

**NATIONAL REFORM PROGRAM  
OF THE SLOVAK REPUBLIC  
2006 - 2008**

12 October 2005

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# I. Introduction

## *Purpose of the document from the viewpoint of EU processes*

In March 2005 the heads of member states decided at the European Council to enhance the dynamics of the Lisbon process, whose target is to transform the European Union, by 2010, into "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion." The decision was partly a reaction to rather unfavourable results of the mid-term review of the Lisbon strategy. It clearly indicated that the main target of the Lisbon strategy is not likely to be achieved by the originally established date. With the aim of improving the chances of success, the European Council adopted several key measures partly modifying both the content and the process of implementation of the Lisbon strategy.

The main changes of the content include a greater emphasis on the implementation, partial reduction in the number of the priorities, and more focus on the economic area – mainly on growth and employment.

With regard to processes, management is simplified both at the level of the Community and at the level of individual member states. Such changes enhance the responsibility of member states and simultaneously give them more freedom in selecting the best strategy and steps for the achievement of the Lisbon targets. The European Commission was delegated the role of coordinator and facilitator of activities of individual countries, as well as the responsibility for the implementation of the tasks determined at the level of the whole community.

In conformity with the new coordination processes, the strategies of member countries are drafted in three-year program cycles and presented in *National Reform Programs*. The focus and content of these strategic documents are derived from the new guidelines of the EU economic policy – from the so-called *Integrated Guidelines*, unifying the previously existing Broad Economic Policy Guidelines and Employment Guidelines. Integrated Guidelines define three basic groups of priorities of the EU economic policy for three main areas, namely:

- macro-economic policies
- micro-economic policies
- employment policy

The most important specific priorities and individual activities are determined by individual member states.

## *National Reform Program and the National Lisbon Strategy*

As regards the Lisbon process, the Slovak Republic has in a way overtaken the events at the European level. Based on extensive consultations and discussions with representatives of almost all key stakeholders<sup>1</sup>, in February 2005 the Slovak government adopted *the National Competitiveness Strategy of the Slovak Republic* (hereinafter referred as "the Strategy") which is considered to be *the National Lisbon Strategy*. It is the basic strategy of economic development of Slovakia until 2010. All other strategies and initiatives of the government for the period should be fully compatible with this strategy and contribute to its fulfilment.

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<sup>1</sup> National Council of the Slovak Republic, social partners, regional administrations, universities, etc.

*The National Competitiveness Strategy* is based on the fundamental philosophy of the EU Lisbon strategy, which lies in the development of economic competitiveness through two basic types of activities: Deep reforms (the so-called structural reforms) and adequate development policies. Simultaneously, along the same lines as the updated Lisbon strategy, it focuses mainly on the economic area. Apart from that, it is drafted in a manner that enables it to take into account Slovak specific features and to focus only on those areas that are most important for further development of the Slovak economy. Separate *action plans* were elaborated for the main four priority areas of the Strategy and approved by the government of the Slovak Republic in July 2005:

- education and human resources
- science, R&D, and innovations
- information society
- business environment

The action plans define specific main tasks for fulfilling the main goals in each individual area. Each task has clearly defined targets, deadlines, responsibilities of individual public actors, and progress indicators.

In general it may be said that the Strategy fully complies with the chief priorities and targets of the updated Lisbon strategy and the new integrated guidelines. Therefore it was also applied as a basis and focus of the National Reform Program for Slovakia.

#### ***Basic framework and goals of NRP ensuing from the National Lisbon Strategy***

In the past fifteen years the Slovak economy has undergone major changes that have considerably modified its nature. The most important of them are the transformation of the central planned economy to market economy, full integration of Slovakia in the EU, and implementation of deep structural reforms. Thanks to these changes, the Slovak economy has reached a new development phase offering new opportunities, but also problems and challenges. Slovakia is currently in a very good position to reach the standard of living of advanced EU countries as fast as possible, by fast and sustainable economic growth. This is the chief target of *the National Lisbon Strategy* and thus of *the National Reform Program*.

As with *the National Lisbon Strategy*, *the National Reform Program* is based on two pillars:

- Finishing of structural reforms and maintenance of their results,
- Development of the knowledge economy.

As regards structural reforms, Slovakia has achieved great progress in comparison with other EU countries. In the recent period, the government of the Slovak Republic focused on structural reforms as their priority, although they are not popular. The most important implemented structural reforms include the reform of public finance management, tax reform, reform of the health system, reform of the social system, reform of the job market, reform of the pension scheme, reform of funding regional schools, and reform of public administration. Thanks to the speed and force of reforms implemented so far, Slovakia has almost completed the most demanding part of the Lisbon strategy. Therefore the introduction of structural reforms in these areas is not the focus of *the National Reform Program*. The government priorities concentrate on finishing the started reforms and the implementation of accepted measures in a manner leading to positive results for the development of the economic potential of the country.

The implemented structural reforms provide the necessary preconditions for the achievement of the maximum possible growth of employment and productivity, and thus of the standard of living.

Unfortunately, these are only firm foundations, on which further building is required. At the moment the main competitive advantage of Slovakia lies in excellent conditions for effective production. Slovakia, however, will only be able to use it full for a certain time. Apart from other things also and because the Slovak economy will lose the advantage when gradually catching up to the level of advanced European countries. The long-term competitiveness of Slovakia may be assured solely in one way: By creating conditions for the development of the so-called knowledge economy. In other words, economic growth must be based on the ability of Slovak citizens to work with constantly changing new information, to produce new knowledge, and to use it in practice. Therefore *the National Reform Program* is focused on those four areas that are most important for the development of the innovative potential of the Slovak economy. They form one whole, in which each of them is equally important:

- Education and Employment
- Information society
- Research, development, and innovations
- Business environment

In *the National Lisbon Strategy* a clear vision of the target state by 2010 was formulated for each of the areas. Simultaneously, it also defined chief basic targets corresponding to that vision and main policies and steps by which the targets may be achieved. Great emphasis was put on the fact that the targets and policies for individual areas should be harmonized and coordinated. The visions, targets, and main policies were reflected in the *National Reform Program*.

In short, it may be said that *the National Reform Program* focuses on the integrated guidelines that are most beneficial for the development of the innovative potential of the Slovak economy, development of the knowledge economy, and employment of Slovak citizens. This is the key challenge of the Slovak economic policy for the following decade. The integrated guidelines, whose target is to introduce structural reforms, are promoted in the program indirectly, through the continuance of the started reform policy with focus on successful implementation of the started Slovak reforms. Other integrated guidelines adequately reflect in the text their impact on main development intentions of the Slovak Republic in the program period.

### ***Main principles of economic and social policy of the Slovak Republic by 2010***

The starting point for the implementation of reform intentions of NRP will be responsible macro-economic and fiscal policies. All key parameters and guidelines of these policies by 2010 are clearly defined in detail in the Convergence Program of the Slovak Republic by 2010. The program lays down a strong domestic and international obligations for Slovakia to apply only policies complying with this strategic document. Within the defined priorities and targets, the macro-economic and fiscal policy will be focused on:

- Development of a market economy and minimisation of state intervention in free market operation,
- Reduction of the deficit of public finances and assurance of an approximately balanced budget,
- To prevent further increase of the rate of public redistribution of sources in economy, and the creation of space for its decrease by systematic removal of ineffective activities,
- Maintenance of a transparent and neutral tax policy and support of public targets by goal-directed public expenditure, instead of support by tax advantages.

In the social area, the government of the Slovak Republic will continue to conduct such a policy as is in conformity with traditional European values (individual responsibility, equality of opportunities, role of the family and community when taking care of problem groups of people, maximisation of opportunities for involvement of individuals, the responsibility of society in the fight against poverty) and it will focus on:

- Joint responsibility of an individual and his/her family for the solution of his/her situation, and for the creation of adequate social and economic background,
- Balanced public support in all phases of the lives of both individuals and their families,
- Motivation of individuals for activity and creative activity through social policy,
- Reduction of absolute poverty with tools that will help people solve their difficult social situation,
- Maintenance of an efficient social network and the creation of an environment enabling the best solutions of municipalities and regional administrative authorities,
- Maintenance of a flexible job market as the basic prerequisite for the creation of new job opportunities, stable work, and thus for the creation of space for the reduction of costs spent on the social system.

An inevitable prerequisite for ensuring full life of every individual at every age is a good state policy applied in the health system and social security. Alike other EU countries, in the following years Slovakia will be confronted with a low birth rate and the growing average life expectancy of its citizens. The implemented reforms make real preconditions for the population of Slovakia to have access to good-quality health care and reasonable old age pensions in the future, reflecting their real activity during their economically active lives. All changes that will be implemented in the systems in the future must be executed in a manner that does not threaten the long-term economic sustainability of the health care and pension scheme and keeps a balanced combination of guidelines for asserting basic rights, human dignity, and according to merit.

### *Environmental principles of NRP policies*

Although the main purpose of NRP is the creation of conditions for fast and long-term economic growth, its support must not be based on policies excessively burdening the environment. The environmental protection and fast economic growth do not have to have principally contradictory targets. On the contrary, if public policies are set correctly, they may mutually enhance. The state should actively promote activities and policies leading to ecologically suitable innovations, introduction of environmental technology and reduction of energy costs. As an example, the support of "green public procurement" should be mentioned. From this point of view, it is necessary to keep two chief guidelines in the creation of individual sector policies systematically; both of which were also taken into account in preparation of the NRP:

- *To incorporate all environmental costs in the prices of products and services (the so-called internalisation of environmental externalities)*

The production of some types of products and services have negative impacts on the environment, affecting the whole of society. In such cases, the market mostly fails when the maker does not bear environmental costs and therefore does not transfer them in the prices of products. The state must remedy these market deformations that unjustly favour some types of products and causing damage to the whole of society.

- *Not to deform the market environment by incorrect or additional policy*

If the market environment is affected by unsystematic elements, such as unsuitable additional policy, as a final consequence prices of products and services are deformed and the competitiveness of environmental technology and services reduces.

To fulfil the priorities of environmental policy, including those defined in the Integrated Guideline No. 11, it will be necessary to implement measures focused on reducing climate change, rational use and preservation of natural resources and biodiversity, use of secondary materials, integrated management

of river basins, and a program of flood control in the Slovak Republic, reduction of old environmental burdens, development of the environmental infrastructure, enforcement of environmentally friendly products, and quality systems.

### ***NRP and programming of EU funds from 2007 to 2013***

Effective fulfilment of NRP programs will require adequate funding, not threatening the stability of public finances and fiscal targets as defined in the Slovak Convergence Program. The Slovak Republic will solve ensuring this requirement in three ways. Firstly, within setting up public administration budgets, by reducing expenses in the areas that do not correspond to the NRP and increasing expenses in priority areas. Secondly, by the creation of conditions for a considerably higher rate of funding of priorities from financial resources of the private sector. Thirdly, by using resources from structural funds, of the Cohesion Fund and other EU expenditure programs focused on competitiveness, innovations, and construction of the transport infrastructure.

At the moment the Slovak Republic is using EU financial means for the development of these areas to a limited extent only. In this context, it is important that the chief target of investing resources from EU structural funds be to increase the competitiveness and growth of the whole economy. So far the approved strategic documents determining the main areas and priorities of the Slovak Republic that should be funded from EU funds from 2007 to 2013 have been fully compatible with the philosophy and targets of the NRP. Most of these finances should be used for the support of factors, including the transport infrastructure, related directly to the development of competitiveness and the knowledge economy.

### ***Involvement of stakeholders***

The National Reform Program of the Slovak Republic may only be successful if it is broadly supported by the whole of society as well as by the professional public. A broad social consensus will be important for ensuring that its intentions and targets also be implemented in the program and tasks of the new government, elected in the next parliament elections.

As the NRP is based on *the National Lisbon Strategy*, it is an indirect result of very active involvement of representatives of almost all areas of the Slovak society in its preparation. Even before the official approval by the government of the Slovak Republic, it was submitted to an open public discussion. It culminated at the national conference, attended by the Prime Minister of the Slovak Republic, several Deputy Prime Ministers and Ministers of the government of the Slovak Republic, leaders of the parliament opposition, representatives of employers and trade unions, distinguished researchers and professors, managers of major companies and key personalities from nongovernmental organizations. Thanks to the discussion, a broad consensus of all the society regarding the basic vision and strategic direction of Slovakia was achieved, and in such a manner it is defined in this document. Similarly, *action plans* for fulfilment of *the National Lisbon Strategy* from 2005 to 2006 were prepared in close coordination with the representatives of relevant social groups to which they most related.

The responsibility for the preparation of the National Reform Program of the Slovak Republic in view of its strategic focus and content was delegated to the Deputy Prime Minister of the Slovak Republic and Minister of Finance. The coordination of the preparation of the document as regards the process side was delegated to the Deputy Prime Minister for European matters, human rights, and minorities. The elaboration of the document is coordinated at the interdepartmental work team for the Lisbon Strategy. Members of the interdepartmental work team are representatives of individual departments to which the priorities and tasks of the Lisbon strategy directly relate. To ensure a broad consensus, the work team also includes representatives of the National Council of the Slovak Republic, social partners, and the academic community.

Taking into account the economic size of Slovakia, a specific role will also be played by local and regional authorities, whose activities in fulfilment of the program should promote the growth of all areas of Slovakia as much as possible in a way not threatening the fast growth of the performance of the whole country.

## II. Macro-economic policy

### II.1 Basic aims and principles

The basic aim of the economic policy is to achieve high economic growth sustainable in the long term, contributing to a rapid growth of the standard of living of residents of Slovakia. In spite of the simple formulation, it covers a quantity of mutually interconnected policies that must be coordinated. The most important of them are:

- Fiscal policy,
- Monetary and exchange-rate policy
- Structural policies

The Lisbon strategy predominantly refers to structural reforms, but it is necessary to mention its mutual relation with macro-economic policies – structural changes support the macro-economic stability and macro-economic policies may create good conditions for the implementation of structural reforms. **As regards fiscal and monetary policies, the targets of Slovakia were presented in the Convergence Program, and they still apply.** The development will be detailed in the program update this autumn. Therefore, only basic aims and guidelines are given herein.

