



**Progress Report on the Implementation  
of the National Reform Programme  
of the Slovak Republic  
for 2006 - 2008**

**October 2007**

# Contents

|          |  |           |
|----------|--|-----------|
| <b>1</b> | <b>Introduction .....</b>  | <b>3</b>  |
| <b>2</b> | <b>Macroeconomic framework update .....</b>  | <b>6</b>  |
| 2.1      | Basic objectives of fiscal and monetary policy .....   | 6         |
| 2.2      | Economic development and mid-term prognosis .....  | 7         |
| <b>3</b> | <b>Development of the conclusions of the Spring European Council for the Slovak Republic .....</b>   | <b>9</b>  |
| 3.1      | Employment and education policy .....  | 9         |
| 3.1.1    | Improvement of employment and social inclusion .....   | 9         |
| 3.1.2    | Education Policy .....   | 10        |
| 3.2      | Microeconomic policy .....   | 13        |
| 3.2.1    | Improvement of Better Regulation Agenda and create more dynamic business environment .....   | 13        |
| 3.2.2    | Create better conditions for innovation and higher investment into research and development.....   | 14        |
| 3.2.3    | Informatisation of the society .....   | 16        |
| 3.2.4    | High quality physical infrastructure and services in network industries .....  | 16        |
| 3.2.5    | Development of sustainable integrated European energy policy .....   | 18        |
| 3.2.6    | Development of sustainable integrated European environmental policy .....  | 19        |
| 3.3      | Strengthening the internal market and European competitiveness.....  | 20        |
| <b>4</b> | <b>Overall progress assessment of measures under National Lisbon Strategy of the Slovak Republic, since the beginning of programming period of the National Reform Programme .....</b> | <b>21</b> |
| 4.1      | Employment policy.....   | 21        |
| 4.1.1    | Employment.....  | 21        |
| 4.1.2    | Demographic changes.....   | 24        |
| 4.1.3    | Reconciling family, work life and equal opportunities .....  | 25        |
| 4.1.4    | Social inclusion.....  | 26        |
| 4.2      | Education Policy .....   | 28        |
| 4.2.1    | Modern education policy.....   | 28        |
| 4.2.2    | Reform of elementary and secondary school system.....  | 29        |
| 4.2.3    | Higher education system reform.....  | 29        |
| 4.2.4    | Funding of schooling activities through ESF funds .....  | 30        |
| 4.3      | Microeconomic Policy .....   | 31        |
| 4.3.1    | Entrepreneurial Environment.....   | 31        |
| 4.3.2    | Strengthening of Competitive Advantages of the Industrial Base.....  | 32        |
| 4.3.3    | Public Institutions as a Partner and not a Burden.....   | 33        |
| 4.3.4    | Strengthening the Internal Market .....  | 34        |
| 4.3.5    | Science, Research and Innovation .....   | 36        |
| 4.4      | Information Society .....  | 37        |
| 4.5      | Quality Physical Infrastructure and Services in Network Sectors.....   | 44        |
| 4.5.1    | Transport Infrastructure .....   | 45        |
| 4.5.2    | Electronic Communications .....  | 45        |
| 4.5.3    | Development of the Electronic Communication Sector.....  | 45        |
| 4.5.4    | Postal Services.....   | 46        |
| 4.6      | Energy Policy.....   | 48        |
| 4.6.1    | Identification and Removal of Barriers to the Real Opening of the Energy Market.....   | 48        |
| 4.6.2    | Amendments of Legal Regulations in the Field of the Energy Industry .....  | 49        |
| 4.6.3    | Support of Studies of Trans-European Energy Networks .....   | 50        |
| 4.6.4    | Development of Business in the Use of Renewable Energy Resources.....  | 50        |
| 4.6.5    | Reducing Energy Consumption .....  | 51        |
| 4.7      | Environmental Policy .....   | 52        |
| <b>5</b> | <b>Annexes .....</b>   | <b>55</b> |
| 5.1      | Annex No. 1 – Development of the Set of Indicators for Monitoring of the Lisbon Strategy for the SR .....  | 55        |
| 5.2      | Annex No. 2 – Assessment Grid.....   | 58        |

# 1 Introduction

*The Progress Report on the Implementation of the National Reform Programme of the Slovak Republic for 2006-2008* (NRP SR Report) has been prepared pursuant to

- the guidelines and schedule of the European Commission regarding the submission of the EU Member States implementation reports;
- conclusions and recommendations that resulted from bilateral discussion held between the European Commission and the Slovak Republic on 12 July 2007;
- tasks laid down by the Resolution No. 1056 of the Government of 13 December 2006 and No. 589 of 4 July 2007.

The Report is based on the *Addendum to the National Reform Programme of the Slovak Republic for 2006-2008* (NRP SR) that was approved by the Resolution No. 1056 of the Government of 13 December 2006. The main reason behind preparation of the Addendum to NRP SR was the fact that the intentions and objectives of Slovak National Lisbon Strategy highlighted in the National Reform Programme of the Slovak Republic for 2006-2008 which was submitted to the European Commission in October 2005 did not develop specific measures for the entire programme period between 2006 and 2008. Further development of the measures in priority areas of the National Lisbon strategy had become one of the tasks for the new Government of the Slovak Republic. In the Government Manifesto stated their political will to continue with the implementation of intentions and objectives of the previous government wherever they deem it necessary.

The objective of submitted report is to present further progress of the Slovak Republic in fulfilling the Lisbon tasks and to respond to the conclusions made at the Spring European Council in March 2007 and Country specific recommendations made by the European Commission that were included in the Annual Progress Report of 12 December 2006.

In the Progress Report the European Commission evaluated Slovakia as a country that has been achieving progress in the implementation of the National Reform Programme. Slovakia is fully aware of the fact that based on the evaluation made by the European Commission the country must accelerate their implementation efforts for necessary measures both in employment policy as well as in the microeconomic policy.

Strong performance areas of the National Reform Programme that were highlighted by the European Commission include measures to improve the business environment and process of information society creation. The Commission has positively evaluated employment growth associated with tax incentives, workforce mobility measures, certain improvement in services provided to disadvantaged groups, progress achieved in the higher education reform (in parallel to the new measures for support of ICT use) and integration of disadvantaged children into the education system.

The weakest areas in the implementation of measures (which should become the highest priorities of Slovakia) highlighted by the Commission include the area of research, development, innovations and education; suffering from lack of clear strategy and priorities. Increased effort is required to improve the skills of job seekers and to promote lifelong learning. Also, the country must focus on the reduction of long-term unemployment rate, especially among the marginalized groups, including Roma ethnic minority.

The Government of the Slovak Republic identified with the European Commission's recommendations. The Government also acknowledged the weaknesses in the implementation of Lisbon objectives which had become its main priorities. As part of this Report the Government strives to present its efforts to develop the conclusions of the Spring European Council and to transform the Commission's recommendations into specific measures in all areas concerned.

The Government of the Slovak Republic has accepted the call of the European Council for improved coordination of policies on the national level. In order to achieve the highest possible synergy effect of the reforms and the correct timing of measures, the Government accepted a series of measures to increase the quality of the management of the National Lisbon Agenda. By its Resolution No. 1056 of 13 December 2006 on the Addendum to NRP SR, the Government had ordered both coordinators of the National Lisbon Strategy, namely the Deputy Prime Minister for Knowledge-based Society, European Affairs, Human Rights and Minorities; and the Minister of Finance to prepare, in collaboration with other relevant ministries, the Progress Report on the Implementation of NRP SR measures (the Report should be prepared twice a year, by 30 April and 30 September) and to submit the Report to the Ministerial Council of the Government for European Union Affairs. The objective of the progress reports is to verify, well in advance, the current situation regarding implementation of NRP SR measures and to

get an overview of the progress of work completed by the ministries responsible for Lisbon agenda, regarding development of the recommendations of the European Commission, and/or conclusions of the Spring European Council. The targeting and schedule of this task was slightly modified during the first half of the year and the first Progress Report was submitted to the Government which approved the Report by the Resolution No. 589 of 4 July 2007. The Report has provided a platform approved by the government for bilateral negotiations with the European Commission and it also provided important information to the coordinators of the National Lisbon Strategy to work out additional guidelines for the preparation of next Implementation Report to be finalised in autumn.

The aim of the Resolution on the Progress Report was to support and improve the efforts developed by departmental coordination groups and to strengthen the position of departmental coordinators for the National Lisbon Strategy. As part of the Resolution, the Government also approved a number of tasks with the aim to strengthen the link between the funding of the Lisbon tasks and programme budgeting. This was due to the fact that no sufficient quantification had been made for the National Lisbon Strategy expenditure, neither in the National Reform Programme nor in the Implementation Report. This efforts respond to recommendations of the European Commission which stated that the information within the Slovak Implementation Report are not sufficient enough to be able to assess whether the funding claimed by individual measures are consistent with the deficit objectives of the public budget.

The Ministry of Finance initiated the establishment of the Coordination Committee for Fiscal Aspects of the National Reform Programme of SR with the aim to address the issue of consistent objectives. The Committee consists of deputy ministers from ministers responsible for Lisbon Agenda and the officials from the Association of Towns and Municipalities of Slovakia, the Association of Eight Self-governing Regions and the Slovak Academy of Science. The aim of the Committee is to coordinate structural policies of the National Reform Programme with the macroeconomic and fiscal policy objectives.

In the *Public Budgeting Manual for 2008-2010* (published in the Financial Journal No. 3/2007 pursuant to Article 14 of the Act No. 523/2004 Coll. Budgetary Rules for Public Administration) the Ministry of Finance requested that, as part of the work on the draft public budget in 2008, the budgetary chapter administrators should separately calculate budgetary costs of budgetary titles related to the National Lisbon Strategy implementation. The initial experience gained as a result of the effort to meet this requirement was analysed and the results were used to prepare the Assessment Grid which is part of this report. The results were also used in the preparation of the general government budget for 2008. The knowledge obtained from these activities will translate into the system of monitoring and evaluation of the Lisbon Agenda, in both material and quantitative terms. The system should be fully applied for the first time in the preparation of general government budget for 2009 – 2011.

Methodological shortcoming of the strategic documents in 2007, also mentioned in Commission's assessment, is the absence of the progress evaluation by quantitative indicators. The Ministry of Finance responded to this requirement of the Commission and, as the coordinator of material and methodology aspects of National Lisbon Strategy, prepared a document titled *Draft Set of Indicators to Monitor the Implementation of the Measures under the National Reform Programme*. In order to achieve a general consensus among the parties involved in the Lisbon process, the proposed indicators were submitted to the relevant ministries for commenting. Based on their comments a final version of the set of indicators was prepared and approved by the Government in May 2007. The document represents an effort of Slovakia is to reconcile with the initiative pursued by the European Council and European Commission. As a result, stronger emphasis has been put on creation of an effective monitoring system (on the EU and member state level) which would include a system for quantitative impact assessment of the Lisbon measures (inputs, outputs, and/or results of partial policies). It is the aim of the set of indicators to promote such a scheme that would provide systematic specification of quantitative objectives in Slovak priority areas the programme budgeting and also as part of the respective programme period in the National Reform Programme.

The Report consists of five parts. The introductory part of the Report addresses the European Commission's recommendations related to coordination and fiscal aspects of National Lisbon Strategy. Second part of the Report deals with macroeconomic and fiscal policy and puts an emphasis on the continuity of objectives which were presented in the Convergence Programme of Slovakia in December 2006, as part of the fiscal and monetary policy. This part of the Report also includes updated basic indicators of the macroeconomic framework. Third part of the Report presents the progress in work related to the conclusions made by the Spring European Council, to be carried out by the ministries which are responsible for implementation of Lisbon tasks. It also addresses Country specific recommendations for Slovakia in the annual assessment report prepared by the European Commission. Fourth part of the Report evaluates the current performance results of the Lisbon

priorities and objectives for Slovakia in the area of employment policy, education and microeconomic policy. The Annex to this report contains the Assessment Grid and updated overview of above-mentioned set of structural indicators.

## 2 Macroeconomic framework update

### 2.1 Basic objectives of fiscal and monetary policy

***The key goal of the economic policy is to achieve high and sustainable economic growth which would contribute to faster growth of living standard of the Slovak population.***

***The objective of the macroeconomic policies is to create appropriate macroeconomic environment for sound economic development and structural changes as a part of real convergence process.***

The objectives of Slovakia in the area of fiscal and monetary policy presented in the Convergence Programme for Slovakia remain valid and detailed description of further development will be presented this autumn in the updated Convergence Programme. Therefore, this Report is only presenting the main objectives *with emphasis on the continuity of implementation.*

Clearly, the most important objective of fiscal policy in Slovakia is to achieve sustainability of public finance in the long run, especially due to expected effects of ageing population. As regards the process of continuing integration into the European Monetary Union, the next goal is to fulfil the Maastricht criteria for public spending during this year. This means that the first concrete goal is to reduce the public deficit below 3% of GDP in 2007, including costs required to launch the second pillar of pension system and thus meet the criteria for integration into the Eurozone. Another main goal is to reduce the cyclically adjusted public deficit net of one-time effects, below 1.0% of GDP by 2010. Almost balanced general government structural balance planned to be achieved by the end of decade combined with positive effects from completed and planned structural reforms in the pension and healthcare system should be able to address the future negative effects of ageing population in Slovakia.

The approval of general government budget for 2007-2009 was the key factor in the reduction of public deficit below 3% of GDP in 2007, thus achieving successful compliance with Maastricht criteria. The parliament approved a deficit of 2.9% of GDP for 2007, including costs of pension reform. If this limit is strictly followed, the compliance with Maastricht criteria in this area will be achieved already in 2007. The expected development in 2007 will be described in greater detail in updated version of the Convergence Programme.

As yet, the obligation to reduce public deficit below 1% of GDP by 2010 was only presented in the Convergence Program. This mid-term objective was specified in this document as the public deficit at the level of 0.9% of GDP by 2010 (including costs of pension reform). The Government of the Slovak Republic has approved the new general government budget for 2008-2010, which, for the first time, includes this mid-term objective in the budgetary process. Despite of the fact that the new budget is based on existing frameworks of previous multiannual budget, the Government had decided to slightly adjust target deficit limits for public administration in 2008-2010. The government decided to reduce public deficits in 2008-2010, by 0.1% of GDP against targets established in the Convergence Programme. This means that the deficit in 2008 is expected to achieve 2.3% GDP, 1.8% of GDP in 2009, and 0.8% GDP in 2010. The reason to reduce public budget deficit is better than expected development of macroeconomic environment and an effort to meet the obligations arising from the Commission's recommendations and the rules in the revised Stability and Growth Pact. The deficit reduction by 0.1% of GDP in 2010 in the public budget also means that Slovakia now strives to achieve a mid-term public administration deficit on the level of 0.8% GDP by 2010.

The public budget for 2008-2010 approved by the government relies on a gradual reduction in the public deficit in order to achieve the mid-term goal, thus confirming the obligation of the Government to continue to consolidate public finance. At the same time, the continued consolidation is fully consistent with the Government's intentions to achieve higher degree of solidarity and social fairness of the economic system; by carrying out a series of measures in the income and expense side of the public budget.

The monetary and currency policy, as well as mid-term goals are established by National Bank of Slovakia (NBS), independent central bank. NBS has been adopting policies that are consistent with the Slovak obligations associated with EU membership and intention of the Slovak Republic to accept Euro by 1 January 2009. Therefore, the macroeconomic policy of Slovakia is focused on compliance with conditions that are essential for positive evaluation of Slovakia's state of preparedness for the Euro, that is, to meet all the Maastricht criteria at the same time, on a sustainable level. Therefore, the NBS policy is focused on compliance with criteria in the area of inflation, interest rates and also the stability of exchange rate as of 28 November 2005, when Slovak koruna joined the ERM II system.

## 2.2 Economic development and mid-term prognosis

Following the high economic growth of 8.3% in 2006 (9.8% and 9.6% in the last two quarters) GDP rose in the first half of 2007 again by strong 9.2%. This shows that the acceleration of economic growth in Slovakia has continued on an annual basis and has reflected the effects of structural reforms, consolidation of public finance and increased competitiveness. Real development of economy has reflected the rising labour productivity and competitiveness. The economic development is thus sustainable and has currently achieved or even slightly surpassed the approximate level of potential product growth. This confirms the strong and sound development of the Slovak economy, with a good basis for further consolidation of public finance and structural reforms.

The analysis of the structure of aggregate demand shows that the Slovak economy is driven by both domestic and foreign demand. Compared to the same period last year, the final household consumption grew at a higher rate in the first half of 2007 achieving 6.9%. The consumption has been supported by growth in real wages and employment which is supported not only by the creation of new jobs within the country but also by growing number of persons working abroad. In addition, the household consumption is positively affected by consistently growing volume of loans. On the other hand, the positive development in the labour market has provided capacity for growing volume of household savings. The formation of gross fixed capital increased by 6.9%, whereas the dynamics has eased over 2007.

The GDP growth in breakdown by industries in the first half of 2007 was mostly driven by growth in value added in industrial production, transportation, post and telecommunication services, and in civil engineering services.

Strong growth of economy helps maintain positive trends on the labour market which has continued since 2004. Investment activities help create new job positions and thus increase the number of workers and reduce – even though *still high* - declining number of unemployed. According to VZPS methodology, the number of workers increased by 2.5% in the first half of 2007, while the employment rate (measured by ESA) increased by 2.1%. The overall growth in employment was mostly driven by the employment in private sector. The number of entrepreneurs without employees had also increased. On the other hand, the number of public sector employees has declined. The growth in number of employed persons prompted a significant downturn in the number of unemployed (decline by 21.1%) thereby reducing the unemployment rate to one of the historically lowest levels of 11.3%. The average monthly wage in national economy increased, in nominal terms, by 6.9% to 19,056 SKK. The growth of real wages (4.2%) has been covered more than safely by increase in labour productivity.

On the other hand, the net foreign demand also experienced favourable development. The excellent results were driven by fast growth in exports (20.9%) against the backdrop of slower import dynamics (15.8%). The export growth is linked to the launch of production in new car factories and positive development of production in electronics industry. The substantial improvement in the balance of goods in 2007 has also had a positive effect on the development in the current account.

The year-on-year inflation rate consistently declined over the first half of 2007, from 3.0% in January 2007 to 2.5% in June 2007. This was caused by the fact that, in contrast to previous years, the prices of regulated goods and services did not increase in January and the growth in prices of oil and oil products in international markets was substantially smaller. However, the housing market services continued to pose a risk for the development of CPI as imputed rent has been growing in the recent period (2005-2006), mostly driven by the installation of thermal insulation in residential blocks of flats. The prices of oil and global energy resources, as well as the food prices continue to pose a certain risk too.

The slowing inflation and relatively stable oil prices over the first half (about 65 US dollars per barrel) created room for NBS to reduce the base interest rate by 0.25 ppt in March and April 2007 achieving 4.25%. No further changes in the interest rate are expected in 2007. The current long-term interest rates have achieved levels that are consistent with the declared intention to accept Euro by the planned date - 1 January 2009. Their future development will mostly depend on the development of long-term interest rates in Eurozone. The average interest rate for state bonds with 10 years maturity should hover around 4.7%.

Based on the current development of economic indicators, including domestic and external conditions, we are expecting balanced development of Slovak economy in the mid-term outlook, with stable growth on a relatively high level. The following table shows the mid-term development of main economic indicators.

**FORECAST FOR SELECTED INDICATORS OF ECONOMIC DEVELOPMENT IN THE SLOVAK REPUBLIC,  
ACCORDING**

**TO THE FINANCIAL POLICY INSTITUTE (MF SR)**

**SEPTEMBER 2007**

| Serial No | Indicator  | unit of quantity | Current data |         |         | Forecast |         |         |         |
|-----------|--|------------------|--------------|---------|---------|----------|---------|---------|---------|
|           |  |                  | 2004         | 2005    | 2006    | 2007     | 2008    | 2009    | 2010    |
| 1         | GDP; at current prices                                   | billion SKK      | 1,355.3      | 1,471.1 | 1,636.3 | 1,822.5  | 1,988.5 | 2,142.2 | 2,289.7 |
| 2         | GDP; real growth   | %                | 5.4          | 6.0     | 8.3     | 8.8      | 6.8     | 5.8     | 5.0     |
| 3         | Final consumption by households + NISD; real growth      | %                | 4.2          | 7.0     | 6.1     | 6.7      | 6.0     | 4.7     | 4.1     |
| 4         | Final consumption by public administration (real growth) | %                | 2.0          | -0.6    | 4.1     | 2.0      | 3.0     | 2.8     | 2.8     |
| 5         | Gross fixed capital formation (real growth)              | %                | 5.0          | 17.5    | 7.3     | 8.8      | 8.0     | 6.0     | 5.5     |
| 6         | Export of goods and services (real growth)               | %                | 7.9          | 13.8    | 20.7    | 21.1     | 12.8    | 8.9     | 6.8     |
| 7         | Import of goods and services (real growth)               | %                | 8.8          | 16.6    | 17.8    | 17.2     | 11.5    | 8.1     | 6.1     |
| 8         | Average monthly wage in national economy (real growth)   | %                | 2.5          | 6.3     | 3.3     | 4.5      | 4.5     | 4.0     | 4.0     |
| 9         | Average employment growth, according to ESA95            | %                | -0.3         | 1.4     | 2.3     | 2.1      | 1.6     | 1.0     | 0.8     |
| 10        | Average unemployment rate, according to VZPS             | %                | 18.1         | 16.2    | 13.3    | 10.9     | 10.0    | 9.6     | 9.2     |
| 11        | Inflation - harmonised index of consumer prices (HICP)   | %                | 7.5          | 2.8     | 4.3     | 1.6      | 1.8     | 2.4     | 2.4     |
| 12        | Current account balance (share in GDP)                   | %                | -7.8         | -8.6    | -8.3    | -4.0     | -2.6    | -1.9    | -1.4    |

*Source: IFP MF SR, SSO SR*

## 3 Development of the conclusions of the Spring European Council for the Slovak Republic

### 3.1 Employment and education policy

#### 3.1.1 Improvement of employment and social inclusion

In the conclusions the Spring European Council (March 2007) stressed out the importance of good work and lifelong approach to work, in the area of improving *employment, modernisation and strengthening the European social model*. Commission Communication on Flexicurity (June 2007) is targeted at identifying suitable combination of policies adapted to specific needs of labour markets in the Member States. The key principles of good work include active participation of employees and respecting their rights, equal opportunities, safety and health protection at work and family-friendly work organisation. The European Council stressed the social dimension of EU and the key role of social partners. The Council has recommended that more attention should be paid to active inclusion, i.e. providing appropriate amount of minimum funds for everyone, while, at the same time, this should be complemented with the rule "make work pay". The new **Alliance for Family** should represent a platform for exchange of opinions and experience of Member States on family-friendly policies. The struggle against children poverty must continue and each child should be given equal opportunity. More attention should be paid to young people, especially when they leave school and start work, as well as to elderly people, persons with low qualifications and other disadvantaged groups in the labour market. The coming report of the Commission on the evaluation of social situation in the EU should present a further contribution to the discussion on social issues.

At the same time, the European Council approved the **Recommendation on the 2007 update of the Broad Economic Policy Guidelines of the Member States and the Community and on the Implementation of Member States' Employment Policies** which laid out the following tasks for the employment policy in the Slovak Republic:

- to develop a comprehensive approach to tackling long-term unemployment, notably by developing targeted active labour market policies for the most vulnerable groups;
- to reduce the gender pay gap;
- to develop an active ageing strategy to increase employment of older workers.

In compliance with these recommendations and conclusions of the Spring European Council, in the context of Lisbon Strategy and National Reform Programme of SR; a new **Operational Programme Employment and Social Inclusion** was prepared, with the key aims to approach to full employment (employment growth, reduction of unemployment) and to support employment of persons that are at risk of exclusion from the labour market. The measures are mostly targeted at supporting programmes in the area of employment support and tackling unemployment (especially long-term unemployment), support to creation and maintaining job positions through adaptability of workers, enterprises and through support to entrepreneurship, support to employment growth and improvement of employability, with special focus on education society and support to reconciling the family and work life.

These principles have also been laid out in the **amended Act No. 5/2004 Coll. on Employment Services** that is planned to take effect in 2008. The objective of the amendment is to:

- create legislative framework to implement the recommendations of the European Commission to Slovakia, as part of the evaluation of the National Reform Programme of SR, including system of support to tackling long-term unemployment through new active measures and procedures targeted at their integration in the labour market;
- create legislative conditions to implement priorities and measures under Operational Programme Employment and Social Inclusion;
- react to changed situation in the labour market when demand is starting to surpass supply and react to increased demand for qualified workers through the system of benefits to support education and labour market training; and through a system used by the Offices of Employment, Social Affairs and Family in their communication with the job seekers when organizing their education and training for labour market.

A system of new active measures in the labour market has been proposed. These are vigorous measures to apply programme and project oriented approach intended to prevent exclusion from labour market and to support

integration into employment of disadvantaged groups, mainly school graduates, disabled citizens, mothers with children and persons close to pension age, to reduce regional differences in employment, unemployment and labour productivity, especially in regions lagging behind with high unemployment rate; in compliance with the Manifesto of the Government.

The instruments and measures under the active labour market policy are modified in line with capacity for their co-financing from the ESF and state budget, pursuant to the Regulation (EC) No. 1081/2006 of the European Parliament and of the Council of 5 July 2006 on the European Social Fund.

In order to tackle long-term regional unemployment as part of a complex approach; a strategic solution has been designed with the aim to:

- support increase in the employment and tackle unemployment, including better use of external employment service providers, to train and integrate job applicants in the labour market pursuant to the employers' requirements for qualifications;
- better and more active involvement of regional and territorial self-government, employers and their unions, non-governmental organizations and volunteers, so that they provide consultancy and motivation to long-term and young unemployed persons; in order for the unemployed to be able to enter and remain at the labour market;
- establish legislative conditions for creating reintegration and social enterprises by corporate organisations and physical persons, with the aim to employ disadvantaged groups of job seekers and to carry out volunteer activities by disadvantaged groups of job seekers;
- improve and expand the use of instruments and measures of the active labour policy, to support increase in employment and tackle unemployment, with focus on long-term unemployed, young people without previous work experience and elderly workers, low-paid employees that were previously unemployed.

