consensus among experts.

**After processing the ongoing dialogue with experts, the MF SR will prepare specific variants of expenditure ceilings calculation until the end of the election term.** Individual alternatives will be based on the existing EU and national budget planning rules and will be elaborated in detail to allow their simulation and also to trigger the necessary institutional changes. The discussion over the most appropriate alternative will take place in the course of the next electoral cycle. Based on the simulation, the new government will be able to decide the best option for the Slovak budget planning environment and adjust the legislation thereto.

#### ***Continued implementation of the amendment act on budget rules of 2016***

**Effective as of January 2019, local governments are obliged to budget revenues and expenditures relating to their business activities.** This change improved the transparency of the budget planning process, whereas it also led to the decrease in the funds which had not have to be planned until then. Furthermore, it will also help facilitate the analytical comparison of the approved budget against the results actually achieved.

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<sup>54</sup> The MF SR published a discussion study in October 2018 which opened public debate about the possible form of spending caps in Slovakia

<sup>55</sup> In cooperation with the Representation Office of the European Commission in Slovakia, the MF SR organised a workshop on 21 February on the implementation of spending caps. More on the MF SR's web site.

## 4.2 Education, science, and innovations

The results of the educational system at all levels, including the scientific results, have been worse-than-average internationally. Slovakia lags the most in the quality of primary and lower secondary education and has also worsened in the ability to retain students in the educational system after completion of the compulsory school attendance. The educational system is unable to reduce differences caused by social disadvantages. In the international comparison, expenditures on education and research lag behind, which is most evident in teachers' pay compared to the pay of employees with university degree. The new National Program for Development of Education (NPDE) responds to the challenges in the area of education.

The teaching profession is expected to become more attractive by approved repeated increases in tariff wages, the increase in the wages at the beginning of the career, and by connecting the quality of work performance with the career promotion by amending the attestation proceeding. The length of practical training of university students preparing for teaching profession will be extended. Conditions for inclusion and exclusion of schools into the network will be amended in order to rationalize the network of schools. The list of existing study programmes and specializations will be revised. Bodies of the newly established Slovak Accreditation Agency are expected to be formed and more professionally-oriented bachelor programmes are expected to be opened. Within all education levels, the elements of inclusive education will be reinforced. These will, for example, include the preparation for extension of the compulsory school attendance to include the pre-school year at kindergartens, more targeted funding for the needs of children with special educational needs and from socially disadvantaged background, and debarrierization of the academic environment in tertiary education.

### Outcome indicators for education, research and innovation

		2009	2010	2011	2012	2013	2014	2015	2016	2017	Target 2020
<b>PISA</b> (average of the scores)	<b>SK</b>	488	-	-	472	-	-	463	-	-	505
	<b>OECD</b>	497	-	-	497	-	-	492	-	-	-
<b>Early leavers</b> (% of population aged 18 - 24)	<b>SK</b>	4.9	4.7	5.1	5.3	6.4	6.7	6.9	7.4	9.3	6
	<b>EU</b>	14.2	13.9	13.4	12.7	11.9	11.2	11	10.7	10.6	10
<b>Citations</b> (%, 100 = EU average)	<b>SK</b>	33	32	33	41	42	46	56	56	47	70
	<b>EU</b>	100	100	100	100	100	100	100	100	100	100
<b>Tertiary education attainment</b> (% of population aged 30 - 34)	<b>SK</b>	17.6	22.1	23.2	23.7	26.9	26.9	28.4	31.5	34.3	40
	<b>EU</b>	32.3	33.8	34.8	36	37.1	38	38.7	39.2	39.9	40
<b>R&amp;D expenditures</b> (% of GDP)	<b>SK</b>	0.47	0.62	0.66	0.81	0.82	0.88	1.17	0.79	0.88	1.2
	<b>EU</b>	1.93	1.92	1.97	2	2.02	2.03	2.04	2.04	2.07	3
<b>High-tech export</b> (% of total export)	<b>SK</b>	5.9	6.6	6.6	8.2	9.6	9.9	10	9.7	10.6	14
	<b>EU</b>	17.1	16.1	15.4	15.7	15.3	15.6	17	17.9	17.8	-

**The outcomes of the educational system are unsatisfactory.** Worse-than-average results in the international testing of 15 years old students (PISA) combined with the growing proportion of students failing to reach at least the basic level in testing, worse-than-average participation in pre-school education<sup>56</sup> and more-than-average influence of socio-economic background on the results of students dominate the chart of challenges of the educational system<sup>57</sup>. Generally accessible education<sup>58</sup> shows a growing number of

<sup>56</sup> Based on the OECD, the attendance of kindergartens by children aged 3 to 5 years in 2016 was at the level of 73.4% in Slovakia, the OECD's average figures amount to 86.3% ([OECD Family Database](#)).

<sup>57</sup> The impact of the socio-economic background in PISA expresses the degree of equality of opportunities in the educational system. The reading literacy tests revealed the impact in Slovakia at the level of 17% in 2015 (the percentage of performance explained by the student's family background), 12% in the OECD. The better results out of the V3 countries were only achieved by Poland with 12.5%.

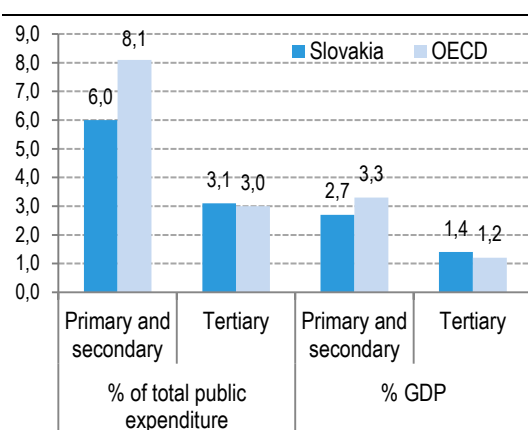
<sup>58</sup> As many as roughly 90% of the population aged 20 to 24 years have completed at least secondary education (ISCED 3-8), which is better than the average in the EU (Eurostat, edatfse\_03).

students who drop out from the educational system after they complete at most lower secondary school, which leads to worsening of their future prospects in the labour market and reduces their social mobility. The proportion of Slovak students studying abroad has been growing<sup>59</sup>, which may be a sign of low attractiveness of Slovak universities for the best students<sup>60</sup>. The lifelong learning is not sufficiently developed in Slovakia<sup>61</sup>, however upskilling after completion of formal education is inevitable for everyone to be able to flexibly respond to changing conditions in the labour market.

**The quality of research and innovation activities is below the European average.** Although the number of young people who complete university education doubled during the past decade, the innovation performance measured by the proportion of high-tech products<sup>62</sup> in the export has stagnated in recent years. The quality of outputs of Slovak scientists measured by citations per researcher reaches approximately a half of the European average.

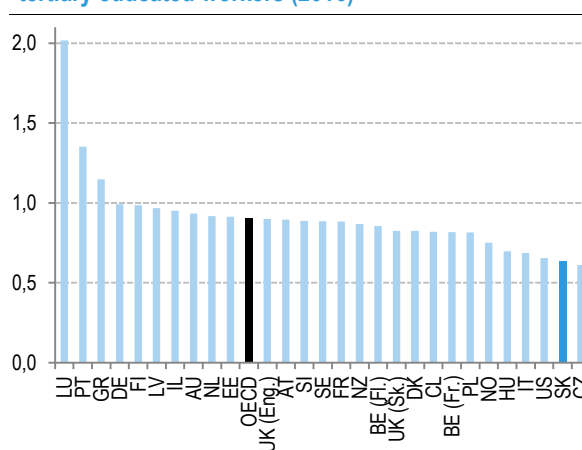
**The expenditures on education lag behind the OECD average.** The greatest difference in expenditures on education can be seen in primary and secondary education. In spite of the repeated pay rises, teachers' wages remain low in international comparison. After the scheduled pay rises of teachers' wages in 2019 and 2020, the average wage of a teacher should reach approximately 68% of the wages of university graduates (taking into consideration the expected overall growth of wages)<sup>63</sup>.

Figure 7: Public expenditure on education, 2015



Source: OECD (Education at a Glance 2018, Tab C4.1)

Figure 8: Teachers' salaries relative to earnings for tertiary educated workers (2016)



Source: OECD (Education at a Glance 2018, Fig. D3.2)

**Funding of research and development remains below average and the lag in the quality of results is even more profound.** The total expenditures on research and development grew in 2015 on a one-off basis to 1.2 % of GDP due to EU fund drawing, but returned back to the level of 0.9 % of GDP in 2016 mainly due to insufficient drawing of the funds from the OP Research and Innovations. A decreasing share of researchers publish more than the average of V3 countries, but the quality of publications measured by citations has been stagnating under the V3 average.

<sup>59</sup> The number of Slovak university students studying abroad (17%) is the second highest from among the OECD countries, while OECD average is 6% . This share was 13 % in 2010.

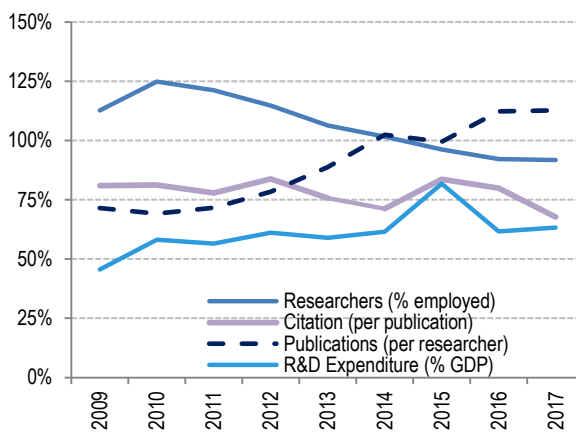
<sup>60</sup> According to the IVP's [Mať volá](#) policy brief, Slovaks living in the Czech Republic have higher salaries compared to the Slovaks living in Slovakia even after taking into consideration demographic factors. They also reached better scores in the mathematical and reading literacy testing of adults (PIAAC). Slovaks with university education in the Czech Republic got diploma in the Czech Republic.

<sup>61</sup> In 2017, only 3.4% of adult population attended formal or informal education programmes (during the past four weeks preceding the survey). The average for the EU countries is 11% (Eurostat [trng\_lfse\_01]).

<sup>62</sup> High-tech products are represented by selected products in the following industries based on SITC classification: aerospace, computers and office machinery, electronics-telecommunications, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electronic machinery and defence industry.

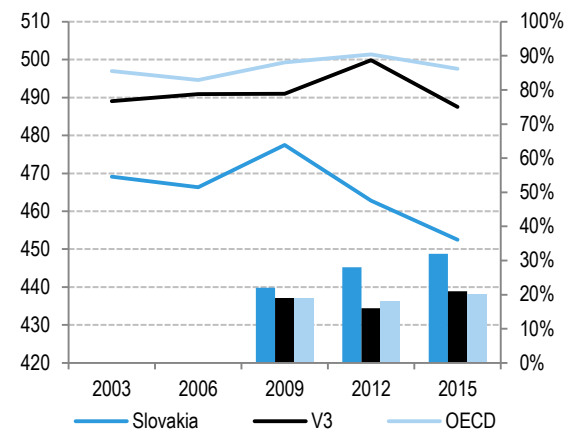
<sup>63</sup> This means that the average wage of teachers should roughly reach the average wage of employees in national economy in 2020.

**Figure 9: Inputs and outputs of R&D as a percentage of V3 average**



Source: Eurostat ([rd\_p\_persocc], [nama\_10\_pe], [rd\_e\_gerdsc]), Scimago Journal Rank

**Figure 10: PISA testing results for reading literacy (left axis) and the proportion of students failing to reach at least the basic level in % (right axis)**



Source: PISA 2015, OECD

**The newly drafted transformation of the pay supplement for continuous professional education of teachers (a credit system) does not link remuneration with the quality of performance.** The difficulty of implementation of more significant changes in the educational system is also demonstrated by formal termination of the pay supplement for continuous professional education of teachers. The spending review recommended to discontinue the system in favour of higher variable component of the salary tied to performance. This measure was expected to eliminate negative motivation of teachers to participate in continuous education courses only to get the extra pay and would allow to use the funds made so available for remuneration for quality of their work (individual bonuses). The current law transforms the supplement for continuous education to the supplement for professional development, the obtaining of which will again be tied to passing of pre-defined types of professional education<sup>64</sup>.

**The long-term strategy will respond to the greatest challenges in education.** The National Program for Development of Education (NPDE)<sup>65</sup> was passed in June 2018. It is a long-term concept for the development of education which covers intentions and goals of the SR in the relevant area for the period of 10 years. The Ministry will continue implementation of measures of the first NPDE action plan passed by the Government for 2018 and 2019. Key measures of the first action plan also form a part of the National Reform Programme 2019. By the end of 2019, the Ministry will prepare an update of the measures of the NPDE action plans for the next years.

## 4.2.1 Regional education

### **Increasing attractiveness, support for teaching profession and higher quality outputs**

**Further steps will be taken to make the teaching profession more attractive.** The wages of teachers will continue to get closer to the wages of university graduates<sup>66</sup>. Wage tariffs in education grew from January 2019 by 10%, equal increase will take place in January 2020 again. In addition, the budget counts with increasing tariff wages for teachers at the beginning of their careers effective as of September 2019<sup>67</sup>. An

<sup>64</sup> Article 64(2) of the new pedagogical and specialised employees law. It will be possible to obtain the pay supplement for professional development for extensive, specialised and innovative type of education and state language proficiency exam.

<sup>65</sup> [National Program for Development of Education](#).

<sup>66</sup> According to the OECD, the average wage in the education system reached 64% of the average wage of university graduates in 2016. After the pay rises in the school system in 2020, this figure is expected to get to the level of 68% taking into consideration the growth of wages in private sector (calculations of the ÚHP).

<sup>67</sup> The wages of teachers at the beginning of their careers will be increased from September 2019 from the allocation from the budget amounting to EUR 10 million.

analysis of the teaching profession attractiveness survey<sup>68</sup> will be published in 2019 to make the recommendations in the relevant area more targeted.

**The Ministry of Education will also focus on the measures improving management in regional education and quality of the culture in schools.** Binding requirements for the content of professional education for managerial employees in the education system will be released with the aim to improve the quality of management. The *Teacher's Code of Ethics* will be published. The conditions will be modified for the inclusion and exclusion of schools into/from the network with the aim to increase the efficiency of public resources. A law regarding administration in the educational system and school self-government<sup>69</sup> will be prepared. This law will specify particularly the administration of schools and educational facilities, rights and responsibilities of the director, the roles of the bodies of state administration in relation to schools and educational facilities, the rights and responsibilities of founders, the bodies of school self-government (school council and student council) and of the State School Inspection. A greater objectivity of written exams will be ensured by setting up external supervision during standardized testing.

#### ***Linking education and labour market needs***

**New measures also respond to the need of better matching of skills with the needs of the labour market.** Framework for creation of educational programmes of post-secondary education will be worked out<sup>70</sup> with the aim to strengthen formal development of professional skills with higher qualification which is currently absent. An option to obtain higher qualification in professional education and training will also help increase its attractiveness in the context of the expected changes in the labour market due to digitisation and automation of production. To monitor graduate placements and to reduce information asymmetry to facilitate the decision-making for applicants, the administrative databases of the Social Insurance Agency, COLSAF and MESRS SR will be connected. Also graduate and employment surveys will be conducted. Within the OECD *National Skills Strategy for the Slovak Republic* project, the recommendations relating to skills in four priority areas<sup>71</sup> will be set in cooperation with key stakeholders.

#### ***Secondary vocational education***

**The network of secondary vocational education will undergo optimisation and will be made more effective.** Conditions for inclusion and exclusion of schools will be modified. The criteria to set the highest possible number of first-grade students of secondary schools will undergo optimisation in 2019. The new rules will primarily reflect the quality of the secondary school, the premises and material and technical equipment, staffing and possible graduate placement. The proposal for the optimisation of the secondary vocational school network will be ready by the end of 2020. A system of experimental testing of new programs will be prepared and criteria for inclusion or exclusion of a study field in or from secondary vocational education will be defined. The optimisation of the study fields at secondary vocational schools should remove duplications in the network of study fields and their fragmentation.

**Support will go to the reinforcement of the skills of students of secondary schools required by businesses.** A call will be announced for secondary vocational schools that will focus on relating the secondary education with businesses. Within the EU Initiative for converging regions, a pilot project of the so-called investment block of the selected secondary vocational schools will be implemented to make the teaching content and practical training more responsive to the requirements of businesses and to reinforce the cooperation of schools with employers.

#### ***Inclusive education***

**Measures in the area of inclusive education focus predominantly on students from socially disadvantaged backgrounds.** Compulsory pre-school education at a kindergarten is planned to be established in 2020 for all children over five years of age. To ensure successful implementation of the above

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<sup>68</sup> The participants in the survey included students of secondary schools on programmes ending with school-leaving certificates, students of universities in teaching/non-teaching study programmes, teachers at primary and secondary schools.

<sup>69</sup> A provisional title for the law.

<sup>70</sup> This includes a specialisation study and higher professional study for graduates of secondary schools.

<sup>71</sup> The strategy defines the priority areas as follows: building skills of young people including the disadvantaged population, reducing the discrepancy of skills in the labour market, supporting participation in lifelong learning, and strengthening skills in workplace.



measure, the capacities of kindergartens will continue to be extended using the EU structural funds<sup>72</sup>. The analysis of the kindergarten capacities will be updated regularly to identify needs for the additional capacity. A more transparent, more objective and fairer method of allocation of funds for pedagogical assistants for children and students with disability will be prepared. A new form of funding will be proposed for the support of children and students from socially disadvantaged backgrounds by partial integration of the funding into normative funding, which will make the funds for schools more predictable. The Ministry of Education will present the analysis of the options of accepting students of special primary schools to study programmes of vocational schools. To reduce the outflow of students from the mainstream education (tracking), students will only be accepted to five-year bilingual secondary schools after they complete the ninth grade at the primary school. Now these students are accepted after they complete the eighth grade at the primary school which weakens inclusive approach in education.

## 4.2.2 Tertiary education, research and development

### ***Support of employees in tertiary education***

#### **Pay rises in tertiary education will make both the pedagogical and research activities more attractive.**

Tariff wages were increased effective as of January 2019 for university teachers, research and development workers, just like they were increased for the pedagogical and specialised employees in the regional education. Equally, pay rise at the beginning of career is expected to take place effective of September 2019 and the tariff wages will be repeatedly increased by 10% in 2020.

### ***Higher education quality and accessibility***

**Common denominator of multiple measures in the area of tertiary education is the improvement of its quality and accessibility.** A strategy to make the tertiary education international will be created with the aim to support mobility of students and employees of universities, and to reduce barriers to studying in the SR. The *Action plan for debarrierization of the academic environment* will propose measures to support inclusiveness in tertiary education. Legislative conditions will be laid down for granting business scholarships and options of private funding for higher education will be clarified with the expectation of making tertiary education more responsive to the needs of the economy. The creation and innovation of professionally oriented bachelor programs will be supported in the form of the *University for Real Life* call with the allocation of EUR 15 million. A call will be then announced to support the implementation of professionally oriented bachelor programmes. The Slovak Accreditation Agency will present the proposal of standards for quality assurance for tertiary education. The Ministry of Education will complete the revision of the system of study programmes. Based on the passed amendment act on universities, a methodology of new binding rules will be prepared for the assessment of research activities of universities<sup>73</sup>.

#### **Measures to improve the quality of education will emphasise an increase in the share of practical training for future teachers.**

A call focusing on the improvement of training of teachers will be announced. It will reinforce cooperation between universities offering education in teaching study programmes and schools allowing practical training of future teachers. In addition, the analysis of the system of teacher training compared to foreign countries will be published attempting to identify strengths and weaknesses of the existing system.