The basic short-term aim of *the fiscal policy* is to reduce the deficit of public finance to below 3 % of GDP (excluding cost of the introduction of the second pillar of the pension scheme) by 2006 and to achieve the limit including the cost of the pension reform in 2007. It is important to mention that the fulfilment of these targets has continued mostly by reducing the share of public expenditure on GDP through structural reforms. The task is even more ambitious because the total tax burden is slightly decreasing at the same time. The major aim of the fiscal policy is undoubtedly, however, **to achieve the long-term sustainability of public finance by 2010.** In practice it means that, apart from the implementation and maintenance of structural reforms in the pension system and the health system, by the end of this decade the Slovak Republic should reach an approximately even structural balance of public finance. That ambition is fully compatible with the new definition of intermediate targets in the Covenant of Stability and Growth where the deficit up to 1 % of GDP is mentioned for countries with high economic growth and a relatively low level of public debt. The implementation of the strategy by means of the two mutually interconnected pillars mentioned – structural reforms and the reduction of public debt – should prepare Slovakia for the negative consequences of aging of the population in time.

As regards structural reforms, it is predominantly necessary to mention changes to the pension system and the health system. The pension reform was implemented by measures taken in the first (continuous) pillar and by the introduction of the capitalization pillar. The increase of the retirement age will help decrease the level of implicit debt, where transferring half of the old-age insurance payments to citizens' private accounts will transform a part of the implicit debt to explicit debt. It is the transparency of costs and their better distribution in time that will express in additional costs for public finance in the intermediate range. The cost may increase up to around 1.5 % of GDP by 2010. In the long term, however, it is undoubtedly beneficial, which is reflected in part in the reform of the covenant of stability

and growth. The reform of the health system by the implementation of certain market mechanisms into the system means a better utilisation of public finance as well as enhancement of the quality of provided services. However, in spite of these steps a gradual increase of expenses on the health system must be expected in the long term. Apart from these measures, the convergence program counts on a gradual reduction of the deficit of public finance. It is assumed that Slovakia could join the Eurozone in 2009 with the deficit already below 2 % of GDP. Currently, the achievement of a deficit below 1 % of GDP in 2010 seems an ambitious, but also a realistic, target.

The achievement of the aims of the fiscal policy is conditioned by the following basic principles: transparency, responsibility, and effectiveness. Public finance must be transparent, easy to monitor, and understandable for the wider public. A key measure for achieving *transparency* was a full transition to the ESA 95 methodology for a concrete quantification of the fiscal position, as well as for international comparison. *Effectiveness* reflects the principle of the most effective collection of taxes, as well as the effort to maximise the value of the public finance spent. The main aim is to enhance the quality of public services. The mentioned aims should be supported considerably by the reform of the control of public finance, within which an important role should be played by budgeting, focused on results. It is the sustainable position of public finance that may secure stable and high economic growth in the long term. Therefore *responsibility* means to not leave the fiscal burden to future generations. Within responsibility, the achievement of justice not only between generations but also within one generation should be taken into account. That intention is solved by the new tax system and better distribution of public expenditure.

Národná banka Slovenska (the national Bank of Slovakia) is responsible for *the monetary and exchange-rate policies*, whose main aim as stipulated by the law is to maintain price stability. Since Slovakia is a small open economy, the exchange rate represents a significant channel of the transmission mechanism of the monetary policy and its development and fluctuations from the balanced trajectory are taken into account for monetary-political decisions. The size and openness of the economy are the main motives for why Slovakia is trying to achieve early **entry to the Eurozone in 2009**. The process of Eurozone accession was detailed in the Concretisation of the Strategy of Euro Acceptance, approved by the government in September 2004. The makers of the economic policy are convinced that the step will also accelerate the real convergence of Slovakia.

The fiscal policy will promote the performance of the monetary policy and stability of economy by using additional budget revenues predominantly for the reduction of the deficit in the following period, and thus public debt also.

As far as structural reforms are concerned, special attention is paid to the job market, which is understandable in view of the high unemployment rate. Simultaneously it fully corresponds to the new prioritisation of the Lisbon strategy, putting a great emphasis on growth and employment.

In the convergence program, the decrease of the structural rate of registered unemployment below 10 % by 2010 was set as the main aim for the *job market*. As a result of emphasising the growth of employment, the target that is being currently considered to be more important was formulated: **To increase the employment in the economy by an annual average increase of 1-2% by 2010**. The achievement of the target should be facilitated by high economic growth, better conditions for conducting business in Slovakia, together with a bigger offer on the job market (in conjunction with measures accepted in taxation, social net, active policy of job market and social security). Future policies focused on increasing the employment are primarily based – as it is mentioned in other parts of this material - on the following pillars:

- Reduction of the tax burden, predominantly for low-income groups,
- Reduction of the regulatory and administrative burden of employment as well as self-employment
- Support of international as well as cross-border job mobility,

- Continuing modernisation of employment services,
- System of consultancy and education for the unemployed.

On the market of products and services, the key intention is to increase the productivity with the help of a suitable investment climate, more intense competition, liberalisation, support of businesses, and effective regulation. The prime intention for the financial market is its further development and growth on the basis of sound competition and creation of an effective regulation framework. In conformity with the Lisbon strategy, the reforms in the Slovak Republic will mainly be focused on long-term, purposeful and comprehensive efforts to create a society based on the principles of permanently sustainable development and their practical application. The aim of permanently sustainable development is to achieve maximum conformity of the economic, social, environmental and cultural dimension of the development of the society.

As part of the Integrated Guidelines, apart from others, six guidelines were formulated for the macro-economic policy:

- Achievement of the aims of the Convergence Program for fiscal and monetary policies together with the implemented reforms of the pension scheme and health system should ensure economic stability, sustainability, as well as support that should ensure a good function of the Economic and Monetary Union (HMÚ). In fact it covers the fulfilment of guidelines No. 1, No. 2 and No. 6.
- The extensive tax reform, effective since 2004, and several-year program budgeting within the reform of the public finance management are good basics for the fulfilment of guideline No. 3. As regards public expenditure, it will also be very important what direction the financial perspective for 2007 – 2013, predetermining significantly the allocation of resources, takes. It seems necessary that the Lisbon targets – growth and employment – be reflected more in this area as well.
- Slovakia is a small and very open economy, therefore the vulnerability of the economy to external shocks is much more sensitive. It is important that the economy be able respond flexibly to these shocks. Structural policies focused on higher flexibility and mobility are given in other parts, therefore specific measures related to guideline No. 4 are not detailed herein. It refers predominantly to the job market and business environment.
- In the past period Slovakia has not had problems with the relation between the productivity of work and growth of wages. Moreover, in the private sector wages are determined based on agreement between companies and employees. Therefore guideline No. 5 is irrelevant for Slovakia.

## II. 2. Current situation and intermediate forecasts

Thanks to the implemented structural reforms and macro-economic stability, the Slovak economy is growing at a fast pace above a level of 5 %. An attractive business environment connected with an intense inflow of investments, enhanced job motivation and big flexibility of the job market resulted in positive impacts on the supply side of economy. According to the prognoses of international institutions, the Slovak Republic may profit from the implementation of structural reforms and stabilisation of the situation in public finance in the near future. However, to maintain high economic growth enabling it to continue the run to catch up with advanced countries will not be possible in the long term except by the "import" of know-how and making the production more effective. The Slovak Republic must start thinking of how to enhance its potential in knowledge economy. That is why the Strategy of the Competitiveness of the Slovak Republic by 2010 was elaborated and the Minerva project was launched, which – as it was mentioned at the beginning – are the foundation stones of the National Reform Program as well.

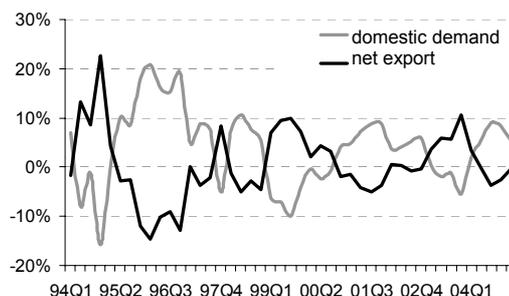
The growth of economy in the first half of this year reached 5.1 %. According to several computations, such dynamics close to the growth of the potential product, which means that it is a sustainable trajectory that does not threaten economic stability. The chief motor of economy is domestic demand, when the contribution of net export has become negative during the year.

**Growth of GDP (p.a. in %)**



Source: ŠÚSR

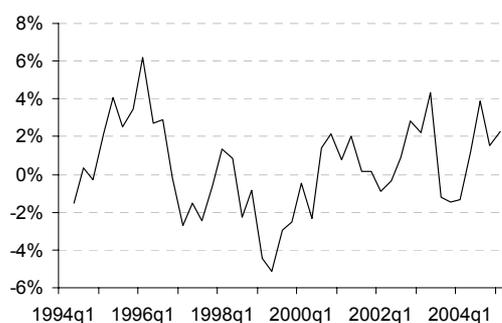
**Contribution of domestic demand and net export**



Source: ŠÚSR

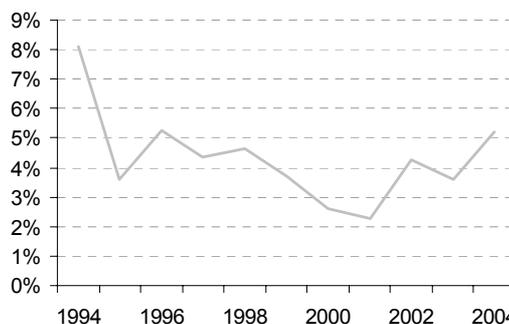
Recently the growth of GDP has also been connected with significant creation of new jobs. Employment is going up by 2 %, while the dynamics in the private sector is even higher. This positive development results from several factors. Apart from improvement of the business environment and increased investments, it is increased motivation to get a job and decreased marginal effective tax rates that should be mentioned most of all.

**Employment growth per quarter of the year (without seasonal fluctuations, annualised in %)**



Source: ŠÚSR

**Growth of work productivity in %**



Source: ŠÚSR

As regards the productivity of work, it is the import of new technology and know-how and more intense inflow of direct foreign investments that are rewarding. The Slovak economy has attained a considerably lower technologic level than advanced countries, which means that there is vast space for improvement of the productivity by utilisation latest knowledge from abroad.

The following table shows other major macro-economic indicators. It emerges from it that in 2005 inflation dropped sharply, predominantly as a result of using up the effects from the increase of regulated prices and indirect taxes. The deficit on the current account is not deteriorating, but it still can be financed safely by the inflow of direct foreign investments. Unemployment will gradually go down, but the process will be slowed down by the increased retirement age.

Prognosis of selected indicators of development of the Slovak economy							
No.	Indicator	Unit	Real. 2004	Prognosis			
				2005	2006	2007	2008
1	GDP; in current prices	SKK thousand million )	1325.5	1429.8	1531.4	1648.2	1767.7
2	real growth	%	5.5	5.1	5.4	6.1	5.6
3	Final consumption of households; real growth	%	3.5	5.1	4.5	4.8	5.2
4	Average monthly wage for NH; nominal growth	%	10.2	8.1	6.5	5.8	5.8
5	real growth	%	2.5	5.2	3.9	3.7	3.7
6	Average growth of employment, pursuant to VZPS	%	0.3	1.6	0.9	0.8	0.8
7	Average rate of unemployment, pursuant to VZPS	%	18.1	16.8	16.3	16.0	15.7
8	Index of consumer prices (average growth)	%	7.5	2.8	2.5	2.0	2.0
9	Index of production prices (average growth -home)	%	3.4	3.1	1.6	1.5	1.5
10	Balance of public finance (share in GDP)*	%	-3.2	-3.4	-2.9	-3.0	-2.7
11	Balance of current account (share in GDP)	%	-3.5	-4.5	-4.7	-1.5	-0.9

\*Since 2007, including of cost of introduction of the capitalisation pillar of the pension scheme

Source: Ministry of Finance of the SR

### III. POLICY OF EMPLOYMENT

For the growth of the creative potential of economy, it is necessary that the Slovak Republic will focus its efforts on following four areas:

- Modern educational policy
- Achievement of a high rate of employment
- Coping with demographic changes
- Social inclusion

The mentioned areas must be perceived as a whole whose results depend on coping with individual tasks. Their successful implementation makes space for securing a permanent economic growth in conformity with new challenges of the development of the society. Interventions in the mentioned areas focus on the start-up, or strengthening of processes ensuring the competitiveness of the Slovak Republic within both the European and global frameworks.

The support of the changes in the system of education will ensure a better-quality human capital in the near future which contribute to the flexibility of the job market and will help make conditions for the achievement of a high rate of employment. For long-run competitiveness of the Slovak Republic, it is necessary to cope with demographic changes, such as overall aging of the population, low birth rate and migration. Not least, the employment policy of the Slovak Republic must concentrate on the battle against poverty and integration of marginalized groups of the population in the educational and work process. Enlargement of the educational and economic gaps in the population could lead to uneven development of all the society and creation of social frictions in the future.

#### III.1 Modern educational policy

Education and training rank among the most important and permanent priorities of the Slovak Republic. Their support is an essential part of the creation of the modern Slovak society in which education is a source of long-term competitiveness of the Slovak Republic, affecting its position in Europe, as well as comprehensive development of personality and involvement of every citizen.

The crucial pillar of future prosperity and competitiveness of the Slovak Republic is transformation of the traditional school into the modern school. It lies in reforms of elementary and secondary schools with a focus on the reform of the content of education so that basic skills and quality be ensured for all pupils. Simultaneously, it is necessary to implement the support of gifted young people, active control of foreign languages, teaching and instruction with help of information technology, enhancement of availability and quality of university education, opening the system of further education for the largest possible section of people, as well as the integration of children from marginalized communities in schools.

The principal task of the modern educational policy is the elaboration and approval of the draft of the **new Education Act** in 2006. Its adoption narrowly relates to Guidelines of the Council of the European Union No. 23 and 24, focused on accommodation of the systems of education to new requirements for qualifications, or to improve the quality of investments in human capital. By adoption of the new Education Act, the reform of elementary and secondary schools should be finished, when it is the content of education that is emphasized, which will ensure the transformation of traditional school to modern school as it is defined by Millennium - the National Program of Education and Training in the Slovak Republic for the following 15 - 20 years, which is inspired by the ambition to outline a human society based on humane-creative education for the new millennium. The program is based on the analysis of general trends that have been applied in the countries of the European Union and other advanced countries in the world for a long time. The program sums up the main priorities the should be respected and implemented by the state and public authorities, individual schools and school facilities, pedagogical workers, as well as all other people who are active in the educational policy of the Slovak Republic. The basic precondition of success of the proposed program will be its good incorporation into the strategy of the overall social-economic development of the Slovak society together with consistent accommodation to the guidelines of the educational policy of democratic countries.

