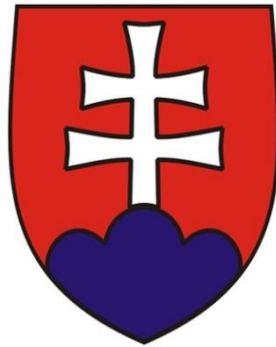


Ministry of Finance of the Slovak Republic



National Reform Programme of the Slovak Republic 2020

May 2020

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Summary

The fight against the COVID-19 crisis will remain a high priority in the upcoming period. The National Reform Programme of the Slovak Republic 2020 focuses on the preparation process for structural reforms over a longer horizon and describes the measures by which the Slovak Republic reacts to the Council's Country-Specific Recommendations for Slovakia, taking regard of the *Manifesto of the Government of the Slovak Republic for 2020 to 2024*¹ as well. Using a comprehensive approach to prioritisation, which also takes account of other measures of the quality of life in addition to GDP, it has identified education, labour market and allocative efficiency based on effective public administration as the major structural challenges for Slovak economy.

The Government's priority is reinstating sound public finances while respecting both European and national budgetary rules. The goal is to stabilise the public debt relative to GDP and reduce the general government deficit below 3% of GDP by 2023. The adoption of important changes in all pillars of the pension scheme will improve the long-term sustainability of public finances. Real steps will be taken to improve the efficiency of tax collection, with a long-term target being at least the average for the EU countries. A functioning three-year budgeting system will be implemented and spending caps will be set to improve the anti-cyclical function of public finances. Performance-based budgeting and information about the objectives of public policies will be promoted. A new state debt management strategy will be defined, which will be footed on a risk and cost analysis in accordance with the best practices applied in the world. The role of the Ministry of Finance in the evaluation of investment projects will be strengthened.

The pension system reform aims to improve the long-term sustainability, transparency and efficiency of pension saving schemes. The measures adopted in 2019 worsened the long-term sustainability and increased the opacity of the pension system. In the first pillar, reforms will strengthen the link between pension expenditure and the demographic development to enhance the fairness and transparency of the system. In the second pillar, the priority is increasing returns on savings. Additionally, in order to prevent frequent changes to the pension system and enhance its credibility, the Government has made a commitment to adopt a constitutional act to define the fundamental elements of the first and second pillars. Moreover, with automatic inclusion in the second pillar, insured persons will benefit from the diversification of their income after retirement. An insured person will, however, be able to remain solely in the first pillar if he or she explicitly so decides.

The long-lasting insufficiency of financing and support for teaching staff are reflected mainly in the primary-level education system lagging behind. The priority in the education, as promulgated in the Government's Manifesto, is increasing teachers' salaries to the extent allowed by budget limits. To improve the efficiency of expenditure, a law on the financing of schools and schooling facilities will be prepared. The review of expenditure on groups at risk of poverty and social exclusion provides a basis for designing measures to promote an inclusive approach to education. The implementation of mandatory pre-primary education will be supported. Activities will be continued to align education at secondary vocational schools with the labour market needs. Professionally oriented bachelor's programmes as part of tertiary education will be prepared. The approval and gradual implementation of accreditation standards are envisaged. As regards life-long learning, a testing system for verifying skills acquired outside the formal education system will be deployed.

The review of expenditure on groups at risk of poverty or social exclusion proposes a number of effective instruments. Reallocation to more efficient instruments for zero grade classes, special schools and activation works is proposed. Two thirds of additional funding is to be allocated to early care and education, in particular the extension and quality improvement of human resources for work with disadvantaged children. Around 20% of funding should be earmarked for providing a higher and more

¹ [Manifesto of the Government of the Slovak Republic.](#)

accessible housing benefit and to helping homeless people. Further 12% is allocated to a more efficient aid for disadvantaged job seekers and to social policies, particularly those aiming to reduce child poverty.

Negative trends in the labour market are foreseen in consequence of the pandemic and a response will be needed. In order to mitigate the impact on employment, a number of measures have been implemented which aim to support the preservation of jobs during the pandemic. To support households' disposable income and enable child care, conditions for the access to social transfers were modified. More frequent regular assessment of active policy instruments will help to improve the efficiency of employment services, which is also needed for mitigating the crisis impact. Further, the feasibility of sophisticated profiling of labour offices' clients to prevent their prolonged unemployment will be tested.

Parental support will be made more flexible in order to support mothers' return to work and gender gap reduction. Along with this, support for high-quality and accessible child care facilities is needed to promote the transition to pre-primary education in kindergartens. In parallel, relevant legislation will be proposed to implement the statutory entitlement to kindergarten placement for every child from three years of age.

The fight against corruption will be strengthened and the efficiency of justice improved. In order to raise the country's competitiveness, the Government has made a commitment to improve Slovakia's Corruption Perception Index ranking by 20 places. Mechanisms will be implemented to ensure better control over assets and a functioning framework of material liability to sanction public officials' misconduct in the management of public resources. The transparency of public employee selection procedures will be improved through the introduction of a uniform selection process applicable across the general government. Measures will be adopted to improve the quality of public procurement. With a view to enhancing transparency in public administration, the public disclosure of annexes and amendments to agreements and contracts will be introduced. More information will be given on public offices and decisions taken by local governments as well. The courts' and public prosecution service's candidate selection processes will be made more transparent so as to promote their credibility. Priorities for the judicial system include continued efforts to reduce delays in proceedings and increase the citizens' confidence in judiciary. Works on drafting a court map and designing a system of specialised courts and judges are in progress.

For the business environment, the key policy reactions include relieving the administrative burden and responding to structural challenges in the economy. In its Manifesto, the Government made a commitment to adopt measures to reduce the administrative burden on businesses, and this through a shortened legislative procedure already in 2020. By October 2020, the Government will prepare and submit for approval new construction regulations having an impact on the Doing Business ranking. Also, businesses' communication with the Financial Administration and the Business Register will be simplified.

The Government has made a commitment to reform the network of hospitals and to define the basic free healthcare package with respect to time and geographical constraints. The goal is to create a sustainable system of hospital funding adequate to cover their fixed costs and, at the same time, to create financial sources for systematic replacement of their equipment and infrastructure. Capital investments will be directed at renovation and construction of hospitals in Banská Bystrica and Martin. Besides hospitals, new measures will focus on improving access to general practitioners and the quality of urgent care. Mechanisms will be introduced to increase attractiveness of occupations in the health care sector and to promote repatriation of Slovak healthcare professionals from abroad. Based on the spending review, saving measures amounting to EUR 148 million were identified for 2020. The major saving potential is associated with spending on pharmaceuticals, medical devices and shared examination and treatment components.

The environmental policy measures will place a greater emphasis on detaching economic growth from environmental degradation. This will be a part of the reaction to the announced *European Green Deal* delineating an action plan for the EU's transition to a fully climate-neutral economy². Continued implementation of the measures identified in the environmental spending review will improve the value-for-money of measures aimed at improving the quality of the environment. The adopted strategic documents

² [European Green Deal](#) (published in December 2019).

provide a framework for the direction of the different environmental policies and propose solutions to Slovakia's major environmental challenges, including air quality, wastes and forests. Transition to a low-carbon, circular economy will be promoted. The roles of green public procurement, green economy and education will be strengthened.

Measures to combat the COVID-19 pandemic during 2020

The Government's immediate priority is measures to combat the COVID-19 pandemic. At the initial stage, when measures to protect public health were introduced, the economic measures focus primarily on cash assistance and government-guaranteed loans to businesses as well as citizens. After a stage of stabilisation, the focus of the measures will be shifted to the recovery of economic growth. The measures will be accompanied by efforts to promote the sustainability of public finances, in both the short-term and long-term horizons.

In the public health context, Slovakia's action was one of the earliest responses following the discovery of the first case of the disease. Already in February, road controls at the borders were introduced and the Central Crisis Staff was set up. The first case was reported on 6 March. Since that date, a range of measures have been adopted to protect public health, including bans on visits to patients in healthcare facilities, school trips and excursions outside Slovakia and visits to social service facilities. Slovakia declared the state of emergency on 16 March 2020, while all educational institutions had been closed already from 12 March 2020. Also, border controls, 14-day mandatory quarantine upon return from abroad and interruption of international passenger transport were introduced on the same date in order to contain the spreading of coronavirus. The testing capacity gradually increased. Now, the capacity is nearly 26,000 tests per one million population (the total of tests made as of May 15 is 140,000). In order to identify the risks of infection, special capacities were allocated for testing members of marginalised Roma communities ("MRC") and people in social service facilities.

The estimated impact of the measures implemented at the initial stage to mitigate the impact of the COVID-19 pandemic amounts to 5.6 % of GDP. A majority of this proportion represents measures intended to make up for households' loss of disposable income and to support the preservation of jobs by employers (2.4 % of GDP)³. Tax measures to support businesses' liquidity included the deferrals of tax and social and health security contribution payments, amounting to 1.4 % of GDP. Other business liquidity measures and bank guarantees are estimated at 1.6 % of GDP.

To support households' disposable income and enable child care, conditions for the access to social transfers were modified. At the end of March 2020, the Parliament approved temporary eligibility conditions for sickness and home-nursing allowance. reimbursement of sickness allowance due to the ordering of a quarantine measure or isolation imposed by public authorities⁴ from the first day in the amount of 55% of the previous income was temporarily introduced. Also, home isolation was made an eligible reason for receiving sickness allowance. A working parent with a child up to 11 years can receive home nursing allowance for the whole duration of the closure of schools and kindergartens⁵. Aiming to align family and work duties, the option for parents to alternate in the all-day care of a child was introduced. Parents whose parental leave expires during this period may continue to receive home-nursing or parental allowance. Also, the Parliament approved in April the extension of the unemployment allowance eligibility period by two months for recipients whose eligibility period expires during the pandemic⁶. Support to dormitories providing all-day care to homeless people was increased temporarily, for the duration of the pandemic.

³ Including taxes and public insurance contributions lost because of events driving the disbursement of social security benefits or wage/salary reduction in connection with the job preservation efforts.

⁴ The benefits were previously reimbursed from the eleventh day while the first 10 days were covered by employer; and the benefit amount payable for the first three days was only 25 % of the previous income.

⁵ Home care allowances were previously paid only for max.10 days per diagnosis. If a child is sick or in a long-term adverse health condition, home-nursing allowances are similarly available to parents with children up to 16/18 (the latter in the case of severe disability). The parent remains covered by social security insurance, while being relieved from the obligation to pay premiums, for the whole period when he or she receives a home-nursing allowance.

⁶ The National Council of the Slovak Republic at the same time approved the Government's authority to extend the unemployment allowance eligibility period as may be appropriate during the pandemic. The unemployment allowance eligibility period was first extended by one month, and then the Government adopted a Decree extending it by another month.

In order to mitigate the impact on employment, a number of measures were implemented which aim to support the preservation of jobs during the pandemic:

- At the end of March 2020, the Government approved the conditions of a job and employment retention project⁷ for employers' closed operations (Measure 1) and for self-employed persons who suspended their business or incur loss of revenues (Measure 2). Irrespective of the size of a business, employers receive reimbursements in the amount of 80 % of an employee's former average earnings (subject to the limit of EUR 1,100) on the impediment-at-work basis⁸. Self-employed persons will be supported with an amount of min. EUR 180 if their revenues drop by at least 20 %, and up to EUR 540 for loss of revenues amounting to 80 % or more on the same period of 2019.
- In mid-April, the Government introduced an extended support scheme for employers in sectors indirectly affected by the crisis (Measure 3) and for low-income self-employed persons, single-member limited liability companies and persons working under non-employment labour arrangements (Measure 4). Employers will be able to choose between a lump-sum in an amount depending on the loss of revenue, up to EUR 540 per employee⁹, or reimbursement of an employee's salary up to 80 % of his/her average earnings (subject to the limit of EUR 800) on the impediment-at-work basis¹⁰. The support for persons working under non-employment labour arrangements, single-member limited liability companies and low-income self-employed persons amounts to EUR 210 for a whole month.
- Also, conditions for working from home and for impediments at work on the employer's part were aligned. Starting from April, a three-month moratorium on the payment of rents by businesses and citizens affected by the crisis was approved as an aid measure.

The postponement of payments of social and health security contributions has been granted to employers to help to improve their liquidity. The postponement applies to social and health security contributions for March, which can be paid by the end of July at the latest. The measure is also available to employers and self-employed persons whose income dropped by more than 40 %, when compared with the same month of the last year. In situations of irregular revenues, the comparison is made against the average for 2019. The measure affects the cash balance of public finances, without an impact on the general government deficit. The measure has been applied so far to contributions due in March 2020.

Moreover, there is a possibility of the full remission of social security contributions for employers and self-employed persons whose operations were closed. The eligibility arises if operations were closed for at least 15 days. This measure can be combined with other measures.

The first-aid package for businesses also includes the possibility to stop paying income tax advances during the pandemic, which was made available to taxpayers with at least 40 % loss of revenue, when compared with the same period of the last year, starting from May 2020. Similarly to the postponement of social and health security contributions, this measure has a cash impact; the accrual settlement is to be made within the framework of the annual settlement (in 2021).

As part of the first aid, entrepreneurs were offered the possibility to apply loss incurred in a fiscal period ended in the years 2015 to 2018 and not previously applied against taxable profit reported in the income tax return for 2019. The number of SMEs benefiting, fully or partially, from the loosened loss deduction conditions is around 30 thousand and the tax benefit ranges between EUR 350 to 2,500. As an additional limitation, the loss deduction is subject to the cap of EUR 1 million. The measure is based on the assumption that it will still be more advantageous for big companies to continue to deduct their losses in accordance with the former rules, i.e. no more than one quarter of last year's losses. The measure is thus targeted at small and medium-sized enterprises.

Tax legislation measures will also help to reduce the financial and administrative burden on businesses. They include the extension of the deadline for filing motor vehicle tax returns and the option for

⁷ Under an amendment to the Act on employment services.

⁸ The legal concept of impediments at work allows employers to reduce employees' salaries to 60% as the maximum if a collective agreement is in place and to 80% in situations without a collective agreement.

⁹ In this case, the allowance is provided for all employees irrespective of whether or not an impediment at work on their part exists.

¹⁰ Initially, these employers were covered by the narrower Measure 2.

taxpayers to not pay advances for this tax from April until the end of the pandemic¹¹. For income tax, the measures include, in particular, the extension of the deadline after the end of the pandemic for filing the income tax return, the annual settlement of employees' tax advances, the statement of tax clearing and total income from employment, and the statement of income tax assignment. Also, the eligible purposes and deadlines for the use of assigned tax amounts have been extended to allow the mitigation of adverse impacts of the pandemic until the end of 2021. Also, the deadlines for employers for the reimbursement of income tax surplus, child tax credit and interest-linked tax credit payable after the annual tax clearing have been extended past the end the pandemic.

Postponement of loan repayments is also intended to help with liquidity. Starting from April 2020, clients of bank, non-bank and leasing companies (citizens) may ask for the postponement of their loan repayments. The postponement is also available for so-called instalment loans. For loans from banks, clients may request postponement of repayments by up to 9 months. For loans from other lending institutions, postponement by 3 months is available, with the possibility of another 3-month extension. The postponement will not have an adverse effect on the client's loan repayment record. A small employer or an entrepreneur can also ask for postponement if such entity or person is the debtor or guarantor under a loan agreement with a creditor and the loan repayments are delayed, or such delay is realistically threatening, because of the pandemic.

Another bank measure is new guaranteed loans which can be drawn through five programmes. The first three have been launched under a de-minimis scheme allowing businesses to obtain aid through three institutions. The first option is a loan guaranteed by Slovak Investment Holding (SIH), a state-run joint stock company. The announced allocation to guarantees is EUR 38 million, with a margin for extension by further EUR 57 million. The loans as such will be granted to businesses by commercial banks. Another lending institution is EXIMBANKA SR, which will also support large companies in the form of loans, guarantees and remission of guarantee fees. Aid to small and medium-sized enterprises and self-employed persons will also be provided by *Slovenská záručná a rozvojová banka* (SZRB) through loans ranging from EUR 10,000 to EUR 350,000. The EXIMBANKA SR and SZRB institutions envisage granting loans in an aggregate amount of around EUR 50 million. The other two programmes under the so-called Big State Aid Scheme are based on the new rules of the Commission's temporary framework. Under the Scheme, EXIMBANKA SR and SIH are supposed to provide funding to small, medium as well as large companies. The estimated total amount of guarantees is EUR 500 million per month.

Measures to combat the impacts of the pandemic are also targeted at the marginalised Roma communities To stabilise the situation in marginalised Roma communities (MRC), specific measures of support to remedy the consequences of the COVID-19 disease have been adopted in two phases: the first phase comprises the provision of special food and material aid and the second one involves comprehensive intervention action to address the basic areas of disadvantage in line with the objectives of the Roma integration strategy.

The Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation (ODPII)¹², in cooperation with the Ministry of Finance of the Slovak Republic (MF SR), prepared the incorporation of the EC's measures¹³ into the national documents and legislation. The measures adopted in Slovakia target the simplification of use and administration of the EU funds. A material¹⁴ was approved at the end of April 2020 based on which EUR 1.25 billion can be reallocated to pandemic-related measures. The new guidelines provide for the possible extension of a project or its suspension during the state of emergency without sanctions. Recommendations were issued for the extension of pending calls and invitations. Also, the financial management conditions for the beneficiaries' projects were simplified with a view to ensuring their liquidity. The MF SR and the ODPII are also preparing a law to provide for the suspension of deadlines during the state of emergency and introduce simplified procedures for the

¹¹ Tax-related deadlines have generally been extended to the end of the month following the end of the pandemic.

¹² As of July 2020, ODPII will be transformed to the Ministry of Investments, Regional Development and Informatisation of the Slovak Republic.

¹³ This is covered by two legislative amendments, namely the so-called CR11 and CR11+ coronavirus response investment initiatives.

¹⁴ [Proposal of Measures to be Financed under the European Structural and Investment Funds to Combat the COVID-19 Pandemic and Eliminate and Mitigate Its Consequences.](#)

modification of repayment arrangements and postponement of performance in connection with the drawing of the EU funds. Also, the reporting on the use of funding should be simplified. Further, a Managing Authority should be able during this state of emergency to modify or cancel calls and reallocate funds to other programmes (for more information on the EU funds see Chapter 5 *The EU's Cohesion Policy*).

1 Identification of challenges in the Slovak Republic

The three major challenges for Slovakia are education, labour market and allocative efficiency¹⁵. Hence people are the key to economic growth in the 21 century. This includes how we enhance and capitalize their knowledge and skills and if we are able to use them efficiently. If these challenges are addressed appropriately, improvements in other aspects of the quality of life may be expected (Graph 2). Better educated population is wealthier not only in terms of property but health as well. Adequate pro-growth policy measures also create resources for funding expenditure priorities in the health sector or long-term care.

Figure 1: Sources of lagging behind Germany (GDP per capita in DE = 1)

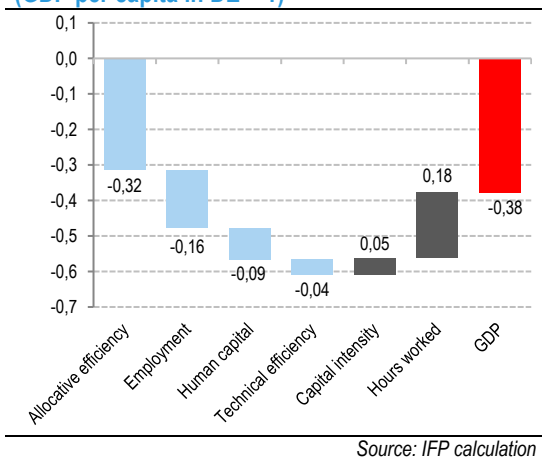
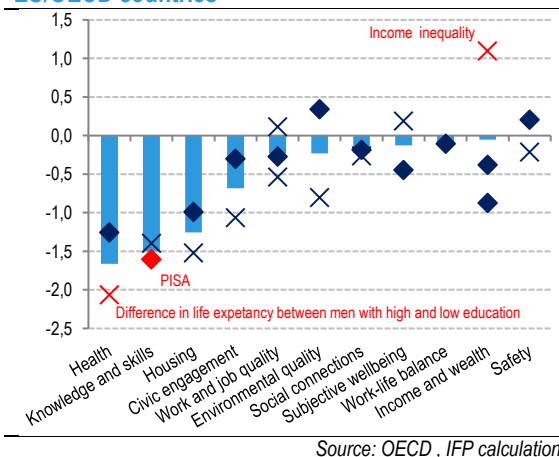


Figure 2: Quality of life – comparison of Slovakia with EU/OECD countries



Note: vertical axis represents standard deviations from the mean for each dimension of quality of life (columns are averages of indicators for each dimension). Indicators represent average outcomes (diamonds) or inequality outcomes (crosses).

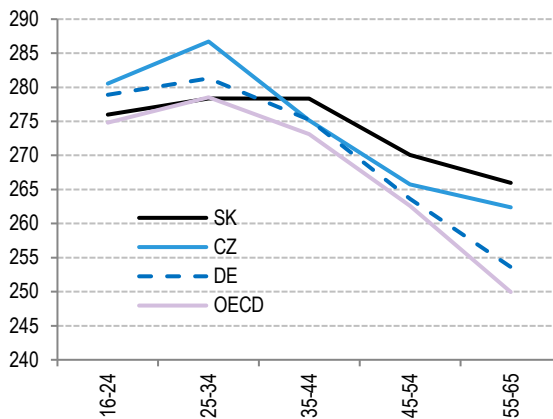
Education is a very important determinant of economic growth and quality of life. A higher level of education drives higher incomes and a better quality of life. Education is also an instrument for enhancing the human capital, which in turn influences labour market performance and related incomes. Beside this, there is another indirect relation between education and the quality of life. Higher education is associated with better health, life expectancy, working time flexibility as well as more volunteering¹⁶.

with the human capital in Slovakia is not prepared to cope with the economic requirements of the 21st century. Although Slovakia has a relatively low share of early leavers in comparison to the EU average, a high number of people with at least secondary-level education, a relatively high score in the PIACC survey of adult skills and a substantially growing rate of people with tertiary education, the trends and prospects are not positive. Compared internationally (PIACC, PISA), young people's skills and knowledge are low and showing a decreasing trend (PISA) in the long run, and the number of early leavers has risen in the last decade. The growing numbers of university students studying abroad and the related brain drain are among the highest in the EU. Moreover, the proportion of people and jobs threatened or affected by automation in Slovakia is the highest among the OECD countries. At the same time, the rate of peoples' participation in lifelong learning as a way to mitigate the consequences of automation is one of the lowest in the EU.

¹⁵ Allocation efficiency says how efficiently we are able to deploy available workforce and capital to maximise production. This combined with the technical efficiency measure constitutes total factor productivity. Allocation efficiency depends primarily on the quality of public administration and the business environment, including e.g. the regulatory framework, labour market mobility and flexibility, level of corruption, the rule of law, and efficient public administration in general.

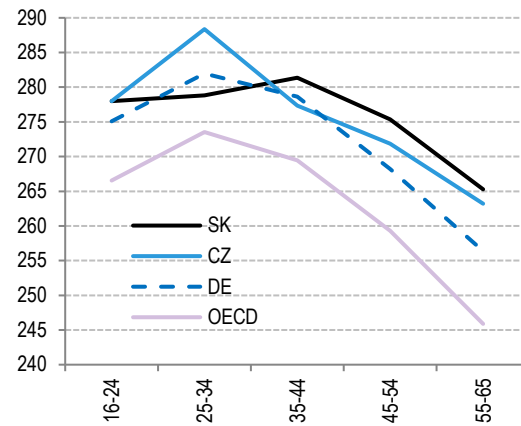
¹⁶ Education at a Glance, indicator A6.

Figure 3: Average points earned in Reading by age cohorts (PIAAC 2012)



Source: OECD

Figure 4: Average points earned in Mathematics by age cohorts (PIAAC 2012)



Source: OECD

The number of people working in Slovakia is low. This reduces the country's economic performance and people's quality of life. The low domestic employment relative to active population explains a large part of the country's economic lagging. Even despite the record-breaking performance of labour market in 2019 and the temporarily favourable demography with one of the lowest proportions of people in the retirement age in the EU¹⁷. Most of the lag in the employment is explained by a deficit in labour migration. Too many Slovaks work abroad, while the number of foreigners working in Slovakia remains low and cannot compensate this deficit. Also, despite a decrease in the recent years, long-term unemployment is still a challenge, and so is the low labour market performance of MRC and the low share of working mothers with small children or people between 60 and 69 years of age¹⁸. The low domestic employment rate leads to low households' income and, consequently, low levels of material wealth and public revenue.

Positive changes in resource allocative efficiency have a very high potential to increase Slovakia's economic growth. The quality of public institutions is the major factor determining the effective allocation of existing resources in the economy. High regulation barriers for businesses, a low rate of workforce mobility among employers and regions, inefficiency of the public sector, low enforceability of ownership rights and a generally low degree of trust in institutions are all a real challenge for Slovakia. The utilisation of resources is also impaired by the fragmentation of local government, fragmented land ownership and a very low efficiency of the service sector, which may be attributed to the sector's informal transactions.

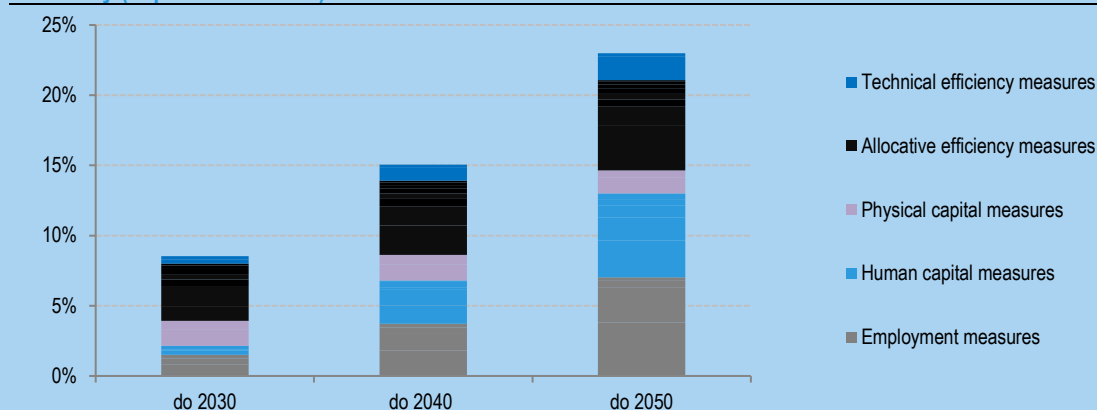
¹⁷ From a demographic perspective, Slovakia's labour market is now in its golden era. This is going to change substantially in the future. According to Eurostat's population projections, Slovakia will become the EU's fastest ageing country by 2070 and both the relative proportion and the absolute number of active population will drop markedly.

¹⁸ [Activity rate by age group.](#)

Box 1: Potential of structural reforms for the economy of Slovakia

IFP's estimates indicate that solutions to the identified key structural challenges in Slovakia's economy could deliver a GDP increase of 8.5% by 2030 and 23% by 2050¹⁹. Measures in the areas identified as the three major challenges, i.e. education, labour market and quality of public administration have the highest potential for the improvement of economic efficiency. By 2030, the highest economic benefits could be delivered by judicial system reforms based on CEPEJ's recommendations (1.4% of GDP), the application of saving measures recommended in the spending reviews of the *Value for Money* (VfM) unit (1.1% of GDP) and consistent prioritisation of transport infrastructure projects (1.1% of GDP). Measures with a big potential in the long run by 2050 include, in particular, those aiming to increase the employment rate of people between 60 and 69 years of age (3.8% of GDP), the continued implementation of saving measures recommended by *Value for Money* (3.2% of GDP), further streamlining of employment procedures for foreigners (2.5% of GDP), curricular reform focused on IT and other key skills and their systematic testing²⁰ (2.6% of GDP), brain drain reduction (1.7% of GDP) and measures for the inclusion of children from socially disadvantaged backgrounds (1.5% of GDP).

Figure 5: Cumulative contributions of selected structural measures to economic growth of Slovak economy (in per cent of GDP)



Source: IFP

The estimated and quantified measures are taken from IFP's and VfM Unit's analyses, international institutions' recommendations or other countries' good practices. They affect the supply side of the economy and, as such, have the nature of long-term structural changes. Also, they mostly respond to recommendations of transnational institutions, such as the OECD, the IMF or the EC. This, however, is not a mandatory requirement since those institutions are not in a position to cover all challenges of the Slovak economy exhaustively.

¹⁹ The analysis of effects of structural reforms is made using a supply-side economics model in which the potential of the economy is the product of the workforce number, human capital, physical capital and total factor productivity (TFP). The impact of TFP is divided into the allocative efficiency and technical efficiency contributions (Dujava, D., 2017, *Limity konvergenie nových členských štátov*). The human capital indicator is based on the proportion of top performers and that of basic performers according to the PIAAC survey, as described in Hanushek and Woessman (2011) and Dujava (2017). The relative contribution from physical capital (and workforce) used in the quantification of measures is $\alpha=0.5$, which is a simplified compromise between the different views found in academic literature. The GDP impact of each measure is in most cases quantified by simulating a single source of growth (L, K, HC, TFP), or no more than two sources (e.g. L and HC for inclusion policies). The relation between the performance indicator of a measure and the source of growth is based on elasticities in literature and a simplified cohort model. Alternatively, results of OECD surveys (Égert and Gal, 2016; Égert, 2018) or the concept of so-called "shadow prices" are used in the quantification. For measures with a long-term labour market participation impact, models used in the projections of the Ageing Working Group (AWG) are employed as a basis. More detailed information will be published in an upcoming specific study of IFP, which represents an update of the periodical *Three Challenges* publication.

²⁰ For example, reading with comprehension, communication skills, teamwork, solving complex problems and critical thinking

2 Measures adopted in 2018 and 2019

The NRP Action Plan implementation is evaluated in line with Country-Specific Recommendations for Slovakia approved at the June summit of the European Council and adopted by the Council in July 2019²¹. Since the preparation of reforms usually takes a longer time, the NRP 2020 incorporates also the measures taken in 2018 in response to Slovakia's identified challenges.

Performance against the targets defined in the *Europe 2020 strategy*²²

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Target 2020
Education, science and innovation											
Early leavers from education and training (% of population aged 18 - 24)	4.7	5.1	5.3	6.4	6.7	6.9	7.4	9.3	8.6	8.3	6.00
Tertiary educational attainment (% of population aged 30 - 34)	22.1	23.2	23.7	26.9	26.9	28.4	31.5	34.3	37.7	40.1	40
R&D expenditure (% of GDP)	0.6	0.7	0.8	0.82	0.88	1.16	0.79	0.89	0.84	-	1.2
Employment and social inclusion											
Employment rate (% of population aged 20 - 64)	64.6	65	65.1	65	65.9	67.7	69.8	71.1	72.4	73.4	72.0
Population at risk of poverty and social exclusion (% of population)	20.6	20.6	20.5	19.8	18.4	18.4	18.1	16.3	16.3	-	17.2
Environmental sustainability											
Non-ETS greenhouse gas emissions (% of change against 2005)	3.9	-0.8	-4.5	-4.6	-10.5	-9.1	-10.6	-3.8	-0.8	-	13
Share of renewable energy in gross final energy consumption (%)	9.1	10.3	10.5	10.1	11.7	12.9	12.0	11.5	11.9	-	14
Final energy consumption (% of change against average for 2001-2005)	1.4	-5.4	-9.2	-7.0	-12.5	-11.6	-8.7	-2.2	-2.4	-	-11.0

Slovakia is under-performing against the education, science and innovation targets defined in the *Europe 2020 strategy*. While the number of early school-leavers in the EU has been on the fall over an extended period of time, it has significantly grown in Slovakia in the last decade. Slovakia's expenditure on research and development approached the target only in 2015 when the available EU funds of the ending programming period were drawn. While the proportion of population with tertiary education is growing, it is not necessarily true for the quality of education. A majority of the best secondary school-leavers prefer studying at foreign universities. According to OECD, Slovakia has the second highest share of students attending foreign universities. The lagging behind in education is also evidenced by the PISA survey results or university research quality indicators.

The strong economic growth has contributed to a higher employment rate and a reduced risk of poverty in the population. Nevertheless, long-term unemployment remains above the average for the EU countries. Low employment persists among disadvantaged groups which are at a higher risk of poverty and social exclusion.

Only a mild improvement was achieved in environmental sustainability and the initial positive trend has reversed in recent years. Thanks to its reliance on a combination of nuclear energy and renewable sources, the share of low-carbon power generation places Slovakia in the leading position in the EU. In recent years, however, the proportion of renewable sources has stagnated and final consumption has been

²¹ Country-specific Recommendations - Slovakia 2019.

²² Target met, Target likely to be met by 2020, Target not met.

growing compared to the baseline. Also, the share of greenhouse gas emissions traded outside ETS has risen. This is, however, attributable primarily to new industrial investments. Existing operations remain on an emission reduction track. Despite the increase in emissions, the target has been met so far. It had been met with a substantial margin already at the time when set²³,

The lagging behind the EU and OECD countries is also seen in a number of other key areas that are monitored outside the scope of the *Europe 2020 strategy* targets. The quality of public administration is adversely affected by perceived corruption as well as low use of electronic services. The competitiveness of the business environment is adversely affected by excessive regulation and administrative burden; this is particularly true for the “Doing Business” category. The ineffectiveness of healthcare is manifested through a high rate of avoidable deaths and a relatively low life expectancy in comparison with the EU countries. The recently adopted changes in the pension system are not consistent with the objective of improving long-term sustainability of public finances.