### ***Lifelong learning***

#### **The importance lifelong learning will be emphasized as a means for the skill development after completion of formal education.**

The system of verification of qualifications and results of informal education and informal learning will be supported by the national *System of Qualification Verification in the SR*, which is being prepared. The tool to assess skills of adults – *Education and Skills On-line* will allow the

<sup>72</sup> Within operational programmes under the responsibility of the MI SR, MARD SR.

<sup>73</sup> Amendment act on universities passed in September 2018: According to Article 88a(5) of Act No. 131/2002, the Ministry is responsible by periodical assessment of the creative activities of schools (research, development, art activities) by creating assessment committee having members consisting usually of foreign experts. By amending the act 131/2002 (act on universities) and passing the act 269/2018 on the quality of universities, the assessment of the quality of education at universities will be the responsibility of the newly established Accreditation Agency and the assessment of research activities at universities will be the responsibility of an advisory body of the Ministry.



verification of skills of even low-skilled individuals, which will lead to the adherence of the EU initiative titled *Upskilling pathways – new opportunities for adults*. A revision of the *Lifelong learning strategy with the outlook for 2024* will be prepared.

### **Research and development**

**The support of science, research and innovations concentrates on the reinforcement of international cooperation.** State research and development programmes will support cooperation between the university research and business. More intensive support will go to internship visits at European and international research infrastructures in which Slovakia is engaged. The Research and Development Agency (SRDA) programmes will be used to support common international research and development projects within bilateral cooperation. The support of international networking of national platforms into EU structures will be more intensive. This will particularly apply to engagements in research infrastructures within ESFRI<sup>74</sup>. The Research and Innovation Strategy for Smart Specialization of SR for the programming period 2021 – 2027 will be updated. The international cooperation will also be strengthened using Slovak innovation diplomacy.

**The stimulation of research activities in the private sector will be supported by making the existing tax instruments more effective.** The super deduction for research and development (tax allowance) is planned to be increased in 2019 from the existing 100% to 150% and to 200% the following year. Upon increasing the super deduction, Slovakia will offer the best conditions in the V4 region and Austria for the investments in high value added activities, the development of which is one of the top priorities of the Government.

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<sup>74</sup> ESFRI – European Strategy Forum on Research Infrastructures.

### 4.3 Employment, pensions scheme, and social inclusion

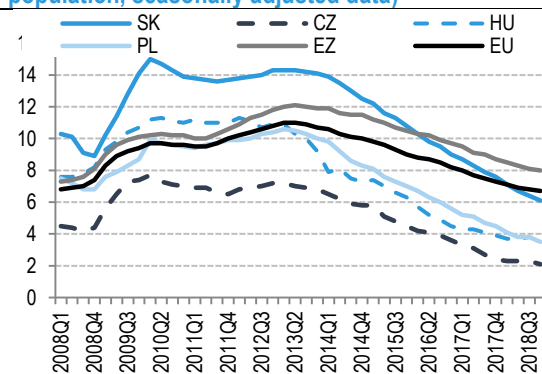
The Slovak labour market outcomes reach an all-time best. Significant improvement can be seen in the total employment and unemployment rates. The long-term unemployment rate was also successfully decreased. In spite of that, the number of long-term unemployed out of the total number of the unemployed remains significantly higher than in the EU countries or V3 region. Therefore the action plan to reduce long-term unemployment will continue to be implemented. The improvement of the situation of the least employable groups in the labour market will be supported by access to personalised services and specialised counselling. To increase the employment rate among women, the childcare facilities for children up to three years of age will receive support to expand their capacities. Projects to increase social integration of marginalised Roma communities are being implemented. A new challenge for the labour market is the shortage of qualified labour force, mainly in the western part of Slovakia.

#### Outcome indicators for employment, pension saving scheme and social inclusion

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Target 2020
<b>Long-term unemployment rate</b> (% of active population aged at least 15)	<b>SK</b>	6.5	9.2	9.2	9.4	10.0	9.3	7.6	5.8	5.1		3.0
	<b>EU</b>	2.9	3.8	4.1	4.6	5.1	5.0	4.5	4.0	3.4		-
<b>Employment rate</b> (% of population aged 20 - 64)	<b>SK</b>	66.4	64.6	65.0	65.1	65.0	65.9	67.7	69.8	71.1		72.0
	<b>EU</b>	69	68.6	68.6	68.4	68.4	69.2	70.1	71.1	72.2		75.0
<b>Population at risk of poverty and social exclusion</b> (% of population)	<b>SK</b>	19.6	20.6	20.6	20.5	19.8	18.4	18.4	18.1	16.3	-	17.2
	<b>EU</b>	23.3	23.7	24.3	24.7	24.6	24.4	23.8	23.5	23.5	-	19.4
<b>Benefit ratio</b> (average pension benefit, % of average salary)	<b>SK</b>	-	43.7	-	-	45.7	-	-	46.6	-	-	-
	<b>EU</b>	-	41.4	-	-	44.0	-	-	43.5	-	-	-

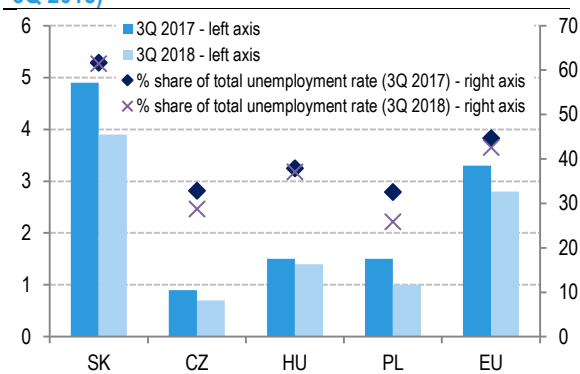
**Slovakia reports record-breaking positive outcomes in the labour market.** Nearly 50 thousand job positions<sup>75</sup> were created in 2018. Slovakia has reached the target employment rate of 72% defined in the Europe 2020 strategy. Foreign workers have occupied each third newly created job position which indicates an acute shortage of qualified workforce at lowest unemployment rate in history. The seasonally adjusted unemployment rate fell down in the fourth quarter of 2018 to 6.1 %, the best figure since 1993. The unemployment rate has thus got under the average of the countries in the EU and Euro area. Nevertheless, it remains well under the V3 average.

Figure 11: Quarterly unemployment rate (% active population, seasonally adjusted data)<sup>76</sup>



Source: Eurostat (une\_rt\_q), SO SR

Figure 12: Long-term unemployment (% , 3Q 2017, 3Q 2018)



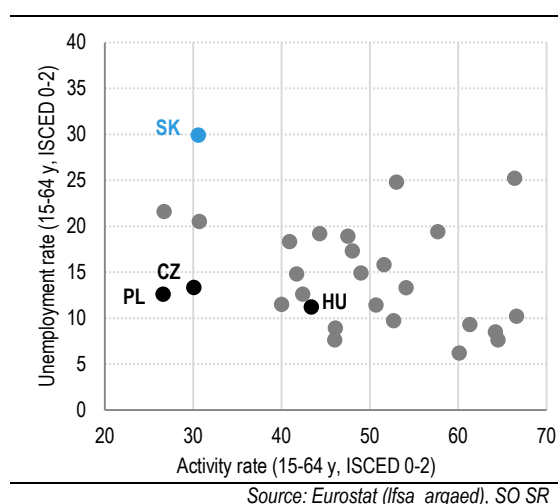
Source: Eurostat (une\_ltu\_q), SO SR

<sup>75</sup> Based on the national accounts system (ESA).

<sup>76</sup> Labour Force Survey (SO SR).

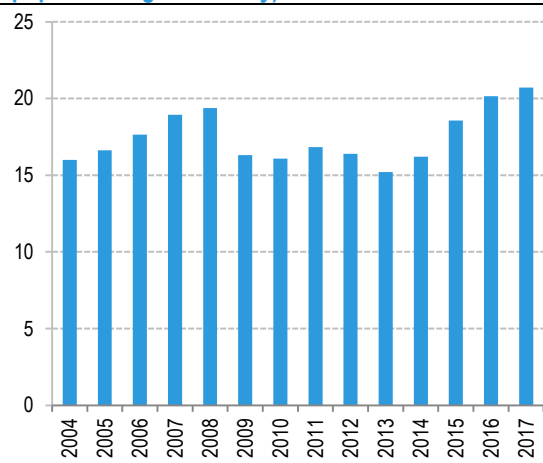
**The results of the disadvantaged groups in the labour market have been one of the main challenges of structural policies on a long-term basis.** The long-term unemployment rate show a y/y decrease from 4.9 % to 3.9 % in the third quarter 2018. However, the ratio of long-term unemployed to the total number of unemployed remained nearly unchanged and reaches the second highest value within the EU countries (61.5 %), which is well above the V3 and EU average (30.6 % and 42.6 %, respectively). Long-term unemployment is also closely related to the qualification of the unemployed. Poor qualification represents a substantial barrier in the labour market. The activity rate and the unemployment rate of the individual with the lowest education has been one of the lowest or highest, respectively in the EU on a long-term basis. Only 32% of Roma population completes secondary and higher education<sup>77</sup>. Poor qualification represents a substantial barrier in the labour market. The employment rate of Roma population has slightly improved as the economy grew faster, but it remains far behind the majority population (21% compared to 51% in the majority population living in the same municipalities<sup>78</sup>).

**Figure 13: Low-qualified workforce in the labour market (% , 2017)**



Source: Eurostat (Ifsa\_argaed), SO SR

**Figure 14: Employment rate of Roma from municipalities with concentrated settlements (in %, population aged 15 – 64y)**



Note: employment for at least 6 months during the year including agreements and the self-employed; Source: IFP according to the data of the Social Insurance Agency

**The at-risk-of-poverty or at-risk-of-social-exclusion rate is under the EU average in Slovakia.** It reached 16.3% (which is 856 thousand people) in 2017. The average figure for the entire EU amounted to 23.5%. Compared to the 2008 reference levels, approximately 255 thousand people managed to get out of the risk of poverty or social exclusion, which means that the national goals was attained to the extent of 150%<sup>79</sup>. Nevertheless, the people from MRC face substantial poverty. The at-risk-of-poverty rate is more than 80% for this population<sup>80</sup>. A child from a municipality with concentrated Roma settlements has a 70% chance of being unemployed or earning fewer than the minimum wage in an irregular employment when growing up<sup>81</sup>.

**In spite of positive trend in the labour market, low employment rate of mothers with children on parental leave remains one of the major challenges for the labour market.** The greatest differences in the employment rate of women compared to the EU average apply to younger age groups due to care for children. The gender-related difference in the employment rate for the age group of 25 to 29 years is nearly two and a half times higher than the EU average rate (23.7 pp in SR vs. 10.1 pp in the EU).The rest of the

<sup>77</sup> Second European Union Minorities and Discrimination Survey - Main results.

<sup>78</sup> IFP's 18/2018 policy brief: [Inklúzia Rómov je celospoločenskou výzvou](#) (Inclusion of Roma population constitutes a challenge for the entire society).

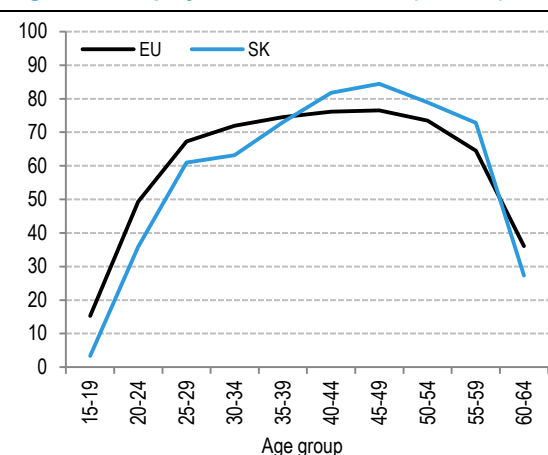
<sup>79</sup> Breaking out of the risk of poverty or social exclusion at least 170 thousand people until 2020.

<sup>80</sup> Second European Union Minorities and Discrimination Survey - Main results.

<sup>81</sup> Overview of Economic Survey of Slovak Republic 2019.

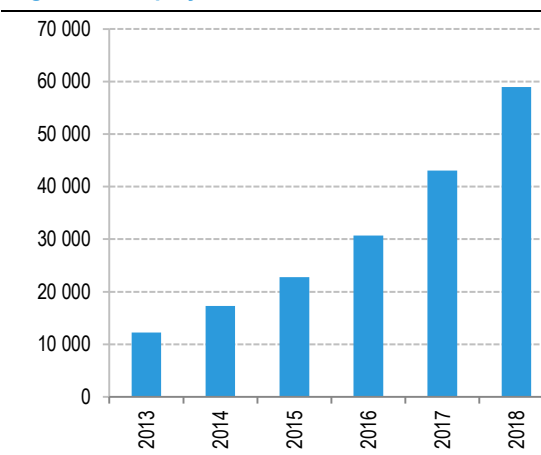
women population in Slovakia attains the same as, or even higher employment rate than the one in the EU (except for the age group 60 - 64 due to the lower retirement age).

**Figure 15: Employment rate of women (% , 2017)**



Source: Eurostat (lfsa\_ergan), SO SR

**Figure 16: Employment of workers from abroad**



Note: Data contain third-country aliens, EU/EEA Source COLSAF

**The persisting regional differences translate into differences in the unemployment rate and the number of free workforce.** While the total registered unemployment rate (COLSAF) at the beginning of 2019 reached 5.3%, it continues to range at the level over 10% in 12 out of 20 least developed districts<sup>82</sup>. On the contrary, the districts with lowest registered unemployment rates in western Slovakia also report record-breaking numbers of job vacancies (e.g. the districts of Trnava, Galanta and Bratislava districts).

**The record-breaking low unemployment rates run up against the shortage of qualified workforce.** The number of employees coming from abroad has grown nearly fivefold compared to 2013. However, this figure only represents 2.4% of the total workforce. Majority of the foreigners actually flowing in consist of manual workers who find employment in districts reporting lowest unemployment rates. Reducing barriers to the employment of foreigners solves the acute issue of workforce shortage.

**In the long run, Slovakia will face the risk of automation of job positions associated with population ageing.** The OECD's estimate is that as many as one third of job positions will face high risk of automation, which is the highest figure from among developed countries<sup>83</sup>. Districts which are expected to be most exposed to this risk currently are the districts which face the greatest shortage of workforce<sup>84</sup>. Therefore the economy should, in the long run, focus on upskilling efforts for the existing or future workforce, or on the so-called smart migration<sup>85</sup>. This will especially be important in the context of population ageing whereas Slovakia is one of the fastest ageing countries in the EU<sup>86</sup>.

### 4.3.1 Employment

#### **Activation measures for disadvantaged groups**

**In spite of improvements in the labour market accompanied by a substantial job creation, long-term unemployment rate of the least employable groups remains a challenge.** Activation measures for disadvantaged groups undergo innovation process. The *Action plan to promote integration of long-term unemployed in the labour market in the SR* will continue to be implemented<sup>87</sup>. This applies to disadvantaged

<sup>82</sup> <https://www.nro.vicemier.gov.sk/>

<sup>83</sup> [Overview of Economic Survey of Slovak Republic 2019](#).

<sup>84</sup> OECD (2018), *Job creation and Local Economic Development 2018: Preparing for the Future of Work*, OECD Publishing, Paris

<sup>85</sup> [Overview of Economic Survey of Slovak Republic 2019](#).

<sup>86</sup> [Ageing Report: Economic and Budgetary Projections for the EU Member States \(2016-2070\)](#).

<sup>87</sup> [Action plan to promote integration of long-term unemployed in the labour market in the SR](#).

individuals in the labour market, particularly those who are low-skilled, from marginalised Roma communities, and young people without appropriate education. Improvement of the situation with their integration into the labour market will be achieved through complex approach to personalised services, provision of specialized counselling, identification of the skills of disadvantaged JS, continued implementation of the new profiling system, and provision of targeted programmes proposed by employers based on the regional labour market needs.

#### ***Labour market needs in short-term through medium-term horizon***

**The adaptability of employees and enterprises will be subject to the measures focusing on the area of smart industry, identification of the professions and regions at risk.** The Upper Nitra region serves as an example due to brown coal mining discontinuation. This is why a national project focusing on sector-specific innovations will be launched. This project will improve the forecasting of needs in the area of skills and employments, increase the quality and capacity of public employment services and, particularly, will intensify the common efforts of stakeholders to achieve balance between the supply and demand in the labour market. The national *Labour market development prognoses in the Slovak Republic* project<sup>88</sup> will focus on the assessment of employability of graduates and on short-term and medium-term labour market forecasts. New and disappearing jobs and needs for qualified workforce in Slovakia have been identified. The *National Skills Strategy for the Slovak Republic* project of the OECD looks to the long-term horizon of the labour market needs in cooperation with the Ministry of Education and key stakeholders. These efforts will result in the proposal of recommendations for the system of skills.

#### ***Work-life balance***

**Several support projects will be launched in connection with the development and availability of childcare facilities for children up to three years.** Caretakers who do not meet the statutory conditions for their profession will be allowed to improve or obtain qualification, and also educational activities will be supported. The call is planned to be announced during 2019. Flexible forms of employment will be supported in order to increase the employment rate of individuals who have parental obligations. This will particularly apply to women and lone parents taking care of at least one child. The expected number of those to be supported amounts to one thousand of JS with the financial allocation of EUR 11 million.

#### ***Support of labour mobility***

**Several planned measures are aimed to reduce the barriers of workforce mobility in Slovakia.** A new purpose of support consisting in the procurement of a boarding house will be set up within the State Housing Development Fund (*Štátny fond rozvoja bývania/ŠFRB*) in order to support workforce mobility. Boarding house will be defined as a building offering long-term accommodation intended predominantly for the employees of companies that employ people from more distant regions of Slovakia or for foreign workers. Also tax exemption of non-monetary income due to partial compensation of the cost of accommodation by the employer up to EUR 60 will be implemented in the tax legislation from 2019 in order to support workforce mobility. Attracting and increasing the interest of the private sector in the area of rental housing will be supported by favourable lending conditions for the acquisition of this type of housing.. Further measures will be implemented within the approved *Strategy of Labour Mobility for Foreigners in the SR*<sup>89</sup> in order to reduce barriers for the employment of foreigners, e.g. simpler recognition of qualification and education completed.

**Effective as of January 2020, the conditions for the support of construction of rental housing will be improved both for business operators and local governments.** The conditions for a loan from the ŠFRB to fund procurement of rental apartments will be amended for business operators. They will particularly include the increase in the maximum credit line and the average floor area, and the removal of the total maximum eligible costs per m<sup>2</sup> of the floor area of an apartment. More favourable conditions will also apply to local governments, both in the case of subsidies/grants from the MTC SR and the conditions for loan drawdown from the ŠFRB. The new regulation will increase the general limit of the maximum procurement costs and, at the same time, will take into consideration the specific features of regional capitals.

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<sup>88</sup> <https://www.employment.gov.sk/sk/praca-zamestnanosti/podpora-zamestnanosti/np-prognozy-vyvoja-trhu-prace-sr-ii/>

<sup>89</sup> [Strategy of Labour Mobility for Foreigners in the SR.](#)

## Box 2: Support of public rental housing in the context of increase in labour mobility

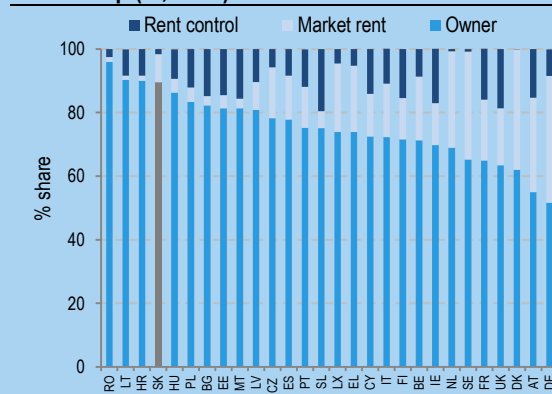
**Unemployment is quite regionally differentiated in Slovakia.** Western Slovakia shows signs of labour market overheating – substantial number of unoccupied job positions, low unemployment rate, pressure on inflow of workforce from abroad. However, the unemployment rate in eastern and southern Slovakia remains over 15% in certain counties. Large differences in unemployment rates help to widen the ever-growing gap in the economic performance and standard of living between individual regions.