The new Education Act will newly regulate all types of education, from pre-school up to education that is part of lifetime learning. The Act will stipulate guidelines, targets and conditions under which education and training should be implemented. The accreditation of educational-training programs and innovation of the content, methods, and forms of education and training will be introduced.

As a result of the transformation of traditional school to modern school, the content of instruction must be changed in general, from memorising information to the ability to obtain data, assess and use it. The needs of the job market and requirements for formation of personality and skills for knowledge economy will be taken into account and reflected in the content of education.

As a result of the transformation of traditional school to modern school, the content of instruction must be changed in general, from memorising information to the ability to obtain data, assess and use it and communicate with partners outside school, with companies, research establishments, community institutions. In this context it is necessary that pupils of elementary and secondary schools know and use information and communication technology for the development of creative and critical thinking and cooperative work. Therefore the Slovak Republic will organize multi-level training courses for teachers with a view to developing innovative pedagogical approaches with use of information and communication technology in the teaching process, with the building innovation centres and their interconnection to the educational network. As information and communication technology must become a tool that is used everyday by both pupils and teachers, its infrastructure in schools must be adequately extended. By 2010 the infrastructure of information and communication technology in schools should reach the European level. It is necessary to introduce motivation tools for gaining and

maintaining qualified teachers of information science and to motivate teachers towards the integration of innovative pedagogical methods utilising information and communication technology.

For full involvement of secondary school graduates in the European citizens' society and European job market, it is necessary to have **a good command of at least two foreign languages**, which is in conformity with Guideline of the Council of the EU No. 20, Better accommodation to the new needs of the job market. Since a coherent conception of the teaching of foreign languages is missing in the Slovak Republic, it is necessary to enhance and improve teaching foreign languages at all school levels. Such a task will require the transformation of the content of instruction and methods teaching foreign languages, which should be finished in 2007. The transformation should also ensure the continuity of teaching foreign languages at individual school levels and types by which the overall standard of achieved results will improve. From 2006 to 2007 a new model of teaching foreign languages must be introduced, including motivation tools for maintaining qualified language teachers.

The Slovak Republic has had a long tradition in the **development of gifted children and young people**, which should be further consolidated, made professional and extended, whether in the form of elementary art schools, Olympiads, correspondence seminars and various thematic promotion competitions, or sports school predominantly for pupils for whom they have not been available so far. For further development and use of experience, it is necessary **to elaborate and implement a new model of work with gifted pupils** in 2006. Within the new model the effectiveness of teaching of gifted and talented young people will be enhanced. In comparison with the currently used model, concentrated primarily on pupils, attention will be focused more on teachers who, using various means and methods, develop pupils' interest in their subjects. An irreplaceable tool of systematic support will be centres for development of talents which, in cooperation with other organizations involved, will help teachers and organizers of various activities, stimulating gifted pupils.

As regards **universities**, the extension of capacities and considerable improvement of the quality of universities must be emphasized. The aim is conformity with Guideline No. 23 of the Council of EU, Extension and improvement of investments in human capital. A key for the achievement of this aim is a flexible system where universities respond primarily to the demands of young people, but also to the demand for lifetime education and the best of them are also research and development centres reaching international level. Tools for the achievement of that aim are increased competition in provision university education, its better availability, and available financial sources – they are achievable by means of a combination of tuition, guaranteed loans, and social scholarships connected with the policy of open entry and exit to the market without major administrative barriers and the stimulation of vast internal differentiation of universities according to the needs of the market. It is necessary that by 2007 the Slovak Republic remove the said barriers with an emphasis on making recognition of diplomas easier. Necessary diversification of sources should be supported by means of setting suitable motivation tools that will contribute to the improvement of conditions for increasing revenues of schools from non-subsidies sources. New motivation elements must also be determined in quality, which will be supported at allocation of subsidies from the state budget for 2006 to public universities.

**The launching and development of comprehensive accreditation of universities** by 2006, as well as support of **independent evaluation activities** will lead to increasing of the competition among schools, which will enhance the culture of quality with emphasis on provided education and development of research at universities.

The support of the mobility of students and teachers does not have to lead to brain drain, but it should be a normal part of education. **The elaboration of the national scholarship program supporting the mobility of students, graduates and pedagogical-research workers** by the end of 2008 complies with the need to create the European university area and it will ensure the availability of university education both for domestic and foreign students.

In knowledge economy it is necessary that citizens constantly renew, add to, and extend their knowledge, competences and skills for their lifetime. That is why the creation and development of available, modular and market system of lifetime education is prioritised. Its creation meets Guidelines of the EU Council No. 20, 23 and 24 referring to the improvement of accommodation to the needs of the job market, improvement and enlargement of investments in human capital as well as accommodation of the systems of education and professional training to new qualification requirements. The flexibility of workforce that must be prepared to react to changes in the job market in the future must be supported by programs of further education. In 2006 the Slovak Republic will adopt the **strategy of lifetime education** as well as the **national program for learning regions**, which will ensure the conformity of the regional demand for programs of further education and the real needs of the regional job market. In this context preconditions for creation of the regional network of various institutions, offering tailored services and projects of lifetime education, including programs of the "second chance" type. As lifetime education is a significant factor for successful involvement and remaining on the job market, it is detailed in the chapter "Achievement of a high employment rate".

To achieve the aims in the educational policy, it is necessary to improve the quality of education of teachers, who must be prepared for continual changes in educational needs. As changes continue dynamically, it is necessary to ensure their further education. By the introduction of the **national project of further education of pedagogical workers** during 2006, their better flexibility at changing methods and needs in education will be ensured.

A significant priority of the Slovak Republic in access to education is the integration of children from risk and marginalized groups into standard school environment. The basic tool of integration must be the new Education Act (see above). Apart from that, inclusive policies will be still implemented in the school system **through programs of financial support**, such as contributions and subsidies for support of access to education and preparation of the **introduction of the new system of support to transport of pupils to schools**. To support access to pre-school education, **the program of subsidising the establishment of nursery schools in poor villages using the positive demographic development and increase of the number of teacher assistants and specialized teachers** will be implemented from 2006 to 2008. The introduction of **new types of field inclusive programs in education and pre-school education** which are part of community and threshold services, or intervention programs and actions of social protection of children and social guardianship (see Inclusive job market and inclusive society), as well as **investments in material equipment** will be supported by targeting operational priorities of structural funds within the new programming period 2007-2013.

A irreplaceable role in rendering knowledge and development of the knowledge society is played by **memory and fund institutions**, such as libraries, museums, galleries, archives and similar specialized institutions. In the future they should be used in the educational process better and more intensely, as well as in opening the knowledge to citizens and business sector and their use in economy and in public administration. It will also be necessary to pay attention to the renewal and development of these institutions

### III. 2 Achievement of high employment rate

A high rate of employment is one of basic preconditions for a stable growth of the standard of living of residents. To ensure that employment increases, it is necessary to set good conditions both for job demand and supply. The implemented reforms of the job market and social system were targeted at fulfilment of that intention. A strong motive for their implementation was a high rate of unemployment and low motivation of citizens to solve their situation. The implemented measures should have ensured

that it is more advantageous to look for a job, that there are fewer obstacles in hiring and that predominantly the long-term unemployed get effective assistance and support in looking for jobs.

A high rate of employment may be achieved only provided that the competitiveness of Slovakia develops, which requires the fulfilment of all parts of the National Reform Program. The areas that have a direct impact on the growth of employment are detailed in this part of the material.

Further **decrease of the tax burden** on the work of low-income groups is considered to be a **major tool of increasing the employment** of these groups. Such a step may be achieved by prioritising the reduction of work burden or by transferring the burden from work to other factors. The said measure is in conformity with Guideline of the EU Council No. 22, Assuring the development of the cost of work and mechanisms for determination of wages, supporting employment. Therefore from 2006 the Slovak Republic will make work cheaper and will support people working for low wages by introducing a tax bonus for an individual instead of the a tax-free minimum and it will still support working middle-class and poor families, namely by increasing the tax bonus for a child.

To increase employment, predominantly in the service sector, the Slovak Republic is focusing on **further simplification of the regulation and administrative burden of hiring and self-employment** and simultaneously it will take steps stimulating the participation of individuals in formal economy so that both the employee and the employer will be motivated to be involved in the system and it will be relatively simple for both parties. These aims comply with Guidelines of EU Council No. 17, 19 and 21, focused on policies leading to full employment, enhanced attractiveness of work, and a flexible job market. These are the following measures:

- In 2006 the preparation of an action plan for simplification of bureaucracy in hiring for employers who are tradesmen and natural persons, coming into effect in 2007.
- From 2006 the reduction of the administrative burden related to the regulation of the protection of health at work for employers without reducing the protection of employees. In 2007 a certain extent of the protection of tradesmen, similar to employees' protection, in areas affecting safety and protection at work will be introduced.
- The preparation of measures enabling flexible forms of hiring in the form of "teleworking" in 2007 and their introduction in practice from 2008.
- based on the audit of obstacles in conducting business, which is to be completed in 2006, acceptance of other measures focused on the support of business activities (see Business environment).

The support of job mobility is one of the crucial factors for increasing the overall rate of employment and simultaneously of moderation of regional differences on the job market. The measures are in conformity with Guideline of the EU Council No. 20 Better accommodation to job market. The priority for the period from 2006 to 2008 is **to remove barriers barring bigger inter-regional job mobility**, which will be in conformity with Guideline of the EU Council No. 20 Better accommodation to job market. The Slovak Republic will adopt the following measures:

- From 2006 financial benefits supporting individual job mobility of long-term unemployed will be increased and enlarged (the cost of moving house to the place of employment and for commuting to work outside the place of residence).
- Simultaneously the range of employment services provided by employment agencies will be enlarged by the segment services focused on consultancy and assistance when looking for a job, as well as the arrangement of accommodation for job applicants and their families in regions with better job opportunities.
- Within the new programming period 2007-2013 projects of non-government providers of employment services will also be supported, focused on the provisions of information and

intermediary services for job applicants and small and medium-sized businesses that wish to get involved in the poles of growth (the so-called mobility centres).

- From 2006 the targeted construction of the so-called starting flats primarily for citizens with socially threatened groups of residents (young families, young graduates, or leavers of institutional or protective education) looking for jobs in regions offering more jobs will be supported.
- From 2006 the Slovak Republic will also support the construction of flats built in conjunction with the preparation of a significant investment, which will substantially facilitate moving the workforce to these poles of growth.
- Together with their competence in public bus transport, administrative regions will also perform their competences in the arrangement of the regional railway transport as part of the transferred execution of the government administration from 2007 and as part of their self-governing competence from 2009.

Apart from the support of the inter-regional workforce mobility, the Slovak Republic will also support **cross-border job mobility**, where we will take into account the geographic fact of the existing long state border of the Slovak Republic with other four EU member countries, traditional cultural and the social affinity of residents in the border regions, and the existing vast interconnection of job markets borders. The measure is in conformity with Guideline of the EU Council No. 20 Better accommodation to the needs of the job market. In the new programming period from 2007 to 2013 investments in small infrastructure enabling bigger physical interconnection of neighbouring job markets and investments in interconnecting information systems of individual participants of border job markets will be supported. The Slovak Republic perceives the support of cross-border job mobility as mutual flow of human capital and its involvement in neighbouring job markets in the form of regularly commuting workers.

An important fact in the improvement the job market function is continuing modernization of employment services focused on enhancement of the role of the unemployed themselves, local administrations, private as well as non-profit-making sector based on clearly defined requirements for individuals, and standards of services and quality from the providers.

From 2006 and primarily in the new programming period from 2007 to 2013 the Slovak Republic will intensify its investments in enhancement of the competitiveness of public employment services by means of projects concentrated on the improvement of their equipment with information and communication technology, education of workers of employment agencies and introduction of innovative forms of employment services. From 2007 the system of purchasing employment services from non-government providers will be significantly enlarged, which will be conducted based on quality standards determined in advance and achieved results.

As regards **support of employment**, the Slovak Republic will continue its focus mainly on disadvantaged groups of job applicants, which will be in conformity with Guideline of the EU Council No. 19 Ensuring inclusive job markets, enhancement of job attractiveness, ensuring the fact that it is advantageous for job applicants to work, including disadvantaged and inactive people. From 2006 to 2008 the existing tool supporting employment will be developed and improved, namely contributions to employers who employ a job disadvantaged applicant and contributions to applicants for self-employment. In the new programming period from 2007 to 2013 projects for trial verification of new tools of the active policy will be supported, focused predominantly on job consultancy and mediation in combination with education of selected target groups, consultancy and further education for small and medium-sized businesses and care of employees at risk of mass layoffs. The provision of investment stimuli will mostly be concentrated only on investments in areas with a long-term high rate of unemployment and/or on strategic investments with significant benefit for all economy and/or on investments in sectors with a high technologic component. Simultaneously, the government help to

investors will be primarily focused on the support of education and only in exceptionally justified cases on direct support of job creation.

To ensure the workforce ability to transfer from one job to another one smoothly without an unreasonably long period of unemployment, from 2006 the Slovak Republic will support providers of employment services in the implementation of services for **employees at risk of mass layoffs** and people that lost jobs as a result of mass layoffs. At the same time, employers that actively help their employees find jobs will be financially supported.

In view of the fact that the unemployment in Slovakia is mostly of a structural nature, an important role in interconnection of the workforce demand and supply is played by a functioning **system consultancy on jobs and occupations**, available all the lifetime. The measures respond to Guideline of the EU Council No. 19 Ensuring inclusive job markets, enhancement of job attractiveness, ensuring the fact that it is advantageous for job applicants to work, including disadvantaged and inactive people. In 2006 the Slovak Republic will prepare a strategy of the lifetime education and lifetime consultancy (see "Modern educational policy"), which will be focused in career consultancy on:

- Ensuring the collection of data about the job market, creation and distribution of information required for making decisions at preparation of teaching plans, selection of studies and employment, enabling that the information is available to all people;
- Monitoring and evaluation of educational programs, namely as part of the initiation education as well as further education (of employees as well as the unemployed);
- Education of career consultants at schools and employment agencies and elaboration of a system of evaluation of the quality of provided services. As regards employment services, special attention will be paid to consultancy for groups of people at risk (people with insufficient or inadequate education, aimed at enabling them to return to school);
- Enlargement of activities of career consultants, apart from provision of information, diagnostics of clients, and getting best feedback.