²³ The country-specific targets were set for the Member States on the basis of their then-existing level. For newer Member States, a provision for increased emissions was made, while tighter emission reduction targets were defined for more developed countries (with a view to achieving the target for the EU as a whole). The fact that the target was fulfilled with a high margin reflects the philosophy behind the target setting process.

1. Fiscal policy and long-term sustainability

Country-specific Recommendation of the Council: Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems.

The implementation of the measures following from spending reviews improves the efficiency of public health insurance expenditure. Major savings were achieved by reducing the overconsumption of medicinal products and through the referencing of prices of medical materials and devices. The revision work of the state-run public health insurance company (VsZP) was improved. On the other hand, hospitalities' indebtedness keeps growing even despite the three rounds of debt relief effected in 2018 and 2019. The adopted pension system changes also disturb the long-term sustainability of public finances. They will have the effect of pension expenditure starting to grow markedly within a decade.

Fiscal policy

The effects of the current coronavirus pandemic and materialisation of other budgetary risks caused that the medium-term budgetary objective will not be achieved in 2020. The general government deficit amounted to 1.3% of GDP in 2019, highly above the balanced budget target. The tax, and social security measures adopted in 2019 even increased budgetary risks for 2020. This combined with the substantial loss of tax and public insurance contribution revenues and the fiscal costs of economic stabilisation measures may cause the budget deficit to reach 8.4% of GDP and the gross public debt to exceed 60% of GDP.

Institutional framework of the Value for Money project

The institutional framework of the Value for Money project is legally established in the Parliament-approved amendment to the legislation on budgetary rules. Since 2020, every successor Government has the obligation to carry out and publish reviews of its spending for the four years of its incumbency, and the scope of the review must cover at least one half of general government budget expenditure. The Implementation Unit of the Government Office of the Slovak Republic (GO SR) prepares an Implementation Report giving an account of performance against the spending review requirement, which becomes a part of the budget documentation. The law imposes an obligation on the MF SR to perform and publish investment project assessments. New rules have been adopted under which a general government body²⁴ will be required to prepare and publish a feasibility study²⁵ for its planned investments²⁶ and concessions. The evaluation of such feasibility studies and publishing of evaluation results will be the responsibility of the MF SR.

Health sector

Due to implemented saving measures, public health insurance expenditures decreased by EUR 106 million in 2019. However, the total expenditure of the health sector rose by EUR 119 million, in contrast with the initial saving plan which followed from the spending review. The general negative balance is attributable primarily to the growing expenditure of university and faculty hospitals. Because of the automatic salary increase mechanism introduced by law, hospitals were not able to achieve savings. This holds even despite savings obtained as a result of the centralised procurement of medical equipment for hospitals by the Ministry of Health of the Slovak Republic ("MH SR"). The targets initially set were unrealistic since they did not account

²⁴ Except municipalities and Higher Territorial Units (HTU), and state-subsidised and state-funded organisations set up by them.

²⁵ This will not apply to feasibility studies involving classified matters, which will be sent directly to the MF SR.

²⁶ Investment means expenditure on the acquisition of tangible and intangible assets (whether or not subject to depreciation/amortisation, including expenditure on financial and operational leases). The value of an investment or a concession for which the preparation and publication of a feasibility study is required and the conditions of preparation will be determined by a Decree of the Government.

for the automatic salary and wage increases. Also, hospitals generate additional costs on their bare operation and consumption of medicinal products and special medical materials²⁷.

MH SR's saving measures and their implementation (in EUR million)

	Plan 2017	Actual ²⁸ as of 31/12/2017	Plan 2018	Actual ²⁹ as of 31/12/2018	Plan 2019	Actual ³⁰ as of 31/12/2019	Potential saving
TOTAL saving measures	174	98.7	190	40.4	196	-119	363
Measures decreasing public health insurance expenditure	143	102.8	159	121.5	165	106	268
Overconsumption of prescription drugs - introduction of prescription restrictions for outpatient care providers	20	22.2	20	29.7	20	20.2	59
Exceptions to medications - introduction of rules for exceptions reimbursement	10	1.8	10	-0.2	10	-0.6	10
Potentially cost-ineffective medications - central procurement of medication by health insurance companies	25	-4.7	25	4.5	25	4.5	42
Special medical materials - price referencing	35	33	45	33	45	33	55
Medical devices - referencing and revision	15	10.4	15	22.4	15	15.4	15
Shared testing and treatment facilities - reduction in unit prices and limits for CT and MRI scans	10	10.9	16	5.9	22	6.1	25
Shared testing and treatment facilities - introduction of prescription limits for outpatient care providers	3	2.0	3	-6.5	3	-15	37
Improvement of VsZP's revision work	25	27.2	25	32.5	25	42.1	25
Measures reducing spending of hospitals (run by the MH SR)	31	-4.1	31	-81.1	31	-225	95
Optimisation of operating expenses	5	-3.1	5	-20.9	5	-54.4	10
Optimisation of medical processes	15	-23.4	15	-59.4	15	-134.8	74
Optimisation of drug and special medical materials procurement	8	6.8	8	-17.3	8	-51.8	8
Procurement of medical equipment	3	15.6	3	16.4	3	16.4	3
Non-recurring expenses ³¹	-	-	-	-100.3	-	-	-

Source: IU, MH SR, health insurance companies' data

A number of projects are being implemented, which are supposed to improve efficiency and transparency of the healthcare system:

²⁷ Even though revenues from public health insurance grew faster than was expected originally, they still do not cover growing expenditures on salaries, medicinal products, blood and special medical materials. Also, hospitals don't make any savings on non-medical operational costs: costs of utilities grew by 28% and other operating costs by 5% year-on-year.

²⁸ Actual figures as of 31/12/2017 include savings for the period from 01/01/2017 to 31/12/2017. The assessments are made against Plan 2017.

²⁹ Actual figures as of 31/12/2018 include savings for the period from 01/01/2017 to 31/12/2018. The assessments are made against savings envisaged in Plan 2018

³⁰ Actual figures as of 31/12/2019 include savings for the period from 01/01/2017 to 31/12/2019. The assessments are made against savings envisaged in Plan 2019

³¹ Prescribed penalties by the Social Insurance Agency – added in excess of the monitored measures. In the hospitals' accounting books, 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.

- **Digitalisation of health documentation and prescription.** Since the beginning of 2018, the *e-Health* system has been in operation for the prescription of medications and recordings of medical examinations. Starting from January 2019, healthcare providers' connection to the system is mandatory and liable to sanctions. By the end of 2019, 98% of outpatient healthcare providers and 86% of institutional healthcare facilities' units were connected, including all hospitals. The number of electronic records nearly doubled in comparison to 2018. The electronic prescription rate increased similarly. In 2019, 40% increase in prescriptions issued electronically was observed.
- **Implementation of a mechanism for reporting hospital treatments based on the diagnosis-related groups (DRG).** In 2017, a mechanism to report hospital treatments and services on the basis of diagnosis-related groups (DRG) has been launched. One year later, the five-year converging process of individual hospitals' rates to a one nation rate has started. To date, 60% of individual rates and 50% of group payments have been converged.
- **In 2019 the Government approved the first draft legislation for an institutional healthcare reform (stratification of hospitals).** The hospital stratification project has started in 2018 with the preparation of the implementation plan and amendments to the relevant legislation. The project was expected to induce substantial quality and efficiency improvements of the hospital operation. The proposed stratification project was not passed by the Parliament. Newly formed government will propose another reform of the hospital network to match regional needs.
- **Rules concerning medicinal products have undergone a number of changes³².** One positive outcome of this process is the amendment of the legislation on medicinal products enacted in the end of 2018, which has prevented uncontrolled addition of new costly medications in the categorisation system. Another favourable effect is expected to stem from the changes introduced in 2019, including the legislation imposing external referencing of prices of medicinal product to different packing sizes, modified rules for the application of exceptions regarding the so-called fixed co-payment and measures to thwart re-exports of medicinal products. Nevertheless, this remains an area with the highest saving potential. Rules for the reimbursement of medications under exceptions have not been adopted and expenditure on such medications is still growing. Expensive medicinal products which were included in the categorisation in the past remain a problem as they remain reimbursed from public health insurance irrespective of their cost efficiency.
- **In 2019, 43 standard prevention, diagnosis and treatment protocols (SPDTP) have been approved.** Preparations of as many as 400 draft SPDTP were in progress in 2019. The introduction of SPDTP aims to ensure that the whole population has access to treatments that are of a high quality, efficient, cost-effective and conforming to the latest scientific knowledge.
- **Efforts to reduce the prevalence of oncological diseases have been promoted, including the launch of preventive screening programmes for early detection.** Those run in 2019 included population screenings focused on the prevention of colon and rectal cancer, breast cancer and cervical cancer. Early detection of oncological diseases markedly increases the likelihood of successful treatment and improves the efficiency of the system.

Pension system

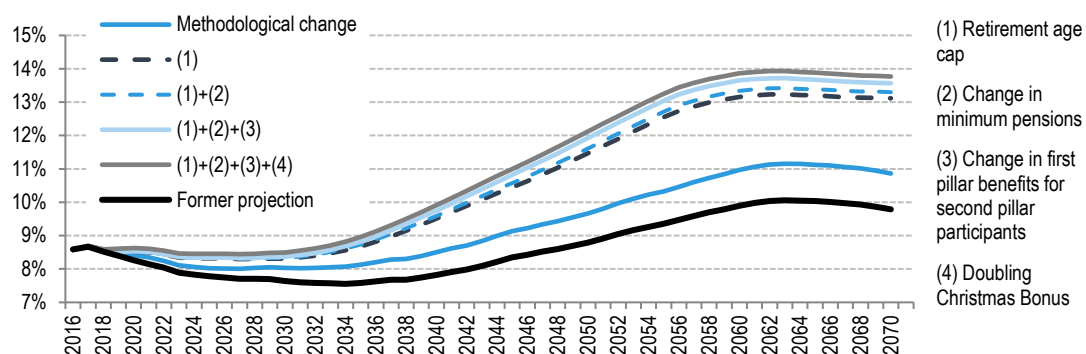
Projected pension expenditures in 2070 increased by 4 p.p. of GDP compared to the last projection made in 2018, from 9.8 % to 13.8 % of GDP³³. Of this change, 2.9% is attributable to the legislated pension system changes, including most importantly introducing retirement age cap, increasing and changing indexation in minimum pensions, changing the reduction of first-pillar pensions for second-pillar participants and doubling Christmas bonus. The deficit of the pension system will thus reach 6.9 % of GDP in 2070. Without those legislative changes, pension expenditures would decrease in the upcoming years from the current 8.6 % to 8 % of GDP. A more pronounced growth was expected to occur after 2035, with the current

³² The changes concern Act No 363/2011 and Act No 362/2011.

³³ The AWG methodology was used for the quantification. This methodology assumes that the growth of minimum pensions and the Christmas bonus is linked to growth of average wage, irrespective of the legislation in force. The projections were approved by both AWG and the Economic Policy Committee in February 2020. Details of the new projections can be found in the [update of AWG's long-term projections](#).

level achieved in 2040. The remaining portion of the increase in the projection for 2070 (1.1 % of GDP) is due to a methodological change in the quantification of minimum pensions³⁴.

Figure 6: Effect of pension system measures on pension expenditures (in % of GDP)



Source: IFP

A constitutional act instituting retirement age cap was adopted in 2019. This means that the retirement age increase will stop at 64 years; the cap for women will depend on the number of children: it will be reduced by 6 months for each of the first three children.

The retirement age will increase until the cap is reached, and then, the increase will be stopped despite increasing life expectancy. By introducing retirement age cap, the retirement age of all future pensioners was set. For men, the retirement age will increase by two months with each cohort until 2030, when it reaches 64 years. The lower retirement age cap for mothers and the modifications of women's retirement age adopted in 2019 will cause that their retirement age will not catch up with the general one. At the same time, the growth of their retirement age will slow down in comparison with former expectations. When people reach the retirement age, they will spend longer time in retirement, and this will lead to higher expenditure on pensions and pressure on the long-term sustainability of the pension system.

Minimum pensions were increased and their amount linked to the growth of the average wage. The concept of minimum pension was introduced in 2015 with the aim to ensure that persons who worked most of their life receive pension benefits in an amount higher than material deprivation benefits. The minimum pension was granted only to persons who had worked at least 30 years³⁵, rising proportionally to years worked. Its amount was linked to minimum subsistence level, which increases approximately at the rate of inflation. Effective from 2020, the minimum pension level has raised from 136% of the minimum subsistence level to 33% of minimum wage at 30 years worked. The additional increase for a longer career has remained unchanged. Minimum pensions have thus increased by approx. EUR 48.4 and their amount is now linked to growth of the average wage.

The reduction of first pillar pensions for second-pillar participants will be fairer. Pensions from the first pillar are reduced for savers in the second pillar proportionally to the ratio of their contributions paid to each scheme. Until 2019, this rule applied only to old-age insurance. Starting from 2020, the application will be extended to contributions paid to the solidarity reserve fund which is used mainly for the payment of pensions from the first pillar. Pensions of savers who reach the retirement age in 2020 will thus rise by about 3%.

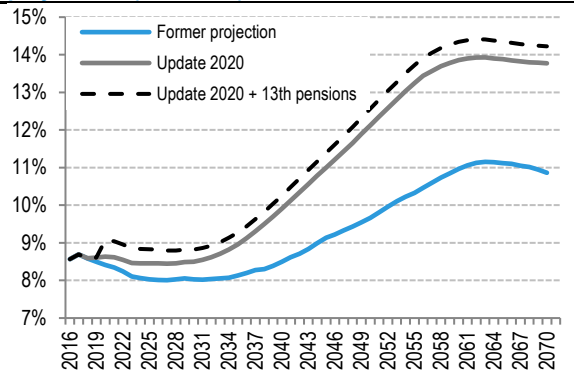
Expenditures on Christmas bonus almost doubled in 2019. This will mean an increase in expenditure of approx. 0.1% of GDP. Also, the number of eligible pensioners will be higher. While in the past eligible pensioners were only those whose aggregate amount of pensions received was not higher than 60% of average wage, from 2019 on, this limit is raised to 65% of average wage.

³⁴ The methodological change consists in a correction in the former calculation which undervalued the total expenditures on minimum pensions. Details of the new projections can be found in the update of AWG's long-term projections.

³⁵ Pension-eligible years are only those in which public insurance contributions were paid for the person in at least the amount corresponding to the assessment base of 24.1% of the average wage effective two years ago. This condition was left out of the new legislation.

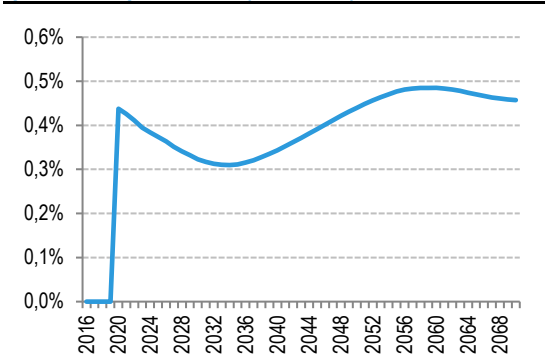
From 2020, the Christmas benefit will be replaced by the 13th pension. The Parliament adopted this change only in February 2020 and, therefore, it is not reflected in the updated projections³⁶. In contrast to the Christmas bonus, which decreased with higher pension, the 13th pension will be granted to every pensioner in the amount of the average pension³⁷. Additional expenditure on this measure will amount to EUR 442.2 million, i.e. approx. 0.4% of GDP in 2020. This measure will thus increase expenditure on pensions by between 0.3% and 0.5% of GDP over the projection horizon³⁸. Accordingly, pensions will rise from 13.8% to 14.2% of GDP in 2070.

Figure 7: Comparison of pension expenditures projections (in % GDP)



Source: MF SR

Figure 8: Effect of 13th pension introduction on pension expenditures (in % GDP)



Source: MF SR

Armed forces pensions will start to be indexed at the pension inflation rate only from 2022. Retirement pensions were supposed to be indexed at the pension inflation rate from July 2019. A transitional measure was approved in March 2019 based on which the rate of indexation in the years 2019 to 2021 will be linked to the years of service and the average amount of old-age pension paid under the primary (first-pillar) system. The measure will reduce expenditure on indexing pensions of armed forces for that period by EUR 4.5 million. Retirement pensions should then be indexed by the pension inflation rate, which guarantees the preservation of purchasing power of all pensions and contributes to the sustainability of public finances over a long term.

³⁶ Ageing-sensitive expenditures were updated and approved by the EC's Economic Policy Committee prior to the adoption of this measures.

³⁷ The particular average pension of the relevant type, e.g. an old-age pensioner will receive the average old-age pension.

³⁸ The assumption used in the projection is that the Christmas bonus would grow at the growth rate of average wage in the future. As average wage is growing faster than average pension, the additional expenditure will not grow during the whole projection horizon. Because of a substantial rate of growth of average wage in the first 20 years of the projection, expenditures on the 13th pension will decrease relative to GDP, while the Christmas bonus would grow fast in that period.

2. Quality of education and employment of disadvantaged groups

Country-specific Recommendation of the Council: Improve the quality and inclusiveness of education at all levels and foster skills. Enhance access to affordable and quality childcare and long-term care. Promote integration of disadvantaged groups, in particular Roma.

Inclusive model elements are promoted in the education, including the planned introduction of pre-primary education for all children from the age of five years effective from September 2021. The creation of jobs for teaching staff and specialists in work with children and pupils with special educational needs in kindergartens and primary and secondary schools is supported through projects and calls. The levels of teaching staff's salaries have raised, with the total increase amounting to one third of the wage tariffs of 2016. Since 2017, the number of pupils in the full-time dual education system has been rising by nearly 50% annually. New bachelor's programmes have been designed and new accreditation standards implemented, which are expected to ensure the improvement of skills in tertiary education. The inclusion of children from MRC in education and overall improvement of MRC's living conditions have been supported by a number of projects. Disadvantaged groups in the labour market are supported through new, more specifically targeted measures and a higher proportion of educational programmes initiated by labour offices. Legislation promoting the extension of capacities in childcare facilities for children below three years of age (nurseries) was successfully pushed through. However, funding for capacity building purposes was approved for 10 entities only.

Higher quality of and improved support for teaching staff

The adopted measures may help to improve the attractiveness of the teachers' profession. Low salaries, a low level of social appreciation and a bad image of the teachers' profession seem to be the main factors behind the lack of interest in study programmes for teachers³⁹. Wage tariffs for teaching and specialised staffs of regional schools have risen by 10% effective from 2019, and further 10% from January 2020. In excess of this general increase, wage tariffs for new teaching staff were further raised by 9.5% with effect from September 2019. In July 2019, a call with an allocation of EUR 7.3 million from ESF was published, aiming to improve the training of future teaching and specialised staff⁴⁰. As of March 2020, 15 applications in an aggregate amount of EUR 4 million had been submitted. Effective from September 2019, a new legislation on teaching staff and specialised staff⁴¹ has introduced a modified mechanism for attestation proceedings. The purpose of this legislative change is to improve the link between quality of work and remuneration at higher seniority levels. New legislation concerning continuous professional education of teaching and specialised staff amends the conditions for implementation supervision of education programmes and, at the same time, simplifies their accreditation. Also, it imposes the requirement for mandatory publication of education evaluation results on the provider's website⁴².

Alignment of education with labour market needs

Measures for upper secondary education concentrate on aligning supply and demand in the labour market. To match the supply with the labour market's demand for upper secondary school graduates, a new Decree was adopted and became effective from January 2019, setting forth new criteria for determining the maximum numbers of upper secondary schools' first-graders. The criteria reflect the prospects of upper secondary school graduates in the labour market (e.g. measured through employment in a particular field) and, at same time, afford support to schools participating in the dual education system. To ensure better targeting of funding and improved information of career advisors, the Ministry of Education of the Slovak Republic (MEdu SR) updated the lists of professions with workforce shortage and those exceeding labour market needs⁴³. Analysis of the graduates' ability to match the needs of the labour market has been enabled

³⁹ IVP's policy brief: „Atraktivita učiteľského povolania“, 2019.

⁴⁰ Improving the quality of training of future specialised and teaching staff.

⁴¹ Act No 138/2019

⁴² Article 69(1) (d)

⁴³ Secondary-level Fields of Study with Insufficient and Excessive Numbers of School-leavers.

by a data provision agreement between the Ministry of Education, Science, Research and Sports of the Slovak Republic (MESRS SR) and the Ministry of Labour, Social Affairs and Family of the Slovak Republic (MLSAF SR) effective from August 2019. Efforts to build up a basis for higher (post-secondary) vocational education programmes within the framework of the existing experimental testing system are on-going. The new programmes represent one of possible tools for improving both school-leavers' and employees' levels of qualification in line with the foreseen labour market changes. Compared to 2017, the number of employers participating in the dual education system increased by one third in 2018⁴⁴. The number of pupils in dual education rose by a half in that period, from 2,616 in 2017 to 3,894 in 2018. In 2019, the number of participating pupils grew year-on-year by further 49% to 5,806.

Tertiary education

Necessary systemic changes in the tertiary education are being designed in order to enhance the quality of tertiary education. In October 2019, the newly established Slovak Accreditation Agency for Higher Education presented draft accreditation standards for public consultation; the standards are to become effective in the first half of 2020. The main principle on which the draft standards are based on is the setting of requirements for internal quality systems and design of study programmes, and the delegation of responsibilities for the same to the universities alone. They are supposed to assume the accountability for their performance in educating students, and adequately cooperate with employers and other relevant stakeholders. Another positive contributor is a review of the system of fields of study, based on which their number was reduced from over 370 to 48. A survey was launched in December 2019 to examine, in particular, university graduates' preparedness for labour market needs. Similarly to regional schools' teaching and specialised staff, wage tariffs for university teachers and research and development staff were increased (by 10% with effect from January 2019 and by further 10% from January 2020). Also, starting university teachers' salaries also increased. Salaries of university teachers with up to 2-year professional experience rose by further 8.7%. Universities submitted 29 applications for support for the development of professionally oriented bachelor's programmes under the "*University for Practice*" call⁴⁵. A legislative amendment was adopted which allows scholarships to be granted to university students by businesses as their future employers⁴⁶.

Integration of socially excluded and marginalised Roma communities

Mandatory pre-primary education has been instituted with effect from 2021. Aiming to balance differences in the children's preparedness for primary school attendance, mandatory pre-primary education has been introduced for all children from the age of five years, starting from September 2021⁴⁷. In view of the expected increase in kindergartens' costs, the education allowance for children in this category will be increased from 15% to 43.75% of the minimum subsistence amount⁴⁸. Another means of support for children a pupils from disadvantaged communities is the "*free lunches*"⁴⁹ measure introduced from January 2019 for children in the last kindergarten year and from September 2019 for pupils of primary schools.

The implementation of projects targeting the inclusion of children and pupils from disadvantaged backgrounds with co-financing from the EU funds is continuing. The implementation of the "*School Open to All*" with the total allocation of EUR 30 million was completed in November 2019. The project

⁴⁴ In 2017, 137 entities made tax relief claims in the total amount of EUR 1 million; in 2018, the number of entities was 178 and the tax relief claims totalled EUR 1.5 million.

⁴⁵ The call for applications for a non-repayable financial grant to support the alignment of tertiary education with practice needs, [University for Practice](#). This stage involves only the preparation of proposals for new vocational bachelor's programmes of study. The implementation, i.e. putting the new programmes into practice should follow at the next stage. EUR 15 million were earmarked for the preparation of the new programmes. No agreements have been signed and funds drawn so far.

⁴⁶ Article 97a of the Act No 131/2002 on universities. Scholarships are exempt from tax and public insurance contributions up to certain amount and they are recognised as deductible expenses of businesses (Income Tax Act amendment effective from July 2019.)

⁴⁷ Based on the MESRS SR's analysis, ([IVP's policy brief: „Držim ti miesto“. 2019](#)) after the use of all finances from the EU funds allocated for this purpose, a capacity for 1,800 to 3,100 children of this age group will still be missing.

⁴⁸ Based on Article 6b of the Act No 597/2003 on the financing of primary and secondary schools and schooling facilities, as amended, the Ministry of Education may grant an education and upbringing allowance for kindergarten children. The allowance is intended for children who are to start their mandatory school attendance in one year, or are members of a household the members of which receive material-need benefits. The amount of the allowance for children from families in material need will remain unchanged.

⁴⁹ A grant to support education on proper eating habits.

supported the inclusive education of children with special educational needs in kindergartens and primary schools and the informal education of children from MRC. 130 primary schools and 50 kindergartens were supported under the project.⁵⁰ 422 new pedagogical assistant jobs and 234 specialised staff jobs were created. As a follow-up to this, the “*Professions Assisting the Education of Children and Pupils*” national project with an allocation of nearly EUR 55 million was launched in October 2019. The project also supports inclusive education at secondary schools. As at May 2020, 311 schools were participating in the project⁵¹. Aimed at improving the inclusiveness of education, the “*More Successful at Primary School*” call for projects (with the allocation of EUR 50 million) had been implemented from August 2018 to support the creation of new jobs for pedagogical assistants and inclusion teams⁵². As at May 2020, 472 projects were in progress⁵³. These efforts have been continued since April 2019 through the “*More Successful at Primary School II*” call under which 113 projects were implemented as at May 2020⁵⁴.

Improving the living conditions of people from MRC

A number of projects have been supported with the aim of generally improving the living conditions of people from MRC. The supported areas include the development of crisis intervention social services (field social work, community centres), health (health edification assistants), financial literacy and local civil order enforcement services. The implementation of national projects in 2019 ensured the second-stage continuation of projects as well as their sustainability underpinned by legislative changes⁵⁵, and employment of 1,345 people (including 299 Roma people). Investment measures included the construction and reconstruction of community centres and kindergartens, remediation of illegal landfilling sites and construction of municipal waste collection sites, and provision of wells and drinking water dispensing facilities and transient housing facilities. Until now, almost 22 thousand people from MRC have benefited from the improvement of housing conditions through the investment projects. As an example, 5.5 thousand members of MRC now have better access to drinking water. Improved access to drinking water is also confirmed by the outcomes of the most recent survey on living conditions of people from MRC in Slovakia, which was performed as part of the preparation of the new *Atlas of Roma Communities 2019*. Today, 61% of the hundred biggest Roma communities in Slovakia have access to drinking water (compared to 48% in 2013 and 36% in 2004). The implementation of the second stages of national projects targeting the improvement of employment, education and living conditions of people from marginalised Roma communities was continued in 2019.

Support for disadvantaged groups in the labour market

Projects focused on disadvantaged groups in the labour market were further implemented. Compared to 2016, the number of people supported through active labour market measures rose from nearly 170 thousand to over 180 thousand. Support for long-term unemployed has been maintained at 50% of the total amount of support in the long run. With the substantial decrease in unemployment in the recent years, however, the proportion of least employable groups of the participants in active labour market programs should rise. Approximately one in two unemployed members of the majority population is supported through the active labour market measures, disregarding activation works. Support for MRC remains implemented through low-efficient activation works. With this form of aid excluded, the support for this group makes only half of that provided to the major population⁵⁶.

Nevertheless, a number of projects implementing activation measures for disadvantaged groups have emerged under the Action Plan⁵⁷ since 2016. Target groups include, in particular, people with low qualification, members of marginalised Roma communities and low-skilled young people. Improvement was

⁵⁰ 19,147 primary-school pupils with special educational needs and 5,447 children in kindergartens were supported, including 3,387 teaching and special employees engaging in activities aimed at improving vocational competences.

⁵¹ 75 kindergartens, 175 primary schools and 61 secondary vocational schools and grammar schools (“*gymnazium*”).

⁵² Positions such as psychologist, special pedagogue and social pedagogue.

⁵³ As at May 2020, the total number of project with signed agreements is 484 and the aggregate committed amount is EUR 39.8 million.

⁵⁴ As at May 2020, the total number of projects with signed agreements is 218 and the aggregate committed amount is EUR 8.7 million.

⁵⁵ Amendments to the Social Services Act and the Schools Act and other related legislation.

⁵⁶ [IFP's policy brief \(2018\): Inklúzia Rómov je celospoločenskou výzvou.](#)

⁵⁷ [Action Plan to Support the Integration of Long-term Unemployed in the Labour Market in the SR.](#)

also achieved in the provision of professional and individualised services by labour offices. In 2017, 53 specialised advisors were hired for labour offices in the least developed districts who provide individualised services to job seekers (JS). Additional 123 specialised advisors were hired to provide individualised advice to long-term unemployed. Approx. 32 thousand JS had been supported through this activity by the end of 2019⁵⁸.

Support provided through relatively more efficient education and re-qualification programmes rose, too. Nearly 35 thousand people were supported under JS education initiatives. This is double the number of 2016. The proportion of those supported through this instrument increased to around 20% of all supported persons. Labour offices provide re-qualification services to enable the employment of JS in machinery engineering production operations where workforce is lacking. This project also provides vocational education in certified education programmes for different job positions⁵⁹.

Labour market upskilling will also be supported through a system of measures to improve the adaptability to labour market changes. The “*Sector-driven Innovation towards Efficient Labour Market in the Slovak Republic*” national project was launched in April 2019, aiming to improve the foreseeable skill and employment needs and enhance the quality and capacities of public employment services in order to achieve better supply-demand alignment in the labour market. Coordinated by the MLSAF SR, Sectoral Boards will prepare the *Sectoral Strategies for Human Resource Development by 2030*. The total project allocation is nearly EUR 20 million and its implementation is to be completed by February 2023. A new web-based information platform was launched under the “*Forecasts for Labour Market Development in the Slovak Republic II*” project⁶⁰. Also, intensive monitoring of the school-leavers’ ability to find job in the labour market, structured by field of education and occupation, was launched; a new website was created to reduce information imbalance⁶¹ and to help individuals to make informed decisions in choosing a relevant area for upskilling.

The Ministry of Labour adopted the social economy legislation⁶² in support of regional and local employment. The acquisition of working habits, knowledge, working and social skills by disadvantaged groups in the labour market is being promoted through social economy entities. The target groups include, in particular, long-term unemployed, low-skilled and elderly persons, minority or ethnic group members and disabled persons.

Work-life balance

A number of projects will be launched to support the availability of childcare facilities for children up to three years. Conditions were provided to enable the drawing of the EU funds for project financing in the Programming Period 2014 - 2020. Financial support for childcare facilities for children up to three years of age has been provided to both public and private operators (the total allocation for this support is EUR 13.5 million). 42 projects were proposed and 10 of them approved by the end of 2019⁶³. A legislative amendment was passed with modified qualification requirements for child caregivers and accredited childcare courses⁶⁴. In order to increase the employment of persons with parental duties, in particular women, a project was started in September 2019 to create flexible jobs and thus enable the return to the labour market⁶⁵. Over 500 jobs and 198 employers/institutions had been supported by the end of 2019. The policy towards supporting facilities for children up to three years of age is not adequately coordinated. Childcare allowance (up to EUR 280) is provided to parents to help them to cover childcare service costs. However, its meaningfulness has been impaired by increasing the parental allowance for working parents to EUR 370.

⁵⁸ 50 thousand is planned by August 2021. As of the end of 2019, the number almost tripled on 2018.

⁵⁹ Mechatronics Technician, Industrial Mechanic, Tool Fitter, Jig Mechanic, Electronics Technician For Automation Technology, Automotive Electronics Technician, Automotive Electrician, Automotive Mechanic, Automotive Mechatronics Technician, Logistics And Warehousing Worker, CNC Machine Operator, Metal-Worker, Machinery Mechanic and Machinist, Machinery Production Automation Worker

⁶⁰ www.trendyprace.sk

⁶¹ www.uplatnenie.sk (so-called “School-leaver’s footprint”)

⁶² Act No 112/2018 on social economy and social enterprises.

⁶³ There are further 4 projects on stock, the implementation of which will depend on the availability of funding.

⁶⁴ There are presently seven entities with valid accreditation for a caregiver training programme with a length of at least 220 hours.

⁶⁵ With the allocation of EUR 11 million.

3. Infrastructural investments

Country-specific Recommendation of the Council: Focus investment-related economic policy on healthcare, research and innovation, transport, notably on its sustainability, digital infrastructure, energy efficiency, competitiveness of small and medium-sized enterprises, and social housing, taking into account regional disparities. Increase the use of quality-related and lifecycle cost criteria in public procurement operations.

In the housing area, the new measures improve the conditions of public rental housing development support for businesses as well as local governments and promote labour mobility. In the research and development support area, the super-deduction of R&D expenses has increased again. The Government adopted key strategic documents for the development of the digital infrastructure and economy. Healthcare sector investments are directed mainly to the renovation and construction of hospitals. Electro-mobility infrastructure and use are promoted through several subsidisation schemes. Grants for low-emission heating equipment aim to reduce air pollution.

