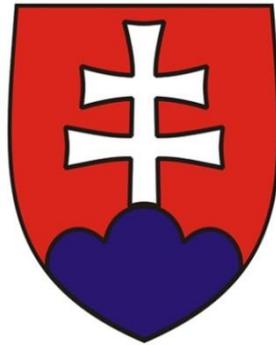


**Ministry of Finance of the Slovak Republic**



# **National Reform Programme of the Slovak Republic 2022**

April 2022

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## Summary

**The National Reform Programme of the Slovak Republic 2022 (NRP) describes the reform efforts of the Slovak Government in key structural areas.** Its aim is to provide a comprehensive overview of the implemented and planned measures by which the Slovak Republic is responding to the specific recommendations of the Council of the European Union for Slovakia (CSR), irrespective of the source of funding for these reforms and related investments.<sup>1</sup> The NRP now also serves as a tool for communicating the implementation of the 2030 Agenda for Sustainable Development (2030 Agenda) and the European Pillar of Social Rights (EPSP), replacing the Europe 2020 strategy that has been the backbone of the past decade.

**Higher economic growth and an acceleration of the convergence process is the goal of economic policy, but the societal objective is to increase the well-being of the population.** The comprehensive approach to identifying structural priorities thus takes into account not only the economic dimension expressed in terms of GDP growth, but also other aspects of quality of life. In terms of economic growth, Slovakia's three biggest challenges are education, the labour market and allocative efficiency due to the effectiveness of public administration and the country's innovation potential. In terms of quality of life, it is about housing, health and, again, education and skills. The identified structural challenges are addressed to a significant extent by the measures in the ambitious Slovak Recovery and Resilience Plan (RRP), the successful implementation of which will be crucial in the coming years to re-accelerate Slovakia's convergence and improve the quality of life of the population.

**The onset of the pandemic is expected to further accentuate the identified challenges, particularly in education and health.** The long-term impact of the pandemic is very likely to have a particularly negative impact on educational outcomes. This is due to the above-average length of school closures and the weaker flexibility of the education system to switch to forms of education other than face-to-face education. Under tremendous pressure during the pandemic, staff shortages and weak infrastructure in the health sector have emerged as weaknesses in the health system, showing that our system is not resilient enough in crisis situations. Due to the implementation of anti-pandemic measures, access to health care, including preventive care, has deteriorated. The impact of the pandemic puts pressure on public finances and makes it difficult to implement important structural expenditure measures that cannot be financed by EU funds<sup>2</sup> or RRP.

**The armed conflict in Ukraine will also affect a number of structural challenges.** The magnitude of the impact will in many cases depend on the intensity and duration of the conflict. The conflict will highlight the need for accelerated implementation of measures to address the challenges of green transformation, which has the potential to play an important role in addressing the problem of energy dependence on Russia, particularly in the case of gas. A further acceleration of growth already ahead of the war of high inflation will intensify the need for measures to mitigate its negative effects. The impact of the unprecedented migration crisis will need to be addressed across a number of structural policy areas. In terms of the integration of people fleeing Ukraine, it will be important, for example, to make the conditions of access to the labour market more flexible, to strengthen housing policy solutions, to integrate them into the public health insurance system, and to successfully integrate their children into the educational process.

**The government's priority is to return to sound public finances while respecting European and national budgetary rules.** The long-term sustainability of Slovakia's public finances is one of the weakest

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<sup>1</sup> i.e. irrespective of whether the measures are implemented through the Cohesion Policy, from the funds of the RRP or from the state budget.

<sup>2</sup> According to EU legislation for the programming period 2021-2027, the term „EU funds for the coherence policies“ has been introduced. With respect to programming period 2014-2020 the term „European structural and investment funds“ was used. For simplicity, a term “EU funds” is used throughout the document.

in the European Union (EU). This undesirable state of affairs is to be reversed in particular by the forthcoming reform of the Pension Pillar I, which will again link the retirement age to the growth of life expectancy. The same objective is pursued by the implementation of the limit on public expenditure from 2023 onwards. At the same time, the quality of public finances has been strengthened by approved changes aimed at prioritising investments and monitoring them on an ongoing basis. The amendment of the debt brake rule should bring stabilisation and debt reduction in the form of stricter sanctions, but also create room for efficient liquidity management by switching to a net debt ratio indicator. Increasing the efficiency of tax collection remains a long-term priority for the government's tax policy. The planned introduction of the obligation to send invoice data online to the financial administration should contribute to further reduction of the VAT tax gap.

**The education system in Slovakia needs to significantly improve outcomes across all levels.** Improving inclusiveness, in particular the implementation of compulsory pre-primary education and the expansion of enrolment through legal entitlement gradually for children as young as 3 years old, remain key challenges. Curriculum reform in education will gradually transform the content of education with an emphasis on the development of necessary skills, including digital skills. It will be accompanied by changes in teacher training<sup>3</sup> and professional development, textbook reform and mentoring support for the implementation of the new curriculum in the newly established regional centres. Improvements in higher education should come from new accreditation standards for internal quality assurance systems, reform of the internal management of schools, and changes in funding to support performance in research and creative activity.

**Rising productivity as a result of innovation is one of the prerequisites for long-term sustainable economic growth.** In Slovakia, there has so far been no systematic cross-ministerial coordination of R&D activities, and incentives for effective linking of research in the public and private sectors have been insufficient. The RRP measures aim to increase overall investment in R&D, including incentives for increased private sector expenditure. Supra-ministerial coordination of research and development and evaluation of publicly funded projects will be professionalised. Public policies to increase productivity will focus on promoting digitalisation by completing infrastructure in areas not covered by the market, improving digital skills, building an efficient e-government delivering quality citizen- and business-oriented services. Digitalisation will also take place in the areas of health, education, the judiciary, construction procedures, social insurance, the fight against corruption and public security.

**Despite the low employment rate of mothers with young children and the low-educated, the employment rate in Slovakia has reached the EU average.** Slovakia needs to address the problem of brain drain, which threatens the long-term competitiveness of the Slovak economy due to a lack of highly skilled workers. In order to increase the inflow of highly skilled labour, a simplification of the processes under the residence and labour legislation is therefore under preparation. The creation of centres of excellence will support the link between vocational education and the labour market. In the area of social policies, activities for the integration of Roma communities continue in the fields of education, health, housing and employment. The forthcoming pension reform will bring significant changes beyond improving sustainability. In particular, it will improve the adequacy of Pillar II pensions by introducing a default investment strategy on a life-cycle basis and improving the provision of information on current and expected future pension entitlements from all three pillars.

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<sup>3</sup> Throughout the document, the term "teachers" refers to pedagogical and professional staff.

**Housing is one of the biggest challenges in terms of quality of life in Slovakia.** The low physical affordability of housing is mainly due to, among other things, regulatory barriers that limit the supply of real estate. Affordable housing in centres of economic activity has the potential to positively impact not only quality of life, but also to promote labour mobility. The adoption of the Housing Policy of the Slovak Republic until 2030 together with the action plan aims to improve the physical and affordable accessibility of housing in Slovakia and its quality. The new Construction Act and Act on Territorial Planning will streamline the construction process and support an increase in the overall level of housing construction.