**Poor regional mobility of employees is one of the sources of insufficient utilisation of workforce.** International comparison reveals that Slovaks migrate to find work much less than in the neighbouring EU countries<sup>90</sup>. Flexibility and mobility of workforce leads to a better allocation between companies and creates better opportunities for better selection of employment for the economically active population.

**Housing market is one of the factors affecting regional mobility of workforce.** According to the OECD<sup>91</sup>, housing policies have an impact on the overall economy performance and the standard of living. It has an influence on the use of savings of households as well as on the workforce mobility. High rates of home ownership combined with underdeveloped market of affordable rental housing may hinder willingness to relocate for work and, consequently, be an indirect cause of higher unemployment rates<sup>92</sup>.

**Slovakia has weakly developed rental housing market for in comparison with the rest of the EU. The number of rent-controlled apartments in Slovakia is far below the average of the EU.** Market and regulated rents are characterized by weak supply and high demand. Insufficient supply of rental housing is thus further pushing the rise in rental prices and worsening the availability of rental housing.

**Figure 17: Ratio of apartments by type of ownership (% , 2016)**





Higher supply of public rental apartments and therefore better availability of rental housing can be achieved by adopting various measures. The experiences of other countries offer, for example, the following inspiration:

- **Introduction of a mandatory number of rent-controlled apartments in new development projects<sup>93</sup>.** If this measure was used in Slovakia, it would require close cooperation with cities. This model could be an efficient solution leading to the increase in the number of more affordable rental housing in larger cities. The city would set the maximum rent in such apartments as a % of the average/median wage in the relevant region and would also take into consideration the income of the family. The city should select tenants for such apartments based on transparent criteria and waiting list.
- **Introduction of a voucher/allowance for rental housing<sup>94</sup> for workers.** Introduction of this measure would have to be accompanied by the increase in the supply of apartments to prevent artificial increase in the rent. The introduction of such vouchers/allowance would support workforce mobility.
- **Allowing appropriate increase in rent in rent-controlled apartments.** The option to increase rent in rent-controlled apartments will allow municipalities to fund the housing policy on a long-term basis by covering the overhead costs which tend to grow over time.

**In the context of Slovak conditions it would be appropriate to simplify the subsidy granting scheme of the MTC SR and loan granting from ŠFRB and, at the same time, to take care that the rental feature of supported public rental apartments be maintained during the entire existence of those apartments.** When the loan from ŠFRB is repaid, the supported rental apartments may be transferred to private ownership. To increase the number of affordable rent-controlled apartments, it would be helpful to ensure that such apartments remain rent-controlled during their entire existence.

**Conditions for drawing support from ŠFRB and the MTC SR are laid down in several legislative regulations<sup>95</sup>.** For example, the application for loan from ŠFRB is subject to quite extensive bureaucracy. Simplification of those processes could lead to higher interest in this type of support.

**Also the use of the existing tools to support rental housing development by local governments should be more efficient.** The system of support instruments in the area of housing development by the state creates advantageous conditions for the development of rental housing at the level of villages, cities and self-governing regions. Combining the subsidies of the MTC SR for the procurement of rental apartments and the related technical equipment and the loan from State Housing Development fund, the procurement of public rental housing can be financed to the extent of 100% of eligible costs. This form of support is, from the perspective of its amount, a unique tool for the development of rental housing among the member states of the European Union. The responsibility for the economic and social development in the area of housing lays upon villages, and particularly the cities. Therefore they should use the existing financial tools more efficiently and approach, in an active manner, to the development of rental housing within their territories.

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<sup>93</sup> Out of the new development projects in London, 35% of apartments must be affordable for weaker social groups. The commitment made by the Mayor is to increase the figure to 50%. The percentage of affordable apartments in new projects in New York must range from 10% to 25%. The rent ranges from 40% to 70% of the local median income of households.

<sup>94</sup> Various implementation schemes for housing allowances are mentioned e.g. in the publication: [Recent changes in housing policies and their distributional impact across Europe](#).

<sup>95</sup> E.g. Act No. 150/2013 on State Housing Development Fund as amended, Decree-law No. 284/2013 Coll. of the Ministry of Transport, Construction and Regional Development of the Slovak Republic laying down details of the support provided from ŠFRB, general conditions for support and content of the application as amended, Act No. 443/2010 on housing development and social rental housing subsidies, Decree-law No. 326/2015 Coll. of the Ministry of Transport, Construction and Regional Development of the Slovak Republic on the amount of subsidy for the procurement of rental apartment, Measure No. 304/2017 Coll. of the Ministry of Transport, Construction and Regional Development laying down the templates of applications for housing development subsidies, etc.



### 4.3.2 Pension scheme

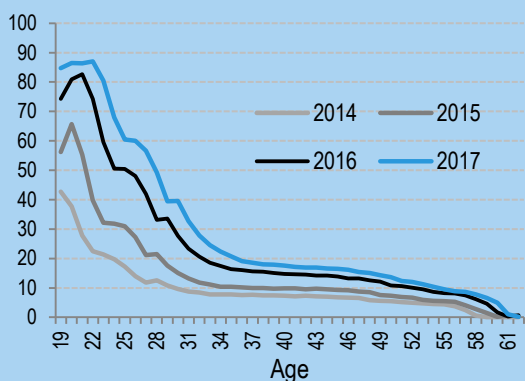
The spending review of labour market policies and social policies has identified the need to implement measures to increase the efficiency of pension saving scheme. The main recommendations include increasing knowledge of II. and III. pillar clients and particularly the harmonisation of the investment strategy of the existing savers in II. pillar with the time horizon of their saving.

#### Box 3: Introduction of default saving strategy in the II. pillar

**The investment choice of a majority of savers in the II. pillar is too conservative, and therefore their savings do not appreciate as they could.** As many as 79% of savings in the II. pillar were invested in guaranteed bond funds with low yield at the end of 2017. The spending review of labour market and social policies approved by the Government of the SR in 2017 identified as the main problem of the II. pillar the discrepancy between the structure of the assets of savers and the time horizon of their saving. Non-guaranteed funds investing in stock are associated with higher risk on a short-term basis, but produce significantly better yield on the long-term basis. Lifelong investment in conservative bond funds reduces the risk of short-term decrease in savings, but in the long run increases the risk of their insufficient appreciation and, therefore, also the risk of inadequate pension.

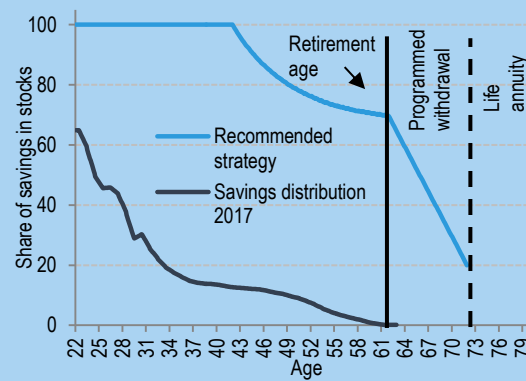
**The introduction of the default saving strategy will help savers to better appreciate their savings in the II. pillar.** The default strategy would determine the optimal share of savings in stocks considering the age of the saver without the saver being obliged to actively manage his or her savings. Active savers who decide to manage their savings on their own would continue to have the right of choice of their investment strategy – just as it is now.

**Figure 19: Percentage of savers with savings in non-guaranteed funds in 2017 (%)**



Source: Data provided by individual pension fund management companies, IFP

**Figure 20: Recommended percentage of savings invested in stock and reality in 2017 (%)**



Source: Data provided by individual pension fund management companies, IFP

**The best yield to risk ratio is offered by the so-called accumulation saving strategy with ten-year programmed withdrawal and subsequent purchase of life annuity.** In the accumulation strategy, the saver invests exclusively in the stocks during the first half of saving. In the second half, he or she keeps the assets in a stock fund and sends new contributions into a bond fund. The accumulation strategy brings substantially higher yield and lower risk than the lifelong investments into bonds. To receive even higher pension, it is appropriate to combine the accumulation strategy with a ten-year programmed pension withdrawal. Part of assets would be retained in stocks after the saver retires. The allocation of savings in stocks would decrease during withdrawing pension by programmed withdrawal and an annuity would have to be purchased at high age to prevent the risk of insufficient savings in case of longevity.

**Saving in the recommended default strategy is advantageous not only for the new, but also for the current savers.** The issue of inappropriate distribution of savings between risky and conservative assets is present especially for the existing savers. Introduction of the default strategy only for the new savers would

only partially solve the main issues of the II. pillar identified by the spending review. Although the number of savers in non-guaranteed funds has been growing every year, such growth was only minimum for savers older than 30 years. The transition to the default strategy would be profitable for a majority of them, whereas their saving horizon is sufficiently far.

The following measures would help to increase the efficiency of appreciation of the savings in the II. pillar and increase pensions:

- **Automatic entry to default strategy for all new savers in the II. pillar.** The abovementioned accumulation strategy is recommended as the default strategy.
- **Modification of the pay-out phase: payment of pension by programmed pension withdrawal during the first 10 years (saver continues to invest a part of assets in stocks) and then mandatory purchase of annuity.**
- **Transfer of existing savers to the default saving strategy.**

More information about measures improving efficiency of pension saving and information about the default strategy setting can be found in the [IFP's policy brief](#), or in the [IFP's technical analysis](#).

### 4.3.3 Social inclusion

#### ***Support to marginalized Roma communities***

**Several projects will continue to be implemented to improve social integration.** Project intentions are expected to be approved in the course of 2019. At the same time, the second phases of the national projects to support field social work and community centres in municipalities with marginalized Roma communities will continue. National projects focusing on the support of inclusion of excluded communities will continue to be implemented in the areas of social services and social work, education, settlement of property rights and monitoring and assessment of policies<sup>96</sup>.

#### **Box 4: Social inclusion of Roma population**

**[OECD Overview of Economic Survey of Slovak Republic 2019](#) recommends improvement of the policies to promote social integration of people from MRC in Slovakia.** The publication identifies poor access of MRC to public services (education system, healthcare and housing), poor participation of Roma children in pre-school education, bad results of Roma students at primary schools and bad results in the labour market. Therefore, the OECD has proposed the following main recommendations for Slovakia:

#### ***Integrated approach to the MRC inclusion***

- Strengthen the role of Slovak Government Plenipotentiary for Roma Communities in coordination of policies and integrated approach to the provision of public services.
- Include Roma in the development and provision of integrated public services in healthcare and education, or in provision of public employment services.
- Extend the successful programmes funded from the EU funds and include them in the public administration budget to ensure their stable funding.
- Collect statistics to monitor and assess efficiency of programmes.

<sup>96</sup> *Field social work and field work in towns with MRC, Community centres in cities and villages with MRC – Phase I, Support of pre-school education of children from marginalised Roma communities I, Support for the settlement of plots in marginalised Roma communities, and the national project Monitoring and assessment of inclusive policies and their impact on marginalised Roma communities* which supports complex monitoring and assessment of inclusive policies and assessment of their impact on marginalised Roma communities

***Inclusion in education***

- Continue to expand accessibility of high-quality pre-school education, inform parents of the benefits and remove financial barriers.
- Improve funding of schools with disadvantaged students, particularly for assistant teachers and wages of teachers in these schools.
- Increase the number of assistant teachers who can speak Roma language and provide help to Roma children with learning the Slovak language.
- Reduce the inclusion of Roma children in special education schools through better diagnostics and cooperation with parents.

***Access to the labour market***

- Re-allocate the expenditures on effective training programmes for the unemployed.
- Launch and develop the network of the providers of the "second chance" education.

***Living conditions of the MRC***

- Provide support to formalisation of Roma property rights, including legal, financial and technical support to municipalities and Roma households.
- Extend projects of housing support in the form of micro loan programmes to the national level.
- Improve public investments in basic infrastructure in Roma settlements.

***Access of the MRC to healthcare***

- Extend the programmes of healthcare assistants with the emphasis on the improvement of the knowledge of motherhood and participation in preventive check-ups for mothers.
- Consider waiver of a part of fees for drugs and medical devices for disadvantaged groups.
- Support funding of programmes for vaccination, disinfection and deratisation in Roma settlements.

***Financial literacy of the MRC***

- Implement the option of micro loans in association with financial education for the people from MRC.

## 4.4 Health

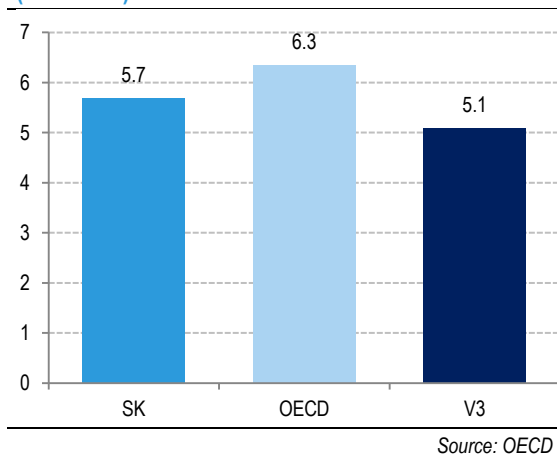
The 2016 healthcare spending review and the interim report of the second spending review identified several significant system issues and possible solutions. Their gradual implementation is expected to improve the cost efficiency of the selected components of the system<sup>97</sup>. The project of hospital stratification will continue in 2019. The next phase comprises introduction of the necessary underlying legislation and a specific plan of changes to the hospital network. The first set of standardized diagnostic and therapeutic procedures were approved and will be implemented, others will come. Amended budgeting system will depend on achieved results in order to achieve better allocation of resources. The eHealth system started its operation in 2018, additional modules will be delivered in 2019. The diagnostic-related groups system will be extended to include one-day care treatments and medical diagnostic examinations.

### Health indicator

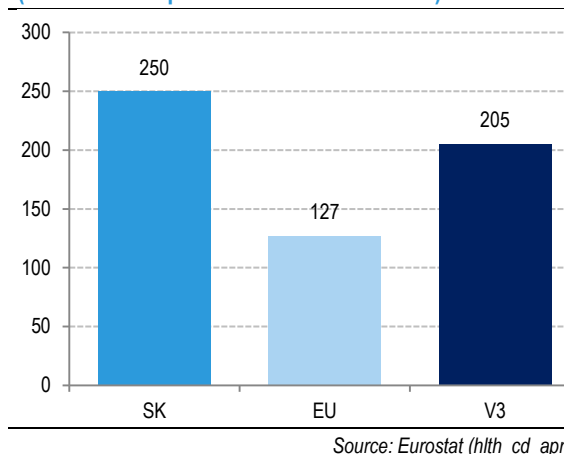
		2009	2010	2011	2012	2013	2014	2015	2016	2020 target <sup>98</sup>
<b>Amenable mortality</b> (per 100 thousand inhabitants).	<b>SK</b>	-	-	262	261	262	243	250	-	-
	<b>EU</b>	-	-	138	135	131	126	127	-	-
<b>Life expectancy at birth</b> (expected number of years at birth)	<b>SK men</b>	71.4	71.8	72.3	72.5	72.9	73.3	73.1	73.8	-
	<b>EU men</b>	75.2	75.6	76.0	76.1	76.5	76.8	76.8	77.1	-
	<b>SK women</b>	79.1	79.3	79.8	79.9	80.1	80.5	80.2	80.7	-
	<b>EU women</b>	81.7	82.0	82.2	82.2	82.5	82.8	82.6	83.0	-

**A well-functioning healthcare system is one of the priorities of economically developed countries.** Population health influences not only the individual quality of life, but also economic and social development of the entire society. Therefore, healthcare expenditure is one of the largest expenditure items of the public budget.

**Figure 21: Public expenditure on healthcare, 2017 (% of GDP)**



**Figure 22: Amenable mortality, 2015 (standardised per 100 thousand citizens)**



**The total healthcare expenditure has been growing in line with international trends.** In 2011 – 2015, Slovakia kept a stable level of public expenditure on healthcare (5.5% of GDP). Then they rose to 5.7% of GDP in 2017 and they are expected to increase to 5.8% of GDP in 2019. Slovak expenditure expressed as a share on GDP are lower the EU or OECD average. However, they are higher than average spending in the

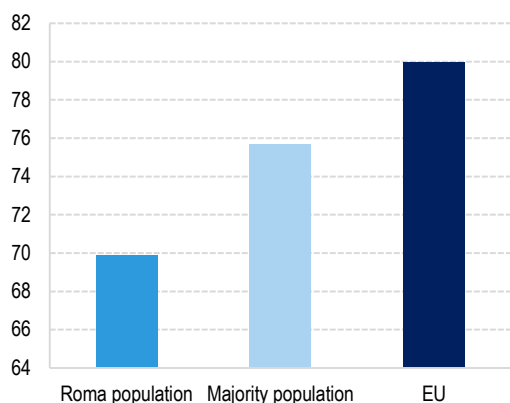
<sup>97</sup> [Implementation Plan for healthcare \(November 2018\)](#).

<sup>98</sup> The *Healthy life years* indicator was, due to justified criticism, changed to a new indicator: *Life expectancy at birth* separately for men and women based on the updated document [Three challenges of the Slovak economy – update \(march 2019\)](#). A new goal will be set for the new indicator for the period 2020+.

remaining V4 countries. They are expected to grow significantly in the context of population ageing. This puts a great amount of pressure on the cost efficiency of the entire system.

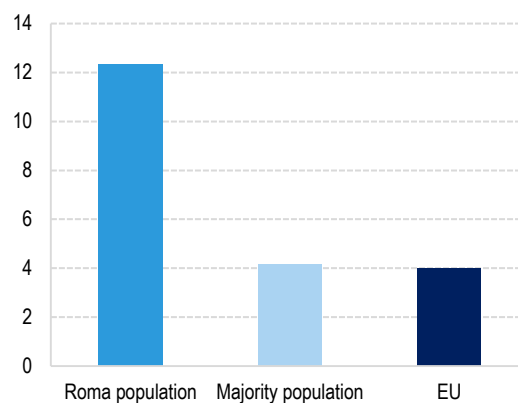
**Slovakia lags behind in terms of the main performance indicators.** A comparison shows that our results are worse than the EU and the other V4 countries average. Our life expectancy is lower and the amenable mortality rate<sup>99</sup> is double the average mortality in the EU. Roma population<sup>100</sup> health is substantially worse when compared to the majority population. This consequently results in significantly lower life expectancy at birth and higher infant mortality compared to the majority population.

**Figure 23: Life expectancy at birth, 2006-2015 (years)**



Source: IFP, Eurostat (demo\_mlexpec)

**Figure 24: Infant mortality, 2006-2015 (number of infant deaths per 1,000 live births,)**



Source: IFP, Eurostat (hlth\_cd\_apr)

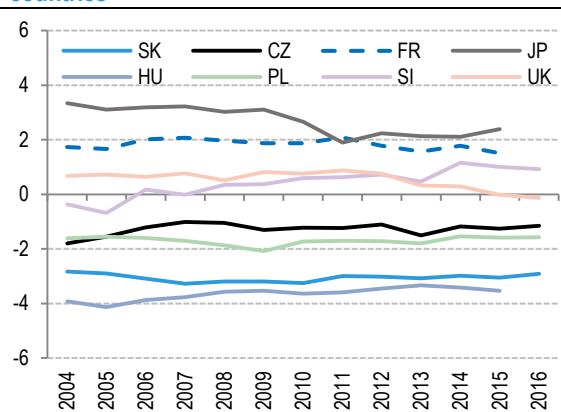
**From the value for money perspective, Slovak healthcare system has been less efficient when compared to the average performance of the OECD countries.** Within the V4 region, Slovakia's results are better than those of Hungary, but worse than the results of the Czech Republic and Poland. We have been also overcome by Slovenia<sup>101</sup>.