The relative pay differences between men and women continue to remain high on numerous instances. In addition to psychological and social factors, other contributing factors include numerous structural imbalances, such as the labour market segregation, differences in access to education and vocational training by men and women, as well as discriminating remuneration systems (wage systems), gender stereotypes in the labour market, as well as failure to comply with the remuneration regulations. **The aim of the reorganisation of the National Labour Inspectorate** is also to strengthen the oversight over compliance with the equal pay rule for men and women. Effective from 1 September 2007, **the amended Labour Code** laid down detailed legislative conditions to enforce the rule of equal pay to men and women for equal work of equal value. This amendment of the Labour Code contains a new provision in Article 119a on obligation of the employer to agree on equal wage for equal work of equal value, with exclusion of any sort of discrimination.

The increased employment of elderly people and active ageing principles have been implemented as part of separate policies (Active Labour Market Policy - ALMP, pension policy, lifelong learning strategy), that are used to help increase the awareness of active ageing issue.

By the end of 2007 the Government of the Slovak Republic should discuss the National Strategy of Employment Development including forecasts of employment development. The results of analysis and forecasts will be processed in breakdown by gender and five-year age brackets on the level of whole country and regions; with the aim to respond to demographic development in the development of employment by 2015, with emphasis on the issue of active ageing in the employment area with regard to legal work relations, work safety and health protection.

### 3.1.2 Education Policy

In their conclusions of the assessment, the European Commission stated that Slovakia had achieved progress in the implementation of the National Reform Programme. The strengths of the reform process achieved in the area of education include the progress in higher education reform, together with the new measures to support the use of information and communication technology, as well as the integration of disadvantaged children into the education system. The European Commission recommend that Slovakia should take the following measures in the education area:

- target more resources into research and development (R&D), innovation and education;
- accept lifelong learning strategy targeted at labour market needs and to help develop qualifications and skills;

- complete reform of the primary and secondary school system, thus complementing the reform of higher education.

Prepare and pass **new School Act** which should launch the **reform of primary and secondary school system** in 2007-2008. Attention shall be drawn to the area of education contents to cater for basic skills and quality provided to all students. Furthermore, the contents of education and training in regional school system shall be changed and more emphasis shall be placed on education of pupils and students regarding their attitudes and opinions on civil society, understanding the relationships between individuals, society and the world. As a result of transition from traditional to modern school system, the school teaching process is going to change from memorising information towards the ability to acquire, evaluate and use information.

In order to meet these objectives, a number of conceptual and legislation documents will have to be passed in 2007-2008. The Government passed the Resolution No. 489 dated 6 June 2007, to approve **draft Concept for a Two-level Model of Educational Programmes** in the Field of Vocational Education and Training in the Slovak Republic. As part of this scheme's implementation it will be necessary to provide legislative framework and support the introduction of the two-level model of education programmes in the Field of Vocational Education and Training through the Act on Training and Education. Furthermore, it is necessary to formulate new objectives of proposed legislation to lay down legal provisions for state education programmes and school education programmes in compliance with the scheme proposal.

The Government passed additional schemes in 2007: **Concept for the Pedagogical-Psychological Counselling System and its Practical Implementation** (Resolution No. 283/2007 of the Government), **Concept for Special Pedagogy Counselling** (Resolution No. 282/2007 of the Government), and **draft Pre-school Education Concept to Prepare Children for Elementary School** (Resolution No. 222/2007 of the Government).

By their Resolution No. 767/2007 dated 12 September 2007 the Government of the Slovak Republic passed the **draft Concept for Teaching Foreign Languages in Elementary and Secondary Schools**. The **Concept for Education and Training for National Minorities** will be prepared by the end of 2007, as well as the **draft Act on the status of pedagogical and non-pedagogical employees of schools and school establishments**.

Slovakia has a long tradition in supporting talented children and young people. The **Concept of State Policy on Children and Youth in Slovakia for 2008-2013** will be prepared in 2007. This Concept will have to be implemented through a systematic and consistent work with children and youth on the level of towns and municipalities. To this end, a new **Act on financial support in the field of informal education** in municipal policy will be prepared to stimulate work with children and young people in towns and municipalities. The **Youth Act** will be prepared in 2008.

A new **Concept of Higher Education** will be prepared in 2007-2008 through the **Long-term Intention of the Ministry of Education of the Slovak Republic for Education, Research, Development, Artistic and other Creative Activities at Higher Education Institutions**; for a period of 5-10 years with active participation of academic community, representative bodies of higher education institutions, general public, business and social sector; in the interest of development of knowledge society. Further, draft acts will be presented for public higher education institutions and changes will be proposed for state approvals granted to private higher education institutions with the aim to change their system of integration, including proposals for changes of integration corresponding to the change in the school name. This will provide for systematic evaluation of higher education institutions for their own purposes, for the state administration and general public.

**The aim of the amended Higher Education Act** is to help the higher education system to operate effectively and in compliance with the documents of the Bologna process and practical needs. The Act will also address the operation of foreign and private higher education institutions, and, as a result only accredited higher education institutions will operate in Slovakia. At the same time, the EU Directive regarding refugees and students from third countries will be implemented in the Act.

The system of **higher education funding from multiple sources** will be improved and new measures will be prepared with the aim to motivate business sector to invest in education, science, research and development. The scope of higher education will be extended, especially in the area of informatics and information technology, nanotechnology and biotechnology. New programmes to support education at higher education institutions will be promoted through a system of scholarships, tax incentives, adjustments in the system of wages, and the higher education institutions will also be encouraged to introduce specific modules mostly related to small and medium-sized enterprises in the higher education.

The aim of the support to creation of technology platforms is to build closer links between science, research and development, to form mutual partnerships between business sector and academic environment. To this end, the state will prepare methodology for establishment of **Technology Transfer Centres**. The state will increasingly support the **establishment and innovation of unique research and development workplaces at higher education institutions** that will become the core of future centres of excellence on an international scale. Grants will be awarded to the development projects in the area of information and communication technology (ICT), the implementation will continue for the project of new-generation intelligent digital technologies in education and organisation of R&D work (Virtual Room Media Videoconference System -VRVS communication environment).

The knowledge economy creates an environment which requires the citizens to refresh, complement and expand their knowledge, competencies and skills on an ongoing basis during all their life. The Government passed a Resolution No. 382/2007 dated 25 April 2007, to approve the **Strategy for Lifelong Learning and Lifelong Counselling**. The draft strategy was based on the European and national strategic and conceptual documents aimed at the issue of human capital development as a driving force behind the development of the entire society. These are mostly documents of the European Commission published in 2000, Memorandum of lifelong learning, Concept of lifelong learning in the Slovak Republic approved by the Slovak Government in 2004, Competitiveness Strategy for Slovakia until 2010, Minerva - government program for the development of knowledge economy and other relevant European and national strategic and concept documents which also target development of human resources as a key condition for the development of entire society.

An important aspect of implementation in the strategy of lifelong learning will be the results of the project **Creation and Implementation of an Open System of Lifelong Learning in the Slovak Republic for the Labour Market Needs** which is funded from the European Social Fund. The results of this project, as well as the **proposal of the European Qualification Framework** for institutions of formal and informal education will be used in the process of preparation of the **Act on Lifelong Learning**.

The Slovak Republic currently has **no complex legislative framework for lifelong learning** to govern both the system of informal education and recognition of their results, as well as the results of non-institutional learning, in relation to existing legal standards for formal education. This issue will be addressed by preparation and approval of the **Act on Lifelong Learning**. The key goal of the draft Act on Lifelong Learning is to create conditions for the process of informal education to operate as part of lifelong learning and to govern the basic societal relationships between formal, informal and non-institutional education, in order to improve the quality of available informal education. This would help recognize the results of education and thus achieve partial or complete qualification skills. The Act is expected to be approved in 2008.

In order to meet education policy objectives it is necessary to improve the quality of education process for teachers who must be prepared for ongoing changes in the education needs. As these are dynamic changes, it is necessary to provide further education to teachers. After a professional discussion the Government approved the **draft Concept for Professional Development of Teachers within the Career System** (Resolution No. 367/2007 of the Government dated 18 April 2007). The Concept is based on the principle of professional development of teacher and school quality. It relies on introduction of a career system as a set of rules that will determine the career position for a teacher. The new system of teachers' remuneration will be also based on those rules. The actual system of continuous education should take place along the lines of a Career Order which will allow the teacher to select one of three career paths. The first path leads to achievement of lifelong standard teaching competencies, second path makes it possible for the teacher to acquire expert teaching competencies and the third part leads to acquiring of specialized or management teaching competencies for the teachers. The **National Project of Further Education of Teachers** will be prepared by June 2008 and is expected to be launched and implemented by 30 September 2008.

An important area of education is the **integration of children from vulnerable and marginalized groups into standard school environment**. Much attention is paid to children of socially disadvantaged groups, especially children of Roma origin and pupils with disabilities, in the area of their education, material supplies and their employment using the results of PHARE and ESF projects. By the end of 2007 the Government will **innovate the Concept for the Integrated Education of Roma Children and Youth** that was approved by Resolution No. 498/2004.

In order to optimise school integration of pupils with special education needs, the Government passed Resolution No. 282 of 21 March 2007 to approve the **Concept for Special Pedagogy Counselling** which is the innovated Concept for Special Pedagogy Counselling approved in 1998 and 2000. The innovated Concept includes a number of new areas based on the practical experience. The intention is to improve the quality of integration

process for pupils with special education needs. The Concept features a complex special pedagogy approach to children with any type and level of disability, from birth, until they start working in their first job. The concept made it possible to improve the quality of work done by the special pedagogy facilities and improve their links with regular and special schools. In performing the tasks of the Concept, the Ministry shall actively cooperate with the Ministry of Health and Ministry of Labour, Social Affairs and Family.

## 3.2 Microeconomic policy

### 3.2.1 Improvement of Better Regulation Agenda and create more dynamic business environment

The conclusions made at the Spring European Council in March 2007 *in the area of better legal regulation* develop the need to benefit from the previous successes and practices of Member States to improve this important tool of policy aimed at improvement of competitiveness and sustainable growth and employment.

The measure planned by the Slovak Republic is based on the recommendations of the Broad Economic Policy Guidelines and its aim is to make sure that the evaluation of legislation impact on the business sector (as part of RIA - evaluation of regulation impact) is done in compliance with the methodology document ***Proposal of Uniform Methodology for Preparing and Examining the Clause on Financial, Economic and Environmental Impact, Impact on the Employment and the Business Environment in Its Section concerning Impact on the Financial Performance of the Business Sector, Including Impact on Entrepreneurial Activities and Employment.*** The aim of assessing the impact on business environment of legal regulations is to prevent preparation of such regulations that would pose unnecessary burden on enterprises and, as a result, they would reduce their competitiveness. First, any potential impacts must be thoroughly identified and then it is possible to evaluate impact, get a grasp of the methodology and implement necessary regulations. The lack of room for discussion on key decisions is causing instability and poor quality of legislative and regulatory environment.

The Ministry of Economy had prepared the methodology which can be used within their scope of responsibility. In order to achieve progress in this field a Working Group will be established in October 2007, which will consist of representatives of the ministries of finance; environment; labour, social affairs and family. The Group will prepare a comprehensive document ***Evaluation of regulation impacts*** which will be prepared in line with methodologies used by the four ministries (evaluation of impacts of the proposals in progress). The idea is to harmonise hitherto decentralised approach to evaluation of impacts, to group these efforts under the Ministry of Economy and to present to the Government a harmonised approach in this area.

The European Council stressed that the ***reduction of administrative burden*** represents an important component in strengthening the European economy, especially as regards its ***impact on small and medium enterprises***. The administrative costs incurred by an enterprise are associated with performance of their legal duties, such as providing information on their activities or production. These costs need to be reduced, therefore it is in the very interest of the Government to accept and implement a systematic approach to the issue of administrative burden for entrepreneurs. ***The Action Plan for Reducing Administrative Burdens in the EU*** provides guidelines on how to identify measure and reduce the duty to provide information. Before any systematic approach is taken in Slovakia to reduce the administrative burdens, it is first necessary to find out where the burden comes from and how it can be reduced or removed. Before the administrative burden can be reduced, it must be quantified.

By the end of September, the Ministry of Economy shall submit to the Government a document titled ***Better Regulation Agenda in the Slovak Republic and draft Action Programme for Reducing Administrative Burden for Business Sector in the Slovak Republic in 2007-2012.*** The objective of the document is to change the culture of communication between the regulation authorities and regulated entities and, at the same time, to improve the quality of public administration output. The Better Regulation Agenda for reducing administrative burden has been pursued on all levels of public administration, so that the Slovak Republic shall be able to present relevant information in 2008 and clearly define a realistic goal for percentage reduction by 2012 of administrative burdens on a national level.

Based on the measurements of administrative costs following the guidelines of Action Plan, a decision will then be taken as to which costs are related to useless activities and their reduction or elimination will be proposed thereafter. The success of the strategy depends on the wide ranging support and cooperation between ministries and institutions. The intention of the Action Plan is to reduce administrative barriers for entrepreneurs and also to

achieve substantial improvement for consumers. This should then translate in reduced prices. Preliminary research had shown that the Slovak entrepreneurs actively express their opinion on the quality of legislation and they are involved in the creation of better business environment. Therefore, close cooperation with the business sector will contribute to simplifying implementation of established objectives. The consultations will become the priority tool for achieving desired objective. The national methodology for measuring administrative burdens will be prepared shortly, and the ministries coordinated by the Ministry of Economy and in cooperation with business entities will prepare a legislation basis where the administrative burdens will be quantified.

In accordance with the requirements posed by the European Council in March 2007 which called for creation of more dynamic business environment; and pursuant to the Directive on Services in the internal market, the Government received, on 19 April 2006, a joint **Concept for the Creation of the Network of One-stop Shops (OOS)** in Slovakia submitted by the Ministry of Economy and Ministry of Interior. The Government has approved the Concept in their Resolution No. 324/2006. One-stop Shops will make it easier to access services for Slovak and foreign entrepreneurs from the EU Member States who wish to establish their business in the Slovak Republic.

### **3.2.2 Create better conditions for innovation and higher investment into research and development**

Slovak Republic is determined to improve framework conditions for innovation and to mobilise additional resources for research, development and innovation. The Government acknowledge the key importance of top-quality human resources, accelerated transformation of research results into innovative products and services, cooperation and technology transfer between public sector and industry with appropriate exchange of knowledge between partners and addressing the issue of intellectual property rights and patents.

In order to **strengthen innovation, research and education**, the Government passed on 13 April 2007 the **Draft Innovation Strategy for 2007-2013** and requested that the Minister of Economy, together with the Deputy Prime Minister, Minister of Education and Minister of Construction and Regional Development prepare the **Innovation Strategy Project for the Slovak Republic, for 2007-2013**. The ministers should also submit the above document to be discussed by the Knowledge Society Commission and then to the discussion by the Government. The aim of the strategy is to create a national innovation system that will also involve regional innovation structures (incubators, centres of innovation, schemes, consultancy centres, and other elements). These will then constitute a basic structure targeted at sustainable development of the Slovak Republic based on the knowledge. The innovations should cover some 25% of the GDP growth in the target year - 2013 (at present, innovations make up for about 8% of the GDP growth). It is expected that more than 50% of businesses in industry and services, especially small and medium sized enterprises should be innovative, their ability to compete will increase and more than 5% of innovation ideas in enterprises will arise from university and industry research and Slovak Academy of Sciences (at present, the share of innovative ideas emerging from the university and academic environment represents less than 1%). The above shows that new measures within the priority Science, Research and Innovation are mostly aimed at effective support of business efforts in the field of research and innovations, with special emphasis on increased involvement of Sees.

The Minister of Economy dismissed the idea of creating a new agency to support innovative development. At the moment, the existing SEA (Slovak Energy Agency) is transforming itself into **SIEA (Slovak Innovation and Energy Agency)**. This will provide the basis for formation of an umbrella organisation to support and develop innovations. Regarding implementation strategy for the EU innovation policy and based on the plan of Government tasks for 2007, the Ministry of Economy shall submit a document titled "**Innovation Policy of the Slovak Republic for 2008-2010**" to the session of the Government on 31 October 2007. This document will further develop the tasks defined in the document of the Commission with regard to specific national features in the Slovak Republic. Other innovation tasks resulting from the National Reform Programme of SR are in progress. An expert group was established to prepare the **draft Innovation Act**. The group will consist of experts from private and state sector, as well as from the representatives of scientific and academic community. The proposal is expected to be completed by the end of third quarter 2007.

In order to mobilise additional resources for research and development, the Government passed a Resolution No 766/2007 dated 12 September 2007 which approved the document **Long-term Forecasting of the State Scientific and Technical Policy until 2015**, including proposed goals and intentions for investment into research and development. The objectives and intentions pertain to the state budget expenditure (the intention relies on the annual growth of research and development spending in order to meet the specified objective) and to stimulate business sector to increase research and development investment. Slovak Republic shall support Slovak research and development entities from the Structural funds and shall monitor their maximum utilisation.

The task of the Slovak Republic in the field of science and technology is to **streamline state budget expenditure** with the aim to increase the research and development spending each year. This task has been emphasized in the European Commission's recommendations and it also has been supported by the Manifesto of the Government; thus providing guarantees that the task will be fulfilled. Based on their specific conditions, Slovak Republic has modified the intention of the European Union to spend 3% of Community's GDP on research and development by 2010. The Manifesto of the Government has called for annual growth in research and development spending at such a rate that by 2010 this figure will achieve the level of **0.8% GDP**.

In the Long-term Forecasting of the State Scientific and Technical Policy until 2015 special attention is paid to the **field of human resources for research and development**. Available human resources are the key condition for development of science and technology, increasing competitiveness of the Slovak economy and faster modernisation of the entire society. Ultimately, they are the key condition for full-scale and successful development of a knowledge society. Hence it is important to create an open and sustainable European labour market and to provide appropriate and highly educated human resources in the field of research and development.

In addition to development of Slovak education, the long-term forecasting has paid special attention to involvement of Slovak R&D organisations in the system of study, research and innovation activities developed by the European Institute of Technology.

In order to provide for adequate number of qualified human resources in the system of science and technology, the Long-term Forecasting of the State Scientific and Technical Policy strives to increase the interest of young people in R&D. This objective requests to draw attention of talented pupils to this area already during the education process at elementary school, to continue their motivation at all types of secondary schools, higher education institutions and to provide lifelong learning to the R&D employees. Hence, the development of regional school system shall be emphasized to help education and professional training for R&D career; with the aim to make science and technology more attractive and open to the pupils and to motivate them to work in this field.

Another aim for human resources should be to increase the motivation of R&D employees working abroad to come back to Slovakia and work for Slovak R&D entities. Thus, it is important to establish a **system of reintegration** for Slovak R&D entities, to help young researchers who completed their research fellowship abroad.

The long-term forecasting has also presented the idea to provide permanent professional growth for R&D employees. This requires creation of a **system for increasing qualification skills of R&D employees**, with the aim to achieve required levels of qualification.

Further, the state intends to support the mobility of Slovak R&D employees within the EU and also within the R&D sectors themselves. This aim will materialise through introduction of new means of information on mobility opportunities offered to R&D employees. On a national level, this issue will be tackled by launching a **central information portal** for science.

In the area of **international cooperation in science and technology** the Government had approved the Agency programme to support R&D, which is titled **Support to Preparation of Projects for 7th Framework Programme for Research and Development**. The objective here is to support international cooperation in the field of science and technology and to facilitate drawdown of EU funds to finance research and development.

A key recommendation of the EC is to complete the development of coherent national R&D strategy.

The task is implemented by the Ministry of Education through a draft Act No. 172/2005 Coll. on Organisation of State Support for Research and Development and subsequent amendment to the draft Act No. 172/2005 Coll. on Organisation of State Support for Research and Development. The principles of the draft Act on Organisation of State Support for Research and Development were approved at the meeting of senior officials of the Ministry of Education which took place on 30 August 2007 and they will be submitted for discussion by the Government Council on Science and Technology, and subsequently for discussion by the Government in September 2007. Based on the approved principles of the draft Act on Organisation of State Support for Research and Development a draft Act shall be prepared to amend the Act No. 172/2005 Coll. on Organisation of State Support for Research and Development. The recommendation will be fulfilled by submitting the draft amendment to the Act No. 172/2005 Coll. for a discussion by the Government, National Council of the Slovak Republic and its subsequent approval. The draft amendment is expected to be presented to and discussed by the Government in November 2007. It should be discussed by the National Council of the Slovak Republic in March 2008.

### 3.2.3 Informatisation of the society

In the field of society informatisation, the European Commission has recommended that Slovak Republic should increase efforts to develop ICT infrastructure, mostly in the area of broadband Internet installations.

The documents and legislative measures accepted by the Slovak Republic in this area will be based on the **Strategy for the Informatisation of Society in the Slovak Republic** which was approved in 2004 and its aim is to support modern, competitive public e-services, create and provide access to useful digital contents; and also to develop ICT infrastructure. These efforts will also be based on the **Roadmap for the Implementation of e-Government Services in Slovakia** which was approved in 2005.

This includes, in particular:

- **Strategy of e-Government for the Slovak Republic**; the aim of which is to build up modern and transparent public administration. Such administration should operate effectively and pose a minimum burden to citizens and entrepreneurs.
- **National Concept for Public Administration Informatisation** which will be based on the vision presented in the Government's Manifesto where the government made an obligation to modernise public administration through economisation and modernisation, with the aim to make life easier for citizens and corporate organizations. National Concept for Public Administration Informatisation shall result in a feasibility study that would identify a collection of information system projects, define architecture of the legislative framework and required scope of changes in current legislation.
- **Electronic Public Administration and Public Administration Registers Act** which is expected to lay down basic framework and define conditions for general electronic access to basic public services with links between registers of public administration and to create a full-scale electronic data exchange between citizens, public and private sector.
- **Roadmap for the Introduction of Electronic Public Administration Services** which is expected to provide central management of public services. To this day, no interconnection was established between the regional central information systems.
- **Feasibility Study for Projects of Broadband Internet Development** which will deal with a map for installation of local broadband Internet networks and their use in the regions of Slovakia.
- **Strategy for Information Security** - the aim of the document is to create a single platform to build up an information society with sound legal framework that would provide for protection and credibility of digital environment in Slovakia. The key principles are based on the Strategy for a Secure Information Society published by the EU in 2006 and on other strategic documents.

The area of **broadband Internet development** will be especially supported through the **Operational Programme Informatisation of the Society** (OPIS) for 2007-2013. The projects under the **priority- Increase Availability of Broadband Internet Access**, are to support development of metropolitan optical networks, regional and local networks in areas not attractive for commercial providers.

### 3.2.4 High quality physical infrastructure and services in network industries

The main objective of MDPT SR is to implement such transport telecommunications and postal policy that will increase the competitiveness of Slovak economy and will provide for social development of the society and allow elimination of regional disparities. At the same time, this intention is to help achieve the objectives of the National Lisbon Strategy and is consistent with the importance that has been increasingly attributed to this sector on the EU level. The implementation of transport policy objectives in Slovakia is based on three priorities:

- to provide for modernisation and development of transport infrastructure;
- to strengthen competition environment in the field of transportation, post and telecommunications;
- to increase security and provide for socially and environmentally acceptable conditions of transport.

These priorities are based on the notion that developed transport infrastructure compliant with technical and quality standards is a basic condition for the economy to operate in any country. Access of regions to trans-European transport networks and adequate availability of intrastate transport corridors has a direct impact on the development of economic activities across the state and also helps remove regional disparities between individual regions. Therefore, one of the key tasks for the ministry is to provide for proportionate development of transport infrastructure.

The strategy for the next programming period for 2007-2013 will be focused on construction and modernisation of transport infrastructure along the approved roads of multimodal corridors (TEN-T network) and on supporting

completion of superior transport infrastructure of international importance, in order to connect Slovak infrastructure to the European transport network, as well as to increase the availability of regions in Slovakia. This will be done by means of the Operational Program Transportation (OPT) for 2007-2013. OPT has a hierarchical structure consisting of a global objective, four specific objectives and seven priority axes. The global objective has been defined as support to sustainable mobility through development of transport infrastructure and personal public transport. This objective will be achieved through a set of specific objectives, such as modernisation and development of railway infrastructure, modernisation and development of road infrastructure, modernisation and development of intermodal infrastructure, and development of personal public transport.

The priority of transport policy is to **accelerate the construction of highways and speedways**, especially through provision of sufficient funding resources, increased effective use of those resources and accelerated preparation for construction of highways and roads. The investment into development of highway network will be mostly targeted at the construction of new highway sections for D1 and D3 highways, i.e. sections that would help expand the highway network to the East and to the North. The government will prefer to build sections of R1, R2 and R4 speedways. The speedway sections will avoid protected areas, sources of drinking water and bird habitat territories. Each project will be evaluated in terms of its impact on the environment EIA. Better quality of road infrastructure will help increase the throughput, remove traffic congestions, resulting in a positive impact on environment.

The introduction by 2009 of electronic toll system on highways, speedways and selected 1st class roads will call for further investment into infrastructure. Apart from investment, this system should support more environmentally acceptable means of transportation and it will also help reduce adverse impact of transportation on the environment. These intentions have developed on the idea of involving private capital in the construction in the form of public-and private partnerships.

The need to build infrastructure for intermodal transportation results also from the conclusions and measures described in the White paper "*European Transport policy for 2010: Time to decide*" and also from the obligations of Slovakia to increase quality of railways and related facilities, including intermodal terminals along the main and Pan-European transport corridors, as per the European Agreement on Important International Combined Transport Lines and Related Installations (AGTC).

The main objective of building and modernisation of **railway infrastructure** is to connect the infrastructure to trans-European transport networks and to increase the market share of railway transport (passenger and cargo). The projects under programming period 2004-2006 and programming period 2007-2013 will be implemented in parallel in the years 2007 and 2008.

The modernisation projects for OPT railway transport infrastructure will be implemented along TEN-T lines which have a decisive importance for the economy and mobility in the Slovak Republic and the Community. The Decision No. 884/2004/EC specified a list of 30 projects of key importance for the Community as a whole, including two priority projects for railway infrastructure which had a direct impact on Slovakia. These are projects No. 17 and 23 which will be primarily supported through OPT. <sup>1</sup> The modernisation of railway lines within TEN-T network will help achieve line parameters that correspond to the requirements of EU standards and international agreements (AGC<sup>1</sup> - and AGTC).