**Reducing the administrative burden and removing inefficient regulations will have a positive impact on the business environment.** By adopting a one-in-two-out mechanism, for every increase in the costs of the business environment, the costs of the business environment will be reduced by at least twice the amount. The administrative burden will also be progressively reduced thanks to other anti-bureaucratic packages. Public procurement reform will bring greater transparency to the business environment. The fight against money laundering will be supported by a new law on asset seizure. Reform of the judiciary, the court map and the specialisation of the courts will bring faster trials and greater confidence in the judicial system.

**The backbone of the healthcare reform will be the optimisation of the hospital network. Its aim is to create a modern, accessible and efficient network that delivers quality healthcare.** The availability of emergency medical services will be increased, building on the needs of the new hospital network. Primary care will be improved to be the fundamental integration point of patient care. The fight against cancer will also be strengthened through better coordination and screening in cancer care. Special attention will be paid to reforming mental health care, improving the availability of modern training programmes for mental health care providers, while modernising screening and diagnostic methods and treatments. In the area of long-term and palliative care, the focus will be on quality, accessibility and coordination of services. It will integrate health and social long-term care and improve oversight of the services provided. At the same time, calls will be announced for the reconstruction and expansion of residential, community and home care capacities, with an emphasis on the deinstitutionalisation.

**The main challenges for the green transformation are improving air quality, promoting renewable energy sources (RES) and the circular economy, decarbonising industry, reducing energy consumption and implementing climate change adaptation measures, including the protection and restoration of ecosystems.** Reforms of the rules in the field of electricity and RES support will contribute to further increasing the share of RES in the energy mix of the Slovak Republic. Measures to decarbonise industry will lead to lower greenhouse gas emissions, less energy losses and introduce the use of innovative environmental technologies in industrial production. Investments in clean transport (especially rail and cycling) and support for the development of infrastructure for alternatively fuelled means of transport will also have a positive impact on greenhouse gas emissions and quality. In order to improve energy efficiency, investments will be made in the renovation of public and private buildings. Improving water management in the landscape, protecting existing landscape structures more rigorously, and expanding the no-take parts of national parks and other protected areas will increase the long-term resilience of ecosystems in the landscape while facing the impacts of climate change.

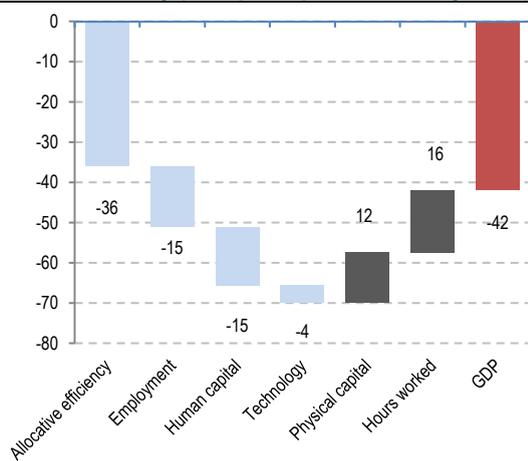
# 1 Identification of the challenges of the Slovak economy

## 1.1 Challenges in structural policies (national perspective)

**Slovakia has slowed the pace of convergence towards the most advanced EU countries.** Over the past decade, Slovakia has approached the European average by 8 to 10 percentage points (p.p.). For comparison, in the period 2000-2010, Slovakia approached the European average by 23 p.p. Although convergence has not completely halted, it remains the case that Slovakia's economic growth has slowed considerably. Without structural reforms, it will fall further and Slovakia may be stuck in a middle-income trap.

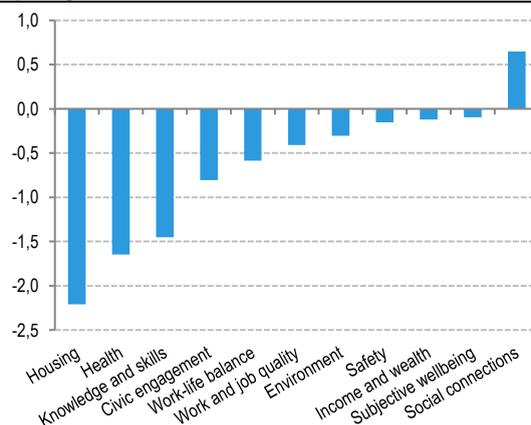
**The three biggest challenges to Slovakia's economic convergence are allocative efficiency<sup>4</sup>, the labour market and education.** Addressing these evidence-based challenges accelerates economic growth, which has the potential to improve fiscal and social sustainability and several aspects of quality of life. Moreover, it creates resources to finance spending priorities in areas of quality of life where Slovakia is seriously lagging behind other European countries<sup>5</sup>.

**Chart 1: Sources of Slovakia's economic lag behind Germany (GDP per capita in Germany = 100)**



Source: IFP calculation

**Chart 2: International comparison of Slovakia in quality of life**



Source: OECD, IFP calculation

Note: the left axis shows the standard deviations from the mean for each quality of life domain (the bars represent the average of the indicators in a given domain).

**Improvements in allocative efficiency have the highest potential to increase Slovakia's economic growth.** Existing resources, labour and capital (whether human or physical) are not being used where they can add the most value and hence reward in the form of wages or profit. The efficiency of resource use in the economy is largely determined by the "rules of the game", i.e. the quality of institutions more broadly. Slovakia is still characterised by low enforcement of property rights, high regulatory barriers for entrepreneurs, low labour mobility between employers and between regions, inefficiency of the public sector

<sup>4</sup> Allocative efficiency (efficiency of allocation of factors of production) describes the extent to which we use people, machines, equipment for those activities in which they are most productive. It is not just about the efficiency of the allocation of public resources, but of resources throughout the economy. Together with so-called technological endowments, they are part of total factor productivity.

<sup>5</sup> This section draws heavily on the Institute for Financial Policy "Reform Compass", currently under review. Economic underdevelopment is defined using the development accounting method based on the literature (Hsieh - Klenow (2010), Kušik and Lábaj (2012) and Dujava (2017)).

and generally low trust in public institutions. The fragmentation of local governments, the fragmentation of land ownership and the very low efficiency of the service sector are also problems for the use of resources<sup>6</sup>.

**People are the key to economic growth in the 21<sup>st</sup> century.** Few people work in Slovakia, which reduces the economic performance of the country and the quality of life. Low domestic employment<sup>7</sup> explains much of the country's economic lag behind Germany. This is despite record labour market performance until the onset of the pandemic and currently still positive demographics, as the proportion of people of retirement age is still one of the lowest in the EU. Despite the decline in recent years, the high rate of long-term unemployment remains a challenge, as well as the poor labour market performance of people from marginalised Roma communities (MRC), the low proportion of working mothers with young children and people aged 60 to 69<sup>8</sup>. Low domestic employment leads to low household incomes and hence low material wealth and low public tax revenues. On the other hand, the number of hours of work per worker is also high in Slovakia due to the low use of short-time work suitable for groups with low labour market participation, such as mothers with young children and people of retirement age.

**Developing and effectively improving human capital is an essential part of sustainable growth.** Insufficient human capital development causes further underdevelopment. The education system is marked by poor inclusion, which starts with low enrolment in kindergartens. Schools are failing to close the readiness gap on entry to primary education, and the system is not geared towards learning outcomes such as literacy and lifelong skills. Universities are losing their attractiveness, which is reflected in the departure of a high proportion of domestic students to universities abroad. The lack of a flexible lifelong learning system and the absence of quality career guidance results in low participation of adults in further learning once they enter the labour market.