<sup>99</sup> **The avoidable mortality rate** is frequently used as a health care quality indicator and comprises two indicators. The first indicator **amenable mortality** (presented above), includes deaths which could have been averted if timely and appropriate diagnostics or appropriate healthcare and treatment was provided. In addition to amenable mortality, also the **preventable mortality** indicator is used. This mortality rate can be improved with the help of measures focusing on disease prevention (e.g. propagation of healthy lifestyle).

<sup>100</sup> The result does not comprise the entire Roma population, but only on the Roma from municipalities with at least one concentrated settlement. Based on the Atlas of Roma Communities 2013, the identified population covers more than 80% of Roma population and approximately 6% of the total population of Slovakia. Around 71% is represented by Roma population from municipalities with concentrated settlements. Based on the IFP commentary [Roma inclusion is also necessary in the healthcare](#).

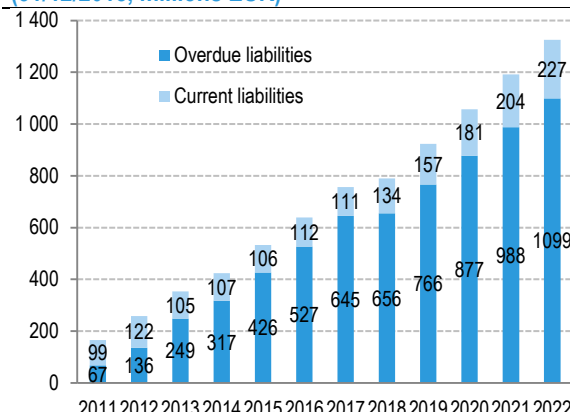
<sup>101</sup> The deviation from the average can be explained particularly by the factors specific for Slovakia which are not observed. Such factors may include, for example, the quality of institutions or the life style.

**Figure 25: Healthcare efficiency of the OECD countries<sup>102</sup>**



Source: IFP based on the data from OECD

**Figure 26: Liabilities of 13 state-run hospitals (31/12/2018, millions EUR)**



Note: Linear projection for 2019-2022

Source: MH SR

### Hospitals and the network of healthcare providers

**The liabilities of state-run hospitals have grown even though the government settled part of their debts.** The Parliament agreed to settle part of healthcare facilities debts in November 2017. In the first stage in 2018, the state settled EUR 28 million worth of liabilities of the National Transfusion Service and EUR 113 million worth of liabilities of hospitals<sup>103</sup>. In spite of that, the liabilities of state-run hospitals grew again in 2018 on a y-o-y basis. Level of overdue liabilities grew on a y-o-y basis by EUR 11 million and the growth rate did not slowed down. The second stage of hospitals' debt settlement takes place in 2019<sup>104</sup>. A hospital may take part in this stage only if it submits its recovery plan that needs to be approved by the MH SR and only if they set up a supervisory body with a chairman nominated by the MH SR. In case that the overdue liabilities keep growing (in spite of the provided settlement) at the same pace at which they have been growing until now, they could reach EUR 1.1 billion in 2022. Effective as of January 2019, unified accounting rules were introduced for all hospitals run by the Ministry. This allows for easier comparison of efficiency of their managements using their internal accounting. Based on the spending review, EUR 46 million could be saved particularly by process optimisation and more efficient purchases of special medical material and drugs.

**The project of hospital stratification will continue in 2019. The next phase comprises introduction of the necessary underlying legislation and a specific plan of changes to the hospital network.** This project will be implemented gradually until 2030. The quality of a facility will depend on the number of medical treatments provided. Therefore, hospitals will be allowed to provide several treatments only if they reach the prescribed minimum amount of treatments per year. More efficient processes and patient management will allow for more efficient allocation of sources which can be used in other areas, particularly in long-term care. An important step is communication with experts, public and local governments as some departments or hospitals may change to long-term and outpatient care providers.

**Additional EUR 100 million is allocated in 2019 budget for hospital investments.** The Government approved complex reconstruction of the state-run hospital in Banská Bystrica that is expected be completed by 2023. At the same time, a project of a new hospital in Martin is being prepared.

<sup>102</sup> The model is based on the 2012 IFP analysis [Little Health for Much Money: An Economic Analysis of Slovak Healthcare System](#). This model estimates the implied life expectancy based on the sources used to finance the system in different countries. Positive values mean that the country enjoys higher life expectancy than the one predicted by the sources used for financing. On the contrary, negative values mean lower than the average efficiency of the system and non-optimal use of sources. The estimate was based on data from the OECD countries during the period from 1990 – 2017 (or the closest available data). The model also includes the explanatory variables from the above study and fixed effects for countries and years.

<sup>103</sup> EUR 113 million covers the value of liabilities of all hospitals, and not just the state-run hospitals.

<sup>104</sup> The total amount of debt settlement in all three stages is expected to reach EUR 585 million. The initial plan of settling EUR 187 million was not fully implemented in the first stage. Within the second stage, the liabilities amounting to EUR 198 million have so far been settled to the Social Insurance Agency. These liabilities were taken over by the subsidiary of the MH SR "Debitum", which is currently preparing novation agreements or debt waiver agreements with individual hospitals.



**The first set of standardized diagnostic and therapeutic procedures were approved and will be implemented**, others will come. This will allow for easier determination of the necessary standardized therapy and examinations and improve the cooperation of patients and staff.

**Prevention of tumour diseases will be promoted by launching screening programmes** focusing on their early detection. This will, in particular, include the screening programme of colorectal carcinoma and the breast cancer in women.

#### ***Result-based budgeting***

**The emphasis on the value for money in healthcare system can be promoted by changes to the healthcare expenditure budgeting method.** Amended budgeting system will depend on achieved results in order to achieve better allocation of resources. Programme budgeting which has not been used in the healthcare system yet is an efficient instrument of that system. Preparations for its implementation are under way in 2019. The Public health insurance's budget for 2020 will be prepared using detailed programme structure with measurable indicators for each sector of the healthcare system.

**The change in the healthcare funding method will help to better determine the total amount of funds needed.** Public health insurance is funded from the contributions of working policy holders and payments by the state for economically inactive policy holders (e.g. children, pensioners, students) which is based on average wage. Such system depends on the economic cycle and allows larger spending when the economy is growing and requires savings when the economy does not flourish. Now, the state payment will depend on the actual needs of the Ministry and the link to the economic cycle will be weakened. The change was approved in the Parliament in November 2018 and will take effect in January 2020.

#### ***Payment system reforms and the eHealth system***

**Electronic record-keeping helps to improve the efficiency of the healthcare system although it does not directly introduce cost-saving measures.** The main functionalities of the *eHealth* project were launched at the beginning of 2018. The electrification of health documentation and the electronic prescription improve the revision activities conducted by health insurance companies as well as physicians' awareness of drugs that the patient uses, which should reduce the frequency of undesirable interventions. Even without direct introduction of limits for drug prescription, the 2019 budget counts on savings of EUR 30 million due to the implementation of electronic prescription scheme. The objective for 2019 to 2020 is to expand the functionalities of *eHealth*, particularly of the uniform *eLab* application, and the extension of *eHealth* to include personalised treatment and mobile technology that can be used during field work. The connection of healthcare providers to the system will be made technologically more user friendly and monitoring of user devices will be implemented. Safe and affordable infrastructure will be built to make the operation of the system smooth and work with highly sensitive health data efficient and easy.

**The diagnostic-related groups (DRG) system has the potential to increase transparency and fairness of payments for health care and improve the financial management of hospitals.** A mechanism of payments for the treatments of hospitals based on the DRG system (diagnostic-related groups) was launched in 2017. So far it is used for reporting provided treatments only, the payments system will follow soon. The five-year convergence process of individual rates of individual hospitals was launched in 2018. The objective is their complete convergence to a single nation-wide basic rate. The system of funding of diagnostic examinations (laboratory tests, RTG, CT, MR, etc.) will be set in 2019 and the concept of one-day care treatments will be prepared.

#### ***Drugs and medical devices***

**The drug categorisation rules will be laid down in 2019. This will allow for better allocation of funds from the health contribution.** The 2018 drug categorisation rule changes led to better availability of drugs for rare diseases. However, as a side effect, drugs with speculatively defined indication restrictions entered the market in 2018 which caused uneconomical use of public sources. The law was amended at the end of 2018 to prevent continued entrance of such drugs into the market, but it did not address the already categorised drugs from 2018. Another amendment act will be prepared in 2019 to address this issue.

**Better price and quality competition of special medical material will be possible through regulation of conditions regarding payments for such material.** A new list of defined basic functional types fully paid from the insurance and of their alternative options subject to supplementary payment will be created in 2019.

## 4.5 Modernization of public administration and the business environment

The priorities in the area of the judicial system include the solution of old debt enforcement proceedings and more flexible alternative forms of punishment. Measures will continue to be taken in 2019 in order to improve the provision and accessibility of legal aid by way of the Legal Aid Centre. A new legal regulation to protect whistleblowers will enter into force in March 2019. Work continues on the business register project aiming to reduce the administrative burden on businesses and courts during registration of business organisations, regulate fees and improve the electronic services for business operators. An institute of a visiting judge will be set up in order to increase the efficiency and effectiveness of the judicial system. Measures of the so-called second wave of administrative burden reduction in contact between the public and the state will be implemented. The financial administration will continue to develop pro-client approach, reduce administrative burden, and support voluntary compliance with tax and customs obligations. Measures out of three packages approved by the Government will continue to be implemented. Their aim is to reduce the administrative burden on private companies.

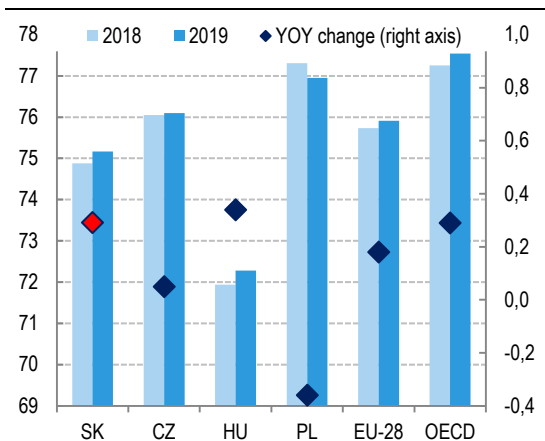
### Outcome indicators for modernising public administration and the business environment

		2012	2013	2014	2015	2016	2017	2018	Target 2020 <sup>105</sup>
<b>Doing Business</b> (World Bank ranking)	<b>SK</b>	-	-	-	34	36	39	42	-
	<b>EU</b>	-	-	-	31	32	35	37	-
	<b>V3</b>	-	-	-	33	35	37	40	-
<b>Product market regulation index</b> (number of points)	<b>SK</b>	-	1.29	-	-	-	-	-	1.2
	<b>OECD</b>	-	1.44	-	-	-	-	-	-
<b>E-government index</b> (%)	<b>SK</b>	42	33	57	51	48	47	51	71.7
	<b>EU</b>	44	41	47	46	48	49	52	-
<b>Corruption perception</b> (number of points)	<b>SK</b>	46	47	50	51	51	50	50	-
	<b>EU</b>	63	63	64	66	65	65	65	-

With the total score of 75.2, Slovakia ranked 42<sup>nd</sup> out of 190 countries in the **assessment of the regulatory business environment** according to Doing Business 2019. The total score of Slovakia has slightly improved compared to the past year (increase by 0.29 point). However, compared to the previous year, Slovakia moved three ranks down (from the 39<sup>th</sup> to the 42<sup>nd</sup> rank). Within the V4 comparison, only Hungary scored worse (53<sup>rd</sup> rank). The worse standing of Slovakia in the ranking is particularly because the other countries are doing better and because of our stagnation in several assessed areas.

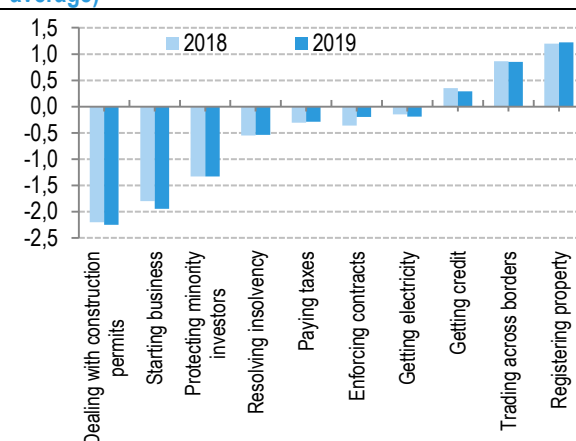
<sup>105</sup> Frequent changes of the Doing Business methodology do not allow for consistent comparison of countries from one year to another. The World Bank only calculates the scores of the countries based on the available methodology for the past three years (DB 2019).

Figure 27: Scores in the Doing Business ranking (DB 2019 method)



Source: DB 2019

Figure 28: Comparison of selected areas in the Doing Business ranking (standard deviation from the OECD average)



Source: DB 2019

Slovakia's assessment got better in 6 out of 10 areas (4 areas remained unchanged). The most positive is the improvement in enforcement of contracts due to electronization of court proceedings. The most lagging areas according to Doing Business include the building permits, starting business, and protection of minority investors. Future scores could be improved by the planned measures relating to the construction law.

**A requirement for a well-functioning business environment is contract enforcement where crucial factor is the duration of court proceedings.** The Slovak judiciary has lagged behind the best countries in recent years mainly in the disposition time and in the clearance rate. Substantial improvement in the last assessment round is the result of increased efficiency of Slovak courts and changed methodology of data reporting<sup>106</sup>.

Figure 29: Theoretical duration of civil and commercial cases in days (Disposition time)<sup>107</sup>, 2016

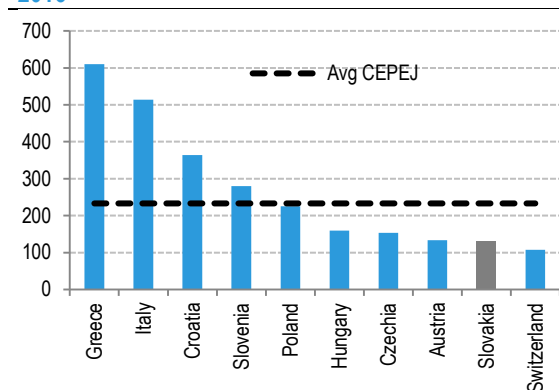
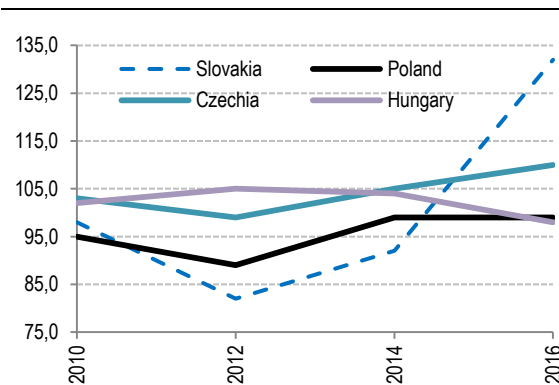


Figure 30: Clearance rate in V4, civil and commercial matters in %, 2010-2016



Source: CEPEJ 2018<sup>108</sup>

<sup>106</sup> The entire comparison applies to the first instance courts. Change of the reporting methodology compared to the CEPEJ scoreboard: The data for the purposes of scoreboard (CEPEJ) were provided for the first time in 2017 for 2016 structured by the decided and undecided cases, and not structured by the closed and open cases as in the previous years. This could only be done because, due to the audit conducted by CEPEJ for the judiciary in 2017 and going on until now, the undecided cases were collected on a one-time basis and the collection of undecided cases was made mandatory from 2017. Unifying the methodology with the reference countries using the decided instead of closed cases, the indicators of court efficiency have substantially grown. Similarly, CEPEJ's data concerning the disposition time (DT) prior to 2016 for the Slovak Republic were counted out of the ratio of the open cases to the closed cases, which is not correct. Slovak courts have more open cases than those which were not decided, and therefore the DT for 2016 were worse than those after 2016 when CEPEJ took into consideration the undecided cases.

<sup>107</sup> Disposition time means the calculation of the ratio of undecided cases at the year-end to the decided cases in the relevant year multiplied with the number of days in a calendar year i.e. (undecided cases/decided cases)\*365. This represents the estimated time in days which is only informative and indicates how long decision of undecided cases at the end of year would take if the court's efficiency was the same as in the previous year and, at the same time, if the court did not deal with anything else (new cases).

<sup>108</sup> <https://www.coe.int/t/DGHL/cooperation/cepej/evaluation/2016/STAT/default.asp>

A transparent environment free of corruption has a positive impact on the economic growth through such key factors as public and private investments, human capital development, and macroeconomic and financial stability. Regarding the corruption perception, Slovakia lags behind the other EU countries<sup>109</sup>. Effective fight against corruption calls for transparency, quality public institutions, and narrowing the room for unfair practices in any disposal of the property of the state, public institutions, or local governments.

#### 4.5.1 Modernization of public administration

##### *Judiciary*

**The solution of old debt enforcement proceedings remains a priority of judiciary.** More than 3 million debt enforcement proceedings represent a great workload for judges and court staff and hinders efficient operation of the judicial system. This is why a draft law to stop old enforcement proceedings was prepared in 2018. The final version of the law should be ready in the course of 2019.

**Audit continues in cooperation with the European Commission for efficiency of Justice (CEPEJ).** The project includes particularly mapping of the existing status of court management at individual courts and sees to how efficient is the setting of personal teams of judges at selected courts. Further to the Action Plan for the Implementation of New Measures for Courts, the Ministry of Justice will, in addition to the solution of old enforcement proceedings, also deal with the issue of specialisation of courts and judges and analytical data collection to better assess the work of courts and judges. The Ministry of Justice has also started to build and strengthen analytical capacities.

**An institute of a visiting judge will be set up in order to increase the efficiency and effectiveness of the judicial system.** The aim of the amendment act is to create conditions to address situations which have a negative impact on the work of courts due to temporary absence of a judge (e.g. maternity or parental leave, temporary interruption of the function of the judge, internship of judge, etc.)<sup>110</sup>. The option of transferring a judge will be implemented based on regional needs within the limits of the budget.

**In 2019 the project aimed at improving provision and accessibility of legal aid by way of the Legal Aid Centre will continue.** This project focuses on socially and economically excluded groups of population. The aim of the project in this phase is to build additional points of contact of the Legal Aid Centre, and the infrastructure in the form of a web site, call centre, or networking with relevant institutions.

**With the aim to improve the quality of judiciary, the Ministry of Justice is working on the act governing judicial civil service.** The aim is to solve, in a complex manner, the standing of judicial employees including their career growth.

**Also the common project with the OECD<sup>111</sup> relating to the anti-corruption measures is being implemented from 2017.** It aims to support the efficiency and coherence of general strategies for the management of risks associated with fraud and corruption, introduction of audit activities, identification and assessment of risks associated with fraud. The aims of the project will form a part of the national *Strategy of fight against corruption and fraud involving EU funds*. In 2019, this project will also result in an action plan for the reinforcement of the fight against corruption and fraud in the area of EU funds.

##### ***Strengthening capacities and improvement of public government efficiency***

**The capacities and coordination of the analytical units of state administration continue to be strengthened.** The practical functioning of analytical units including the type of roles, quality and publication of their outcomes has been heterogeneous. However, with the help of the non-committal *Methodology for building analytical capacities in public administration*, the differences are gradually eliminated and processes

<sup>109</sup> <https://www.transparency.org/cpi2018>

<sup>110</sup> The measure is based on the findings of the audit in cooperation with the European Commission for efficiency of Justice (CEPEJ).