Modernisation strategy for corridor No. Va (priority project 23) during the current programming period (KF) is a follow-up to the pre-accession aid (ISPA) and programming period 2004-2006 (KF). The initiative is planned to modernise the entire line section between Bratislava and Žilina, about 200 km long. Therefore, the interventions within the collection of projects are concentrated along the connecting line across western and central Slovakia, and thus meet the condition to connect less developed regions with developed areas, neighbouring EU Member States and TEN-T network. The traffic speed on this line will achieve 160 km/h, which will substantially reduce travelling time for passenger and cargo transport thereby improving the North-South and West-East connections between regions in Slovakia.

These projects will be built in synergy with modernisation of the corridor VI (priority project No. 23) and interconnection of corridors within the city of Bratislava (priority project No. 17) which will substantially contribute to development and improvement of the position of both international and nationwide railway transport. On the European level the priority project No. 23 will represent an important contribution to the overall strategy for attracting economic activities and efficiency of the transport system along the axis and will also support the transfer of the flow of goods to railway transportation.

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<sup>1</sup> European Agreement on Main International Railway Lines

Other important projects of railway transportation are aimed at **development of fixed infrastructure for railway transportation**, i.e. lines and stations, they strive to improve the technical condition of railway infrastructure through modernisation of railway stations, faster services, improvement of safety and reliability and reduction of the environmental impact. At the same time, modernisation will provide capacity for increased use of cargo and passenger railway transportation. The implementation of projects aimed at reduction of travelling time will have a favourable impact on employment in regions.

The strategy of public passengers transportation is mostly focused on the integration of city, suburban, regional and interregional public railway transport, its prioritisation within integrated transport systems on a city and region level and its coordination with regional, nationwide and cross-border railway passenger transport.

The program has been designed to achieve the global objective - supporting sustainable mobility through development of transport infrastructure and personal public transport. This objective will be achieved through a set of specific objectives, such as modernisation and development of railway infrastructure, modernisation and development of road infrastructure, modernisation and development of intermodal infrastructure, and development of personal public transport.

The efforts in the coming period in the field of **electronic communication** will focus on further development of market competition linked to the liberalisation of access to communication networks and will need to support growth of new technologies, especially in the area of digital broadcasting and broadband access.

In the area of **digital TV and radio broadcasting** it is necessary to kick off the process of transition from analogue to digital TV broadcasting in order to achieve the shortest time possible for financially demanding parallel operation of analogue and digital TV broadcasting. The objective is to switch off analogue broadcasting, at the latest by 31 December 2012, as requested by the European Commission.

It is important to focus on further development of broadband access through support to competition, efficient use of frequency bandwidth and through building of high-speed broadband networks also in rural areas.

Slovakia has also become a party to **Galileo**, the first European space programme using global satellite navigation infrastructure for civil purposes. The security issues of Galileo system are dealt with by the National Security Authority (NSA) which acts on behalf of the Slovak Republic. NSA represents Slovakia in the Galileo Security Committee as well as in the System Security and Protection Committee. Slovak Republic is involved in the expert discussions of the Working Group for Protection of Classified Information through an NSA representative. An inter-departmental commission for coordination of support, provision and use of Galileo system and respective applications has been working on the level of the Ministry of Transport, Posts and Telecommunications. The Commission also deals with the key issues regarding coordination and involvement of the Slovak public in the project. MTPT SR represents Slovakia in the board of the European GNSS Supervisory Authority and in the EU Council Working Group on Intermodal Issues and Networks.

Slovakia has prepared for full liberalisation of Postal Services in line with the EU strategy which could bring about increase in quality of postal services due to increased competition in this area. The preparations for full opening of postal market services have continued in 2007. Negotiations are under way regarding approval process for the draft Directive of the European Parliament and of the Council to amend Directive No. 97/67/EC; to complete development of the internal market of Community postal services, in both the European Parliament and European Council. The Ministry of Transport, Posts and Telecommunications will prepare a regulation model in 2008. Once approved, the model will be used as a basis for transposition of the above directive.

### **3.2.5 Development of sustainable integrated European energy policy**

Slovak Republic has welcomed detailed development of draft measures for EU energy policy. In-line with the conclusions of the spring session of European Council in March 2007, Slovakia has been involved in the development of future **European Energy Policy**, it cooperates with other Member States, and presents comments and opinions on the sessions of Working Group for Energy and Council for Transport, Telecommunications and Energy. Slovak Republic supports priority areas confirmed by the spring session of the European Council, especially the requirement to develop energy policy for Europe which should bring about a balanced solution for three objectives: **energy safety, competitiveness and sustainability in the area of environment**, as well as **the emphasis on need to develop renewable energy sources**. The Action Plan included in the Annex I to the conclusions of European Council is focused on support to the internal gas and

electricity market, security of supply, international energy policy, energy efficiency, energy from renewable sources and energy technologies.

The area of internal market in gas and electricity was transposed and implemented by the valid legal regulations of the Slovak Republic. The **Regulation Council** was established to improve the position of national regulator. Slovak Republic supports cooperation of national regulators, negotiates possibility of electricity import with neighbouring countries to help improve the performance of regional electricity market and cross-border cooperation. Slovak Republic joined the group of countries which do not support ownership unbundling as part of the third liberalisation package that is now being prepared.

Detailed concept for development of gas and electricity industries will be provided in the **Energy Security Strategy** for the Slovak Republic which will be submitted for the session of the Government in autumn 2007. This document will include detailed strategic measures for individual sub sectors of energy industry, with an outlook until 2030. In addition to gas and electricity industry the Strategy will also develop other parts of Action Plan for Energy (security, research and development, international policy, energy from renewable sources, and efficiency). The measures described in the part of Energy Efficiency and Energy from Renewable Sources were incorporated in strategic documents- **Strategy for Greater Use of Renewable Energy Sources in Slovakia** (approved by the government on 25 April 2007 and **Concept for Energy Efficiency in the Slovak Republic** (approved by the government on 4 July 2007) whereby the Action Plan was used as a basis for creation of both documents.

### 3.2.6 Development of sustainable integrated European environmental policy

Sustainable development is one of the key EU objectives which are driving all its policies and activities. In addition to dynamic economy with full employment, high quality education, health protection and social and territorial cohesion, it also offers high level of environment protection. The respect to sustainable development has been integrated into all strategic objectives of the Slovak Republic addressing increasing employment, competitiveness and performance of Slovak economy across regions.

It is the global objective of the Slovak environmental policy to improve the environment condition, to achieve more efficient use of resources and to strengthen the efficiency of environmental component of sustainability in line with EU's intentions in this field. A key condition to achieve these objectives is to complete and improve the quality of environmental infrastructure.

The Spring European Council laid down three priorities in the field of creation and protection of the environment: **Climate protection, biodiversity and waste (including old environment loads).**

Slovakia, as well as the EU, consider **climate change** as one of its environmental priorities and in order to meet the obligation under Kyoto protocol, the country transposed into the national legislation the Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowance trading within the Community; through the Act No. 572/2004 Coll. on greenhouse gas emission trading. The Act serves as a basis to allocate emission quota through the **National Allocation Plan.**

Slovak Republic makes up for about 0.2% of the global anthropogenic emissions of greenhouse gases. The annual volume of CO<sub>2</sub> emissions per capita currently achieves 7.7 t/year which ranks Slovakia among the countries with the highest relative volume of emissions in Europe. Total emissions of greenhouse gases expressed in equivalent of CO<sub>2</sub> dropped down by almost 33% against the base year of 1990. Therefore, is expected that the requirements under Kyoto protocol will be met by adopting appropriate measures.

However, the expected dynamics of economy growth will lead to further substantial increase in CO<sub>2</sub> emissions. At the same time, Slovak Republic will have to define and use wider framework of measures to curb CO<sub>2</sub> emissions and implement these measures on a wider scale in order to meet the current strategic objective of the European Union, i.e. to reduce emissions by 20% until 2020 against 1990 levels. To this end, it is also necessary to support the measures to improve air quality, as well as the measure for reduction of greenhouse gas emissions.

With regard to obligations for reduction of greenhouse gases and air quality improvement, the country will support efforts targeted at the reduction of greenhouse gas emissions, as well as emissions of basic and other air pollutants, especially solid pollutants (PM<sub>10</sub>, PM<sub>2,5</sub>), SO<sub>2</sub>, NO<sub>x</sub>, benzene, VOC, NH<sub>3</sub>, heavy metals, and PAH).

Since fossil fuel burning is the most important source of greenhouse gas emissions, renewable energy sources represent an efficient way to curb the emissions of greenhouse gases. With regard to the fact that in most cases the reduction in greenhouse gas emissions is accompanied by reduction of basic pollutants; the support of this

effort has become an environmental priority. The implementation of the priority will help better and more efficiently achieve the resulting positive environmental impact.

The heat generation sources (burning process in heating plants), including small sources (households) largely contribute to the production of greenhouse gas emissions due to their large-scale utilisation and distribution. Therefore, in the interest of air protection and prevention of adverse climate changes it is necessary to focus on heat generation, namely through the shift in fuel base towards fuels with less contents of carbon and renewable energy sources (biomass, solar energy, geothermal energy). The state will also support projects involving installation of thermal pumps in order to replace generation of heat and hot water from non-renewable sources.

### **3.3 Strengthening the internal market and European competitiveness**

In the area of internal market Slovak Republic prepares the transposition of ***Directive 2006/123/EC of the European Parliament and of the Council on services in the internal market***, which took effect on 28 December 2006. The Member States are obliged to transpose the Directive to their national legislation by 2009. Slovakia prepared a screening of national legislation and evaluated possible obstacles in provision of services which are not consistent with the requirements resulting from the Directive on services in the internal market. The directive will be transposed into the Slovak legal system by means of a framework Act on Services and amendment of other acts.

The ***multilateralism principle - WTO should continue to remain the priority for the EU common trade policy and must remain at the core of international efforts for trade liberalisation***. Therefore, it is necessary to restore and to successfully complete multilateral WTO negotiations under the "Doha Development Agenda (DDA)". Slovakia believes that the original deadline for completion of negotiations under Doha should be maintained. Additional trade policy schemes should be adopted in parallel to multilateral WTO rules to cater for competitiveness and justified interests of our businesses that will be applied mostly in communication with our major business partners. The schemes should mainly address the issues of removal of trade barriers, enforceability of intellectual property rights, public procurement, investment and domestic subsidies. At the core of these efforts should be the free trade agreements that are compatible with WTO rules. To this end, Slovakia supports an early launch of free trade negotiations with ASEAN countries, India, South Korea and also with Russia and Ukraine once they enter WTO. At the same time it is necessary to improve trade liberalisation with those countries where EU already made preferential trade agreements.

## **4 Overall progress assessment of measures under National Lisbon Strategy of the Slovak Republic, since the beginning of programming period of the National Reform Programme**

### **4.1 Employment policy**

#### **4.1.1 Employment**

High economic growth of Slovakia has also helped accelerate the employment growth which increased to 3.8% in 2006; of which 2.2% growth was achieved in Slovakia, whereas almost 160,000 persons worked abroad, which was by almost a quarter more than in 2005. The employment growth slightly slowed down in 2007 (employment during the first quarter rose by 3.1% against the same period previous year, by 1.9% in second quarter and the number of workers abroad increased to 174,000). The unemployment dropped down substantially in second half of 2006 when the rate of registered unemployment achieved historical minimum and dropped down below 10% limit for the first time ever since 1997. This trend has continued in 2007 and in August the rate of registered unemployment achieved 8.2% which is 1.7 ppt less than the previous year. According to the international methodology the rate of unemployment dropped down to 12.0% by the end of 2006, whereas the average unemployment rate in 2006 achieved 13.3%. The unemployment rate in second quarter of 2007 dropped down to 11.1%. The long-term unemployment rate has continued to remain at a high level. Substantial differences between the monthly wages earned by women and by men continue to remain in place and women were paid 27% less than men in 2006. Real wages in 2006 grew by 3.3% which is 50% less than in 2005. The real wages increased in second quarter of 2007 by 4.1% (4.0% in second quarter of 2006). The high rate of labour productivity growth in 2000-2006 was accompanied by a relatively low employment growth rate and this trend has continued in 2007.

The employment growth was also driven by increasing overall employment rate of persons aged 15-64 years which achieved 59.4% average rate, representing a 1.7% year-on-year increase. The unemployment rate increased in the group of men as well as in the group of women. The unemployment rate for persons aged 15-64 years achieved 60.4% in the second quarter of 2007, of which 67.9% was recorded in the group of men and 52.9% in the group of women. As a result the Lisbon objectives weren't yet fulfilled (total unemployment 70%, 60% for women). The increase in employment of elderly people and active aging principles are currently implemented under separate policies (Active Labour Market Policy - ALMP, Pension Policy, Lifelong Learning strategy). The employment of elderly persons in Slovakia increased from 24.5% in 2004 to 33% in 2006 and 35.2% in the second quarter of 2007. The Lisbon objective (50%) was already achieved in the group of elderly men with 51.6% employment in second quarter and the employment rate for women achieved 21.2%. This was made possible mainly through increasing retirement age to 62 years (the increase in retirement age for men was distributed over a period of 2004-2005, and the retirement age for all men was established at 62 years since 1 January 2006; 62 years' retirement age for women is scheduled to be achieved by 2014), through overall reduction in unemployment in this group, reduction in insurance contribution burden for employers who employ elderly citizens and through abandoning the "pension or salary" principle which means that the senior citizens may continue to work and receive old-age pension at the same time.

The employment growth in 2006 was recorded in all age groups (with the exception of 15-24 years age bracket) and highest increase was experienced by persons aged 55-59 years. The number of workers aged 15-24 years has declined in the long run, due to increasing number of persons preparing for their first job, as well as due to increased number of persons on maternity leave over the last two years. The dynamic growth in the number of workers aged 55-59 years was mostly caused by the increase of the retirement age.

The highest specific employment rate was achieved by persons with second and third level higher education (more than 80% and 90%, respectively). On the other hand, persons with primary education achieved specific employment rate less than 15%.

The Slovak employers strive to reduce the cost of labour in order to achieve a comparative advantage for their business interests. Combined with higher mobility of Slovak people abroad, there is a room to attract cheaper workforce into Slovakia, even though that did not take place yet, since only about 7000 foreign nationals currently work in Slovakia most of whom are EU citizens. On the other hand, the increasing number of inhabitants of Slovakia seek work abroad (some of them leave the country with their children), due to lower cost of labour in Slovakia and higher pay abroad. The low mobility of workforce within Slovakia is a contributing factor to the low

rate of employment in eastern regions, high structural unemployment and slow transition of young people from school to job.

The **amendment of the Labour Code** entered into force on 1 September 2007 and it laid down the provisions to:

- increase flexibility of work legal arrangements;
- introduce option of tele-work;
- establish option to make contracts for work and work performance agreements between the employer and employee to the extent of 350 hours of work a year;
- support equal pay to men and women;
- increase protection of part-time employees and employees with multiple jobs
- increase protection of employees from unreasonable layoffs.

In order to reduce gender differences in pay for work, the number of executive staff in labour inspectorates was increased by 1 September 2007, as part of the overall reorganisation of the National Labour Inspectorate system of performance. This made it possible to increase the level of control over employers, as regards pay received by men and women; together with strengthening general preventive actions carried out by the labour inspection.

The Labour, Social Affairs and Family Offices continued to promote **active labour market policy** in 2006 by means of the Act No. 5/2004 Coll. on Employment Services, mostly through national projects; the aim of which was to:

a) increase employability of job applicants, with particular attention to disadvantaged groups, in the form of

- education and training for labour market,
- professional consultancy services;
- work internships for graduates,
- activation activities
- work commuter benefit;

b) support employment of job applicants, with particular attention to disadvantaged group through benefits to support

- self-employment;
- employment of disadvantaged jobseeker ;
- building and preservation of a sheltered workshop and workplace
- disabled citizens to operate their own business, or to become self-employed;
- to cover costs of operation in a protected workshop or protected workplace, and to cover transportation costs for employees.

The measures and instruments to increase employability affect professional and territorial mobility of the workforce. The Labour, Social Affairs and Family Office used active labour market instruments to activate a total of 333,545 jobseekers in 2006; which represents 53% of the jobseekers who were eligible to active labour market policy over the same year. Compared to 2005 the number of activated job applicants increased by more than 73,000 persons, and, at the same time, the number of job applicants eligible to active labour market policy dropped down by 66,864 persons. The demand-driven projects were carried out in parallel to these activities.

**The amendment of the Act on Employment Services should take effect in 2008** and shall lay down provisions for new ALMP instruments and measures, in addition to provisions for current instruments of active labour market measures supporting employment and employability of disadvantaged applicants, including long-term unemployed. New active labour market measures are aimed at:

- support to increased employability of jobseekers;
- support to disadvantaged jobseekers, especially long-term unemployed in order for them to enter and maintain their position in the labour market;
- help maintain jobs for long-term unemployed citizens, citizens with health disabilities and citizens with low qualifications who were hired for low-paid jobs;
- improved targeting of new measures of active labour market policy at disadvantaged groups of job applicants;
- extended scope of support provided to larger groups of disadvantaged job applicants;
- activate regional and local partnerships with the aim to address regional employment issues, especially on the basis of projects or programs;

- involve towns, municipalities and establish associations of towns and municipalities to tackle unemployment of local inhabitants;
- enlarge the scope of responsibilities for public employment services with the purpose to accelerate the turnover of registered job applicants.

New active measures in the labour market will help motivate both the employers to employ disadvantaged jobseekers, as well as long-term unemployed applicants, especially those in material need to be involved in the activities and programmes of active measures in the labour market. This will create a capacity for more intense provision of public employment services by introducing a duty for the of Labour, Social Affairs and Family Office to provide, at least once a month, active labour market measures to a job applicant, including active search of available job positions, selection, education and training for labour market of a jobseekers in line with the employer's requirements. A number of changes has been proposed in the area of education and training for labour market, with the aim to increase state of preparedness of the workforce for labour market and to mitigate the disparities between demand and supply at the labour market. The Labour, Social Affairs and Family Office shall provide education and training for labour market of job applicants based on their education with respect to their interests and employers' requirements. The proposal also relies on extension of duration for labour market education and training processes, in order for the job applicants to obtain professional skills and practical experience, with regard to lack of qualified workforce in a number of professions at the labour market. The involvement of a jobseekers in long-term education programs should be supported through awarding of benefits during the process of education and training for labour market, with the aim to motivate job applicants to increase their qualification flexibility. It is also planned to extend the use of employment services provided by external suppliers and aimed at integration of jobseekers in the labour market; to support creation of partnerships on a regional and local level, with the aim to address the issue of regional and local employment; mainly on the basis of projects and programmes.

A set of special measures shall focus on increasing the employability of jobseekers (especially long-term unemployed) through activation efforts with the aim to help applicants maintain their work habits; by performance of minor public and volunteer services for municipalities. At the same time it is proposed to pay out benefits to help low-paid employees maintain their jobs, if such employees were registered with the Labour, Social Affairs and Family Office for at least three months before they were hired for the job. The aim of the benefit is to cover the amount of insurance contributions payable by the employee and employer, either in full or in part, as well as to cover training costs at the employer's premises for disadvantaged job applicant, for a period of three months ("trial" employment). It is proposed to create legal framework for establishment of social enterprises that will help address the employment of disadvantaged job applicants in these enterprises.

It is also proposed to prepare a new system of support to employment for disabled citizens, such as placing an order rather than to employ a mandatory limit of disabled citizens. The new provisions for such orders also include a new amount of insurance contributions if the employer is unable to meet the mandatory employment limit for disabled citizens.

New allowances are proposed to support move for work and help cover the employer's costs of employees' transportation to and from the work; in order to reduce burdens to greater professional and territorial mobility.

A new instrument for active labour market measures is suggested to support the employment of elderly citizens and school graduates. The proposal calls for benefits payable to employers if they employ citizens older than 50 years of age or secondary school graduates who attended labour market education and training programmes.

**As part of the Operational Programme Employment and Social Inclusion** MPSVR SR has also negotiated the following:

- Implementation framework for European exclusive national project that will create 5,000 job positions;
- framework to implement transnational projects to transfer best practices examples in the area of local employment and job positions on a local level, in collaboration with partners from EU Member States;
- support establishment of **Social Dialogue Centre** that will provide a professional background for initial negotiations, especially on a central level and later on the sectoral and regional level; and support to development of **partnerships** to tackle local unemployment;
- establish material and financial framework to implement **system solution of long-term unemployment** in difficult regions, mainly through the **National Project to integrate** disadvantaged jobseekers in the labour market and through modification of the **organisation and personal structure of the** Labour, Social Affairs and Family Offices; in order to implement this priority of the Manifesto of Government;

- support to implementation of the national project for establishment of the **National System of Jobs** that will be based on the National System of Qualifications (project funded by the Ministry of Education) and will help establish training for future jobs mainly at the secondary schools in response to the needs of the employers' sector.

The most substantial increase in the state budget sources in 2008 is expected in the field of implementation of the national ALMP programmes which are expected to help reduce the unemployment rate. This increase consists of funding scheduled for investment incentives. The budgetary chapter received 831.6 million SKK to meet the objectives of the Government's Program Declaration in the field of employment. The draft budget has covered all the approved investment projects (the amount of benefits varies with the unemployment rate and the aim of the benefits is to: support job positions and education). These incentives also act as an instrument to mitigate regional disparities.

#### 4.1.2 Demographic changes

A number of changes took place since 2006, as part of *fine tuning of the pension system reform*:

- introduction of more stringent conditions for awarding early pension;
- the insured persons who receive old age pension, early pension or disability pension and their ability to make income dropped down by more than 70% are not obliged to pay mandatory excess on their medical insurance policy since 1 August 2006;
- individuals who take due care of a child with a long-term health problem shall enjoy coverage by state of the child's old age insurance and state benefits towards the old age pension saving scheme until the 18th year of child's age (previously, until 7th year of age). The state also pays for the insurance premium and insurance contributions for an individual who takes care of a child until the child's sixth year of age; if they meet conditions laid down by law.
- since 1 August 2006 the group of state-insured persons was extended to include individuals who receive cash benefits for providing care;

One of the most important tasks associated with maintaining the financial stability of pension system will be to obtain financial sources in the following years for the pension system funded on an ongoing basis. Based on the results of detailed analysis into the impact of the second capitalization pillar on the performance of Social Insurance Company from 2005, with outlook until 2010, a series of measures will be adopted to stabilize the budget of the Social Insurance Company. Measures will also include harmonisation and overview of insurance premium rates for individual basic social insurance funds and adjustment of the maximum limit of assessment base to pay insurance premiums and contributions towards the old-age pension saving scheme. Approved measures will have to be incorporated in the draft Act amending **Act No. 43/2004 Coll. on Old Age Pension Savings** and **Act No. 461/2003 Coll. on Social Insurance**.

Despite numerous amendments of relevant legislative acts, the pension system reform cannot be deemed finished; also due to the fact that this is an opened system affected by many external factors (demographic development, employment rate, EU membership, etc.). Therefore, the **system must be adapted to changing conditions**. Most recent amendment of the Act on Social Insurance and Act on Old Age Savings was approved by the Government on 22 August 2007 and this will be submitted to the National Council of the Slovak Republic in September 2007. The amendment is proposed to take effect by 1 January 2008.

The said amendment includes the following **essential changes**:

- Early pension scheme was introduced into the social insurance system by 1 January 2004, with the purpose to allow persons close to pension age to retire early, because they are less likely to find a job at the labour market. Experience has shown that this aim has failed to materialise and in most cases the early pension became an attractive alternative of regular income activities. As a result, this largely eliminated the effects of an important reform step, namely the raising of retirement age. This has a negative effect on the budget performance of the Social Insurance Company and on the entire pension system funded on an ongoing basis. Therefore, it is suggested to introduce **more stringent legal framework for early retirement** which awards the claim no earlier than 2 years before the pension age and the applicant must stop earning regular income.
- In order to increase the social solidarity of persons with higher income to help finance the funds of Social Insurance Company, it is suggested to **increase maximum assessment base** to calculate the old age pension insurance premium, unemployment insurance and insurance for reserve solidarity fund; from

the current multiple of three of the average wage in the national economy to multiple of four of the average wage; while the limitations for amount of social insurance premiums should be maintained.

- The amendment is addressing the situation of those savers for whom the old-age pension saving scheme (second pillar) **is not advantageous**. These savers can now return back **only** to the system of old-age pension insurance (first pillar) under exactly specified conditions and in a specified time frame. These individuals (savers) will be given an option to notify the Social Insurance Company in writing that they are no longer interested in further participation in the old-age pension saving scheme.
- On the other hand, the persons insured with the Social Insurance Company who did not decide to **participate in the old-age pension saving scheme** until 30 June 2006 will be given the option to enter that scheme. It is suggested that the system of old-age pension saving scheme will be opened for the above individuals until 30 June 2008.
- Those individuals who do not make any income and who receive state coverage of their contributions towards old-age pension saving scheme (**because they take due care of a child or person with serious disability**) are suggested to be **excluded** from the groups of persons who are obliged by law to be involved in the old-age pension saving scheme. On completion of such care these individuals will have to further participate in the old-age pension saving scheme due to their income activities or they may be involved in a voluntary old-age pension insurance scheme. Further, it is suggested to exclude from the above group any individuals who are currently required to participate in the saving scheme only because they **receive disability pension** and whose contributions towards old-age pension saving scheme are covered by the Social Insurance Company from the basic fund of disability insurance. If a person receiving disability pension is also a saver and makes income, they will further have to participate in the old-age pension saving scheme because of their income activities.

#### 4.1.3 Reconciling family, work life and equal opportunities

In 2006 the Government approved **Measures for the Reconciliation of Family and Working Life** as the basic strategy of the Government until 2010 to streamline the family-friendly policy and gender equality policy which have been implemented on an ongoing basis.