**Higher economic growth and an acceleration of the convergence process is the goal of economic policy, but the societal objective is to increase well-being of the population.** Sustainably higher GDP growth and quality of life are not contradictory goals. On the contrary, they are closely related, and in both directions. Many investments in higher quality of life necessarily require public resources that can be allocated from higher growth. In turn, a higher quality of life stimulates productivity and further growth of the economy<sup>9</sup>.

**Through international comparison,<sup>10</sup> we identify the biggest challenges to the quality of life in Slovakia, namely housing, health and education.** They are also where Slovakia achieves the highest inequalities, which underlines the importance of inclusion in these sectoral policies. However, all the challenges are related to education - higher and better quality education is associated with better health, better labour market participation and resulting income that enables access to quality housing<sup>11</sup>. Education is a universal public good that extends to almost all spheres of social and economic life. Compared to other public policies, it has higher long-term returns and is a necessity for the development of innovation. It helps

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<sup>6</sup>In this context, the potential impact of the tax burden on economic activity can be noted. In the last decade, the tax burden in Slovakia has grown at the fastest pace among EU countries. Despite this trend, it is still below average. International recommendations are along the lines of changing the tax mix in favour of property and green taxes, which are less harmful to economic activity than labour taxes (see e.g.: [Heady and coll. 2009](#); [IMF 2012](#); [IMF 2015](#)).

<sup>7</sup> Measured by the ESA employment rate indicator - domestic concept (see Annex 1)

<sup>8</sup> To some extent, this is also due to the objective fact that life expectancy at age 65 in Slovakia is still one of the lowest in the EU.

<sup>9</sup> A current quantifiable example is the impact of a pandemic on economic growth ([OECD Weekly Tracker of Economic Activity](#)). Population health in general has a demonstrable [impact on economic growth](#), with health outcome indicators largely influenced by [education](#) and [environmental quality](#).

<sup>10</sup> The main indicators are taken from the OECD publication "[How is life? 2020](#)".

<sup>11</sup> However, the housing problem in Slovakia is not narrowed down to the inaccessibility of housing for low-income groups. The high share of personal ownership hinders sufficient mobility in the labour market and thus contributes to reduced allocative efficiency. At the same time, the shortage of housing is reflected in rapidly rising prices, particularly in urban agglomerations, thus reducing affordability for the wider population.

in adapting to the megatrends of automation or ageing populations, but also in building quality public institutions and increasing the inclusiveness of growth.

**The identification of the three biggest challenges in the economy as well as in the quality of life is complemented by an analysis of megatrends in demography, automation and digitalisation, and green transformation.** The modelling framework currently used to analyse economic performance has its limitations and, in addition to quality of life, also fails to capture the megatrends that will influence future developments<sup>12</sup>. These include demographic impacts, climate change and the effects of automation and digitalisation. In terms of demography, two trends are particularly important for Slovakia: the ageing effect, as Slovakia will be one of the fastest ageing countries in Europe, and the talent migration effect, due to a significant and uncompensated "brain drain" from the country. Global efforts to reverse the impacts of climate change relate to green transformation, such as measures to decarbonise and mitigate the environmental impacts of human activity. On the one hand, the digital transformation of the economy brings challenges in terms of the impact of automation on employment and human capital, as Slovakia has one of the highest shares of jobs threatened by automation and a below-average level of digital skills. On the other hand, automation and digitalisation bring opportunities for more efficient allocation of resources, innovation and improved technological and capital endowment of the economy leading to higher productivity.

**Chart 3: Reform compass: distance from 2030 targets and best performance by area**



Source: IFP calculation

Note: The targets and the last available indicator value are normalized as the ratio of the distance of the value/target from the minimum and the difference between the minimum and the maximum, and then averaged over the area. Simply put, Chart 3 shows where we are "on the road" between the worst and the best in a given area, and how much further we can go if we hurry. The edges of the graph show the European countries with the best results in each area. The indicators used, together with their historical values and the values of the counted targets, can be found in the Annex of the document as well as in their subsets under the relevant chapters.

**Aggregated information on both realistic and ambitious improvements in the structural challenges is provided by the so-called *Reform Compass*.** The Reform Compass summarises the distance between the current value and the set targets in the outcome indicators in eight key areas identified as the TOP structural challenges for Slovakia<sup>13</sup>. By 2030, reform efforts could realistically bear the most fruit in terms of

<sup>12</sup> Development accounting method. A more detailed description can be found in the forthcoming Financial Policy Institute paper "Reform Compass", which is currently under review. At this stage, we work with a static model that allows gap analysis. In the future, the model will be adjusted for dynamic effects, such as the impact of demographics.

<sup>13</sup> In the case of Slovakia's underperformance, the target-setting methodology is based on the principle of catching up with the EU average at the rate of the five most improving countries over the last decade, with the EU average extrapolated to 2030 based on the development over the last decade to date. In the case of Slovakia's better position compared to the EU average, it is a matter of maintaining its position when extrapolating the development of the EU average. The exceptions to this automaton are the national targets for 2030 approved by the Government or the Parliament. These include, for example, employment, and indicators that have defined targets without the need for benchmarking (public finances). Using the

productivity (digitalisation and innovation) and the long-term sustainability of public finances. The quality of life of residents would be most improved in the area of health. Slighter progress would be noted in other areas. By 2030, our proposed methodology implies the least room for progress in the quality of institutions related to the "rules of the game" such as corruption and trust in law enforcement. Despite ambitious and realistic progress in the identified areas, Slovakia will continue to lag behind the best countries in meeting the targets.

**Since the onset of the pandemic, we expect the identified challenges to be further accentuated, particularly in education and health.** The long-term impact of the pandemic is likely to have adverse effects, particularly on educational outcomes, by further widening disparities by socio-economic background<sup>14</sup>. This is due to the above-average length of school closures and the poor flexibility of the education system to switch to forms of education other than face-to-face education<sup>15</sup>. Staff shortages and weak health infrastructure under enormous pressure during the pandemic exacerbated poor access to already lagging preventive care<sup>16</sup>. The impact of the pandemic is putting pressure on public finances and making it difficult to implement important structural spending measures that cannot be financed by EU funds. These include, in particular, the necessary salary increases in the education sector and staff capacity in the health sector.

**The armed conflict in Ukraine will also affect a number of structural challenges.** The magnitude of the impact will in many cases depend on the intensity and duration of the conflict. What is certain is that the armed conflict in Ukraine will highlight the need for accelerated implementation of measures to address the challenges of green transformation. These are, in particular, in the areas of energy efficiency, sustainable transport, RES and targeted research<sup>17</sup>, areas that play a key role in addressing our problem of energy dependence on Russia, particularly in the case of gas. Further acceleration of growth in the already pre-war high inflation will intensify the need for measures to mitigate its negative effects. Especially in the case of vulnerable low-income households who are the hardest affected by sharp increases in energy and food prices. The impact of the unprecedented war-induced migration crisis needs to be addressed across a number of structural policy areas. The key will be not only the number of people who will flee to Slovakia to escape the war, but especially how many of them will decide to stay in our country and what part of the refugees will only transit through Slovakia to other countries. As the conflict prolongs, the likelihood grows that some of those who fled before the war will remain in Slovakia for longer periods of time, even after the end of the conflict. Making the conditions for access to the labour market more flexible will be important for their full integration. The challenge will be to integrate children in schools with a mother tongue other than the language of the school they choose to attend. It will be important to strengthen housing policy solutions, both the overall availability of housing in centres of economic activity and the specific area of rent-regulated housing.