<sup>111</sup> <http://www.oecd.org/slovakia/assessment-anti-corruption-legislation-slovak-republic.htm>

are unified and coordinated. The methodology puts emphasis on the coordination of relations and processes between analytical units and on the quality of selection of analysts and the mechanism to ensure quality of significant deliverables (e.g. peer review). No additional analytical units are expected to be set up in 2019 for the time being. Rather, emphasis will be laid on strengthening the existing workforce. The analytical capacities for regulatory impact assessment (RIA) could be strengthened with the remaining 12 positions. Also other measures reflecting recommendations, assessments, needs and challenges of the complex public administration reform may be funded within the programme strategy of the OP *Effective public administration*.

**The EC continued in 2018 in the *Structural Reform Support Programme 2017-2020***<sup>112</sup>. The aim of the programme is to contribute to the institutional, administrative and structural reforms in the Member Countries by way of technical assistance. This was the third time that Slovakia joined the programme in October 2018. 11 projects totalling EUR 3 million will be implemented by way of the programme. These projects aim to improve the administrative capacities during preparation of the labour market policies, in the business environment, judiciary, local government, or air quality improvement.

#### Projects within the Structural Reform Support Programme in 2019

Brief project description	Ministry
Building capacities during management of complex PPP projects from the perspective of their impact on public finance and value for money.	MF SR
Analysis of labour mobility in connection with the entrance of workers from third countries.	MLSAF SR
System of monitoring and assessing the transition from institutional care for children in foster care to a community-type care.	MLSAF SR
Preparation of the strategy to strengthen local government.	MI SR
Creation of an innovative model assessing the impact of air pollution on health.	MEnv SR
Preparation of the updated <i>Strategy for smart specialisation for 2021-27</i> .	DPMOII
Continuation in the ongoing judiciary reform including implementation of the EU Council's recommendations.	MJ SR
Implementation of agile methods in the development of information systems in public administration.	OPP
Improvement of efficiency of the Council for Budget Responsibility.	CBR
Strengthening expert capacities of the Better Regulation Centre with the aim to increase the quality of testing regulatory impact on small and medium enterprises and to limit ungrounded regulatory burden of business operators.	Slovak Business Agency

## 4.5.2 Business environment

### ***Reduction of the administrative burden of businesses and better regulation***

**The financial administration measures focus on continued strengthening the pro-client approach, reduction of administrative burden, and support for voluntary compliance with tax and customs obligations.** The Financial administration will continue to expand the two-way electronic communication with the clients of the Financial administration and to strengthen the principle of pre-filled documents with data which the Financial administration has in its systems or which are kept in the public administration systems. Also the *Soft warning* project will continue to be implemented with the aim to send individualised warning messages<sup>113</sup> to tax entities, with the new types of warnings to be implemented in 2019. Also the processes during registration of tax entities are planned to be simplified in order to reduce the administrative burden lying on the business environment during tax administration. The Financial administration will allocate workforce for handling of the selected economic entities with the aim to implement the *cooperative compliance* concept for major enterprises. A draft income tax will be prepared with the aim to make the compliance with tax duties easier for small and medium enterprises by simplifying the rules applicable to the tax base.

<sup>112</sup> SRSP (Structural Reform Support Programme)

<sup>113</sup> E.g. informing the clients of the Financial Administration of the SR of the difference between the VAT control report and VAT tax return. At the same time, it will also ask them to check the data in those returns and recommend them to put them in harmony with the legislation in force.



**Measures out of three packages approved are implemented with the aim to reduce administrative and regulatory burden on businesses.** In the next year, the building permit process should be more effective and doing family business should be made simpler<sup>114</sup>. The ME SR also plans to submit in the first half of 2019 the review of the tasks out of the first two anti-bureaucracy business packages that will be subject to the *State of business environment report*.

**The legislation will be audited from the perspective of *goldplating***<sup>115</sup>. The aim will be to identify *goldplating*<sup>116</sup> in legal regulations falling under the responsibility of individual Ministries and other central bodies of state administration which contains specific measures in order to remove the identified unreasonable regulatory burden on private firms.

**The services of the business register will be improved.** Fees will be amended and the electronic services for firms will be improved. As motions have to be filed in the electronic form only, the court fees were reduced to one half to be in line with the fees which are now paid for motions filed in the companies registers by means of electronic communication. The availability of services is planned to be improved by extending the number of external registrars who will be entitled to incorporate an entity with a business register<sup>117</sup>.

### 4.5.3 IT and transport infrastructure

#### **Implementation of eGovernment**

**The Slovak Government will continue to conduct the review of expenditures on informatization.** The main objectives of the review is the creation of additional fiscal space, higher value of investments and adoption of methodological measures for more efficient assessment and management of the national IT. The elaboration of the binding plan of migration to the cloud and tying on IT budgets, publication of the IT project register and its public review and examination of alternative methods of identity verification against eID are the priorities for the months to come. These measures may bring potential benefits to the citizens and improve management of the national IT. In the second half-year of 2019, the amendment act on eGovernment will take effect. Its aim is to unite the use of the defined instruments, extend and simplify the use of electronic services (eID, electronic boxes, etc.).

**The eGovernment projects will help to reduce bureaucracy in the next phase.** Measures of the so-called second wave of administrative burden reduction are being implemented. These should, effective from September 2019, contain the cancellation of the obligation to submit additional documents (e.g. certificate of school attendance, certificate of tax arrears, arrears in social and health insurance) when in contact with government authorities.

**A digital transformation vision will be prepared for the areas of economy, public administration, citizens, territory, and science and research.** The *Strategy of digital transformation of Slovakia* and the *Action plan of digital transformation of Slovakia for 2019 – 2022* started to be prepared at the end of 2018. The action plan contains measures to develop digital skills in education and in the labour market, which will support the development of digital economy.

#### **Transportation projects**

**The Value for money principles will be strengthened in the area of transportation through priority identification of productive investments.** The Ministry of Finance in cooperation with the Ministry of Transport and Construction will propose a list of priorities, and the plan of preparation and construction of roads and motorways, and the plan of railway network upgrade in Slovakia until 2030. The construction

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<sup>114</sup> The exception to illegal work and illegal employment of direct family members should be extended to also include other forms of business by amending the Act No. 82/2005 Coll. on illegal work and illegal employment.

<sup>115</sup> Approved at the meeting of the Slovak Government in February 2019.

<sup>116</sup> *Goldplating* – unreasonable extension of the content of the legal regulations of the EU in excess of minimum requirements when transposed into the national law.

<sup>117</sup> The proposed measure in the form of setting up external registrars, in accordance with the non-legislative material titled *Proposal of measures to improve operation of companies registers* (approved by the Slovak Government in the form of the Resolution No. 167/2018), is planned to be implemented in the second phase of the proposal of measures until 31 December 2020.

planning will be based on the calculation of social return on investment in the project. The selection of priorities will take into consideration the transportation aspect, the social benefit of projects, the capacities of the state for the preparation of projects, budgetary restrictions, the capacity of the building sector and the economic cycle and potential for the development of regions.

**More targeted priority identification with regard to projects will allow constructing road transportation more intensively while keeping the sources at the required level.** Based on the MF SR's estimate, the construction of 427 km of motorways, highways and 1<sup>st</sup> class roads could be launched until 2030, which is 140 km more than in the previous decade. There would also be some space for other projects which are necessary for the development of the transportation network in Slovakia.

**The strategy of passenger rail transportation development will be set up and transfer from road to rail transport will be supported.** A prospective schedule until 2030 will be elaborated for public passenger rail transportation that will reflect on the development in the area of mobility and will also define less demanding investment plans in the railway infrastructure, and the development of the car park to attain the approved long-term strategic goals. The *Concept of development and support of combined transport and system support for the rail freight transport* will be prepared with the aim to meet the liability to the EU to move the freight transport to a different type of transport that would have smaller impact on the environment and roads. Conditions to reduce the cost of rail transport route will be set.

## 4.6 Environmental sustainability and energy sector

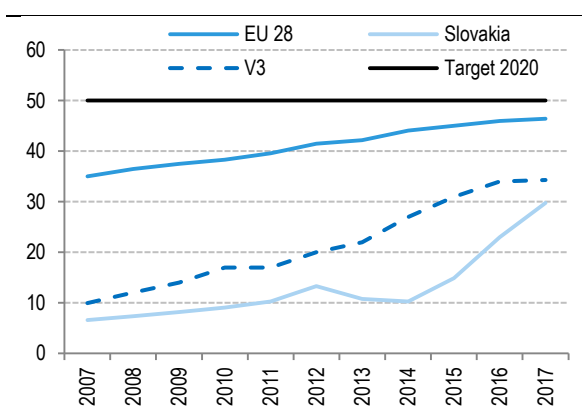
Air quality and waste are the biggest challenges of environmental protection in Slovakia. Strategies have been approved in 2019 for their complex solution and will be further developed in the form of individual measures and laws. In the area of waste management the law on bottle deposit scheme which will improve recycling of bottles and other measures leading to the minimisation of waste generation will be adopted. The role of green public procurement and circular economy will be supported in all sectors with the emphasis on state and public administration. The support for the transition to low-carbon circular economy, the development of electromobility and the market of alternative fuels will improve the air quality and help meet international commitments of Slovakia in the area of emission reduction. The amendment of the Act on the protection of nature and landscape will improve the efficiency of the management and protection of the protected areas. More intensive attention will also be paid to the solution of ownership relationships in the protected areas.

### Performance indicators for environmental sustainability and energy

		2011	2012	2013	2014	2015	2016	2017	Target 2020
<b>Non-ETS greenhouse gas emissions<sup>118</sup></b> (%, change against 2005)	SK	-0.8	-4.5	-4.6	-10.5	-9.1	-10.6	-10.6	13
	EU	-8.3	-9.0	-10.1	-13.2	-11.8	-10.5	-9.9	-10
<b>Share of RES<sup>119</sup> on final gross energy consumption</b> (%)	SK	10.3	10.4	10.1	11.7	12.9	12.0	-	14
	EU	13.2	14.4	15.2	16.1	16.7	17.0	-	20
<b>Final consumption of electricity</b> (%, change against average of 2001-2005)	SK	-5.3	-9.6	-7.0	-12.3	-11.4	-8.8	-	-11
	EU	-5.3	-5.4	-5.4	-9.3	-7.3	-5.5	-	-7.3

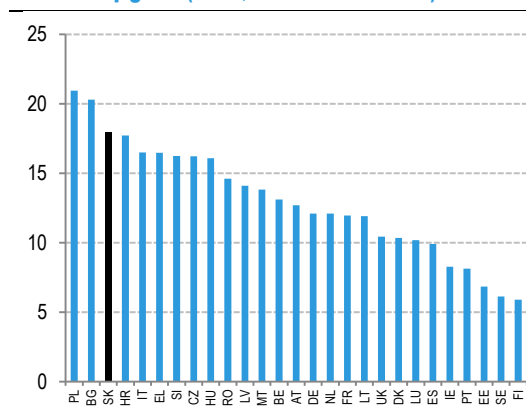
According to the composite EPI index<sup>120</sup>, Slovakia has ranked 28<sup>th</sup> in the world in 2018 in the overall quality of the environment, falling four ranks lower compared to 2016. There still are areas, such as waste management and air quality, where we significantly lag behind. Slovakia ranks below the EU and V3 average in the recycling rate, although it is improving at a greater pace than the average pace in the EU. The number of Slovak nationals who are exposed to harmful particulate matters PM2.5 is above the average.

Figure 31: Municipal waste recycling ratio (%)



Source: Eurostat

Figure 32: Average exposure of population to PM2.5 in µg/m3 (2017, estimated values)



Source: OECD

<sup>118</sup> ETS - Emission Trading System; SHMÚ (Slovak Hydrometeorological Institute) has objected against the calculation method and considers its data to be more accurate. If the SHMÚ data are used, Slovakia's slump is even more significant (in 2016, the decrease was as many as -22.2%). SHMÚ only provides the Slovak data, we consider the comparison of the data from the uniform – pan-European source to be more relevant.

<sup>119</sup> RES - renewable energy sources

<sup>120</sup> The Environmental Performance Index assesses states from the perspective of overall consideration for the environment. This index was developed at the Yale University where it is also assessed for individual countries.

### **Spending review implementation**

**In the upcoming period, measures of the environmental spending review will be implemented.** Audit was conducted in the Slovak Water Management Company (*Slovenský vodohospodársky podnik*) resulting in the proposal of the measures to improve the efficiency of operation. The review also proposed measures to improve the management of waste and the quality of air. Their implementation will lead to the higher value in the area of improvement of the quality of the environment.

### **Environmental strategies**

**Important strategic documents will be presented with regard to the solution of the main challenges of the environment – air quality and wastes, for the support of alternative fuel and other areas.** The *Environmental policy strategy until 2030* was approved in February 2019. This strategy has set measurable objectives and proposes system solutions for the biggest environmental challenges of Slovakia, such as the air quality, waste and protection of natural biotopes. The Government approved the *Draft action plan of electromobility development in the Slovak Republic*<sup>121</sup> in March 2019 with the aim to define specific measures to support the development of electromobility. The support for the use of alternative fuel is treated in the *National political framework for the development of the alternative fuel market*. The document will review the measures for the attainment of national goals and the measures to support implementation of the infrastructure for alternative fuels. In addition to that, a *Low-carbon strategy* will be elaborated to identify the options of the Slovak economy development with the outlook until 2050. The *National air pollution control programme* and the *Air quality improvement strategy* will be approved by the Government and will contribute to the improvement of air quality and compliance with the Slovakia's international commitments in the area of emission reduction. For the power engineering area, the *National energy and climate plan* is being elaborated. This plan will define the direction of development for the period of 2021 to 2030 in the area of power engineering with fundamental impact on greenhouse gas emissions and other environmental impacts.

### **Protection of nature and biodiversity**

**The protection of the protected areas will constitute a significant challenge for the environment.** The Government will be presented an amendment of the Act on the protection of nature and landscape for approval with the aim to improve the efficiency of the management and protection of the protected areas. More intensive attention will be paid to the solution of ownership relationships in the protected areas. A thought will be given to the implementation of innovative funding sources for the protection of nature.

### **Circular economy**

**The transition to circular economy will constitute a means of both the environmental and, particularly, the economic policy of the state.** The role of green public procurement, environmental marking and environmental management will be supported in all sectors with the emphasis on state and public administration. The *Waste prevention programme of the Slovak Republic for 2019 – 2025* was approved by the Government in February 2019. The programme will aim at minimizing the generation of waste and careful compliance with the waste management hierarchy. The new waste management information system will help improve the control over the waste flows. The new bottle deposit scheme act will be passed in the course of 2019 and is expected to introduce a special deposit scheme for PET bottles and cans effective from January 2020. The Ministry of Environment will prepare in 2019 a new *Waste management programme of the SR for 2021 to 2025* that will define the strategic objectives for Slovakia in the area of waste management. Additional decisions will be made based on this strategic document in the area of waste legislation.

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<sup>121</sup> [Draft action plan for electromobility development in the Slovak Republic.](#)

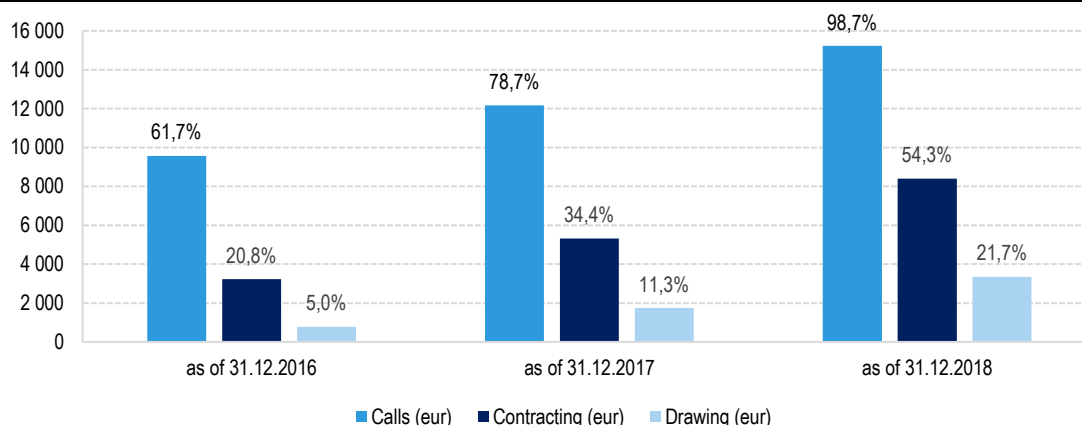
## 5 EU cohesion policy

EU cohesion policy remains one of the key tools of socio-economic development in the SR. The cohesion policy funds remain to be the main source of funding of public investments in Slovakia, significantly helps to attain the objectives of the Europe 2020 strategy and implementation of a part of measures of the annual country specific recommendations of the EU Council for Slovakia. The coordination and methodological guidance for the preparation and implementation of the cohesion policy funds is the responsibility of the DPMOII that was established in June 2016. The strategy and the system of financial management is the responsibility of the MF SR that is also in charge of the certification authority and the audit authority for these funds.

**Intensive communication with EC took place throughout 2018 with regard to the closure of the programming period 2007 – 2013.** The EC sent to the Slovak authorities for approval preliminary balance sheets for 7 programmes funded from the European Regional Development Fund. At the end of 2018, only one operational programme of the 2007 – 2013 period was closed by the EC – just like a year before, and it was: INTERACT II.

**Projects within the programming period 2014 – 2020 continued to be contracted.** Out of the total allocation to 12 operational programmes (including the *Rural Development Programme*) amounting to EUR 15.5 billion, the amount of EUR 3.3 billion was drawn at the end of 2018, which ranges at the level of 21.7 %. The total volume of contracted projects reached EUR 8.4 billion, which is 54.3 % of the total allocation.

Figure 33: ESIF implementation development (millions of EUR)



Source: CCA (DPMOII)

### Status of drawdown and project contracting on 31/12/2018

Operational programme	Managing authority	Allocation from EU funds (EUR million)	Drawing (EUR million)	Contracting rate of projects (EUR million)
Research and innovations	MESRS SR	2,204.1	210.7	767.4
Integrated infrastructure	MTC SR	3,949.2	1,203.7	2,456.7
Human resources	MLSAF SR	2,217.3	516.7	1,446.6
Environmental quality	MEnv SR	3,137.9	505.7	1,596.5
Integrated regional OP	MARD SR	1,738.8	210.2	838.3
Efficient public administration	MI SR	278.4	40.3	158.4
Technical assistance	GO SR	159.1	54.8	82.1
Fisheries	MARD SR	15.8	0.7	1.4
Interreg V-A SK-CZ	MARD SR	90.1	2.2	46.3

Interreg V-A SK-AT	MARD SR	75.9	1.9	36.6
PS INTERACT III	BSK	39.4	11.9	39.4
<b>Total</b>		<b>13,906.0</b>	<b>2,758.8</b>	<b>7,469.6</b>
Rural development	MARD SR	1,559.7	592.0	935.3
<b>Total</b>		<b>15,465.8</b>	<b>3,350.8</b>	<b>8,404.9</b>

Source: CCA (DPMOII)

**Year 2018 was a key year from the perspective of attainment of the performance framework goals.** Based on the values reached to be reported in annual reports of operational programmes for 2018, the EC will review the attainment of partial goals and decide to allocate or not allocate the performance reserve for priority areas of individual operational programmes.

**The DPMOII set up, gradually from 2016, the Integrated network of Information and Counselling Centres (ICC)** that cover all self-governing regions, except Bratislava. The ICC provide free counselling services and help to applicants and beneficiaries of the non-refundable financial contribution in the area of preparation and submission of applications for contribution, project implementation and public procurement. A separate web site was made accessible in January 2018. Due to positive feedback, the existence of the ICC has been extended until the end of 2021.