Support for rental housing

New measures in the housing area will help to promote workforce mobility and reduce regional disparities. With effect from January 2020, improved conditions of rental housing development support for both businesses and local self-governments have been implemented. Businesses now have access to more advantageous loans from the State Fund of Housing Development (SFRB) for financing the acquisition of rental housing facilities. The new advantages include a higher limit for the maximum loan amount and the maximum floor area and abolition of the limit of maximum eligible costs per square meter of floor area. Local self-governments may also benefit from the more advantageous conditions, including those of subsidies from the Ministry of Transport and Construction of the SR (MTC SR) and of SFRB loans. Local self-governments as well as businesses can also use advantageous loans from SFRB for the acquisition of land for rental housing projects. The new legislation has also increased the maximum limit for eligible acquisition costs, while taking into account the specifics of regional capitals. Despite the improved conditions for obtaining repayable financial aid, the amount of funding available for non-repayable grants from the MTC SR has significantly decreased. The sum earmarked for non-repayable housing support in the general government budget for the years 2020 to 2022 is 50% lower than in 2019⁶⁶.

One of the forms of supporting rental housing is through the development of social housing enterprises. The adopted legislation on social economy and social enterprises has provided a legal framework for a new, specific type of registered social enterprise, a so-called 'social housing enterprise'. Its purpose is to provide reasonable housing, respecting human dignity, for a specifically identified circle of people, subject to certain statutory conditions. This will facilitate the development of rental housing following the rental housing model of Austria, which has been operated successfully for tens of years. The formation and operation of social housing enterprises is not intended to substitute, or interfere with, the rental housing model functioning in Slovakia, which is based on a combination of grants from the MTC SR and advantageous loans from SFRB. On the contrary, the intention is to complement that model by social housing enterprises.

With the aim to improve labour mobility, a new purpose of support was introduced in 2019, namely the procurement of a boarding house. A boarding house will be defined as a building offering long-term accommodation for employees of companies employing people from more distant regions of Slovakia, or for foreign workers. In order to support the mobility of workforce and the financing of housing constructions from corporate funds, a provision was incorporated in the tax legislation in 2020 which allows an employer employing more than 49 persons to depreciate a building categorised in the depreciation group 6 over a 6-

⁶⁶ The planned amount of allocation to housing support in the general government budget for the years 2020 to 2022 is EUR 20 million. The 2019 allocation was double that amount, i.e. EUR 40 million. The reduced coverage from public funds may decelerate housing development and reverse the positive trends otherwise facilitated by more attractive lending terms and loan conditions.

year depreciation term⁶⁷. Moreover, the limit for tax exemption of accommodation provided by an employer to its employee as a non-financial benefit will be increased from EUR 60 to EUR 100 per month. For an employee working with the employer continuously for at least 24 months, the exemption will be limited to max. EUR 350 per month. Effective from 2021, employees' commutation to work organised by the employer will also be treated as a tax exempt non-financial benefit up to EUR 60 per month.

Support for research, development and innovation

The super-deduction of R&D expenses was increased as a measure to support businesses' research and development efforts. The amount increased from 25% to 100%, to 150% and to 200% in 2018, 2019 and 2020, respectively. The R&D expense super-deduction option was used by 257 firms in 2018 and the total tax relief amounted to EUR 25 million⁶⁸. This instrument thus supported one third of all corporate R&D expenses⁶⁹. With the further increase to 150% of expenses approved in 2019, the estimated total amount of relief is EUR 45 million. A major portion of this increase is attributable to the higher super-deduction percentage. Recipients are mainly large, well-established companies.

Digital infrastructure

In 2019, the Government adopted key strategic documents for the development of the digital infrastructure and economy. The *Strategy of Digital Transformation of Slovakia 2030* and the *Action Plan for the Digital Transformation of Slovakia for 2019-2022* were approved in May 2019 and July 2019, respectively. The documents define Slovakia's vision and priorities with regard to the digital transformation of its economy and society. An emphasis is put on the current innovative technology, such as artificial intelligence, internet of things, 5G, big data and analytical data processing, blockchain and supercomputers. Measures foreseen for the next four years will focus on supporting the digital transformation of schools and education, promotion of digital skills and competences, building up a data-based economy, increasing public administration's innovation capacities and capacity building for artificial intelligence research.

The development of digital infrastructure for high-speed internet will be supported. Mapping was carried out to identify the current and planned ultra-fast broadband coverage in Slovakia. Based on the outcomes, the Slovak Republic's strategic vision for digital connectivity will be prepared in the context of the EU's objectives for gigabyte society, the *National Broadband Plan*.

Investment in healthcare

Investments in the health sector target renovation and construction of hospitals. The Government approved a comprehensive reconstruction project for the hospital in Banská Bystrica, its completion is expected by 2023⁷⁰. The procurement process for the project contractor took place already and the Office for Public Procurement is reviewing its results. A project for a new University Hospital in Martin is being prepared⁷¹. The draft of the project, including analysis of alternatives and detailed financing plans, was submitted to the VfM Department for evaluation. A new complex of the University Hospital in Bratislava (UNBA) is planned to be opened in 2023⁷². Demolition works of the existing building frame started in 2019.

Green public procurement

Aiming to increase the proportion of green public procurement, the *Concept of Green Public Procurement Development and Implementation*⁷³ was approved. The concept outlines concrete measures supposed to promote the application of green public procurement. This includes, as an example,

⁶⁷ The employer is either a business company or a cooperative. The condition applies here that the accommodation building must be owned by the employer and classified under the Building Classification Code 112 (housing buildings with two or more flats) or 113 (other housing buildings), and the floor area of each housing unit must not exceed 100 m². Another condition is that the building must have been acquired by purchase or through in-house activity and at least 70% of the building must serve the accommodation of persons having an employment relationship with the employer.

⁶⁸ For comparison, the total tax reduction on account of the super-deduction of R&D expenses in 2017 amounted to EUR 8.2 million with 165 businesses.

⁶⁹ According to Eurostat data, the corporate sector's expenses amounted to EUR 406.1 million, in comparison to EUR 405.3 million in 2017.

⁷⁰ [Government Resolution No 49/2019](#) of 7 February 2019.

⁷¹ [Government Resolution No 603/2018](#) of 19 December 2018.

⁷² [Government Resolution No 161/2017](#) of 5 April 2017.

⁷³ <https://rokovania.gov.sk/RVL/Material/24227/1>

the preparation of green public procurement methodology, emphasis on training, identification of commodities suitable for green procurement, or drafting a public procurement amendment bill.

Investment in sustainable transport

Investments in public transport and improvement of its environmental impact will reduce the pollution. Support for urban mobility and railway transport will facilitate the transition from reliance on individual motor vehicles to the use of public transport. The primary objective is to improve the parameters of transport infrastructure, build transit terminals and park-and-ride facilities and upgrade the vehicle fleet.

Electro-mobility infrastructure and use are supported. The share of electric vehicles in all newly registered vehicles in Slovakia in 2018 was only 0.3%⁷⁴. Until 2018, over 800 electric and plug-in hybrid vehicles were supported under schemes run by the Ministry of Economy of the Slovak Republic (MEco SR) and the Ministry of Environment of the Slovak Republic (MEnv SR). In 2019, the MEco SR launched another round of grants subsidising purchases of electric or plug-in hybrid vehicles and the construction of public charging stations, which will actually be drawn in the current year. The allocation of EUR 5 million for the grants will cover the purchase of 689 electric vehicles and 97 plug-in hybrid vehicles. A scheme for the construction of public charging stations supported 144 charging points in 72 municipalities and towns; the total scheme costs were EUR 350 thousand. The planned call with a budget of EUR 650 thousand for 2020 has been suspended for the reason of the current crisis. The targeted tax support for electro-mobility lies in the introduction of a new depreciation group 0 with 2-year depreciation term for electric vehicles and plug-in hybrid vehicles (BEV and PHEV), which will apply already to income tax returns filled for 2019.

Investment in the environment

A boiler upgrade subsidy will contribute to reducing the proportion of population exposed to harmful tiny dust particles. A call was announced in 2019 under the OP *Quality of Environment* which is intended to support the replacement of devices firing solid fuel by low-emission solutions, such as gas boilers⁷⁵. Household heating devices using solid fuel are the major source of PM2.5 particles in the air, in particular in poorer regions.

Reduction of energy intensity

Legislation on energy performance contracting for the public sector was adopted and the relevant model contract published in 2019. The Slovak Innovation and Energy Agency (SIEA) started providing technical assistance to general government and public administration bodies concerning energy performance contracting. The legislation will allow a comprehensive upgrade of public buildings and public lighting systems across the country.

Transformation of the Horná Nitra region

In 2019, the Government approved the Action Plan for the Transformation of the Horná Nitra Coal Region. The Plan is based on four pillars: mobility and interconnectedness in the region; economy, entrepreneurship and innovation; sustainable environment; and quality of life and social infrastructure. The Action Plan preparation process also involved the gathering of indicative project plans: over 200 proposals in the aggregate amount of EUR 3.1 billion were submitted, with a creation potential of 10 thousand jobs.

⁷⁴ The average share of electric vehicles in the total number of new vehicles registered in the EU is 2%. A half of the EU countries have a share below 1%.

⁷⁵ Call for state-funded and state-subsidised organisations and Higher Territorial Units which will transfer the grants to citizens (<https://www.op-kzp.sk/obsah-vyzvy/55-vyzva-zamerana-na-opkzp-po1-sc141-55/>).

4. Quality of public governance and business environment

Country-specific Recommendations of the Council: Continue to improve the effectiveness of the justice system, focussing on strengthening its independence, including on judicial appointments. Increase efforts to detect and prosecute corruption, in particular in large-scale corruption cases.

The “visiting judge” position was introduced in 2019 with the aim of improving the effectiveness and efficiency of judiciary. To reduce the excessive workload on judges, legislation on the dismissal of certain legal debt enforcement proceedings was adopted. To reinforce fight against corruption, the new Whistleblower Protection Office was set up and the Action Plan for the Reinforcement of Fight Against Corruption and Fraud Involving EU Funds adopted. Amended legislation on judges and lay judges is supposed to improve the expertise and quality of training of new judges, referred to as candidate judges. Steps are taken to reduce the administrative burden on both businesses and courts and improve the Business Register electronic services. A number of measures included in the three anti-bureaucracy packages were implemented.

Judiciary and anti-corruption action

Aiming to improve the effectiveness and efficiency of the judicial system, the Parliament approved the introduction of the “visiting judge” position in 2019. A visiting judge will operate in lieu of a judge who is temporarily not performing the office because of maternity/parental leave or long-term sick leave or internship. The purpose of this measure is to ensure the smooth running of courts and the enforcement of justice, and to tackle situations arising from the temporary absence of a statutory judge. The visiting judge will operate at the court until the return of the absent judge and then, the visiting judge will move to another court.

An amendment to the legislation on judges and lay judges was adopted with a view to improving the professional preparation of future judges for the office. Effective from 2020, the legislation on the preparation of candidate judges provides for a higher remuneration for trainers in order to enhance their motivation and the quality of training of a candidate judge. The requirements for the candidate’s knowledge and professional competence were aligned with those applicable to a judge in office. The legislation has also introduced more transparency and objectivity into the selection process. The need for higher quality and preparedness of candidate judges correspond to the staff needs of Slovakia’s judicial system. A high number of judges past the retirement age are still active in the system and will have to be replaced in the next years.

To reduce the excessive workload on judges, legislation on the dismissal of certain legal debt enforcement proceedings was adopted. It introduces the possibility of dismissing debt enforcement proceedings on the ground of the debtor’s lack of property/assets if the debt has not been enforced within five years. The creditor will have to choose between filing the claim again and writing the debt off. The law will also reduce the workload on courts due to high quantities of enforcement files they are obligated to maintain irrespective of enforceability. The Ministry of Justice of the Slovak Republic (MJ SR) estimates that this legislation may lead to the dismissal of over 1.2 million legal debt enforcement cases (around 30% of all debt enforcements pending at courts) by 2023.

New whistleblower protection legislation came into effect in March 2019. The new *Whistleblower Protection Office* was set up and tasked with cooperating with and providing legal assistance to whistleblowers⁷⁶. The Office will be responsible for ensuring the protection of whistleblowers, supervising compliance with the law, providing expert opinions and advice on the application of the law, promoting awareness about whistleblower protection and remunerating whistleblowers.

A strategy to detect corruption practices in the implementation of projects under the EU funds was developed. At the end of 2019, THE ODPII in cooperation with the OECD developed the strategy and action plan for strengthening the fight against corruption and fraud involving the EU funds. The strategy

⁷⁶ The Office is not operating because the Office Chair position is not staffed yet.

concentrates on reinforcing the effectiveness of risk management policies in relation to fraud and corruption and implementing control activities and fraud risk assessment.

Socially and economically excluded groups' access to legal aid has improved. In order to enhance the efficiency of the provision of legal aid, three new offices and 12 new consultancy points of the Legal Aid Centre were set up, thus making legal aid even more accessible. Following the amendment to the legislation on bankruptcy and restructuring, 35 new employees were deployed in the existing offices. The Centre also provides information and legal aid to clients through its newly established call centre.

Digitalisation of public administration

The digitalisation of public administration processes was continued so as to eliminate the administrative burden on citizens and businesses. To that end, several amendments to the legislation referred to as Anti-bureaucracy Act were adopted. The so-called second round of measures will eliminate the need for both natural persons and legal entities to bring physical certificates of tax arrears or public health and social insurance contribution arrears to public authorities. The submission of school attendance certificates and certificates of dependent child allowances has also been eliminated with effect from December 2019.

Business environment

Steps are taken to reduce the administrative burden on both businesses and courts and to improve the Business Register electronic services. As a part of the first stage of efforts to improve the effectiveness of the Business Register, the amendment to the Commercial Code to be effective from October 2020 aims to introduce new, more efficient processes for the winding-up and liquidation of entities registered with the Business Register. New procedures for the registration of information in the Business Register will be submitted to the Government for discussion in the course of 2020. The reduction of administrative burden on businesses is closely related to successful digitalisation of public administration.

A number of measures included in the three anti-bureaucracy packages were successfully implemented in the course of 2019. They were, in particular, the measures of the third anti-bureaucracy package. The aggregate number of implemented measures for all three packages is 30. This means that 67 measures in total have been implemented out of the total of 95 planned measures. Methodological guidelines and checklists were issued for entrepreneurs to make the application of the current legislation more comprehensible and more transparent to them. Also, various ordinances in the public health area were amended, which has helped to reduce the regulatory burden on entrepreneurs running catering and sports facilities. The application of the once-is-enough rule enabled the automation of the registration of business entities for income tax using data from the register of legal entities and natural persons. The obligation to issue liability insurance certificates was abolished. However, the planned acceleration and simplification of the construction permits (as part of the first anti-bureaucracy package) has not been achieved yet. And despite the fact that "dealing with construction permits" is the worst rated indicator of Slovakia in the Doing Business ranking⁷⁷.

⁷⁷ The envisaged new construction legislation, which would significantly accelerate the construction permission proceedings, have remained stuck at the stage of evaluation of inter-ministerial consultation results.

3 Macro-economic framework and medium-term forecast

The Slovak Government perceives macroeconomic and fiscal stability as an essential prerequisite for sound economic development and growing quality of life. The following Chapter outlines the basic macro-economic outlook.

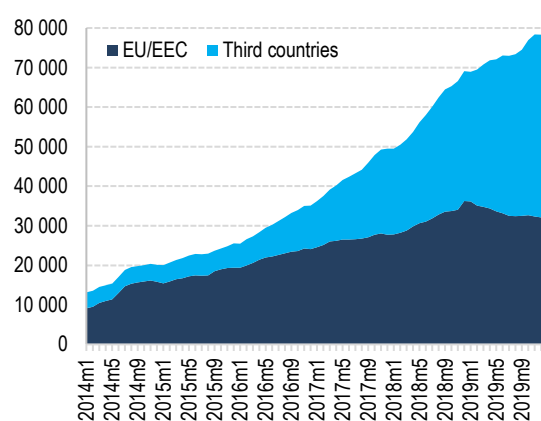
Slowdown in foreign demand in 2019 caused a lower economic growth

After reaching its cyclical peak in 2018, the growth of the Slovak economy substantially decelerated to 2.3% in the last year. The unfavourable trend in foreign demand affected mainly Slovakia's export-oriented industries. However, the labour market resisted this pressure and with the historically lowest unemployment rate, employees' wages rose the most since 2008. However, households remained cautious about spending and their additional income was reflected in record-breaking savings. The aggregate government consumption expenditure rose primarily due to the increase in wage tariffs for public sector employees.

Labour market dynamics slowed down at the end of 2019. Employment was 1.2% higher compared to the last year. But the creation of new jobs in the last quarter of 2019 was the slowest in the last five years. While the service and construction sectors and general government achieved positive increments, the employment in industry declined markedly by 1.2% in the second half of the year. The outlook for the industrial sector had for long been pessimistic as sentiment surveys reflected the cooling of Germany's economy and expectations for future employment were at several-years lows. Year 2019 was historical in terms of employment of foreigners. At the end of the year, over 78 thousand non-residents were working in Slovakia, which is a six-fold increase since 2014. Even with the decelerated employment dynamics and record-breaking non-resident employment, the unemployment rate was at its historical minimum of 5.8 %⁷⁸.

The average nominal employee wage in the Slovak economy was EUR 1,092 in 2019. Wages rose by almost 8%, the highest pace since the 2009 crisis. Faster inflation did not halt the real wage acceleration, which increased by 5% in the last year and again surpassed the labour productivity growth rate. The wage-productivity scissors thus remain open since 2014.

Figure 9: Employment of foreigners was at record highs in 2019 (number of persons)



Source: ÚPSVaR

Figure 10: Real wage growth overtook labour productivity (%)



Source: IFP, MF SR

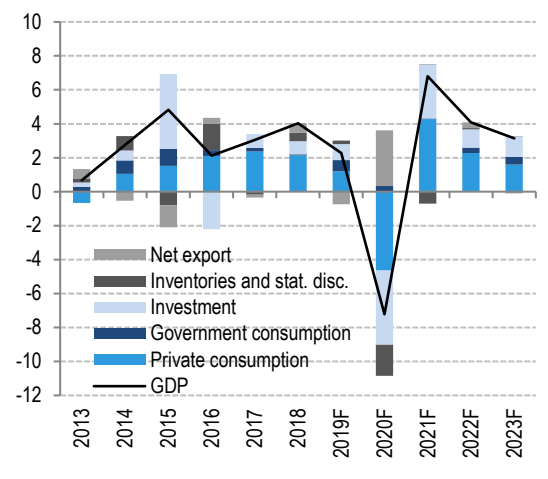
The acceleration of inflation in 2019 was due mainly to higher prices of food, utilities and services. The annual price increase measured by CPI reached 2.7% (2.8 % as per HICP⁷⁹). Driven by, among other factors, fast-growing wages, prices of services continued to rise in the last year. Food prices also grew substantially, which was partially due to the rise of regulated prices of utilities since the beginning of the year.

⁷⁸ Annual average.

⁷⁹ Harmonised consumer price index.

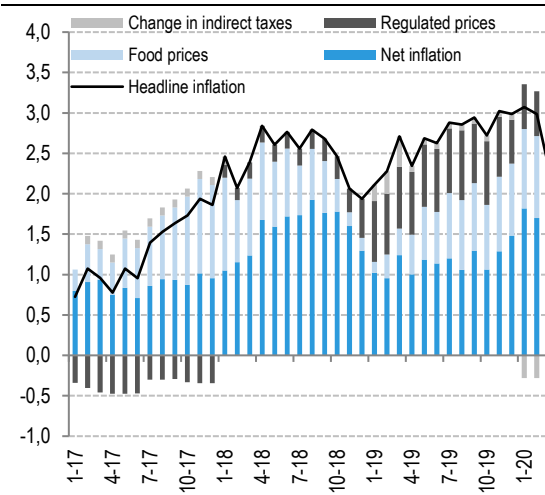
Prices of tradable goods rose only moderately, reflecting the low inflation level prevailing within the Eurozone, while fuel prices kept declining in response to falling oil prices.

Figure 11: Contributions to GDP growth in Slovakia, 2013 - 2023 (in pp)



Source: ÚPSVaR

Figure 12: Structure of consumer inflation - y/y contributions of CPI components (in pp)



Source: IFP, MF SR

Slovak economy will get infected with the coronavirus in 2020

The global pandemic will pull Slovak economy into recession in 2020 and GDP is set to decline by 7.2% according to the most current predictions. This estimate is based on the assumption that the Slovak economy and its foreign business partners will remain strongly affected by the pandemic for two months. The economic performance will markedly drop particularly in the second quarter of the year across all of the service, industry and construction sectors. A gradual upturn is expected in the second half of the year, though not in all sectors, as partial limitations may still persist. The pre-crisis performance is supposed to be caught up only close to the end of 2021.

Employment will drop substantially in 2020, with the labour market losing 88 thousand jobs. Most affected people will be those working in specific service sectors (tourism, catering services, retail shops or transport), but also in the industrial and construction sectors. The Government's measures will, however, mitigate the growth of unemployment. We estimate that without those measures, the number of redundancies and unemployed persons would be almost 20 thousand higher. We expect the improvement of the labour market situation in the second half of 2020, but it will be only gradual and the pre-crisis employment levels will not be reached by the end of the forecast horizon. Accordingly, the rate of unemployment will rise to 8.8% in 2020. While it is supposed to decline in upcoming years, it will still remain above the pre-crisis level.

The growth of average nominal wage in 2020 will decelerate to only 1.6%. This is a substantial decrease, particularly in the private sector, compared to 2019 and the February forecast. The average wage trend will be tamed because of the large number of beneficiaries receiving caregiving allowances and sickness benefits, and of lower earnings due to reduced time worked. Real wage will stagnate as a result of decline in economic activity. In the coming years, wage dynamics will recover and the labour market strengthen.

Inflation will slow down to 1.7% in 2020. The decline is driven primarily by a substantial fall in oil prices due to lower demand and the price war between producers. The lower oil price level will also damp the growth of food prices through lower costs of inputs in agriculture. Prices of services and tradable goods will respond to the economic decline with a certain delay. The prices subject to regulation are affected by the increased electricity prices effective from January of this year.

Risks to the forecast are negative. An uncertain duration and possible second wave of the pandemic may deepen the economic decline. Global supply chains may disrupt and the re-establishment of their coordination may take longer, thus decelerating recovery. Last but not least, as part of their risk management

efforts, businesses may prioritise creating liquidity reserves over investment, and a higher emphasise may be put on the geographic diversification of suppliers.

4 Planned measures in structural topics

This Chapter describes the measures to which the Slovak Government committed itself in the *Manifesto of the Government of the Slovak Republic for 2020 to 2024* (Manifesto)⁸⁰. The measures cover the areas of economy, education, social agenda, environment, public administration and enforceability of law. The Table below also summarises the most important measures planned for the next two-year period which, respond to the individual Country-Specific Recommendations of the Council (CSRs). The measures are further particularised in the Chapters below.

CSR	Task name	Deadline	Sponsor
1	Implementation of spending caps and consideration of savings identified through spending reviews in the Ministries' limits	30/06/2021	MF SR
1	Publishing of the Ministries' key budgetary performance targets	31/12/2020	MF SR
1	Putting programme-based budgeting into operation	30/06/2021	MF SR
1	Pension system reform	31/12/2020	MF SR, MLSAF SR
1	Implementation of a default saving strategy for second-pillar savers	31/12/2020	MLSAF SR
1	Healthcare consumption analysis for the hospital network reform (hospital stratification)	30/09/2020	MH SR
1	Implementation of recommendations from the healthcare spending review	31/12/2020	MH SR
1	Review of long-term care spending	31/12/2020	MF SR, MH SR, MLSAF SR
1	Improved investment management and assessment and financing of highest-return projects only	31/12/2020	MF SR
1	Analytically supported and prioritised budget-linked investment plans	30/09/2020	ministries, MF SR ⁸¹
2	Improvement of the quality of and support for teachers	30/06/2021	MESRS SR
2	Alignment of education with labour market needs	31/12/2020	MESRS SR
2	Completion of the preparation process for the functioning of the Slovak Accreditation Agency for Higher Education and preparation of methodology for regular assessment of universities' creative work	31/12/2020	MESRS SR
2	Effectiveness and efficiency improvement of employment services, with a focus on disadvantaged groups (implementation of client profiling)	30/06/2021	MLSAF SR
2	Employment support for parents with small children (legal entitlement to kindergarten placement, provision of available childcare facility capacities)	30/06/2021	MLSAF SR, MESRS SR
2	Integration of groups at risk, in particular marginalised Roma communities (education, labour market, social inclusion and other areas)	31/12/2020	MLSAF SR, MESRS SR, MI SR, OGCRM
3	Approval of the schedule and implementation of the informatisation spending review	31/12/2023	ODPII, MF SR ⁸¹
3	Preparation of a strategy and an action plan for the period 2020 - 2024 to improve Slovakia's ranking in the Digital Economy and Society Index	31/12/2020	ODPII
3	Approval of a package of measures to reduce administrative burden on businesses ("Lex Corona" of the MEco SR).	31/12/2020	MEco SR
3	Improvement of public transport (National Public Passenger Transport Service Plan, a bill on public passenger transport)	31/12/2021	MTC SR, MF SR ⁸¹
3	Improvement of the functioning and financial management of state-run companies in the responsibility of the MTC SR	31/12/2020	MTC SR, MF SR ⁸¹

⁸⁰ [Manifesto of the Government of the Slovak Republic](#)

⁸¹ Substantive involvement of the MF SR via the Value for Money Department.

3	Increasing expenditure on the maintenance and reconstruction of 1st category roads, bridges and most frequent railway tracks	30/09/2021	MTC SR, MF SR
3	Unification and effectiveness improvement of documentation and procedures for EIA and zoning and construction permission proceedings	31/10/2020	MTC SR, MEnv SR
3	Launch of the land consolidation process for 120 cadastral areas	31/12/2020	MARD SR
3	Increasing the share of green public procurement	31/12/2020	MEnv SR, OPP
4	Implementation of measures to improve the efficiency of courts based on the "Report on the State of the Judicial System" (CEPEJ 2017)	31/12/2020	MJ SR
4	Improvement of the credibility and efficiency of courts and the prosecution service through the modification of the staff selection process.	31/12/2020	MJ SR
4	Improved control of wealth declaration and implementation of a functioning material liability and penalty mechanism to sanction public officials' misconduct	31/12/2021	MJ SR, MI SR
4	Enhancement of the transparency of contracts, public offices and local governments' decisions	31/12/2020	MJ SR, MI SR
4	Ensuring the full functioning of the <i>Whistleblower Protection Office</i>	31/12/2020	GO SR
4	Implementation of the <i>Action Plan for the Reinforcement of Fight Against Corruption and Fraud Involving the EU Funds</i>	31/12/2020	ODPII

Key reform priorities of the *Manifesto of the Government of the Slovak Republic for 2020 to 2024*

The Government will substantially reinforce the budget management in order to achieve improved efficiency and transparency of public finances. In line with the Manifesto, a functional three-year budgeting system will be implemented and spending caps will be instituted to improve the counter-cyclical function of public finances. Recommendations stemming from spending reviews will be incorporated in the budget through the adjustment of the basic ministry-specific scenarios. The Government will put programme-based budgeting into operation and ensure a better preparation of investment projects, thoroughly adhering to *value-for-money* principles. The budget quality will be promoted by extending the set of items controlled by the macro-economic and tax forecasting committees to include interest expenses, selected non-tax revenues and certain expenditure designated by law. The Government will also improve the transparency and comprehensibility of the budget through providing more frequent and clearer information on its preparation and implementation. A new state debt management strategy will be defined, which will be footed on a risk and cost analysis in accordance with the world's best practices.

Efforts in the taxation area will be aimed at a simpler pro-growth tax mix, coupled with steps to counter VAT evasion. The tax mix will preferably be based on the taxation of consumption, property and negative externalities rather than activity. Also, tax and social security contribution reliefs and exemptions will be reviewed with the aim to simplify the tax and contribution system. The unification of the collection of taxes, duties and social and health security contributions (UNITAS) is supposed to help to reduce administrative burden. Another goal is achieving an internationally competitive performance in countering tax fraud through improved efficiency of financial administration. The analytical capacities of the Financial Administration of the Slovak Republic will be reinforced with a view to more efficient risk management and support for targeted measures to enhance tax collection efficiency. Also, publishing of a detailed annual tax evasion report for each type of tax is planned. Behavioural aspects will be considered in proposals aimed at reducing tax evasion. A special MF SR unit will be set up to manage this area.

The Government will adopt a reform to improve the financial sustainability of the pension system. The link between pension expenditure and demographic trends in the first pillar will be reinforced in order to enhance the fairness and transparency of the system. For the second pillar, the priority is increasing returns on savings. Additionally, in order to prevent frequent changes in the pension system and enhance its credibility, the Government has made a commitment to enact a constitutional act to define the fundamental elements of the first and second pillars.

In the health sector, the Government committed itself to reforming the healthcare provider network, in particular the hospital network. The definition of a basic guaranteed healthcare package will be instituted, taking regard to the accessibility of healthcare in terms of time and geography. Subsequently, the network of outpatient healthcare providers will be updated in line with simplification of the procedures for opening new outpatient clinics in regions with a shortage of doctors. Emergency care outpatient clinics with non-stop operation will be set up for defined catchment areas. The hospital network will be reformed to ensure the availability, effectiveness and quality of provided services. The financing of hospitals will provide funding for eligible expenses and systematic renewal of medical equipment and infrastructure. Investments will also be directed to the construction of new hospitals. The construction projects of hospitals in Banská Bystrica, Martin and Bratislava-*Rázsochy* will continue. The Government has also announced the launch of a new hospital project in Košice and made a commitment to start the construction of at least two modern regional hospitals. The Government has also undertaken to improve the access to healthcare for vulnerable groups.

The Government has committed itself to enhancing quality at all levels of education. As a high-priority task, the Government plans to increase the ratio of teachers' average salaries to average salary of similarly educated workers to at least the average ratio in the OECD countries, to the extent allowed by the budget. Discussion will be opened on the improvement of quality of the regional education system and evaluation of expenditure in this area. To enhance the quality of education at universities, the teachers' salaries will be

adjusted and the staffing of associate professor and professor positions will be performance-linked and detached from academic titles. Universities' internal management systems will be reviewed and the position of the Slovak Accreditation Agency for Higher Education will be reinforced. The aim is to reduce the number of fields and programmes for higher-degree studies and support those tertiary-level schools which have an internationally competitive potential. The Government will promote solutions delivering a system change in financing tertiary-level schools, which is to be linked to quality. The transformation of the Slovak Academy of Sciences (SAV) will be completed. Adult education will be promoted and the involvement of vocational secondary- and tertiary-level schools extended.

The Government will pay increased attention to inclusion in education. The objective is to gradually institute the legal entitlement to pre-primary education for children from three years of age, along with the extension of kindergarten capacities. The latter will be supported by legislative amendments to allow the entry of alternative forms of pre-primary education, such as company kindergartens, into the system. The capacities of childcare facilities will also be increased in the context of enhancing the flexibility of the parental allowance. To support children and pupils with health and social disadvantages, the number of special staff and pedagogic assistants in kindergartens and schools will be increased and the legal entitlement to those services will be instituted. The Government will also support measures to prevent early school-leaving or repeating grades to avoid children leaving the education system without education and qualification. The strengthening of the position of the Office of the Slovak Government Commissioner for Roma Communities (OGCRC) vis-à-vis relevant ministries will be considered.

To include disadvantaged groups in the labour market, the Government will support the quality enhancement of employment services, improvement of the system of material-need benefits and availability of housing. Active labour market measures will be redesigned to move funding from less to more efficient programmes and improve the effectiveness of professional and individualised advising services. Steps will be taken to improve situation in the employment of persons with severe disabilities in the open labour market, putting an emphasis on education and upskilling. A more incentive and differentiated material-need benefit will be promoted along with social economy development. The institution of a labour inclusion assistant for disadvantaged groups in the labour market will be considered. The circle of housing allowance recipients will be extended. A strategic plan will be drafted and conditions established to facilitate the access to housing by supporting rental housing.

Further reduction of administrative burden will be enabled by the digitalisation of public administration and of the economy. The Government will prepare and implement a strategy for Slovakia's transition to a "Smart Country". A unique portal will be provided for the filing of reports and statements, including guidelines, explanations of laws for businesses and a checklist of citizens' and entrepreneurs' obligations to all public administration/general government bodies. Construction permits will be streamlined in order to facilitate and accelerate construction and enhance transparency. The Government will implement the cost-efficiency improvement measures proposed in the informatisation spending review.

In order to raise the country's competitiveness, the Government has made a commitment to improve Slovakia's Corruption Perception Index ranking by 20 places. Rules for the control of public officials' wealth will be made more efficient, including through the mandatory declaration of wealth. In line with international institutions' recommendations, an independent agency will be established and tasked with the control of public officials' wealth declarations, conduct and conflicts of interest. Using Austria's legislation as a model, a criminal offence of "feeding" (*Anfüttern* in German) will be instituted to address situations where no direct and obvious link between the granting (receipt) of a bribe and misconduct has been established and evidenced. A special register of lobbyists will be introduced with details of their lobbying activity and clients, costs and fees. The transparency of public employee selection process will be improved and a uniform selection process for all general government will be introduced. Measures will be taken to improve the control over public procurement through reinforcing the position and independence of the Office for Public Procurement. Shared support service centres will be set up to enhance the efficiency of public procurement at the regional level.