The conditions for reconciliation of family and work life are also laid down by valid legislation, such as the adjustment of **state social benefit - parental allowance** which make it possible to extend the full amount of parental allowance even if parents make income and another individual or corporate organisation take care of their child up to their third or sixth year of age. This measure makes it easier for the parents to return back to their job after the child is born and it also leaves an option for the parents to decide as to how long they plan to provide care to their small child by themselves. **Effective from 1 September 2007 the amount of parental allowance had been adjusted to 4,560 SKK per month.**

One of the specific measures supporting young parents in their decision to create a family is a one-off state allowance in the amount of 11,000 SKK payable after their first child is born. As of 1 January 2008 an allowance increase worth 9,440 SKK is proposed. The overall amount of the allowance for the first child would thus represent 25,000 SKK.

As part of the **EQUAL Community Initiative** a number of activities took place in 2006 under the project **Slovakia on the Road to Gender Equality**, such as complex sociology research consisting of qualitative and quantitative research and analysis of gender aspects in collective agreements and in the process of collective negotiations. The conclusions were published in the first half of 2007.

The implementation of projects under EQUAL Community initiative helped substantially improve the cooperation with non-governmental organisations in this area, such as the Union of Mother Centres.

ESF projects helped create and maintain numerous facilities for children and also for outside school activities. Support was extended to parents and child care was provided during the time of education and training activities for parents.

As a result, the projects helped improve the offer by employers in the area of flexible forms of work, mostly through tele-work.

The state will also continue to support activities supporting reconciliation of work and family life through the legislation in the area of employment services (improve access to active measures in the labour market for unemployed persons who take care of children).

6th year of the contest **Best Family Friendly Employer** was evaluated in May 2007, as part of the international Conference on Family-friendly Employers and Gender Equality.

The **Gender Equality Strategy** is now being prepared and it will address the issue of reconciliation of work and family life and the issue of unbalanced sharing of household and family duties among men and women, equal opportunity possibilities and other factors. In order to perform the tasks under the Manifesto of Government, MPSVR SR prepared a material for interdepartmental commentary process that proposed to establish Government Council for Gender Equality with the aim to create coordination and institutional structures that would promote equal opportunities.

The support to reconciliation of family and work life became one of the specific objectives in the **Operational Programme Employment and Social Inclusion** to support efforts aimed at creation of flexible job positions, enhanced capacity for the use of infants' care services, thus allowing parents and especially mothers to return to labour market more fast and easily.

#### 4.1.4 Social inclusion

Political measures to tackle poverty and social exclusion are included in the **National Report on Strategies of Social Protection and Social Inclusion in 2006-2008**. The priority objectives in the area of social inclusion are as follows:

- to reduce children poverty and address the issue of reproduction of poverty between generations; through preventive measures and support of families with children;
- to increase inclusion and fight against discrimination of vulnerable groups of population through support to availability of public services, development of local solutions and through increased participation of excluded groups in the societal life;
- to improve access to labour market and increase employment and employability of population groups which are put at risk of exclusion;
- to strengthen management, implementation and monitoring of political measures on national, regional and local level.

In this case the Slovak Republic also based its efforts on vigorous promotion of social dimension in the Lisbon strategy and development of links between economic, employment policies and social inclusion policies to support social cohesion in the EU.

In order to provide adequate resources for everyone and to protect those that cannot increase their income by their own efforts and in the interest to prevent poverty reproduction between generations and exclusion; the **financial aid to persons in material need** increased in parallel with the growth of living costs in low-income households and development of the overall inflation; as did the **state social support benefits for children and families**. At the same time the principle of activation and motivation for labour market inclusion was taken into consideration; and the financial aid was linked to active labour market measures supporting improved employment and employability of excluded persons or those at risk of exclusion. Additional changes to strengthen these objectives shall be implemented in 2008. Important preventive instruments in the field of protection from poverty of children include the alimony benefit scheme. Draft Act on Alimony Benefit is currently in the legislation process. The draft Act is a response to over two years of application experience and also to the amendments in the Civil Court Order. Among other issues, the amendment laid down provisions for increasing the scope of eligible persons and simplifying the awarding process for the alimony benefit.

Currently there is legislation process under way for **child allowance scheme, introducing a 300 SKK surcharge per month** on the child allowance, effective from 1 February 2008. This amendment responds to the need to support families with dependent children, if the parents receive old-age or disability pension and they do not receive any income for objective reasons and, as a result, they are unable to claim tax bonus for the dependent child. **Child allowance** shall be awarded for each dependent child up to the child's 25th year of age; **in the amount of 540 SKK a month**. Annual costs of this measure are expected to achieve 120 million SKK.

**The financial aid to foster care** has been made available through one-off and regular allowances to support child's foster care. The amount of foster care allowance was changed by the Measure of the Ministry of Labour, Social Affairs and Family of the Slovak Republic effective from 1 September 2007. When the child is placed into foster care, foster parents are eligible to a one-off foster care allowance worth SKK 9,550; and additional one-off allowance of SKK 23,910 when the child in foster care will have achieved adulthood. Regular child allowance amounts to SKK 3,590 per month and SKK 4,560 per month are paid to the foster parent. The foster parent may

receive an increased regular allowance (increase by SKK 3,240 per month) if they take care of three and more children; and such parent is eligible to special regular benefit in the amount of SKK 1,880 per month if they take care of a child with serious disability.

**Families with more children are eligible to parental benefits** if three and more children were born in the family or if twin babies were repeatedly born over the course of two years. This is a one-off financial benefit which is awarded once a year for each child aged 1 to 15 years. The Government's decision that took effect on 1 September 2007 adjusted the amount of parental benefit for a child up to 6th year of age to SKK 2,470; SKK 3,050 for a child aged 6 to 15 years; and SKK 3,240 for a child aged 15 years.

A system of subsidies is used to continue to **support access to education for children** from low-income families; starting from the level of pre-school education.

According to the preliminary monitoring results for **implementation of new legislation in the area of social protection and social care** it is possible to state that positive development has been achieved in this area. Currently the final stage of preparations are under way for harmonisation of the institutional care - transfer of re-education facilities under the responsibility of the Ministry of Labour, Social Affairs and Family (in 2008). Therefore, the first complex evaluation of impacts can be presented in April 2008. A number of measures is prepared for social inclusion of long-term unemployed persons, such as proposed enlargement of the group of disadvantaged job applicants, e.g. inclusion of released prison inmates, young adults after completing institutional care and protective childcare, or drug addicts (proposed entry into force by 2008). The enlargement of the disadvantaged group allows to streamline the active labour market policy measures in a more complex and vigorous way and combine them with social inclusion measures; and apply those measures in groups of excluded population or those at risk of exclusion. The Ministry will prepare a **plan** by early 2008 **to increase quality and efficiency of measures for legal child protection and social care measures** including a proposal of measures to improve labour market access for jeopardised and marginalized groups of population in the context of active social inclusion measures. The plan will become a basis for formulation of tasks for the Ministry of Labour, Social Affairs and Family that will be included in the prepared National Action Plan for Children.

The draft **Act on Social Services** which is supposed to enter into force on 1 January 2009 shall guarantee decent life conditions to the recipients of social services and shall promote their activation. The Act lays down provisions for new social services aimed at increasing quality, availability and flexibility of services for everyone. The Act shall provide a link between social services and healthcare system and will also lay down provisions for their funding.

The draft **Act on Compensation of Social Effects of Serious Health Disabilities** is expected to take effect on 1 January 2009 and is to lay down provisions for individual compensation instruments for citizens with serious health disability and conditions for award of such compensations; it further includes categorization of aids and lists of construction works, materials and equipment, provisions for personal assistance, and individual benefits are valorised. The aim of the legislation is to preserve, restore or develop the ability of individuals and their families to live a full life and to create conditions and support societal integration of individuals and their families, based on their active involvement in the process.

A series of **programmes targeted at regions lagging behind** is implemented through the Social Development Fund, in order to support the social cohesion. These programmes are aimed at community development in the given region or location, supporting efforts seeking direct involvement of excluded groups, increasing their self-sufficiency and their involvement in the decision-making process.

Decentralization of additional responsibilities in the area of assistance in material need is expected to strengthen the local efforts to address poverty and social exclusion. A number of legislative changes will be adopted in order to adjust the position of special recipients eligible to aid in material need. Legislative changes in this area will be completed in 2008. However, this step is not a definitive one.

The projects implemented in cooperation with the World Bank strive to **improve the functionality of the institutional framework in the field of social affairs**. As part of the task **Assistance in Improvement of Institutional and Personal Capacity for Social Inclusion Services** a series of measures will be proposed to improve process and material conditions for performance of services and social inclusion measures. A consultancy contract is currently being prepared for the project and implementation of the project is scheduled for 2007-2008. **Growth of employment and social inclusion through development of availability, quality and efficiency of social protection and social care measures, social services community development and**

*other programs for inclusion in the labour market and society; and massive investment into human resources of service providers and measures, as well as for excluded groups and communities* will be implemented in 2007-2013, also through the Structural Funds (the Operational Programme Employment and Social Inclusion is currently being approved by the European Commission).

## 4.2 Education Policy

### 4.2.1 Modern education policy

The key goals of the reform of the primary and secondary school system as part of the modern education techniques are laid down in the **National Programme for Education and Training in the Slovak Republic for the next 15 to 20 years**. This program outlines the intended changes that will take place in several areas.

The passing of the **Act on State Administration in School System and School Self-administration** established realistic conditions for a competitive education environment created by founders of schools and school facilities. The passing of the **Act on the Financing of Elementary Schools, Secondary Schools, and School Facilities** established clear rules for owners of schools and school facilities to motivate them to more effective use of funding in the process of education and training.

The current public administration reform also changed the method of financing the responsibilities municipalities and self-governing regions in the field of school system. Since 1 January 2005 the self-government in the area of school system has been funded from the own income of territorial self-government with most of the income stemming from the income tax of natural persons. This strengthened financial independence of the regions, and it also increased the responsibility for activities developed by elementary schools of art and school facilities founded by the self-government.

A number of municipalities and self-governed regions started to adopt measures to rationalise the operation of their schools and school facilities due to reduced number of children and pupils attending their schools and school facilities, and in order to streamline the funding of the regional school system.

The education reform has laid emphasis on learning and on development of knowledge and information in the learning process, especially on development of competencies for pupils. This means the pupils should be able to combine their knowledge, skills and attitudes when solving specific situations and practical issues. Effective grasp of key competencies requires essential change in the contents and methods of teaching process and strategies which should motivate pupils to be actively involved in the learning process.

There were three main objectives defined in the area of information and communication technologies within the modern education policy.

As part of the **first objective** the pupils in elementary and secondary schools should be able to get a grasp of information and communication technologies in order to be able to develop creative and critical thinking patterns and work in a cooperative way. Therefore, multi-stage training sessions for teachers should take place in Slovakia and these should develop innovative pedagogy approaches to the use of ICT in the teaching process, alongside establishment of innovation centres and their integration into education networks.

Majority of teachers already attended the training process (53,000, i.e. 66% of teachers gained basic computer literacy, and, at the same time, a project was launched to achieve functional literacy for 40,000 teachers, i.e. 50% of teachers). At the same time a series of curriculum sets were prepared for informatics education at elementary school which will make it possible for the pupils to gain elementary computer literacy before graduation. The performance of this task depends on sufficient financial coverage of basic education by preparing a normative standard per pupil. In January 2007 a government's decision took effect which approved increase in normative standard for pupils in classes with extended teaching of informatics, same as in classes with extended teaching of other subjects. These classes are currently attended by about 10,000 pupils, i.e. 1%.

**Second objective** is targeted at completion of ICT infrastructure at schools. The ICT infrastructure in schools will have to be raised to the European level by 2010. No progress has been made so far in performance of this task because the required funding had not been made available. The resources gained from Structural Funds will not have a decisive impact on the situation. Slovakia ranks in the bottom half of the list of EU countries as regards number of pupils per computer. The situation is better at secondary schools (10 pupils per computer) than at the elementary schools (18 pupils per computer).<sup>2</sup> Most schools are already connected to the Internet, although

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<sup>2</sup> Source: ÚIPŠ 2006

Slovakia is lagging behind in building up high speed Internet infrastructure (58% of secondary schools and 40% of elementary schools).<sup>3</sup>.

The aim of the **third objective** was to introduce motivation tools to attract qualified teachers of informatics and to motivate teachers to integrate innovative teaching methods using ICT technology. The task is a follow-up to the passing of the Act on the Status of Pedagogical and Non-Pedagogical Employees of Schools and School Establishments and the Concept for Professional Development of Teachers within the Career System approved by the Government.

As part of the **national project Effective and Improved Teaching of Foreign Languages in Primary and Secondary Schools** an analysis was prepared into the current condition regarding teaching of foreign languages. The analysis will be used to complete the output for this project.

#### 4.2.2 Reform of elementary and secondary school system

An important part of the reform of the secondary school system was the introduction of a new concept for school leaving examinations. New concept of school leaving exam has brought about increased objectivity and more objective value, through preparing a single set of knowledge and skills requirements on a nationwide level and increased acceptability of the school leaving exam results by higher education institutions, employers, as well as by the foreign institutions. The change in contents and format of school leaving examination has made it comparable with similar examinations in the EU Member States.

The reform of primary school system also includes monitoring of language and mathematics knowledge gained by the pupils of the ninth year at the elementary school - Monitor 9. The aim of the monitoring is to verify the ability of pupils to meet the knowledge and performance education standards. The results can be used as acceptance criteria for secondary schools.

The reform of elementary and secondary school system is associated with a number of legislation changes in generally binding legal regulations which established legal framework for introduction of a transparent normative means of financing, transformation of the state administration system, introduction of a new concept of school leaving examination, Monitor 9, free choice of education opportunities, independent state school inspection, free choice of the education path, matching of curriculum sets with labour market requirements and introduction of Internet and computer classes in each school. In the field of the model of working with talented pupils, a draft concept of developing talented youth was prepared in 2006 and it is expected to be passed by the end of 2007. As part of the new model, the effectivity of education process for talented youth will be increased.

The intentions of the National Reform Programme of the Slovak Republic in this area failed to materialise because the important **Education Act** was not yet approved. This Act affects the entire society and calls for far-reaching consensus of the general and professional public. The Act is expected to be passed by the end of 2007.

#### 4.2.3 Higher education system reform

The transition from study fields to study programmes was completed in 2005-2006 thereby unlocking the potential for improved response of the higher education process to practical needs and development of knowledge society. Emphasis was laid on expansion of capacity and substantial improvement in the quality of higher education institutions; in compliance with the Guideline no. 23 of the EU Council **Increased and Improved Investment in Human Capital**. New motivation components the purpose of which is to enhance the capacity of higher education institutions and increase their quality were introduced through updated methodology for awarding state subsidies to public higher education institutions in 2006. The methodology instruments were also targeted at support to research and development higher education institutions, as a key condition for improvement the quality of those institutions.

A set of basic criteria and plans was introduced in 2005-2006 to support the quality of higher education institutions and in order to launch and develop a complex accreditation of higher education institutions, thereby preparing a basis for assessment of their quality and for quality differentiation (universities, higher education institutions other than universities, research universities/universities). The amendment of the Higher Education Act was passed in 2007 and split the schools into universities, higher education institutions and professional higher education institutions.

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<sup>3</sup> Source: LearnId 2006

The development of higher education quality was also supported by legislative measures (passing of the amended Higher Education Act, publication of the Notice on Social Scholarships) and subsidies to introduce and award motivation scholarships to the best and most active students at higher education institutions. The passing in 2006 of the new Notice on Social Scholarship increased support to equal opportunities regarding access to higher education studies.

By creating a national scholarship programme to support the mobility of students, PhD students, and pedagogic and scientific staff, and by starting its practical implementation by an independent institution, additional practical opportunities were created to support mobility in the same extent for both domestic as well as foreign students. The Programme thus also contributed to the need for creation of the European higher education space. New methodology tools for financing of higher education institutions created capacity for substantial support to central development projects and higher education projects aimed at the development of information technologies, in the area of higher education and management of higher education institutions. An important part of the development projects was focused on application of information technologies in academic libraries and their implementation helped increase the quality of education and research efforts among students, teachers and researchers at higher education institutions.

The creation of a scholarship programme to attract the graduates in best universities around the world to work in the public administration (M. R. Štefánik's scholarship) and its practical application by an independent institution made it possible for extremely talented young people to receive education at one of the best universities worldwide and the public administration received the possibility to hire those graduates.

The scholarships under the National Scholarship Programme were for the first time awarded not only to the domestic scholarship holders, but also to foreign students, PhD students, university teachers and researchers from 23 countries. Some 351 applicants from public higher education institutions applied for this scholarship in 2006. The scholarship was extended to 168 individuals, with an average 4.9 month in duration of their stay at the university. In addition some 133 travel grants were awarded. 100 foreigners applied for support in 2006 to be able to work at one of the public higher education institutions. Of those, support was awarded to 31 students and 51 teachers/researchers, with average length of their stay amounting to 4.7 month.

#### **4.2.4 Funding of schooling activities through ESF funds**

A number of projects was approved in 2006 through the Sectoral Operational Programme Human Resources and Single Programming Document NUTS II Bratislava Objective 3, funded through ESF. The education area received some SKK 585 million and these projects will be implemented in 2007-2008. As part of the additionality rule the state budget covered 25% of these activities (50% in projects for the area of Bratislava NUTS II).

The education activities in 2007-2013 under the National Reform Programme of the Slovak Republic were funded through ESF, as part of the Operational Programme Education. These will be targeted at four key areas:

##### **area of primary and secondary school system**

- support to reform and development of general education at elementary and secondary schools and development of professional education and training;
- support to training of teachers and additional education of pedagogical employees,
- support to education and career consultancy in elementary and secondary schools;

##### **area of higher education institutions**

- increase effectivity of institutional management;
- support to human resources development in R&D;
- support to active cooperation of higher education institutions and private sector in re-evaluation of study fields and programmes during the teaching process;
- increased involvement of higher education institutions and other research and development organisations in the international cooperation and development and innovation networks;
- development of innovative forms of education, rationalisation and increase in quality of study programmes at the higher education institutions;

##### **area of lifelong learning;**

- increase in the quality of lifelong learning;
- development of human resources in additional education;
- support to learning regions and create networks in lifelong learning;

- improve access to lifelong learning;

#### Horizontal priorities of education

- development of key competencies through lifelong learning;
- improve communication between sectors and levels of formal and informal education;
- support to access to education and additional education for persons with special education needs, including members of marginalised Roma community across all school levels.

### 4.3 Microeconomic Policy

#### 4.3.1 Entrepreneurial Environment

The goal of the measure entitled, **Introduction of the Regulatory Impact Assessment System (RIA – Regulatory Impact Assessment)** is to reduce the administrative burden of entrepreneurs by 25% until 2012 with help of the *Action Plan for Decreasing the Administrative Burden of Entrepreneurs Based on the Quantification of Administrative Costs*. The Ministry of Economy in cooperation with the Republican Union of Employers has prepared the report entitled, **Assessment of the Influence of Administrative Barriers to Business as a Result of Selected Laws** for the fulfillment of the above mentioned task. The first part of the assessment identifies the list of selected legal regulations which most influence the entrepreneurial environment and presents their characteristics; the second part focuses on the assessment and quantification of their impact on the entrepreneurial environment.

**The Education Programme** is closely related to the fulfillment of the above mentioned goal. It focuses on the methodological preparation of training for state administration personnel. It is the national project of the European Social Fund entitled **Horizontal Education Programme Targeted on Legislative Skills and on the Elaboration of Strategic, Conceptual and Legislative Documents including an Assessment of Their Impact**, the objective of which is to improve the quality of legislative documents in terms of increasing the qualifications of civil servants in the preparation and elaboration of strategic, conceptual and legislative materials including the assessment of their impact.

The specific goals of the project are targeted on the educational support of civil servants and the increasing of their qualifications, an introduction of the system of life-long employee education, improvement of communication and team work among civil servants in material and legislative divisions in elaborating legislative documents and the deepening of the knowledge and skills of civil servants in the creation of public policy and integrated methods in elaborating impact clauses. Furthermore, the education programme will contribute to the knowledge of civil servants in the methodology for the approximation of laws and the legislative process of the European Union; in the process of the creation of legal regulations it will improve the skills of civil servants in the selection of legislation, adjusting of executive regulations and in formulating of normative texts; it will improve the negotiation skills of selected civil servants and improve their skills in the process of the creation of international agreements.

The Education Programme is a pilot project which will train 720 of the total of 3,000 civil servants. The other civil servants of the target group may be trained after completion of this pilot project within the framework of another project. The trainees are divided into 3 target groups which will be trained in 2007 and 2008. The introductory phase will begin by the end of September 2007. Classical training methods, such as lectures, discussions, “best practices”, case studies and group work will be used in this Education Programme. However, interactive methods such as group work, guided discussions, structured exercises, case studies and simulations will be the main training tools.

The draft syllabus will be discussed with the Ministry of Justice, directors of the Legislative Divisions of the Office of the Government of the SR, some ministries<sup>4</sup> and representatives of the Legislative Council of the Government of the SR and the Institute for the Approximation of Law. Based on their proposals the syllabus will be adjusted and completed. The training will be implemented through two modules:

- **Module A** will target the elaboration of strategic, conceptual and legislative documents and the assessment of their impact. Individual parts of the module will focus on the improving of communication skills and building team work among employees of the legislative and material divisions. Since employees of the legislative and material divisions must cooperate on the elaboration of legislative documents, it is essential that they be mutually informed of their work.

<sup>4</sup> Ministry of Economy of the SR, Ministry of Education of the SR, Ministry of Labor, Social Affairs and Family of the SR, Ministry of Finance of the SR, Ministry of Environment of the SR, Ministry of Foreign Affairs of the SR and Ministry of Interior of the SR

- **Module B** will target methodologies for the elaboration and assessment of Impact Clauses. The target group of this module is comprised of the civil servants of the ministries and other central bodies of state administration (OCBSA) responsible for the elaboration of Clauses at their offices (we are particularly referring to employees of material divisions).

The entrepreneurial environment should allow for the effective competition of entrepreneurs and the public institutions should enhance and simplify this competition. The **Index of Legislative and Regulatory Environment**, which is compiled by the Business Alliance of Slovakia, is a suitable qualitative tool for the assessment of the level of influence of public institutions on the entrepreneurial environment. This indicator was designed with the goal of establishing the quality and process of the regulatory environment which may become accelerators for or barriers to the development of entrepreneurial activities, competitiveness and overall economic growth. The goal is to improve the quality and availability of legislation.

#### 4.3.2 Strengthening of Competitive Advantages of the Industrial Base

The goal of the Slovak Republic is **to profit from the advantages of globalization**. The accession of the Slovak Republic to the European Union brought the need to adapt its business environment to the dimensions of the European economic environment pursuant to the goals of the common business policy of the European Union. As a result, the **Pro-export Policy of the SR for 2007 – 2013**, approved by the Government of the SR on July 27, 2007 through its resolution No. 561/2007, is based on the strategic material of the European Commission regarding the external aspects of the competitiveness of European products entitled, **Global Europe – Competing with the World**. Some goals of this strategy – providing for open and competitive external markets, strengthening and broadening European infrastructures and enhancing investments are elaborated within the framework of integrated guidelines and their priorities. Their implementing should create a stable support pillar for active foreign trade policy targeted on the support of Slovak exports and the competitiveness of Slovak companies. This material defines the targets and goals of the pro-export policy, particularly projects and measures for implementing goals and the criteria for the assessment of their success. A new element is in itself a subject of interest. In addition to the export of goods and the influx of foreign investments to the Slovak economy, it also emphasizes the development of Slovak trade in services, investments of Slovak entrepreneurs abroad and stronger support of exports of small and medium-sized business. Structural Funds in the amount of Euro 250 million and state budget funds of SKK 45 million will be used for the financing of the pro-export policy.

**Strengthening the competitive advantages of the domestic industrial base** aims to improve the position of Slovak industrial production in terms of effectiveness. This effort is clearly related to the partial restructuring which is based on the participation of domestic producers in sub-supplies for large investments implemented in industry and the support of innovations in industrial production. These innovations will provide economic benefits in the form of increased effectiveness in the use of materials and energy, but will also favorably influence the environment. At the same time it will be necessary to optimize the assessment of incurred labor costs with the goal of maximizing added value growth.

In this sense, the measures of the **Competitiveness and Economic Growth** Operation Programme are targeted on measures of Innovations and Technological Transfers and Support of Innovation Activities in Business which are directed to the support of technological transfers and innovations including the provision of new jobs.

The goal of the **Innovations and Technological Transfers** measure is to focus the attention of the private sector on the innovation of production equipment and support of new production capacities targeted on strengthening the competitiveness of businesses and improving the selection of innovative products and subsequently establishing an environment for the continual strengthening of innovation capacities in the private sector. The goal of the **Support of Innovation Activities** measure is to increase the competitiveness of industry through the support of applied research and innovation activities of entrepreneurs, i.e. by supporting the introduction of innovation in the field of technology and products. By introducing innovation into practice, entrepreneurs may apply for financial means or compensation for costs of experts in the relevant area. At the same time, the implementing of best international procedures and production methods in new and already existing companies will be promoted (for example, the introduction of quality management systems or other systems – such as the certification of products by the Keymark European brand of compatibility, protection of intellectual property, industrial design, which enhances the competitiveness of entrepreneurs) and decreasing of costs related to increased demands for the introduction of products on the market under the terms of the new regulations of the European Union related to increasing health and environmental protection.

Implementing these measures will contribute to the creation of new jobs, added value growth, increased effectiveness and the reduction and elimination of negative influences on the environment. This will be provided through support for the introduction of innovation and technological transfers and the creation of new jobs through business development with the possibility of supporting large and individual projects. The strengthening of competition advantages of the industrial base is solved through the support of innovation activities from public and private resources.

Pursuant to the Manifesto of the Government of the SR, the Ministry of Economy elaborated the **New Strategy of Tourism Development until 2013**, which was approved by the Government of the SR through its resolution No. 417/2007 in May 2007. Its strategic goal is to increase the competitiveness of tourism and to make better use of its potential in removing regional differences and creating new jobs. The Strategy includes the draft for the establishment of a system of support programs for tourism activities. As a result, the **Principles of the Tourism State Policy** will be elaborated which and submitted for the session of the Government of the SR. According to estimated statistical data, active tourism's share of the foreign currency income of GDP grew from 2.5% in 2005 to 2.7% in 2006. During this period, the balance of foreign tourism grew by 20.7%. Positive developments were also recorded in the category of overnight stays, which grew by 3.8% for foreign visitors and 3.1% for domestic visitors.