**Several projects have been implemented in the context of improving knowledge about and transparency of EU fund drawing.** In partnership with universities, the DPMOII has been implementing from autumn 2017 the project aiming to create a new subject dealing with the issue of EU funds. Implemented also is the project of technical assistance: *Effective engagement of civic society in the implementation and monitoring of ESIF by introducing participative processes*. The project is managed by the committee consisting of the representatives of the DPMOII and the Slovak Government Plenipotentiary for the Development of Civic Society. The aim is to conduct complex monitoring of the existing processes of engagement of partners in the implementation and monitoring of ESIF, the assessment thereof, and specific proposals for improvement. The *Action plan to enhance transparency and simplify implementation of ESIF* approved by the Slovak Government in September 2017 was implemented in 2018. The plan contains 38 measures in total within 26<sup>122</sup> areas, the implementation of which is the responsibility particularly of the DPMOII. To take care of coordination in the SR and to create a uniform platform for directly managed programmes with the aim to improve knowledge among experts and laymen, the national project Operational Programme Effective Public Administration is being prepared that is expected to start to be implemented in 2019.

**Slovakia takes an intensive part in the continuous preparations of the future form of cohesion policy after 2020.** The DPMOII prepared an *Initial Position of the Slovak Republic to the Cohesion Policy post 2020* that was approved by the Slovak Government in January 2018. The Slovak Government approved the *Position of the Slovak Republic for negotiations over multiannual financial framework of the European Union post 2020* in March 2018 and the *Framework position of the SR on the multiannual financial framework of the European Union post 2020* in January 2019. The DPMOII chairs the coordination group of the Ministry, the members of which give opinions on legislative proposals for the EU cohesion policy beyond 2020. The social and economic partners within the working group Partnership for the Cohesion Policy beyond 2020 created by the DPMOII take active part in the preparations for the programming period 2021 to 2027. The Slovak Republic Government Committee for Cohesion Policy 2021 to 2027 was set up in March 2019 as a coordination, consulting and initiative body of the Slovak Government for the issues relating to the cohesion policy in the programming period of 2021 to 2027. When coordinating the preparations for the future

<sup>122</sup> This will, for example, include more extensive representation of entities other than the central bodies of state administration in monitoring committees, introduction of public investment project assessment, higher requirements for the qualifications of reviewers and the ability to prove such qualifications, selection of reviewers in electronic lotteries, risk analysis of calls, mandatory review of scientific and research projects and of projects introducing innovations including national projects with the non-refundable contributions amounting to more than EUR 10 million by a group of experts, use of a system to detect collusions – *Arachne*, better transparency of the managing documentation and restricting the number of updates, option of two-round selection of applications for non-refundable financial contribution, or measures relating to the simplification of e.g. communication, execution of contracts in ITMS2014+, mandatory annexes, etc.



programming period, the DPMOII emphasises the need to simplify processes and documents, and to further enhance the orientation on results within the cohesion policy funds.

**The preparation of the future form of cohesion policy is more than ever before closely connected with the European semester introduced by the Europe 2020 strategy.** The [Country Report Slovakia 2019](#), except the assessment of the progress with fulfilment of country-specific recommendations for Slovakia and with the attainment of the Europe 2020 strategy goals, lays down five political goals of the future cohesion policy (*Smarter Europe, Greener, carbon free Europe, Connected Europe, Social Europe, Europe closer to citizens*). Within those goals, the main investment needs are presented as the basis for any other dialogue between the EU Member States and the EC offices with regard to programming the funds of the cohesion policy for 2021 – 2027 (European Regional Development Fund, Cohesion Fund, and the European Social Fund Plus). The *Country Report 2019* and the future of the cohesion policy were also discussed in the first session of the Slovak Government Committee for Cohesion Policy 2021 to 2027 and in the next meeting with the EC in March 2019. Slovakia presented its investment needs in the context of those five goals of the future cohesion policy to the EC for the first time in December 2018.

## 6 Institutional framework for the Europe 2020 strategy and NRP

The NRP is based on the new Manifesto of the Government of the SR in which the Slovak Government set out to strengthen social and political stability, respond in a flexible way to opportunities and negative external environment, steadily continue to support the economic, social and environmental development, deepen economic, social and territorial cohesion of Slovakia, strengthen the role of the state and the protection of the public interest. The basic focus of the measures contained in the NRP is also determined by sectoral strategies. The Ministry of Finance of the Slovak Republic is the NRP coordinator. It also cooperates with the Deputy Prime Minister's Office for Investments and Informatization that supervises, from time to time, the translation of the strategy into the Cohesion Fund and the European and structural funds.

Ministers responsible for economic, social, and school agenda are primary involved in the preparation and implementation of the NRP. Other ministers, government plenipotentiaries and representatives of other state administration authorities participate in delivering the strategy through cooperation in selected areas. Consultations with partners, including the tertiary sector, are regularly held during the year. During the NRP preparation, a meeting of state secretaries from all involved government departments took place. The financing of measures from the NRP will be ensured within the set expenditure and personnel limits of the chapters of the state budget.

At the international level, this material presents measures to meet the targets contained in the Europe 2020 strategy defined in the *2019 Annual Growth Survey*<sup>123</sup> within the actual cycle of the European semester and *Integrated Guidelines for the Europe 2020 Strategy*, as well as to meet the country-specific recommendations of the EU Council for the Slovak Republic. The NRP also reacts to the assessment of the implementation of 2018 country-specific recommendations published by the EC in February 2019<sup>124</sup>. The cohesion policy is an important tool for the fulfilment of the strategy targets.

Based on the conclusions of the EU Council for general matters reached in April 2019<sup>125</sup>, the connection of the Agenda 2030 for sustainable development with the European semester and, potentially, also with the multiannual financial framework of the EU may be expected to be stronger in future. The future priorities of the NRP beyond 2020 will be regulated depending on the final proposal of the implementation strategy of the Agenda 2030 for sustainable development prepared by the EC.

An independent Action Plan comprising the most important measures with a significant fiscal impact together with the deadline for their implementation and responsibility makes an independent appendix to the NRP.

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<sup>123</sup> [2019 European Semester: Annual Growth Survey](#)

<sup>124</sup> [2019 Country Report](#)

<sup>125</sup> <https://www.consilium.europa.eu/media/39019/st08286-en19.pdf>

# Annex 1: National targets under the Europe 2020 Strategy and other indicators

## Europe 2020 Strategy and other performance indicators

			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Target 2020
<b>Fiscal policy and public finance</b>													
1	Long-term sustainability indicator (GAP) (% of GDP)	SK	9.5	9.2	7	4	1.9	1.4	0.4	-0.1	-1.1	-	-
		EU	-	-	-	-	-	-	-	-	-	-	-
2	Effectiveness of VAT collection (%)	SK	55.5	54.3	54.3	49.8	54.7	57.2	58.1	59.9	61.1	-	-
		EU	64.1	65.3	66.0	66.0	66.3	67.7	67.0	68.9	67.3	-	-
3	VAT gap (%)	SK	34.7	34.8	36.1	40.3	36.4	32.0	31.1	28.9	27.0	26.9	-
		EU	-	-	-	15.4	15.2	14.3	13.2	12.3	-	-	-
<b>Education, science, and innovations</b>													
4	PISA (average of the scores)	SK	488	-	-	472	-	-	463	-	-	-	505
		OECD	497	-	-	497	-	-	492	-	-	-	-
EU 5	Early leavers (% of population aged 18 - 24)	SK	4.9	4.7	5.1	5.3	6.4	6.7	6.9	7.4	9.3	-	6
		EU	14.2	13.9	13.4	12.7	11.9	11.2	11	10.7	10.6	-	10
6	Citations (% , 100 = EU average)	SK	33	32	33	41	42	46	56	56	47	-	70
		EU	100	100	100	100	100	100	100	100	100	100	-
EU 7	Tertiary education attainment (% of population aged 30 - 34)	SK	17.6	22.1	23.2	23.7	26.9	26.9	28.4	31.5	34.3	-	40
		EU	32.3	33.8	34.8	36	37.1	38	38.7	39.2	39.9	-	40
EU 8	Expenditure on R&D (% of GDP)	SK	0.47	0.62	0.66	0.81	0.82	0.88	1.17	0.79	0.88	-	1.2
		EU	1.93	1.92	1.97	2	2.02	2.03	2.04	2.04	2.07	-	3
9	High-tech export (% of total export)	SK	5.9	6.6	6.6	8.2	9.6	9.9	10	9.7	10.6	-	14
		EU	17.1	16.1	15.4	15.7	15.3	15.6	17	17.9	17.8	-	-
<b>Employment and social inclusion</b>													
10	Long-term unemployment rate (% of active population aged at least 15)	SK	6.5	9.2	9.2	9.4	10.0	9.3	7.6	5.8	5.1	-	3
		EU	2.9	3.8	4.1	4.6	5.1	5.0	4.5	4.0	3.4	-	-
EU 11	Employment rate (% of population aged 20 - 64)	SK	66.4	64.6	65.0	65.1	65.0	65.9	67.7	69.8	71.1	-	72
		EU	69	68.6	68.6	68.4	68.4	69.2	70.1	71.1	72.2	-	75
EU 12	Population at risk of poverty and social exclusion (% of population)	SK	19.6	20.6	20.6	20.5	19.8	18.4	18.4	18.1	16.3	-	17.2
		EU	23.3	23.7	24.3	24.7	24.6	24.4	23.8	23.5	23.5	-	19.4
13	Benefit ratio (average pension benefit, % of average salary)	SK	-	43.7	-	-	45.7	-	-	46.6	-	-	-
		EU	-	41.4	-	-	44.0	-	-	43.5	-	-	-
<b>Modernization of public administration and the business environment</b>													
14	Doing Business (World Bank ranking)	SK	-	-	-	-	-	-	34	36	39	42	-
		EU	-	-	-	-	-	-	31	32	35	37	-
		V3	-	-	-	-	-	-	33	35	37	40	-

15	Product market regulation index (number of points)	SK				-	1.29	-	-	-	-	1.2		
		OECD				-	1.44	-	-	-	-	-		
16	E-government index (%)	SK				42	33	57	51	48	47	51	71.7	
		EU				44	41	47	46	48	49	52	-	
17	Corruption perception (%)	SK				46	47	50	51	51	50	50	62.6	
		EU				63	63	64	66	65	65	65	-	
<b>Health</b>														
18	Amenable mortality (per 100 thousand of inhabitants).	SK	-	-	262	261	262	243	250	-	-	-	-	
		EU	-	-	138	135	131	126	127	-	-	-	-	
19	Life expectancy (expected number of years at birth)	SK men	71.4	71.8	72.3	72.5	72.9	73.3	73.1	73.8	-	-	-	
		EU men	75.2	75.6	76.0	76.1	76.5	76.8	76.8	77.1	-	-	-	
		SK women	79.1	79.3	79.8	79.9	80.1	80.5	80.2	80.7	-	-	-	
		EU women	81.7	82.0	82.2	82.2	82.5	82.8	82.6	83.0	-	-	-	
<b>Environmental sustainability</b>														
EU 20	Non-ETS greenhouse gas emissions (%, change against 2005)	SK				-0.8	-4.5	-4.6	-10.5	-9.1	-10.6	-10.6	-	13
		EU				-8.3	-9.0	-10.1	-13.2	-11.8	-10.5	-9.9	-	-10
EU 21	Share of RES on gross final consumption (%)	SK				10.3	10.4	10.1	11.7	12.9	12.0	-	-	14
		EU				13.2	14.4	15.2	16.1	16.7	17.0	-	-	20
EU 22	Final consumption of electricity (%, change against average of 2001-2005)	SK				-5.3	-9.6	-7.0	-12.3	-11.4	-8.8	-	-	-11
		EU				-5.3	-5.4	-5.4	-9.3	-7.3	-5.5	-	-	-7.3

## Description of indicators of Europe 2020 Strategy performance and of other areas

Name of indicator	Definition and source
<b>Long-term sustainability indicator (GAP)</b>	<p>The long-term sustainability indicator represents the difference between the current value and the sustainable value of the structural primary balance. The sustainable value is determined using the current legislation and long-term demographic and economic forecasts that affect general government revenue and expenditure (implicit liabilities) while also taking account of contingent liabilities (e.g., PPP projects)</p> <p>Source: OECD / Eurostat, calculation Council for Budget Responsibility</p>
<b>VAT collection effectiveness</b>	<p>VAT collection effectiveness = <math>\text{VAT collected} / [(\text{final consumption of households} + \text{gross fixed capital formation of the public administration} + \text{intermediate consumption of the public administration} - \text{VAT collected}) * (\text{basic VAT rate} / 100)]</math></p> <p>This index compares the actual VAT collection against the potential VAT collection. The larger the indicator value, the more efficient the VAT collection. Potential VAT collection indicates how much VAT can be collected on the macroeconomic base at the basic VAT rate.</p> <p>Source: OECD / Eurostat, calculation: MF SR</p>
<b>VAT gap</b>	<p>The difference between the amount of VAT the state could potentially collect, if all economic entities acted in line with the act and the interpretation thereof in the form in which it was adopted, and the amount of VAT actually collected. <math>\text{VAT gap} = [\text{theoretical (potential VAT)} - \text{actually collected VAT}] / \text{theoretical (potential VAT)}</math></p> <p>Source: European Commission / CASE, calculations: MF SR</p>
<b>Early leavers</b>	<p>The share of population aged 18-24 with the lowest education (ISCED 0, 1, 2, 3C), who do not continue further studies. A student is considered not to continue further studies if in the four weeks preceding the survey he/she did not receive any type of education or training; the relevance of education to the respondent's current or future work is not taken into account.</p> <p>Source: Eurostat (edat_ifse_14)</p>
<b>PISA</b>	<p>Internationally standardised assessment of the knowledge and skills of 15-year-old students. It assesses students in three areas: mathematics, reading and natural sciences. The index is an arithmetic average of the scores obtained in the individual areas.</p> <p>Source: OECD - PISA 2015 Results (Volume I) [Tab I.2.3; I.4.3; I.5.3]</p>
<b>Tertiary education attainment</b>	<p>The share of tertiary graduates aged 30-34 in the total population in the same age group. University or PhD studies correspond to ISCED 5-6.</p> <p>Source: Eurostat (edat_ifse_03)</p>
<b>Citations per researcher</b>	<p>The proportion of the number of citations in renowned international magazines (Scimago Journal &amp; Country Rank) per number of researchers in the country (Eurostat). The indicator is expressed relative to the average of European Union countries.</p> <p>Source: <a href="http://www.scimagojr.com/">http://www.scimagojr.com/</a>, Eurostat (rd_p_persocc), calculation by MF SR</p>
<b>Expenditure on R&amp;D</b>	<p>The percentage share of total R&amp;D expenditure in GDP.</p> <p>Source: Eurostat (rd_e_gerdsc)</p>
<b>High-tech export</b>	<p>The share of high-tech export in the country's total export. High-tech products are represented by selected products in the following industries: aerospace, computers and office machinery, electronics-telecommunications, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electric machinery and armament.</p> <p>Source: Eurostat [htec_si_exp4]</p>
<b>Employment rate</b>	<p>Share of the employed aged 20-64 in the total population in the same age group. The indicator covers the total population living in independent households; it excludes collective households, people living in boarding and lodging houses, dormitories, and those hospitalised in healthcare facilities. The employed population is made up of those people who, during the reference week, carried out some type of remunerated work (either salary or benefit) for at least one hour, or who did not work but had a job from which they were temporarily absent.</p> <p>Source: Eurostat (t2020_10), SO SR</p>
<b>Long-term unemployment rate</b>	<p>The share of persons aged at least 15, who have been unemployed for 12 months and more, not living in collective households who are without work despite actively seeking work</p> <p>Source: Eurostat, SO SR</p>

<b>Population at risk of poverty and social exclusion</b>	<p>The indicator represents the sum of people at risk of poverty (after social transfers) and/or those materially deprived and/or living in households with very low work intensity, expressed as a percentage of the total population. The risk of poverty represents the number of persons with disposable income below 60 % of the national median disposable income (after social transfers). The seriously materially deprived are those who cannot afford at least four of the following nine items: i) pay the rent/mortgage or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or protein equivalent energy every second day, v) one week of vacation away from home, vi) car, vii) washing machine, viii) colour TV or ix) telephone. Population in households without work or with a very low intensity of work includes persons aged 0–59 living in a household where the adults worked less than 20 % of their total work potential during the past year.</p> <p>Source: Eurostat (EU-SILC, t2020_50), SO SR</p>
<b>Benefit ratio</b>	<p>Benefit ratio - an indicator of pension adequacy. It is calculated as a ratio of the average pension (all pension types included - disability, old-age, minimum) to the average gross salary in the economy. The indicator shows a simple average for the EU countries. Values comparable on an international basis are published in a regularly updated Ageing Report of the European Commission.</p> <p>Source: <a href="#">Ageing report</a>, European Commission</p>
<b>Amenable mortality</b>	<p>The mortality that can be prevented by healthcare or, in other words, the amendable mortality, includes deaths which could have been averted if timely and appropriate diagnostics or appropriate healthcare and treatment was provided. Determined as a number of deaths per 100 thousand citizens.</p> <p>Source: Eurostat (hlth_cd_apr)</p>
<b>Life expectancy at birth</b>	<p>The average number of years of life of a child just born, provided that the current mortality rates remain unchanged in each population year. It is calculated separately for males and females.</p> <p>Source: Eurostat (Life expectancy at birth, by sex, demo_mlexpec)</p>
<b>Doing Business</b>	<p>A country's position in the Doing Business ranking, which measures regulation of domestic enterprises throughout the ten stages of their life cycle: starting a business, building permit process, registering property, getting credit and electricity connection, protecting investors, paying taxes, trading across borders, enforcing contracts and solution of insolvency. The data is based primarily on national laws, various other forms of regulation and administrative requirements.</p> <p>Source: <a href="#">World Bank</a></p>
<b>Product market regulation index</b>	<p>The assessment of a country using the Product Market Regulation Index. It measures regulation and barriers in three areas: state control, barriers to entrepreneurship and barriers to trade and investment (each with a weight of one third). The product market regulation index targets not only the business activities of regular enterprises, but also measures broader regulation (for example regulation in network industries).</p> <p>Source: OECD</p>
<b>E-government</b>	<p>The percentage of individuals aged 16-74, who use the internet for communication with the public administration.</p> <p>Source: Eurostat (tin00012)</p>
<b>Corruption perception</b>	<p>The Corruption Perception Index (CPI) - Transparency International – measures the perception of corruption based on 5-13 source surveys of entrepreneurs and experts in each country. Higher the score the lower the corruption perception.</p> <p>Source: <a href="#">Transparency International</a></p>
<b>Non-ETS greenhouse gas emissions</b>	<p>The change, in percentage, of the quantity of non-ETS greenhouse gas emissions (presented as a CO<sub>2</sub> equivalent) compared to 2005. The indicator captures the trends of aggregated anthropogenic emissions of CO<sub>2</sub>, NO<sub>2</sub>, CH<sub>4</sub>, HFC, PFC and SF<sub>6</sub> called greenhouse gasses (presented as CO<sub>2</sub> equivalents). The total quantity does not include emissions from land use and forestry (LULUCF).</p> <p>Source: European Environment Agency</p>
<b>Share of RES on gross final consumption</b>	<p>The share of the final consumption of energy from renewable sources and the gross final energy consumption. The final consumption of energy from renewable sources is calculated as the sum of gross final consumption of electricity from renewable energy sources, gross final consumption of energy from renewable sources for heating and cooling, and final consumption of energy from renewable sources in transport.</p> <p>Source: Eurostat (t2020_31)</p>
<b>Final consumption of electricity</b>	<p>The final consumption of electricity includes all energy supplied to final consumers (in industry, in transport, in households, and in other industries) for all types of energy needs. It does not include the supplies of energy for transformation and/or own consumption by energy industries or the losses in the network.</p> <p>Source: Eurostat (t2020_35)</p>



## Annex 6: Review of key measures of the Manifesto of the Government of the Slovak Republic 2016 – 2020

### 1. Education, science, and innovations

#### 1.1. Regional education

**Attention was paid to the support of teachers in regional educational.** The major focus of attention of the *Manifesto of the Government of the SR* and the first action plan of the adopted long-term strategy *National Programme for Development of Education* went to the teachers. From the beginning of the programming period, the tariff wages of teachers have been growing:<sup>126</sup> in September 2016 and 2017 by 6%, in January 2019 by 10%, and the second 10% increase is planned to take place in January 2020. Besides increases of tariff wages, funds have been set aside in 2019 to increase wage tariffs of teachers at the beginning of their career. The Parliament passed a new law on pedagogical and specialised employees to further support the teaching profession. Among other things, this law reinforces the ties between remuneration and teaching performance by amending the attestation process and modifies the professional development process. Normative funding for schools was modified to take into account the cost of tenure of teachers. It is effective as of January 2019.