The Government has made a commitment to improving the efficiency of the judicial system, public prosecution service and police in detecting corruption and crime. A constitutional act will be adopted to reform the candidate selection process for members of the Judicial Council of the Slovak Republic. A court map reform is envisaged as one of the instruments to achieve an efficient judicial system and break the corruption links existing in the judiciary, and institute the specialisation of judges in the key agendas handled at district- and regional-level courts. To the extent allowed by the budget, adequate salary levels will be set and career development opportunities provided for court employees. General disposition time-frames for different types of cases (i.e. for disposing of a case of a particular type) will be determined and continuous monitoring by court, agenda and judge will be implemented, and monitoring data will be publicly disclosed. The management of courts will be made more efficient, in line with the *value-for-money* principle and in accordance with the recommendations of the European Commission for the Efficiency of Justice (CEPEJ). A transparent candidate selection process for the public prosecution service will be implemented, based on the standards applicable to the selection of Constitutional Court judges. A review of the current state of the relevant legislation and of the structure and material and technical equipment and staff resources of the Police Force will be performed, and steps will be taken to facilitate the preparation of the Development Strategy for the Police Force with an outlook by 2024. The incorporation of incentives in the police officers' remuneration system will be provided in law.

For the environmental area, the Manifesto responds to the current challenges concerning the climate change and air protection. The transition to a carbon-neutral economy by 2050 will be promoted and the use of renewable energy sources will be supported. Conditions will be created to enable the reduction of emissions from households as well as from transport, e.g. by making the entry of vehicles into city centres subject to charge. The termination of the subsidisation of fossil fuels will be proposed and exceptions concerning excise duties will be abolished for regions with a bad quality of air and socially vulnerable groups. The control of the state's governance in the fields of environmental protection and enforceability of environmentally relevant laws will be reinforced. Uniform management of protected areas will be ensured and the legal personality status of national parks will be considered. The functioning of the Environmental Fund will be reformed and environmental expenditure will be assessed in accordance with *value-for-money* principles. As a driver of motivation for waste separation, the landfilling charge will be progressively increased and an obligation to implement a *pay-as-you-throw* waste collection system will be introduced. The construction of public sewer systems will be supported and sufficiency of drinking water in regions will be ensured.

4.1 Fiscal policy and public finances

The Government's priority is reinstating sound public finances while respecting both European and national fiscal rules. The goal is the stabilisation of public debt relative to GDP and gradual reduction of the general government deficit. Adoption of important changes in the pension system will improve the long-term sustainability of public finances. Steps will be taken to improve the efficiency of tax collection, with a long-term target to reach at least the average of the EU countries. A functioning three-year budgeting system will be implemented and spending caps will be set to improve the anti-cyclical function of public finances. The credibility of the budget will improve and the separation of political decision-making from expert budgeting work will be reinforced. Performance-based budgeting and information about the objectives of public policies will be promoted. A new state debt management strategy will be defined, which will be footed on a risk and cost analysis in accordance with the best practices in the world. The role of the Ministry of Finance in the evaluation of investment projects will be strengthened.

Outcome indicators for fiscal policy and public finance

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Target 2020
Long-term sustainability indicator (GAP)⁸² (% of GDP)	SK	9.2	7	4	1.9	1.4	0.4	0.8	1.2	1.6	4.2	0.0 ⁸³
	EU	-	-	-	-	-	-	-	-	-	-	-
Effectiveness of VAT collection (% of GDP)	SK	47.4	49.5	44.2	47.4	49.0	49.6	50.0	51.7	51.7	-	-
	EU	53.1	53.7	53.6	53.4	54.7	53.9	54.9	55.6	56.6	-	-
VAT gap (% of potential revenue)	SK	31.1	33.2	36.7	32.2	29.2	27.8	22.9	20.9	20.3	17.5	-
	EU	-	-	-	15.0	14.1	12.9	12.2	11.2	-	-	-

The goal of long-term sustainability of public finances moved away in 2019. The main objective of the budgetary policy is to ensure the effectiveness and long-term sustainability of public finances in order to support sustainable economic growth and enhancement of the quality of life in the context of ageing, with due regard to contingent liabilities. This objective is anchored in the Constitutional Act on budget responsibility and, as such, it bears on the regular updates of the public finance management strategy. According to the Council for Budget Responsibility (CBR) Report of April 2020, the long-term sustainability indicator reached 4.2 % of GDP in 2019. Accordingly, additional measures (beyond those foreseen in the basic scenario) in the same amount would need to be adopted in a medium-term horizon in order to achieve a state of long-term sustainability.

Taking regard of the adverse impacts of the corona-crisis, long-term sustainability will worsen⁸⁴ and a combination of pension system reforms and improvement of the current fiscal position will be needed so as to mitigate the risks significantly. Without changes to the pension system, achievement of the budget objectives under the *Stability Programme* and reduction of the budget deficit to 2.9 of GDP by 2023 would reduce long-term sustainability risks only to a mild extent. This is why the Government endorsed in the Manifesto the necessity of a reform to the pension system in order to improve its financial sustainability. Accordingly, in line with the Manifesto, the Government will adopt a sustainability-driven pension system reform. The link between pension expenditure and the demographic development in the first pillar will be reinforced and the fairness and transparency of the system enhanced. For the second pillar, the priority is increasing yields on savings through a well-designed investment policy.

⁸² Only data for Slovakia are available.

⁸³ This target implicitly follows from the [Constitutional Act on budget responsibility](#), Article 2 (c). The zero sustainability gap cannot, however, be understood as an explicit goal of the Government with a specific deadline; it is merely a technical benchmark. The indicator was defined within the framework of the [Structural Indicators Overview \(December 2011\)](#) analysis and is used as a complement to the indicators of the Europe 2020 strategy.

⁸⁴ The CBR's estimate of additional measures needed in consequence of the adverse effects of COVID-19 is 4% of GDP (i.e. 8% of GDP in aggregate).

Spending cap-driven budget control

The Government committed itself in the Manifesto to implementing a functioning three-year budgeting system as well as spending caps⁸⁵ to improve the anti-cyclical function of public finances. Mandatory budgetary rules will be set for a medium-term horizon, based on fix spending caps and putting programme-based budgeting into operation. The spending caps will be determined on a medium-term basis and designed as incentives towards achieving the long-term sustainability of public finances. They will cover as many as possible general government budget items and reflect additional tax and public insurance contribution-related measures. Clear rules for the creation and use of reserves and provisioning for future liabilities in important decisions will be set. An effective, data-based spending cap will also support the *value-for-money* concept. Recommendations stemming from spending reviews will be incorporated in the budget through the basic ministry-specific scenarios. The fiscal surplus or deficiency against spending caps will determine the need for additional consolidation or possibility of additional value-oriented measures.

Reinforcing the position of independent committees in the budgeting process

The credibility of the budget will be improved and the separation of political decision-making from expert budgeting work will be promoted. Forecasts of macro-economic development, tax revenues and other budget items which depend on the economic and demographic developments are not subject to political decision-making and will be prepared by independent experts. The authority of independent macroeconomic and tax forecasting committees will be extended to items such as interest expenses, certain non-tax revenues (e.g. dividends) and certain expenditure designated by law (social benefits, pensions, health insurance expenditure, etc.). These forecasts will fully be reflected in the general government budget.

New state debt management strategy

The Government will define a new state debt management strategy, which will be footed on a risk and cost analysis in accordance with best practices. The strategy will be based on the key factors determining the costs of state debt: close economic ties between the Slovak economy and the Eurozone, the ECB's monetary policy, a relatively high mark-up at long maturities and the fact that Slovakia is a relatively small issuer of government bonds within the Eurozone. In addition to implementing the new strategy, annual disclosure will be introduced as part of the debt management process.

Transparency and comprehensibility of the budget

The Government will promote performance-based budgeting and information about the objectives of public policies. Performance targets will be set in the general government budget for each Ministry and they will be subject to regular evaluation.

The Government will improve the transparency and comprehensibility of the budget by informing more frequently and more understandably about the budget, its interim performance and adjustments made via budgetary measures. The Government will also include a statement of the interim general government budget performance as well as the MF SR's estimates of general government revenue, expenditure, balance and debt in a *Half-year General Government Budget Performance Report*. To ensure the comprehensibility of the budget to everyone, the "*Budget for People*" summary will be prepared to inform about budget priorities, sustainability and sources of funding in a plain language. External transparency will be supported by publishing well-arranged, open, machine-processable data on public finances, as well as data on the management and performance of government-owned companies which are not disclosed today.

Reinforced position of the Council for Budget Responsibility

The transparency of public finance will support a peer-to-peer dialogue with the Council for Budget Responsibility based on the "comply or explain" approach. The CBR's opinions regarding drafts of the general government budget and the Public Finance Long-term Sustainability Report will be presented at Government and Parliament meetings. The Chair of the CBR will be allowed, upon his or her request, to

⁸⁵ They are referred to as public expenditure limits in the Constitutional Act No 493/2011 on budget responsibility.

make a speech at a meeting of the Committee of the National Council of the Slovak Republic for Finances and Budget and at the Government's meeting.

Improved financial management

The Government will ensure a better preparation of investment projects with consistent adherence to value-for-money principles. Clear and analysis-supported priorities will be defined in long-term strategic plans (the prioritisation will be made mandatory for all Ministries); uniform project preparation standards will be defined to ensure the mutual comparability of projects; and the transparency of the project preparation process will be enhanced. Transparent and prioritised investment plans will be subject to regular assessment and updating.

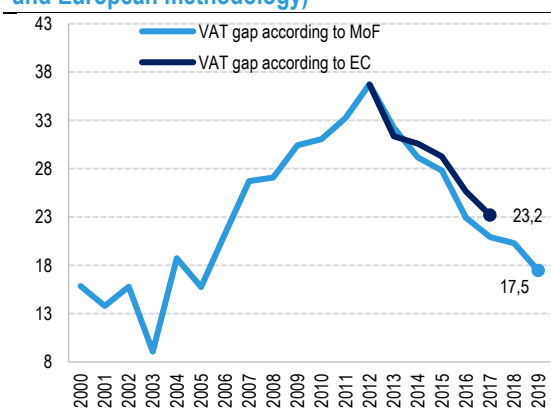
The Government will strengthen the position of the MF SR and the Value for Money Department in the management of investments and investment budget. Capacities will be built for the preparation of projects and their control across all project life cycle stages, from preparation to final delivery. The investment process will be simplified; methodologies will be finalised; selection of the best projects will be ensured; Ministries' capacities will be reinforced; legislation and rules will be revised with a view to optimising the costs of and achieving the best possible benefits from investment projects. This will enable the systematic assurance of the best possible efficiency of investment projects exceeding EUR 1 million.

Effectiveness of tax collection

The Government's priority is a streamlined, pro-growth tax system. For the tax and public insurance contribution area, an emphasis will be on measures having the potential to increase Slovakia's economic growth. Preference will be given to taxation of consumption, property and negative externalities, as opposed to taxation of economic activity. The purpose of tax and contribution related reliefs and exceptions, currently amounting to EUR 1.6 billion, will be reconsidered. The vision of unified collection of taxes, duties and contributions (UNITAS) is being revived.

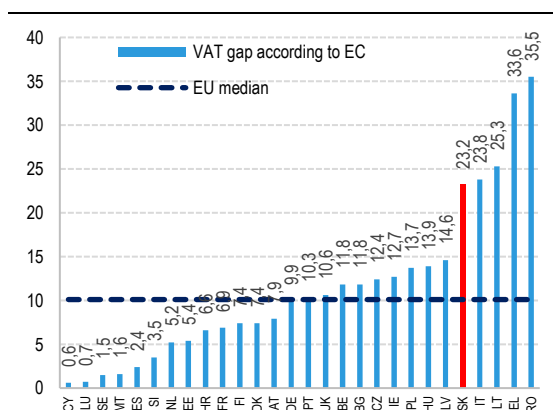
Another priority is achieving an internationally competitive performance in countering tax fraud, along with improved efficiency of financial administration. Since 2012, the VAT gap dropped from the peak of around 37% of potential revenues to 17.5%; a reduction of more than a half. Based on the most recent data from the national methodology, a VAT gap reduction was also achieved in 2019. At the same time, a further VAT gap reduction of 3 percentage points resulted from an in-depth benchmark revision. The positive downward trend is also confirmed against the methodology used at the EU level, which estimated a 23.2% tax gap for 2017; nevertheless, this is still the fifth highest VAT gap in the EU for that year.

Figure 13: VAT gap (% potential revenues, national and European methodology)



Source: MoF

Figure 14: VAT gap in the EU (2017)



Source: MoF

The implementation of objectives of the Financial Administration of the Slovak Republic will be summarised annually in its Annual Report. Objectives will be set for areas including the integrity of

information on registered tax entities, risk management, promotion of voluntary tax payment, timely filing of tax returns and payment of taxes, accuracy of information in tax returns, resolution of tax-related disputes, tax revenue collection management; transparency and accountability to the public and the Government. The transparency and accountability to the public and the Government will substantially be strengthened. To foster targeted measures aiming to improve tax collection efficiency, the Financial Administration's analytical capacities will be reinforced. This will enable the annual disclosure of a detailed report on the amounts evaded on each tax and the reasons of evasion.

In the upcoming periods, the tax gap reduction will depend mostly on the analytical usability of data from the newly implemented eKasa instrument. The instrument is expected to contribute to closing the VAT gap particularly in retail, service, accommodation and catering sectors. The eKasa project was implemented with a delay. Entrepreneurs started to connect to the system gradually in the course of 2019. The initial deadline for all business entities to start to use eKasa was postponed from July 2019 to January 2020 in order to extend the time window for obtaining certified cash registers. Now, the eKasa system is in full operation.

4.2 Education, science and innovation

Despite the measures taken, results confirm the long-persisting trend of lagging in education. The long-lasting insufficiency of financing and support for teaching staff is reflected mainly in the lagging performance of elementary schools. The priority in the education, as promulgated in the Manifesto, is increasing teachers' salaries to the extent allowed by budget limits. The Ministry of Education continues supporting education system actors through setting criteria for the innovation of the State Education Programmes and promoting the professional development of teaching and specialised staff. To improve the efficiency of expenditure, a law on the financing of schools and schooling facilities will be prepared. The review of expenditure on groups at risk of poverty and social exclusion provides a basis for designing measures to promote an inclusive approach to education. The implementation of mandatory pre-primary education will be supported. Activities will be continued to align education at upper secondary vocational schools with the labour market. Conditions and financial tools will be prepared to support professionally oriented bachelor's programmes in order to increase their proportion in tertiary education. The approval and gradual implementation of accreditation standards are expected. As regards life-long learning, a testing system to verify skills acquired outside the formal education system will be rolled out.

Outcome indicators for education, science and innovation

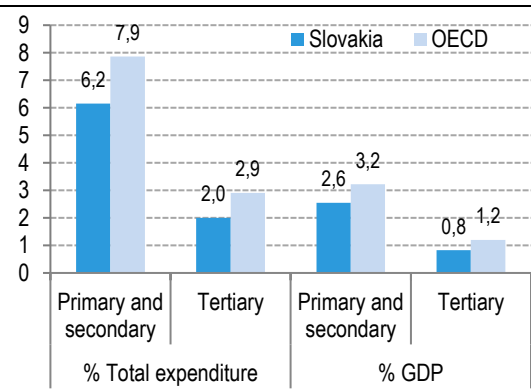
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Target 2020
PISA (average score)	SK	488	-	-	472	-	-	463	-	-	469	-	505
	OECD	494	-	-	495	-	-	490	-	-	489	-	-
Early school-leavers (% of population aged 18 - 24)	SK	4.9	4.7	5.1	5.3	6.4	6.7	6.9	7.4	9.3	8.6	8.3	6
	EU	14.2	13.9	13.4	12.7	11.9	11.2	11	10.7	10.6	10.5	10.3	10
Citations per researcher (%, 100 = EU average)	SK	35	36	35	42	41	43	46	55	51	42	-	70
	EU	100	100	100	100	100	100	100	100	100	100	-	100
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	37.7	40.1	40
	EU	32.3	33.8	34.8	36.0	37.1	37.9	38.7	39.1	39.9	40.7	41.6	40
Research and development expenditure (% of GDP)	SK	0.47	0.61	0.66	0.80	0.82	0.88	1.16	0.79	0.89	0.84	-	1.2
	EU	1.93	1.92	1.96	2.00	2.01	2.02	2.03	2.04	2.07	2.12	-	3
High-tech export (% of total exports)	SK	5.9	6.6	6.6	8.2	9.6	9.9	10.0	9.7	10.5	9.6	-	14
	EU	17.1	16.1	15.4	15.7	15.3	15.6	17.0	17.8	17.8	17.9	-	-

Education expenditure is below the OECD countries' average. Public expenditure on education is low, both relative to GDP and to total public expenditure⁸⁶. Compared to the previous period, the lagging behind is more pronounced in the tertiary sector, which is mainly due to the universities' lower rate of drawing the EU funds. In 2017, the average salary of a primary school teacher was 66% of the average wage of a person with tertiary education. After the increase of teaching staff's wages in 2019 and 2020, the average wage of teaching staff should be at 71% of the average wage of population with tertiary education (taking in account the expected general rise of wages)⁸⁷.

⁸⁶ Public expenditure is inclusive of EU funds, which explains the step changes over time.

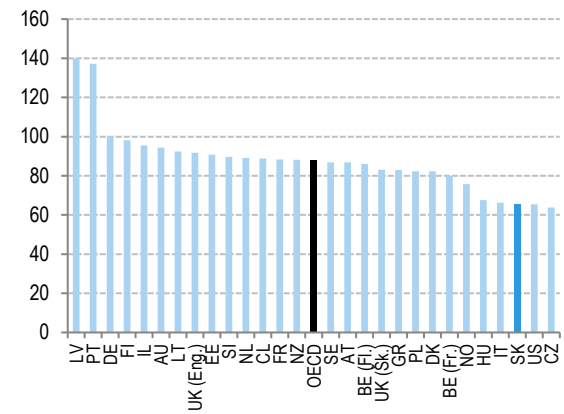
⁸⁷ The IVP's estimate based on the Quarterly Statement of Work in the Education Sector 2018, the Macroeconomic Forecast (September 2019) and the ISCP Quarterly Statement of Price of Labour (MLSAF SR) 1-04.

Figure 15: Public expenditures on education, 2016



Source: OECD (Education at a Glance 2019, Tab C4.1)

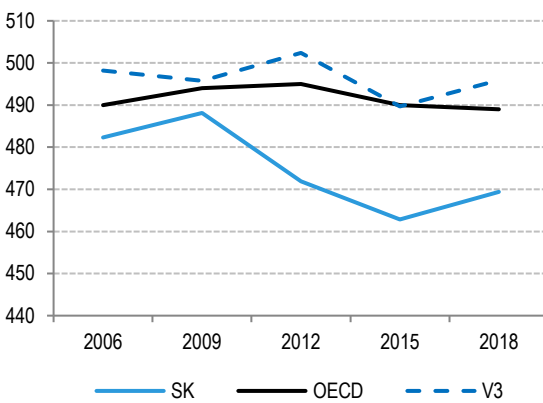
Figure 16: Ratio of average salaries of lower secondary teachers to employees with tertiary education (% , 2017)



Source: OECD (Education at a Glance 2019, Tab D3.2a)

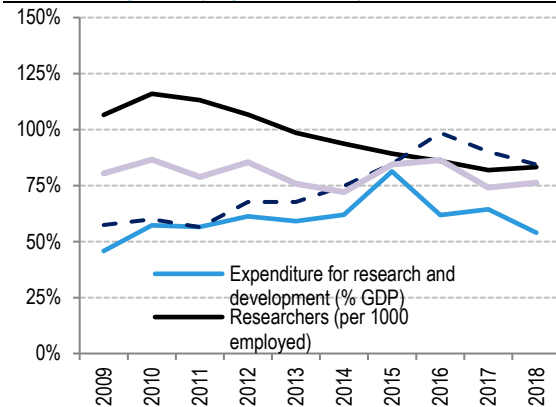
The results of the 2018 PISA testing of 15-year-olds confirms lagging behind in primary and lower secondary education. Despite a moderate improvement in comparison with the last testing 3 years ago, Slovakia's results are worse than 10 years ago. The average score is still below the OECD average as well as the V3 average, despite improved average score in mathematics⁸⁸. The influence of the socio-economic background is also visible in the difference in average scores between pupils with the highest and lowest socio-economic statuses. Slovakia has the second highest difference in average score between the first and last deciles of the socio-economic background distribution for reading literacy⁸⁹. The high proportion of functionally illiterate⁹⁰ pupils suggests that causes of the dissatisfying results go beyond a socially disadvantaged status⁹¹. The academic failure is also behind the proportion of early leavers from education. This proportion is relatively low in an international comparison, but it has been on the rise for extended period and moving away from Slovakia's target.

Figure 17: Average results in PISA testing



Source: PISA 2018, OECD

Figure 18: Input and output indicators for research and development (% priemeru V3)



Source: Eurostat ([rd_e_gerdsc], [rd_p_persocc], [lfsi_emp_a]), Scimago Journal Rank

⁸⁸ While a slight increase was also seen in other areas, it was not statistically significant (OECD, PISA 2018, Executive Summary, Table I.1 Snapshot of performance in reading, mathematics and science).

⁸⁹ PISA 2018 Results (Volume II), Annex B1.2 Results (tables): Students' socio-economic status and performance, Tab. II.B1.2.3.

⁹⁰ As many as 31.4% of Slovak tested pupils did not achieve the basic level 2 in reading literacy tests (Table I.B1.1). Only Mexico, Chile and Colombia had worse results among OECD countries.

⁹¹ According to the IFP's *Monitorujeme monitor* (2019) analysis, the proportion of disadvantaged pupils (those coming from families receiving material-need benefits or MRC) in ninth-graders was around 10%. Participants in PISA surveys are pupils in at least the seventh grade and secondary-level school students meeting the relevant age requirement. While the share of socially disadvantaged pupils in this age category may be somewhat higher, it is not likely to be triple the above rate.

To improve the quality of regional schools, further measures will need to be taken and more efficient implementation, monitoring and evaluation of those already approved will be required. The review of expenditure on groups at risk of poverty and social exclusion provides an analytical basis and suggestions for measures to reinforce the inclusive approach to education⁹². It is necessary to continue enhancing the attractiveness of the teachers' profession in the future and supporting teachers⁹³ in their efforts towards improving the inclusiveness of education. Also, importantly, the availability of early intervention and pre-primary education to socially vulnerable groups will need to be improved substantially. It is equally inevitable to pay more attention to the implementation of legislative changes (e.g. to ensure the sufficiency of kindergarten capacities to allow mandatory pre-primary education), measures to ensure the proper targeting of finances earmarked to supporting personnel (pedagogical assistants, speech therapists etc.) or coordinated implementation of the new attestation portfolio model (e.g. preparation of good portfolio examples, evaluator training, etc.).

The proportion of population with tertiary education shows a growing trend, though the quality of education is questionable. The population with tertiary education in younger cohorts is growing faster than other countries and the target for 2020 will supposedly be achieved. Nevertheless, the quality of tertiary education has been questioned particularly with regard to the high rate of people studying at foreign universities, which has reached 18.3%⁹⁴. According to estimates, a half of them will not return⁹⁵. According to the findings of the "To dá rozum" (*That makes sense*) NGO project, Slovak students studying at foreign universities claim a much better experience of the quality of education and teaching⁹⁶ as well as the available material equipment, technology and services⁹⁷ in comparison with Slovak students studying at Slovak universities.

Research outputs and innovation activity are still at a markedly low level (Graph 18). While research and development expenditure is below the EU average and is low even when compared with the V3 countries, the private sector's R&D expenditure is growing continuously⁹⁸. Slovakia's citations per researcher are at about 50% of the EU average and 75% of the V3 average, this even despite a long-lasting high proportion of students in doctoral programmes⁹⁹. The export of hi-tech goods is stagnating, but the results of an increase in the private sector's research activity may come with a certain time lag. As a prerequisite for further development of science in Slovakia and successful participation of Slovak researchers in international research, and for stopping brain drain, it will be inevitable to not only increase expenditure on research and development, but also gradually increase the remuneration of scientific staff.

Box 2: Quantification of the structural impact of mandatory pre-primary education on the economic growth of Slovakia

The introduction of mandatory pre-primary education for all children from the age of five years from September 2021 is planned. The aim is to support the inclusion of children with a socially disadvantaged background and equalise the children's preparedness for mandatory school attendance.

⁹² Value for Money Department: [Review of expenditure on groups at risk of poverty or social exclusion](#) (March 2020).

⁹³ By providing methodology, professional guidance and personnel.

⁹⁴ The non-weighted average and median for the OECD countries for 2017 were 6% and 4%, respectively. The highest proportion is that of Luxembourg, 75% (OECD: Education at a Glance, Table B6.3. Mobility patterns of foreign and international students).

⁹⁵ In general, about a half of people moving abroad don't come back ([IFP's policy brief: Odliv mozgov, 2016](#)). The estimated share of students who don't return is around 44 % ([Miroslav Bahna, 2015](#)).

⁹⁶ For example, the proportion of students in Slovakia with a positive perception regarding the development of their problem-solving ability is 44%, in contrast to 65 % abroad. As regards the development of analytical thinking, the proportions are 31% and 47%, respectively. This should also be seen against the fact that these two abilities are among the ten competences perceived as the most important ones, and their relevance to the labour market will just keep rising ("[To dá rozum](#)" analysis, 2019). Similar differences are also found with regard to reading and mathematical and logical literacy, writing skills, entrepreneurial spirit and creativity as well as teamwork. The proportion of students abroad claiming that their school develops their critical thinking was more than double that of students in Slovakia (34% vs. 75%).

⁹⁷ Table T_4.5.2.2. in the Students Leaving Abroad section ("[To dá rozum](#)" analysis, 2019)

⁹⁸ In 2016, the share of private R&D expenditure in GDP exceeded the aggregate share of government's and universities' expenditure (Eurostat, [rd_e_gerdsc]).

⁹⁹ EU, Research and Innovation, [RIO – H2020 PSF](#)

This measure is in line with the recommendations of international institutions as well as the results of research into the benefits of good-quality pre-primary education.

The rate of five- year-old children's participation in pre-primary education is 84%, and it is substantially lower in children with a disadvantaged background (61%)¹⁰⁰. The quantifications regarding mandatory pre-primary education assume that two thirds of newly included children will have a background with a low socio-economic status. These children are supposed to highly benefit from the pre-primary education as a basis for their future success at school. For the rest of children, an even distribution across the society's socio-economic groups is assumed.

The IFP's estimate¹⁰¹ indicates the potential benefit of the measure at 0.1% of GDP in 2040 and 0.3% of GDP in 2050. The estimated effect of one year of pre-primary education on human capital is based on the OECD's data¹⁰². The data indicate that children with one year of pre-primary education obtain a 10 points higher score in PISA surveys than their peers without pre-primary education, net of the impact of the socio-economic background (i.e. excluding the impact of family background on academic success). This means a 2% improvement on average. The quantification assumes to reach 95% pre-primary education participation rate, which would mean catching up with the EU average.

Higher employment is another factor contributing to the economic growth. The assumption is that children who will succeed in becoming, at least, basic performers instead of low performers thanks to this measure will increase their employment rate from the rate typical to people without secondary-level education (ISCED 0-2) to the average of the employment rates of people without and with secondary-level education (ISCED 3-4)¹⁰³.

Other measures strengthening the inclusion of children with a socially disadvantaged background are supposed to bring a cumulative additional GDP increase of 1.5% by 2050. Such measures include, in particular, further lowering of the age for mandatory pre-primary education as well as the involvement of specialised support staff (specifically pedagogical assistants), the setting-up of community centres to complement the offer of out-of-school activities, and limiting grade repetition in order to get the children to secondary schools¹⁰⁴.

4.2.1 Regional education system

Enhanced attractiveness of the teachers' profession, support for teachers and inclusive education

The efforts in the regional education system area will remain focused on enhancing the attractiveness of the teachers' profession and building capacities for their support. The priority, as promulgated in the new Government's Manifesto, is increasing teachers' salaries to the extent allowed by budget limits. The Government has made a commitment to support remuneration for teachers, including a variable component of teachers' compensation to increase their motivation. Clearly defined cycles and their update and innovation deadlines will be set on the basis of analyses examining the necessary changes to

¹⁰⁰ Varsik (2019): *Držim ti miesto: Analýza kapacít materských škôl pre 5-ročné deti*, IVP's policy brief No 2/2019

¹⁰¹ The GDP impact estimate is based primarily on the impact of higher human capital. The estimation of the human-capital impact is based on the work of Hanushek and Woessmann (Hanushek and Woessmann (2012): [Do better schools lead to more growth? Cognitive skills, economic outcomes and causation](#)) who specifically examined the elasticity of economic growth relative to the proportions of *basic performers* (people with at least basic skills) and *top performers* (people with a high level of qualification). The assumption of a 2% improvement in pupils' performance is analogically applied to the proportions of best and worst pupils, which means that the proportion of basic performers will increase by 2% and so will the proportion of top performers. With regard to the fact that around two thirds of children who will attend kindergarten thanks to the mandatory pre-primary education concept have a poorer socio-economic background, we assume that they are positioned in the lower quartile of the performance distribution (this based on the results of survey such as Monitor 9), and thus have a four-times higher (8%) probability of promotion from *low performers* (people without sufficient skills) to *basic performers*. As a matter of course, the quantification takes regard of the proportion of the children concerned in their age cohort and the proportion of that cohort in the entire active population. Accordingly, benefits cannot be expected before 2035.

¹⁰² OECD (2017): [Starting Strong 2017: Key OECD Indicators on Early Childhood Education and Care](#), Chapter 5, Graph 5.2

¹⁰³ The partiality of the impact on employment is due to other barriers to which people with a lower socio-economic status are exposed. One of them is the effect of discrimination of Roma in the labour market.

¹⁰⁴ The primary objective is to ensure that children leave the education system with at least the ISCED 3c-level education (vocational secondary-level education without school-leaving certificate), which may also be supported by extension of mandatory school attendance.

the State Education Programmes. Recommended standardised questionnaires to evaluate the quality of delivery of professional training for teachers will be developed and published. In February 2020, the MEdu SR published an invitation for the “*Teachers’ Professional Development (TEACHERS)*” national project¹⁰⁵ aiming to support the professional development of teaching staff and specialised staff in designing and implementing changes at schools and schooling facilities. Also, standards of specific education of headmasters as part of their professional development were unified. A demand-driven call for public universities intended to support the link between tertiary education and practice needs has been in progress, with an emphasis of higher-quality training of future teaching and specialised staff¹⁰⁶.

The upcoming law on the financing of schools and schooling facilities targets higher efficiency of spending. By the end of the year, the Ministry of Education plans to submit for the legislative process a changed framework for the financing of schools and schooling facilities, which will comprehensively address the issue of delegated and original competencies. The aim of this measure is to increase efficiency and extend transparency for all provided funding. This will contribute to improved quality of education at regional schools.

Linking education to labour market needs

The alignment of education and labour market needs remains among policy-maker’s priorities. A bill will be submitted for the legislative process to modify the existing system of proposing and approving of experimental testing of study programmes so that it reflects the needs of the labour market and the society. The implementation of projects under the “*Linking Secondary-level Education to Practice*”¹⁰⁷ call with the allocation of EUR 30 million targeting vocational training is continuing¹⁰⁸. For tertiary education, outcomes of the questionnaire survey mapping the ability of graduates to find a job will be published in order to enhance the information of students, schools and policy-makers. The creation of new professionally oriented bachelor’s programmes¹⁰⁹ will be further supported through a specific call¹¹⁰. In addition to professionally oriented bachelor’s programmes, a general support of the bachelor level of education will be needed, as suggested by the education spending review, in order to transform it into a full-fledged tertiary degree in terms of both contents and society’s perception.

Inclusive education

Conditions will be prepared to enable the implementation of mandatory pre-primary education by 2021. Data on kindergarten capacities will be subject to annual updates based on administrative data. Legislation concerning mandatory pre-primary education will be particularised through a revision of the Decree on kindergartens and the State Education Programme. Information of key actors (teachers, headmasters, administrators, parents) regarding the enrolment of children for mandatory pre-primary education will be ensured. Standardised tools for the verification of a child’s personality development will be prepared for children in individual pre-primary education. Availability of early intervention for families with children with disabilities and for children with a disadvantaged background will be ensured through improved quality of work and reinforced staffing of schools’ educational advising and prevention centres.

Mandatory pre-primary education will also be incorporated in projects targeted at the inclusion of children from MRC. The approval of the project plan and continued implementation of the second stage of the national projects “*Support for Pre-Primary Education of children from marginalized communities*”, aiming to create conditions for the actual implementation of mandatory pre-primary education, are expected in the course of 2020. At the first stage, 118 kindergartens of 110 municipalities had joined the project by December 2019 and 382 employees active in the education process have been participating¹¹¹. The “*Assisting*

¹⁰⁵ The “*Teachers’ Professional Development*” (TEACHERS) national project

¹⁰⁶ [Improving the quality of training of future teaching and specialised staff.](#)

¹⁰⁷ [Linking Secondary-level Education to Practice.](#)

¹⁰⁸ As at January 2020, 58 schools’ applications for a non-repayable grant had been received, amounting in aggregate to EUR 11,827, 548.

¹⁰⁹ By now, schools have filed 29 applications for a non-repayable grant in the total amount of EUR 7,338,567. One accredited vocational bachelor’s programme is now existing at the Slovak University of Technology.