#### 4.3.3 Public Institutions as a Partner and not a Burden

In 2006, the preparatory work related to the establishment of One-stop Shop (OSS) was carried out. Negotiations with the bodies of state administration and institutions, which will be affected by the OSS's establishment took place. The frequency of interest for these services, the scope of required information and the length of time it took in processing information and providing OSS services were tested at the pertinent trade offices of the regional towns which are to be OSS hosts. The scope of data established by the pertinent laws which an entrepreneur is obliged to submit not only in connection with the issuance of the trade license and in connection to other bodies and institutions whose competencies the entrepreneur is affected, especially after starting his/her business was continuously analyzed. On April 11, 2007, the Government of the SR approved the **Act on the Amendment of the Trade Business Code** submitted by the Ministry of Interior which is responsible for establishment of the OSS. The Amendment also incorporated provisions regarding unified focal points. Since the first stage of provision of OSS services is targeted on free trade license holders, it is expected that by the second half of the year they will be able to use these services.

On June 26, 2007, the National Council of the SR approved the amendment of Trade Business Code No. 358/2007 Coll. which will enter into force on October 1, 2007, the establishment and first operational stage of the OSSs will thus acquire legislative support. The amendment transposed part of European Regulation No. 2006/123/EC on services on the internal market, whose implementation in the SR is in the competency of the Ministry of Economy based on SR Government Resolution No. 294/2007.

The first stage will ensure the issuance of free trade licenses, registration with the pertinent income tax administrator and health insurance company (HIC) or the reporting of changes of HIC, for Slovak physical entities, documents on integrity free of charge, information directly related to starting and running a business, automatic allocation of an identification number which will be a constant for a physical entity also in case that he/she terminates and/or re-establishes a business for all physical and legal entities, simplification of access to some services through the liberalizing of the terms of some trades – lowering the amount of practice or the complete abolition of proof of practice in the area of business and significant reductions in fees for the issuance of the documentation for free trade licenses connected with the change of the mechanism of the issuance of free trade licenses, i.e. one subject of business = one trade license or license list. The goal of this measure is to improve the quality of the provision of services so that only those activities which a free trade license holder actually carries out will be registered; it is expected that this approach will decrease the administrative work and transparency of the issuance of free trade licenses. Practice has shown that many free trade license holders have 50 to 60 activities on one free trade license and that these activities are not related and in fact a majority of these activities are not carried out. For citizens with permanent residence and seats outside the territory of the SR, the OSS will operate in the regional seat, i.e. at 8 district offices.

Communication among affected bodies will be carried out electronically with the use of electronic signatures. It will also adopted to a database regarding free trade license holders for starting up and operating a business and which for the affected bodies is relevant in starting a business pursuant to pertinent legal regulations. This will simplify access for free trade license holders and avoid repeated submission of the same data and documents. Data will be provided by the free trade license holders to the employee of the district office or department of free

trade who will enter it into the system. Free trade license holders will also be able to submit this information in writing, on the required form containing the same data – the so-called unified form. The form will be available at the OSSs and on the web pages of the Ministry of Interior and the Ministry of Economy in addition to other web sites. Services carried out by OSSs are free of charge.

A manual containing information related to the obligations of free trade license holders when starting and operating a business including the contact addresses of relevant institutions, web pages and the pertinent legal regulations was elaborated for consulting and information purposes (as one of the OSS activities) for the needs of employees of trade offices which are also located at OSS sites. It will be also available on several web pages. Presently, the basic information on individual focal points is published on the web page of the Ministry of Economy (also in English).

#### **4.3.4 Strengthening the Internal Market**

In the interest of introducing the *Internal Market Information System – IMI Project in the Slovak Republic*, which was created based on the initiative of the Commission's Internal Market Advisory Committee in Brussels (IMAC) the conditions for its introduction in the Slovak Republic were analyzed. The need for the introduction of the IMI project was based on Articles 28 and 29 of the Regulation on Internal Market services. The goal of this information system is to provide long distance communication between bodies of individual member countries with the same competency which are participating in the management/introduction of the free movement of services and persons in the internal market. Work is carried out pursuant to the directives of the European Commission and the guidelines of the national coordinator. Due to the fact that the implementation period for regulation No. 2005/36/EC on acknowledgment of expert qualifications ends in October 2007, work on the IMI system is presently focused on the module for the acknowledgment of expert qualifications.

The IMI System pilot project is implemented for four regulated occupations: physicians, pharmacists, physiotherapists and accountants. The mutual acknowledgment of documents on education and other documents in the provision of services to entrepreneurs from one member state in another member state constitutes an anticipated contribution to this project. A special working group, whose members are representatives of the Ministries of Economy and Education, and who at the same time are the national and delegated coordinators for the IMI project, was established for the acknowledgment of qualifications. On February 27, 2007, another session of the Working Group for the IMI project took place in Brussels, where issues related to the protection of personal data in this information system were discussed. A sample set of 15 competent institutions of the Slovak Republic which should be participating in the IMI project was sent to the European Commission. Negotiations between the affected bodies and institutions of the Slovak Republic regarding the methods of the IMI project introduction are underway. Their goal is to provide information regarding the tasks related to the functioning of the IMI project. Information exchanges among individual member countries are also taking place.

Present activities connected with the development of the internal market information process are being carried out according to the instructions from the last session of the IMI project working group which took place in Brussels on May 31, 2007. An analysis of the pertinent bodies which will participate in the IMI project was carried out. According to the competencies of individual state bodies, the following three working groups were established: approval bodies which issue permission for businesses; acknowledgment bodies, which acknowledge qualifications and control bodies, which continually supervise adherence to the terms of the pertinent law. The representatives of the above mentioned bodies will be nominated to these working groups. The building of the IMI system in the Slovak Republic will be coordinated by the Ministry of Economy.

A meeting with Nick Leapman, the Chairman of the Committee for the Development of Internal Market Information Systems at the European Commission is being prepared. This meeting will include representatives of individual permission, acknowledgement and control bodies and representatives of other relevant bodies which will be affected by IMI activities. The Slovak Republic will present its practical experience with the operation of the IMI system at this meeting. Since the acknowledgment of expert qualifications is one of the competencies of the Ministry of Education, delegating it as the coordinator for the IMI project is being considered.

The legal analysis of the impact of the regulation on internal market services on already existing legislation of the Slovak Republic was elaborated in advance so that amendments of affected valid legal regulations could begin to take effect from the moment of approval of the regulation. All of the technical and institutional means for the effective implementing of regulations in the national legislation, including the activation of the entrepreneurial sector and its participation in the creation and processing of legal regulations in working groups will be used. The

European Business Test Panel (EBTP) appears to be an ideal solution. It is a consulting mechanism of the European Commission. The European Commission is informed of the opinion of the entrepreneurial public of the member countries of prepared legislation and policies of the European Union through this consulting mechanism. Slovak companies will have the opportunity to participate in the preparation of European legislation through the participation of the Slovak entrepreneurial subjects in the EBTP consulting mechanism and especially by presenting their opinions on and indicating the potential impact of the prepared legislation on their activities. At present, 16 business subjects are officially registered at the EBTP headquarters, and on August 31, 2007 another consulting process with the topic of Anti-discrimination in the Labor Process began. It should be evaluated in September 2007.

**Regulation No. 2006/123/EC on internal market services (hereinafter the "Regulation")** as one of the fundamental legal acts of the EU which liberalizes services in a horizontal way, constitutes the prequalification for creation of such terms for business which will be mutually compatible on the unified European market. Its transposing into national legal orders of member countries and its implementation in practice is the goal of the Regulation. The implementation of these tasks and projects will administratively simplify and strengthen the internal market and will also have an impact on all services of a commercial character and on those which are not regulated by other tools of the Community.

The screening of the national legislation processed in the SR determined which legal regulations will actually be affected by the transposing of the Regulation. It was determined that more than 20 legal regulations will be so affected.

The Act on internal market services, whose elaboration is in the competency of the Ministry of Economy of the SR based on SR Government Resolution No. 297/2007, will be the fundamental legal framework for the provision of services in the SR. The Ministry of Economy of the SR was delegated with the transposing of the Regulation into the legislation of the SR and its implementing in practice through the establishment of unified focal points for entrepreneurs, the building of the internal market information system, etc. Almost all bodies of the state administration will participate in the implementing of the Regulation.

The legislative intention of the Bill, which analyses and justifies the contents of individual parts to be incorporated into the Act on internal market services, is being prepared. The legislative intention will form the material for the elaboration of the Act on internal market services.

The screening of Article 39 in connection to Articles 15 and 25 of the Regulation is also being processed. The goal of screening is to identify the present system of awarding business permits in the SR in the establishment of entrepreneurs, including the testing of rules of professional bodies and the collective rules of professional associations and other requirements in the area of services. Furthermore, it aims to determine if these systems incorporate discriminatory, inadequate or unimportant terms, which would represent a barrier to the awarding of business permits. The legislation is also tested from the aspect of the cross-border provision of services. The goal of the screening is to provide transparency in the requirements for and system of awarding permits.

The duplication of administrative access of entrepreneurs to the provision of services, especially legal entities in connection with their registration at the pertinent state administration body and in the Commercial Register of the pertinent courts still continues. Regarding this, we must state that the courts register companies according to their fulfillment of the terms for the establishment of a company as such with the support of the Commercial Code and the Act on Commercial Register and other state administration bodies register entrepreneurs according to the general and professional terms for the execution of certain business activities, which are only one of the prequalifications for the registration of a company in the Commercial Register.

#### 4.3.5 Science, Research and Innovation

##### *Area of Innovation*

The goal of this measure targeted on the **creation of modern legislation for the area of innovation** is partially fulfilled. On March 14, 2007, the Government of the SR approved the **Innovation Strategy of the SR for 2007 to 2013**. The objective of this Innovation Strategy is to create a framework for the identification and successful implementation of individual measures which will ensure the fulfillment of the goals of the National Reform Programme of the SR for 2006 – 2008 and other related documents. In connection with the National Strategic Referential Framework of the SR for 2007 – 2013, the Innovation Strategy is compatible with the Competitiveness and Economic Growth Operation Programme and the Research and Development Operation Programme.

Elaboration of the Innovation Strategy of the SR is based on the clear need to have a fundamental document to cover the innovation issues which are considered as one of the main tools for the building of a knowledge economy.

Within the framework of implementing measures in 2007, a national body for the support and development of innovation was established through the transformation of the already existing Slovak Energy Agency to the **Slovak Innovation and Energy Agency**. The subject of the Agency's activities in the field of innovation will be conceptual, professional, methodological, coordinating, informational, documentary, educational and promotional. They will be targeted on the development of innovation activities in the innovation system of the Slovak Republic with the goal of enhancing the effectiveness of the Slovak economy and its competitiveness in connection with creation and protection of the environment. From 2008 to 2009 measures in the area of innovation and technological transfer, support of common services for entrepreneurs and innovative activities in businesses will be implemented.

The second step of this goal is to prepare and subsequently approve the **Bill on Innovation**. This Bill was elaborated by an expert group comprised of the representatives of all of the involved ministries and representatives of the general expert public. The deadline for submitting the Bill to the session of the Government of the SR is the end of October 2007.

Innovation in the Slovak Republic definitely requires state assistance and support just as it does in developed industrial countries, while respecting the pertinent rules of the European Commission regarding state assistance for innovation and the financial possibilities of the state budget. The support of innovation processes requires a systematic approach, especially in the creation of conditions for the implementing tools for the support of innovation and in the building of the infrastructure of the innovation business system with propriety. From the side of the state, this requires precisely defined degrees of motivation for all participating units. The share of support especially from the public resources should be substantial enough to motivate state and university/college sectors of research and development not only to finish the majority of their outcomes with publications, but to direct their outcomes through innovation programs into practice.

The Act broadens the competency of the Government of the SR in the support of the sustainable economic growth and competitiveness of the Slovak economy, defines the tasks for the central bodies with competencies in the field of innovation and establishes the forms of state assistance and the method of their implementation and the information backup of innovation activities. This Act delegates the competency responsibility in the field of innovations to the Ministry of Economy.

The Slovak Republic lags far behind the EU – 15 countries in regional innovation efficiency. Innovation significantly contributes to the growth of the competitiveness of businesses and to the economic growth of regions and subsequently to the economies of the member countries of the EU. The higher territorial units in the regions of the Slovak Republic have no institutions for innovation structures – capacities for the management of state and regional innovation strategies and for the transfer of innovation, new technology and activities with higher added value. The institutional framework for a more effective link between the development of industry and selected services for the results of research, development and innovation in practice is lacking.

The goal of the elaboration of the **Project of the Innovation Strategy of the SR for 2007 to 2013** is to build regional innovation centers which will institutionally support the development of innovation in the regions and strengthen the development of cooperation among universities and colleges and research and development and educational institutions with entrepreneurial subjects on regional and international levels.

The purpose of the National Pilot Project of Integrated Innovation Tools in the Regions of Slovakia is to support the building of 7+ 1 regional innovation centers (RIC) on the NUTS 3 level. These centers will implement state and regional innovation policies and support regional innovation processes in Slovakia and the transformation to the knowledge society. The main task of the RIC will be to choose a strategy for the enhancement of regional innovation efficiency which will complement other strategies in the region fulfilling the goals of the Regional Innovation Strategy and at the same time the Strategy of the Slovak Republic for 2007 – 2013.

The need for the institutional strengthening of the higher territorial units in the field of innovation management and the improvement of the implementing of the innovation activities in the regions was also expressed by the Commission through its Directorate General of Employment in unofficial negotiations regarding the **Competitiveness and Economic Growth Operation Programme** for 2007 – 2013.

The contents and the framework structure for the **Central Information Portal for the Field of Science and Technology** were elaborated. Its elaboration is implemented through public acquisition. After announcing a public tender on February 28, 2007, the final evaluation of the tender took place on June 11, 2007. A contract is being prepared for the supply of the information system solution between the Ministry of Education and Siemens IT Solutions and Services, s.r.o. as the winner of the tender. The solution is to be supplied within 6 months from the signing of the contract.

Elaboration of a **new state programme for the development of a research and development infrastructure targeted on the support of the technical infrastructure for research and development and human resources in research and development** was determined by the approval of the long-term objective of the state science and technical policy until 2015 which also incorporates the identification of material priorities of applied research. The long-term objective of the state science and technical policy until 2015 was approved on September 12, 2007 through SR Government Resolution No. 766/2007. A discussion with the entrepreneurial community and educational institutions is also necessary for the fulfillment of the goal of improving the transfer of results from research and development into practice. This material is presently in the processing phase.

**The elaboration of the draft of a new system of state programs in support of research and development** was equally determined by the approval of the long-term objective also containing the identification of three material priorities of applied research. The long-term objective of the state science and technical policy until 2015 was approved on September 12, 2007 through SR Government Resolution No. 766/2007. This material is presently in the processing phase.

After the approval of the state programme for development of infrastructure by the Government of the SR, the financial means for the establishment and operation of technological transfer networks will be allocated from the budgets of the Ministry of Education and the Agency for Support of Research and Development within the framework of possibilities of the state budget. Thus the **financial support for the establishment and operation of the technological transfer networks and research and educational centers** will be introduced **which will include young science employees, graduate and post-graduate students in research and development projects resolved within the framework of the state programme of infrastructure development and programmes of the Agency for the Support of Research and Development.**

#### 4.4 Information Society

The following constituted the main priorities in the informatization of society in the period from 2004 to 2006:

1. modern public on-line services,
2. digital literacy,
3. availability and safety of internet.

The following strategic documents based on these priorities were adopted by the Government of the SR: the **Strategy of Society Informatization** and the **Strategy of Competitiveness of the Slovak Republic until 2010** with its action plan entitled **Information Society**. In implementing measures resulting from the above mentioned documents, the need for closer interconnection and coordination of individual activities in the field of society informatization has occurred.

#### **Planned Measures in the Field of Support of the Information Society for 2007 – 2008:**

In order to manage the principal technological change that the process of the economy transformation to knowledge society requires, an anticipating policy is necessary. Pursuant to the Manifesto of the Government of

the SR and its international undertakings, the priority areas of information society development in Slovakia in the upcoming period will also be the creation of strategic documents and legislative terms for a functional model of electronic services of public administration, for example through the Act on electronic public administration and on public administration registers. Another priority will be the support of informatization development in the regions – the draft for the broadening of the Road Map for the introduction of electronic public administration services for the area covered by self-governments since the present road map focuses only on state administration. Emphasis will also be placed on the consequent implementing of tasks resulting from the Road Map for the introduction of electronic services in public administration and completion of the already launched fundamental projects of the National Reform Programme; many of these tasks may be supported through the Informatization of Society Operation Programme.

In connection with the strategic framework of the EU for information society development in the programming period 2007 – 2013, information society development will be supported through the ERDF resources within the framework of the Informatization of Society Operation Programme. The strategy of the support of information society development within the framework of the IS Operation Programme is built on 4 priority axes and 7 measures within whose framework the means of the SF will be provided for the co-financing of determined activities under established terms.<sup>5</sup>

The fundamental prequalification for the introduction of **modern public on-line services** is the elaboration of the strategic and conceptual documents for effectively operating public administration. The priorities in the area of the informatization of society for the period 2004 – 2006 (modern public on-line services, digital literacy, availability and safety of internet) constituted the basis for the strategic documents presently adopted by the Government of the SR. They include the **Strategy for Society Informatization** and the **Competitiveness Strategy for Slovakia until 2010**. The action plans of both documents were re-consolidated because of their common goal which is to assist in the acceleration of society informatization through the fulfillment of tasks. In October 2005, the **Process, Organization and Information Model of Public Administration** was approved by the Government of the SR. Its goal is to achieve a more effective provision of public administration services, to increase its transparency and reduce the administrative burden of citizens. Subsequently the **Road Map for the Introduction of Electronic Public Administration Services** was approved. Its plan is to introduce all twenty basic categories of public services recommended by the European Commission within 3 to 5 years and thus to contribute to the fundamental mission of effective electronic public administration which is to contribute in the maximum possible way to reducing the administrative burden of citizens and increasing the transparency of public administration towards citizens. The Road Map describes the status of provided services and proposes the timetable for implementing all activities offered to citizens, entrepreneurs and public administration in electronic form.

The strategic documents from 2004 and 2005 covering the area of e-Government must be updated pursuant to the development in the ICT area with recommended measures of the EU. At the same time, a comprehensive assessment of implementing measures resulting from the present strategic documents and the defining of continuous measures that will constitute the subject of the newly prepared strategic documents is needed.

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<sup>5</sup> Priority axes and measures of the OP IS:

1. Electronizing of public administration and development of electronic services:
  - 1.1. Electronizing of public administration and development of electronic services on the central level
  - 1.2. Electronizing of public administration and development of electronic services on the local and regional levels
2. Development of memory and fund institutions and renewal of their national infrastructure:
  - 2.1. Improvement of systems of acquiring, processing and protection of contents from resources of memory and fund institutions
  - 2.2. Digitalization of contents of memory and fund institutions, archiving and accessibility of digital data
3. Enhancement of availability of broadband internet:
  - 3.1. Development of broadband access infrastructure
4. Technical Assistance
  - 4.1. Technical Assistance for MB OP IS
  - 4.2. Technical Assistance for MOMB OP IS

Interventions of the SF into the following areas are considered as the key impulses for the development of a knowledge society from the aspect of informatization: effectiveness and development of public services through ICT, the provision of availability of broadband internet for all and the creation and use of digital contents. In implementing the strategy, the task of the national project which will constitute comprehensive solutions is emphasized. It is expected that the national projects will constitute the most effective groups of OP IS interventions in terms of the fulfillment of established strategy goals. Implementing all OP IS projects and especially the national projects will be carried out in full compliance with e-Government principles accepted by the EU member countries and IDABC recommendations. Within the framework of these principles, emphasis will be placed on the use of open standards and adherence to technological and software neutrality. Each support solution will be based on a comprehensive analysis of its sustainability.

The **e-Government Strategy of the SR** and the **National Concept of Public Administration Informatization** will be the fundamental documents in public administration informatization which identifies the basic components of e-government and governance and which will be submitted by the Ministry of Finance in 2007 pursuant to the Act on information systems of public administration. The concept will be based on a vision presented by the Manifesto of the Government in which the Government undertook to modernize public administration through its economizing and informatizing with the goal of making life easier for citizens and entrepreneurs. The application of this concept will be a significant contribution for citizens, entrepreneurs and legal entities. Unproductive time spent by taking care of official matters will be; the number of mistakes will be reduced and the multiple execution of the same operations will be eliminated. Citizens and entrepreneurs will be able to take care of official matters in one place or from home or the office via computer. The costs for administrative fees will be reduced by the elimination of multiple handling of the same matters; the availability of ICT will be increased and the conditions for eBusiness will be improved. The national concept for public administration informatization will be directed towards implementing the so-called best practices – methods created through a deep analysis of practices in countries which have achieved the highest level of electronization. The outcome of such analysis is a set of most frequently repeated unique processes which are applied to the ICT and which will create the fundamental, transaction core of e-Government.

The national concept of public administration informatization will result in the creation of the **Feasibility Study** which will identify a set of information system projects and define the architecture of the legal framework and necessary scope of changes in the present laws so that Acts do not overtake information systems and vice versa. Implementing adjustments in laws is the main critical factor for success of the changes since it requires material support in the pertinent creators of laws – individual ministries and political support in the parliament.

Implementing general agendas in the e-Government system will respect the specific position of self-government within the legal system of the Slovak Republic through elaboration of the **Road Map for the Introduction of Electronic Services to Self-Government** which should provide for the management of public services on the central level wherever the interconnection of the regional central information systems is missing so far.

The legislative support for electronic public administration is defined in the task: **Cooperation in the Creation of the Draft of the Legislative Intention for the Act on Electronic Public Administration and on Registers of Public Administration, the Elaboration and Adoption of New Legislation**. This task is in the elaboration phase. The prepared Act will make general electronic access to basic public services more effective with interconnected registers of public administration and will allow for the complete electronic exchange of data between citizens and public and private sectors. Significant emphasis will be placed on strengthening information safety and the protection of personal data, mutual interconnection of registers of individual institutions of public administration and the provision of quality services in real time (online). A working plan and the fundamental contents of the material were determined at working meetings of the Ministry of Transportation, Post and Telecommunications and the Ministry of Interior; they agreed on organizational matters and approved the structure of the document. Definitions and proposed structures of registers were specified and the contents of the prepared Act on referential registers and public administration code lists were proposed including the definition of new terms. Regarding the need for the integration of cadastral register in the fulfillment of this task, a working group was broadened by experts from the Office of Geodesy, Cartography and Land Register of the SR in September 2006. Analyses of the legislation of some countries with introduced electronic services of public administration and the necessary legislative changes with the goal of preparing such model of e-Government operating in compliance with trends and requirements of the European Union is underway. The preliminary analysis of legislation for the SR in the field of society informatization was carried out at the same time.

The goal of the prepared document **Strategy for the Information Society** is to create a unified platform for building the information society on legal foundations with the provision of protection and trustworthiness of the digital environment in Slovakia. The basic principles are based on the Strategy for a Safe Information Society issued by the EU in 2006 and other strategic documents. Achieving the interoperability of all relevant information systems of the SR constitutes the main goal of the task **Creation of Standards – Interoperability**. Presently the only valid legislative tool in the SR is Act No. 275/2006 Coll. on public administration information systems and on changes and amendments to some Acts which entered into force on June 1, 2006. The above mentioned Act establishes the obligation of the obliged subjects to create new information systems pursuant to issued standards and to set already existing systems in compliance with this Act within two years. Ministry of Transportation, Post and Telecommunications Decree No. 1706/M-2006 on standards for public administration information systems (PA IS) issued on July 14, 2006 and the amendment of which is prepared for November 2007, determines the specific standards for the above mentioned goal pursuant to this Act. Presently the Ministry of Finance of the SR

covers the creation of standards for PA IS through divisions for IS legislation, methodology, standards and safety. In relation to this, the Commission for PAIS Standardizing was established in May 2007. This Commission is responsible for the expert preparation of drafts for the introduction of new standards, changes or revocations of already existing valid standards for public administration information systems; furthermore it formulates expert standpoints to drafts which are later issued by the Ministry of Finance of the SR in the form of generally binding regulations. At its session on June 19, 2007, this Commission established 7 working groups in the following areas: data standards, spatial identification (Geographic Information System – GIS), availability of web pages, health standards, standardizing of new technologies, optimizing of existing standards and processes and standardizing of forms. The Ministry of Finance is presently preparing the impact clause on the informatization of society which is the subject of an inter-ministerial debate and which will be submitted for the session of the Government of the SR in October 2007. The compilation of a dictionary of technical terms for the field of PA IS, which will be published in the form of a methodological recommendation, constitutes another form of support.

Building of the **Central Portal of Public Administration with Electronic Services** is among the most significant parts of the society informatization. The goal of this project is to create internet access to public administration services and information for citizens, entrepreneurs and public administration bodies and thus simplify the process of providing these services. Citizens will be able to communicate with state and public administration through this Central Public Administration Portal (CPAP) round the clock – 24 hours and day, 7 days a week. Electronic services and simple information are already available. For example, it will include current instructions for the solution of specific life situations and contacts for relevant institutions. The information component of the already existing portal [www.obcan.sk](http://www.obcan.sk) was incorporated into this Portal. One of the goals was to enable citizens to take care of their agenda through one institution which would electronically acquire the necessary documents from other institutions. The Portal provides the technical infrastructure for public administration which may be used in the building of their e-services and possibility on how to simplifying their offer of services for citizens from one place. On July 1, 2006, operation of the technological part of CPAP was launched. In the course of 2006, the services of the trade register, criminal records register and the Central Office of Labor, Social Affairs and Family were made available. Since August 1, 2007, the general public has had the chance to obtain not only extracts and letters in electronic form and usable for legal acts from the **Commercial Register**, but also to establish companies on-line, carry out changes in entries and deposit documents into the collection of documents. The Commercial Register is the first public register which provides its services on-line in a legally binding form. The court fees for the individual services of this electronically executed register were significantly reduced in order to motivate citizens to use it. These fees are paid on-line through a **payment portal** which was officially made accessible on August 1, 2007. The payment portal serves for on-line payments of administrative fees for the provision of electronic services. It is free of charge for the needs of the state administration and self-government. The Office of the Government of the SR made the portal more effective through this step. The portal provides central and unified access to information resources and services of the state administration and self-government. To date its operation is limited to an interconnection to Dexia Banka Slovensko, a.s. Integration with other banking institutions is in the preparation phase and will be soon implemented.