From 2006 the Slovak Republic will focus on enhancement of the quality and targeting of educational programs for the unemployed. The selection of job applicants to educational courses will be improved and the spectre of services provided by educational institutions will be enlarged with monitoring of employers and job mediation. Equal access to educational programs will be arranged for groups at risk of social exclusion, including members of Gypsy communities.

Educational programs will mainly be targeted at the needs of people at risk of mass layoffs and people that lost jobs as a result of mass layoffs, people remote from the job market (young people entering the job market, parents returning from parental leave, disabled citizens, asylum seekers). Thematically the educational programs are focused on obtaining practical experience with a potential employer, education for starting a business in small and medium-sized companies, strategy of company maintenance and arrangement of its development and education according to specific requirements of employers who enable fast employment of graduates.

### III.3 Responding to demographic changes

Competitiveness of the economy and high employment are closely related to the solution of basic demographic issues, such as the reduction in the number of children, the aging population, or migration. Despite the fact the Slovak Republic has taken certain measures in the past focusing on reduction of

the negative affects of demographic changes (mainly with respect to sustainability of public finances), it is necessary to emphasize the importance of the subject and address it comprehensively.

On the basis of the European Union's demographic structure, presumable workforce decline and ageing population, it is inevitable for the Slovak Republic as well as other EU Member States to take action to increase the working age. The report of the European Commission from the EU Council in Lisbon emphasizes the need to motivate the people to find a job, whereas „an increase of the number of Healthy Life Years" will be crucial factor when meeting this target. Therefore, the modernization of health service presents important contribution to improvement of the health state of population and increase of the number of workforce on the market. Investments in health care support and prevention are supposed to help to maintain active participation in a social life for the working people and thus maintain their contribution for the economy and decrease the extent of their dependence at the same time.

Therefore, the Slovak Republic shall prepare, during 2006, **a long-term population policy**, which shall concentrate on changes in reproduction processes and face up to changes of population structures. This policy will primarily address the following issues:

- how can the public policy contribute to a healthy pro-family policy and higher sustainable birth rate based on the fulfilment of desires of potential parents,
- how to further increase the employment of two groups with a low current employment rate: mothers with children under 12 years old and elderly people,
- how to ensure that facing up to the consequences an aging population is fiscally sustainable and not in conflict with the employment objectives,
- what will the role of managed migration be within the population policy.

Although the comprehensive answer to the aforementioned questions will not be provided until the above mentioned population policy, as of today we may already propose several partial steps and reforms that shall be implemented by the Slovak Republic between 2006 and 2008. These measures shall comply with EU Council Guideline No. 18 Support of lifetime access to work.

One of the main priorities shall, no doubt, concern the support of young families, primarily with respect to housing (see part on employment) and the harmonization of family and working life. We consider harmonization of family and working life important as it also increases the probability that the potential parents will have as many children as they consider, according to their personal preferences, optimal and, at the same time, it will result in an increase in the employment rate of the parents, especially mothers, where in the category of mothers of children under 12 years old the Slovak Republic shows one of the largest gaps between the general employment rate of women and employment of this group within the OECD countries.

The Slovak Republic will primarily take the following actual measures between 2006 and 2008:

- **increase of availability of public services** by means of priority electronization of services for families (e.g. child benefits, parental benefits, registration of a child with an insurance company) and assurance of longer office hours of public administration bodies, both at the state and public administration level,
- **increase of availability and flexibility of educational system and child-care system** by means of a gradual restructuring of the school day and after-school activities towards its interconnection and extension of the school day, obligation of schools and pre-schools to observe certain opening hours (or length of the opening hours during the day), obligation of public bodies to ensure the availability of pre-schools and after-school activities during school holidays, implementation of grant system for establishment of pre-schools and establishments of nurseries (or enable the pre-

schools to accept younger children) and conditioning the state subsidies for developers/industrial zones/large employers by establishment of day-care facilities for small children,

- **support of the position of parents within the place of work** by means of the right to part-time working hours, unless it is demonstrably inefficient for the employer, individual support programme for women returning to the labour market after maternity/parental leave, more intensive control of compliance with labour related laws with respect to parental rights, support of pro-family collective bargaining and pro-family-oriented employers and administrations as well as solution to the possibility of parents taking turns in care giving to a family member,
- at the same time, during the new programme period of 2007-2013, an increased emphasis will be placed on the creation of an infrastructure within this area.

In order to ensure the sustainability of public finances and achieve a high employment rate, it is necessary to continue with the reform of social insurance, especially with respect to further improvement of motivation to work longer and in accordance with the physical and mental condition of every individual. Between 2006 and 2008, the implementation of retirement age increase from 53-57 years for women and 60 years for men to 62 years of age shall continue. As the retirement age is being increased by 9 months every year, the target for men shall already be achieved in 2006, whereas the increase of retirement age of women shall continue through 2006-2008 and further. Apart from this, the implementation of a mandatory saving pension pillar, which commenced on 1 January 2004, will continue.

However, the phenomenon of the aging population will increasingly emphasize the need for long-term care of the elderly. In 2007, the Slovak Republic will implement a new system of long-term care, which shall consolidate the services provided through the social and healthcare system and face up to this challenge by means of decentralization, an emphasis on individual decision-making and the creation of new markets.

The essential component for tackling the demographic changes also lies in a conceptual approach to migration flows. In 2005, the Slovak Republic adopted a migration concept under which a pilot project of managed immigration of highly-qualified individuals shall commence between 2006 and 2007.

### III.4 Inclusive labour market and inclusive society

The increase in the employment rate is the most efficient method to support the economic growth under the development of an inclusive society. A serious issue of the labour market in the Slovak Republic represents a limited opportunity of employment for unprivileged and marginal groups of citizens. Existing measures of the new active labour market policy focused on these groups proved to be an efficient tool of integration and support of employment. However, during the next period, it is inevitable to focus the intensive efforts on the support of inclusion of multi-unprivileged and marginal groups of citizens distant to the labour market by means of *intensification and implementation of new forms of assistance and support* aimed at these groups. By implementing the activities and measures, the Slovak Republic will continue supporting integrating, not segregating, solutions and enforce a consistent anti-discriminatory policy.

During the upcoming programme period 2007-2013, the Slovak Republic will continue and more significantly support the targeting of resources of the European Social Fund in *demand-oriented projects focused on trial testing and realization of tools of the active labour market policy* (see chapter achieving high employment rate) for multi-unprivileged and marginal groups of citizens as well as realize and extend the national projects of those programmes, which proved efficient. These

measures will comply with EU Council Guideline No. 19 Protection of joining labour markets, increase of attractiveness of work, assurance that it is worth working for the job applicants, including unprivileged and non-active individuals.

From 2006, *new measures of the revised National Project III* will be implemented, focusing on education of the unemployed. The individual role shall be assumed by *the educational programmes of second chance* for people with low qualifications focusing on completion of primary education and furthered with preparation to achieve secondary education, to gain skills to win recognition in the labour market, etc. Starting in 2007, these programmes will be realized all over the Slovak Republic's territory. These programmes comply with EU Council Guideline No. 23 Extension and improvement of investments into human capital.

Creation of the inclusive labour market, mitigation and elimination of social exclusion and poverty also requires significant changes and investments in the area of social services and other specialized activities. Within the area of social services, it is necessary to support the philosophy changes as well as focus on *implementation of new types of social services and programmes* aimed at their provision within the natural family and broader social environment, support of out-patient services compared to in-patient services and the development of low-threshold services and at the same time increasing the availability and quality of the provided services. The aforementioned schemes shall be reflected by the *new act on social services*, adoption of which is expected during 2006. An important area of support during this new programme period of 2007-2013 must be the *implementation of field-type social services*, development of a working system of services and intervention family-oriented programmes focusing on fulfilment of the primary family functions and programmes supporting activation of internal sources of unprivileged and excluded people and assistance and support when linking them to external sources of assistance and standard tools including infrastructure establishment. The aforementioned activities should be supported also through selected subsidies to municipalities or non-governmental entities.

During the upcoming period, the Slovak Republic will concentrate on the **implementation of the new legal regulation in the area of social-legal protection of children and social guardianship** and other related legal regulations. Their primary emphasis is on the execution of measures of preventive nature and the principle of consecution and comprehensiveness of measures while focusing on restructuring, support of family in a crises and failure when eliminating reasons for which a child was removed from the family and provision of a suitable substitute family environment for a child if the parents do not provide or can not provide personal care of a small child. The strengthening of implementation of these schemes is possible only through provision of available intervention and consulting activities and programmes. These will be supported by means of resources of structural funds as well as subsidies provided for the realization of selected types of activities. In the area of institutional care **a concept of institutional care for 2006-2008** shall be prepared by the beginning of 2006.

The Slovak Republic will further continue in promotion of equal chances, primarily children, by means of **support for families with children in material deprivation and for low-income families**, families from deprived localities respectively, through subsidies supporting access to education and healthcare. Other activities regarding support of access to education for children from poor families are discussed in the part devoted to the modern educational policy.

Upon implementation of activities, measures and programmes focused on prevention and mitigation of poverty and social inclusion, the creation of a monitoring and evaluation system will continue, representing a part of the facility establishment in this area, including development of knowledge and efficient implementation and support of creation and application of the best solution and new trends.

The plans in the social assistance area and social-legal protection and social guardianship will be, within 2006-2008, implemented also by means of a loan from the World Bank, focusing on **increase of functionality and stabilization of the institutional framework, improvement of performance quality, process and professional assurance of work for employees, of Labour Offices, social services and family**. Apart from the establishment of facilities and creation of a further education system for employees in state administration, the activities also comprise a proposal of support for strengthening of capacities and provision of education to employees of municipalities and non-governmental entities in the area of social affairs. These programmes comply with EU Council Guideline No. 23 Extension and the improvement of investments into human capital.

With respect to the social inclusion, it is necessary to keep supporting the **establishment and maintenance of local partnerships of social inclusion through the Social Development Fund** (budgetary organization of the Ministry of Labour and Social Affairs of the Slovak Republic) as well as the implementation of social services focusing on invocation and support of changes within local communities. The support from the European Social Fund is also very important, as it is focused on activation of members of the local communities to search for solutions themselves. In 2006, the plan of long-term operation of the Social Development Fund will be prepared representing a tool of support for the creation and realization of community development policies, prevention and the elimination of poverty and social exclusion at a local level. Within 2006 and 2007, the state subsidy programme **Programme of support for community social work in municipalities** will continue, focusing on the realization of community and field social work in municipalities. After decentralization and transfer of competencies of the social services area from state administration to municipalities, the transfer of competencies in the area of assistance in material deprivation shall take place in 2008. In 2006, the intention is to, by means of selective decentralization (individual recipient), strengthen the local solutions and responsibility in the area of assistance in material deprivation.

#### IV.

# Microeconomic policy

## IV.1 Business environment

A favourable business environment represents a principle prerequisite for the long-term competitiveness and growth of every market economy. It is an environment where the state supports and protects economic competition, creates clear and stable rules, acts efficiently while enforcing their observation by all the market participants and also minimizes administrative barriers and requirements towards businesses.

Within recent years, the Slovak government has significantly improved the business environment in many areas affecting business activities, thanks to which there are no serious barriers to business operations in Slovakia. The conditions for establishment of new companies and labour market legislation have improved and the bankruptcy and composition process has become more efficient. However, the unsatisfactory situation in the area of law enforcement continues, the redundant regulatory burden of business has not been removed at the necessary level and the under-developed capital market does not allow businesses to efficiently access financial resources.

Therefore, the following priorities have been defined for the area of business environment:

- high enforcement of law
- public institutions as a partner and not a burden
- efficient access to the capital market for all businesses
- quality physical infrastructure and services in utility industries
- liberalization of markets

The achievement of these priorities is expected through realization of eleven particular tasks, which will also generally contribute to achieve the integrated principle No. 10.

### *High enforcement of laws, regulations, and contracts*

Under this priority, the activities will be regulated by two tasks aimed at the *improvement of conditions for efficient enforcement of the law and implementation of a system for regulatory impact assessment (RIA – Regulatory Impact Assessment)*. Both should be completed by the end of 2006.

The objective of the government is to create conditions for improvement of quality and performance of justice and at the same time to improve perception of justice and its efficiency among the public.

*Improvement of conditions for efficient enforcement of law* and just solution of disputes without unnecessary delays requires the government to keep consistently implementing already adopted legislative changes regarding organization of justice and organization and administration of courts and also to support these processes materially and through provision of personnel. Within its competencies, the government shall enforce changes in the organization and method of work at the courts based on information technology. For the sake of a faster and more efficient process procedure, the Slovak government shall prepare changes in procedural laws.

Unbiased decision-making in court disputes must also be ensured through an increase of transparency in this process, reduction of space for corrupt behaviour, and the application of efficient tools to detect and punish corruption.

The inefficiency of the dual system used in the execution of judgement by means of courts and bailiffs under enforcement of receivables has been recently solved by the government (in operation from 1

September 2005) through the legislative amendment of the Civil rules of the court and Execution rules, resulting in the free capacity of the courts in supporting their decision-making.

The objective of the task focusing on *the system of regulatory impact assessment* (integrated guideline No. 14) is to ensure assessment of all planned (presented) regulatory provisions with respect to financial, economic and environmental effects, effects on employment and business environment, based on uniform methodology, and therefore increase the efficiency, transparency and coordination of assessment and to reduce the frequency of subsequent amendments resulting from the absence of this assessment.

The current assessment of the regulatory impacts is, in accordance with the so far valid legislative rules, presented as a clause on financial, economic, environmental impacts, impacts on employment and business environment. However, there is no uniform methodology regulating the compilation of the individual parts of the clause and therefore this situation requires every department, within their responsibilities, to prepare a uniform methodology for the part of the clause they are compiling.

The assessment of regulatory impact shall be done by means of an analysis, based on information assessing the probable cost, consequences, and side effects of planned policy tools (acts, directives, regulations, etc.) The results of the analysis will be used in order to increase the quality of political decisions and policy tools as well as their mutual cohesion.

#### ***Public institutions as a partner rather than as a burden***

The key task within this priority is to carry out, by the middle of 2006, a *Comprehensive audit of barriers to business in Slovakia*. This task has a basic conceptual nature and it is focused on the analysis of current legislative situation, requirements of the state towards the business sector and processes in the public administration with a direct effect on the business sector.