**By identifying challenges based on lagging economic performance and quality of life, we get a high degree of alignment with the priorities named in the CSR.** A shortcoming of the quantitative approach used to identify national challenges is that it does a poorer job of capturing the impact of inequalities on the overall well-being of the population. Policies to reduce inequalities, not only in the social sphere but also in

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growth rates of the five most improving countries represents a realistic scenario without the need to define specific measures to reach the target. Going forward, the experience of a group of these countries can offer inspiration for concrete actions and reforms. See Annex 1 for more discussion.

<sup>14</sup> Early studies suggest a significant effect specifically on children from low-income families (e.g. [here](#) and [here](#)).

<sup>15</sup> International comparisons on pandemic responses, including the length of school closures by May 2021 by education level, are in Table A1 in the OECD publication "[The State of Global Education: 18 months into the Pandemic](#)".

<sup>16</sup> For example, in 2020, the number of cancer diagnostic tests fell by around a fifth compared to 2019 ([National Cancer Institute](#)). The proportion of people who abstained from seeing a doctor rose from 2.7% to 23% in the first 12 months of the pandemic ("[Country Health Profile 2021](#)").

<sup>17</sup> E.g. in the field of alternative fuels.

regional disparities, inequalities between men and women and, in particular, in relation to marginalized communities, are thus not positioned as separate structural challenges. Nevertheless, in the individual cases of the Structural Challenges, inequality issues are an integral part of them. Similarly, this approach is less able to capture priorities in cross-cutting themes (green and digital transformation), also in dynamically evolving areas of megatrends, but this was additionally taken into account in the final definition of the top priority areas and subsequently the main indicators (see above). On the other hand, by taking into account the quality of life dimension in the identification of challenges, housing comes to the fore in the national approach, not only in the specific context of social housing mentioned in the CSR, but as a full-fledged structural challenge that needs to be addressed more comprehensively.

## 1.2 Response of the Recovery and Resilience Plan to the CSR

**The structural challenges are addressed to a significant extent in the ambitious RRP<sup>18</sup>.** The RRP was created on the basis of the reform document Modern and Successful Slovakia<sup>19</sup>, which responded to specific recommendations of the European Commission (EC). In the five areas of RRP,<sup>20</sup> Slovakia has committed to implementation of nearly two hundred reforms and investments by 2026 to kick-start the acceleration of Slovakia's convergence and improve the quality of life of its citizens. A number of areas that are not covered in the RRP but require significant reforms also on the basis of specific recommendations of the EC, or the continuation of already launched reforms and investments, are the subject of the forthcoming Partnership Agreement and will be co-financed from European sources<sup>21</sup>. Regardless of the chosen source of the identified challenges, the named challenges synergistically set the direction of reform efforts, however the most important success factor will be quality implementation.

## 1.3 Challenges in achieving the long-term development goals - 2030 Agenda for Sustainable Development

**The 2030 Agenda adopted by UN Member States represents a coordinated global effort to monitor economic development with regard to long-term sustainability.** The Agenda defines 17 Sustainable Development Areas and 169 measurable targets, with an emphasis on equitable distribution of economic prosperity, including for future generations. Slovakia joined the implementation of the 2030 Agenda in March 2016<sup>22</sup>.

**The Sustainable Development Goals complement the identified national challenges by highlighting the environmental and social sustainability of further development.** Two-thirds of the indicators chosen for the national monitoring of reform progress in the previous section are included in the Sustainable Growth Indicators tracked, and thus partly reflect the 2030 Agenda's<sup>23</sup> accountability of achievements.

**Slovakia is now showing moderate progress in most areas, and the "Reduced inequalities" target has been achieved.** Existing methodologies for measuring the Sustainable Development Goals (SDGs)

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<sup>18</sup> Significant addressing of the challenges named in the 2019 and 2020 Sustainable Development Goals in the RRP is also noted by the European Commission, see: [Commission Staff Working Document: Analysis of Slovakia's Recovery and Resilience Plan](#)

<sup>19</sup> [Modern and successful Slovakia](#)

<sup>20</sup> These are Green Economy, Quality Education, Science, Research, Innovation, Better Health, Efficient Public Administration and Digitalisation.

The relevant materials and the status of RRP measures adoption are available to the public at [planobnovy.sk](#).

<sup>21</sup> For example, in the important area of adult education (lifelong learning) and active labour market policies.

<sup>22</sup> <https://www.miri.gov.sk/sekcie/investicie/agenda-2030/index.html>

<sup>23</sup> [The 2022 Annual Sustainable Growth Survey](#) recommends focusing accountability in the context of European policies on four cross-cutting dimensions: green transformation, equity, productivity, and stability. However, future monitoring of progress will depend on a defined selection of monitored indicators in these categories and a clear commitment to targets at European or national level.

differ in their approach, particularly in the choice of indicators and in the setting of their quantitative targets, which affects the outcome. According to the publication "European Sustainable Development Report 2021",<sup>24</sup> Slovakia ranks 18th out of 34 European countries in the level of achievement. Serious challenges are the areas of "Zero hunger" and "Climate action", significant challenges are the other areas, with the exception of "Life below water". Slovakia shows a negative development in "Responsible consumption and production", stagnation in "Zero hunger" and "Climate action".

Chart 4: Agenda 2030: 17 Sustainable Development Goals and Slovakia's dashboard and trends



(Notes: 1 No poverty, 2 Zero hunger, 3 Good health and well-being, 4 Quality education, 5 Gender equality, 6 Clean water and sanitation, 7 Affordable and clean energy, 8 Decent work and economic growth, 9 Industry, innovation and infrastructure, 10 Reduced inequalities, 11 Sustainable cities and communities, 12 Responsible consumption and production, 13 Climate action, 14 Life below water, 15 Life on land, 16 Peace, justice and strong institutions, 17 Partnerships for the goals)

Legend: ↑ target achieved or maintained, ↗ slight improvement, → stagnation, ↓ worsening

● target achieved, ● challenges remain, ● significant challenges, ● big challenges, ● information unavailable

Source: European Sustainable Development Report 2021

## 1.4 Challenges in achieving the objectives of the European Pillar of Social Rights

The tools for identifying and monitoring challenges under the European Semester are complemented by the European Pillar of Social Rights. The purpose of the European Pillar of Social Rights is to strengthen the enjoyment of EU citizens' rights under three chapters: i) equal opportunities and access to the labour market, ii) fair working conditions, and iii) social protection and inclusion, which are then defined in more concrete terms in the 20 basic principles (table below). The foundations for the establishment of the

<sup>24</sup> The [European Sustainable Development Report 2021](#) is one of several monitoring reports to track progress on the Sustainable Development Goals (authored by the Sustainable Development Solutions Network and the Environmental Policy Institute, audited by the European Commission's Joint Research Centre). The methodology, the interactive map and the comprehensive database are publicly [available](#). This study has the advantage of considering carefully identified and specific quantitative targets in 2030. In its [report](#), Eurostat deducts the position achieved relative to the EU average and progress without quantitative targets. Since we view the publications by the Sustainable Development Solutions Network and the Environmental Policy Institute more understandable and transparent, we present their results. Eurostat's interactive website "[SDGs and Me](#)" popularises the topic for the general public. In the EU context, the number of indicators is narrowed down to around 100.