The **draft solution for electronic payment of administrative fees for e-services** was elaborated in connection with the solution of the CPAP project. Payment in electronic form is anticipated for official documents equipped with guaranteed electronic signatures, and as such usable for legal acts. This will be similar to the present payment of fees or revenue stamps in paper form. Despite present efforts, the anchoring of the legal formulation into legislation which would allow for the fees for acts and proceedings to be executed based on electronic filing through the Central Public Administration Portal and paid through the payment portal of the CPAP with a 50% reduction from the rate of fees determined in the tariff up to the total amount of SKK 2,000, has so far been unsuccessful. Legal anchoring of the electronic payment for e-services is proposed for the prepared Bill on electronic registers of public administration.

The goal of the **electronic public acquisition (EPA)** is to reduce the costs for public acquisition for participants of public tenders and public acquirers in public administration, to significantly accelerate the course of public acquisition and to increase the transparency of PA processes (reducing corruption). The EPA system has been operational since April 30, 2007 ([www.evo.gov.sk](http://www.evo.gov.sk)) and the public acquirers may use the system for filing public acquisition orders. Based on the submitted applications for registration launched from March 26, 2007 for the registration of public acquirers and persons, the Office for Public Acquisition has authorized the use of the EPA system on behalf of public acquirers. As of September 25, 2007, a total of 48 public acquirers and 169 persons authorized to use the EPA system on behalf of the acquirers were registered in the system. Five sub-limit orders for the supply of goods and one sub-limit order for provision of services were carried out within the framework of the EPA system from June to August 2007.

Within the framework of the **Free Information Access to the Land Register** project which began on September 1, 2007, information from the land register information system is provided free of charge through the Cadastral Portal. The information is updated every week and is only of an informative character. Free access to the information in portal is available for all users 7 days a week round the clock. Furthermore, any user of this portal may search for information through the map and obtain information on cadastral proceedings.

Another necessary step towards the effective provision of public administration is the provision of the **System Designing for Electronic Data Exchange among the Registers**. A study was elaborated for this purpose which examined the present status and established the steps needed to design the system for electronic data exchange among the registers. The launching of the electronic data exchange between the Registry of Citizens and the Commercial Register should constitute the first phase; adding the Trade Register should constitute the second phase. Within the framework of the solution of these tasks, the Ministry of Interior has elaborated a feasibility study for **Providing of Data from the Registry of Citizens to the Central Trade Register ( from REGOB into CeZiR)**. Data exchanges among other registers is planned for the near future. This is necessary to ensure the effective operating of the pertinent bodies and society as a whole. At the same time, it will be necessary to elaborate the architecture for the interconnecting of a wider group of registers through one platform which would provide for data synchronizing and the integration of referential data. The integration processes in the European Community increase the requirements for the interconnecting of information and communication systems of the EU and member states on one hand and among all member states on the other hand. Thus, it will be necessary to cooperate on a system solution for interconnecting the information systems of individual bodies of state and public administration and the EU information systems. It is also necessary to **introduce an unambiguous indicator for communication among public administration information systems**. This indicator – a chain of signs - will be generated by the Ministry of Interior for every citizen. It won't be possible to use it for legal acts and it will only serve for e-Government information services and communication among public administration information systems. Subsequently, a meaning-free identifier of the basic identification documents of a physical entity, for example the unambiguous identification of a person for the issuance of certificate for a guaranteed electronic signature will be designed. Within the framework of this task from the party of the Ministry of Transportation, Post and Telecommunications of the SR, a contract for the elaboration of the **Feasibility Study for the Introduction of Identifiers of Citizens for Public Administration Information Systems** was signed in 2005 . The Ministry of Interior subsequently elaborated the Concept of the Introduction of an Unambiguous Identifier and submitted it for inter-ministerial debate on December 21, 2005. The method of its implementation was tentatively agreed upon with the supplier of the application of the Registry of Citizens information system after the solution of the financial covering. Introduction of the indicator pursuant to this study will not require any legislative changes. These changes will be taken care of based on experience in practice.

Implementing the tasks of the **Provision of Information from the Referential Registry of Citizens of the SR and the Document Database of the SR to Authorized Subjects (Registry of Citizens – REGOB)** should reduce the administrative burden. This solution will eliminate the present practice in which public administration institutions commonly require inhabitants to apply for and pay for information from other public administration institutions to which they have direct and free access. Information will be available not only for the bodies and institutions of public administration of the SR, but also for commercial subjects and citizens, however only within the scope of their authorization imposed by the valid legislation of the SR. Most registers are located at the Ministry of Interior. The provision of information from REGOB and the database of documents is being tested.

The goal of the task entitled, **Enhancement of the Use of Electronic Signatures in Public Administration Institutions in Support of the Entrepreneurial Environment and the Electronization of Public Administration** is to create conditions for the use of electronic signatures for legal and physical entities in the provision of services and to simplify communication among citizens, companies and key public administration institutions. Its expansion will rely on a substantially broader scope of the use of licenses and in the design and supply of electronic forms for the provision of communication on a GES (Guaranteed Electronic Signature) basis. By the end of 2006, and pursuant to the Act on public acquisition, the Ministry of Transportation, Post and Telecommunication provided 1,000 Qsign Application multi-licenses for Guaranteed Electronic Signatures for the state and public administration, upper-tier territorial units and selected offices of the self-government. The design of the electronic forms for electronic signatures constituted part of the supply. The supply of the technological equipment for reading of the chip cards was solved separately. In January 2007, chip cards with technical equipment for their reading were handed over. Presently, approximately 700 jobs have been provided with program equipment. Upon its completion, there will be a total of 1,000 installation sites in the SR of which the majority will be available for the general public. Pursuant to the Act on electronic signatures, a chip card will be valid for one year. The Ministry of Finance has solved the issues related to the multiple use of a chip card. i.e. it

will be possible to re-certify it. In connection to this, already issued cards will be withdrawn and replaced by re-certified cards. The deadline for the completion of the entire process is planned for the end of 2007.

The National Security Office has created all of the legislative and technical pre-qualifications for the introduction of electronic signatures in public administration. Some applications are operating and others are in the pilot test phase. The key moment will be the establishment of obligations for public administration bodies to accept electronic entries from citizens and entrepreneurs using electronic signatures. The National Security Office prepared an **amendment to the Act on electronic signatures** which should solve this issue through the obligatory introduction of electronic registries. The draft of the amendment is in the legislative plan of the Government of the SR for 2007 and it is anticipated that it will be submitted at the November 2007 Government session. However in the interest of the more frequent use of electronic signatures in state administration, a proposed amendment to the Bill on public administration information systems was accepted by the National Council of the SR in order to supplement independent Article III through which Act No. 215/2002 Coll. on electronic signatures was directly amended.

**Introduction of citizen identification cards with chip cards and guaranteed electronic signatures** – the Ministry of Interior published a public tender to provide for clean copies of new identification cards for citizens in the form of polycarbonate cards.

The material on the introduction of citizen identification cards with a chip cards and guaranteed electronic signatures was submitted to but excluded from the session of the Government.

The **Digital Government** project was elaborated in order to increase the effective operation of the sessions of the Government of the SR. Its goal is the electronization and circulation of documents within the legislative process, i.e. the complete digitalizing of the process of the Government sessions. The implementing of this project will reduce the volume of materials submitted to the Governmental sessions in paper form and create more flexible access to them. The project hardware is already available and the software solutions are in the solution stage. The planned deadline for completion was August 2007.

Several tasks have been solved in terms of the goal of increasing **digital literacy**. One of the most significant is the **European Computer Driving License for Civil Servants (ECDL) – Certifying of Digital Literacy of State Administration Employees through the ECDL Programme**. The pilot phase of the project of certifying took place in 2005 at the Ministry of Transportation, Post and Telecommunications and at the CO SAB. Based on the positive results, the National Project for the *Education of Public Administration Employees Targeted on the Acquiring of Digital Literacy and Preparation for ECDL through Electronic Education* was launched. However the ECDL programme testing of civil servants was affected by an amendment to the Act on state service pursuant to which civil servants are not required to undergo ECDL certification. The survey on the digital literacy of civil servants (almost 50% employees do not use digital technologies effectively), presented in January 2007 demonstrates the insufficient knowledge of state administration employees. That is why the Ministry of Finance has expressed its intention to continue in this project.

From the aspect of the enhancement of the digital literacy of the population, the largest activity involved the project entitled, **Digital “Štúr-ism” in Schools** (note from transl. **Štúr** was the codifier of the literary Slovak language in the 19<sup>th</sup> century). In 2005 and 2006, more than 820 sites were created through the targeted support of the state in which local communities could enhance their knowledge in practice with ICT. Educational Centers were established at schools throughout Slovakia where training for local communities was organized. People learned with the assistance of teachers from schools on how to use digital technologies for work and entertainment and how to use existing e-Government services.

A positive fact is that this project also used means which were created by the state and private sector at schools through the Infoage and Computers for Schools project. Technologies were also used by citizens in the evenings and during holidays and vacations. A total of 70 000 inhabitants of Slovakia underwent this training. The fact that schools improved their equipment in the field of the ICT through the help of this digital project and that the local authorities strengthened their position in many places of Slovakia constitute another positive aspect of this project. This completed project was awarded as the best IT project of Slovakia in 2007 at the ITAPA international congress.

Conclusions resulting from the study implemented in 2005 entitled, **The Mapping of the Status of Digital Literacy and Adaptability of the Population for ICT** help in solving and planning projects from the field of enhancement of digital literacy.

The **Internet for Everyone** project contributed to the enhancement of the **availability of internet**. The goal of this project is to *increase the penetration of high speed access to internet and the information literacy of people* in the form of a state allowance. This project was launched on May 5, 2006 simultaneously with the establishment of the Clearing Center. Presently state allowances for 5,000 people are being provided in every UtTU. This project will be completed by the end of 2008.

Enhancing the availability of broadband access to internet for the broadest possible layers of population throughout the territory of the SR and establishing conditions for increasing competitiveness on the telecommunication market of the SR represented the objectives of the **Study of the Use of Existing Spinal Networks of Organizations Whose Majority Shareholder is the State**. The study was approved at the session of the Government on March 1, 2006 through resolution No. 199/2006. Point B.1 of the above mentioned resolution led to the task to elaborate a feasibility study in order to legally and financially analyze the intention to establish a joint-stock company with the 100% property participation of the state. This feasibility study was elaborated and the task was fulfilled.

The field of the **development of broadband internet** will be supported through the Informatization of Society Operation Programme for 2007 – 2013. Within the framework of the priority – **Enhancement of the Availability of Broadband Internet**, the projects targeted on the introduction, development and operation of modern network platforms providing for the communication of state administration systems necessary for e-Government development and support of the development of metropolitan optical networks and networks of regional and local significance in areas unattractive for commercial operators will be incorporated.

**The Library Electronization Programme** is related to the wide availability of Internet and **accessibility of quality digital contents**.

Public, scientific, town and municipal libraries represent a huge resource of information and knowledge for the general public; that is why it is necessary to provide all of them connection to broadband internet and to open them to the general public. This goal constitutes the contents of the project **Internetizing of Public Libraries Phase II**. This project will create a modern and inexpensive alternative network of several thousand public access points to internet throughout Slovakia. At the same time, building national digital libraries for science, research, technology and education and systems of electronic publishing will improve public access to technical information.

The accessibility of the quality digital content of memory and fund institutions through ICT constitutes the subject of the measure entitled **“Development of Memory and Fund Institutions and Renewal of Their National Infrastructure”** from the Informatization of Society Operation Programme for 2007 – 2013. The development of memory and fund institutions and the renewal of their national structure will be implemented through the digitalizing of their contents, creating accessibility of the digital data and improvement of systems for the acquiring, processing and protection of its contents.

Within the project entitled, **Publicly Accessible Portal Culture Portal**, comprehensive information from the field of culture will be provided free of charge for the expert and lay public. This task was only partially fulfilled in 2006 because due to a shortage of financial means, a public tender for the selection of a supplier to implement the culture portal was not carried out. For this reason, in 2007 particular attention will be paid to the implementing of this project and approximately SKK 20 million has been allocated for this project within the framework of the program budget.

The priority topic regarding the National Reform Programme of the SR for 2006 – 2008 also included the **Informatizing of Healthcare – eHealth**. According to the Manifesto of the Government of the SR, healthcare and its informatizing – eHealth is the highest priority. We are referring to the use of modern information and communication technologies for the task of fulfilling expectations of citizens, patients, healthcare providers and professional healthcare workers. The informatization of healthcare may increase effectiveness and bring added value to healthcare by excluding duplication and redundant diagnostics or therapeutic interventions through the support of continuous care, improvement of communication within the healthcare sphere and wider access to health knowledge and record-keeping based medicine. The national healthcare information system and services together with organizational changes and development of skills may distinctively contribute to the access, quality of care and effectiveness and productivity of the healthcare sector. The following are the means for implementing the informatizing of healthcare: standardizing of code lists, data interfaces and work procedures of the healthcare providers (HCP), building of storage places for data, internatizing of HCP workplaces, modernizing of application equipment for HCP based on proposed national and international standards, designing of policies for identification, auto-identification and authorization on the national and international levels and the development

and implementing of eHealth applications such as electronic medical records, electronic prescriptions and medication. This widely designed programme is supported by informatics on the level of the Ministry of Health and its specialized National Center of Healthcare Information which was established on February 1, 2006. The tasks and activities providing for healthcare informatization were established by the **Action Plan for Healthcare Informatization for 2006**, whose goal was to strengthen international cooperation and contacts of the SR in the area of eHealth, to raise the awareness of eHealth in Slovakia among the expert and general public and to prepare the environment for the defining and subsequent resolution of actual eHealth projects.

Within the framework of the fulfillment of the above mentioned action plan, the following significant tasks were completed:

- the National Center of Healthcare Information, which includes: the National Center for Standards, the NC for eHealth, the NC (Competency Center for eHealth) for Healthcare Statistics and the NC for the Provision of Medicinal and Healthcare Information;
- feasibility studies for the stimulating of the wider use of internet and the development of computer networks of healthcare providers and other subjects in the healthcare sector, the introduction of electronic medical records in the SR, the introduction of electronic prescriptions in the SR and the informatization of extra-hospital healthcare services in the SR.

In 2007, the principal material entitled, **“Concept of Healthcare Informatization from 2007 to 2010”** also containing the tasks and objectives for the healthcare sector from the National Reforms Programme of the Slovak Republic for 2006 – 2008, its Rider and related binding documents, were elaborated and approved.

The necessary drafts of legislative measures for the successful implementing of healthcare informatization were elaborated and incorporated into the amendment of pertinent Acts which are presently in the legislative process.

Part of the preparation of standards for healthcare informatization includes the resolved project entitled, “Draft of the Application and Technical Infrastructure for Implementing the Standardizing of Registers in Healthcare in the Slovak Republic” (TAHIS II), which builds on the results of project implementing in 2006. The subject of the project solution is the draft of the application and technical infrastructure for the implementing and standardizing of the following healthcare registers in the SR:

- Register of healthcare recipients,
- Register of healthcare providers,
- Register of healthcare workers,
- Register of medications,
- Register of medicinal material and aids.

For provision of the National Healthcare Portal targeted on the:

- a) public administration – for the access of public administration organizations, i.e. state administration and self-government,
- b) participants of healthcare – for access of participants of public healthcare,

the “Draft of the Pilot Solution of the National Healthcare Portal – Section, Issuance of Licenses for Healthcare Providers at UtTU” was elaborated and approved and is presently in the provision phase.

#### **4.5 Quality Physical Infrastructure and Services in Network Sectors**

The transportation, post and telecommunications sector has strategic significance for the further development of the Slovak economy and its development constitutes the determining factor for the development of the economy as a whole and the development of individual regions which creates the conditions for the use of the economic and social potential of the SR. It substantially contributes to the operating of the European economy and implementing of the internal market. Approximately 10% of the gross domestic product of the SR and approximately 6.6% of all jobs fall under the sector of transportation, post and telecommunications. It significantly contributes to the creation and provision of jobs which require various qualifications (transportation, telecommunication and postal services, building of the infrastructure, automobile industry and servicing of

vehicles). In addition, it is a significant development and application area for innovations and constitutes an irreplaceable engine for growth.

#### **4.5.1 Transport Infrastructure**

In 2004 – 2006 the development objectives of the Ministry of Transportation, Post and Telecommunications in the field of building a transport infrastructure in the SR was based on strategic programme documents such as the Cohesion Fund Strategy of the SR for 2004 – 2006 and the Basic Infrastructure Operation Programme 2004 – 2006.

The Cohesion Fund Strategy of the SR for 2004 – 2006 was targeted on the development of the road and railway infrastructure.

In the field of the development of the road infrastructure, the strategic goals were targeted on the building of sections on TEN-T corridors, in particular:

- on the territory of Bratislava, (project D1 Viedenská cesta - Prístavný most);
- on the corridor V/a between Bratislava and Košice (project D1 Mengusovce – Jánovce).

In the field of the development of the railway infrastructure, the strategic goals were targeted on the modernizing of the Va corridor and on the program of track renewal in order to meet the technical parameters of tracks pursuant to AGC and AGTC.

Within the framework of the Basic Infrastructure Operation Programme 2004 – 2006, three measures of the priority Transport Infrastructure are being implemented. In the field of the railway infrastructure we are referring to measures related to the electrification of the railway tracks, modifications of railway stations, bridges, signalization equipment and increasing of safety. The field of road infrastructure is covered by measures for building highways and on the complementary building and reconstruction of bridges and intersections. Measures that cover the infrastructure of air transportation incorporate the goal of increasing the technical level of airports with a particular emphasis on airport and passenger safety.

In the field of railway infrastructure, the Electrification Project of the Zvolen – B. Bystrica Track was completed. The Project for Modernizing the Prešov Railway Station with a planned completion date of December 2007 and the Project for Modernizing the Poprad – Tatry Railway Station with a planned completion date of August 2007 are being implemented in the Va corridor of the TEN-T network. In the field of road infrastructure on significant routes for international and internal road transportation which are incorporated into the TEM network of trans-European arterial roads and which constitute part of the superior transport infrastructure, the R1 Rudno nad Hronom – Žarnovica Project with a total length of 9.955 km and the R2 Ožďany Bypass Project – with a total length of 6.091 km were handed over for use. In the field of air infrastructure, the project for the development and modernizing of safety systems at the Poprad – Tatry, Sliač and Piešťany airports were implemented.

#### **4.5.2 Electronic Communications**

In 2006, the Ministry of Transportation, Post and Telecommunications concentrated its attention on the support of the development of broadband access to internet especially through the support of the development of competition and economic use of the broadband frequency. It worked intensively on the creation of legislative terms for the strengthening of competencies of the regulatory body and it strove for the dynamic launching of the transformation process from analogue to digital television broadcasting.

#### **4.5.3 Development of the Electronic Communication Sector**

The amendment to Act No. 610/2003 Coll. on electronic communications as amended, which entered into force on April 1, 2006, constitutes the reaction to the comments of the EC regarding provisions on the lease of circuits, on universal service and regulates the obligation of access and interconnection of businesses with no significant influence on the market. It specifies the procedure for the allocation of frequencies within the framework of public tenders and allows for the subsequent transfer of allocated frequencies. Due to the transposing of a new EU regulation on the preservation of data, the Ministry of Transportation, Post and Telecommunications has prepared another amendment which is presently in the legislative process of approval.

The Ministry of Transportation, Post and Telecommunications of the SR has created suitable conditions for the entry of the 3rd cellular operator with the goal of the further development of electronic communication services. On August 2, 2006, Telefónica O2 Slovakia, s. r. o. became the winner of the public tender for the third GSM and UMTS service provider.

Universal service is the minimum set of services which are available for a reasonable price on a certain level of quality throughout the entire territory of the state to all end users regardless their geographical location. The obligation to provide universal service on the entire territory of the SR in the quality determined through the measure of the Telecommunication Office of the SR was imposed on Slovak Telecom, a.s.

In June 2006, the transferability of numbers in cellular networks was introduced into practice and the same will be possible for land line networks by the end of this year.

The **National Table of Broadband Frequency (NTBF)** is regularly compiled for the needs of the effective use of the broadband frequency. It establishes the allocation of the frequency bands to individual radio-telecommunication services and the broadband frequency utilization plan which is the basis for the allocation of frequencies to individual operators. The proposal for changes in the NTBF for 2006 was approved by Government Resolution No. 677 from August 9, 2006 pursuant to the annual harmonizing of the NTBF.

The Policy for Use of Broadband Frequency for Broadband Access was approved through Government Regulation No. 5 from January 11, 2006. This Policy creates the conditions for enhanced transparency and increased availability of frequency resources for broadband access based on wireless technologies. The present status in the field of broadband access in the Slovak Republic may be considered as unsatisfactory since the SR has one of the lowest number of broadband connections per 100 inhabitants among EU countries. However, the number of broadband connections in Slovakia is dynamically growing; annual growth achieved the level of 152.3%. The number of broadband connections is especially increasing through xDSL technologies. In the near future more distinctive development of 3G and FWA cellular technologies with a combined optical spinal network is expected

The Strategy for the Transformation from Analogue to Digital Land Broadcasting in the SR which determines the goals and principles of the transformation, formulates the tasks of the state and pertinent bodies of the state administration in creating conditions for the transformation, assesses the existing situation in TV broadcasting in Slovakia and establishes the technical and time schedule for transformation, was approved through Government Resolution No. 646 from July 26, 2007. The discontinuation of analogue broadcasting in compliance with the requirements of the EC is planned for December 31, 2012. Digital broadcasting pilot projects were conducted in Slovakia in 2006 in the following locations: Bratislava on K66, B. Bystrica / Zvolen on K59 and Košice / Prešov on K44.

| <b>Selected Indicators of Development on the Telecommunications Market in the SR</b> | <b>December 31, 2004</b> | <b>December 31, 2005</b> | <b>December 31, 2006</b> |
|--|--------------------------|--------------------------|--------------------------|
| number of land line network subscriber connections per 100 inhabitants               | 23.24                    | 22.22                    | 21.64                    |
| level of digitalizing of land line network subscriber connections (%)                | 100.00                   | 100.00                   | 100.00                   |
| density of apartments with telephones (%)  | 50.23                    | 48.34                    | 47.18                    |
| number of clients of cellular networks per 100 inhabitants                           | 79.46                    | 84.29                    | 90.80                    |
| number of pay telephone stations per 1,000 inhabitants                               | 2.90                     | 2.55                     | 1.99                     |
| average waiting time for establishing of land line connection (number of days)       | 10.6                     | 8.4                      | 13.8                     |
| number of Internet Host computers  | 122,377                  | 135,991                  | 213,093                  |
| number of Internet users (estimate)  | 1,652,214                | 1,905,150                | 2,255,553                |
| number of broadband connections  | 59,950                   | 138,562                  | 329,364                  |
| number of broadband connections per 100 inhabitants                                  | 1.11                     | 2.57                     | 6.11                     |

#### **4.5.4 Postal Services**

The provision of postal services is legally regulated by Act No. 507/2001 Coll. on postal services as amended. Pertinent Regulation 97/67/EC as amended by Regulation 2002/39/EC was transposed into this Act, based on which the scope of the reserved area was limited to 50g and a 2.5 multiple of the basic tariff for mail corresponding to the fastest standard delivery category. Postal services on the market in the SR are provided by

20 postal enterprises, which were registered based on the general permit issued by the Postal Regulation Office. In 2006, two new postal enterprises (SKYNET Worldwide Express, s.r.o., KOLOS s.r.o.) were registered and in 2007 one postal enterprise (Gutta Slovakia, s.r.o.) was registered. The obligation to provide universal service in the SR is fulfilled by Slovenská pošta, a.s., which within the framework of its network, which is the public postal service, provides universal services based on the postal license. The Postal Regulation Office established special postal license requirements for the quality of universal postal service in terms of time and local availability of public postal network access points.

Presently the third postal regulation is in the process of approval. Its goal is to fully open the market. Pursuant to the conclusions of the negotiations of the European Council in Brussels on June 7, 2007, where it was emphasized that the full completion of internal market postal services while providing for effective universal high quality service constitutes the final goal of the postal reform, the SR supports the third postal regulation in order to provide sufficient legal certainty in the matter of financing of the universal postal service. The SR considers it essential for the third regulation to stipulate clear rules for the application of financial mechanisms which every member country will be able to select and apply according to national specifics and pursuant to the subsidiary principle. The establishing of a net cost calculating methodology constitutes the prequalification for the successful application of financial mechanisms in addition to the provision of quality and effective service. The SR considers the resolution of issues relating to universal postal service financing as a priority. This is a result of its experience from 2005, when pursuant to Government Resolution No. 376/2005, a draft resolution intending to fully liberalize the postal market in the SR was prepared with effect as of January 1, 2007. It also contained a proposal for compensation of the financial burden resulting from the obligation to provide universal postal service from the means of the state budget in the form of an agreement on performance in the public interest. The Ministry of Transportation, Post and Telecommunications ran into issues with applying the rules of state assistance in preparation of the legislative terms for the provision of the universal postal service on the liberalized market. It resolved these issues in cooperation with the Ministry of Finance and the European Commission. In April 2006, the objective to open the market of postal services as of January 1, 2007 was postponed in order to achieve further expected resolutions of issues relating to the financing of the universal service pursuant to the new postal regulation which is in the negotiation phase.

The SR is fully aware of the seriousness of these issues and that is why in 2007 the Ministry of Transportation, Post and Telecommunications called for the preparation of two research projects. One project is targeted on the research of legislative resolutions for the application of alternative mechanisms of financing the universal postal service in the SR after the termination of postal exclusivity. The second project is targeted on the research of the system of access points of the public postal network on a contractual basis as a supportive solution for the provision of universal postal services in a fully liberalized market in the SR.