**Several adopted legislative measures strengthen the elements of inclusion in education.** The draft amendment act on the funding of primary schools, secondary schools and educational facilities was passed in 2017. The amendment introduced the obligation for the state to settle the costs of pre-school education of children from households that rely on social assistance benefits. They had been exempt from the obligation to pay fees before the effective date of the amendment act, but this could potentially motivate kindergartens to prefer, in the acceptance process, children from families not exempt from fees. To support education in mother tongue, an option was laid down in September 2017 allowing to grant an allowance for the transport of students of primary and special schools if a school with the relevant language of instruction is not set up in the municipality.

**Inclusive approach in education was also supported by extending staffing.** A call has been implemented from 2017 that focuses on the creation of new job positions for pedagogical assistants of students from socially disadvantaged backgrounds and students with disability and members of inclusive team (school psychologist/special pedagogue/social pedagogue) in primary schools<sup>127</sup>. The implementation of the national project to support inclusive education was launched in 2017. This project funds pedagogical assistants of students from socially disadvantaged backgrounds and students with disability and inclusive teams in the regions with communities at risk and marginalized communities<sup>128</sup>.

**Measures improving the relationship between education and the labour market were dominated by dual education.** The amendment act on dual education is in force from September 2018. Its aim was to increase motivation to join the dual education system. The main measures included introduction of direct financial subsidies for employers, removal of administrative barriers, increasing the flexibility concerning the place of work, and particularly the cancellation of reduction in financing for participating secondary schools. It also allowed to recognise expenditures on practical education at a vocational school and for operating cost at the vocational school. The role of career counselling was strengthened by creating the position of a career counsellor in each region. Binding criteria were established for the determination of the highest possible number of freshmen students for individual study programmes of secondary schools in the territorial jurisdiction of self-governing regions.

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<sup>126</sup> Teacher means the pedagogical and specialised employees of regional schools and university teachers, research and development workers.

<sup>127</sup> In January 2019, 474 contracts amounting to EUR 47 million were executed.

<sup>128</sup> 19,106 students of primary schools, 5,353 children of kindergartens and 2,027 of pedagogical and specialised employees were supported in January 2019.

## 1.2. Tertiary education

### **Measures in the area of tertiary education focused on supporting the quality improvement processes.**

The legislative process of the accreditation reform and, with the aim to meet the international standards, an independent Slovak Accreditation Agency has been set up that will supervise the quality of education at universities<sup>129</sup>. The September 2018 amendment act on universities allows, among other things, foreign professionals can be employed at Slovak universities. The amendment act also supported the connection with the real world at the level of tertiary education, giving universities more flexibility to amend study programmes or join common study programmes. Separate criteria for professionally oriented bachelor programmes were approved in 2018.

## 1.3. Research and development

**To improve the results in research and development, emphasis is laid on expert assessment of deliverables by independent experts, provision of more funding, and supporting the ties to the private sector.** The assessment rules have been amended for the research activities of universities. Conditions for cooperation of public research institutions and the business sphere have been established<sup>130</sup>. The amendment act on income tax introduced a new type of tax allowance in 2015 lying in the option to deduct the cost of research and development from the tax base (the so-called super deduction). The deductible part grew from 25% to 100% of the cost of research and development effective from January 2018<sup>131</sup>.

## 2. Labour market and social policy

### 2.1. Labour Market

**The ALMP react to the challenges in the labour market with re-allocation leading to more efficient instruments.** The Ministry of Labour, Social Affairs and Family of the SR adopted an action plan in November 2016<sup>132</sup> to implement multiple forms of support for the integration of long-term unemployed in the labour market, particularly the individual counselling including job seeker profiling or education and requalification programmes. Several changes have been made in the ALMP tools focusing on the disadvantaged groups of JS in the labour market. The 2017 employment services spending review has identified additional space for improvement of the employment services efficiency. Projects have been launched to support job creation for low-qualified and long-term unemployed and for job seekers aged 50 and older. The graduate practice programme was extended to include a broader group of young job seekers including the mentoring scheme with creation of a job position with employers. A user tool to present the labour market vacancies and results<sup>133</sup> has been developed within the *Labour market development prognoses in the Slovak Republic* project.

**The number of ALMP instruments addressing the pressing issue of regional shortage of qualified workforce has been increased.** More attractive conditions for eligibility to the commuting allowance and the labour mobility allowance were created effective from May 2018. The maximum monthly allowances were increased, provision of the commuting allowance irrespective of the means of transport to employment was established, and its provision for disadvantaged JS was extended. The new relocation allowance was implemented - this allowance is intended to cover the costs connected with a citizen's relocation to a new place of permanent residence.

**Changes in the Labour Code should support more transparent wage negotiations when searching for job and higher remuneration for those working unusual working time.** In the area of employee remuneration scheme, the minimum extra pay for night work and work on weekends and holidays was increased effective from May 2018. In order to improve transparency of wage negotiations in recruitment of

<sup>129</sup> The Slovak Accreditation Agency is expected to fully assume its obligations in 2020.

<sup>130</sup> The act on public research institutions was passed and took effect at the beginning of 2018.

<sup>131</sup> The Government plans to increase the so-called super deduction for research and development from the existing 100% to 150% in 2019 and to 200% the next year.

<sup>132</sup> [Action plan to promote integration of long-term unemployed in the labour market in the SR.](#)

<sup>133</sup> [www.trendyprace.sk](http://www.trendyprace.sk)

employees, the obligation has been introduced for the employers to state the basic component of the wage in job advertising. This amount must not be lower in the employment contract than the amount offered in the job offer.

**The network of the childcare facilities for children up to three years of age are being extended in order to support the work-life balance.** When the so-called nursery law was passed in 2017 that defines the legislative framework for the childcare facilities for children up to three years of age, the conditions were prepared for the financial support for EU fund drawing in the programming period 2014-2020. Calls were announced in the course of 2018 to support those facilities with the financial allocation of EUR 13.5 million. Calls to support flexible forms of childcare and flexible job positions were announced until June 2018 with the total financial allocation of EUR 13.3 million.

## 2.2. Social policy

**The allowances to support childcare have grown.** The maximum childcare allowance was increased from EUR 230 to EUR 280 from January 2016 to cover the costs of childcare incurred by parents. Furthermore, the administrative burden connected with the allowance has also been reduced. The maternity benefit was increased in 2017 again from 70% of the daily assessment base to 75%. An individual who earns an average salary and is eligible to receive maternity benefit now receives nearly full compensation of his/her net income. Also the maximum assessment base for benefits from the medical insurance scheme grew from 1.5 to 2 times of the average wage of two years ago, which also led to the increase in the maternity benefit. An individual whose income is less than double the average salary and is eligible to receive maternity benefit now basically receives nearly full compensation of his/her net income. Starting from 2019, the maternity benefit can be drawn by both parents at the same time. Also the parental benefit was increased in May 2017 in excess of common indexation from the current EUR 203.20 to EUR 213.20.

**Certain benefits have become more targeted and motivated within the social security system and the social assistance system.** The conditions applicable to the eligibility for unemployment benefit have been liberated and unified since 2018. The policyholder who is eligible to the unemployment benefit must be insured for a period no less than two years during the last four years before included in the register of job seekers. In 2017, measures were taken to increase motivation of long-term unemployed or long-term inactive individuals in the social assistance system to find work in the labour market by allowing the concurrence of wage, social assistance benefit and special allowance. Effective as of April 2019, the amount of the back-to-work allowance (*aktivačný príspevok*) for people in need who find work earning at least the minimum wage. In order to motivate the long-term unemployed or inactive individuals in the social assistance benefit system to find work, the provision of the special allowance has been extended from 12 to 18 months. At the same time, the social assistance benefit was increased by 5%. Also the mechanism of regular adjustment of social assistance benefits has been introduced. The existing subsidy to support good eating habits ("free lunches") for all children attending the last grade of kindergartens will be extended from January 2019 and will also cover the students of primary schools from September.

**Multiple changes in the system of social services and social assistance were made to individuals who rely on help.** In November 2017, the amendment act on social services was passed. The amendment act changes particularly the method of calculation of the financial allowance for the providers of social service in dependency care homes. The amendment act extended the list of entities eligible to claim financial allowance for social service provision (besides municipalities and non-public providers, also non-public providers under the competence of the higher territorial units). The amount of financial allowances intended to compensate for the dependence of individual with severe disability on the help of another individual was increased in July 2018. The allowance for the care of disabled persons has been significantly increased not only for working-age people, but also for the beneficiaries of pension benefits. The same applies to the financial allowance for a personal assistant.

**Projects continue for the support of inclusion of excluded communities by way of provision of selected social services and field social work.** As of October 2018, 93 providers were deployed in a community centre, low-threshold day centre, or low-threshold social service for children and family. The

number of clients participating in regular activities has reached nearly 37 thousand. The *Field Social Work in Towns I* has been implemented in the period from October 2015 to September 2019 in all regions of Slovakia with the total financial allocation of EUR 29.3 million. The project focuses on the help to individuals at risk of poverty, at risk of social exclusion, or those who face exclusion from society. 233 entities (224 towns and 9 non-governmental organizations) and 523 field social workers are engaged in the project right now.

**The implementation of the 2012 pension reform continued; this reform linked the retirement age to the life expectancy increase.** The retirement age was increased by 63 days in 2018 to 62 years and 139 days. Starting from 2019, the retirement age will be determined for 5 years ahead and rounded to whole months. In March 2019, the Parliament passed a constitutional law laying down the maximum retirement age at the level of 64 years including its appropriate reduction for a woman who raised one or more children. A minimum adjustment of retirement benefits was introduced for 2018-2021. The retirement benefits of pensioners are increased by a percentage of year-over-year growth of consumer prices of households of pensioners, but no less than by a fixed amount determined as 2% of the average amount of the relevant type of retirement benefit. Due to this measure, the below-average pensions will grow faster. Legislation passed in December 2016 enables programmed pension withdrawal and temporary pension scheme in the second pension pillar to a wider circle of savers from 2018. One-time withdrawal of the saved money (in the event of a programmed withdrawal) at retirement will be made accessible to savers who would have higher pension than the average pension granted after 2003.

**Measures in the pension saving scheme support better knowledge of savers about their existing and future pension entitlements from the II. and III. pillar.** Templates of new personal account statements of the participants and beneficiaries of the benefits in the III. pillar were established in January 2019. It will now be easier for the participants to decide whether they wish to save more for pension or whether they should change the pension fund. An act to improve knowledge of savers in the II. pillar is currently being prepared as well.

### 3. Healthcare system

**The cost efficiency of the system has been improving as a result of gradual implementation of the Value for Money measures.** The first healthcare spending review was released in 2016. As it helped to deliver significant results, the second spending review was initiated in 2018. Both identified several problems and proposed possible solutions. The priorities set by the Ministry respond to the needs of patients and also take into consideration the conclusions of the spending reviews.

**The quality and accessibility improvements are achieved by changes to the outpatient and institutional network.** The optimisation of the emergency outpatient and urgent care network is under way. This optimisation will improve the efficiency of use for patients, the availability of staff and instruments. The optimisation of the institutional, outpatient and medical spa network will improve the quality of healthcare and make the operation of hospitals more efficient. The project of hospital stratification will continue in 2019. The next phase comprises introduction of the necessary underlying legislation and a specific plan of changes to the hospital network. The success of the project will also affect the waiting lists. The update of the list of medical treatments and their price regulation by the end of 2019 will contribute to the adequacy of healthcare providers funding.

**Greater transparency will be ensured by defining standardized treatment processes and fees to be paid by patients.** First set of standard diagnostic and treatment procedures was approved and will be implemented in the course of 2019, others will come. This list needs to be defined so that it would be possible to identify which parts of the provided care would be paid by patients. Payments by patients are now more transparent by permitting time appointments, subject to an extra fee during doctors' overtime.

**Availability of selected drugs has increased** as a result of introduction of rules to restrict speculative re-export of drugs in 2017 and liberate the rules applicable to the payment for innovative drugs in 2018<sup>134</sup>.

**After years of preparations, important reforms started to be implemented in the system of payments for hospitals and with regard to the healthcare recording system.** The payments for a diagnostic group (DRG – diagnostic-related groups) are now in the stage of payment reporting. The transition period from the payments for treatments to the payments based on diagnoses was initiated in 2018 and will be completed in 2022. The *eHealth* system was launched in 2018 and is planned to be further developed. The modules used so far are the module for drug prescription and for recording logs about examinations. Available also is the summary of health documentation for patients and optional electronic appointment planning.

**Another debt settlement on behalf of hospitals is being implemented. Their financial situation has improved also due to contract referencing in procurement procedures.** Transparent management of hospitals is supported by price referencing of contracts for instruments, equipment, medical devices and for operations and services which was initiated in 2016. The debt settlement on behalf of hospitals in 2018 solved the oldest liabilities of hospitals. Nevertheless, the expenditures of hospitals grew in 2018. Prolonged settlement of liabilities of hospitals in the years to come is conditional upon a binding recovery plan and its approval by the MH SR.

**The amendment to the powers and responsibilities of medical staff helps to improve their availability for patients.** Extended list of examinations that can be provided by nurses and birth assistants from 2018 makes their profession more attractive and improves the efficiency of public sources. The programme of residency training<sup>135</sup> should help to improve the availability of outpatient care in regions and improve education of medical staff. It started as early as in 2013. It has not been used much so far. It was extended in 2018 to include additional specialisation programmes for doctors and nurses.

**Construction of new hospitals and reconstruction of old hospitals is being prepared.** Several tenders for demolishing works and their preparation are under way in the project of a new university hospital in Bratislava. The total investment costs are expected to equal EUR 324 million<sup>136</sup>. The Government approved complex reconstruction of the state-run hospital in Banská Bystrica amounting to EUR 105 million that is planned to be completed by 2023<sup>137</sup>. A project of a new uhospital in Martin is being prepared.

#### 4. Modernization of public administration and the business environment

##### 4.1. Judiciary, fight against corruption

**Improvements and better transparency of the selection and assessment of the work of judges can be observed in the area of judicial system. Following the Report on the State of Justice, measures are being prepared to increase the efficiency and effectiveness of the Slovak judiciary.** The act on judges and lay judges was passed in 2017. It focuses on three main areas – judge selection procedures, judge assessment and disciplinary responsibility of judges. For example, one of the measures introduced is the collective selection proceeding to occupy vacant positions of judges in district courts, assessment committees have been set up to assess judges and, at the same time, the judge assessment publication has been introduced. The *Action Plan for the Implementation of New Measures for Courts* was prepared based on the CEPEJ Report in September 2018, when it also was submitted as one of the deliverables of the *AUDIT* project to the managing authority (MI SR). The action plan is based on seven priority themes focused on by the Ministry of Justice and addressing the existing status of the themes being worked on and the expected

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<sup>134</sup> The availability of another group of highly innovative drugs will have to be addressed in future. This group of drugs has not been treated by the 2018 amendment act.

<sup>135</sup> Funding of specialised education in the selected scarce specialisations from the state budget is conditional upon work experience taking place in regions.

<sup>136</sup> Based on [assessment of the project Healthcare: New university hospital in Bratislava \(April 2017\)](#).

<sup>137</sup> Based on [assessment of the project Healthcare: Reconstruction of the teaching hospital with the health centre in Banská Bystrica \(January 2019\)](#).



next steps with a time schedule (key themes include, e.g., preparation of a map of courts and proposal of specialisation of courts and judges, or resolution of old debt enforcement proceedings).

**A new legislation was prepared to improve the efficiency of debt recovery.** A new legal regulation treating debt enforcement proceedings, random selection of an enforcement officer to make him or her more independent in the enforcement proceeding or lump-sum remuneration of enforcement officers were introduced within the measures to improve the enforcement of law from 2017. The adopted dunning procedure act should accelerate and make more effective the debt collection process, reducing thus the time period in which an entrepreneur recovers money to a significant extent. Furthermore, changes in the area of personal bankruptcies were made and mandatory electronic communication with the court was introduced. The Government adopted the *Proposal of measures to improve operation of business register* in 2018 and is currently working on its implementation. The amendment act of the Commercial Code that took effect in January 2018 addresses unfair practices in liquidations and mergers of business organisations and cooperatives. The new legal regulation introduced, for example, effective tools against the so-called "straw person", permits mergers of business organisations only if they do not go bankrupt as a result of the merger.

**The process of personal bankruptcies has been simplified and the protection of debtors and small creditors has been increased in bankruptcies and restructuring processes.** New legislation treating bankruptcies of individuals was passed in March 2017. It makes the tool to break free from debt trap more accessible also for individuals without income and property, including protection against loss of home. Furthermore, debtors are provided legal aid by the Legal Aid Centre, the capacity of which has been strengthened. In the case of legal entities, the changes in the so-called large restructuring are expected to prevent speculative restructuring and strengthen the standing of small and unsecured creditors. The restructuring must result in the satisfaction of the enterprise's creditors to the minimum extent of 50% of each claim.

**The fight against corruption has been reinforced by setting up a specialised authority to protect whistleblowers.** A new legal regulation to protect whistleblowers will enter into force in March 2019. A new Whistleblower Protection Office has been set up. Its role is to cooperate with, and provide legal help to, whistleblowers. It will be responsible for provision of protection to whistleblowers, auditing compliance with the act being prepared, provide expert opinions and consulting on the application of the draft act, spread information about protection of whistleblowers, and give compensation to whistleblowers. Also the project relating to anti-corruption measures and development of the strategy to manage risks associated with fraud and corruption implemented in cooperation with the OECD is under way since 2017. The main deliverable of the project will include the action plan to improve the use of methodologies and instruments to identify and assess risks to be prepared until the end of 2019. The so-called anti-letterbox act was passed in 2016 and it introduced a register of the public sector partners and the obligation for companies to publish their ownership structure down to the beneficial owner.

**More efficient investigation of crimes of extremisms and racially motivated crimes** was supported by the amendment act of the penal codes that took effect in January 2017.