Regarding the significant changes achieved during the recent period, it is expected that the audit will contribute to identification of inefficient processes and will provide a proposal for a measure, which will support systematic removal of redundant bureaucracy and remaining administrative barriers to businesses and will contribute to the improvement and increase of efficiency of all processes within the public administration in relation to the business sector, primarily in the area of environmental protection, building permits and information obligations. .

The audit should concentrate not only on the level of central state administration, but also at the local and regional level.

The objective of this task should also significantly support the tasks defined for the information society aimed at systematic implementation of information technologies within the public sector.

State assistance represents a tool, by means of which the government redistributes a part of tax incomes from taxpayers, and at the same time it significantly intervenes in the functioning of the free market. Apparently, these are the reasons, which initiated the current activities of the European Commission and European Council to promote, within the EU member countries, a reduction of state assistance volume to a minimum and to require the transparency and clear concept of this system.

Slovakia adopts these requirements because so far it has not implemented a transparent and conceptual system of state assistance and therefore it concentrates all its efforts in this area on implementation of such a system. Under the task *Making the state assistance more transparent* Slovakia wants to, by 2007, introduce a system that will be in compliance with the priorities of both the national and European Lisbon strategy. For that reason, Slovakia would primarily like to shift state assistance from sector priorities towards clearly defined horizontal priorities, such as support of research and development, support of small and medium innovative companies, etc.

This objective shall also be advanced by the implementation of mandatory and immediate publication of all recipients of state assistance at one central website.

**Improvement of infrastructure for businesses** by 2007 is seen, by the Slovak government, as one of the basic prerequisites for business environment development. The update of the existing assistance schemes focusing on consulting and education, in accordance with the prepared use of structural funds for 2007-2013, is to contribute to more efficient stimulation and improvement of provision of the consulting and educational services for the business sector. It is expected that these activities will support the increase of knowledge potential of businesses and qualification of their employees, creation of new business entities, primarily focusing on innovative companies, the creation of new jobs and sustaining of existing ones.

The activities within this task shall also be oriented towards the availability of current information for businesses through Internet and creation of a system of efficient support for electronic trade.

In order to improve the quality of processes within the public administration, the task **Electronic public procurement (e-procurement)** has been designed, realization of which during 2006 should gradually replace the existing classic process of public procurement and create conditions for efficient ordering, procurement and control of product purchasing in the public administration. It will be possible to use the automation of public procurement processes also for joint procurement by several buyers. The electronic public procurement of product is expected to introduce transparency and efficiency to this process.

#### ***Efficient access to the capital market for all businesses***

A simple access to a well-functioning stock exchange is one of the basic prerequisites for business development in the market economy. So far, there is not such a stock exchange in Slovakia, therefore one of the solutions may consist in the creation of a liquid stock exchange, trouble-free, accessible by all business entities registered in the Slovak Republic.

However, with regards to the size of the Slovak economy, the best solution offered might be to support an establishment of a strong regional stock exchange in Central Europe, similar to what has already been established in Scandinavia. In order to do so, it is necessary to create conditions for integration of the Bratislava stock exchange into a Central European stock exchange, which would be established by an incorporation of stock exchanges existing in neighbouring countries.

The task **Creation of conditions for establishment of a regional Central European stock exchange** defines, as the first step of the integration, the changes of institutional layout and ownership rights of the Central depository of securities of the Slovak Republic and the Bratislava Stock Exchange (BCPB, a. s.) and entry of a strategic investor into the structure of BCPB, a. s. shareholders, which is expected in 2006.

One of the reasons for poor development of the capital market in Slovakia, including the risk capital market, lies in legislative and institutional barriers, which also worsens the access of Slovak businesses to the capital markets outside the Slovak Republic territory. It primarily concerns restrictions and deficiencies of financial, corporate and tax legislation. Therefore, it is necessary to identify and remove those legislative restrictions, which are not well-founded.

The task **Identification and removal of legislative restrictions in the area of capital market** is also based on active participation of representatives of the business and financial sector in order to identify the bottlenecks of legislation and to draft necessary legislative changes.

### *Good quality physical infrastructure and services in utility industries*

The Slovak Republic has fully adopted the respective EU directives to the act on power supply and regulation, regulating the electricity and natural gas market. However, the actual market of these products is not fully functioning yet. One of the reasons is the actual enforcement of the legal regulations in practice. Therefore, the objective of the task ***Identification and elimination of barriers to real opening of the power supply market*** (integrated guidelines No.12, 13 and 16) is to obtain an actual picture regarding barriers preventing the opening of the power supply market (technical, institutional and other barriers to real liberalization) and to identify measures of their elimination.

The use of renewable power sources (RPS) is one of the basic prerequisites to ensure constantly sustainable development and to implement the strategic goals of the energy policy of the Slovak Republic. In order to ensure the diversification and safety of power supplies for economic growth of the marginal rural regions, for employment growth and development of small and medium businesses, the RPS represent indispensable potential. However, at present any larger investments in RPS and their more intensive use are prevented by political, legislative, administrative economic, and fiscal barriers. These barriers deform the market environment, keep high rate of concentration and centralization of production and distribution of power, strengthen dependence of economy on import of primary sources of energy from abroad and burden environment, which represents negative externalities with great impact to public finances in future.

Therefore, the Slovak government, under the task ***Development of business in the area of use of renewable sources of energy*** (integrated guideline No. 11), will carry out identification and gradual elimination of barriers preventing more intensive use of renewable sources of energy. More intensive and more efficient use of RPS requires thorough analysis of the existing situation, processing of a clear and comprehensive strategy of RPS use including the mechanism of use of public resources and other supporting tools, amendment of Slovak energy policy, respective changes in legislation and, last but not least, regional action plans reflecting the specific conditions of regions for use of various kinds of RPS.

The comprehensive strategy in this area will be based on increase of incentives for private capital to invest in RPS and directing the state assistance and financial resources from EU structural funds in establishment of RPS capacities.

Transport accessibility of the individual Slovak regions is the basic prerequisite for entry of foreign investors into the Slovak economy and also a prerequisite for reduction of disparities in regional development. Quality transport networks will positively influence the mobility of the workforce and the relating increase of employment. Undoubtedly, the expansion of the internal market requires such an infrastructure that integrates European economies and therefore the completion of a connecting network between the countries represents an advantage. However, within this period, the domestic aspect of infrastructure in Slovakia is as important. Insufficient accessibility of the physical infrastructure in the Slovak territory may significantly affect the attractiveness of the country to foreign investors. That is why the current efforts of the Slovak Republic concentrate on completion of highway and railway projects, connecting the west and east of the country, resulting in better preparedness of the country for realization of cross-border projects.

The environmental infrastructure forms an integral part of the physical infrastructure and represents one of the most important factors of the economic growth and competitiveness of the Slovak economy with impact both on creation of favourable conditions for investments and the standard of living of the citizens. The creation and development of environmental infrastructure is, therefore, an important task.

### *Liberalization of markets*

Within the context of integrated guidelines No. 12 and 13, it may be said that while the internal market for goods is relatively well integrated, the markets for services are still fragmented. Apart from others, it also concerns the market of power supply, transport and regulated professions. In order to support the growth and employment and strengthen the competitiveness, the Slovak Republic will promote the earliest possible opening of the internal market for services. It also concerns the elimination of the remaining barriers with respect to free movement of the workforce. The full integration of financial markets will, as well, increase the outputs and employment by allocating sufficient amount of capital and creation of better conditions for business financing.

In order to ensure an open and competitive market, the Slovak Republic will support the elimination and reduction of tariff and non-tariff barriers to trade in accordance with the negotiation round on Development Agenda from Doha under the World Trade Organization (WTO); more efficient enforcement of competitiveness policy; performance of local supervision over the market by competitive and control bodies in order to identify and eliminate the barriers to competition and entry into the market; reduction of state assistance, which could represent a barrier to competition. The member countries should also fully implement the agreed measures regarding the utility industry in order to ensure efficient competitiveness within the European integrated markets and at the same time ensure a satisfactory supply of high-quality services with respect to the general economic interest.

The initiatives of the European Commission, commenced in 2003 and focused on revision of necessity and adequacy of regulation in the area of professional services in the EU member countries, have been addressed by the Antitrust Office of the Slovak Republic with the assessment *Report on regulation of professional services* aimed at the formulation of recommendations, based on the current assessment, for the reform of the existing system of regulation in the Slovak Republic.

The report identifies, with respect to the regulation of professional services, five important areas, where the unreasonable or unjustified regulation may represent serious barriers to development of competition. These areas comprise regulation of prices, advertising, entry to the market, scope of restricted activities and regulation of form of business. Other reasons explaining market failure included asymmetry of information and existence of externalities. The final recommendation of the report, which should be reflected in particular measures in the upcoming period, are defined under the individual areas and may be summarized as follows: The existing determination of fixed and minimum prices in Slovakia eliminates the principal competitive tool between the service providers and therefore it will be necessary to revise the validity and scope of price regulation, primarily in the case of tax attorneys, architects, and construction engineers. The specific regulation of advertising should be removed as well because it restricts another important competitive tool – advertising. The competition between the service providers should not be limited and thus in future any measures defining other quality requirements (restricted activities) and increasing barriers of entry to the market should be prevented. The existing restriction of forms of business also negatively influences the economy competition because it prevents creation of more efficient forms of partnerships and provision of more innovative, newer integrated services, and therefore a comprehensive revision of regulation in this area is also highly topical.

## **IV.2 Science, R&D and innovations**

Innovative activity, which shall effectively connect in itself to the support of science, research and innovation, becomes the next long-term priority of the Slovak Government. Slovakia needs a broad base of scientists capable of carrying out a quality research top international level. Since research and

development are the fields where so-called positive externalities happen, a strong economic argument exists for the state to actively support these fields. The public policy should secure a long-term development of the quality science potential. The public support of basic science and basic research should be differentiated from the support of applied research, development and innovation, because these have a substantially different economic character. The quality of applied research in a business sphere closely depends on the fundamental research quality, therefore a large number of scientists and their activities must be connected with the business sector, so that the effective transfer of scientific knowledge in a form of innovation to actual economic outputs was secured.

Slovakia has a relatively good research potential, but as a consequence of weak, and especially ineffective, state support its quality markedly falls behind the most advanced European countries.

Therefore, the main objective of the Government is to create the fundamental prerequisites for the development of science, research and innovation at the level of advanced European countries. The proposed steps that should at the same time create necessary system prerequisites for effective financial support from the side of the state. The state will be able to purposefully increase the volume of financial means for the support of science, research and innovation by the implementation of the Competitiveness Strategy. At the same time, it will initiate an increase in motivation of the private sphere to invest in perspective fields, which should support the ability of Slovak subjects to effectively draw financial means intended for the support of research and development from the EU budget and other international/multilateral financial resources, which are EU framework programs for research and development, EEA Financial Mechanism, Norwegian Financial Mechanism, European Science Foundation and suchlike. Major priorities in this field are determined as follows:

- raising and supporting quality scientists,
- international quality research with adequate interconnection to the business sphere,
- effective support of business activities aimed at the development and innovation.

The fulfilment of these priorities, which cover Integrated Guidelines 7 and 8, are expected from the implementation of fourteen particular tasks. Three of the tasks have a sectional character and their implementation should contribute to the fulfilment of the majority of priorities for the field of science, research and innovation.

The basic legislative framework for more effective expenditure of the state financial means in this field was created by passing a new law on the organisation of the state support of research and development. By course of the provisions of the new law it will be necessary to set up a main institution that will administer and distribute these financial means.

Within the framework of the task *Formation of the quality central state agency for the support of research and development* it will be necessary to secure the top management with experience from the field of research and development for the new agency. Foreign experts will participate in the activity of the agency's managing body (chairmanship, councils). It will be particularly important that the best Slovak scientists, research workers, and domestic as well as foreign managers of progressive companies go to agency councils. It will depend on their ability, independence and objectiveness, whether the agency will be able to effectively and impartially support the highest quality science teams and projects of Slovakia. At the same time it will be necessary to thoroughly establish a new institutional structure and administrative security of the agency, including new programs and activities.

Principles and system of national science and technological policy as well as international science and technology cooperation will be embedded in the strategic document that shall be an implementation output of the task *Elaboration of the long-term objective of the national science and technology policy*. The document shall emerge from a consistent analysis of science and technology state in Slovakia and shall determine basic directions for implementation of the national science and technology

policy in the basic research, applied research and experimental development. Special attention will be paid to the mobility of science and technology workers, creation of favourable conditions for dispatching science and technology workers abroad and acceptance of foreign science and technology workers in Slovak Universities and research organizations.

The document will also contain specific data on a gradual increase in the volume of financial means invested in the field of science and research from the state budget and also the private sector. Increase in financial means will be subordinate to reaching the Barcelona objective while taking into account Slovakia's particular conditions. The Slovak Republic considers the quality of this expenditure and effects that they yield, to be more important than the overall volume of expended financial means. And just the majority of tasks in this field concentrates on the improvement of the effectiveness of the public financial means expenditure for science, research and innovation.

The objective of the task *Central information portal for the field of science, research and innovation* is to create during the year 2006 information securing of research and development as one central point within the scope of the central portal of the public administration, which will be able to provide the citizens and institutions with information on all programs, activities and projects from the field of science, research and innovation supported from public funds.

At the same time, it will be necessary to better use and develop the **national information infrastructure in the field of science, research and innovation**. It is especially mutual connection of key libraries and electronic access to their information database for the science community, as well as the wider business sector.

### ***Raising and supporting quality scientists***

Without quality human resources as part of research and development infrastructure it is not possible to carry out research and development at the top European level. A perspective core of the highest quality human resources in the field of research and development is presented by the graduates and post-graduates, therefore the aim in this field is to introduce the support of graduates in the form of an accessory to the existing system of financing graduate studies through a grant scheme for the support of the highest quality human resources. This system should also motivate business subjects for the support of external graduate studies of own top-ranking employees in the form of the financial participation. Within the scope of the task *System for supporting the graduates and post-graduates* an introduction of active support of post-graduates, which is currently absent in Slovakia, is also being considered.

The objective of the task *System for supporting the mobility of human resources in the field of research and development* is to create an instrument the support of research and development workers mobility between Universities and the Slovak Academy of Sciences on one hand and business sector on the other hand. The instrument should be directed also at the support of international mobility of Slovak scientists and their participation in research projects abroad and at the same time also the participation of foreign science workers in Slovakia's projects.