The above mentioned research projects will form the basis for the elaboration of a regulation model which will be prepared by the Ministry of Transportation, Post and Telecommunications of the SR in 2008. A proposal on how the financial burden resulting from the obligation to provide universal service should be compensated will constitute a part of the regulation model. The draft legislation, whose goal will be to create conditions for the development of economic competition on the postal market and the provision of quality and effective universal service in a fully liberalized market will be prepared pursuant to the regulation model and the third postal regulation.

The gradual process of liberalization has not yet required any further financing of the universal service beyond the framework of postal exclusivity, which constitutes the only compensation mechanism in terms of the SR. Gradual liberalization of the market in the SR from 2002, when postal exclusivity existed for correspondence and commercial addressed mailings up to 1,000 g. up to 2006 when postal exclusivity was decreased to 50 g, did not constitute such a threat to the universal service as complete liberalization. Correspondence and commercial addressed mailing up to 50 g. constitutes approximately 80% of letter mail, i.e. as a result of the termination of postal exclusivity it is possible to expect decreasing returns in the case of the provider of the universal service, since its share on overall returns constitutes approximately 20%. This distinct decrease of returns for the provider of the universal service may seriously disrupt the stability of the provision of universal service leading to a decrease in the number of locations and higher prices. In the interest of avoiding the above mentioned risk, the SR will continue to require legal certainty for the provision and financing of universal service within the process of the approval of the third postal regulation.

## 4.6 Energy Policy

The issues of the energy industry were not elaborated in the National Reform Programme of the SR. At the Spring European Council session in March 2007, a fourth priority - the energy industry and climate change - was added to the three previous priorities of the renewed Lisbon strategy. The EC also approved the importance of the above mentioned agenda which is also underlined **by the detailed elaboration of drafts of measures for the Energy Policy of the European Union**. The energy industry was identified as a new priority for the Slovak Republic in the amendment to the NRP SR. The measures of this priority were targeted on the identification and removal of barriers to the real opening of the energy market, amendments to legal regulations in the area of the energy industry, support of the TEN-E studies and projects identified in the decisions and guidelines for this area, development of business relating to the use of renewable energy resources and reduction of energy consumption.

### 4.6.1 Identification and Removal of Barriers to the Real Opening of the Energy Market

The goal of this measure is to create conditions for the full opening of the electric energy and gas markets for all categories of authorized customers. These conditions are of a legislative, material and institutional character. Act No. 656/2004 Coll. on the energy industry implements Regulation No. 2003/54/EC on the common rules for the internal electricity market and Regulation No. 2003/55/EC on the common rules for the internal gas market. The **New Energy Policy of the SR** approved by the Government of the SR on January 11, 2006, was elaborated pursuant to these legal regulations and the principles of the Strategy of Competitiveness of the SR until 2010.

Concerning the supply of electricity from January 1, 2005, all customers with the exception of customers from households, became authorized customers of electricity. Thus, the market representing 75% of the overall consumption of electrical energy in the Slovak Republic was opened. From July 1, 2007, households were given the opportunity to choose their supplier and on the legislative level, 100% of the market was opened. The number of customers who changed the supplier of electricity as of January 1, 2005 can be only estimated; according to unofficial sources it constitutes approximately 3%. In December 2004, the **Analysis of Barriers to the Opening of the Gas and Electricity Markets** was elaborated based on the previous comments and practical experience, which serves as a base for the elaboration of further legislative regulations. Based on the results of this analysis, aspects for the opening of the market, especially with supported services and other terms, were again adjusted through an amendment to the Act on regulation which also amended Act No. 656/2004 Coll. on the energy industry. The Ministry of Economy subsequently prepared an amendment to Act No. 656/2004 Coll. on the energy industry which along with the implementing of the EU legislation, removes the defined obstacles to the internal gas and electricity markets while implementing non-legislative measures. The Ministry of Economy prepared an important strategic document entitled, **The Strategy of Energy Safety of the SR**. Individual measures proposed there will significantly contribute to the further development of the energy market in compliance with the goals of the Action Plan of the European Council's Energy Policy for Europe.

On January 1, 2005 all required accounting, functional and legal separations in the electricity supply including the required deadlines for the implementing were applied in the energy legislation of the Slovak Republic. The process of the separation of the operation of the transmission system was implemented in January 2002 and the process of the separation of operating distribution systems is planned for implementation as of July 1, 2007 pursuant to pertinent European Regulations. The Regulatory Office for Network Industries is obligated to adopt secondary legislation regarding the details in the methods of maintaining separate records of accounting data and in the methods of maintaining records of assets and liabilities pursuant to the new energy legislation.

Pursuant to the provisions of Act No. 656/2004 Coll. on the energy industry which entered into force on January 1, 2005, all gas customers with the exception of households became authorized customers and were given the opportunity to choose their supplier of gas. The accounting and functional separation of companies was carried out. As of July 1, 2006, the transportation operator and the distribution network operator were legally separated from the parent company. On July 1, 2007, households also became authorized customers. From this date, the 100% legislative opening of the market is expected. New suppliers have ensured legal terms for their entry on the market. The level of the opening of the market constitutes the share of authorized customers from the overall number of customers. In 2006 it reached 4.47% and the share of authorized customers of the overall consumption constituted 73.52%. In fact, no gas customers switched their gas supplier. That is why it is possible to state that despite the created legislative conditions, the natural gas market is not really opened.

The existence of liquid markets for gas and electricity constitutes the prequalification for further progress in the process of building liberalized gas and electricity markets. From the party of the Government of the SR, this was

defined and barriers to the opening of the market were continuously removed. Economic competition is encouraged by from the party of the Ministry of Economy and the Regulatory Office for Network Industries as the state body whose competency includes the provision of transparent, non-discriminating and effective economic competition in the network industries with regards to the protection of the consumer. Based on these steps, primary and secondary legislation is continuously regulated. The mutual cooperation of all market participants in the completion and application of transparent, real and undiscriminating methods and rules in the gas and electricity markets constitutes another prequalification for progress in this field.

Due to the short time since the effect of the new legislation, the behavior of the entrepreneurs on this market, the level of transparency and the rule of non-discrimination of all participants on the gas and electricity markets are being monitored; transparency and the non-discriminatory application of rules for access of third parties to the systems and networks including the provision of information for effective access to these systems and networks are also being monitored. The issues of price regulation are being resolved. The process of the effective separation of regulated activities is actively being carried out and the search for possibilities for the diversification of resources and transportation routes for gas and connections of national electricity systems and gas networks is underway. Further steps and measures will be carried out based on the knowledge gained from monitoring and pursuant to the conclusions of the European Commission from a detailed inspection of obstacles to the opening of the gas and electricity markets. In 2005, the Regulatory Office for Network Industries registered the establishment of 46 new electricity enterprises and 19 new gas enterprises; in 2006 there were 31 new electricity enterprises and 15 new gas enterprises.

One of the basic measures targeted on the liberalization of the market and the creation of a competitive environment is comprised of accounting, functional and legal separation. Implementation of this measure forms a part of the implementation of the Regulations of the European Union on the internal gas and electricity markets and is closely monitored by the European Commission. Establishment of new gas and electricity businesses constitutes a prequalification for the creation of a healthy competitive environment in the energy industry.

In addition to legislative measures, the building of the physical infrastructure is a basic condition for the operation of internal energy market of the European Union. That is why the building of new or missing cross-border connections with the surrounding member states and significant non-EU energy suppliers constitutes one of the priorities of the energy policy of the Slovak Republic. The monitoring of this indicator – the increased gross supplementary transmission capacity in the MVA will allow for the assessment of the implementing of necessary connections. Presently some indicators of national priorities cannot be quantified because to date this area was not resolved in terms of competency or monitoring; the collection and analysis of data are determined by approval of pertinent legislation.

#### **4.6.2 Amendments of Legal Regulations in the Field of the Energy Industry**

The goal of this measure is to implement European policies and regulations in the energy industry and to more effectively enforce the economic competition policy. In addition to their direct impact on the living standards of the population, the current status and trend in energy prices in Slovakia significantly influences the costs for business subjects. Based on the above, it has been recommended that the comprehensive regulation of prices for electricity, gas and water, in addition to other services connected to the supplies of electricity, gas and water, be introduced as it is today. It is proposed that this measure be applied until that time when a sufficiently competitive environment is created in the Slovak gas and electricity markets.

The proposal of the amendment for the present legislative framework constitutes a systematic solution of the regulation framework including transparent, objective and fair price creation in the field of network industries. Act No. 107/2007 Coll. which changes and amends Act No. 276/2001 Coll. on regulation in network industries, was adopted. An amendment to the Act on regulation establishes as its goal the legislative regulation of the position of the regulation office as whole, the subject of material and price regulation, the rights and obligations of the participants in the gas and electricity markets, the increased responsibility of suppliers and operators of the systems for the safety, stability and reliability of energy supplies, more thorough specification of the tasks of the Regulatory Office for Network Industries in relation to the optimal price policy, strengthening of the control and regulation competencies of the state in the field of natural monopolies, measures targeted on the provision of equality of conditions for all market participants and the prevention of misuse of the dominant position on the market.

The Slovak Republic is also preparing an amendment to Act No. 656/2004 Coll. on the energy industry.

### 4.6.3 Support of Studies of Trans-European Energy Networks

The goal of the proposed measure is to support the building and strengthening of physical cross-border connections through trans-European energy networks (TEN-E)<sup>6</sup>. The experience of the Community in the introduction of the internal energy market has proven the significance of TEN-E, which occupies a significant position within the framework of the energy industry of the European Union. The effective and reliable operation of the internal energy market, the preservation and enhancement of safety, the diversification of energy supplies and the transit and merchandizing with electricity and gas will be enabled by building and strengthening the physical cross-border connections. At the same time, more intensive international trade with corresponding economic benefits for the Slovak Republic will be ensured.

The Slovak Republic's advantageous geographical situation enables merchandizing with electricity and gas and their transit with many European countries which will broaden the diversification of supplies for the entire European system. Thus, higher competitiveness on the internal energy market will be provided. In the near future, from the aspect of the Slovak Republic, the building of new or missing cross-border connections with the surrounding member countries and important non-EU energy suppliers and within this context the completion of existing internal connections, are considered as most significant for the relevant companies. In terms of the modernizing of the system and network, the strengthening and reconstruction of existing wiring in points where electrical system overloads may occur (identification of narrow points, missing connections) and the development of capacities for the transport of gas (gas lines) necessary for satisfying the demand and the diversification of supplies from internal and external resources and the suppliers' routes are required. This measure serves to implement European policies in the energy industry. Implementing this measure requires financing from private resources and the resources of the Community (the TEN-E budget and Structural Funds).

Assessment of this measure also depends on the drawing of Structural Funds; the TEN-E Programme is not financed from Structural Funds in the Slovak Republic. Subsequent to the Regulations of the EP and Council in 2007, operators of the transmission system and transporting network in the Slovak Republic have been authorized for the first time since accession to the EU to apply for financial support of the European Union from the TEN-E budget. The deadline for the submission of Slovak applications is August 31, 2007.

### 4.6.4 Development of Business in the Use of Renewable Energy Resources

On April 25, 2007, The Government of the SR approved the **Strategy of the Increased Use of Renewable Energy Resources in the SR** for the fulfillment of the above mentioned goal. This strategy contains an analysis of their real use, identifies barriers, and defines solutions and objectives for 2010 and 2015 and the possibilities of financial support mechanisms from the state budget, structural funds, legislative measures and measures in the area of education, science and research. The approved Strategy fully respects the Action Plan for the Energy Industry adopted by the European Council in March 2007.

The Ministry of Economy will prepare the **Programme of Higher Use of Biomass and Solar Energy in Households** for implementation by the end of September 2007. Achieving the goals in the field of heating from 2007 until 2015 requires the provision of investment support for the use of solar energy and biomass for heating buildings and water for apartments and houses for physical entities in the form of subsidies for boilers for biomass and solar systems. We are referring to the support of households which may not be drawn from the EU Structural Funds; as a result, the only solution is financing from the state budget. The overall amount of the financial means allocated for one year will be SKK 100 million. The support of renewable energy resources from the Structural Funds will be implemented through the Competitiveness and Economic Growth Operation Programme which is also targeted on the enhancement of energy effectiveness. All sectors of the national economy, the public and private sectors in particular, should be supported. The general goal of these measures is the approximation of industrial energy consumption to a level comparable with the European Union through energy savings and increased effectiveness and an increased share of electricity and heat production from renewable resources of energy. Programs leading to the increased use of renewable resources of energy and conservation and effective use of energy will be supported.

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<sup>6</sup> The European Parliament and Council Decision No. 1364/2006/EC from September 6, 2006, through which the directives for trans-European energy Within the framework of this measure which networks are established and through which the decision No. 96/391/EC and the decision No. 1229/2003/EC are abolished.

Another task resulting from the Strategy is the elaboration of the **Act on renewable energy resources** by the end of 2007.

Within the framework of this measure which represents the implementing of Integrated Guideline No. 11 (to stimulate sustainable use of resources and strengthen synergy between environmental protection and growth) the following tasks, which have an influence on business in the use of renewable energy resources, are continuously being fulfilled:

- decreasing energy consumption and changing the fuel base in the case of energy resources with an emphasis on low emissions and renewable resources,
- support of research and consulting in the use of renewable energy resources.

From the long-term aspect in the fulfillment of goals related to increasing competitiveness, effectiveness in the use of energy and decreased dependency on foreign supplies, also through the use of the potential of own renewable resources, must be enforced. The Slovak Republic has agreed with the conclusions of the European Council in the establishment of an obligatory share of renewable energy resources of the final energy consumption in the amount of 20% by 2010 on level of the entire European Union. Achieving of a 12% share by 2020 appears to be a realistic goal for the Slovak Republic and it is necessary to enforce this binding goal in the course of the upcoming negotiations regarding new legal regulations for renewable energy resources.

#### 4.6.5 Reducing Energy Consumption

The goal of this measure is to implement the Action Plan for Energy Effectiveness and to decrease energy consumption in industrial production and the consumption of primary energy resources and to increase energy effectiveness in the production, transportation and consumption of energy. On July 4, 2007, in order to fulfill the above mentioned goal, the Government of the SR approved the **Concept of Energy Effectiveness of the SR**. The goal of this Concept is to help resolve those issues in the energy industry which have not been resolved by the internal energy market, to make an inventory of the present knowledge of the potential of energy conservation in individual sectors of the Slovak economy, to identify barriers, to propose strategic goals and priorities, to define energy saving measures, to establish a timeline for the gradual steps leading towards the achieving set goals and to implement the proposed measures and their monitoring. The result of its implementing should help to gradually reduce energy consumption on the level of the European Union, to create a motivated environment for the energy effective behavior of the population and market participants in optimization of state ingerency and to support sustainable energy solutions and the introduction of innovations and energy effective technologies in all sectors of the national economy.

The **Energy Effectiveness Action Plan** will be the continuation of the Concept which will define the actual measures for the following three years. These measures must be designed so that they achieve the goals of Regulation No. 2006/32/EC on the effectiveness of the final use of energy and energy services. The Action Plan is being prepared and its success will depend on the allocation of sufficient financial means for the implementation of the proposed measures. Preparation of comprehensive legal regulations on energy effectiveness will also constitute part of the implementation of the Action Plan. The development of prices for electricity and gas has a significant influence on industrial sectors with high energy consumption, but also involves the costs of a large part of entrepreneurial subjects. Electricity and gas prices are measured by the index of energy prices and both types of energies have the same importance in the index. In order to assess the concentration rate in the energy industry, the market share of the largest electricity producer should be monitored. Only the net production of electricity is taken into consideration in its determining, i.e. the amount of energy consumed by the producer itself is not taken into consideration. The actual representation of energy effectiveness is the energy consumption of a given activity or operation of technology. It is represented in energy units pertaining to the production unit and in the case of the assessment of the entire national economy according to international standards for the formation of the GDP.

Reducing the energy consumption of the economy will be implemented through individual energy effectiveness projects and energy savings must be the result of these projects. The representation of energy savings in absolute units constitutes the fundamental prequalification for the evaluation of the project's success and the monitoring of energy effectiveness activities necessary in the submission of reports for the EC. Enhancing general awareness regarding this issue and increasing the level of information among public and entrepreneurial subjects regarding saving possibilities and support programs constitute necessary prequalification for increasing energy effectiveness.

The Energy Effectiveness Fund will be established for the long-term provision of financial support for projects targeted on energy effectiveness (financed as a priority without claims on the state budget) as an institution, which will support the public and commercial spheres. The project fulfilling requirements of energy effectiveness will be financed in the form of subsidies for the acquisition of equipment, support for actual projects, bonuses from interest, etc. Presently the Bill on the Energy Effectiveness Fund is in the preparation phase. A total of SKK 250 million will be required from the state budget for 2008. Financing the Fund in the 2009 and 2010 should amount SKK 200 million and SKK 150 million respectively.

The source of support for energy effectiveness projects in the period 2007 – 2013 with the most potential is structural funds. Measures within the framework of Axe 2 Priority - OP Competitiveness and Economic Growth will be targeted on the energy industry. The Axe 2 Priority - **The Energy Industry**, whose goal is to increase energy effectiveness in the production, transportation and consumption of energy, reduce energy consumption in industrial production and consumption of primary energy resources and increase the use of renewable resources of energy is targeted on the support of entrepreneurial activities which will reduce energy consumption per production unit in industry and provide for the availability of energy for the business sphere and increase the use of renewable resources of energy. Two measures oriented on increasing energy effectiveness in terms of production and consumption and the introduction of progressive technologies in the energy industry and for the building and modernizing of the lighting of towns and municipalities and the provision of consulting in the field of the energy industry have been proposed.

Within the framework of the financial plan for the priority Axis Energy Industry, the overall sum of Euro 172,564,706 is being considered. The national contribution to this sum is Euro 25,884,706. In addition to support from the OP Competitiveness and Economic Growth, the field of the energy industry and energy effectiveness will also be thoroughly supported, by activities of the Regional Operation Programme and the OP Environment (in the field of the use of renewable resources), OP Healthcare, OP Research and Development, OP Bratislava Region and in the Programme of Development of Rural Areas of the SR financed from EAFRD. The coordination of the support for energy effectiveness will be horizontally provided by the Ministry of Economy, which pursuant to the Competency Act is responsible for energy policy, provides for and fulfills tasks resulting for the SR from regulations, guidelines and strategic documents of the EU and at the same time is obliged to inform the EC on the fulfillment of these undertakings.

#### 4.7 Environmental Policy

The preservation, protection and improvement of the environment including **biological diversity** are the main goals for Slovakia on the national level. All necessary steps were adopted for the transposition or implementation into national legislation of EU regulations connected with the priorities of **Stop Decline of Biological Diversity until 2010**, the Sixth EU Environmental Action Programme and Initiative.

Council Regulation No. 1979/409/EEC from April 2 on protection of wild birds, Council Regulation No. 1992/43/EEC from May 21, 1992 on protection of natural biotopes and wild fauna and flora and Council Regulation No. 199/EC from March 29, 1999 on breeding of wild animals in zoological gardens were transposed into national legislation through Act No. 543/2002 Coll. on protection of nature and landscape and through a number of executive regulations regarding nature and landscape protection.

Stopping the reduction of biological diversity is to be achieved through the elaboration and implementation of relief programs in compliance with the **National Strategy of Biodiversity Protection of the SR for 1998 – 2010** and its Action Plan.

Activities in the area of **waste management** are focused in four fundamental directions: *separated waste collection, evaluation of waste, handling of hazardous waste in an environmentally favorable manner, and the closing and re-cultivation of waste dumps.*

The objective of the waste management concept established in the **Waste Management Programme of the SR for 2006 – 2010** is the nationwide introduction of separated waste collection with the largest possible number of separated elements (paper, metal, glass, plastic material, biologically decomposable waste). For this purpose the legislative measure within the framework of Act No. 223/2001 Coll. on waste was adopted. According to this, from January 1, 2006 the ban on the disposal of biologically decomposable waste from gardens and parks including waste from cemeteries (so-called green waste) is in force.

The Act on waste regulates the area of *handling hazardous waste in an environmentally favorable manner* (waste from healthcare and veterinary care) and the provision of environmentally suitable disposal of expired

pesticides including POP pesticides on the territory of the SR with the application of the best available technology.

*Support of activities for the evaluation of waste* should lead to the growth of the evaluation of waste from industrial and agricultural production. These issues are legislatively regulated by European Parliament and Council Regulation No. 2006/12/EC from April 5, 2006 on waste and by laws on waste and related executive regulations on the national level.

*Old environmental burdens* constitute part of the environmental issues. Presently the European legislation does not regulate the issues of environmental burdens. The Framework Guideline for the Protection of Soil which is also related to the issues of contaminated territories, is in the preparation phase. Its adoption is expected in 2008-2009. Environmental burden issues are not presently regulated legislatively even in the SR. Adoption of the Act on environmental burdens is expected in the second quarter of 2008. The mapping, classification and design of the environmental burden information system is in the competency of the **Slovak Environmental Agency** within its geological task **Identification of Environmental Burdens in the SR**. The environmental burden information system is built in the form of a functional web page and will be connected to the Environment Information System of the SR. It will contain hierarchal access to information regarding environmental burdens and a link to the GIS map of environmental burdens of Slovakia with various information modules. The task is approximately 50% complete; total completion is expected by December 2008.

In addition to the priorities set by the Spring EU Summit, the priority objectives of the Ministry of Environment focus on the following areas: wastewater drainage and treatment, provision of protection from floods, air quality monitoring and compensation for limitations in common soil management.

- December 31, 2012 is the deadline for achieving regulation compliance of 97 % of the overall amount of biologically removable pollution,
- December 31, 2015 is the deadline for providing drainage and biological treatment of wastewater in agglomerations above 2,000 equivalent inhabitants,
- the ongoing provision of wastewater treatment in all agglomerations under 2,000 equivalent inhabitants with drainage networks.

The requirements of Regulation No. 91/271/EEC are fully transposed into the legislation of the SR; presently the process of implementing is underway. Partial objectives are provided by undertakings regulated in the Accession Agreement of the SR to the EU. All territorial administration units (towns and municipalities), water management companies, the Slovak Water Management Company, state enterprises and state administration bodies are involved in the process of implementing the requirements of Regulation No. 91/271/EEC. Their activities from the perspective of the concepts and execution of the state water administration are coordinated and controlled by the Ministry of Environment.

One of the priorities of the environmental policies of the SR is **flood protection**. In this area the EU Council approved the Regulation of the European Parliament and Council on assessment and management of flood risks (hereinafter the "Regulation") on July 25, 2007. Its goal is to establish an effective legal framework for the assessment and management of flood risks with the goal of reducing the unfavorable consequences of floods in terms of health, the environment, cultural heritage and economic activities.

Flood protection is legislatively regulated in the SR by Act No. 666/2004 Coll. on flood protection and pertinent executive regulations. The **Anti-Flood Protection Programme until 2010** is the fundamental ministerial document in the field of flood protection. It was adopted by the Government of the SR through Resolution No. 31/2000. The Program was updated after floods in 2002 and the following priorities of flood protection were established: Bratislava, Banská Bystrica and Prešov. The overall financial need for implementing the Program amounts to approximately SKK 21 billion. The goal of the Programme is significantly reduce damage caused by floods by implementing preventative measures for flood protection; to limit unfavorable influences on drainage caused by human activities during floods and to restore the natural ability of water accumulation through the revitalization of floods. Based on past experience from floods, a greater emphasis is placed on measures targeted on the protection of the most densely populated territories and territories with significant economic potential.

In the field of **air quality monitoring**, the SR is bound by the valid legislation of the EU which is transposed into the national legislation through Act No. 478/2002 Coll. on air protection as amended and through three executive regulations.

According to results of air quality monitoring in the Slovak Republic in 2006, the level of pollution in any agglomeration or zone did not exceed the established limits for the protection of the health of people in the case of the following pollutants: SO<sub>2</sub>, NO<sub>2</sub>, CO, benzene, Pb, Ni, Cd. The limit for As was exceeded in one station. Within the framework of the monitoring programme, the minimum scope of monitoring was achieved in case of sulphur oxide (SO<sub>2</sub>), nitrogen oxides (NO, NO<sub>2</sub> and NO<sub>x</sub>), suspended particles (PM<sub>10</sub>), carbon oxide (CO), ozone (O<sub>3</sub>), benzene and heavy metals (Pb, As, Cd and Ni). The minimum scope of monitoring was not achieved in the case of polyaromatic hydrocarbons and suspended particles PM<sub>2,5</sub>.

In the future it will be necessary to improve the standard of monitoring to 90% efficiency in all monitoring stations. This is connected with costs related to the renewal of the air quality monitoring network. In 2007 the following monitoring is not provided for the air quality monitoring network:

- monitoring of PM<sub>10</sub> in 4 monitoring stations,
- monitoring of PM<sub>2,5</sub> in 14 monitoring stations,
- monitoring of benzene in 2 monitoring stations,
- mercury monitoring,
- monitoring of heavy metal deposition.

Compensation for limitations in common soil management in the SR is regulated by Act No. 543/2002 Coll. As a result, the plot owner is obliged to endure the limitations and measures resulting from bans and other terms of the nature and landscape protection and for this he/she is entitled to compensation in the amount corresponding to this limitation of common management. This provision does not apply to owners of private protected territories and their protection zones if the limitation is related to the common management on this territory and plots in state ownership. The legislative changes in this area are expected to take effect from 2008.