¹¹⁰ [Call for support for linking tertiary education to practice needs.](#)

¹¹¹ Assistants to teachers, specialised pedagogical staff, family coordinators, inclusive education coordinators.

Professions in the Education of Children and Pupils” national project being in progress will ensure the implementation of inclusive education principles at kindergartens and primary and secondary schools by supporting pedagogical assistants, assistants to pupils with disabilities and inclusion team members. This is to be further followed up through an invitation under another national project, “*Assisting Professions in the Education of Children and Pupils II*”, in 2020.

Efforts are continued to improve the processes and elements of the inclusive education model. A bill will be submitted for the legislative process to set up a uniform lower secondary vocational education programme complemented by a course for the completion of lower secondary-level education. This programme is intended to help pupils to achieve the formal completion of the primary-level education and proceed to vocational training. The Inclusive Education Unit of the MESRS SR has been tasked with preparing, in cooperation with the Child Psychology and Pathopsychology Research Institute (VUDPaP)¹¹², the *Inclusive Education Strategy*. VUDPaP as the umbrella body coordinating the education and career advising work of schools and consultancy centres¹¹³ will continue the implementation of the “*Standardisation of the Advice and Prevention System for the Inclusion and Success in the Labour Market*” national project aimed at creating standards and enhancing processes for the multidisciplinary approach to a child and his or her family.

Support for national minorities

The Government will support a series of measures targeted at supporting national minorities. The Government will support the exclusion of all small schools with combined grades from the mandatory quotas applicable to multilingual regions. Increased support will be directed to children and pupils of national minorities and to the delivery of education in their mother tongue. A change in the Slovak language teaching methodology for minority schools to support improved command of the language will be initiated. Support will also be provided for vocational education and training at schools with a minority language of instruction, including within the dual education system. The material and technical equipment of schools will be strengthened, and so will be the creation of textbooks and other learning sources and the continuous education of the teaching and specialised staff of schools with a minority language of instruction. A policy to develop the learning of the Ruthenian language and culture at kindergartens, primary schools and secondary schools will be prepared. Teaching about the life and history of the national minorities living in Slovakia at primary and secondary schools will be promoted in the context of preventing and fighting extremism, nationalism and extreme behaviours. All specific tasks of universities in the area of the development of national minorities and their culture, language, history and ethnology will be supported and considered in the evaluation of their work.

4.2.2 Tertiary education, research and development, adult education

Enhancing the attractiveness of the tertiary education sector

The deployment of a new tertiary education quality assurance programme is supposed to deliver a higher quality of tertiary education. The Slovak Accreditation Agency for Higher Education (SAAVS) will publish its binding standards for the institution of internal education quality assurance systems by universities¹¹⁴ and for the development of study programmes as well as habilitation proceedings and professor appointment proceedings. Their implementation is supposed to gradually deliver an improved quality of education, with an emphasis on students’ needs and employability. Also, methodology for the assessment of standards will be published, along with the procedures, criteria and indicators, which will be evaluated by working groups of the Agency’s employees and members of its Executive Board. Universities are required to submit a request for the accreditation of their internal system by December 2024. A methodology setting new binding rules for the evaluation of the universities’ research activities will be

¹¹² The Ministry of Education’s directly controlled organisation.

¹¹³ Pedagogical and Psychological Advising Centres (CPPPaP), operating in each region.

¹¹⁴ SAAVS received over 1,200 comments from 135 natural persons and legal entities. The assessment of the comments will be published after approval by the Executive Board.

prepared on the basis of the approved amendment to the Universities Act¹¹⁵. Universities have not responded to the decreasing numbers of students seen in recent years. The new accreditation standards will, however, enable the adoption of a new approach to university financing. In addition to enforcing a higher quality of university education, it may also help to improve its effectiveness.

Adult learning

The life-long learning strategy is being revised. The new version is supposed to respond to the current challenges in adult education. The “*Qualification Verification System of the Slovak Republic*” national project is being implemented which introduces a system for the practical verification of qualifications and performance of both formal and non-formal education¹¹⁶. Further, the teaching staff’s skills are subject to evaluation using the “*Education and Skills Online*”¹¹⁷ tool; it is also planned for future use for testing wider population’s skills, with a focus on low-skilled people. A proposal for a pilot testing of individual adult learning accounts will be prepared. As a measure to support life-long learning, employers’ expenditure on employee education is tax-exempt with effect from 2020.

Research and innovation

Research and development support efforts will be continued, including providing increased grant financing and promoting the networking of domestic institutions with foreign partners. The Ministry of Education plans to increase the funds available for tender-based financing of excellence research in 2020, with an emphasis on the involvement of universities, to EUR 35 million, i.e. EUR 2 million more than the previous year. The “*Slovak Research Infrastructure Road Map*” material will be presented, aiming to promote the engagement of Slovak institutions in international infrastructures (e.g. EIT and ESFR)¹¹⁸ through the participation in consortia. In cooperation with other Ministries and SAV, universities and the private sector, the Ministry of Education is preparing the “*Long-term State Science and Technology Policy Intent*” strategic document, which will provide recommendations for R&D development.

¹¹⁵ The Universities Act amendment adopted in September 2018: Based on Article 88a (5) of the Act No 131/2002, the Ministry coordinates the periodical evaluation of the universities’ creative work (research, development, artistic work) through an evaluation committee, usually composed of international experts. The amendment of the Universities Act No 131/2002 and adoption of the Act No 269/2018 on university quality assurance, the evaluation of quality of university education will fall within the scope of authority of the Accreditation Agency and the evaluation of universities’ research work will be the responsibility the Ministry’s advisory body.

¹¹⁶ The project follows up the implementation of qualification recognition under the [Slovak Qualifications Framework](#) (SQF) which was established for the purposes of aligning Slovakia’ qualifications with the European Qualifications Framework, primarily for the purposes of qualification recognition in the context of international mobility. The benefit of qualification validation under the “Qualification Validation System” lies in the recognition of qualifications obtained outside a formal qualification system, which enables a faster response to employers’ needs.

¹¹⁷ The on-line PIAAC tool implemented as part of a project co-financed by ESIF, “[International Assessment of Adults’ Key Competencies \(PIAAC\)](#)”. 2500 teachers have been tested so far. The tool may later be used for testing skills of selected target groups to provide feedback to adult education providers. Also, its use for testing general government employees can be considered, as well as the use by employers’ in planning their employees’ education.

¹¹⁸ European Institute of Innovation & Technology (EIT) and European Strategy Forum on Research Infrastructures (ESFRI).

4.3 Employment, pension system and social inclusion

The implementation of the Action Plan to reinforce the integration of long-term unemployed in the labour market, including individualised and specialised client services, is continued. Tools to improve the adaptability of employees to market needs will be deployed. More frequent regular assessment of active policy instruments will help to improve the efficiency of employment services, which are also needed for mitigating the impact of the pandemic. Also, the feasibility of sophisticated profiling of labour offices' clients with the aim of preventing their prolonged unemployment will be tested. Other possible measures to facilitate the access of foreign workforce to the labour market will be sought. Parental support will be made more flexible in order to support mothers' return to work and gender gap reduction. The Government will prepare a pension reform. The link between pension expenditure and the demographic development in the first pillar will be reinforced in order to enhance the fairness and transparency of the system. For the second pillar, the priority is increasing returns on savings. In order to prevent frequent changes to the pension system and enhance its credibility, the Government has made a commitment to enact a constitutional act to define the fundamental elements of the first and second pillars. A review of spending on long-term care will be prepared.

Outcome indicators for employment, pension system and social inclusion

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Target 2020
Long-term unemployment rate (% of active population aged 15 and above)	SK	9.2	9.2	9.4	10.0	9.3	7.6	5.8	5.1	4.0	3.4	3.0
	EU	3.8	4.1	4.6	5.1	5.0	4.5	4.0	3.4	2.9	2.5	-
Employment rate (% of population aged 20 - 64)	SK	64.6	65.0	65.1	65.0	65.9	67.7	69.8	71.1	72.4	73.4	72.0
	EU	68.5	68.6	68.4	68.4	69.2	70.1	71.1	72.2	73.2	73.9	75.0
Population at risk of poverty and social exclusion (% of population)	SK	20.6	20.6	20.5	19.8	18.4	18.4	18.1	16.3	16.3	-	17.2
	EU	23.8	24.3	24.8	24.6	24.4	23.8	23.5	22.4	21.9	-	19.4
Benefit ratio (average pension benefit as % of average wage)	SK	43.7	-	-	45.7	-	-	46.6	-	-	-	-
	EU	41.4	-	-	44.0	-	-	43.5	-	-	-	-

Thanks to continued economic growth, labour market performance further improved in 2019. The unemployment rate decreased in the fourth quarter of 2019 year-on-year by 0.4 percentage point to 5.7 %¹¹⁹. This indicator remains below the EU average for an extended period of time. Despite a substantial reduction, the long-term unemployment rate still remains above the EU's average and that of the regional neighbouring countries as well. Every second unemployed person is a long-term unemployed and only three EU countries have higher rates¹²⁰. In 2018, however, the proportion of long-term unemployed was above 60 %. The positive trend in the labour market will be interrupted by the coronavirus pandemic. An abrupt economic decline will push unemployment to nearly 9%. Most affected people will be those working in specific service sectors (tourism, catering services, retail shops or transport), but also in the industrial and construction sectors.

Labour market performance varies across regions. Unemployment decreased below 3% in almost one fourth of districts, all of which are situated in west Slovakia. Employers in these districts are challenged with

¹¹⁹ According to the Selective Workforce Survey (SO SR, Eurostat).

¹²⁰ Greece, Bulgaria and Italy.

insufficiency of qualified workforce. The excess of demand over supply in the labour market is not fully satisfied even despite growing numbers of foreign workers (see Chapter 3). On the other hand, ten districts in central Slovakia and east Slovakia still have unemployment exceeding 10%.

The housing market situation is one of factors behind Slovakia's low regional mobility of labour¹²¹. Real estate market is characterised by a high proportion of dwellings occupied by their owners. On the other hand, a regulated rental housing market is virtually non-existent. According to Eurostat data, only 1.5% of Slovak population lives in regulated rental dwellings, which accounts for almost 3% of Slovakia's housing stock. The proportion of population living in market-rent dwellings is also deep below the EU average¹²².

Figure 19: Quarterly unemployment rate (% active population, seasonally adjusted data)¹²³

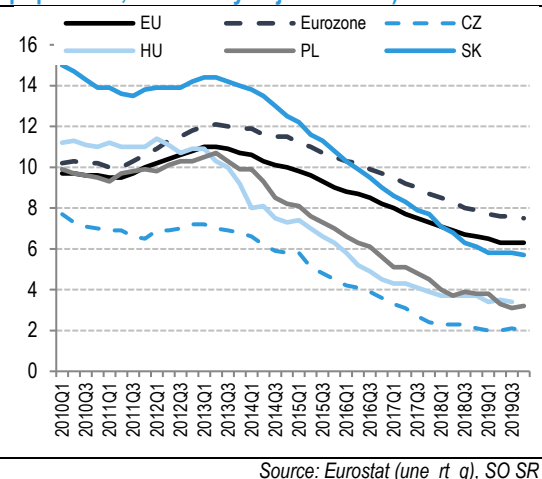
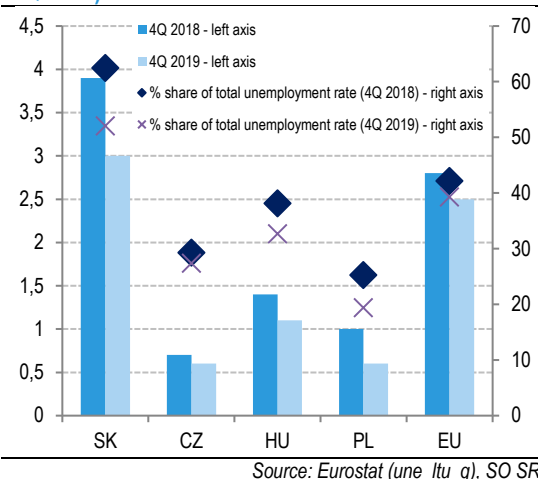


Figure 20: Long-term unemployment (% , 4Q 2018, 4Q 2019)



Low rates of employment of certain population groups remain a labour market challenge. The employment rate of domestic workforce is low when related to active population¹²⁴. The employment rate of low-skilled people is one of the lowest in the EU, amounting to only about one half of the whole population's employment rate. In countries with a better practice¹²⁵, the rate of employment of this population is over 60 %; and the V3 countries' rate is close to 50 %. The strong economic growth also enables the employment of people from MRC; even though, however, their employment remains at about one third of that of major population¹²⁶. If integrated in the labour market, further about 3 to 4% of active population could be employed¹²⁷. The employment of partially disabled people, who represent about 4% of active population, is at approximately a half of the rate of employment of the whole population. The lower employment of certain groups in Slovakia entails a higher risk of poverty and social exclusion.

Employment services partially help to reduce the unemployment of disadvantaged groups. The number of people supported through employment services and AOTP has grown in recent years, but the proportion of supported long-term unemployed persons has not increased. It remains at the level of about half of all supported persons. For policies aiming to improve the success of the least employable groups in the labour market to be designed adequately, a comprehensive evaluation of employment policies is needed.

The lack of childcare capacities for children below three years of age affects the women's performance in the labour market. The employment of women taking care of a child is lower in Slovakia than the EU and V3 countries. Despite similar lengths of the state's parental support, the Czech republic and Hungary have significantly higher proportions of children below three years of age placed in formal childcare

¹²¹ JFP's analysis: "V nájme ďalej zájdeš": Podpora bývania na Slovensku

¹²² 8.5% of population in the SR, 20% in the EU

¹²³ Labour Force Survey (SO SR).

¹²⁴ The lag in the number of employed is explained by the deficit due to labour migration. A relatively high number of domestic workforce is working abroad. The inflow of foreign workforce is low and unable to compensate the deficit.

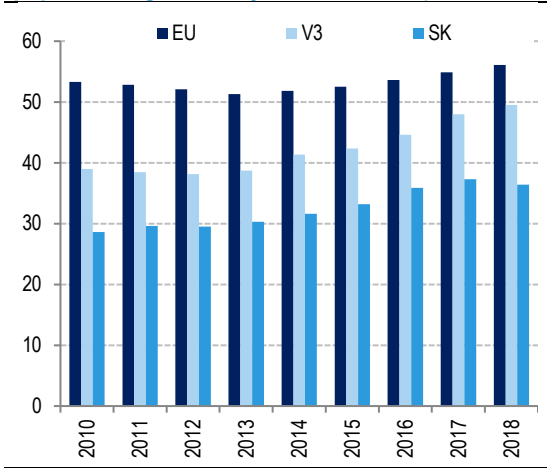
¹²⁵ For example, Estonia, the Netherlands or Sweden.

¹²⁶ JFP's policy brief (2018): Inklúzia Rómov je celospoločenskou výzvou.

¹²⁷ Aged 20 to 64.

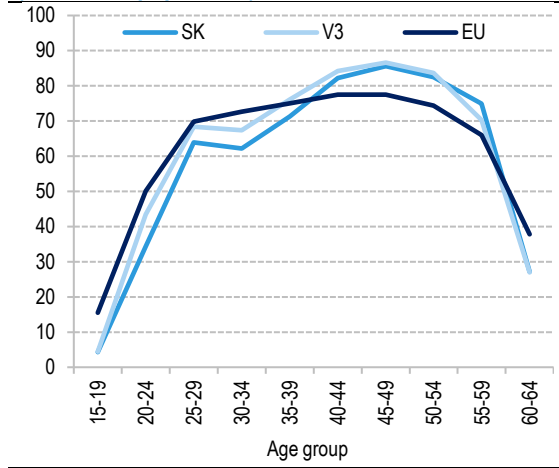
in nurseries. In Slovakia, less than 2% children below three years of age are placed in nurseries, in contrast to the V3 average of 12%¹²⁸. The women's delayed entry or return to the labour market expands the gender pay gap¹²⁹. Despite the introduction of relevant legislation and access to EU funds for this purpose, childcare capacities for children below three years of age have still not increased notably.

Figure 21: Employment rate of low-skilled (% of population aged 20-64 years, ISCED 0-2)



Source: Eurostat (lfsa_ergaed), SO SR

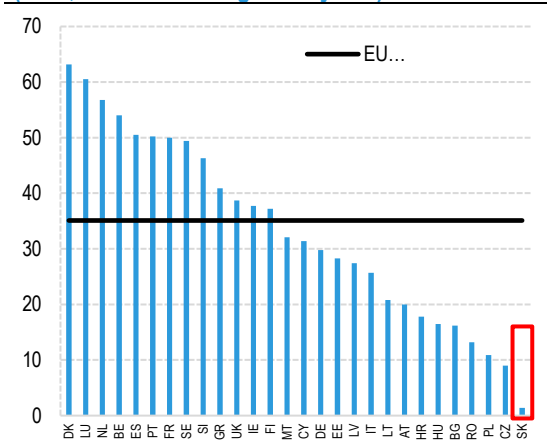
Figure 22: Employment rate of women (2018, % of population)



Source: Eurostat (lfsa_ergan), SO SR

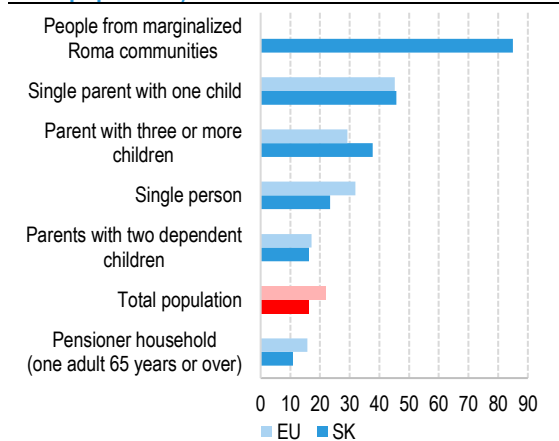
Labour market performance influences the risk of poverty and social exclusion. Slovakia's performance measured by this indicator is one of the best in the EU (16.3% vs. 21.8% in the EU) and Slovakia thus meets the target set in the *Europe 2020 strategy*. Nevertheless, some groups of population are still exposed to a markedly higher risk due to a worse labour market performance and insufficient income. Those most at risk of poverty and social exclusion are people from MRC, single parents and households with more than one child. Also, the exposure of disabled persons is higher than the population's average (22.1%).

Figure 23: Share of children in formal childcare (2018, % of children aged 0-3 years)



Source: Eurostat (ilc_caindfomal), SO SR

Figure 24: Risk of poverty or social exclusion (2018, % of population)



Source: Eurostat (ilc_peps03), SO SR (EU SILC MRK)

¹²⁸ National reports indicate that this proportion approaches 7%. According to national reporting data, the numbers of children below three years of age placed in kindergartens and in nurseries in the school year 2018/2019 (as at the end of 2018) were 8,600 and 2,670, respectively.

¹²⁹ IFP's analysis (2018): [Women Still Can't Have It All: Barriers to Higher Maternal Employment in Slovakia.](#)

4.3.1 Employment

Active labour market policies

Despite a substantial reduction, long-term unemployment remains above the EU's average. To reduce it further, support for the least employable groups must continue and be made more efficient.

The implementation of the *Action Plan to Support the Integration of Long-term Unemployed in the Labour Market in the SR* is continuing. It is targeted at disadvantaged persons in the labour market, mainly those with a low qualification, members of marginalised Roma communities and low-skilled young people. The efforts to improve the efficiency of employment services are further supported by individualised services and specialised counselling, identification of disadvantaged job seekers' skills and deployment of a client profiling system. The Social Policy Institute (ISP), the MLSAF SR's analytical unit will prepare an analysis (by the end of 2021) using advanced statistical methods to assess the probability of labour offices' clients slumping into long-term unemployment.

Regular efficiency reviews of AOTP will help to improve the effectiveness of employment services in order to respond to labour market needs better. Basically, labour market performance is influenced primarily by economic growth. However, the substantial reduction in unemployment, including long-term, was also partially driven by the active labour market policy. As an example, temporary employment helped local governments to increase the employment of low-skilled people, people aged above 50 and long-term unemployed by 15 percentage points. The most visible effect was achieved in the group of people unemployed for more than 12 months (ISP, 2020¹³⁰). ISP will continue to evaluate the net effect of AOTP in the upcoming periods using experimental and quasi-experimental methods in order to ensure a better alignment of programmes with labour market needs.

The active labour market policies will be more targeted at re-qualification and upskilling of the existing workforce. As a result of technology advance, a group of employees at risk of loss of employment due to automation is forming in the labour market (OECD, 2019¹³¹). This is because those employees' current skills do not correspond to the changing situation in the labour market. The concept of the "Don't Lose Job-Learn" national project was approved in 2019. In line with the concept training courses will be presented as an important tool for upgrading qualification and skills of the existing qualified workforce through targeted education and training. A publicly available training course chosen by an employee will be delivered on the basis of cooperation between the employee, the labour office and a quality-certified training institution. A number of national projects will be supported with a total amount of up to EUR 50 million earmarked for this purpose.

Promotion of work-life balance

Support for parents (parental allowance and childcare allowance) will be made more flexible in order to drive mothers' return to work and gender gap reduction. In parallel, support for high-quality and accessible child care facilities for children below three years of age is needed to aid the transition to pre-primary education in kindergartens. Concurrently with increasing kindergarten capacities, relevant legislation will be proposed, which will introduce the legal entitlement to kindergarten placement for every child from three years of age.

Mobility of foreign workers

To address the workforce deficit, the employment of workers from third countries will be promoted. Based on the approved *Strategy on Labour Mobility of Foreigners in the Slovak Republic*¹³², additional measures will be implemented to reduce barriers to the employment of foreigners, e.g. through simplified recognition of qualifications and education. Also, the implementation of a fast-track process for qualified workforce based on the recommendations of the Migration Information Centre¹³³ will be considered. The

¹³⁰ [Social Policy Institute \(2020\): Dočasná práca ako šanca pre znevýhodnených.](#)

¹³¹ [OECD \(2019\): Economic Survey: Slovak Republic.](#)

¹³² [Strategy on Labour Mobility of Foreigners in the Slovak Republic.](#)

¹³³ <https://www.mic.iom.sk/sk/>

length of procedures for obtaining work permits for seasonal works and for work in mass road transport was reduced in 2018. The length of procedures for obtaining temporary residence registration for workers in jobs where workforce is lacking or in a technology centre was also reduced.

Combating illegal employment

In order to improve the detection of illegal jobs, a tool for automated identification of entities suspected of illegal employment will be developed. The transition from illegal to legal employment will help to enhance the efficiency of income tax and public insurance contribution collection and improve the protection of both domestic and foreign employees. This is particularly topical in Slovakia in recent years because of the increased rate of employment of foreigners. The number of employed people from third countries and the EU has risen six times since 2013. Based on the MLSAF SR analytical unit's models¹³⁴, an initial list of suspicious entities with certain characteristics was prepared for the National Labour Inspectorate. The success of the models will be systematically reviewed against the results of the National Labour Inspectorate's inspections. The evaluation results, together with updated and completed data, will then be used for updating and upgrading the models. The instruments will be integrated with those used in financial administration to counter tax evasion.

4.3.2 Pension system

In its Manifesto for the years 2020 - 2024, the Government made a commitment to adopt a pension system reform. The priority for the first pension pillar is improving its long-term financial sustainability and reinforcing the fairness of the system. With the current design of the system, future pension expenditures would be two times higher than revenue from the collection of public system contributions and a half of old-age pensioners would have the same level of pension irrespective of how much they contributed to the system. The sustainability will be strengthened by linking pension expenditures to the demographic development. With a view to increase the fairness of the system, the amount of pensions should better reflect the period of contributing and the amount contributed. Also, the Government has made a commitment to adopt a constitutional act to define the primary parameters of the first and second pillars so as to improve the predictability and stability of the pension system.

The priority for the second pillar is to deploy a well-designed, higher-yield investment strategy. The main problem in the second pillar is a non-efficient distribution of savers' assets which curtails their returns. The reform will therefore target a better allocation of assets, using also international benchmarks in order to increase second-pillar pensions. With a view to increase yield in the second pillar, the preparation of a default saving strategy, based on the so-called life-cycle principle, continued¹³⁵. Within the upcoming changes, also the setting of payout phase needs to be considered.

The automatic entry into the second pillar will be introduced for insured persons below 35 years of age and the fee policy of the second-pillar funds will be changed. The automatic entry into the second pillar will ensure the diversification of an individual's income in retirement. An insured person will, however, be able to remain solely in the first pillar if he or she explicitly decides so. The fee policy should distinguish between the active and passive approach to investing pension funds. In case of passive investing, the saver should not pay fee for the appreciation of his or her pension assets. On the other hand in case of active investing, the asset appreciation fee should be conditional on reaching a yield higher than the comparable passive index.

Providing standardized information about pension entitlements from all three pillars will increase the insured persons' awareness as well as transparency of the pension system. The Government made a commitment in the Manifesto to ensure the introduction of an information sheet on pension entitlements. Such annual electronic statement will inform every insured about his or her individual expected pension

¹³⁴ [Social Policy Institute \(2019\): Čierna práca sa nevypláca.](#)

¹³⁵ [JFP's analysis \(2019\): Default strategy in pension saving: The case of Slovakia.](#)

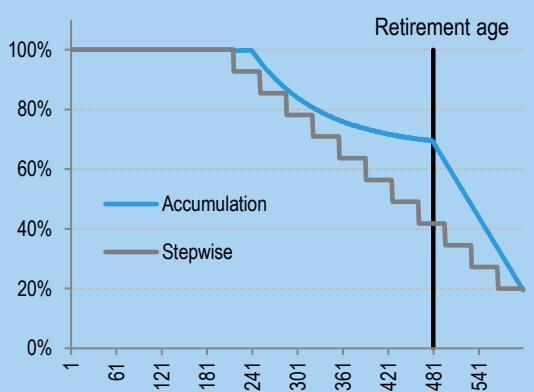
amount. This will allow the insured to better plan his or her exit from the labour market. Since 2021, better information will be provided about the 2nd pillar pension. The innovated individual pension account statement will also include an individualised projection of the amount of savings and that of the lifetime annuity. Pension management companies will also provide and publish key information on every pension fund they open and manage. The publishing of key information will contribute to improved efficiency of a saver's decision-making in connection with selecting a suitable pension fund, particularly with regard to the saver's profile and the investment life-cycle¹³⁶.

Box 3: Defining a default saving strategy for the second pillar

Today, most of the second-pillar savers follow a rather conservative strategy, which increases the risk of an inadequate pension. In 2019, as much as 72 % of savings in the second pillar were invested in guaranteed bond funds. While newly entering savers allocate a substantial portion of their assets to equity, a big proportion of savers aged above 35 keep all their savings in a bond fund. While investing in bond funds protects a saver from sharp short-term falls of equity markets, long-term investing in conservative bonds significantly increases the risk of under-appreciation of savings and, accordingly, of an inadequate pension. While the inflation rate in 2019 reached 2.7%, the average rate of return in a guaranteed bond fund was only 2.4%¹³⁷. The real value of savings thus actually decreased in 2019.

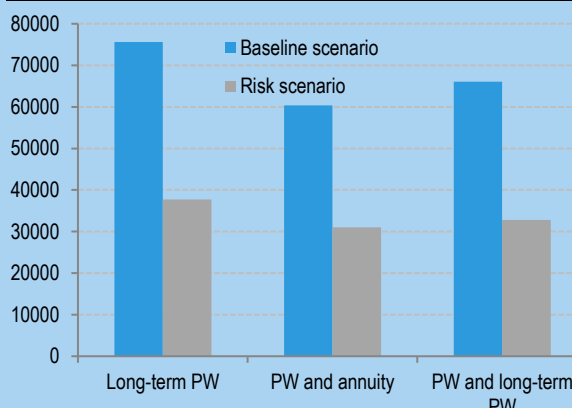
Available options for implementing a default saving strategy were widely discussed in 2019. In March 2019, IFP published an analysis concerning¹³⁸ an optimal default strategy setting and the associated modification of pension pay-out under the second pillar. The recommended strategy suggests that during the first half of career, a saver should invest solely in global equity indices and then invest new contributions in bonds (the so-called accumulation strategy; Graph 25). Based on consultation of professionals, minor modifications of the recommended strategy were made: again, a saver retains savings exclusively in global equity indices during approx. the first half of career, but then, the saver's assets¹³⁹ are gradually moved to bonds (the so-called stepwise strategy; Graph 25). In both cases, 10 years after reaching the retirement age, the saver should have approx. 20% of savings in equity and the rest in bonds. The new stepwise strategy is somewhat less profitable than the accumulation strategy, but it reduces the ordinary saver's investment risk at the time he or she retires.

Figure 25: Share of savings in equity in formerly and newly recommended saving strategy (%)



Source: IFP

Figure 26: Expected real value of savings in various payout methods (in current euros)¹⁴⁰



Source: IFP

¹³⁶ The draft measures were supposed to become valid in the first half of 2020 and effective as of 1 January 2021.

¹³⁷ The value is the arithmetic mean of returns of guaranteed bond funds.

¹³⁸ IFP's policy brief (2019): [Čo nezhodnotíš dnes, na dôchodku nenájdeš](#).

¹³⁹ I.e. not only new contributions.

¹⁴⁰ Baseline and risk scenarios represent expected value at 50th percentile and 5th percentile of paid pensions based on simulations of financial market yields.

The new recommended strategy offers more pay-out options. The best one is a long-term programmed withdrawal. IFP's analysis recommends a combination of the accumulation strategy with pension pay-out in regular monthly instalments, i.e. through programmed withdrawal (PW), during the first 10 years, and subsequent purchase of lifetime annuity¹⁴¹. With the lower allocation of savings in equity at the time of retirement, parallel disbursement of programmed withdrawal and annuity can be considered (Graph 26). But in terms of expected pay-out amount, the best option seems to be long-term programmed withdrawal. In this case, pension is paid to the saver by the pension management company until death. Appreciation of the remaining funds may continue even after retirement¹⁴². With long-term programmed withdrawal, the amount withdrawn each year is limited by the life expectancy¹⁴³, and this minimises the risk that the saver will outlive his or her savings and have only a pension from the first pillar at the end of life.

With long-term programmed withdrawal, a saver may get a pension higher by one quarter. In comparison to the PW option combined with subsequent purchase of annuity, the saver would get a 21% higher benefit even in case of negative developments in the financial market. Pay-out through PW would also be more advantageous if savings become a subject to inheritance in the first 10 years after retirement. However, it needs to be considered that savings subject to inheritance are not included in the expected pension amount during the PW pay-out stage. Accordingly, with lifetime programmed withdrawal, such savings will be used to increase other savers' pensions. In the other strategies, the funds will be withdrawn from the scheme through inheritance.

4.3.3 Social inclusion

Inclusion of groups at risk

The spending review recommending measures for the inclusion of groups at risk was published in March 2020¹⁴⁴. The measures amount to EUR 263 million, of which EUR 107 million can be implemented in the first year. Two thirds of the whole package are intended for early care and education, particularly for children with a MRC background. Around 20% should be allocated to housing support in form of an adjusted housing benefit and more efficient aid to homeless people. 12% of the package should be earmarked for reinforcing labour market policies and social policies targeted at the least employable groups, including people with disabilities. Important measures in the other areas (2% of expenditure) include more efficient safeguarding of low-income patients against excessive co-payments for medicines and extension of the reach of supporting programmes in municipalities where MRC are present, coupled with more effective coordination of the programmes at a regional level. The implementation of value-oriented measures will depend, among other factors, on the budget situation and the Government's priorities. However, not all measures are implementable immediately; some of them will need to be deployed gradually, even over a 10-year span.

Long-term care

The spending review for the long-term care area will be performed in 2020. The Ministry of Finance, in cooperation with the Ministry of Labour and the Ministry of Health, will carry out a spending review focused on the major challenges of long-term care. It will include, in particular, a review of the existing financing arrangements for both formal and informal long-term care and the links between healthcare and social care. The MLSAF SR's Implementing Agency will continue to measure and evaluate the quality of social services

¹⁴¹ Payments under programmed withdrawal will be made by the saver's pension management company. If the saver dies during the PW period, the saver's savings will be subject to inheritance. The subsequent purchase of annuity will protect the saver from so-called longevity risk.

¹⁴² A portion of savings may further be invested in equity since the saver does not need all funds at a single time.

¹⁴³ The saver's withdrawals will be subject to an annual limit, proportional to life expectancy. If the expected lifetime is 10 years, the saver will be allowed to withdraw one tenth of savings per year.