Within the support of mobility also facilitation of the return of Slovak foreign universities graduates by the simplification of the process of approving the certificate of education. At the same time, the existing mobility centres for science and technology workers in Slovakia and existing national mobility portal will be supported more actively. These activities should strengthen the potential of Slovak research workers in the realization of collaborative research and development at top level.

Science can develop in the country on a long-term basis only when there is an adequate interest of the whole society in it and at the same time it has adequate social prestige. The task *Program for science popularization in the society* has as its object a better perception of science and development in the

society as one of the fundamental building blocks for raising the citizens' standard of living. For this purpose, a program for the support of information exchange between the scientific community and the other part of society will be elaborated. The program should initiate also youth interest in science and research by the level of elementary and secondary schools, significantly strengthen activities focused on popularization and presentation of science and research and the transfer of knowledge (out-reach activities) in the science and research field.

### ***High quality research with an adequate connections to the business***

The Slovak Republic needs instruments for independent assessment of the quality of programs and projects and must introduce a duty to release the results of publicly supported research projects. The objective of the task ***Elaboration of the system of science and research outputs quality assessment*** will be, in the first phase, the creation of a platform – a panel of experts, whose tasks will be to elaborate the system of science and research outputs quality assessment in Slovakia, in the second phase the system will be implemented in such a way that it can be used in a routine way. The system will be also used for an evaluation of effectiveness of financial means expended for science and research. Also foreign experts shall participate in an elaboration of the system, so that also international experience can be exploited. The assessment of the research and development quality shall be applied in a blanket way, so that funds from the state budget can be directed at those science and research centres that operate at top level.

***The proposal of the new system of state programs for the support of science and research*** will secure the solution of key problems of the development and fulfilment of the society's needs through concretization of priorities and the new system of state programs, which will support applied research and development at top European level. In accordance with the National Lisbon Strategy, three preference fields will be identified where Slovakia disposes of the potential for carrying out research, development and outputs for practice at European level. Priorities should cater for development needs of the business sphere and their outputs should be fully in accordance with the demand for results of research and development.

In order to carry out research and development at European level, the existence of the so-called critical mass of technical and information structure, and also human resources must be secured. This need should be solved by national centres of excellence, which should be above-standard supported in terms of institutions and also finances. The support should serve first of all for a significant improvement of research teams and institutions hardware. The system should be founded on the quasi-automatic support of these teams and institutions of the fundamental and applied research with outputs for a constantly sustainable increase of welfare of the population that carry out research at top level and successfully take part in international research projects. The state shall simultaneously apply an instrument for the support of creation of networks between institutions of academic (SAS and Universities) and business sphere in research and development. Apart from clearly defined criteria in centres of excellence a continuous control of an observance a high level of research and development carried out shall be enforced and a positive result will be a condition for continuation of the support from the state.

The need to increase the quality and potential of Slovak research and development is solved by the task ***Instrument for the support of international science and technology cooperation and facilitation of drawing financial means from the EU sources and research and development***. The objective of the task is to create an efficient space for the development of bilateral and multilateral cooperation first of all with the countries of the EU and introduce suitable institutional instruments (e.g. for consultancy concerning the rights in the field of intellectual property) and financially motivational instruments for engagement of research centres in international projects, primarily those that secure access to

significant research infrastructures. From the institutional point of view it will be necessary to create the agency and functional network of regional contact, possibly information points, which will support engagement of Slovak subjects in European research. These points should be partly an information source, but also a source of financial support, by which some costs for the preparation of projects for international competitions should be covered, (e.g. legal advice and assistance services, unavoidable travelling expenses, and suchlike).

### ***Effective public support of business activities focused on development and innovation***

At present the state supports innovative companies and innovative activities in a private sphere by force of many instruments. For this field, however, an integrated conceptual and effective system still does not exist. Therefore the very current requirement is to create such a system. The proposed steps must be in mutual accord and become part of an integrated system of innovation policy of the Slovak Republic. They may significantly contribute to the fulfilment of the integrated Guideline No. 15.

The task ***Complex system of the support of innovative companies and innovative activities in a private sphere*** considers in the first place an audit of existing government instruments for the support of innovative companies and innovative activities in a private sphere. On the basis of an audit some existing instruments and policies should be modified and some should be cancelled completely.

In the event of drafting instruments for the support of the risk capital development experience and the best practices of those countries that achieve the best results in this field shall be used. Concrete detail specifications should emerge from a detailed analysis of Slovak needs and adequate experience from abroad. Since Slovakia currently does not dispose of human resources with the desired foreign experience and expert opinions in this field, detailed steps should be proposed and implemented in cooperation with international experts within the framework of a joint project focused on the solution of this problem.

The current state of Slovakia's legislation in the field of innovation does not enable the development of innovation process in accordance with the requirements of the EU, so far, because the field of innovation is not protected in a legislative way. Therefore it is inevitable to take relevant steps in the interest of creating legislative environment for implementation of innovation. This effort requires elaboration of the national innovation strategy including a long-term objective of the state policy for the field of innovation and the law on innovation. ***The law on innovation*** should supplement and follow the current law on the system of state support of research and development.

In the event of drafting these documents, mostly experience and practices of those countries that are successful in this field should be used, such as, Finland, Ireland, Israel, and the USA. Since Slovakia does not have experienced experts in this field, the best solution appears to be an involvement in the preparation of the strategy and legislation of international consultants, e.g. by using technical assistance from the World Bank. These intentions are the objective of the task ***Creation of modern legislation for the field of innovation***.

At present the state improves the support of innovative companies. New incubators arise throughout the whole territory of the Slovak Republic, primarily due to contributions from the state budget and EU funds. Nevertheless, a unified support program, which would at the same time enable exchange and use of experience or the best practices between individual incubators, is absent. This state should be solved by the task ***Support of technological incubators focused on innovative companies***.

Companies that are currently placed in incubators are provided with office spaces for the company registered office on easier terms. The system of incubators should, however, also provide a wide range of professional services and active consultancy in all queries regarding the management of the beginning company.

Active cooperation between the state and private sector is considered to be the most favourable solution for this field, whereas a private sector should bear a greater part of responsibility for the incubator's running and for services provided to companies placed in the incubator.

Innovative projects run into obstacles in financing the early stage of the development. The risk degree in these investments is quite high also for private funds of the risk capital. The market situation is, however, also complicated by other factors, which are low enforceability of the law and a poorly developed market. In this event, the most suitable instrument for the capital market acceleration appears to be the creation of the program of the state participation in investments to private risk funds in the form of so-called soft loans, grants or guarantee schemes, which lower the risk of a private investor in the investment. Experience from the countries that successfully realized similar projects, show that the project's success depends on the fact of which way they are proposed. Therefore the objective of the task *Public supporting instrument for an improvement of the risk capital offer for innovative companies in the early stage of their activity* is to define an administrative system for the conditions of Slovakia.

In this connection it has to be decided especially on such characteristics of the program, which are:

- the type of financial instrument (e.g. soft loans, funds, investment grants, guarantee schemes, risk fund in the state property and suchlike.),
- the role and power of the state during selection of particular investments,
- the type of industry in which it will be possible to invest.

### IV.3 Information society

Informing society is one of the best means of how to transform Slovakia into a dynamic knowledge economy, which is a key target for securing the long-term competitiveness of the country. It may be achieved through ensuring that almost every citizen knows how to use ICT, thus was information literate, had internet access, and felt the advantages of an information society. The result of this process will be an increase in the whole education ratio, productivity and employment rate, inclusion of disadvantaged groups of citizens to the society, improvement of the services, greater growth of innovation and increase in the efficiency of using public funds.

The ground for the current dissatisfactory state in the development of an information society in Slovakia was to a considerable extent the absence of a "uniform management" with the higher Departmental authorities for this field. Therefore it will be necessary to strengthen an institutional facility, which shall determine clear authorities and responsibilities. An increase of the authorities of the Slovak Republic Government Commissioner for informing the society will be a solution in a short-term view. In a medium-term view this issue may be solved, for instance, through transformation of the Ministry of Transport, Post, and Telecommunications of the Slovak Republic, whereas the emphasis should be moved to informatization. The tasks defined in this part directly follow the Action Plan of the strategy of the society informatization, whereas they focus on three main areas:

- information literacy,
- effective informing of the public administration and
- wide internet access.

They correspond with the objectives defined in the integrated Guideline No. 9.

## *Information literacy*

The transition to knowledge economy is conditioned by the information literacy of the population, therefore the ability to actively use IKT in everyday life. Therefore it is necessary to secure that all age and social groups of the population mastered IKT, whose knowledge is also one of the employment market requirements. Schools will also take part in raising information literacy in the general public within the scope of the program *Digital Štúr Group in schools*. The project will provide schools with the possibility to apply for two types of financial support for the use of their information equipment in favour of the local community. While the first will serve for public access to computers connected to the internet for a minimum of 25 hours a week, the second will serve for the realization of courses of the basic work with information technologies.

With regard to the fact, that the preparedness of a general class of population to use modern ICT is one of the key prerequisites for successful transformation to an information society, it is necessary to follow the progress in this field. This need will be secured by *mapping the state of the digital literacy and adaptability of population to ICT*. This monitoring will provide a complex type of information, on the grounds of which the affectivity of expended funds and direction of human resources in the field of information technologies will be possible to increase. It will also be possible to use the obtained information for government programs and strategies, for appraising reports and analyses on the state of the IT sector in Slovakia, for making an international comparison and suchlike.

## *Effective informatization of public administration*

Apart from the private sector, the public administration also plays an important role in the creation of an offer of electronic services, which are one of the significant accelerators of the informatization process. Nevertheless, the created services will be used by the citizens only when they are provided in high quality and effectively. Therefore it is necessary to implement the task *Procedure, organization and information model of public administration services* with mutually connected and cooperating information systems that will respect all user requirements. Attention must be thereat focused on the management of administrative processes within the scope of individual organizations of the public administration. The integrated model of e-services shall emerge from the resources, that are provided by an information-communication infrastructure for individual processes. These shall then be evaluated by functional, quality and safety criteria. In the course of the following three to five years *The road map for an introduction of public administration electronic services* proposes an introduction of all twenty basic categories of public services recommended by the European Commission. As a final consequence the basic mission of an effective electronic public administration is to contribute at the maximum possible rate to a decrease of the administrative load on a citizen and to an increase of public administration transparency toward a citizen.

Electronic public administration can also be built when all public databases and registers operate on compatible standards and technologies that can be easily and inexpensively mutually connected. For this reason *elaboration and passing of a new amendment of legal regulations on basic registers of the public administration* is inevitable. The quoted legislative framework will secure the required conditions for the *creation of the system of electronic data exchange between registers*. This system is an inevitable step towards the automation of back office processes and effective operation of the public administration. For this reason a study will be elaborated that shall review the current state and will propose a sequence of steps for the creation of the system of electronic data exchange between registers. In the first phase electronic data exchange should be switched on between the register of citizens and company register, in the second phase the trade register should also be added.

***A unique identifier will be introduced for communication between information systems of the public administration.*** It will be a number generated by the Ministry of the Interior for each citizen on the basis of his birth certificate number. It will only be possible to use the identifier for information purposes, therefore not for legal acts, which can be made on the grounds of a guaranteed electronic signature.

The citizens will be facilitated in administration processing in offices in that the ***information from the reference register of the Slovak Republic citizens and from the database of documents of the Slovak Republic will be provided to authorized subjects*** for clerical-administration character purposes. This way the existing practice of an unnecessary administrative load will be done away with, while institutions of the public administration regularly require from a citizen the presentation and charge for the information from other institutions of the public administration, to which they have a direct easy and free access. Information will be made available not only to bodies and institutions of the public administration of the Slovak Republic, but also to commercial subjects and citizens, but only to the extent prescribed by valid legislation of the Slovak Republic.

The next measure facilitating the communication of companies and citizens with state and private institutions is an ***increase in using an electronic signature in public administration institutions.*** This step should facilitate the expansion of using information technologies both in the public administration and also in the private field of citizens and companies. Within the scope of making this communication possible, it is necessary to widen functionality of information systems in existing institutions and the National Security Authority. The expansion of an electronic signature itself will be achieved by an ***introduction of an identity card with a smart card and guaranteed electronic signature.*** Even now it may be said that an implementation of this project will require the expansion of functionality of the National personalizing centre and individual points for collection of applications for the possibility of personalization and issue of ID card with a chip and guaranteed electronic signature.

The quality of the provided services is one of the pre-determining factors for successful informing of the public administration. To secure the quality, however, well operating and effective systems are not enough, but in the first place the people that will be able to provide these services. An introductory project in this direction is ***passing a qualifying program the European Computer Driving Licence (ECDL) by state employees*** for obtaining and demonstration of digital literacy, i. e. the knowledge and skill needed for the effective use of ICT. ECDL provides an elaborate, certified and recommended qualifying standard of the basic information education. This project may be gradually expanded to the whole field of the public administration, including self-administration and higher territorial units (VÚC).

Their price will be certainly a key factor for the citizens when making a decision on using e-services offered by the public administration. The intention of Slovakia in this field is that access to information, which has only an informative character and therefore is not usable for legal acts, is free. In this direction, in the first place it is planned to secure ***free information access to the land register***, just as it is in the company and trade register. At present internet access to the land register is charged in quite a complicated manner, which to a significant extent complicates the possibilities of its use. In the case of official documents, which will be provided with a guaranteed electronic signature and therefore will be usable for legal acts, it is calculated with a charge in electronic form, which will be a parallel to the present payment of charges, possibly duty stamps during paper communication. Therefore ***a proposal for solving electronic charging for administrative charges for e-services*** will be prepared for this purpose.

In the interest of transparency of services provided by the public administration a ***central portal of the public administration will be created with an access point.*** This access point will be a ground building block for all future activities of the portal. Through it the user's authenticity, its login to the

service, assumption of the data, making transaction and its delegation to a respective service provider will be secured.

Since informing of the public administration can not proceed without due financial assistance, attention has to be paid to the fact that expended funds were effectively capitalized. Therefore in this direction an *analysis of creating a complex system of public procurement, record-keeping and minor repairs of computers in Slovakia* will be elaborated. Such a system would enable a decrease in the public investment in the purchase of new computers, while increasing their number and extending their service life. A regular minor repair of hardware from the state administration and self-administration could secure an increase in the number and quality of computers in schools.