European Pillar of Social Rights were laid at the Bratislava Summit during the Slovak Presidency of the Council of the EU<sup>25</sup>.

### European Pillar of Social Rights - 20 principles

Equal opportunities and access to the labour market	Fair working conditions	Social protection and inclusion
		
1. Education, training and life-long learning 2. Gender equality 3. Equal opportunities 4. Active support to employment	5. Secure and adaptable employment 6. Wages 7. Information about employment conditions and protection in case of dismissals 8. Social dialogue and involvement of workers 9. Work-life balance 10. Healthy, safe and well-adapted environment and data protection	11. Childcare and support to children 12. Social protection 13. Unemployment benefits 14. Minimum income 15. Old age income and pensions 16. Health care 17. Inclusion of people with disabilities 18. Long-term care 19. Housing and assistance for the homeless 20. Access to essential services

The main quantitative targets for each of the three chapters under review have been defined in the framework of the Action Plan for the implementation of the European Pillar of Social Rights<sup>26</sup>. In the Action Plan for the implementation of the European Pillar of Social Rights, the European Commission has set 3 main EU targets to be achieved by the end of 2030. These were then translated into targets at national level, based on proposals from individual Member States on their contribution to the EU-wide commitment<sup>27</sup>.

### Objectives of the Action Plan for the implementation of the European Pillar of Social Rights by 2030

	EU	SR	Current value
<b>Equal opportunities and access to the labour market</b>			
Adult participation in education (% , 25-64 years)	60	50	42
<b>Fair working conditions</b>			
Employment rate (% , 20-64 years)	78	76.5	74.6
<b>Social protection and inclusion</b>			
Risk of poverty or social exclusion	15 million (including 5 million children)	70 thousand	744 thousand

Source: Setting national targets for 2030 in the context of the European Pillar of Social Rights Action Plan, EUROSTAT

The biggest challenge for Slovakia under the European Pillar of Social Rights is clearly the area of pre-primary education and skills. We also significantly lag behind in selected labour market and health indicators. By contrast, we are one of the best-performing countries in the EU in terms of income inequality and the risk of poverty or social exclusion.

Slovakia performs worst in the EU for children under three, and similarly in the 3-5 age group. High-quality pre-primary education is key to developing children's skills and improving the inclusiveness of the education system. Particular emphasis should be placed on strengthening the participation of children from socially disadvantaged backgrounds. The insufficient capacity of pre-school facilities (both nurseries and

<sup>25</sup> [European Pillar of Social Rights – booklet \(2017\)](#). Following the [Bratislava Declaration](#) of 16 September 2016, the European Parliament adopted a resolution in January 2017 calling for a strong European Pillar of Social Rights. The actual endorsement of the European Pillar of Social Rights took place at the [Gothenburg Summit](#) on Social Europe in November 2017 - based on a proposal presented in April 2017 by the European Commission.

<sup>26</sup> The Action Plan for the implementation of the European Pillar of Social Rights was endorsed by the Porto Social Summit in May 2021 and subsequently by the European Council in June 2021 in the form of Conclusions in line with the Porto Declaration.

<sup>27</sup> The definition of Slovak [national targets](#) by 2030 in the context of the Action Plan for the implementation of the European Pillar of Social Rights was approved by the Government of the Slovak Republic at its meeting on 12 January 2022.

kindergartens) and the closely linked low enrolment of pre-school children is consequently spilling over into selected labour market indicators, which is most evident in the case of low employment of female mothers aged 25 to 39. The later entry or re-entry of mothers into the labour market also widens the income gap between the sexes<sup>28</sup>.

**Slovakia is similar to the EU average in terms of participation in adult learning, but close behind in terms of the average number of hours in adult learning.** Slovakia is one of the countries with the highest share of jobs at risk of automation in the OECD, and we also rank negatively in the EU in terms of trade union mismatch. In both cases, these are major challenges for the Slovak labour market, the impact of which can be mitigated through functional adult education<sup>29</sup>. However, lifelong learning tools are also an important element in the mix of measures to cope with the impact of an ageing population - another of the megatrends that Slovakia will be significantly affected by. A prerequisite for improving the long-term sustainability of public finances and specifically of the pay-as-you-go pension system is a prolongation of working careers, closely linked to the planned re-linking of the increase in the retirement age to the increase in life expectancy. The positive effect of this measure will only be fully achieved if workers remain employable and productive in old age. This requires ensuring that they have access to effective skills development throughout their lives so that they are able to update and upgrade their skills in line with the changing needs of the labour market<sup>30</sup>.

#### European Pillar of Social Rights - selected indicators<sup>31</sup>, 2020

Chapter	Indicator	SK	EU27	Position	Trend	
					LR	SR
Equal opportunities and access to the labour market 	<a href="#">Early leavers from education and training</a> (%)	7.6	9.9	11	↘	↗
	<a href="#">Gender employment gap</a> (p. p.)	7.3	11.0	11	↗	↗
	<a href="#">Income quintiles share ratio by sex</a> (ratio S80/S20)	3.0	5.2	1	↗	↗
	<a href="#">Adult participation in learning</a> <sup>32</sup> (%)	2.8	9.2	25	↘	↘
	<a href="#">Tertiary educational attainment</a> (%)	39.7	41.0	19	↗	↘
	<a href="#">Individuals with basic digital skills</a> (%)	54.0*	56.0*	16	↗	↘
	<a href="#">Young people neither in employment nor in education and training (NEET)</a> (%)	15.2	13.7	21	↗	↘
Fair working conditions 	<a href="#">Employment rate</a> (%)	74.6	71.7	15	↗	↘
	<a href="#">Unemployment rate</a> (%)	6.7	7.2	14	↗	↘
	<a href="#">Long-term unemployment rate</a> (%)	3.7	2.4	24	↗	↗
	<a href="#">Youth unemployment rate</a> (%)	20.4	17.5	17	↗	↘
	<a href="#">Activity rate</a> (%)	74.5	72.4	14	↗	↘
	<a href="#">In-work at-risk-of-poverty rate</a> (%)	5.2	9.0*	6	↗	↘
	<a href="#">Real gross disposable income of households</a> (index since 2008)	123.3	107.2	7	↗	↘
	<a href="#">People at risk of poverty or social exclusion</a> (%)	13.8	21.9	2	↗	↗
	<a href="#">Severe material and social deprivation rate</a> (%)	4.5	6.4*	13	↗	↗
	<a href="#">Children at risk of poverty or social exclusion</a> (%)	18.4	24.2	9	↗	↗
<a href="#">Disability employment gap by level of activity limitation</a>	23.6	24.5	13	↗	↗	

<sup>28</sup> [JFP analysis \(2018\): Women Still Can't Have It All: Barriers to Higher Maternal Employment in Slovakia](#)

<sup>29</sup> [JFP commentary \(2021\): Marečku, podejte mi pero!](#)

<sup>30</sup> OECD (2019), OECD Fiscal Challenges and Inclusive Growth in Ageing Societies.