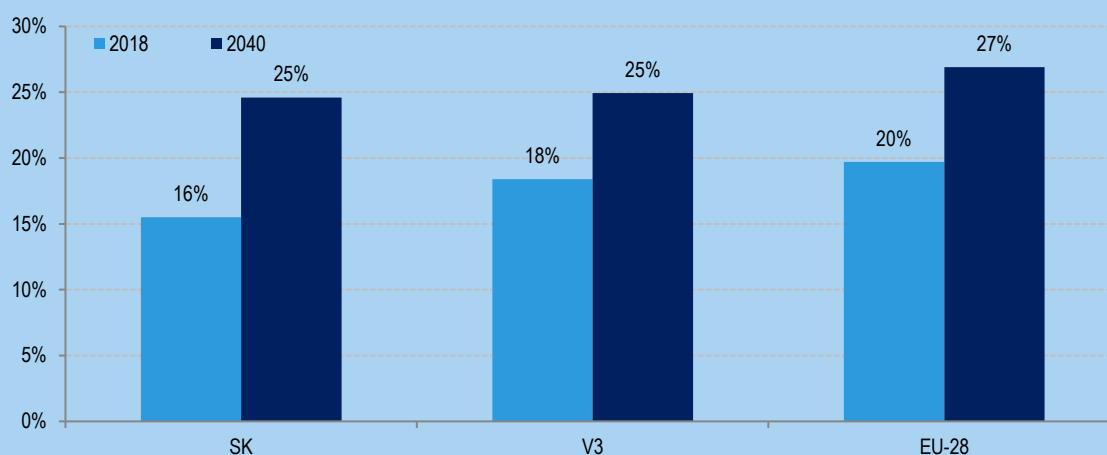
¹⁴⁴ [Value for Money Department: Review of expenditure on groups at risk of poverty or social exclusion](#) (March 2020).

within the framework of the “Quality of Social Services” project¹⁴⁵. New legislation on long-term care will be prepared to provide a complex coverage of health, social and nursing care.

Box 4: Long-term care becoming a challenge in Slovakia

Slovakia’s population aged 65 and above will grow at the highest rate among all EU countries by 2060. In 2018, the proportion of the population in this age group in Slovakia was 16 %, being one of the lowest in the EU. Based on EUROSTAT’s population projections, this proportion will rise to 25 % by 2040. A similar situation will occur in other EU countries, too. Since Slovakia is now one of the youngest countries of the EU, the growth will be the strongest. Demographic trends put pressure on the extension and sustainability of long-term care system financing. Long-term care refers to the provision of services and support to persons who are dependent on others’ help over an extended period of time. The elderly make the largest proportion of dependent persons in Slovakia – 73% of dependent persons are people over the age of 62.

Figure 27: Population aged 65 and above (% of total population)



Source: Eurostat (proj_18ndbi)

Slovakia’s expenditures on long-term care is 0.9 % of GDP – less than the EU average of 1.1 % of GDP. According to the OECD (2019), the low level of expenditures in the countries of Central and East Europe reflects, besides a different age structure, the wealth and level of advancement of their long-term care systems. These countries generally have poor coordination of long-term social care and health care and insufficient attention is paid to home care and community care services. Services are often provided by a person’s relatives through home care without adequate support from the state.

Formal and informal long-term care services in Slovakia still remain under-developed. With the poor level of development of formal care services, care is shifted to close relatives who cannot fully participate in the labour market. The lack of staff is another problem affecting the quality as well as availability of services. Because of the current conditions, many social workers prefer pursuing their profession abroad. Support for community and home care is mostly insufficient. Nursing services under the formal community care system are largely dependent on financing from the EU funds.

Integration of healthcare and social care is necessary for a long-term care system, but it still remains insufficient in Slovakia. While nursing care is available in certain social care facilities, support for follow-up health care is still lacking. It would allow a transition between acute healthcare and the social sphere. One of options for achieving this is by increasing capacities and expenditure on follow-up health care.

Measures have been taken in both formal and informal care services. The trend is to abandon from residential facilities and strengthen home and community care. It supports the autonomy and dignity of care-

¹⁴⁵ In accordance with the obligation of social service providers to comply with prescribed social care quality standards, imposed under the Act No. 448/2008 on social services with effect from September 2019.

dependent persons. In 2019, the financial contribution to residential social services providers and ambulatory social services providers in social service facilities to persons dependent on other person's help increased. Financial contributions aim to cover the wage costs and social and health security contributions of employees of social services facilities. The aim is also to support employment in this area and reduce employee turnover. As a measure to foster informal long-term care, the cash allowance for nursing for persons giving care to a dependent person in home environment was increased to the net minimum wage level in 2018. The motivation behind this step was to compensate caregivers for their absence in the labour market. The cash allowance for nursing was increased again in 2019. Also, the hourly rate for personal assistance increased. Further, with effect from 2021, the length of provision of short-term nursing benefit will be extended from 10 to 14 calendar days and long-term nursing benefit as a new type of benefit will be instituted¹⁴⁶.

¹⁴⁶ In limited cases the nursing allowance will be provided for up to 90 days (it is only 10 days now). This includes cases when the person receiving care was hospitalised for at least five days and necessary personal follow-up care lasting for at least 30 days is foreseen. The 90-day eligibility also arises if the person receiving care is in the terminal stage of a disease.

4.4 Quality of public governance and business environment

In order to raise the country's competitiveness, the Government has made a commitment to improve Slovakia's Corruption Perception Index ranking by 20 places. Mechanisms will be implemented to ensure better control over assets and a functioning framework of material liability to sanction public officials' misconduct in the management of public resources. The transparency of public employee selection process will be improved through the introduction of a uniform selection process for all general government. Measures will be adopted to improve the quality of public procurement. With a view to enhancing transparency in public administration, the public disclosure of annexes and amendments to agreements and contracts will be introduced. More information will be given on public offices and decisions taken by local governments as well. The courts' and public prosecution service's candidate selection processes will be made more transparent so as to promote their credibility. Priorities for judiciary include continued efforts to reduce delays in proceedings and increase the citizens' confidence in the judicial system. Work on drafting a court map and designing a system of specialised courts and judges has been in progress. Works on the Business Register project aiming to reduce the administrative burden on businesses and courts in the registration of business companies continue. Also, businesses' communication with the Financial Administration will be simplified. In its Manifesto, the Government made a commitment to adopt measures to reduce the bureaucratic burden on businesses already in 2020 via a shortened legislative procedure. By October 2020, the Government will prepare and submit for approval new construction regulations having an impact on the Doing Business ranking.

Outcome indicators for the modernisation of public administration and business environment

		2012	2013	2014	2015	2016	2017	2018	2019	Target 2020 ¹⁴⁷
Doing Business ¹⁴⁸ (World Bank ranking)	SK	-	-	-	34	36	38	38	45	15
	EU	-	-	-	31	32	34	36	39	-
	V3	-	-	-	34	36	36	38	44	-
Product market regulation index (score)	SK	-	1.29	-	-	-	-	1.52	-	1.2
	OECD	-	1.44	-	-	-	-	1.4	-	-
E-government index (%)	SK	42	33	57	51	48	47	51	59	71.7
	EU	44	41	47	46	48	49	52	55	-
Corruption perception (score)	SK	46	47	50	51	51	50	50	50	-
	EU	63	63	64	66	65	65	65	64	-

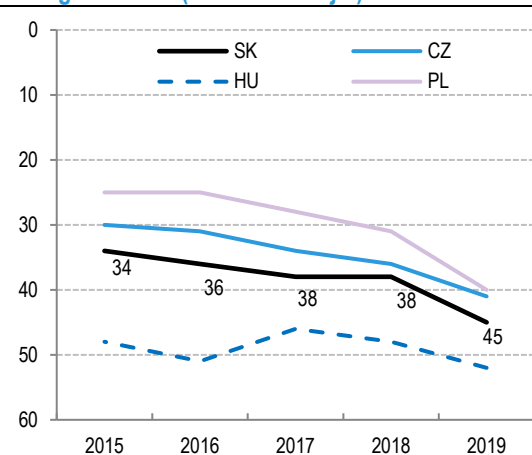
Out of 190 countries, Slovakia ranked 45th in the business regulatory environment assessment of the Doing Business, with the total score of 75.6. Again, we ranked lower than the previous year. This downward trend in Slovakia's DB ranking is attributable mainly to the improvement of other countries' business environment. Slovakia is improving its business environment gradually, but its progress is slower compared to the other countries. A similar trend is also observed in the neighbouring V3 countries. We achieved a year-on-year improvement in the *Starting Business* indicator, reflecting the World Bank's appreciation for the abolishment of *Certificate of Tax Arrears*. Procedures for starting business and obtaining construction permits are, however, perceived as major barriers in the businesses environment. The pending construction legislation would substantially accelerate the construction permits¹⁴⁹.

¹⁴⁷The indicator was defined with the framework of the [Structural Indicators Overview \(December 2011\)](#) analysis and is used as a complement to the indicators of the Europe 2020 strategy. Frequent changes in the Doing Business survey methodology disable a consistent comparison between countries and years.

¹⁴⁸ The scores and rankings for years correspond not to the year in the Report title but to the year for which the data and the Report are processed. Accordingly, the scores from the *Doing Business 2020* report are shown in the Table for 2019. The rankings of Slovakia and the other countries from surveys before 2019 do not correspond to the respective annual *Doing Business* publications, but they are based on the data revisions published by the World Bank along with its last *Doing Business 2020* publication (the *Historical Data* section [here](#)). The list of indicator revisions by country is available [here](#).

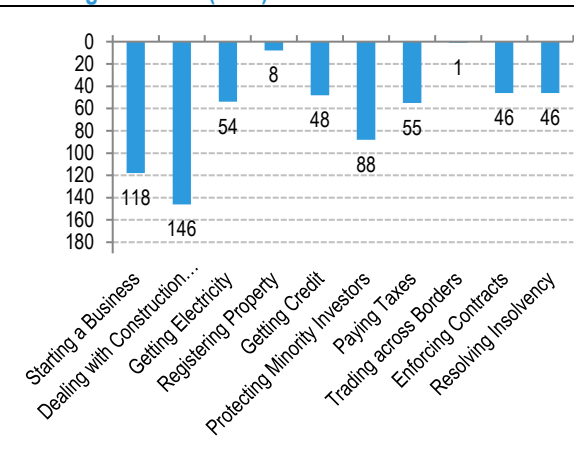
¹⁴⁹ The bills have got stuck in the inter-ministerial consultation process.

Figure 28: Ranking of Slovakia and V3 countries in Doing Business (out of 190 krajín)



Source: DB 2020

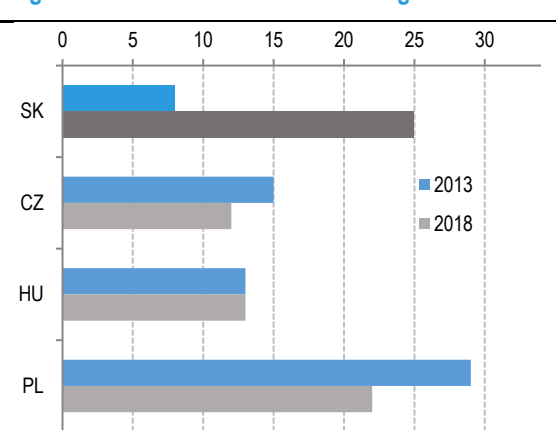
Figure 29: Ranking of Slovakia in individual indicators of Doing Business (rank)



Source: DB 2020

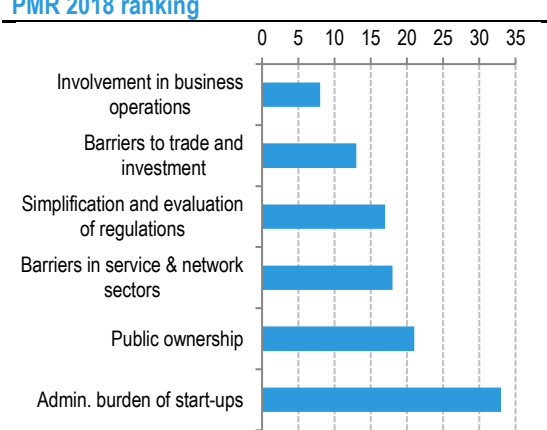
Slovakia's position in the OECD's PMR 2018 ranking dramatically worsened, falling from the 8th to the 25th place out of 34 rated countries¹⁵⁰. This low ranking is mainly due to administrative burden on start-ups, such as various licences and permits required for starting business. In the public ownership category, the low position is due to direct control and co-ownership in network sectors. In contrast, relatively good results were achieved in involvement in business operations (in particular regulation of business rules, such as opening hours) and barriers to trade and investment (in particular duties and treatment of foreign suppliers). Among sectors, the major challenge is the regulation of professional services, including architects and civil engineers as the most regulated professions (ranked 33th and 34th, respectively).

Figure 30: Position in the PMR ranking



Source: OECD

Figure 31: Position in individual indicators of the PMR 2018 ranking



Source: OECD

Slovakia ranks amongst the worst countries of the EU in terms of perception of corruption. According to the *Global Competitiveness Report*¹⁵¹ corruption poses a strong barrier to entrepreneurship. Less corruption means a leaner state without excessive bureaucracy, easier doing business, better work of authorities and functioning services. The perception of corruption is also associated with trust in judiciary and police. Slovakia is ranked the last in the Eurobarometer survey as regards to the populations' trust in police¹⁵².

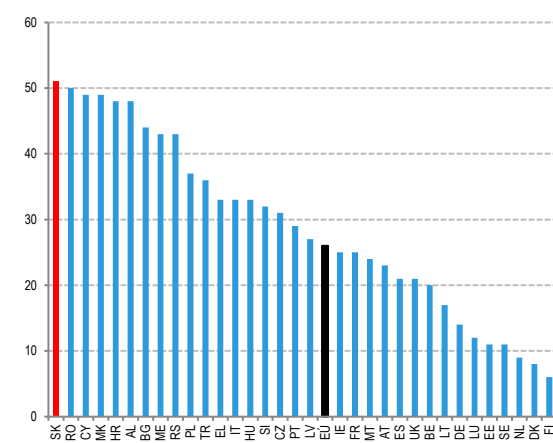
¹⁵⁰ Besides the development alone, the lower ranking may also be due to a change in the methodology.

¹⁵¹ [World Economic Forum: The Global Competitiveness Report 2019](#)

¹⁵² [Standard Eurobarometer 91](#)

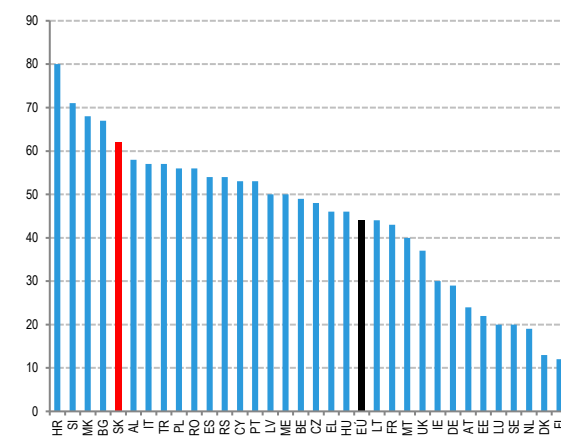
The judicial systems' credibility is also very low.¹⁵³ The *Action Plan for Strengthening the Fight against Corruption and Fraud Involving the EU Funds* and the newly set-up *Whistleblower Protection Office* could contribute to improvement in corruption perception. The Office has a potential to help to deter corruption, but it needs to be adequately staffed¹⁵⁴. A transparent and corruption-free environment has a positive effect on the economic growth through certain key factors, including public and private investment, development of human capital and economic stability. Slovakia lags behind the other EU countries in the corruption perception indicator¹⁵⁵. To be efficient, fight against corruption requires enhanced transparency, quality public institutions and elimination of space for dishonest practices in managing assets of the state, public institutions and local governments.

Figure 32: Lack of trust in regards to police (% interviewed)



Source: Standard Eurobarometer 91

Figure 33: Lack of trust in regards to judiciary (% interviewed)



Source: Standard Eurobarometer 91

Institution of the position of a visiting judge and dismissal of legal debt enforcement proceedings will increase the efficiency of judiciary. The measures aim to improve the clearance rate and reduce the length of court proceedings. Enforceability of law is a prerequisite for sound functioning of the business environment, and the length of proceedings is an essential factor in this. The Slovak judicial system has been lagging behind the best-performing countries in terms of both the length and clearance rate of court proceedings. The significantly better rating achieved in the most recent survey could be attributed to improved efficiency of Slovak courts, but also to a change in the data reporting methodology (Graph 34)¹⁵⁶. But the length of court proceedings in commercial disputes keeps growing (Graph 35).

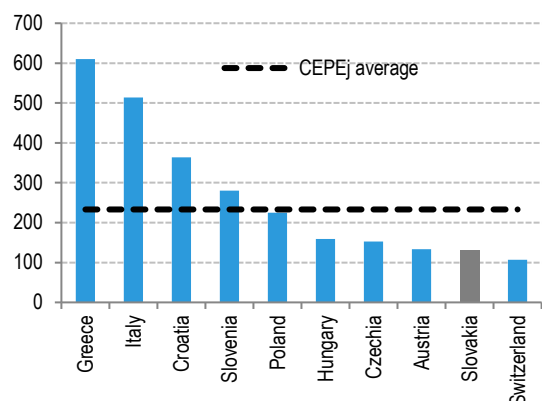
¹⁵³ [Standard Eurobarometer 91](#)

¹⁵⁴ Two candidates for the head of the Office were selected in the second round of selection. The Government approved both candidates at the end of 2019. The final voting in the Parliament has not taken place yet.

¹⁵⁵ <https://www.transparency.org/cpi2018>

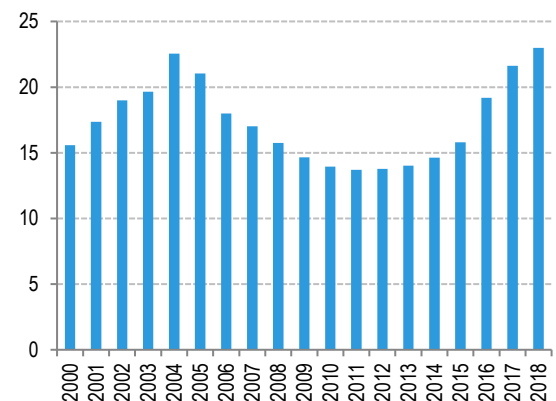
¹⁵⁶ All comparisons relate to first-instance courts. Reporting methodology change against the CEPEJ scoreboard: 2017 was the first year when data (for 2016) provided for the CEPEJ scoreboard purposes were broken down into resolved and unresolved cases, instead the previously used breakdown into disposed of and pending cases. This was possible because, based on CEPEJ's judiciary audit of 2017, single additional gathering of unresolved cases was performed and the mandatory collection of unresolved cases was then instituted. With the methodology aligned with the other states included in the comparison, which is based on resolved instead of disposed-of cases, the judicial system efficiency indicators markedly improved. Also, the disposition time (DT) indicated by CEPEJ before 2016 was calculated on the basis of the pending cases to disposed-of cases ratio, which is not correct. There are more pending than unresolved cases at Slovak courts and this is why the DT indicator for years before 2016 was worse than after 2016 when the CEPEJ's evaluation has been based on unresolved cases.

Figure 34: Disposition time, civil and commercial cases in days¹⁵⁷ (2016)



Source: CEPEJ 2018¹⁵⁸

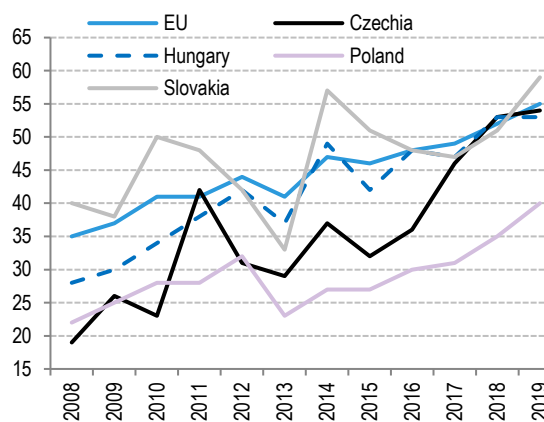
Figure 35: Length of commercial disputes in months



Source: MJ SR¹⁵⁹

Despite a substantial increase in the amount of electronic communication with the state, Slovak people's trust in such communication was the lowest in 2019. In 2019, more than half of Slovaks used the Internet for communication with public administration authorities, which is the highest rate in the V4 region. In contrast, nearly one fifth of Eurobarometer respondents declared that they had not used e-communication with the state for security reasons. This is the highest increase in distrust in the EU for the period 2015 - 2019. Such a high rate of distrust in electronic communication may pose a serious impediment to the development of digitalisation and informatisation of public administration in upcoming years.

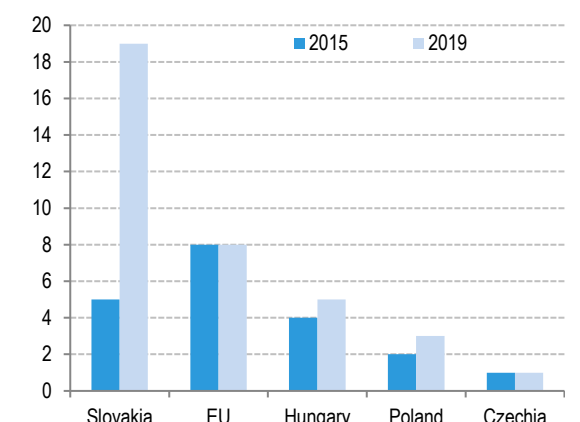
Figure 36: Use of internet in communication with public authorities in the last 12 months (% of population)



Source:

Eurostat

Figure 37: Security reasons of not using e-communication with public authorities (2019, % of population)



Source: Eurobarometer 2020¹⁶⁰

The business environment in the farming and forestry sectors is strongly affected by extremely fragmented ownership of agricultural and forest land, which restrains the market in land. The land ownership issue also affects the owners alone as their land disposal rights are limited. On average, 12 owners hold title in one parcel of land and one owner has a co-owner's title in 23 parcels. The total number of registered land owners is 4.4 million¹⁶¹. Parcel shapes are inappropriate and fail to reflect the current

¹⁵⁷ Disposition time is calculated as a ratio of pending cases at the end of the year to solved cases in that year multiplied by 365. It is a hypothetical number of days with informative character that says what would be the length of a proceeding at the end of the year if a court would decide at the same speed as in the last year and would not engage in new cases.

¹⁵⁸ <https://www.coe.int/t/DGHL/cooperation/cepej/evaluation/2016/STAT/default.asp>

¹⁵⁹ <http://web.ac-mssr.sk/statisticka-rocenky/>

¹⁶⁰ <https://ec.europa.eu/eurostat/documents/2995521/10335072/9-16012020-BP-EN.pdf/30431c3f-cbce-6d2d-e9d1-4cf6b084b6af>

¹⁶¹ <https://www.mpsr.sk/download.php?fid=16473>

landscape situation and use. Unidentified owners' land and state-owned land are managed by the State Land Fund. 91% of the agricultural land used by farming entities is leased. The fragmentation of ownership also hampers the entry of new entities into agricultural production. For land outside urban or municipal boundaries, the state tackles this problem by consolidation changing both the shapes and ownership of parcels. Started in 1992, the consolidation of land involves 3,525 cadastral areas with a total area of 4.4 million hectares. As at the end of 2019, the consolidation was finalised for 413¹⁶² and in progress for 9¹⁶³ cadastral areas with a total area of 0.4 million hectares of agricultural and forest land.

4.4.1 Quality of public governance

Fight against corruption and transparency of public administration

In order to raise the country's competitiveness, the Government has made a commitment to improve Slovakia's Corruption Perception Index ranking by 20 places. A new concept of legislation concerning the declaration of wealth will be drafted. Rules for the control of public officials' wealth will be improved. As an example, the obligation to declare changes in and additions to a public official's assets/property will be imposed. A mechanism will be put in practice to enforce public officials' material liability and sanction their misconduct in the management of public resources. In line with international institutions' recommendations, an independent agency will be established and tasked with the control of public officials' wealth declarations, conduct and conflicts of interest. Efficient search for, seizure and confiscation of proceeds from crime will be ensured and clear rules for the administration and management of seized property introduced within the framework of the property seizure legislation¹⁶⁴. The criminal offence of "feeding" will cover corruption conduct where no direct and obvious link between granting or receiving a bribe and misconduct has been established and evidenced. A lobbying act will be adopted and a register of lobbyists established with details of their lobbying activity and clients, costs and fees.

As a corruption countering instrument and in line with the Manifesto, public procurement, employee selection procedures and disclosures will be made more transparent. The transparency of public employee selection process will be improved and a uniform selection process for all general government will be introduced. Measures will be implemented to improve the control over public procurement through reinforcing the position and independence of the Office for Public Procurement. Shared support service centres will be set up to enhance the efficiency of public procurement at the regional level. Disclosure obligation will be instituted in respect of amendments and annexes to contracts subject to mandatory disclosure as well as materials supporting local governments' decisions. The mandatory disclosure of information will also extend to candidates for a public office and mayor's and HTU Head's declarations of wealth.

Judiciary and public prosecution services

Candidate selection processes of courts and the public prosecution service will be made more transparent. A transparent candidate nomination and election process for the General Prosecutor and Special Prosecutor offices will be implemented, based on the standards applicable to the selection of Constitutional Court judges. A constitutional act will be adopted to reform the election process for the Judicial Council of the Slovak Republic.

Cooperation with the European Commission for the Efficiency of Justice (CEPEJ) is continuing. In the context of on-going reforms, the aim is to improve the efficiency of the Slovak judicial system. The project involves, in particular, mapping the current state of the courts' judicial management. In line with the *Action Plan for the Implementation of New Measures for Courts*, the Ministry of Justice will focus in upcoming years on the creation of the court map, specialisation of courts and judges, implementation of disposition time frames for all courts and creation of suitable conditions at courts for handling family-law agenda. The aim is

¹⁶² <https://data.gov.sk/dataset/zoznam-ukoncenyh-projektov-pozemkovych-uprav-komplexnych>

¹⁶³ <https://data.gov.sk/dataset/zoznam-rozpracovanych-projektov-pozemkovych-uprav-komplexnych>

¹⁶⁴ In line with the international standards following from Slovakia's commitments in this area.

to improve the efficiency and quality of the Slovak judicial system. Another priority will be the provision of IT support for court management which is responsive to the Slovak judicial system's IT needs.

Informatisation of public administration

Internal capacity-building will improve the cost-efficiency of IT expenditure. The Ministry of Finance, in cooperation with The ODPII, will update and extend the methodological guideline for the preparation of IT investments and the economic assessment of internal capacity-building. An assessment will be needed both in the implementation of new projects and in the operation of existing information systems to identify activities which could be performed, at lower costs and without impairing the quality, with the use of internal resources rather than outsourced. Accordingly, a plan for the staffing of internal positions will be required.

Rules for the preparation of new and development of existing information systems will be unified. A new Decree of The ODPII was adopted which formalises and particularises IT project preparation processes. This includes the application of economical assessment rules applicable to new investment projects and to expenditure on the operation and development of existing information systems.

The next stage of public administration informatisation projects will contribute to bureaucracy elimination. The Government will adopt measures for the operation of local government authorities so as to reduce the excessive administrative burden and intricacy of authorities' procedures (e.g. abolition of the presentation of documents by citizens and businesses).

The Government will implement measures following from the updated informatisation spending review. The Ministry of Finance, in cooperation with The ODPII, have prepared a new informatisation spending review¹⁶⁵. The rise in expenditure on informatisation can be reduced substantially without affecting service quality. According to the review, measures with the highest cost-saving potential include reinforcing internal capacities, implementing analytical monitoring and evaluation of IT spending, systematic unit price referencing, improved control of requirements for support service levels and system development, and enhanced operational efficiency of the Government cloud. A strategy and an action plan for the period 2020 - 2024 towards improving Slovakia's ranking in the Digital Economy and Society Index will be prepared.

The monitoring of cost and performance indicators at an individual information-system level will be extended. In line with the measures following from the informatisation spending review, THE ODPII will control and enforce the budgeting of expenditure under the OEK inter-ministerial programme at the information-system level and updating the performance indicators in MetaIS. As the first step, cost and performance indicators will be made available for information systems with annual expenditure exceeding EUR 100 thousand so as to cover 80% of all IT expenditure, and the monitoring will then be extended to the service level.

The development of digital infrastructure for high-speed internet will be supported. In the context of digital connectivity, Slovakia has committed itself to the EU's strategic objectives for a gigabit society. The aim is to provide access to a communication infrastructure which is able to meet in the long run the qualitative, capacity and security requirements for gigabit society networks for all citizens, business and public administration institutions. The National Broadband Plan will be devised to outline how this target is to be attained.

A new platform for the identification of innovative solutions for public administration institutions is being built up. Based on the approved *Action Plan for the Digital Transformation of Slovakia* for the years 2019 to 2022, THE ODPII is implementing a project towards establishing an innovative solution platform. The platform will serve the posting of an enquiry for a solution to a particular problem and collection and valuation of solutions offered by external providers. In contrast to ordinary procurement, the object of valuation will be existing solutions, as opposed to bids for a future delivery. The public-sector body which posted the enquiry will thus receive a suggestion for solving a particular problem in a relatively short time and with minimum risk. The launch of the project and publishing of first calls are scheduled for 2020.

¹⁶⁵ [Informatisation 2.0 \(March 2020\)](#).

Human resources in public administration

The structure of both employment and remuneration in the public sector will be changed. The key area for more efficient functioning of public administration is the quality of human resources. The review of spending on employment and remuneration revealed that the problem with public employment lies in its inappropriate structure rather than the public sector's total employment and costs. Compared to the other EU countries, Slovakia has too many police officers and university teachers, too few nurses and too few and bad paid social service workers relative to its population. The population's ageing will further aggravate the situation, with one third of public sector employees retiring within 10 years.

The review suggests that another problem is the egalitarian system of remuneration, which disregards the actual performance and differences in wage levels between professions and regions. The strategic aspect of employment management will be strengthened and the remuneration system made more flexible, including increasing the variable component of salary for positions involving a higher degree of responsibility. Instruments towards improving the authorities' internal efficiency will include optimisation audits of state' authorities and state-run undertakings, which will be performed, to the largest extent possible, with the use of internal resources. One example is the optimisation of authorities' supportive and cross-cutting activities.

State's analytical capacity

The Government will build up lacking analytical resources and create conditions for their sustainable and competitive financing. The units will support the preparation and evaluation of public policies more intensively and cooperate in the preparation of sector-specific strategies, definition and performance monitoring of ministry-specific priority indicators, and execution of regular public spending reviews and implementation of resulting measures. The sector-specific analytical units will also participate in the preparation of feasibility studies and cost-benefit analysis of investment projects (see Chapter 4.1). Now, those activities are partially outsourced at an annual amount of approx. EUR 27 million. The shifting of certain activities from external providers to internal analytical resources will bring savings and help to sustainably build up the state's knowledge-base. Measures will be taken to ensure that the analytical units are granted access rights to data of the Ministries' as well as the private organisations collecting data for the state.

The EC's technical assistance under the *Structural Reform Support Programme 2017 - 2020* was continuing in 2019¹⁶⁶. The Programme aims to support the Member States' institutional, administrative and structural reforms through technical assistance. Slovakia joined the Programme in October 2019 for the fourth time. Ten projects in the total amount of EUR 3.6 million will be implemented under the Programme with the aim to improve administrative capacities for the preparation of measures for healthcare, local government and insolvency framework, or improve the drawing of the European Structural and Investment Funds and the development of circular economy.

Projects implemented under the Structural Reform Support Programme in 2020

Brief project description	Ministry
Preparation of the Action Plan for the Implementation of the European Structural and Investment Funds in the Operational Programme "Research and Innovation"	MTC SR
Evaluation of the Role and Functioning of the National Productivity Board	ISA, GO SR
Creation of the Roadmap for Circular Economy in Slovakia	MEnv SR
Preparation of the Local Government Reinforcement Strategy	MI SR
Environmental Impacts and Landscape Revitalisation in a Coal Field	ODPII
Analysis of the Tertiary Education System in Slovakia	ISA, GO SR
Development of a Micro-simulation Tool for the Slovak Tax and Transfer System	CBR
Preparation of a reform of Slovakia's insolvency framework aiming to reduce costs and lengths and create preventative instruments	MJ SR

¹⁶⁶ SRSP ([Structural Reform Support Programme](#)).

Preparation of the National Strategy for Artificial Intelligence Application in Healthcare	MH SR, ODPII
Deployment of Crisis Management Instruments for Banks	NBS

4.4.2 Business environment

Reduced administrative burden on businesses and improved regulation

Electronic services for the businesses' communication with the Financial Administration and the Business Register will be improved. The aim of financial administration measures is promoting the pro-client approach, reducing administrative burden and encouraging the voluntary compliance with tax and customs obligations. The so-called *automatic registration* will be introduced: the tax administrator will effectuate the registration of an entity on the basis of the registers of legal persons or business entities or public authorities, as applicable. For the present time, this registration mechanism will extend only to income tax. The streamlining of registration formalities will also include the abolition of taxpayers' obligation to report accounts opened with banks to the tax administrator, effective from 2020. Also, the business register's charges will be adjusted and electronic services for entrepreneurs improved. The introduction of electronic forms as the sole company registration means will enable the reduction of charge rates to half so that they correspond to the level of the charges paid electronically nowadays. Availability of services is planned to be improved through the extension of the number of external registrars authorised to enter an entity in the register¹⁶⁷. The Government will also support the implementation of user-friendly, pro-client electronic services and continue building up the network of client centres.