Two additional measures are planned for the field of effective informatization of the public administration. Within the scope of the first one, a project of the *digital Government* is proposed. The essence of this measure should be the electronization of hundreds of documents and their circulation in a legislative process. In the event of the second measure, it is a free provision of complex information for the professional and lay public from the field of culture. To fulfil this intention the Culture Department should establish a *portal of the Culture Register available to the public*.

### ***Broadband internet access***

The quality and price accessible information and communication infrastructure is the principal condition for informing. Citizens should have access to broadband internet either at home, or in public places. One of the possibilities of how to contribute to the provision of fast and cheap internet for households, is the more effective use of modern, optical, backbone networks, where the state has a majority capital participation and in which it has invested a considerable amount of financial means. An implementation proposal for making this network accessible, which results from the *study of using structures of existing backbone networks of organizations, where the state has a majority capital participation*, will be the first step toward making a positive change to happen. Using such infrastructures could, for instance, in a significant manner contribute to an increase of competitiveness in local access lines or solution of broadband internet access for public administration in regions.

Internet access in public places is directly supported also by two further measures. The first one is the already quoted *project of the Digital Štúr Group in schools*, within the framework of which the elementary and secondary schools may apply for funds for public access to computers connected to the internet. The second step is the *program for the electronization of directories*, within the framework of which it is necessary to secure that all directories were connected to the broadband internet. The intention is to create a modern and inexpensive alternative network of several thousand of access points to the internet throughout Slovakia by means of public, science city and municipal directories. Building national digital directories and systems of electronic publication will at the same time improve and optimize internet access.

## **IV.4 Action plans vs. Integrated Guidelines**

The chart enclosed in the attachments provides an overview of to what extent Action Plans of the Strategy of Slovakia's Competitiveness until the year 2010 cover the approved EU Integrated Guidelines.

## V. Attachments

### 1. The EU Integrated Guidelines and corresponding planned measures of the Slovak Republic

The EU Integrated Guidelines and corresponding planned measures of the Slovak Republic			
Guideline No.	Principal objective of the Guideline (related Guidelines are stated in parentheses)	Priority	Planned measures of the Slovak Republic (KP - Updated Convergence Program of the Slovak Republic for the years 2004-2010, LS – Competitiveness Strategy of the Slovak Republic until the year 2010, AP – Action Plan*)
<i>Macro</i>			
1	Secure economic stability for sustainable growth (6)	in accordance with the Convergence Program to secure medium-term fiscal policies and avoiding pro-cyclical fiscal policies	to reduce the deficit of public finances below the level of 3 % of GDP in the year 2006 (without an influence on the introduction of the second pillar of the pension reform (KP, page 4) by the year 2010 to reach long-term sustainability of public finances (KP, page 4) the measures increasing efficiency of automatic stabilizers in the future (KP, page 5)
2	Safeguard economic and fiscal sustainability as a basis for increased employment (17, 4, 18, 20)	to adjust deficits, where there is a risk of being non-sustainable to undertake satisfactory progress in the reduction of the Government debt to reform and strengthen the pension, social and health system to increase the participation in the employment market primarily of women, and elderly workers and promote a lifelong attitude to work for an increase of hours of work	nominal drop in the risk state guarantees (KP, page. 26) using income from privatization first of all for the reduction of public debt (KP, page 26) proceeding reform of the pension, social and health system a long-term population policy (AP 1.17) to reduce the structural rate of registered unemployment until the year 2010 below the level of 10 % (KP, page 4) support of so-called starting apartments and social housing (AP 1.14)

			<p>increasing the efficiency of training and preparation programs for the employment market of job applicants (AP 1.15)</p> <p>reducing tax and levy burden (AP 4.3)</p>
3	Promote a growth- and employment-orientated and efficient allocation of resources (11)	<p>to redirect public expenditure to categories supporting growth</p> <p>to adapt a tax structure for strengthening the growth potential</p> <p>to ensure mechanisms for the assessment of the connection between public expenditure and reaching the set targets</p> <p>to ensure an overall coherence of reform measures</p>	<p>in the event of the budget setting of the public administration a sufficient increase of public finances for preference fields has to come and also to a decrease of expenditure in other fields (LS, page 3)</p> <p>tax system reform</p> <p>to support public objectives (competitiveness of the Slovak Republic) through the goal-oriented public expenditure and not tax privileges (therefore a transparent and neutral tax policy will be maintained) (LS, page 5)</p> <p>Lisbon Strategy must be fully shown in all other documents and the Government's initiatives for this period, whereas they should be fully compatible with it and contribute to its planning (LS, page. 3)</p>
4	Ensure that wage developments contribute to macroeconomic stability and growth (21)	to stimulate administrative framework conditions for wage bargaining systems	employment market reform
5	Promote greater coherence between macroeconomic, structural and employment policies (20, 18)	<p>to introduce reforms for employment and product markets</p> <p>to increase flexibility, the mobility of factors of production, and employment and product market capacity adjustment to globalization, technological advances, demand shift and cyclical changes</p> <p>to restore an incentive for tax reforms and reform of social security systems</p> <p>an increase of the employment market adaptability</p> <p>to improve the employment rate by investing in human resources</p>	<p>employment market and tax system reforms</p> <p>not to discourage an individual from being active and creative working by social policy (LS, page. 6)</p> <p>to maintain a flexible employment market (LS, page 6)</p>
6	Contribute to a dynamic and well-functioning EMU		Concretization of the Euro Adoption Strategy
<i>Micro</i>			

7	Increase and improve investment in R&D, in particular by private business	<p>to reach the level of 3 % of GDP until the year 2010 while setting interim objectives</p> <p>to improve the conditions and ensure sufficiently competitive and attractive environment for enterprises doing business</p> <p>to increase the volume of efficient and effective public expenditure for V&amp;V and expansion of "PPPs"</p>	?	<p>creating a quality central state agency for the support of research and development (AP 2.1)</p> <p>elaboration of a long-term objective of the state science and technology policy (AP 2.2)</p> <p>elaboration of a system of assessment of quality outputs of science and research (AP 2.3)</p> <p>proposal of a new system of state programs for the support of research and development (AP 2.4)</p> <p>an instrument for the support of international science and technology cooperation and facilitation of drawing on financial resources of the EU for research and development (AP 2.8)</p> <p>support of national centres of excellence (AP 2.7)</p>
8	Facilitate all forms of innovation	<p>to expand and strengthen centres of excellence in educational and research institutions, possibly create new ones; at the same time to improve cooperation between the public research institute and private enterprises</p> <p>to develop and improve incentives for investing in a private V&amp;V</p> <p>to modernize the management of research institutes and Universities</p> <p>to ensure a sufficient offer of quality research workers</p>	<p>systems for the support of graduates and post-graduates (AP 2.5)</p> <p>systems for the support of the mobility human resources in the field of V&amp;V (AP 2.6)</p>	<p>central information portal for the field of science, research and innovation (AP 2.10)</p> <p>complex system for the support of innovative companies and innovative activities in a private sphere (AP 2.11)</p> <p>creation of modern legislation for the field of innovation (AP 2.12)</p>

		<p>to create and develop innovation centres, networks and incubators by connecting Universities, research institutes and enterprises, and that is at a regional and local level</p> <p>to support an international transfer of knowledge including from PZI</p> <p>to support public procurement of innovative products and services</p> <p>to improve access to domestic and foreign finances</p> <p>to ensure efficient and available means for claiming property rights</p>	<p>support of technological incubators directed at innovative companies (AP 2.13)</p> <p>public supporting instrument for an improvement of a risk capital offer for innovative companies in the early stage of their activity (AP 2.14)</p>
9	Facilitate the spread and effective use of ICT and build a fully inclusive information society (21)	to support the expansion of ICT in public services, small and medium businesses and in households	<p>procedure, organization and information model of public administration services (AP 3.1)</p> <p>European Computer Driving Licence for government employees (ECDL) (AP 3.2)</p> <p>cooperation in creation of the proposal for legislative intention of the law on basic registers of the public administration (AP 3.4)</p> <p>proposal of the solution of electronic charging for administrative charges for e-services (AP 3.5)</p> <p>increase in the use of an electronic signature in institutions of the public administration as a support of business environment and informatization of the public administration (AP 3.6)</p> <p>introduction of an identifier for communication between information systems of the public administration and elaboration of a unique identifier of a citizen from a birth certificate number (AP 3.7)</p> <p>creation of the system of electronic data exchange between registers (AP 3.8)</p> <p>providing information from the reference register of the citizens of the Slovak Republic and from the database of documents of the Slovak Republic to authorized subjects (AP 3.9)</p> <p>introduction of an identification card with a smart card and guaranteed electronic signature (AP 3.10)</p>

		<p>the central portal of public administration - access point (AP 3.11)</p> <p>free information access to the land register (AP 3.12)</p> <p>Digital Government (AP 3.13)</p> <p>Program for the electronization of directories (AP 3.15)</p> <p>Digital Štúr Group in schools (AP 3.16)</p> <p>mapping the state of the digital literacy and adaptability of the citizens to ICT (AP 3.17)</p>	
	<p>to create an inevitable framework for changes connected with organization of work in economy</p> <p>to promote a strong European participation in key segments of ICT</p> <p>to support the expansion of a strong "content" industry (enterprises owning media and providing services in this field), an industry focused on ICT and also the expansion of a well-functioning market</p> <p>to ensure network and information safety</p>	<p>the Culture Register portal available to the public (AP 3.18)</p> <p>introduction of an identifier for communication between information systems of the public administration and creation of a unique identifier of a citizen from his birth certificate number (AP 3.7)</p> <p>process, organization and information model of public administration services, introduction of an identification card with a smart card and guaranteed electronic signature (AP 3.10)</p> <p>the central portal of public administration - access point (AP 3.11)</p> <p>the study of using the structures of existing backbone networks of organizations, where the state has a majority interest (AP 3.3)</p> <p>the program for the electronization of directories (AP 3.15)</p> <p>Digital Štúr Group in schools (AP 3.16)</p>	
10	Strengthen competitive advantages of its industrial base (20)	<p>to identify the added value and the competitiveness factors in key industries and respond to calls for globalization</p> <p>to develop new technologies and markets</p>	<p>MH</p> <p>MH</p>

11	Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth (3)	to develop sustainable energy sources including renewable resources, to contribute to a fast expansion of environmentally-friendly and eco-efficient technologies	<p>the development of business in the field of renewable energy resources (AP 4.9)</p> <p>reducing energy intensity and changing fuel basis in energy sources with an impact on low-emission and renewable resources;</p> <p>decrease in the ratio of separated and valued waste, introduction of recyclable and biologically decomposable waste, introduction of recyclable and biologically decomposable packages, component recycling in electric industry;</p> <p>enforcing environmental product policy;</p> <p>assistance to organizations in the field of improving environmental behaviour</p> <p>to produce a law on renewable energy resources</p>
		<p>to support the development of means for internationalization of external environmental costs and isolate economic growth from environmental degradations (in accord with current EU legislation and ETAPom)</p> <p>to stop the loss of biological diversity</p>	<p>support of research and consultancy in the field of using renewable energy resources</p> <p>to analyse the possibilities of environmental taxes</p> <p>a permanently sustainable use of water, water ecosystems and other natural renewable and non-renewable resources;</p> <p>elaboration of the Slovakia's Water Plan and plans of the water system management;</p> <p>processing the programmes of taking care of national parks, CHKO (nature reserves), CHVÚ (protected bird areas) and areas of the European significance;</p> <p>processing an Updated Action Plan for the protection of biodiversity for the years 2003-2010;</p>

		to continue in the fight against climatic changes	<p>to realize "Adaptation measures in the land management of the Slovak Republic for climatic change."</p> <p>applying the mechanism of trading with emissions of greenhouse gases;</p> <p>decreasing the consumption of materials damaging the ozone layer of the Earth;</p> <p>building the quality and complete environmental infrastructure;</p> <p>processing the plan of the public water works and sewer development after the year 2005;</p> <p>reduction of adverse effects on drainage conditions in river-basins;</p> <p>? mapping, classification and information system of the environmental loads</p>
12	Extend and deepen the Internal Market (20)	<p>to accelerate transposition of the home market guidelines</p> <p>to promote home market legislation in a stricter and better manner</p> <p>to eliminate remaining obstacles in cross-border activities</p> <p>to effectively use EU rules for public procurement</p> <p>to support a fully operational home market by maintaining the European Social Model</p> <p>to accelerate integration of the financial market by an implementation and enforcement of the Action Plan for Financial Services</p>	<p>electronic public procurement (e-procurement) (AP 4.5)</p> <p>creation of the conditions for the formation of the regional Central European stock exchange (AP 4.6)</p>
13	Ensure open and competitive markets inside and outside Europe and to reap the benefits of globalisation	<p>to remove regulatory, commercial and other barriers, which exceedingly prevent competitiveness</p> <p>to promote the Competitiveness Policy more efficiently</p> <p>to examine markets selectively</p> <p>to reduce state assistance that distorts economic competition</p> <p>to redirect the assistance in favour of certain horizontal targets such as research, innovation and optimization of the human capital and environment protection</p> <p>to support external openness of the market also in a multilateral context</p>	<p>identification and removal of legislative barriers in the area of capital market (AP 4.7)</p> <p>the system of legal regulations impact assessment – RIA (Regulatory Impact Assessment) (AP 4.4)</p> <p>making state assistance more transparent (AP 4.10)</p>

		to fully implement the approved measures for opening network industries to the competition	Identification and removal of barriers of a real opening of the energy market (AP 4.8)
14	Create a more competitive business environment and encourage private initiative through better regulation	to reduce administrative barriers, which influence enterprises  to improve the quality of existing and new regulatory measures to urge enterprises to social responsibility	complex audit of barriers in doing business in Slovakia (AP 4.1) improvement of the conditions for efficient enforcement of the law (AP 4.2) The system of legal regulations impact assessment – RIA (Regulatory Impact Assessment) (AP 4.4)
15	Promote a more entrepreneurial culture and create a supportive environment for SMEs (3, 8, 22, 23)	to improve access of enterprises to finances  to strengthen economic incentives including a simplification of the tax system and reduction of non-wage labour cost to strengthen the innovative potential of MSP	identification and removal of legislative barriers in the area of capital market (AP 4.7) creation of the conditions for formation of the regional Central European stock exchange (AP 4.6) reducing tax and levy burden (AP 4.3)
		to provide relevant auxiliary services, such as one-stop contact points and stimulate national networks for the support of doing business	complex system of the support of innovative companies and innovative activities in a private sphere (AP 2.11) creation of modern legislation for the field of innovation (AP 2.12) support of technological incubators directed at innovative companies (AP 2.13) public supporting instrument for the improvement of the risk capital offer for innovative companies in the early stage of their activity (AP 2.14) improvement of information infrastructure in the field of doing business (AP 4.11)
16	Expand, improve and link up European infrastructure and complete priority cross-border projects with the particular aim of achieving a greater integration of national markets within the enlarged EU (9)	in the view of the resources to produce adequate conditions for efficient transport, energy and IKT infrastructure (preferentially TEN projects) to support the development and introduce the Public-Private Partnership to weigh the possibilities of appropriate systems of an infrastructure assessment	
<i>Employment</i>			