<sup>31</sup> All indicators listed in Table 1 are part of the so-called Social Scoreboard. This is the official set of indicators chosen by Eurostat to monitor the implementation of the European Pillar of Social Rights. The indicators listed in Table 1 have been selected to include all key information relevant to the SK and to reflect as many of the European Pillar of Social Rights principles as possible. Indicators for which the quality of the collected data is lower, are only indirectly related to the European Pillar of Social Rights principles or are less relevant for the Slovak Republic were not included in the selection. All indicators are available [here](#).

<sup>32</sup> This is a different indicator to Table 2, which measures adult participation in learning with a reference period of 4 weeks. The indicator within the objectives of the Action Plan for the implementation of the European Pillar of Social Rights 2030 takes a reference frame of 12 months. The first indicator is based on information collected in the Labour Force Survey (LFS), the second from the Adult Education Survey (AES). The differences in participation between the two surveys are also due to the different wording of the question on learning activities. In the case of AES, the question also includes on-the-job training and hobby education. For more information on this issue, see [JFP Commentary \(2021\): Marečku, podejte mi pero!](#).

**Social protection and inclusion**



<a href="#">Children aged less than 3 years in formal childcare</a> (%)	4.8	32.3	27	↗	↘
<a href="#">Aggregate replacement ration for pensions</a>	53%	55%	10	↘	→
<a href="#">Out-of-pocket expenditure on healthcare</a> (%)	19.2*	15.6**	15	↗	↘

Note: The columns "SK" and "EU27" reflect the indicator value for Slovakia and the weighted average of the EU27 countries. The "Position" column indicates Slovakia's position among the EU27 countries. The first marker in the 'Trend' column indicates the long-run trend of the SK - the change from 2011 to 2020 (or from the earliest year available if data are available for a shorter period) and the second marker indicates the short-run trend of the SK - the change in the most recent year. More detailed information about the indicators can be seen by clicking on the links in the indicator name.

Legend: ↗ improvement, ↘ worsening, → stagnation

\* Data for 2019.

\*\* Data for 2018.

Source: EUROSTAT

## 2 Macroeconomic framework and medium-term forecast

The Government of the Slovak Republic considers macroeconomic and fiscal stability to be an essential prerequisite for the healthy development of the economy and growth in the quality of life. The following chapter contains the baseline macroeconomic outlook.

*Russia's invasion of Ukraine will negatively affect the Slovak economy, which will grow by 2.1% this year. Exports to Russia, Belarus and Ukraine will fall in March and the second quarter and demand in the euro area and the V3 countries will also decline. Rising energy prices will translate into higher prices for consumer goods and services, which will reduce household consumption. The industry will experience a shortage of parts and employment will grow only slightly. In the baseline scenario, we foresee a recovery in the second half of the year. We expect GDP to grow by 5.3% next year, underpinned by the post-conflict recovery and the absorption of EU funds. Forecast risks are downward biased and are of several types. The main downside risk is the protracted conflict in Ukraine and the associated persistence of logistics bottlenecks, as well as potential gas supply cuts from Russia.*

**The Slovak economy will grow by 2.1% in 2022.** The main reason for the slowdown in economic growth compared to the original forecast is Russia's invasion of Ukraine. The military conflict and sanctions against Russia will significantly limit Slovak exports to the region and will also cause a slowdown in the economic growth of our trading partners. The armed conflict in Ukraine will contribute to further increases in energy prices, which will also be reflected in the prices of consumer goods and services. Higher inflation will dampen domestic consumption not only this year but also in the years to come. Employment will rise despite the lower rate of economic growth, but wages will not keep pace with inflation this year.

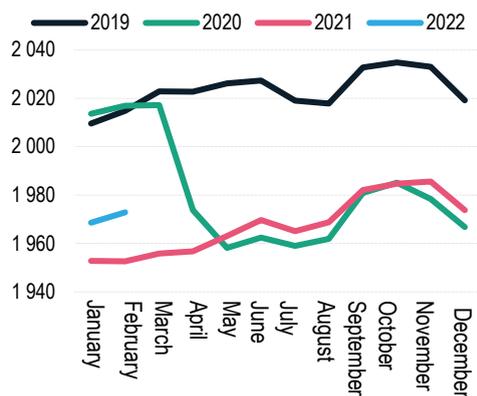
**We expect Slovak exports to be hit hardest by developments in Ukraine in March to June.** During this period, we expect exports to Russia, Belarus and Ukraine to come to an almost complete halt. Foreign trade will also be dampened by slower growth in the euro area and the V3 countries and persistent bottlenecks in supply chains. The operation of these chains will be complicated by the restriction of air freight traffic over Russia and Ukraine due to economic sanctions and military conflict, as well as the fact that these countries are significant producers of a number of key commodities. In the baseline scenario, we expect exports to start recovering in the second half of the year, but not all firms exporting to Russia will be able to find other markets. Given the large uncertainties, this forecast also includes an alternative scenario where we assume more severe impacts on supply chains and a less successful search for new outlets (Box 3). Once the omicron variant wave has passed, we do not foresee significant economic impacts from the pandemic itself for the time being.

**Based on the assumption that the conflict will end within this year, we expect the Slovak economy to grow by 5.3% in 2023.** The economy will be boosted by a rebound in exports and, in particular, investment from the drawdown of EU funds due to the end of the third programming period. The volume of funds flowing from the RRP will also increase. In the next few years, economic growth will fall below 2% and the economy will stop overheating. Economic developments will be dampened by the expected consolidation of public finances, which the government plans to proceed with as early as next year. The return of using EU funds to usual levels and a slower inflow of young people into the labour market due to demographic changes will also contribute negatively to economic growth.

**Inflation will exceed 8% this year.** Prices of energy, agricultural and other commodities, which were already high at the beginning of the year, have been driven even higher by Russia's invasion of Ukraine. Their

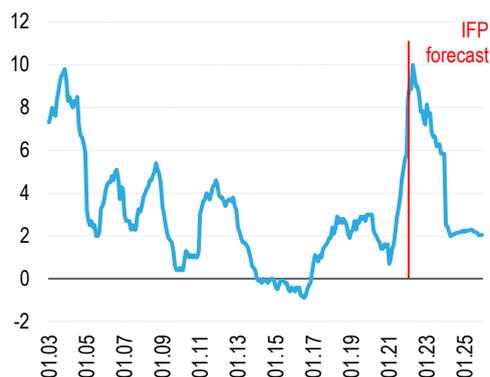
increase is mainly reflected in food and fuel prices, but more expensive inputs will also raise the prices of other goods and services. These effects are compounded by the January increase in energy prices. Inflation in the first half of this year will also be affected by the catching-up effects of last year's price increases. This is mainly the impact of the higher tobacco tax, the abolition of free lunches and the significant increase in imputed rents. These effects should gradually wear off over the course of the year, but inflation will remain high throughout the year.