The Ministry of Economy intends to focus on carrying out the measures of the first Action Plan for the implementation of measures following the Strategy for the Economic Policy of the Slovak Republic. This includes 41 measures to be implemented in the course of 2020 and 2021. The Action Plan covers measures in the areas of education, innovative potential, energy efficiency of the economy, business environment, regional development, as well as those responding to an adverse economic environment. Examples of the upcoming measures include the simplification of seasonal employment or the adoption of the "one in - one out" principle in the legislative process. The Government committed itself in the Manifesto to implement the "one in - one out" principle with effect from 2021. This means that the adoption of a new regulation would automatically drive the abolition of another regulation. Starting from 2022, the "one in - two out" principle would be adopted (i.e. every new regulation would be accompanied by a proposal for doubled reduction of another administrative burden). The measure aiming to reinforce mechanisms for job retention during a crisis has already been implemented and employed during the COVID-19 pandemic. Efforts towards de-bureaucratising the business environment will be continued by implementing the measures of the three anti-bureaucracy packages and the Strategy for better regulation *RIA 2020*. Anti-bureaucracy package measures with pending implementation include, in particular, the finalisation of the new construction regulation codes aiming to accelerate and streamline construction permits. This would also have a positive effect on the Doing Business ranking.

In its Manifesto, the Government made a commitment to take measures to reduce the bureaucratic burden on businesses through a **shortened legislative procedure already in 2020** (the Ministry of Economy's *Lex Corona*). Tens of obligations for business will be eliminated, such as the obligatory occupational healthcare service for low-risk professions, mandatory indication of the origin of meat in ready-to-eat meals, certain reports to authorities, mandatory smoking-ban stickers or mandatory technical/emission vehicle inspection stickers. The foreseeability of the legal framework for doing business will be enhanced. All legislation relevant to doing business will come into effect only from a single day in a year (the first day of January). Measures in this area are planned to be regularly and systematically submitted in the upcoming years to reduce the burden on businesses by the end of this Government's incumbency.

¹⁶⁷ Based on the "Proposal of Measures to Improve the Functioning of the Business Register" non-legislative material (approved by the Resolution of the Government of the Slovak Republic No 167/2018), the institution of external registrars is scheduled for the second implementation stage, with the planned completion by 31 December 2020.

Land market and land consolidation

The Government made a commitment to work towards the completion of land consolidation by 2049¹⁶⁸. This target is relevant to land outside urban or municipal boundaries in 3,103 cadastral areas, amounting in aggregate to 4 million hectares. The total land consolidation expenditure is estimated at EUR 1.1 billion. In 2020, land consolidation is planned to be started for 120 cadastral areas selected as the most urging ones, and the estimated expenditure is EUR 68 million¹⁶⁹. The plan is to start consolidation of 119-120 cadastral areas every year by 2045. The estimated average length of consolidation proceedings per cadastral area is five years.

Construction permission proceedings

The Government made a commitment in the Manifesto to submit new construction regulation legislation for approval by October 2020. This is supposed to substantially improve Slovakia's Doing Business ranking. The construction permission area is where Slovakia has the worst ranking. The envisaged changes will reinforce the zoning process, including extending the obligation to have a zoning plan to all municipalities and shortening the length of zoning documentation procurement processes. Construction administration offices will be abolished and the role of specialised district offices in analysing impacts and stakeholders' interests will be strengthened. The preparation of a construction project will be streamlined into a single analytical process integrating the identification of environmental impacts and of public interests pursued by public administration bodies (the local government authorities responsible for zoning and specialised government authorities responsible for a particular area defined by law).

4.4.3 Transport infrastructure

Prioritisation of transport infrastructure

In line with the Manifesto, the value-for-money principle in transport will be reinforced through the prioritisation of productive investments. The MF SR, in cooperation with the MTC SR, has prepared a draft methodology for the selection of road infrastructure projects¹⁷⁰, which will provide a basis for drafting an analysis-supported list of priorities and a road and motorway construction preparation plan. The construction planning methodology will be based on a project's social return on investment. The prioritisation will take into account the transport aspect and the social benefit of projects, the state's capacity to prepare the projects, budget constraints and the regional development potential.

The prioritisation will deliver a higher social benefit also in the context of the modernisation of Slovakia's railway network. Similarly to road transport, the MF SR and the MTC SR will propose a methodology for the prioritisation of railway infrastructure projects. A national plan for transport service responding to developments in transport will be prepared, which will provide a basis for ordering public passenger railway transport timetables. The plan will also define less resource-intensive investment plans for the railway infrastructure and vehicle fleet development towards meeting long-term strategic objectives.

Another conceptual instrument for the planning of transport investment projects is the National Transport Model. The new Government's Manifesto includes a commitment to updating the Model. A new version of the Model will be prepared by the MTC SR in cooperation with the MF SR. The transport model incorporates a simulation of current and future transport flows based on transport demand and supply and on the currently existing and envisaged transport infrastructure. Projects for all transport modes will be mutually compared and transport investment strategies updated in accordance with the transport model outputs. Also, to adequately inform the transport modelling and transport policy-making processes, the base of data on transport and mobile behaviour patterns will be regularly updated.

¹⁶⁸ <https://rokovania.gov.sk/RVL/Resolution/17842/1>

¹⁶⁹ <https://rokovania.gov.sk/RVL/Material/24368/1>

¹⁷⁰ [Priorities in road infrastructure construction \(draft methodology\).](#)

The Government will ensure the standardisation and improved efficiency of documentation and procedures for the EIA process¹⁷¹ and zoning and construction permission proceedings. New construction regulation legislation will be prepared and approved, including public consultation, to enable faster and more transparent and more efficient decision-making concerning construction projects. The aim is to accelerate the project preparation and reduce pre-implementation costs of public investments.

High-quality and effective transport

The Government will prepare a public passenger transport bill. The new legislation will facilitate the unification of rates and conditions across railway and suburban and urban mass passenger transport services and set rules and standards for those services. The aim is to allow passengers to use all public-interest mass passenger transport services under a single transport document and ensure the coordination of railway and suburban and urban mass passenger transport services.

The improved planning by the state and more efficient cooperation with the national railway company (ZSR) and other transport operators will enhance the quality of railway passenger transport services for citizens. The MTC SR will review the current set-up of core investing and operating activities and financial parameters of new contracts in the railway sector so as to ensure that public-interest transport services are ordered effectively, this as a key to improving the efficiency of the state-run railway undertaking (ZSSK) and the gradual liberalisation of railway passenger transport.

The Government will improve the functioning and financial management of the state-run companies in the transport sector. The main management instrument in the administration of transport infrastructure and operations is relevant performance indicators which evaluate the operations and performance of state-run undertakings and provide a drive an adequate motivation in investing and operating activities. Centralised railway transport management will be implemented gradually with due regard to social return on investment. The Government will prepare a project to merge the state-run National Motorway Company (NDS) and the Road Management Company (SSC). Spending on the maintenance and reconstruction of 1st category roads, bridges and railway tracks with the highest potential will be increased.

Modern and efficient transport solutions will be supported, including data-based innovation. The Government has the ambition to prepare a conceptual framework for smart mobility development and a bill to promote the testing and operation of autonomous vehicles, and create a “smart mobility lab” model platform for the coordination, implementation and demonstration of innovative solutions.

¹⁷¹ [Environmental impact assessment process.](#)

4.5 Health

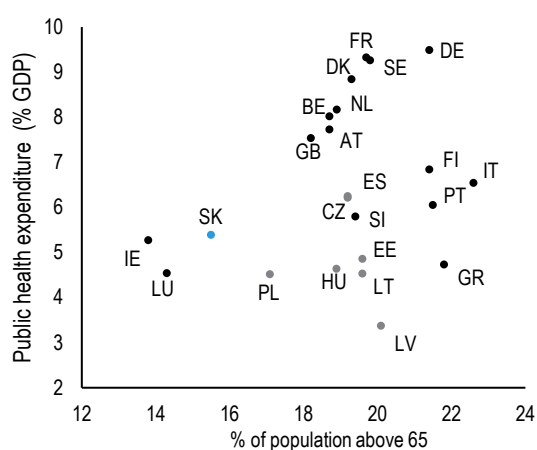
The healthcare spending reviews identified a number of important system problems and their solutions. Gradual implementation of saving measures gradually improves the efficiency of public health insurance expenditures¹⁷². Saving measures in the amount of EUR 148 million have been identified for 2020. Three rounds of hospitals' debt relief were implemented in the last two years, but their indebtedness growth rate has not slowed down. Healthcare sector investments will target renovation and construction of the hospitals in Banská Bystrica and Martin. First set of standard diagnosis and treatment protocols has been approved and work on many others is in progress. The adoption of a performance-based budgeting system will help to improve the efficiency of spending.

Outcome indicators for health

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Target 2020 ¹⁷³
Treatable mortality ¹⁷⁴ (per 100 thousand of population)	SK	-	182	182	183	171	177	168	-	-	-
	EU	-	103	101	98	94	95	93	-	-	-
Life expectancy at birth (expected number of life years at birth)	SK men	71.8	72.3	72.5	72.9	73.3	73.1	73.8	73.8	73.9	-
	EU men	76.9	77.3	77.4	77.7	78.1	77.9	78.2	78.3	78.3	-
	SK women	79.3	79.8	79.9	80.1	80.5	80.2	80.7	80.7	80.8	-
	EU women	82.8	83.1	83.0	83.3	83.6	83.3	83.7	83.6	83.6	-

Population's state of health influences not only an individual's quality of life, but also the economic and social development of the society. A soundly functioning health system can substantially influence the populations' health (OECD, 2019)¹⁷⁵. Indeed, healthcare expenditure is one of the highest expenditure items of general government budget. Slovakia's expenditure measured as a proportion of GDP lags behind the average of the EU as well as the OECD, but is higher than the average for the other V4 countries. In the light of population ageing, it is expected to grow substantially. The proportion of healthcare expenditure is also driven by country's wealth. This puts a substantial pressure on an even better cost-efficiency of the entire system in the future.

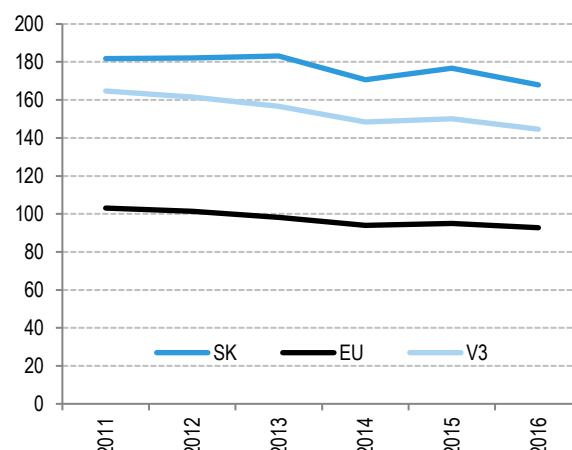
Figure 38: Public health expenditures (2018)



Source: Eurostat,

OECD

Figure 39: Treatable mortality (per 100 thousand of population)



Source: Eurostat (hlth_cd_apr)

¹⁷² [Interim Implementation Report: Health \(October 2019\)](#).

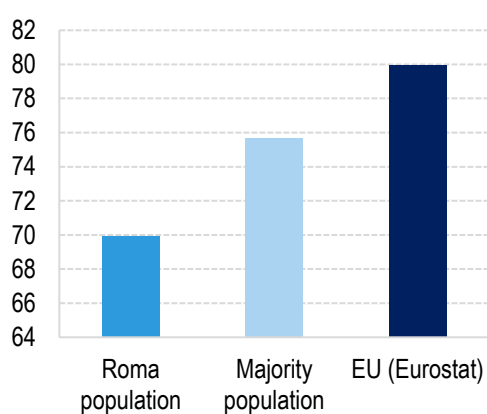
¹⁷³ Following justified criticism, the *healthy years of life* indicator was changed to *life expectancy at birth*, reported for men and women separately, in accordance with the updated [Three Challenges for the Slovak Economy: Update \(March 2019\)](#) document. The target for the new indicator will be set for the periods 2020+.

¹⁷⁴ The lower values in comparison to the previous National Reform Plan are explained by the [calculation methodology change](#) effected in 2018.

¹⁷⁵ [OECD: Health at a Glance 2019](#).

In international comparison, Slovakia lags behind in all key health performance indicators. Our results are worse than the EU average, and the regional V3 neighbours as well. We have lower life expectancy and amenable mortality¹⁷⁶ is nearly twice as high as the EU average. The socio-economic status is an important factor in Slovakia's life expectancy (European Commission, 2019¹⁷⁷). The health status of the Roma population is substantially worse than in the majority population. In turn, Roma life expectancy at birth is significantly lower and infant mortality is markedly higher than those of the majority population¹⁷⁸. The "Healthy Communities" project aims to improve the social determinants of health. The project's main activity is the implementation and development of health mediation among marginalized communities. The project involves a total of 264 health assistants operating in field and 8 working in hospitals. This programme represents a promising way of effective support for health improvement in marginalized communities. In the future, after the result evaluation of the programme, it will be important to ensure its long-term, stable financing.

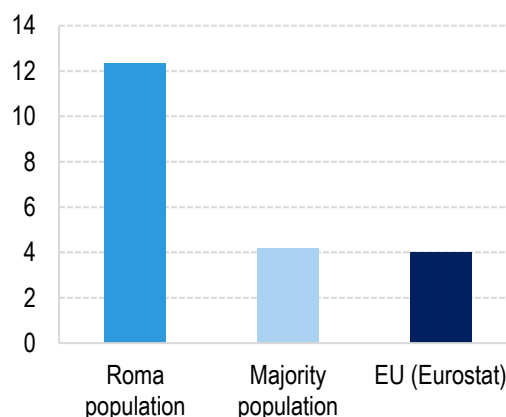
Graph 40: Life expectancy at birth (in years, 2006-2015 average)



Source: IFP, Eurostat

(demo_mlexpec)

Graph 41: Infant mortality (per 1000 live births, 2006-2015 average)



Source: IFP, Eurostat (hlth_cd_apr)

Compared to the EU-15 countries, Slovakia has a much higher rate of people dying of diseases, which are considered preventable by better public health and prevention programmes¹⁷⁹. Investing in effective prevention and health promotion programmes is demonstrably at least as costs-effective as the treatment of subsequent diseases (OECD, 2015¹⁸⁰). Waiting times could be a problem, but for now, it is not possible to evaluate this as not enough data is available. More extensive data collection is required, primarily on waiting lists for all critical or frequent procedures, both in hospitals and in specialists' clinics, and for each public health insurance company. In order to improve the prevention of diseases, starting from 2020, employers' contributions to employees' preventative medical examinations in excess of ordinary examinations (e.g. oncological examinations) will be tax exempt¹⁸¹.

The amount of state-run hospitals liabilities decreased at the end of 2019, but the growth rate remains unchanged. If this debt growth rate is maintained, the total amount of the hospitals' debts could reach nearly EUR 1.2 billion by 2023, this despite debt relief measures. In 2017, the Parliament approved to settle part of healthcare facilities debt. Payments to healthcare providers' suppliers and contractors totalled EUR 260

¹⁷⁶ The overall *avoidable mortality rate* comprises two indicators: The first one is amenable or treatable (as presented above) mortality rate, which includes deaths that could be avoided through timely and effective diagnosis or an adequate healthcare intervention and treatment. The "amenable mortality" term had been in use till 2018. At the end of 2018, the European Union and the OECD agreed to switch to using "treatable mortality" instead of "amendable mortality" and to unify the calculation methodology. The second indicator is *preventable mortality*. It can be improved through measures aiming to prevent diseases (e.g. promotion of healthy lifestyle).

¹⁷⁷ [European Commission \(2019\): Slovak Republic: Country Health Profile.](#)

¹⁷⁸ [IFP's policy brief \(2018\): Inklúzia Rómov je potrebná aj v zdravotníctve.](#)

¹⁷⁹ [Value for Money Department: \(2019\). Healthcare Spending Review II, Final Report](#)

¹⁸⁰ [OECD \(2015\): The Labour Market Impacts of Obesity, Smoking, Alcohol Use and Related Chronic Diseases.](#)

¹⁸¹ This concerns the occupational healthcare service without impact on public health insurance.

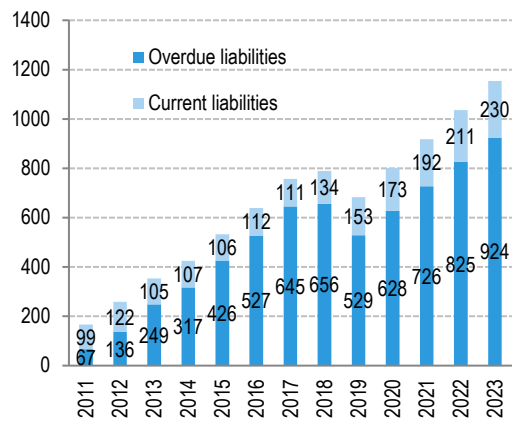
million at the end of 2019. Additional EUR 187 million were used for payment of debts to the Social Insurance Fund. Moreover, a repayable financial aid was provided to the National Transfusion Service of the Slovak Republic to repay its overdue debts in the amount of EUR 28 million. Another debt assignment transaction regarding debts to the Social Insurance Fund in the amount of EUR 109 million was effected in January 2020. Slowing down the growth of hospitals' debts still remains a challenge. The stratification of hospitals, aiming to rationalise the network of healthcare providers, could help to address this situation. In line with its Manifesto, the Government will conduct an analysis of real healthcare needs which is expected to result in a reform of the network of healthcare providers, which would be responsive to regional needs. The inclusion of hospitals in the network should be based on the accessibility, effectiveness and quality of provided services. The financing of large state-run hospitals is expected to be reviewed as they now do not receive enough funding to cover their bare operation costs and therefore accumulate losses. Also, plans for the regular renewal of medical equipment, technology and infrastructure will be implemented in order to ensure continuous upgrading of hospitals' equipment.

According to estimates, over 3 thousand doctors and 10 thousand nurses will be lacking in our health system by 2030¹⁸². With the current set-up of the system, the problem lies in the inadequate structure rather than the number of medical staff. There are too many specialists and too few general practitioners in Slovakia. Moreover, they are mainly older people and numbers of young new doctors are low. With the current staffing set-up of the system, at least 3.6 thousand of nurses are lacking and this problem is about to worsen. The age structure of nurses is also unfavourable. Moreover, this profession is very unattractive and many students leave the school early, either moving abroad or switching to an occupation in a different sector. Delegation of responsibilities to lower healthcare staff levels would help to improve the utilisation of resources and the healthcare as such. The Government has made a commitment to shift a part of responsibilities from specialist to general practitioners, from doctors to nurses and from nurses to assistant staff without a negative effect on provided healthcare.

In contrast to the other EU and V3 countries, Slovakia's expenditure on healthcare is composed mainly of expenditures on medicines. Slovakia spends annually EUR 1.2 billion of public funds on medicines. In quantity terms, Slovakia's consumption of medicines is not much different from that of the EU countries using comparable reporting (except antibiotic over-consumption). Nevertheless, the policy regarding payments for medications still offers opportunities for more efficient utilisation of public health insurance expenditure. Extended centralisation of purchasing, more frequent unit price referencing and benchmarking, accelerated introduction of generic and biosimilar medicines to our market, more stringent cost-efficiency assessment of medicines and reconsideration of the categorisation of rare disease medications of 2018 are among the policies the implementation of which would have a significant positive effect on overall costs.

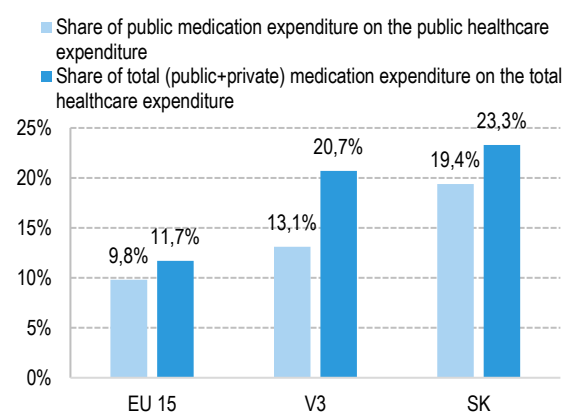
¹⁸² [Government Resolution No 404/2018](#) of 05 September 2018.

Figure 42: Liabilities of 13 state-run hospitals (31/12/2019, millions EUR)



Source: MH SR

Figure 43: Expenditure on medication dispensed in pharmacies (2017)



Source: OECD, NCHI

Hospitals and healthcare providers

Investment in the health sector will be centered around renovation and construction of hospitals. An allocation of EUR 69 million in excess of the public health insurance revenue has been made in the 2020 budget for this purpose. The new Government's Manifesto states, that every budget will include a pre-defined package of sources of funding for the sector's investments. The new Government endorsed the previously approved comprehensive reconstruction of the hospital in Banská Bystrica. It is expected to be completed by 2023. The results of this public procurement are now being assessed by the Office for Public Procurement. The next step will be the signing of contracts with the winning contractor. As outlined in the Manifesto, the preparation of a project for a new University Hospital in Martin will continue. The project documentation is expected to be soon presented to the Government for discussion.

First set of standard prevention, diagnosis and treatment protocols has been approved and will be put in practice, further protocols will follow. They clearly define the set of necessary treatments and tests for standard diagnoses, allow for easier orientation of patients' and personnel's and allow for controls to check proper distribution of healthcare. The preparation process of as many as 400 standard protocols was in progress as at the end of 2019 and another 900 proposals have been submitted on which the committee intends to work in 2020.

In line with the Government's Manifesto, the access to general practitioners as well as acute care will be improved. The starting of a new practice will be simplified and the currently existing network of providers could be made more efficient. Mechanisms will be introduced to make healthcare professions more appealing and to promote repatriation of Slovak healthcare workers back home from abroad. Besides eliminating administrative barriers for healthcare workers returning to Slovakia, the main goal will be to improve working conditions in healthcare facilities by defining transparent rules for healthcare staff training and for their enforcement, or introducing active recruitment of healthcare professionals by state-run facilities. Healthcare districts to be served by urgent care clinics with non-stop operation will be defined.

Prevention programmes will be extended and new mechanisms will be implemented to promote better health selfcare of individuals and also healthcare providers. The role of the primary-care sector as well as the public healthcare in early intervention will be reinforced. The promotion of healthy lifestyle needs to be accompanied by enhancing patients' education and awareness. To that end, new well-arranged tools to inform patients about their health status will be implemented. Also, efforts to counter the spreading of harmful health-related information will be intensified and systematised.

Performance-based budgeting

The emphasis on cost-efficiency of the healthcare system can be strengthened by improving the healthcare expenditure budgeting method. In line with the new Government's Manifesto, a performance-

based budgeting system will be implemented, which will support the link between source allocation and performance. Programme-based budgeting as an effective tool for this approach has not been used in the healthcare system so far. Preparations on its implementation continue in 2020. The public health insurance (PHI) budget for 2020 has already been presented with a detailed programme structure. Performance indicators are planned to be added in the next year for each healthcare area so as to promote the link between available resources to performance.

Starting from 2020, the approach to healthcare financing will be changed to account sector's actual financial needs. PHI revenues comprise contributions paid by economically active insured persons and payments for state-insured individuals. With the new approach, the payments for state-insured persons will have only the deficit settlement function: the amount of a payment will be the difference between the sector's actual needs and the amount of contributions received from the active population. This will help to achieve more stable and foreseeable health sector financing with a lower degree of sensitivity to the economic cycle.

The improved cost-efficiency of health policies is expected to deliver saving of EUR 148 million in 2020. The second healthcare spending review was published in 2019. The review identified additional opportunities for saving measures for 2020. Moreover, an additional amount of EUR 114 million should be saved on medicines, and further EUR 10 million on medical devices and EUR 10 million on shared examination and treatment services. The sector's total saving potential amounts to EUR 542 million. The measure having the highest saving potential in the long run is reducing the number of visits to specialists through transition to extended general practitioners' care.

Payment system reforms and e-Health

The electronic record-keeping contributes to the health sector's efficiency increase even though it does not introduce explicit saving measures. The main functionalities of the e-Health project have been in operation since the beginning of 2018. In line with the Government's Manifesto, further roll-out of the electronic record-keeping will be continued. The electronic keeping of medical records and electronic prescription improve the public health insurance companies' review work as well as the doctors' awareness of the medications taken by a patient. Even without explicit prescription limits, the 2020 budget provides for a saving of EUR 30 million due to electronic prescription¹⁸³. The aim for 2020 is to expand *e-Health* functionalities further, including a standardised *eLab* referral. Preparatory work and feasibility studies have been under-way for the implementation of a number of new modules¹⁸⁴, or simplification of data migration and data sharing between different healthcare providers for the purposes of unforeseen provision of healthcare in other EU countries.

The system of payments to hospitals based on diagnosis-related groups (DRG) has a potential to enhance the transparency and fairness of payments for healthcare and improve the efficiency of hospitals' financial management. In 2017, a mechanism for diagnosis-related group-linked (DRG) payments for hospital treatments and services has been launched. One year later, the five-year process of converging of the individual hospitals' rates started. The aim is to achieve the full integration into a single, nation-wide reference basic rate. The DRG system is presently used mainly for reporting treatments and services; it does not administer payments to hospitals so far¹⁸⁵. This is due mainly to the outdated catalogue of case-specific flat rates, which is based on attributing relative weights to diagnostic groups. The current weights do not reflect the new medical protocols and the changes in the various cost areas, i.e. wages, medicines, special medical materials, treatments and services. The weights will be adjusted in 2020 and, accordingly, the mix of hospitals' case-specific resource-intensities as well as the basic group rates will be reviewed.

¹⁸³ The saving is likely to be not realised in full because of the non-operability of the relevant *e-Health* module.

¹⁸⁴ Electronic sickness certificate, as an example.

¹⁸⁵ Hospitals are paid on a so-called forward-looking-budget basis. The system delivers, for example, the motivation of hospitals to report treatments and services correctly and to provide efficient healthcare (i.e. avoid unnecessary complicated treatments and prolonged hospitalisations).

Medicinal products and medical devices

Opportunities for saving EUR 114 million were identified in the medication payments for 2020. Efforts towards defining cost-efficiency rules for rare disease medications will be made during the year. Also, extension of the central procurement of medicinal products is planned. Semi-annual medicinal product price reviews and unit price benchmarking against foreign countries would deliver additional savings. An adjustment of the reimbursement of medications under exceptions is expected, which is supposed to limit the individual assessment of cases and improve the efficiency of provided treatments. Improved information of both doctors and patients and mandatory CRP testing should lead to reduced antibiotic consumption. Prices of medical devices will be compared with those of other countries except the Czech Republic and price adjustments will be subject to agreement with professional and patient organisations. The introduction of centralised procurement of incontinence products is also supposed. Based on the Government's Manifesto, the setting up of an independent agency tasked with assessing new technology development trends is envisaged. The agency could also perform the cost-efficiency assessments of both reimbursable and innovative medications and medical technologies before their registration in Slovakia.

Health insurance reform

The new Government has committed itself to instituting a free basic healthcare package. The package of basic free healthcare will be defined in terms of time and geographic availability (e.g. the provision of a surgical procedure, whether in Slovakia or abroad, to a patient with suspected oncological disease within 14 days from indication by a clinical oncologist). Citizens will be offered the possibility to purchase optional supplemental coverage under which they will have access to above-standards services. Public health insurance companies would be allowed to derive profits only from the supplemental insurance business and only after providing payment of all ordered standard treatments and services as defined in the package. The supplemental coverage offer will be at the insurers' discretion, provided that they will be required to primarily ensure the provision of standard healthcare.

4.6 Environmental sustainability and energy

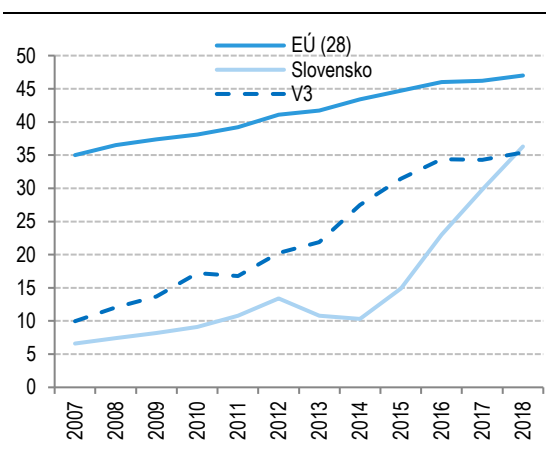
The environmental policy measures will place a greater emphasis on detaching economic growth from environmental degradation. The implementation of measures identified in the environmental spending review will improve the value-for-money rating of measures aimed at improving the quality of the environment. The adopted strategic documents will provide a framework for the targeting of environmental policies and propose solutions to Slovakia's major environmental challenges, including air quality, wastes and forests. Transition to a low-carbon, circular economy will be promoted. The role of green public procurement, green economy and education will be strengthened.

Outcome indicators for environmental sustainability and energy

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Target 2020
Non-ETS greenhouse gas emissions¹⁸⁶ (% of change on 2005)	SK	3.9	-0.8	-4.5	-4.6	-10.5	-9.1	-10.6	-3.8	-0.8	13
	EU	-4.2	-8.3	-9.0	-10.1	-13.2	-11.8	-10.5	-9.5	-10.3	-10
Proportion of RES in gross final energy consumption (%)	SK	9.1	10.3	10.5	10.1	11.7	12.9	12.0	11.5	11.9	14
	EU	13.2	13.4	14.7	15.4	16.2	16.7	17.0	17.5	18.0	20
Final energy consumption (% of change against average for 2001-2005)	SK	1.4	-5.4	-9.2	-7.0	-12.5	-11.6	-8.7	-2.2	-2.4	-11
	EU	-0.5	-5.0	-4.8	-4.9	-8.9	-7.0	-5.3	-4.2	-4.1	-7.3

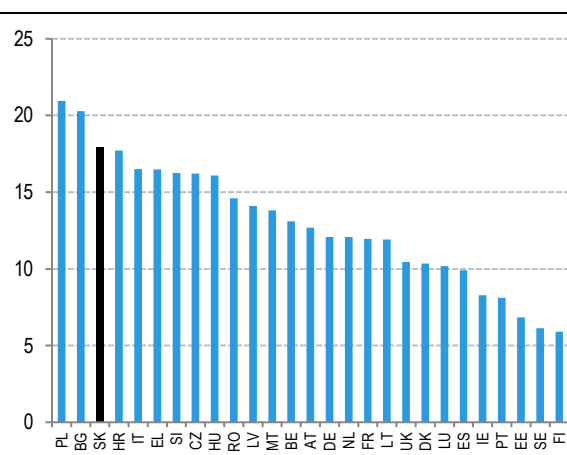
Compared to the EU average, we produce less per-capita amounts of greenhouse gases. Given also the loosened target, we are likely to meet the *Europa 2020* commitment regarding greenhouse gases. Slovakia is among the EU countries with the highest proportions of low-carbon electricity. In 2018, 78% of Slovakia's all electricity was obtained from low-carbon sources (nuclear and renewable)¹⁸⁷. In recent years, however, we are making little progress towards meeting the *Europa 2020* target. The same is true for reducing final energy consumption; this is, however, due mainly to increasing production in energy-intensive sectors, driven by economic growth.

Figure 44: Municipal waste recycling rate (%)



Source: Eurostat, t2020_rt120

Figure 45: Mean population to PM_{2,5} v µg/m³ (2017)



Source: OECD

¹⁸⁶ Data for Slovakia are taken from Eurostat (EEA), while the initial *Europa 2020* strategy target was based on the national methodology of SHMU. The level recorded by EEA for 2005 is lower than the levels recorded by SHMU and MEnv SR Data for the period from 2013 on are identical; the difference is only in data for 2005 to 2013 since data for this period were calculated ex-post. With the use of SHMU's data as the basis, the percentage of change is higher (-18.2%).

¹⁸⁷ Source: Slovak Energy Dispatch Centre Yearbook 2018, page 4.

The major environmental challenges include air quality and waste¹⁸⁸. We have excessive concentrations of PM2.5 particles, the most harmful pollutant; among the V3 countries; only Poland has a worse situation. The municipal waste recycling rate is growing fast and it reached the V3 average level in 2018.

Spending review implementation

The implementation of measures following from the environmental spending review has been in progress. It will be performed on the basis of the Implementation Plan and in cooperation with the Implementation Unit of the Government Office of the Slovak Republic. The implementation of the measures will lead to a higher value in the environmental improvement area as well as additional non-quantifiable improvements. Examples of the measures include increased landfilling charges, abolition of excise duty exemptions (coal, electricity, gas) or introduction of innovative forms of financing nature. The review measures are fully compatible with the published *European Green Deal*¹⁸⁹.

Improvement of environmental protection in protected areas, as one of the review areas, is covered by an amendment to the legislation on nature and landscape protection. Effective from January 2020, the legislative amendment addresses pending ownership issues which have so far hampered the effective management of protected areas. Under the new legislation, private owners, tenants or users of land may also request compensation for land use limitation also for unknown owners' land where normal use is limited for natural protection reasons. The amendment also provides for state-run entities' compensation claims¹⁹⁰.

Transition to a low-carbon, circular economy

The proposed strategic documents address the quality of air as one of the identified environmental challenges. In March 2020, the Government approved the *Low-carbon Strategy* which identifies the opportunities for Slovakia in its efforts to achieve carbon neutrality by 2050. The current strategy is a follow-up to a study prepared by the MEnv SR in cooperation with the World Bank and experts from other ministries.