#### **4.2. Business environment, tax and customs duty collection**

**Several key documents have been adopted to improve business environment proposing specific measures to reduce regulatory burden and support development of Slovak economy.** Early in 2018, the Government adopted the *Better Regulation Strategy – RIA 2020*. It is a strategic document which contains a series of instruments to improve the quality of laws and eliminate excessive regulation not only for business operators, but also for all citizens. The aim is to focus on comprehensive assessment of the impact of laws on businesses, and thus create pressure on the reduction of direct cost triggered by legislation. The *Action plan of Smart Industry of the Slovak Republic* was approved in 2018. The plan contains 35 measures focusing on the development of smart industry. The measures should affect nearly 24 thousand enterprises operating in Slovakia. Furthermore, the *Strategy of economic policy of the SR until 2030* was approved. Its major objective is gradual approximation to knowledge economy within the EU. The aim of the document is to improve competitiveness of the Slovak economy by way of key areas and follow-up measures with the emphasis on the growth of productivity of all production factors through priority key areas: human resources



development, technological changes and support of innovative potential, environmental and energy efficiency of the economy, development of business environment and regional development with agriculture. The key areas are set to take into consideration the ambition of the document which lies in adopting such measures within Slovakia's economy which are of conceptual nature and are in line with the EU's economic policy.

**A series of anti-bureaucracy packages has been prepared with the aim to reduce the administrative and regulatory load on business operators.** The Slovak Government has adopted three anti-bureaucratic packages since 2017. The packages contain nearly 100 measures aiming to reduce administrative and regulatory load and this way improve the business environment in Slovakia. The first package was approved in the summer 2017. It contained measures concentrating, for example, on the optimisation of the occupational health service, reduction of administrative costs, simplification of duties of businesses to the Social Insurance Agency, or improvement of the building permit process. The second package adopted in May 2018 included the elaboration of the analysis of the VAT deposit efficiency that led to the exclusion of the obligation to pay deposit to secure the payment of tax at registering for VAT. The Government approved the third anti-bureaucracy package in February 2019 which contains measures focusing predominantly on the simplification of the business opening process and better transparency of their audit. By extending the mandatory electronic communication which was introduced in January 2016, the financial administration simplified the communication of clients and significantly reduced the need for personal visits of tax and customs authorities. Other services for clients continue to be implemented.

**The financial administration continues to fight tax evasion and increase the efficiency of tax collection.** The legislative process for mineral oil marking with a marker (the so-called *nanomarker*) has been successfully completed in the area of higher collection of excise taxes. The aim of the legal regulation drafted is to prevent evasion of excise duty on mineral oils. In cooperation with the MF SR and the International Monetary Fund, the financial administration is working on the estimate of VAT and corporate income tax gaps using individual data from tax audits (the so-called bottom-up approach). The estimate will provide a more detailed and more analytical view of the conduct of high-risk entities which will be used for better targeting of tax audits. Within implementation of reform plans, the financial administration prepared the *eKasa* project with the aim to connect on-line all cash registers to the Financial administration portal. Furthermore, the proposal counts on liberalisation in the area of end devices – to record receipts, it will be possible to use not only a cash register but also a PC, mobile or tablet connected to the Internet and equipped with a printer to print cash receipts. Business operators will connect to the *eKasa* system as of July 2019. The tax reliability index was used for the first time at the end of 2018. The first notice of special tax regimes was sent to more than 294 thousand tax entities throughout December 2018.

**All in all, the measures taken throughout 2012 – 2017 helped avert the long-lasting adverse development of VAT collection success.** The fight against tax evasion focused on VAT helped to reduce tax gap that narrowed down from 41.0% to 26.3% from 2012 to 2017. This trend is also supported by better ranking of Slovakia within EU. According to the Commission, the VAT gap narrowed down to 25.7% in 2016 representing 11 p.p. decrease compared to 2012. The year-over-year decrease in 2016 amounted to 3.6 p.p., which was the fifth best improvement of the VAT gap on a y/y basis within the EU<sup>138</sup>.

**In addition to the efficient tax collection, measures to reduce administrative burden for business operators have been implemented in the tax area.** The implementation of the *soft warning* instrument constitutes a significant measure to improve the efficiency of tax collection and betterment of the business environment. The aim of the so-called *soft warnings* is to send individualised warning letters to tax entities (e.g. informing clients of the Financial Directorate of the SR of the difference found between the control report for VAT and the VAT tax return).

#### 4.3. IT and transport infrastructure

**Further digital services have been implemented in order to reduce administrative burden in contact between the citizens and business operators and the state.** The reduction of administrative burden and

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<sup>138</sup> Draft Budgetary Plan of the Slovak Republic for 2019

informatization of the public administration processes is gradually achieved by the implementation of the anti-bureaucracy law<sup>139</sup>. The obligation for individuals and legal entities to submit to public authorities extracts from the business register, trades register, deed of ownership, crime register and the transcripts of criminal register were abandoned in 2018. The actually ongoing second wave of amendment counts on abandoning the obligation for legal entities and individuals to submit certificates of the arrears of tax, social and health insurance, certificate of school attendance and extracts from the register of non-governmental organisations.

**By setting the legislation, the rules for IT will be regulated in a complex manner for public administration<sup>140</sup>.** The aim is to change basic setting so as to cover, in a uniform fashion, all areas of management and governance in the administration of information technologies of public administration, from the planning and organisation phases up to monitoring and assessment. The new legislation also covers security following up to the cyber security law, and regulates the activities of the CSIRT unit<sup>141</sup> with regard to the solution and prevention of cyber threats. The new law is expected to take effect in May 2019.

**The activities in the area of tourism aim to increase the competitiveness and support its development.** The VAT on accommodation services was reduced to 10% in order to make the tourism more competitive. The MTC SR subsidized the activities of county and regional tourism organisations and has been actively supporting the presentation of Slovakia.

**The construction of the missing sections of motorways and highways continued in 2018.** More than 120 km of missing sections is currently under construction. More than 77 km of 1<sup>st</sup> class roads were modernized in 2018 from the funds of the OP Integrated Infrastructure 2014 – 2020, and the modernization of additional 120 km of 1<sup>st</sup> class roads was initiated or project preparations are being carried out. The MTC SR also supports the construction of the charging infrastructure in the area of alternative fuels by way of the CEF facility<sup>142</sup>.

**The infrastructure is being upgraded and railway transportation strengthened.** New train connections were established in passenger rail transportation on routes with biggest potential of attracting passengers from individual car transportation to the rail transport. The train park continues to be renovated, 21 new diesel vehicles are being manufactured. These should get to traffic from May 2019 until the end of 2020, and additional 25 new electric vehicles with the first pieces planned to be commissioned in 2020.

**From 2016, the budgeted funds for the non-refundable support of housing development amount to EUR 40 million.** The non-refundable support is implemented by way of MTC SR's granting subsidies for the procurement of rental apartments<sup>143</sup>. The option to grant higher subsidy for rental apartments with the floor area up to 50 m<sup>2</sup> and with the maximum term of rental of 6 years was laid down in 2017 with the aim to increase labour mobility. Additional funds have been allocated from the State Housing Development Fund's budget.

## 5. Environmental sustainability and energy sector

**Measures identified within the environmental spending review have been gradually implemented within the sector of the environment.** The implementation of the *Operational Programme Quality of Environment* was initiated and the overall efficiency of the use of funds has been strengthened. The MEnv SR prepared an amendment of the Act on environmental impact assessment to make transparent the environmental impact assessment rules. Gradual increase in the fees of dumping waste in a dump (amendment of the Act on dumping fees passed in 2018) and the preparation and launching of the bottle deposit scheme will help reduce waste dumping. The government approved a strategic document *Greener Slovakia – Slovakia's environmental policy strategy until 2030* in 2019. The aim of the document is to present

<sup>139</sup> The Act No. 177/2018 Coll. on certain arrangements for reducing administrative burdens by using public information systems and on the amendment and supplement of certain acts

<sup>140</sup> The draft act on information technologies in public administration was passed by the Government in December 2018. The current legislation treating administration of information systems was passed a long time ago, in 2006.

<sup>141</sup> [Computer Security Incident Response Team Slovakia](#).

<sup>142</sup> Connecting Europe Facility.

<sup>143</sup> They particularly include the subsidies for the procurement of rental apartments intended for social housing, the appropriate technical equipment, and removal of system defects in apartment houses.

the long-term vision reacting to the biggest environmental challenge. The Slovak Government passed the *Update of the adaptation strategy of the Slovak Republic to adverse impacts on climate change* and the *Action plan to solve the consequences of drought and water shortage* in 2018. The MEnv SR prepared the *Action plan to develop electromobility in the SR* in cooperation with the Ministry of Economy of the SR. Zoning of national parks with the emphasis on the TANAP park continues to be carried out.

## 6. Other areas

**With the aim to reduce regional differences, the measures focus on lagging regions.** Slovakia has joined the implementation of two EU initiatives since 2018. The Prešov Self-Governing Region was selected as the pilot region of *Slovakia within the EU Initiative for Catching-up Regions* with the GDP below the EU average. The action plan focusing on four areas was developed in 2018 under the management of the managing committee of the initiative (World Bank, EC, DPMOII, regional representatives): improvement of energy efficiency of buildings, use of geographical information system, increase in the performance in the area of tourism and better relationship between education and labour market. Negotiations over engagement of the Banská Bystrica Self-Governing Region in the initiative were initiated in March 2019. Support of lagging counties is carried out within the Act No. 336/2015 Coll. in Slovakia, including through the announcement of special calls to implement their projects. The information counselling centres set up in seven regions cooperate on the support of project activities in those counties.

**The Slovak Government approved several materials of strategic planning of priorities:** *Road map of the National Infrastructure Plan of the SR for 2018 – 2030, Methodology and institutional framework for the development of public strategies, Framework for the assessment of public investment projects in the SR, Pilot version of the National Investment Plan of the SR for 2018 – 2030.* The Proposal of national priorities of the Agenda 2030 implementation that was prepared in a participative fashion was approved by the Government in June 2018. It defines six key areas for the sustainable development of Slovakia: education for respectable life; towards knowledge and environmentally sustainable economy under demographic changes and changing global environment; reduction of poverty and social inclusion; the rule of law, democracy and security; good health. The final version of the Slovakia development vision and strategy 2030 will be submitted during 2019. A new version of the *National investment plan SR* will be drafted based on the vision.

## **Annex 7: Measures taken to eliminate impact of potential no deal withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union**

Annex 7 reacts to the resolution of the Slovak Government No. 42/2019<sup>144</sup>, based on which the NRP 2019 should reflect on the measures to eliminate the impact of potential no deal withdrawal of the United Kingdom of Great Britain and Northern Ireland (the "UK") from the European Union.

### **1. Ministry of Finance of the SR and the Financial Directorate of the SR**

To safeguard legal certainty of the UK citizens who wish to provide tax consulting services in the Slovak Republic, transitional provisions of Act No. 78/1992 Coll. on tax consultants have been amended effective as of the date of no deal withdrawal of the UK from the EU (Act No. 83/2019 Coll. that amends and supplements certain laws in connection with the no deal withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union).

The Financial Directorate of the SR will take part in the preparation of the necessary legislative changes relating to the tax and customs area. Expected particularly is the impact on the value added tax, excise duties and income tax.

The goods entering the EU from the UK and the goods heading from EU to the UK will be considered to be the goods from a third country. Therefore all legal regulations of the EU and the SR concerning the goods imported from third countries will apply, including the customs duty and tax. The goods will be subject to customs supervision and may be subject to customs control in accordance with the Union Customs Code. This will lead to the increase in the volume of the import of goods and shipments from third countries. As a consequence of increased requirements for customs work, a measure needs to be adopted at the national level to increase the number of customs officers (the number customs officers is expected to be increased by 40 systemised jobs).

The FD SR will take care of the cooperation with the European Commission on the development of common procedures in the area of collection of claims sent to and received from the UK.

The FD SR will take care of a massive information campaign towards the clients of financial administration and inside its organisation. In order to inform the public, the FD SR published on its web site basic information concerning Brexit treating both the no deal Brexit and Brexit based on a deal. At the same time, the FD SR hired new and instructed the existing experts for the call centre of financial administration, and allocated experts to inform about Brexit both in the customs and the tax areas.

In connection with inclusion of the UK in the list of third countries, the FD SR will take care of the necessary modifications of the affected information system supporting processes in tax and customs areas. To support the increase in the requirements for customs supervision, the FD SR currently tests the national customs systems with the aim to safeguard trouble-free operation of those systems in the event of no-deal Brexit.

### **2. Ministry of Education, Science, Research and Sport of the SR**

In the conditions of education, the Act No. 422/2015 Coll. on recognition of certificates of education and on recognition of professional qualification and on changes and amendments to certain laws has been amended effective as of the date of no-deal withdrawal of the UK from the EU. The aim of the amendment was to add transitional provisions concerning recognition of professional qualifications gained in the UK for regulated professions carried out in the SR without the need to pass an additional exam.

### **3. Ministry of Labour, Social Affairs and Family of the SR**

An amendment act on social insurance was passed in the area of social security with the effect of UK's withdrawal from the EU so that the individuals having any ties to the UK be eligible to have entitlements in the system of social insurance of the Slovak Republic after no-deal Brexit in accordance with the principles

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<sup>144</sup> The Resolution was adopted on 30 January 2019.

of the Regulation 883/2004 of the EP and C on the coordination of the social security systems. The application of processes is conditional upon adoption of a reciprocal legal regulation by the UK. If the UK does not pass a reciprocal legal regulation with regard to the individuals having any ties to the SR, the period of insurance in the UK of the affected Slovak citizens and their family members is proposed to be included in the eligible period, although such period was not taken into consideration by the UK due to no-deal Brexit. The act on social insurance now allows payments to third countries with regard to pension, injury benefit and survivor's injury benefit. If the UK withdraws from the EU without deal, the UK will be considered to be a third country as well. The amendment act on social insurance will take effect if, on the date of UK's withdrawal from the EU, the agreement on the conditions of its withdrawal according to Article 50(2) of the Treaty on the EU does not take effect.

Within the warranty of reciprocity, the UK citizens who are employed in Slovakia will have the same rights and obligations as they have had until now if no-deal Brexit takes place. This will be provided for by the amendment act on employment services as amended.

#### **4. Ministry of Health of the SR**

In order to ensure, that all necessary treatments will be provided to the UK citizens under the same conditions as are applicable to the members of other EU member states, an amendment act No. 580/2004 Coll. on health insurance was passed with the effect as of the date of UK's no-deal withdrawal from the EU<sup>145</sup>. This ensures mutual recognition of documents (residency forms, form giving prior consent to treatment in other state), and the European health insurance card. At the same time, equal claims will be warranted for the Slovak citizens taking part in the UK's health insurance system, including the so-called family insurance coverages (their dependent members – economically inactive spouse and minor children).

#### **5. Ministry of Economy of the SR**

The ME SR takes care of universal help including mediation of information for business operators relating to the trade with goods and services, including the customs and tax information, with the aim to mitigate the negative impacts of the possible no-deal withdrawal of the UK. On its web site, the ME SR published information for businesses that could be affected by hard Brexit. The information are supplemented from time to time based on inquiries and questions coming from the business sector. The ME SR analyses the options of targeted help to the biggest exporters from Slovakia to the UK that will be affected by the UK's no-deal withdrawal from the EU.

#### **6. Ministry of Justice of the SR**

The MJ SR prepared the amendment act No. 586/2003 Coll. on advocacy. UK citizens will be allowed to provide legal services until the end of 2020 as settled European lawyers under the condition of equal treatment for the Slovakia's citizens in the UK. Unbinding guidelines for judges (also utilisable by prosecutors) how to proceed with individual EU facilities in the event of no-deal Brexit were prepared. Guidelines are being prepared in consultation with the representatives of the Supreme Court of the SR and the General Prosecutors Office of the SR.

The web site of the MI SR and the web site of the MF&EA SR published the information for citizens and business operators about impacts of Brexit (with or without deal) in the area of judiciary. Training of judges concerning the impacts of Brexit took place in March 2019.

Furthermore, an amendment act No. 236/2017 Coll. on European investigative order in criminal matters was prepared. The European investigative order sent to the UK prior to its withdrawal will be, in the event of no-deal Brexit, considered to be an application for legal aid under Penal Code. The aim is to warrant the possibility to take evidence also after UK leaves without deal, if the order was sent prior to the date of withdrawal.

Protection of the Slovak citizens living in the UK for the areas other than as provided above (childcare, collection of alimony, etc.) will be possible in a non-legislative fashion or in the form of international

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<sup>145</sup> Act No. 83/2019 Coll. that amends and supplements certain laws in connection with no-deal withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union.

agreements that will have to be entered into at the level of the EU and UK, whereas the member states are not entitled to independently enter into agreements with the UK in said areas.

#### **7. Ministry of Interior of the SR**

The MI SR prepared and completed the process of amendment of Act No. 404/2011 Coll. on residence of foreign nationals as amended (with the effect as of the date of UK's withdrawal from the EU) and forwarded the amendment act to the Government Office for the purposes of the Lex Brexit package being worked on. The MI SR takes administrative and technical steps in the area of preparation of employees and the affected members of the Presidium of the Police Force for contact with British nationals after withdrawal of the UK from the EU, works on the preparations (including the IT systems) to change the status records or documents of British nationals living in the SR.

#### **8. Ministry of Transport and Construction of the SR**

In the area of all types of transport, the agreements at the EU levels are crucial. To take care of smooth transport connections with the UK after it leaves the EU without a deal, regulations have been adopted in the area of road freight transport and passenger transport (including regular bus transport) and air transport. Their effect is restricted in time, and therefore agreements at the EU level will be crucial in future. Regarding the road transport, the occasional bus transport will correspond to the *Interbus* international agreement to which UK will accede after it withdraws from the EU. The qualification cards of drivers remain valid until expiry, and the documents proving professional qualifications of the head of transport will remain valid until the end of 2019. New national legislative measures will not be adopted in the area of rail transport.

The telecommunication services between Slovakia and the UK will not be subject to price limits valid in the EU anymore and will be covered by commercial agreements between operators. Postal services will follow the acts of the Universal Postal Union, the time of delivery is expected to be extended as a consequence of UK's withdrawal from the customs union. In the area of type approval and Trans-European Networks, the negotiations over new European regulations have already been completed and approved, therefore the national legislation does not have to be changed. Measures in the area of housing policy or tourism are not being prepared, whether at a national or EU level.



## Annex 8: List of Acronyms

ALMP	Active Labour Market Policies
SRDA	Research and Development Agency
BSK	Bratislava Self-Governing Region
CCA	central coordination authority
CSR	country specific recommendation
DRG	diagnoses related groups
EC	European Commission
EU	European Union
ESIF	European Structural and Investment Funds
FD SR	Financial Directorate of the SR
IROP	Integrated Regional Operational Programme
JLR	Jaguar Land Rover
KEGA	Cultural and Educational Grant Agency
CF	Cohesion fund
MTC SR	Ministry of Transport and Construction of the SR
MF SR	Ministry of Finance of the SR
MARD SR	Ministry of Agriculture and Rural Development of the SR
MLSAF SR	Ministry of Labour, Social Affairs and Family of the SR
MRC	marginalised Roma communities
MJ SR	Ministry of Justice of the SR
MI SR	Ministry of Interior of the SR
MFEA SR	Ministry of Foreign and European Affairs of the Slovak Republic;
MEnv SR	Ministry of Environment of the SR
NFC	non-refundable financial contribution
NRP	National Reform Programme
NPDRE	National Program for Development of Rearing and Education.
OP	Operational programme
OP HR	Operational Programme Human Resources
OP EPA	Operational Programme Effective Public Administration
CBR	Council for Budget Responsibility
SHMI	Slovak Hydrometeorological Institute
SS	secondary school
JETE	Joint examination and therapeutic elements (i.e. medical imaging and laboratory examinations)
SHDF	State Housing Development Fund
SF	structural funds
SMM	special medical material
UK	United Kingdom of Great Britain and Northern Ireland
VfM	Value for Money unit
JS	job seeker

COLSAF	Central Office of Labour, Social Affairs and Family
DPMOII	Deputy Prime Minister Office for Investments and Informatization
OPP	Office for Public Procurement
GO SR	Government Office of the SR
VEGA	Scientific grant agency
VW	Volkswagen
VšZP	public health insurance company
HIC	health insurance or health insurance companies
PS	primary school