**Chart 5: Employment at the beginning of the year resisted the omicron (employment relations in thousands)**



Source: Social Insurance Agency

**Chart 6: Inflation reaches 20-year highs at 10% in the short term (annual inflation)**



Source: Statistical Office of the Slovak Republic, IFP

**Price growth will reach 6.5% next year.** The armed conflict in Ukraine, coupled with an increase in demand for commodities due to the pandemic, has significantly raised the prices of future energy commodity contracts. This will lead to an increase in gas and heat prices for households also in 2023 (Box 1). The price of electricity will not be increased following the agreement with Slovenské elektrárne (Slovak Electricity Company). At the same time, the economy will receive a boost in the form of investment from EU and RRP funds, leading to a slight overheating of the economy and a rise in prices across sectors. In addition, the approved further increase in tobacco excise duty will add to the price rise. In the coming years, we expect energy prices to fall again, albeit to higher levels than in the past, dragging down headline inflation. In the medium term, the expected consolidation of public finances will also dampen price growth.

**The global economic problems triggered by the military conflict will again delay the recovery in the labour market.** The labour market is developing slightly better than expected at the beginning of the year, but the economic shocks caused by the military conflict will bring weaker job creation, but we still expect positive employment growth. During 2022, economic activity and labour demand will be hindered by high input and energy prices and problems in global trade chains. Parts shortages will be particularly felt in industry, where we expect employment to stagnate. With growth slowing in the near term, we assume that employment will start to grow more strongly only in Q2 2023, supported by investment from the RRP and the drawdown of EU funds.

**Unemployment stopped falling at the turn of the year after a long period of favourable results, but stagnation or a slight increase in the number of people out of work was to be expected given the spread of the omicron variant.** At the beginning of the second quarter, the unemployment rate is expected to decrease gradually and reach 6.6%. The subsequent sharper decline will be supported by investment from

the EU Recovery Plan. The faster decline in unemployment over the entire forecast horizon will be dampened by the military conflict and the projected consolidation in the public administration.

**High inflation and the recovery in economic activity will have a positive impact on nominal wages in the coming years, but real wages will fall this year.** Wage negotiations will partly reflect the higher rate of inflation and wages will thus grow at a rate of almost 7% in 2022 and 2023. However, higher-than-expected inflation will knock real wages down this year, we forecast a 1.5% decline. In the coming years, price growth should stabilise, bringing real wages growth back into positive numbers. The forecast assumes that wages in the public sector will lag behind the rest of the economy due to a reduction in public administration spending.

**Forecast risks are downward biased and are of several types.** The main downside risk is the protracted conflict in Ukraine and the associated persistence of logistics bottlenecks. We model this alternative in the risk scenario (Box 3). Supply chains may also be disrupted by the rapid spread of the omicron variant in China. Potential gas supply shortages from Russia are also a negative risk for Slovak industry. An ongoing risk is new mutations of the coronavirus, which could lead to another wave of pandemic this autumn with the need for restrictive measures. A positive risk is the inflow of emigrants from Ukraine, who, if successfully placed on the Slovak labour market, can increase the productive potential of the economy.

### 3 Measures to combat COVID-19 pandemic

*In response to the pandemic, the government has not only taken measures to contain the spread of the virus, but also a series of financial compensation measures. Their aim was to soften the drop in incomes of people and firms, maintain employment and help overcome temporary liquidity problems. Social assistance mainly focuses on wage compensation for workers who are unable to work or who are quarantined. Since the beginning of the pandemic, financial assistance has also been provided to parents and guardians who have had to care for sick children, children in quarantine, or during periods of school closures. The First Aid scheme focused on maintaining employment. It consisted of several measures, the state either reimbursed part of the cost of employees or paid lump-sum contributions depending on how much firms' income dropped. The evaluation of the effectiveness of the First Aid scheme showed that it had a positive impact on total employment and avoided lay-offs, but the effectiveness varied across measures. This temporary scheme is replaced by permanent *kurzarbeit* scheme from March 2022. A deferral of social security contributions has also been introduced in the event of a drop in income of at least 40%. The sectors benefiting most from levy deferrals were largely those hardest hit by the anti-pandemic restrictions. New collateralised lending was a banking measure aimed at providing the necessary liquidity in the markets. The government has also agreed with financial institutions on the possibility of free deferment of loan repayments for a maximum period of 9 months.*

#### **Social assistance**

**The Social Insurance Agency pays financial assistance to incapacitated employees in quarantine or home isolation from the eleventh day, or to employees providing care to a household member from the first day, at 55% rate of their gross salary<sup>33</sup>.** Until the end of November 2021, the Social Insurance Agency temporarily reimbursed pandemic sickness benefits from the first day at the rate of 55% of the previous income, from December 2021 the system of standard sickness benefits applies<sup>34</sup>. A working parent with a child up to the age of 11 can draw a nursing allowance during the whole period of school closures, including nursery schools<sup>35</sup>. Parents of sick or quarantined children are also eligible. During April 2021, there was an increase in the compensation rate, the rate was at 75% of gross pay.

#### **Other social assistance measures:**

1. Extension of unemployment benefit payments beyond the maximum period<sup>36</sup>. 2. Extension of entitlement to parental allowance beyond the child's 3<sup>rd</sup> birthday, or the child's 6<sup>th</sup> birthday if the child has had a long-term adverse health condition<sup>37</sup>. 3. The so-called SOS subsidy as a help for all those who have not had access to other financial assistance<sup>38</sup>. 4. A one-off increase of EUR 333 for each dependent child for families with children in material need. Parents not in material need with dependent children received a one-off

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<sup>33</sup> With a corresponding limitation on the maximum amount of the daily assessment base.

<sup>34</sup> In the standard system, the first 10 days are paid by the employer, with only 25% of the previous income for the first three days. The social insurance benefit is paid only from the 11th day of incapacity for work, with a replacement rate of 55 % of previous earnings.

<sup>35</sup> Nursing benefits were previously paid for a maximum of 10 days (increased to 14 days from April 2021) per case. If the child is sick or disabled, the nursing benefit is available for parents with children up to the age of 16 or 18 (disabled). The parent remains socially insured during the entire period of receipt of the sickness benefit, with the current exemption from the obligation to pay the insurance premiums.

<sup>36</sup> The first round took place between March and August 2020, the second between March and May 2021.

<sup>37</sup> The measure was valid until 1 January 2022. It was granted to persons who, after the end of the standard period of entitlement, due to the worse labour market situation, did not have income from employment, pension entitlement, etc.

<sup>38</sup> The payment of the SOS subsidy is no longer provided from 1 July 2021. The subsidy was intended for persons not entitled to any other employment maintenance allowance under the First Aid scheme, such as those working on an agreement.

increase in child benefit totalling to EUR 100. 5. Payment of accident allowance to employees who have contracted coronavirus when at work<sup>39</sup>. 6. Extension of the support period for sickness benefit<sup>40</sup>.

### **Employment retention and assistance to entrepreneurs without income**

It was still possible to apply for aid to small businesses and employment retention allowances from the First Aid scheme for February 2022<sup>41</sup>. Employers could apply for a contribution to reimburse employees' wage costs. The scheme also covered self-employed persons who are employers who maintained jobs even if their activities were interrupted or restricted during the emergency. As of 1<sup>st</sup> March, the permanent law on support during short-time working comes into force, replacing the ad hoc schemes adopted during the crisis period (the so-called Kurzarbeit)<sup>42</sup>.