The transition to a low-carbon, circular economy will also be supported by waste policy instruments. The approved Act on the compulsory deposit system for single-use beverage packaging has instituted a special, deposit-based system of collecting PET bottles and cans, effective from January 2023¹⁹¹. The legislation will help to reduce the negative environmental effect of plastic products on the environment, health and economy, In 2020, the preparation of a road map defining concrete steps to promote circular economy in Slovakia's circumstances, will be started. The new circular economy information system will help to improve control over waste flows. The adopted waste legislation amendment¹⁹² will enable reduction of the negative environmental impact of plastic products on the environment, health and economy, Also, legislative amendment concerning environmental assessment will be presented to the Government for approval, which will simplify the environmental assessment process and reduce burden on businesses through the reduction of time limits.

Air and nature protection

Emissions of harmful particles, particularly those coming from household heating, will gradually be reduced through subsidies for the replacement of heating devices. In order to improve air quality and reduce the adverse effects of air pollution on population's health, the implementation of the subsidisation scheme for the replacement of solid fuel devices by low-emission solutions, such as gas boilers, will continue. This will help to reduce dust particle emissions from household heating which pose a serious threat

¹⁸⁸ For more information on PM particles refer to [Three Environmental Challenges](#).

¹⁸⁹ [European Green Deal](#), published in December 2019.

¹⁹⁰ This is relevant to, for example, the approval of the Programme of Care of *Muránska planina* National Park and continued zoning in other national parks. The zoning is subject to agreement with the owner of the area located within a national park as well implementation of more efficient management of land within state-owned protected areas.

¹⁹¹ [Act on compulsory deposit system for single-use beverage packaging \(302/2019 Z.z.\)](#).

¹⁹² The legislation was published in the Collection of Law as the Act No 302/2019 on the compulsory deposit system for single-use beverage packaging and on amendments to certain laws.

to health. The first subsidies are supposed to be provided in October 2020. The National Emission Reduction Programme and the Air Quality Improvement Strategy¹⁹³ are supposed to contribute to the implementation of further measures to improve the quality of air and accomplish Slovakia's international commitments regarding the reduction of emissions.

Long-term sustainability of natural resources should drive more intensive natural protection. By the end of 2020, the new *Natural Protection Concept* will be presented, which will define the strategic direction of natural protection and enhance the effectiveness of the management and safeguarding of protected areas. The tackling of issues concerned with land ownership in protected areas will be intensified¹⁹⁴.

Green public procurement, economy and education

The role of green public procurement, environmental labelling and environmental management will be strengthened across all sectors, with an emphasis on general government and public administration. Set in 2016, the target of green procurement of 50% of general government authorities' contracts has not been achieved¹⁹⁵. The target set in *Envirostrategy 2030* is even more ambitious: 70% of the total value of public procurement contracts is to be procured through green procurement. With a view to increase the proportion of *green procurement*, the new *National Action Plan for Green Public Procurement in the Slovak Republic for 2021 to 2025* will be adopted¹⁹⁶. A methodology for the central government's green procurement of vehicles, copying and photo paper, computers and monitors was published in February 2020¹⁹⁷. The Green Education Fund will continue to provide financing for environmental educational activities through non-profit organisations. The *Green Economy* information platform will further continue the extended cooperation within the private sector. It will contribute to increasing the environmental awareness and access to information on the financing of the transition to circular economy.

Energy sector

Starting from January 2020, the support for renewable energy sources will be transformed to an auction system. In February, the MEco SR announced the first auction for support for the generation of electricity from renewable sources, namely for installations with a total capacity of 30 MW. Installations with capacities between 0.5 MW and 10 MW (0.1 to 2 MW for solar energy) will be supported in form of an extra payment disbursed for 15 years. Further calls will be announced later on so that Slovakia achieves the renewable energy target by 2030.

¹⁹³ [Approved by the Government in March 2020.](#)

¹⁹⁴ This is relevant to the approval of the Programme of Care of *Muránska planina* National Park and continued zoning in other national parks. The zoning is subject to agreement with the owner of the area located within a national park.

¹⁹⁵ Defined in the [National Action Plan for Green Public Procurement in the Slovak Republic for 2016 –2020.](#)

¹⁹⁶ The National Action Plan will be linked to the strategic goal set in *Envirostrategy 2030*: Slovakia, i.e. at least 70% of the total value of public procurement is to be procured through green procurement (by 2030).

¹⁹⁷ [Green public procurement methodology](#)

5 EU cohesion policy

The cohesion policy of the EU remains one of the key instruments of socio-economic development in the Slovak Republic. The cohesion policy funds continue to be the main source of funding of public investments in Slovakia, significantly helping to meet the objectives of the Europe 2020 strategy and to implement a part of the measures following from the annual Country-Specific Recommendations of the EU Council for Slovakia. Out of the total allocation to all operating programmes (OP) of the programming period 2014 to 2020¹⁹⁸ totalling EUR 15.3 billion, the amount drawn as at the end of 2019 was only EUR 4.7 billion, i.e. 30.7%. The aggregate amount of contracted projects was EUR 10,5 billion, i.e. 68.5% of the total allocation. In December 2019, the European Commission adopted a decision merging the OP “Research and Innovation” with the OP “Integrated Infrastructure”, thus reducing the number of programmes funded under ESIF.

Amounts drawn and contracted projects as at 31 March 2020 (in EUR million)

Operational Programme	Managing authority	EU cohesion policy	Drawing	Rate of contracted projects	Funding allocated to fighting COVID-19
Human resources	MLSAF SR	2,218.9	858.3	2,024.8	267.6
Integrated infrastructure	MTC SR	6,149.9	1,768.9	4,101.4	517.2
Quality of environment	MEnv SR	3,059.8	904.2	1,899.0	278.3
Integrated regional OP	MARD SR	1,699.9	383.3	1,207.1	162.2
Effective public administration	MI SR	278.4	76.5	206.4	26.9
Technical assistance	GO SR	159.1	86.9	110.9	
Fisheries	MARD SR	12.9	1.0	4.1	
Interreg V-A SK-CZ	MARD SR	90.1	11.3	65.9	
Interreg V-A SK-AT	MARD SR	75.9	7.7	50.1	
PS INTERACT III	BSK	39.4	17.3	39.4	
Total		13,784.4	4,115.5	9,709.1	1,252.2
Rural Development Programme	MARD SR	1,559.7	799.4	1,137.2	
Total		15,344.1	4,914.9	10,846.3	1,252.2

Source: CCA (ODPII) *Proposal of Measures to be Financed under the European Structural and Investment Funds to Combat the COVID-19 Pandemic and Eliminate and Mitigate Its Consequences*.

Note: The MLSAF SR will reallocate through AOTP additional EUR 197 million for job retention support in connection with the pandemic (<https://rokovania.gov.sk/RVL/Material/24674/1>).

Based on performance analysis, the EC made a decision in 2019 to allocate a performance reserve of EUR 474.5 million to 22 priority axes across eight operational programmes¹⁹⁹. The EC’s decision stemmed from a performance review and performance indicators of the programmes, as summarised in their annual reports for 2018. Non-allocated performance reserve funds, amounting to EUR 426.8 million, were reallocated to re-programmed operational programmes in line with their absorption capacity analysis²⁰⁰. The reallocated funds will be used to support certain initiatives of the EC, including the transformation of the *Horná Nitra* Coal Region and the development of catching-up regions in the Prešov and Banská Bystrica counties.

Since 2016, THE ODPII has gradually built up the Integrated Network of Information and Advisory Centres (IPCs) providing free advice and help to applicants for and beneficiaries of a non-repayable financial grant. IPCs provide advisory services concerning, in particular, the preparation and submission of grant applications, project implementation and public procurement. IPCs cover all self-governing regions

¹⁹⁸ Including the Rural Development Programme

¹⁹⁹ The reserve specified in the Partnership Agreement for 2014 – 2020 of the Slovak Republic

²⁰⁰ Either within a programme or across multiple programmes, subject to compliance with the EC’s conditions.

except Bratislava. An autonomous IPC website was launched from January 2018. In the light of positive response, the existence of IPCs is extended to the end of 2021²⁰¹.

Preparations of the third stage of the *Effective Participation of Civil Society in ESIF Implementation and Monitoring* technical assistance project are in progress at present. It consists mainly in the implementation of participative procedures in cooperation with the Office of the Commissioner of the Government of the Slovak Republic for Civil Society Development. The aim of the project is to increase the effectiveness of ESIF implementation processes with the application of partnership principles, involvement of partners in the implementation and monitoring of ESIF, and specific suggestions for improvement.

Information and transparency in the context of the EU funds at the local government level are being further improved. The ODPII launched a website²⁰² summarising all available options of support for smart-city initiatives. The ODPII signed a Memorandum of Understanding with the European Investment Bank on support for this area. The ODPII also issued the publication *Towns and Municipalities and the EU Funds 2014 - 2020*, aiming to provide all-encompassing information on possibilities of participating in the implementation of the programming period 2014 - 2020. Readers also get a better understanding of the ESIF support application process, important deadlines in project implementation, control mechanisms and financing and public procurement rules.

Preparation process of the new Partnership Agreement for 2021 - 2027

Work on designing the future cohesion policy for the programming period 2021 to 2027 went on in 2019. The cohesion policy will more than ever before be linked with the European semester introduced under the Europe 2020 strategy. The *Country Report on Slovakia 2019* presented five policy objectives for the future cohesion policy²⁰³ and, as part of these, the key investment needs of cohesion policy funds for 2021 to 2027. The aim is to finalise Slovakia's investment priorities for the years 2021 - 2027 and prepare inputs for the other components of the Agreement. The approval of the documents and of the operational programmes by the Slovak Government is expected at the end of 2020. The approved documents will then be submitted to the EC for official approval.

Prioritisation of the areas for financial allocations is an important part of the process. Intensive negotiations between the EC and the Slovak party, represented by relevant ministries and social partners, have been underway now. The aim is to elaborate the intervention logic for financial allocations and the draft *Partnership Agreement* as such. In the light of the need for reducing the initial broad set of requirements, which substantially exceeded the financial envelope, the MF SR was asked by the ODPII to prioritise the areas of financing for the new programming period. Accordingly, the *Identification of Priorities for Financing from Cohesion Policy Funds for 2021-2027 document*²⁰⁴ was drafted which defines, in line with the EC's requirements, the key priorities of the Slovak Republic and main system measures for the successful exploitation of available European funding in the upcoming programming period.

Education remains Slovakia's top priority for the next programming periods. Major challenges in this area include the inclusion of MRC (including sufficiency of supporting staff), insufficient pre-primary education capacities, pupils' and students' skill mismatch, brain drain, pressure of the on-going automatization on the need for increased participation in lifelong learning.

The second highest priority of Slovakia is labour market. Main challenges to be tackled with the use of the cohesion policy funds include in particular long-term unemployment (mainly in MRC) and participation of women with childcare duties.

²⁰¹ The rate of satisfaction with IPCs' services achieves 76% (ODPII).

²⁰² www.smartcity.gov.sk

²⁰³ A smarter Europe; a greener, low-carbon Europe; a more connected Europe; a more social Europe; a Europe closer to citizens.

²⁰⁴ The document is based on the EC's requirements defined in Annex D to the *Country Report on Slovakia 2019* and considers the priority areas identified in the National Reform Programme, Country-specific Recommendations of the Council, and analysis of the Value for Money Department and the Financial Policy Institute, taking regard of Slovakia's objectives identified in important European documents, such as the Europa 2020 strategy, European Green Deal or *acquis communautaire*, as well as the feasibility of the proposed measures in view of previous implementations.

The third prioritisation level extends over several equivalent priority areas, including environment, innovation activity and labour and capital mobility. As regards the environment, Slovakia is lagging behind particularly in air quality, wastewater management and waste management. This is coupled with Slovakia's specific interest in forest and biodiversity protection and the EU's priority goal of further reducing energy intensity and increasing the proportion of renewable energy. Challenges in the labour and capital mobility include primarily the availability of rental housing and the national- and regional-level transport infrastructure. More specifically the completion of the TEN-T network, improvements in the 1st category roads, urban mobility support and improved public transport services. For innovation activity, challenges include business research and development and its prerequisite in the form of universities and public research institutions, and their linkages to businesses. This is closely associated with the substantial brain drain problem.

System measures proposed in order to enable the successful implementation of funding available under the cohesion policy include the following:

- Minimise the administrative burden associated with drawing ESIF support by reducing the number of operating programmes and of managing and intermediating bodies.
- Automatically apply the simplified reporting of expenses, to the extent allowed by Regulations.
- Allocate a part of the ESIF funding envelope to investment instruments (Slovak Investment Holding in particular) to increase the reach and capacity of the financial support through a leverage effect.
- Apply the flexibility rule to transfer a part of funding to Bratislava Region²⁰⁵. The implementation of particularly those financial instruments, which have a minimal distorting effect on market competition, in this region should be allowed to the maximum extent possible.
- Implement a systematic data collection and evaluation approach in the areas of intervention through ministerial analytic units, or other dedicated units, to clearly assess the effectiveness of project interventions.
- Adopt a different approach to the design of programme and project indicators in order to measure the quantitative performance reflecting the real change in the area of intervention.
- Provide a stronger link between activities financed under the cohesion policy and the NRP, including an annual account of performance against indicators.

The Government made a commitment in its Manifesto to implement specific measures to simplify implementation and enhance transparency:

- A publicly accessible "*Urgent Case Alarm*" network will be created at the coordination level for sharing information on identified critical irregularities in the implementing bodies' or beneficiaries' conduct. It will react generally and horizontally across the entire ESIF implementation with a view to preventing system irregularities;
- Public access to information will be reinforced to enhance the transparency of decision-making processes;
- Project implementation procedures will be simplified for beneficiaries and payments to beneficiaries will be made in a shorter time; the recovery of state's claims will be streamlined and better coordinated;
- The methodological environment for implementing bodies and beneficiaries will be integrated and better arranged;
- More stringent requirements will be imposed for funding under ESIF for entities/persons (including all shareholders and partners applying for a grant) accused of certain administrative and criminal offences, i.e. those against which or whom suspicion of a criminal offence exists or proceedings for a breach of competition laws or conflict of interest have been initiated;
- The degree of professionalization of administrative capacities will increase, including through regular education from the ESIF coordinator level;
- Existing regional structures (information and advising centres) will intensively engage in the project consultation and preparation work in order to eliminate the involvement of consultancy firms and the associated cost increase;

²⁰⁵ The recommendation is based on both needs and drawing capacities.

- A central register of evaluators will be instituted and stringent criteria for expert evaluators, including international ones, will be introduced, in particular for science and research projects;
- Incentives for expert evaluators from industry will be introduced to motivate them to participating in the evaluation of ESIF projects, including the assignment of subject-specific parts of projects (construction, technology, economics, etc.) to specific evaluators;
- Simplification of expense reporting will be introduced to the maximum possible extent;
- Approved projects, the EC auditors' and auditing body's findings and resulting corrections will be published in regular intervals;
- Preventive measures will be implemented in order to reduce correction amounts, including information of entities involved in the implementation of ESIF about the EC auditors' and auditing body's findings, as well as training concerning the findings;
- Efficient cooperation between the public and private sectors in connection with ESIF will be established and active assistance will be provided in order to reduce administrative burden on applicants and final recipients of funding from the EU funds.

6 Institutional framework of the Europe 2020 strategy and the NRP

Key reform priorities of the *Manifesto of the Government of the Slovak Republic for 2020 to 2024*²⁰⁶ The principal direction of measures included in the NRP is also determined by spending reviews, sectoral strategies and the comprehensive prioritisation approach. The coordinator of the NRP is the Ministry of Finance of the Slovak Republic. The Ministry also cooperates with the Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation, which performs the interim oversight over how the Europe 2020 strategy is reflected in the Cohesion Fund and the European Funds and Structural Funds.

The Government committed itself in the Manifesto to strengthen the role of the NRP as its principal instrument for the identification, coordination and monitoring of all important structural reforms of the state. The Financial Policy Institute as the national NFR coordinator, in cooperation with the other Ministries, will perform the identification of root causes of the Slovak economy's lagging behind and their annual review, and the quantification of the impact of structural reforms on economic growth. The new measures will be clearly defined in terms of their objective as well as the implementation time frame. Other ministries' analytical units will also take part in the preparation of high-quality reform measures and their work will be aligned with the outcomes of spending reviews and the Council's Country-Specific Recommendations.

The ministers involved in the preparation and implementation of the NRP are primarily those responsible for the economic, social, education, health and environmental agendas, including law enforcement. The other ministers, Government's commissioners and representatives of other general government agencies engage in the implementation of the strategy within the framework of cooperation in selected areas. Consultation of partners, including the third sector, is running throughout a year. A meeting of all involved ministries' state secretaries took place in the course of the NRP preparation. The financing of the NRP measures will be provided within the expenditure and staffing constraints defined for the relevant budget Chapters.

In the international context, this material defines measures to meet the sustainability objectives included in the *Annual Sustainable Growth Strategy 2020*²⁰⁷ for the current European Semester cycle and the *Europe 2020 Integrated Guidelines*, and to implement the Council's Country-Specific Recommendations for the Slovak Republic²⁰⁸. The NRP also responds to the assessment of the implementation of the Country-Specific Recommendations for 2019 and the years before, as published by the EC in February 2020²⁰⁹. The cohesion policy is an important tool for meeting the strategy objectives.

Attached to the NRP is a separate Action Plan outlining the key measures with a substantial fiscal impact, including the deadlines of and the actors responsible for their implementation..

²⁰⁶ [Manifesto of the Government of the Slovak Republic](#)

²⁰⁷ [Annual Sustainable Growth Strategy 2020](#)

²⁰⁸ [Country-specific Recommendations: Slovakia 2019](#)

²⁰⁹ [Country Report 2020](#)

Annex 1: Europe 2020 national targets and other indicators

Europe 2020 performance indicators and other indicators

			2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Target 2020
Fiscal policy and public finances														
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	1.3	-	0.0
		EU	-	-	-	-	-	-	-	-	-	-	-	-
2	Effectiveness of VAT collection (%)	SK	55.5	47.4	49.5	44.2	47.4	49.0	49.6	50.0	51.7	51.7	-	-
		EU	64.1	53.1	53.7	53.6	53.4	54.7	53.9	54.9	55.6	56.6	-	-
3	VAT gap (%)	SK	34.7	31.1	33.2	36.7	32.2	29.2	27.8	22.9	20.9	20.3	17.5	-
		EU	-	-	-	-	15.0	14.1	12.9	12.2	11.2	-	-	-
Education, science and innovation														
4	PISA (average score)	SK	488	-	-	472	-	-	463	-	-	-	-	505
		OECD	497	-	-	497	-	-	492	-	-	-	-	-
EU 5	Early leavers from education and training (% of population aged 18 - 24)	SK	4.9	4.7	5.1	5.3	6.4	6.7	6.9	7.4	9.3	8.6	8.3	6
		EU	14.2	13.9	13.4	12.7	11.9	11.2	11	10.7	10.6	10.6	10.3	10
6	Citations (% of population aged 30 - 34)	SK	35.2	36.4	34.8	41.5	40.8	43.2	45.7	54.9	50.9	42.3	-	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	37.7	40.1	40
		EU	32.3	33.8	34.8	36.0	37.1	37.9	38.7	39.2	39.9	40.7	41.6	40
EU 8	R&D expenditure (% of GDP)	SK	0.5	0.6	0.7	0.8	0.82	0.88	1.16	0.79	0.89	0.84	-	1.2
		EU	1.93	1.92	1.96	2.00	2.01	2.02	2.03	2.04	2.07	2.1	-	3
9	High-tech export (% of total exports)	SK	5.9	6.6	6.6	8.2	9.6	9.9	10	9.7	10.5	9.6	-	14
		EU	17.1	16.1	15.4	15.7	15.3	15.6	17	17.8	17.8	17.9	-	-
Employment and social inclusion														
10	Long-term unemployment rate (% of active population aged 15 and above)	SK	6.5	9.2	9.2	9.4	10	9.3	7.6	5.8	5.1	4	3.4	3
		EU	3.0	3.8	4.1	4.6	5.1	5	4.5	4	3.4	2.9	2.5	-
EU 11	Employment rate (% of population aged 20 - 64)	SK	66.4	64.6	65	65.1	65	65.9	67.7	69.8	71.1	72.4	73.4	72
		EU	69.0	68.5	68.6	68.4	68.4	69.2	70.1	71.1	72.2	73.2	73.9	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	16.3	-	17.2
		EU	23.3	23.8	24.3	24.8	24.6	24.4	23.8	23.5	22.4	21.9	-	19.4
13	Benefit ratio (average pension benefit as % of average wage)	SK	-	43.7	-	-	45.7	-	-	46.6	-	-	-	-
		EU	-	41.4	-	-	44.0	-	-	43.5	-	-	-	-
Modernisation of public administration and business environment														
14	Doing Business (World Bank ranking)	SK	-	-	-	-	-	34	36	39	42	45	15	
		EU	-	-	-	-	-	31	32	35	37	39	-	
		V3	-	-	-	-	-	34	36	39	42	45	-	
15	Product market regulation index (score)	SK	-	-	-	-	1.29	-	-	-	-	1.52	-	1.2
		OECD	-	-	-	-	1.44	-	-	-	-	1.4	-	-

16	E-government (%)	SK	38.0	50.0	48.0	42.0	33.0	57.0	51.0	48.0	47.0	51.0	59.0	71.7	
		EU	37.0	41.0	41.0	44.0	41.0	47.0	46.0	48.0	49.0	52.0	55.0	-	
17	Corruption perception (%)	SK	-	-	-	46	47	50	51	51	50	50	50	62.6	
		EU	-	-	-	63	63	64	66	65	65	65	64	-	
Health															
18	Treatable mortality (per 100 thousand of population)	SK	-	-	182	182	183	171	177	168	-	-	-	-	
		EU	-	-	103	101	98	94	95	93	-	-	-	-	
19	Life expectancy (years of life at birth)	SK men	71.4	71.8	72.3	72.5	72.9	73.3	73.1	73.8	73.8	73.9	-	-	
		EU men	76.6	76.9	77.3	77.4	77.7	78.1	77.9	78.2	78.3	78.3	-	-	
		SK women	79.1	79.3	79.8	79.9	80.1	80.5	80.2	80.7	80.7	80.8	-	-	
		EU women	82.6	82.8	83.1	83.0	83.3	83.6	83.3	83.7	83.6	83.6	-	-	
Environmental sustainability															
EU	20	Non-ETS greenhouse gas emissions (% of change on 2005)	SK	-0.9	3.9	-0.8	-4.5	-4.6	-10.5	-9.1	-10.6	-3.8	-0.8	-	13
			EU	-6.3	-4.2	-8.3	-9.0	-10.1	-13.2	-11.8	-10.5	-9.5	-10.3	-	-10
EU	21	Share of renewable energy in gross final energy consumption (%) (%)	SK	9.4	9.1	10.3	10.5	10.1	11.7	12.9	12.0	11.5	11.9	-	14
			EU	12.6	13.2	13.4	14.7	15.4	16.2	16.7	17.0	17.5	18.0	-	20
EU	22	Final energy consumption (% of change against average for 2001-2005)	SK	-6.6	1.4	-5.4	-9.2	-7.0	-12.5	-11.6	-8.7	-2.2	-2.4	-	-11
			EU	-4.6	-0.5	-5.0	-4.8	-4.9	-8.9	-7.0	-5.3	-4.2	-4.1	-	-7.3

Description of Europe 2020 performance indicators and other indicators

Indicator name	Definition and source
Long-term sustainability indicator (GAP)	<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>
Effectiveness of VAT collection	<p>Effectiveness of VAT collection = $\text{VAT collected} / [(\text{final consumption of households} + \text{gross fixed capital formation of public administration} + \text{intermediate consumption of public administration} - \text{VAT collected}) * (\text{basic VAT rate} / 100)]$</p> <p>This index compares the actual VAT collection with the potential VAT collection. The higher 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>
VAT gap	<p>The difference between the amount of VAT the state could potentially collect if all economic entities acted in line with law and its interpretation as adopted, and the amount of VAT actually collected.</p> <p>$\text{VAT gap} = [\text{theoretical (potential) VAT} - \text{actually collected VAT}] / \text{theoretical (potential) VAT}$</p> <p>Source: European Commission / CASE; calculations: MF SR</p>
Early leavers from education and training	<p>The percentage of people with the lowest education (ISCED 0, 1, 2, 3C) and not involved in further education or training out of the total population aged 18 to 24. A student is considered to be not involved in further education or training 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>
PISA	<p>International standardised assessment of the knowledge and skills of 15-year-old students. It measures students' abilities in three areas: mathematics, reading and natural sciences. The index is the arithmetic average of the scores obtained in each area.</p> <p>Source: OECD - PISA 2015 Results (Volume I) [Tab I.2.3; I.4.3; I.5.3]</p>
Tertiary education attainment	<p>The proportion of tertiary graduates aged 30-34 out of the total population in the same age group. The tertiary/doctoral level of study corresponds to ISCED 5-6.</p> <p>Source: Eurostat (edat_ifse_03)</p>
Citations per researcher	<p>The ratio of the number of citations in renowned international journals (Scimago Journal & Country Rank) to the number of researchers in the country (Eurostat). The indicator is expressed relative to the average of the European Union countries.</p> <p>Source: http://www.scimagojr.com/, Eurostat (rd_p_persocc); calculations: MF SR</p>
R&D expenditure	<p>The percentage of total expenditure on research and development out of GDP.</p> <p>Source: Eurostat (rd_e_gerdsc)</p>
High-tech export	<p>The proportion of high-tech exports in the country's total exports. High-tech products are selected products of the following sectors: aerospace, computers and office machines, electronic communication devices, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electric machinery and military products.</p> <p>Source: Eurostat [htec_si_exp4]</p>
Employment rate	<p>The percentage of employed population aged 20-64 out of the total population in the same age group. Included in the indicator is the total population living in individual households; it excludes collective households, people living in boarding and lodging houses or dormitories, and those hospitalised in healthcare facilities. The employed population is made up of those people who, during the reference week, carried out any type of work for wage or compensation for at least one hour, or who did not work but had an employment from which they were temporarily absent.</p> <p>Source: Eurostat (t2020_10), SO SR</p>
Long-term unemployment rate	<p>The proportion of people not living in collective households who have been unemployed for more than 12 months despite seeking work actively out of the total active population aged over 15.</p>

	Source: Eurostat, SO SR
Population at risk of poverty and social exclusion	<p>The indicator corresponds to the sum of persons who are either at risk of poverty (after social transfers) and/or materially deprived and/or living in a household with a very low work intensity, expressed as a percentage out of the total population. Risk of poverty represents the number of persons with an equivalent disposable income below 60 % of the national median equivalised disposable income (after social transfers). Material deprivation represents the proportion of people who cannot afford at least four out of the following nine items: i) to pay the rent and housing costs; ii) to keep their home adequately warm; iii) to face unexpected expenses; iv) to eat meat, fish or protein equivalent energy every second day, v) to go on one-week holiday away from home; vi) a car; vii) a washing machine; viii) a colour TV; or ix) a telephone. Population in households without 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>
Benefit ratio	<p>Benefit ratio is an indicator of public pension adequacy. It is calculated as the ratio of the average pension (with all pension types included, i.e. disability, old-age, minimum) to the average gross wage in the economy. The indicator expresses the 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: Ageing Report, European Commission</p>
Amenable mortality	<p>Amenable or treatable mortality rate includes deaths that could be avoided through timely and effective diagnosis or an adequate healthcare intervention and treatment.. It is expressed as the number of deaths per 100 thousand of population.</p> <p>Source: Eurostat (hlth_cd_apr)</p>
Life expectancy at birth	<p>The mean number of years still to be lived by a person at birth, if the current mortality conditions remain unchanged for each population year. It is determined separately for men and women.</p> <p>Source: Eurostat (Life expectancy at birth, by sex, demo_mlexpec)</p>
Doing Business	<p>A country's position in the Doing Business ranking, which measures the regulation of domestic enterprises throughout the ten stages of their life cycle: starting a business, dealing with construction permits, registering property, credit availability, electricity availability, protecting investors, paying taxes, trading across borders, contract enforcement and resolving insolvency. The data are based primarily on national laws, various other forms of regulation and administrative requirements.</p> <p>Source: World Bank</p>
Product market regulation index	<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 it also measures broader regulation (for example regulation in network industries).</p> <p>Source: OECD</p>
E-government	<p>The percentage of individuals aged 16-74 who use the internet for communication with the public administration.</p> <p>Source: Eurostat (tin00012)</p>
Corruption perception	<p>The Transparency International's Corruption Perception Index (CPI) measures the perception of corruption based on 5-13 source surveys of entrepreneurs and experts for each country. The higher the score, the lower the corruption perception.</p> <p>Source: Transparency International</p>
Non-ETS greenhouse gas emissions	<p>The percentage of change in the quantity of non-ETS greenhouse gas emissions (expressed as a CO₂ equivalent) compared to 2005. The indicator reflects the trends of aggregated anthropogenic emissions of CO₂, NO₂, CH₄, HFC, PFC and SF₆ referred to collectively as greenhouse gasses (expressed as CO₂ equivalents). The total quantity does not include emissions from sectors covered by the emission trading system and emissions from land use and forestry (LULUCF).</p> <p>Source: European Environment Agency</p>

Proportion of RES in gross final consumption (%)	The proportion of final consumption of renewable energy in gross final energy consumption. The final consumption of renewable energy is calculated as the sum of gross final consumption of electricity from renewable sources, gross final consumption of renewable energy for heating and cooling and final consumption of renewable energy in transport. Source: Eurostat (t2020_31)
Final energy consumption	Final consumption of electricity includes all energy supplied to final consumers (in industry, transport, households and other sectors) for all types of energy needs. It does not include energy supply for transformation and/or own consumption of energy industries and grid losses. Source: Eurostat (t2020_35)

Annex 6: List of Acronyms

AOTP	Active Labour Market Policies
APVV	Research and Development Support Agency
BSK	Bratislava Self-governing Region
CEPEJ	European Commission for the Efficiency of Justice
CCA	Central Coordination Authority
CSR	Country Specific Recommendation
CPPPaP	Pedagogical and Psychological Advising Centre
DB	World Bank's Doing Business ranking
DRG	Diagnosis-Related Groups
VAT	Value Added Tax
DSS	Pension Scheme Management Company
ECB	European Central Bank
ESFRI	European Strategy Forum on Research Infrastructures
EIT	European Institute of Innovation & Technology
EC	European Commission
EU	European Union
ESIF	European Structural and Investment Funds
FA SR	Financial Administration of the Slovak Republic
FD SR	Financial Directorate of the Slovak Republic
GDP	Gross Domestic Product
IFP	Financial Policy Institute
ISP	Social Policy Institute
IROP	Integrated Regional Operational Programme
KEGA	Cultural and Educational Grant Agency
MTC SR	Ministry of Transport and Construction of the Slovak Republic
MF SR	Ministry of Finance of the Slovak Republic
MEco SR	Ministry of Economy of the Slovak Republic
MARD SR	Ministry of Agriculture and Rural Development of the Slovak Republic
MLSAF SR	Ministry of Labour, Social Affairs and Family of the Slovak Republic
MRC	Marginalised Roma Communities

MJ SR	Ministry of Justice of the Slovak Republic
MESRS SR	Ministry of Education, Science, Research and Sports of the Slovak Republic
MI SR	Ministry of Interior of the Slovak Republic
MFEA SR	Ministry of Foreign and European Affairs of the Slovak Republic
MEnv SR	Ministry of Environment of the SR
NFG	Non-repayable Financial Grant
NRP	National Reform Programme
NETDP	National Education and Training Development Programme
NC SR	National Council of the Slovak Republic
OP	Operational Programme
OP HR	Operational Programme “Human Resources”
OP EPA	Operational Programme “Effective Public Administration”
RES	Renewable Energy Sources
CBR	Council for Budget Responsibility
PIAAC	Programme for the International Assessment of Adult Competencies (OECD)
PISA	Programme for International Student Assessment (OECD)
PMR	Product Market Regulation index (OECD)
PW	Programmed Withdrawal
SAV	Slovak Academy of Sciences
SAAVS	Slovak Accreditation Agency for Higher Education
SHMU	Slovak Hydro-meteorological Institute
SLS	Secondary-Level School
STTF	Shared testing and treatment facilities (i.e. medical imaging and laboratory testing)
SEP	Self-Employed Person
SDB	Socially-Disadvantaged Background
SFRB	State Housing Development Fund
SF	Structural Funds
SPDTP	Standard Prevention, Diagnosis and Treatment Protocols
SEN	Special Educational Needs
SMM	Special Medical Materials
STU	Slovak University of Technology
VfMD	Value for Money Department
JS	Job Seeker
UNITAS	System for unified collection of taxes, duties and public insurance contributions
CLSAFO	Central Labour, Social Affairs and Family Office
ODPII	Office of the Deputy Prime Minister of the Slovak Republic for Investments and Informatisation
OSGCRC	Office of the Slovak Government Commissioner for Roma Communities
OPP	Office for Public Procurement
GO SR	Government Office of the Slovak Republic

V3 / V4	Visegrad Four countries wo/w Slovakia (Czech, Hungary and Poland)
VEGA	Scientific Grant Agency
VsZP	<i>Všeobecná zdravotná poisťovňa</i> (state-run public health insurance company)
SO SR	Statistical Office of the Slovak Republic
HTU	Higher Territorial Unit
VUDPaP	Child Psychology and Pathopsychology Research Institute
PHI	Public Health Insurance
HI	Health Insurance/Insurer
PLS	Primary-Level School
KG	Kindergarten