17	Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion	to reach by the year 2010 in the EU the total average employment rate in the amount of 70 % (60 % employment in women, 50 % in elderly people)	to reduce a structural rate of registered unemployment by the year 2010 below the level of 10 % (KP, page 4)
18	Promote a lifecycle approach to work (2)	<p>to reduce youth unemployment</p> <p>to increase the participation of women and reduce the gender differences in the field of employment, unemployment and wages</p> <p>to support better co-ordination between the working and private life and secure affordable childcare and care for persons dependent on care</p> <p>to support active ageing</p>	<p>increasing the efficiency of the programs for training and preparation for the employment market of job applicants (AP 1.15)</p> <p>long-term population policy (AP 1.17)</p> <p>training programs tailored to individual needs of the job applicants and those interested in the job for the age group over 50 years</p> <p>training programs for elderly employees with the objective of adapting the companies founded on knowledge to their skill and prevent their redundancy</p> <p>extending the retirement age</p> <p>introducing and realization of new motivational measures, which significantly decrease attractiveness of an early retirement as well as support staying of elder workers in the employment market (the possibility to work and at the same time draw a pension)</p>
19	Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive	<p>to modernize pension and health systems</p> <p>to introduce active and preventive measures on the employment market</p> <p>keep monitoring incentives and barriers, which are the result of tax and social systems</p> <p>to develop new sources of employment in the service sector</p>	<p>pension and health system reforms</p> <p>employment market reform</p> <p>reducing tax and levy burden (AP 4.3)</p> <p>further simplification of the regulatory and administrative burden of employment as well as self-employment</p>
20	Improve matching of labour market needs	to modernize and strengthen the employment market institutions	increasing the efficiency of programs for training and preparation for the employment market of job applicants (AP 1.15)

		<p>to remove the obstacles of the labour mobility in Europe within the framework of Treaties</p> <p>To better foresee skills that the employment market will need, and labour shortage on the employment market to cope adequately with economic migration</p>	<p>The National Scholarship Program for the support of the mobility of students, graduates and pedagogical-scientific workers (AP 1.11)</p> <p>strengthening and improvement of education in the field of foreign languages at all school levels (AP 1.3)</p>
21	Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners (5)	<p>to adapt employment market legislation and revise contractual amendments and working time, where it is needed to deal with the issue of illegal working</p> <p>to better foresee and positively regulate changes connected primarily with setting up a shop</p> <p>to promote and expand innovative and adapting forms of work organization with the objective of improving the quality and productivity of labour</p> <p>to support the transition between employments (training, trade activity, founding companies and geographical mobility)</p>	<p>to improve and simplify the health protection of employees at work (AP 1.16)</p> <p>the law on illegal work passed in April 2005</p> <p>? further continuation in successful checks of NIP and employment offices, social affairs with families for detection of illegal employment</p> <p>support of so-called starting apartments and social housing (AP 1.14)</p>
22	Ensure employment-friendly labour cost developments and wage-setting mechanisms (4)	<p>to urge social partners within the scope of their own fields to responsibility to set an administrative framework for wage bargaining, which shall make provision for calls connected with the labour productivity and employment market</p> <p>to examine non-wage cost influence on work, employment and modify their structure where it is suitable</p>	<p>The Labour Code passed in the year 2003 abolished all mandatory provisions in the field of work remuneration and transferred wage bargaining to social partners on the enterprise level. The Labour Code stipulates only the framework for negotiations, which protects the very employees by setting the minimum standards that must be maintained</p> <p>reducing tax and levy burden (AP 4.3)</p>
23	Expand and improve investment in human capital (7)	<p>to facilitate access to secondary school and University studies through Inclusion Policies in the field of education and training</p> <p>to significantly lower the number of those who leave school prematurely</p>	<p>social scholarships and subsidies for boarding and teaching aids aimed at children from families in financial need, the target: offering them the same opportunity to be educated</p> <p>a subsidy program for the establishment of nursery schools in poor municipalities with a positive demographic trend (AP 1.7)</p> <p>increasing the number of teacher's assistants and special pedagogues (AP 1.8)</p>

		to secure effective strategies of lifelong learning for all people	elaboration of the lifelong learning strategy and lifelong consultancy and their adoption by the Government of the Slovak Republic and creation and implementation of the national program for learning regions (AP 1.2)
24	Adapt education and training systems in response to new competence requirements	to increase and secure attractiveness, openness and quality of education and training, expand the offer of education possibilities and secure flexible approaches of teaching and possibilities for students' and interns' mobility	elaboration of a new education draft bill and its presentation during the talks of the National Council of the Slovak Republic (AP 1.1)  new motivational elements in the field of quality and polygenetic financing in the allocation of subsidies from the state budget to public Universities (AP 1.9)  starting complex accreditation of Universities and support of independent assessment activities (AP 1.10)  The National Scholarship Program for the support of the mobility of students, graduates and pedagogic-scientific workers (AP 1.11)
		to facilitate and diversify access to education for all	implementation of the new system of social assistance to students (AP 1.13)
		to respond to new needs concerning the employment, key abilities and future requirements for skills	strengthening and improvement of education in the field of foreign languages at all schools levels (AP 1.3)  support of using information and communication technologies in the teaching process (AP 1.4)

\* 1. education and employment, 2. science, research and innovation, 3. information society, 4. business environment; second number indicates a specific role

## 2. Structural Indicators

The presented system of indicators is a follow-up to preference fields of the Lisbon Strategy of the Slovak Republic and thus also the National Reform Program, whose part are the **information society, science, research and innovation, business environment, education and employment**.

The objective of the structural indicators is a quantitative assessment of the progress achieved in the realization of intentions and objectives set within the framework of the strategy of the Slovak Republic and thus also the National Reform Program, which are the **information society, science, research and innovation, business environment, education and employment**. The progress assessment in a given field will be grounded on a time development of indicators and comparison of reached values with an average level of indicators in the EU and also OECD.

The system of indicators is focused not only on a continuous assessment of the progress ex post, but at the same time its ambition is also to fulfill a stimulative function in the process of the Slovakia's economy moving towards the level of advanced countries. Target values will be set for individual indicators for future years, which will be adjusted so that their fulfilment secured a gradual and practicably achievable degree of convergence with the EU level.

The following chart provides the development overview of selected indicators in the years 2001 to 2005:

<b>Set of monitored indicators</b>						
<b>Creation of the added value</b>		<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Productivity of labour per employee</b>	EU25	100.0	100.0	100.0	100.0	-
GDP per employee/PPP; EU25=100	SKK)	56.1	59.1	59.0	59.4	-
<i>Productivity of labour per hour of work</i>	EU25	100.0	100.0	100.0	-	-
GDP per an hour of work/PPP; EU15=100	SKK)	45.8	49.4	50.7	-	-
<hr/>						
<b>1 Information society</b>		<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>1.1 Broadband internet connection</b>	EU25	-	-	-	6.5	-
Percentage share of the number of connections to broadband internet in the overall population	SKK)	-	-	-	0.4	-
<b>1.2 E-government</b>	EU25	-	-	-	41.0	-
Accessibility of 20 public services through internet	SKK)	-	-	-	15.0	-
<b>1.3 Information literacy</b>		-	-	-	-	-
Upcoming research of the Institute for Public Affairs						
<hr/>						
<b>2 Science, research and innovation</b>		<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Research and development expenditure from business resources</b>						
<b>2.1 resources</b>	EU25	1.06	-	-	-	-
Expressed in % of GDP	SKK)	0.36	0.31	0.26	-	-
<b>2.2 Relative Citation Index *</b>	EU15	-	-	1.07	-	-
The ratio of the average number of citations falling to the given country publication to the average number of citations falling to the publication of the world database	SKK)	-	-	0.56	-	-
<b>2.3 EPO patents</b>	EU25	141.96	133.59	-	-	-
Patent application in the European Patent Office per million citizens	SKK)	7.05	4.27	-	-	-
<b>2.4 Investments in risk capital – in total</b>	EU15	0.144	0.110	0.109	-	-
Expressed in % of GDP	SKK)	0.037	0.011	0.010	-	-
<b>2.5 Summary Innovation Index</b>	EU25	-	-	-	0.406	-
The European TrendChart on Innovation (min. 0 - max. 1)	SKK)	-	-	-	0.243	-

\* the quoted entry is the average for the period of 1999-2003

3	Education and employment		2001	2002	2003	2004	2005
3.1	<b>Secondary school educated young people</b>	EU25	76.2	76.5	76.5	76.7	-
	The population percentage in the age of 20-24 years who completed at least secondary education	SKK)	94.4	94.0	94.1	91.3	-
3.2	<b>The secondary school-leavers success in a foreign language</b>	EU25	-	-	-	-	-
	Weighted average of all languages and levels	SKK)	-	-	-	56.64	-
3.3	<b>Graduate population</b>	EU25	-	-	-	-	-
	The ratio of the graduates of the University and Graduate studies in the age of 20-29 years to 1000 citizens of the same group	SKK)	25.6	26.3	29.0	-	-
3.4	<b>Lifelong learning</b>	EU25	7.8	7.9	9.2	9.9	-
	Participation of adult population from 25 to 64 years of age in learning	SKK)	-	9.0	4.8	4.6	-
3.5	<b>PISA Index</b>	OECD	-	-	1492	-	-
	Includes reading, science and mathematics knowledge in 14 and 15-year olds	SKK)	-	-	1462	-	-
3.6	<b>Undergraduate expenditure</b>	EU25	39	-	-	-	-
	Total expenditure of university education institutions (GDP per capita)	SKK)	49	-	-	-	-
3.7	<b>Science and technology university graduates</b>	EU25	11.0	11.4	12.2	-	-
	The ratio of science and technology university graduates to 1000 citizens at the age of 20-29 years	SKK)	7.5	7.8	8.3	-	-
3.8	<b>Low reading ability in pupils</b>	EU25	-	-	19.8	-	-
	The ratio of 15-year olds with a low reading ability	SKK)	-	-	24.9	-	-
3.9	<b>Total employment rate</b>	EU25	62.8	62.8	62.9	63.3	-
	The employed at the age of 15-64 years as a share in the population of the same age group	SKK)	56.8	56.8	57.7	57.0	-
3.10	<b>Unemployment rate of graduates</b>	EU25	3.9	4.2	4.6	-	-
	The population at the age of 25-59 years	SKK)	4.5	3.1	3.2	4.9	-
3.11	<b>The tax and the levy burden on low income groups</b>	EU25	37.2	37.1	37.4	36.4	-
	Tax wedge of the labour cost	SKK)	40.4	40.1	40.3	38.8	-
3.12	<b>The average age of retirement from the labour force – total</b>	EU25	59.9	60.4	61.0	-	-
	Weighted by the probability of retirement from the employment market	SKK)	57.5	57.5	57.8	-	-
3.13	<b>Number of pupils falling to one computer</b>	Elementary Schools	-	-	-	-	24.5
		Secondary Schools	-	-	-	-	13.3
3.14	<b>Pupils, that left the school system prematurely</b>	EU25	16.9	16.6	16.1	15.7	-
	The percentage of the population at the age of 18-24 years with the lowest education who do not continue in further studies	SKK)	-	5.6	4.9	7.1	-
3.15	<b>The number of children from the authorized population attending nursery schools</b>	EU25	-	-	-	-	-
		SKK)	-	-	-	-	-
3.16	<b>Long-term unemployment rate</b>	EU25	3.8	3.9	4.0	4.0	-
	Unemployment longer than 12 months according to VZPS	SKK)	11.4	12.2	11.4	11.7	-
3.17	<b>The employment rate of mothers of children up to 12 years of age</b>	EU25	-	-	-	-	-
		SKK)	-	-	-	-	-
3.18	<b>Children living in households without employment</b>	EU25	9.5	9.8	9.8	9.8	-
	The percentage of children at the age of 0-17 years living in households where nobody works	SKK)	9.3	12.1	11.8	12.8	-

3.19 Absolute poverty rate	EU25	-	-	-	-	-
	SKK)	-	-	-	-	-
<b>4 Business environment</b>		<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
4.1 Doing Business Index	OECD	-	-	-	-	100.0
OECD=100, a lower indicator value is better	SKK)	-	-	-	-	201.1
4.2 Net increase in enterprises	EU25	0.19	-	-	-	-
The difference in shares between newly founded and closed enterprises	SKK)	-	-	-	-	-
4.3 Survival rate of enterprises	EU25	-	-	-	-	-
The ratio of enterprises continuing their activity	SKK)	-	89.36	-	-	-
4.4 The legislative and regulatory environment Index	SKK)	100.25	98.08	98.60	100.62	103.21
Subindex of the business environment Index - PAS		*2001:only 3 <sup>rd</sup> and 4 <sup>th</sup> Q; 2005:only 1 <sup>st</sup> and 2 <sup>nd</sup> .Q				
4.5 Prices for telecommunication services	EU25	116.75	113.92	113.24	108.85	-
Prices in Euro; PPP, excluding VAT	SKK)	181.21	203.67	195.79	194.83	-
4.6 Index of prices - Energy	EU25	-	-	-	100.00	110.99
Gas and electric power; PPP, excluding VAT, EU25 2004=100	SKK)	-	-	-	211.48	209.90

Source: Eurostat, OECD, World Bank, European TrendChart on Innovation, ŠÚ SR (Statistical Office of the Slovak Republic), Podnikateľská aliancia Slovenska (The Business Alliance of Slovakia), MŠ SR (Ministry of Education of the Slovak Republic)