## 5 Annexes

### 5.1 Annex No. 1 – Development of the Set of Indicators for Monitoring of the Lisbon Strategy for the SR

| <b>Set of Indicators for Monitoring Fulfillment of NRP Tasks</b>                           |              |             |             |             |             |             |
|--|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>Macro-economic Framework</b>  |              | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
| <b>0.1 Real GDP Growth Rate</b><br>(% change for previous year, fixed prices from 2000)    | <b>EU 25</b> | 1.2         | 1.3         | 2.4         | 1.7         | 2.9         |
|  | <b>SK</b>    | 4.1         | 4.2         | 5.4         | 6.0         | 8.3         |
| <b>0.1.1 GDP per Capita</b><br>(in % GDP per capita, PPP, EU 25=100)                       | <b>EU 25</b> | 100         | 100         | 100         | 100         | 100         |
|  | <b>SK</b>    | 51.0        | 52.8        | 54.4        | 57.1        | 60.2        |
| <b>0.2 Growth Rate of Real Productivity of Labor</b><br>(% change GDP per employee, ESA)   | <b>SK</b>    | 4.7         | 2.3         | 5.8         | 4.6         | 5.8         |
| <b>0.2.1 Productivity of Labor per Employee</b><br>(in % GDP per employee, PPP, EU 25=100) | <b>EU 25</b> | 100.0       | 100.0       | 100.0       | 100.0       | 100.0       |
|  | <b>SK</b>    | 60.3        | 60.1        | 62.2        | 65.2        | 67.7        |
| <b>0.2.2 Productivity of Labor per Hour</b><br>(in % GDP per hour, PPP, EU 25=100)         | <b>EU 25</b> | 100.0       | 100.0       | 100.0       | -           | -           |
|  | <b>SK</b>    | 57.2        | 60.2        | 61.2        | -           | -           |
| <b>0.3 Inflation Rate</b><br>(in %, HICP)  | <b>EU 25</b> | 2.1         | 2.0         | 2.0         | 2.2         | 2.2         |
|  | <b>SK</b>    | 3.5         | 8.4         | 7.5         | 2.8         | 4.3         |
| <b>0.4 Public Balance</b><br>(in % GDP)  | <b>EU 25</b> | -2.3        | -3.0        | -2.7        | -2.3        | -1.7        |
|  | <b>SK</b>    | -7.7        | -2.7        | -2.4        | -2.8        | -3.4        |
| <b>0.5 General Government Debt</b><br>(in % GDP)   | <b>EU 25</b> | 60.4        | 62.0        | 62.4        | 63.2        | 62.2        |
|  | <b>SK</b>    | 43.3        | 42.7        | 41.6        | 34.5        | 30.7        |
| <b>0.6 Growth Rate of Real Wages</b><br>(in %)   | <b>SK</b>    | 5.8         | -2.0        | 2.5         | 6.3         | 3.3         |
| <b>0.7 Real Growth Rate of Household Consumption</b><br>(in %, ESA)                        | <b>SK</b>    | 5.2         | 0.1         | 3.8         | 7.2         | 6.3         |

Source: Eurostat, SO SR

| <b>1 Education</b>  |              | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|---|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>1.1 Youth Education Attainment Level</b><br>(in %, young people from 20 to 24 years old)                               | <b>EU 25</b> | 76.7        | 76.3        | 77.1        | 77.5        | 77.7        |
|   | <b>SK</b>    | 94.5        | 94.1        | 91.7        | 91.8        | 91.5        |
| <b>1.2 Early School-leavers</b><br>(in %, young people from 18 to 24 years old, do not continue in education)             | <b>EU 25</b> | 16.6        | 16.2        | 15.6        | 15.2        | 15.1        |
|   | <b>SK</b>    | 5.6         | 4.9         | 7.1         | 5.8         | 6.4         |
| <b>1.3 Tertiary Education Graduates</b><br>(age category from 20 to 29, in % per 1,000 inhabitants of equal age category) | <b>EU 25</b> | -           | -           | -           | -           | -           |
|   | <b>SK</b>    | 26.3        | 29.0        | 31.8        | -           | -           |
| <b>1.4 Life-long Learning</b><br>(in %, age category from 25 to 64)   | <b>EU 25</b> | 7.6         | 9.0         | 9.9         | 10.2        | 10.1        |
|   | <b>SK</b>    | 8.5         | 3.7         | 4.3         | 4.6         | 4.3         |
| <b>1.5 PISA Index</b><br>(reading, knowledge of science and mathematics in the age category 14 and 15)                    | <b>OECD</b>  | -           | 1,492       | -           | -           | -           |
|   | <b>SK</b>    | -           | 1,462       | -           | -           | -           |
| <b>1.6 Low Ability of Students to read with Understanding</b><br>(in %, in age of 15)                                     | <b>EU 25</b> | -           | 19.8        | -           | -           | -           |
|   | <b>SK</b>    | -           | 24.9        | -           | -           | -           |
| <b>1.7 Spending on Human Resources</b><br>(in % per GDP)  | <b>EU 25</b> | 5.1         | 5.2         | 5.12        | -           | -           |
|   | <b>SK</b>    | 4.3         | 4.34        | 4.21        | -           | -           |
| <b>1.8 Expenditure per Tertiary Student</b><br>(in % per GDP/capita)  | <b>OECD</b>  | -           | 43          | -           | -           | -           |
|   | <b>SK</b>    | -           | 36          | -           | -           | -           |

Source: Eurostat, EC, OECD

| <b>2</b>     | <b>Employment and Social Inclusion</b>                           |              | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------|--|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>2.1</b>   | <b>Employment Growth Rate</b>                                    | <b>EU 25</b> | 0.4         | 0.4         | 0.7         | 0.9         | 1.4         |
|              | (in %, ESA95)  | <b>SK</b>    | -0.5        | 1.8         | -0.3        | 1.4         | 2.3         |
| <b>2.2</b>   | <b>Employment Rate</b>   | <b>EU 25</b> | 62.8        | 62.9        | 63.3        | 63.8        | 64.7        |
|              | (in %, age category from 15 to 64)                               | <b>SK</b>    | 56.8        | 57.7        | 57.0        | 57.7        | 59.4        |
| <b>2.2.1</b> | <b>Employment Rate – Women</b>                                   | <b>EU 25</b> | 54.7        | 55          | 55.7        | 56.3        | 57.3        |
|              | (in %, age category from 15 to 64)                               | <b>SK</b>    | 51.4        | 52.2        | 50.9        | 50.9        | 51.9        |
| <b>2.2.2</b> | <b>Employment Rate - Men</b>                                     | <b>EU 25</b> | 71.0        | 70.8        | 70.9        | 71.3        | 72.0        |
|              | (in %, age category from 15 to 64)                               | <b>SK</b>    | 62.4        | 63.3        | 63.2        | 64.6        | 67.0        |
| <b>2.3</b>   | <b>Employment Rate of Older Workers</b>                          | <b>EU 25</b> | 38.7        | 40.2        | 41.0        | 42.5        | 43.6        |
|              | (in %, age category from 55 to 64)                               | <b>SK</b>    | 22.8        | 24.6        | 26.8        | 30.3        | 33.1        |
| <b>2.3.1</b> | <b>Employment Rate of Older Workers - Women</b>                  | <b>EU 25</b> | 29.2        | 30.7        | 31.7        | 33.7        | 34.9        |
|              | (in %, age category from 55 to 64)                               | <b>SK</b>    | 9.5         | 11.2        | 12.6        | 15.6        | 18.9        |
| <b>2.3.2</b> | <b>Employment Rate of Older Workers - Men</b>                    | <b>EU 25</b> | 48.8        | 50.3        | 50.7        | 51.8        | 52.8        |
|              | (in %, age category from 55 to 64)                               | <b>SK</b>    | 39.1        | 41.0        | 43.8        | 47.8        | 49.8        |
| <b>2.4</b>   | <b>Unemployment Rate</b>   | <b>EU 25</b> | 8.7         | 9.0         | 9.1         | 8.8         | 7.9         |
|              | (in %, LFS)  | <b>SK</b>    | 18.5        | 17.4        | 18.1        | 16.2        | 13.3        |
| <b>2.4.1</b> | <b>Unemployment Rate - Women</b>                                 | <b>EU 25</b> | 10          | 10.2        | 10.2        | 9.8         | 8.9         |
|              | (in %, LFS)  | <b>SK</b>    | 18.7        | 17.7        | 19.2        | 17.2        | 14.7        |
| <b>2.4.2</b> | <b>Unemployment Rate - Men</b>                                   | <b>EU 25</b> | 7.8         | 8.1         | 8.1         | 7.9         | 7.1         |
|              | (in %, LFS)  | <b>SK</b>    | 18.6        | 17.4        | 17.4        | 15.5        | 12.3        |
| <b>2.5</b>   | <b>Economic Activity Rate</b>                                    | <b>SK</b>    | 60.2        | 60.3        | 60.2        | 59.5        | 59.1        |
|              | (economically active population in v % per overall, LFS)         |              |             |             |             |             |             |
| <b>2.5.1</b> | <b>Economic Activity Rate – Women</b>                            | <b>SK</b>    | 52.6        | 52.9        | 52.5        | 51.3        | 50.7        |
|              | (economically active population in v % per overall, LFS)         |              |             |             |             |             |             |
| <b>2.5.2</b> | <b>Economic Activity Rate – Men</b>                              | <b>SK</b>    | 68.5        | 68.4        | 68.5        | 68.4        | 68.2        |
|              | (economically active population in v % per overall, LFS)         |              |             |             |             |             |             |
| <b>2.6</b>   | <b>Long-term Unemployment Rate</b>                               | <b>EU 25</b> | 3.9         | 4.1         | 4.1         | 3.9         | 3.6         |
|              | (in %, longer than 12 months)                                    | <b>SK</b>    | 12.2        | 11.4        | 11.8        | 11.7        | 10.2        |
| <b>2.7</b>   | <b>Youth Unemployment Rate</b>                                   | <b>EU 25</b> | 18.5        | 19.0        | 19.0        | 18.5        | 17.2        |
|              | (in %, age category from 15 to 24)                               | <b>SK</b>    | 37.6        | 33.6        | 32.9        | 30.1        | 26.7        |
| <b>2.8</b>   | <b>Tax Wedge on Low Wage Earners</b>                             | <b>EU 25</b> | 40.4        | 39.5        | 39.7        | 39.4        | -           |
|              | (in % per overall labor costs)                                   | <b>SK</b>    | 40.8        | 40.9        | 39.6        | 35.2        | 35.6        |
| <b>2.9</b>   | <b>Average Exit Age from the Labour Force</b>                    | <b>EU 25</b> | 60.4        | 61.0        | 60.5        | 60.9        | -           |
|              | (Balanced by Probability of Retiring from the labor Market)      | <b>SK</b>    | 57.5        | 57.8        | 58.5        | 59.2        | -           |
| <b>2.9.1</b> | <b>Average Exit Age from the Labour Force – Women</b>            | <b>EU 25</b> | 60.0        | 60.5        | 60.2        | 60.4        | -           |
|              | (age category)   | <b>SK</b>    | 55.7        | 55.9        | 57.0        | 57.6        | -           |
| <b>2.9.2</b> | <b>Average Exit Age from the Labour Force – Men</b>              | <b>EU 25</b> | 60.8        | 61.5        | 60.9        | 61.4        | -           |
|              | (age category)   | <b>SK</b>    | 59.6        | 60.0        | 60.3        | 61.1        | -           |
| <b>2.10</b>  | <b>Gender Pay Gap</b>  | <b>EU 25</b> | 16          | 15          | 15          | 15          | -           |
|              | (in %, average income lower for women than for men)              | <b>SK</b>    | 27          | 23          | 24          | 24          | 27          |
| <b>2.11</b>  | <b>At-risk-of-poverty Rate</b>                                   | <b>EU 25</b> | -           | -           | 16*         | 16*         | -           |
|              | (in %, income lower than 60 % of median, after social transfers) | <b>SK</b>    | -           | -           | 13.3*       | 11.6*       | -           |
| <b>2.12</b>  | <b>Share of Persons in Material Need</b>                         | <b>SK</b>    | 10.83       | 9.89        | 6.91        | 6.74        | 7.55        |
|              | (in %, persons in material need per overall population)          |              |             |             |             |             |             |
| <b>2.13</b>  | <b>Jobless Households</b>  | <b>EU 25</b> | 9.8         | 9.8         | 9.8         | 9.7         | 9.5         |
|              | (in %, age category from 0 to 17)                                | <b>SK</b>    | 12.1        | 11.8        | 12.8        | 13.8        | 11.8        |

Source: Eurostat, MoLSAF SR, ŠO SR

| <b>3</b>     | <b>Business Environment</b>                    |             | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>3.1</b>   | <b>Doing Business Index</b>                    | <b>OECD</b> | -           | -           | 100.0       | 100.0       | 100.0       |
|              | (OECD=100, lower value of indicator is better) | <b>SK</b>   | -           | -           | 190.1       | 201.1       | 178.6       |
| <b>3.1.1</b> | <b>Starting a Business</b>                     | <b>OECD</b> | -           | -           | 25.0        | 19.0        | 16.6        |
|              | (in days)                                      | <b>SK</b>   | -           | 98.0        | 52.0        | 25.0        | 25.0        |
| <b>3.1.2</b> | <b>Rigidity of Employment Index</b>            | <b>OECD</b> | -           | -           | 34.4        | 35.7        | 33.3        |
|              | (hiring and dismissing of employees)           | <b>SK</b>   | -           | 61.0        | 10.0        | 39.0        | 39.0        |

|  |  |              |        |        |        |        |        |
|--|--|--------------|--------|--------|--------|--------|--------|
| <b>3.1.3</b>   | <b>Enforcing Contracts</b><br>(in days)  | <b>OECD</b>  | -      | -      | 229.0  | 232.0  | 351.2  |
|  |  | <b>SKK</b>   | -      | 420.0  | 565.0  | 565.0  | 565.0  |
| <b>3.1.4</b>   | <b>Closing a Business</b><br>(in years)  | <b>OECD</b>  | -      | -      | 1.7    | 1.5    | 1.4    |
|  |  | <b>SKK</b>   | -      | 4.8    | 4.7    | 4.8    | 4.0    |
| <b>3.2</b>   | <b>Business Demography - Survival Rate</b><br>(in %)   | <b>EU 25</b> | -      | -      | -      | -      | -      |
|  |  | <b>SKK</b>   | 89.37  | 83.54  | -      | -      | -      |
| <b>3.3</b>   | <b>Price of Telecommunications - for Entrepreneurs</b><br>(prices for a basket of services in Euro without VAT, PPP) | <b>EU 25</b> | 106.83 | 106.17 | 102.04 | 93.01  | -      |
|  |  | <b>SKK</b>   | 183.79 | 176.68 | 175.81 | 175.44 | -      |
| <b>Market Share of the Incumbent in Fixed Telecommunications</b>       |  |              |        |        |        |        |        |
| <b>3.3.1</b>   | <b>Telecommunications</b><br>(in %, local calls)   | <b>EU 25</b> | -      | 86.4   | 82.4   | 82.1   | -      |
|  |  | <b>SKK</b>   | -      | 100    | 100    | 99.9   | 99.9   |
| <b>3.4</b>   | <b>Total State Aid</b><br>(in % per GDP)   | <b>EU 25</b> | 0.71   | 0.64   | 0.61   | 0.59   | -      |
|  |  | <b>SKK</b>   | 0.43   | 0.55   | 0.65   | 0.66   | 24.6   |
| <b>3.5</b>   | <b>Business Investment</b><br>(in % per GDP, gross formation of fixed capital in private sector)                     | <b>EU 25</b> | 17.2   | 16.9   | 17.1   | 17.4   | -      |
|  |  | <b>SKK</b>   | 24.1   | 22.4   | 21.7   | 24.7   | -      |
| <b>3.6</b>   | <b>Legislative and Regulation Environment Index</b><br>(3.Q 2001=100, higher indicator value is better)              | <b>SKK</b>   | 98.08  | 98.60  | 100.62 | 104.03 | 104.74 |
| <b>Share of Added Value Towards Material and Energy Consumption</b>    |  |              |        |        |        |        |        |
| <b>3.7</b>   | <b>Consumption</b><br>(in SKK)   | <b>SKK</b>   | 0.433  | 0.394  | 0.396  | 0.373  | -      |
| <b>3.8</b>   | <b>Share of Added Value Towards the Volume of Paid Wages</b><br>(in 1,000 SKK)                                       | <b>SKK</b>   | 3.707  | 3.906  | 4.121  | 3.932  | -      |
| <b>Increase of Number of Overnights Stays by Accommodated Visitors</b> |  |              |        |        |        |        |        |
| <b>3.9</b>   | <b>Visitors</b><br>(index, previous year = 100)  | <b>SKK</b>   | 108.1  | 98.0   | 96.2   | 99.9   | 103.8  |

\* - in 2004 and 2005 change of methodology occurred  
Teligen

Source: Eurostat, World Bank, The Business Alliance of Slovakia,

| <b>4 The Energy Industry</b> |  | <b>2002</b>  | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|------------------------------|--|--------------|-------------|-------------|-------------|-------------|
| <b>4.1</b>                   | <b>Energy Intensity of the Economy</b><br>(energy consumption/GDP, kgoe – equivalent kg of oil per 1,000 Euro)   | <b>EU 25</b> | 206.5       | 207.6       | 204.9       | -           |
|                              |  | <b>SKK</b>   | 976.0       | 929.6       | 854.3       | -           |
|                              | (energy consumption/GDP, kgoe, EU 25 = 100)  | <b>SKK</b>   | 472.6       | 447.8       | 416.9       | -           |
| <b>4.2</b>                   | <b>Renewable Energy</b><br>(in % per overall consumption of electric energy)                                     | <b>EU 25</b> | 12.7        | 12.7        | 13.8        | 13.6        |
|                              |  | <b>SKK</b>   | 18.6        | 12.0        | 14.3        | 16.5        |
| <b>4.3</b>                   | <b>Index of Energies Prices for Entrepreneurs</b><br>(gas and electric energy, without VAT, EU 25 2004=100, PPP) | <b>EU 25</b> | -           | -           | 100.0       | 110.8       |
|                              |  | <b>SKK</b>   | -           | -           | 213.8       | 212.1       |
| <b>4.3.1</b>                 | <b>Market Share of Largest Producer of Electric Energy</b><br>(in %)   | <b>EU 25</b> | -           | -           | -           | -           |
|                              |  | <b>SKK</b>   | 84.5        | 83.6        | 83.7        | 83.6        |

Source: Eurostat

| <b>5 Research, Development and Innovation</b>                    |  | <b>2002</b>  | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--|--|--------------|-------------|-------------|-------------|-------------|
| <b>Gross Domestic Expenditure on R&amp;D (GERD) by</b>           |  |              |             |             |             |             |
| <b>5.1</b>   | <b>Government</b><br>(in % GDP)  | <b>EU 25</b> | 0.65        | 0.66        | 0.64        | 0.64        |
|  |  | <b>SKK</b>   | 0.25        | 0.29        | 0.29        | 0.29        |
| <b>5.2</b>   | <b>Gross Domestic Expenditure on R&amp;D (GERD) by Industry</b><br>(in % GDP)  | <b>EU 25</b> | 1.03        | 1.02        | 1.02        | 1.01        |
|  |  | <b>SKK</b>   | 0.31        | 0.26        | 0.20        | 0.19        |
| <b>5.2.1</b>   | <b>Gross Domestic Expenditure on R&amp;D (GERD) by Abroad</b><br>(in % GDP)  | <b>EU 25</b> | 0.168       | 0.162       | 0.152       | 0.157       |
|  |  | <b>SKK</b>   | 0.012       | 0.019       | 0.022       | 0.031       |
| <b>Share of Expenditures on Applied Research and Development</b> |  |              |             |             |             |             |
| <b>5.2.2</b>   | <b>Development</b><br>(in %)   | <b>EU 25</b> | -           | -           | -           | -           |
|  |  | <b>SKK</b>   | 46.8        | 44.8        | 35.4        | 30.9        |
| <b>5.3</b>   | <b>Science and Technology Graduates</b><br>(in % per 1,000 inhabitants of age category from 20 to 29)  | <b>EU 25</b> | 11.5        | 12.3        | 12.7        | -           |
|  |  | <b>SKK</b>   | 7.8         | 8.3         | 9.2         | -           |
| <b>5.4</b>   | <b>Quotation Index</b><br>(average number of quotations of publications from given country/average number of quotations of publication from world) | <b>EU 15</b> | -           | 1.07        | 1.05        | -           |
|  |  | <b>SKK</b>   | -           | 0.56        | 0.58        | -           |

database)

|              |  |              |        |        |       |       |   |
|--------------|--|--------------|--------|--------|-------|-------|---|
| <b>5.4.1</b> | <b>Relative Production of Publications</b><br>(number per 1,000 inhabitants)   | <b>EU 15</b> | -      | 0.74   | 0.77  | -     | - |
|              |  | <b>SKK</b>   | -      | 0.34   | 0.34  | -     | - |
| <b>5.4.2</b> | <b>Relative Production of Quotations</b><br>(number per 1,000 inhabitants)     | <b>EU 15</b> | -      | 3.60   | 3.57  | -     | - |
|              |  | <b>SKK</b>   | -      | 0.87   | 0.87  | -     | - |
| <b>5.5</b>   | <b>EPO Patents</b><br>(number per 1,000 inhabitants)                           | <b>EU 25</b> | 133.08 | 136.68 | -     | -     | - |
|              |  | <b>SKK</b>   | 7.71   | 8.14   | -     | -     | - |
| <b>5.5.1</b> | <b>EPO High-Tech Patents</b><br>(number per 1,000,000 inhabitants)             | <b>EU 25</b> | -      | -      | -     | -     | - |
|              |  | <b>SKK</b>   | 0.79   | 0.37   | -     | -     | - |
| <b>5.6</b>   | <b>Venture Capital Investments</b><br>(in % GDP)                               | <b>EU 15</b> | 0.107  | 0.107  | 0.107 | 0.138 | - |
|              |  | <b>SKK</b>   | 0.011  | 0.010  | 0.012 | 0.002 | - |
| <b>5.6.1</b> | <b>Venture Capital Investments – Early Stage</b><br>(in % GDP)                 | <b>EU 15</b> | 0.028  | 0.021  | 0.023 | 0.022 | - |
|              |  | <b>SKK</b>   | 0.003  | 0.000  | 0.006 | 0.001 | - |
| <b>5.6.2</b> | <b>Venture Capital Investments – Expansion &amp; Replacement</b><br>(in % GDP) | <b>EU 15</b> | 0.079  | 0.086  | 0.084 | 0.116 | - |
|              |  | <b>SKK</b>   | 0.008  | 0.010  | 0.006 | 0.001 | - |
| <b>5.7</b>   | <b>Summary Innovation Index</b><br>(min.= 0 – max.= 1)                         | <b>EU 25</b> | -      | 0.41   | 0.42  | -     | - |
|              |  | <b>SKK</b>   | -      | 0.24   | 0.21  | -     | - |

Source: Eurostat, The European TrendChart on Innovation, Council for Research and Development of the Czech Rep.

| <b>6</b>     | <b>Information Society</b>  |              | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------|---|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>6.1</b>   | <b>Broadband Penetration Rate</b><br>(number of connection in % per overall population) | <b>EU 25</b> | -           | -           | 6.5         | 10.6        | 14.8        |
|              |   | <b>SKK</b>   | -           | -           | 0.4         | 1.5         | 4.0         |
| <b>6.1.1</b> | <b>Broadband Penetration Rate of Businesses</b><br>(in %)                               | <b>EU 25</b> | -           | -           | 52          | 63          | 74          |
|              |   | <b>SKK</b>   | -           | -           | 25          | 48          | 61          |
| <b>6.1.2</b> | <b>Broadband Penetration Rate of Households</b><br>(in %)                               | <b>EU 25</b> | -           | -           | 14          | 23          | 32          |
|              |   | <b>SKK</b>   | -           | -           | 4           | 7           | 11          |
|              | <b>Broadband Penetration Rate of Primary and Secondary</b>                              |              |             |             |             |             |             |
| <b>6.1.3</b> | <b>Schools</b><br>(in %)  | <b>EU 25</b> | -           | -           | -           | -           | -           |
|              |   | <b>SKK</b>   | -           | -           | 44.4        | -           | -           |
| <b>6.2</b>   | <b>E-Government</b><br>(in %, availability of public services through Internet)         | <b>EU 25</b> | -           | -           | 41          | -           | 50          |
|              |   | <b>SKK</b>   | -           | -           | 15          | -           | 20          |
| <b>6.3</b>   | <b>Digital Literacy Index</b><br>(min.= 0 – max.= 1)                                    | <b>SKK</b>   | -           | -           | -           | 0.33        | -           |

Source: Eurostat, Infovek, IVO

| <b>7</b>     | <b>Environment</b>  |              | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> |
|--------------|---|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>7.1</b>   | <b>Total Greenhouse Gas Emissions</b><br>(Index 1990 = 100)   | <b>EU 25</b> | 90.9        | 92.4        | 92.7        | -           | -           |
|              |   | <b>SKK</b>   | 69.0        | 69.8        | 69.7        | -           | -           |
| <b>7.2</b>   | <b>Municipal Waste Generated</b><br>(kg/capita/year)  | <b>EU 25</b> | 534         | 527         | 525         | 526         | -           |
|              |   | <b>SKK</b>   | 283         | 297         | 294         | 289         | -           |
| <b>7.2.1</b> | <b>Municipal Waste Landfilled</b><br>(kg/capita/year)   | <b>EU 25</b> | 267         | 253         | 238         | 227         | -           |
|              |   | <b>SKK</b>   | 222         | 233         | 235         | 228         | -           |
| <b>7.2.2</b> | <b>Municipal Waste Incinerated</b><br>(kg/capita/year)  | <b>EU 25</b> | 90          | 91          | 94          | 97          | -           |
|              |   | <b>SKK</b>   | 29          | 30          | 34          | 34          | -           |
| <b>7.3</b>   | <b>Protected Areas for Biodiversity - Habitat Directive</b><br>(in %, proposed from the total state area) | <b>EU 25</b> | -           | -           | -           | 12.1        | 12.2        |
|              |   | <b>SKK</b>   | -           | -           | 11.7        | 11.7        | 11.7        |
| <b>7.4</b>   | <b>Population index of farmland birds - Bird Directive</b><br>(in %, proposed from the total state area)  | <b>EU 25</b> | -           | -           | -           | 8.9         | 9.9         |
|              |   | <b>SKK</b>   | -           | -           | 25.2        | 25.2        | 25.2        |
|              | (in %, declared from the total state area)  | <b>SKK</b>   | -           | -           | 0.0         | 2.28        | 2.95        |

Source: Eurostat

Note:

\* Data on poverty in 2004 is calculated based on EU SILC 2005 and estimated data for 2005 based on EU SILC 2006.

## 5.2 Annex No. 2 – Assessment Grid