First Aid has undergone a number of changes since its introduction in March 2020, among which are an expansion of eligible applicants through a relaxation of the eligibility condition as well as an increase in allowances. The table below shows how the parameters of selected First Aid<sup>43</sup> measures have changed.

#### **Overview of changes to the First Aid rules (Measures 1, 3A and 3B)**

Name/Validity	Introduced		Benefits
First Aid	2/2020	1	80% of the employee's gross salary (max. EUR 1,100)
03/2020 - 09/2020		3A	80% of the employee's gross salary (max. EUR 880)
		3B	between EUR 180 and EUR 540 per employee *
First Aid +	9/2020	1	80% TEC <sup>44</sup> (max. EUR 1,100)
10/2020 - 01/2021		3A	80% TEC (max. EUR 1,100)
		3B	between EUR 270 to EUR 810 per employee *
First Aid ++	2/2021	1	100% TEC (max. EUR 1,100)
02/2021 - 06/2021		3A	100% TEC (max. EUR 1,100)
		3B	between EUR 330 to EUR 870 per employee *
First Aid 07/2021 <sup>45</sup>		1	80% of the employee's gross salary (max. EUR 1,100)
08/2021		3A	80% of the employee's gross salary (max. EUR 880)
		3B	between EUR 180 to EUR 540 per employee *
08/2021			Not provided
First Aid	09/2021	1	80% of the employee's gross salary (max. EUR 1,100)
09/2021 – 10/2021		3A	80% of the employee's gross salary (max. EUR 880)
		3B	between EUR 180 to EUR 540 per employee *
First Aid + <sup>46</sup>	12/2021	1	80% TEC (max. EUR 1,100)
12/2021 – 2/2022 (3B)		3A	80% TEC (max. EUR 1,100)
11/2021 – 2/2022 (1,3A)		3B	between EUR 450 to EUR 810 per employee, while the conditions have been tightened to a minimum decline in sales of 40% or more for companies with up to 49 employees *

\* The amount of the allowance depended on the size of the drop in sales

<sup>39</sup> In particular, the measure is aimed at medical staff so that they receive a benefit equal to their own net salary during sick leave. The measure has been in force since November 2020 until now.

<sup>40</sup> The insured person may apply for an extension of the support period for entitlement to sickness benefit, provided the statutory conditions are met. The fulfilment of these conditions is assessed by the doctor of the Social Insurance Agency. The insured person's support period may be extended for a maximum of one year in total.

<sup>41</sup> Aid is also paid in cash at a later date. Aid for January 2022 can be claimed until the end of March and for February until the end of April.

<sup>42</sup> Act No. 215/2021 Coll. on support during short-time working and on amendment and supplementation of certain acts.

<sup>43</sup> In 2021, Measures 1, 3A and 3B accounted for more than two-thirds of total First Aid spending and 58% of all employment retention spending. Measure 1 - allowance for closed establishments. Measure 3A - Employment maintenance allowance for employers who could not assign work to employees. Measure 3B - lump-sum contributions to employers to cover employees' personal costs.

<sup>44</sup> TEC = total employee costs

<sup>45</sup> There was a link to the COVID rules stringency under which basic First Aid applied.

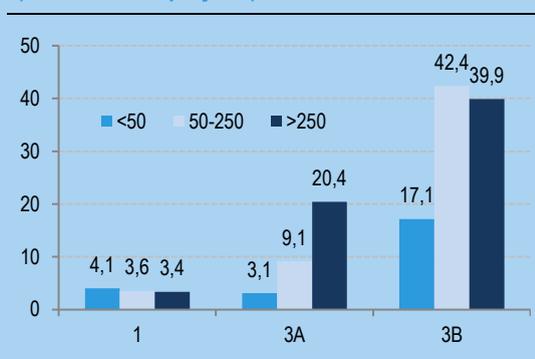
<sup>46</sup> From December 2021, First Aid+ was reintroduced with the original level of contributions and an expanded range of firms. From December 2021, the conditions for Measure 3B have been tightened only for firms with up to 49 employees and a decline in revenues of at least 40%.

Support for one-person LLCs was also valid until February 2022 and for self-employed persons until March (First Aid, Measures 2 and 4). Entrepreneurs and self-employed persons who had no income from business were granted a lump-sum allowance to compensate for the loss of income from gainful activity<sup>47</sup>. Aid in the form of lump-sum payments (EUR 270 to EUR 810) was provided for self-employed persons with a drop in sales or had to close their establishments due to the pandemic (measure 2)<sup>48</sup>.

### BOX 1: Evaluation of First Aid scheme in the first wave of the pandemic

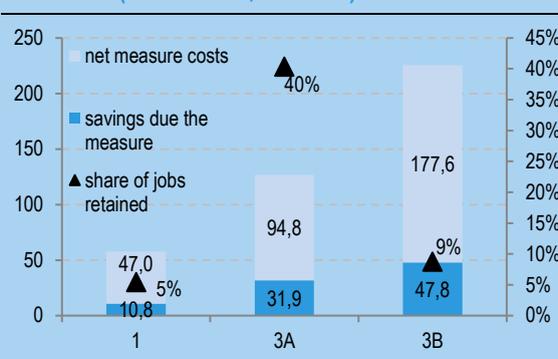
Almost EUR 2.2 billion has been invested into the First Aid system in Slovakia until December 2021, of which EUR 481 million in the first wave of the pandemic. Given the large amount of aid and the risk of negative spill-over effects, it was appropriate to assess the impact of the mechanism on employment and the efficiency of public expenditure. To this end, the Institute for Financial Policy's (IFP) "Principles of providing First Aid (to the Labour Market)" analysis was introduced during 2021, focusing on the effectiveness of Measures 1, 3A and 3B between March and September 2020<sup>49</sup>.

Chart 7: Share of supported firms in size group (number of employees), in %



Source: Ministry of Labour, Family and Social Affairs, ISP, IFP

Chart 8: Comparison of costs and benefits of measures (EUR million, left axis)<sup>50</sup>



Source: Central Office of Labour, Family and Social Affairs

The results of the analysis show that the First Aid scheme had a positive impact on employment retention and avoided redundancies, but the effectiveness varied across measures. Assistance was able to prevent lay-offs if it was given as soon as possible and lasted longer than two months. Its impact increases with the duration of the financial assistance and declines sharply after 5 to 7 months, depending on the measure. Within the provision of first aid, measures where the employer receives support for employees to whom it cannot allocate work have been more effective (measures 1 and 3A). These have sustained jobs even after the end of the benefits. By contrast, the lump-sum contributions depending on

<sup>47</sup> The flat-rate contribution amounted to EUR 315.

<sup>48</sup> This range only applies to months when First Aid+ was applied. For basic First Aid, the contributions ranged from EUR 180 to EUR 540, for First Aid++ from EUR 330 to EUR 870.

<sup>49</sup> The analysis focused on three questions. (1) What is the effect of the aid on maintaining employment in firms and averting lay-offs. For which companies was it most effective? (2) What is the optimal timing and length of assistance? (3) What are the possibilities to mitigate the allocative inefficiency of the short-time working system in the Slovakia?

<sup>50</sup> In the analysis, we compare the expenditure on measures with the savings generated by the jobs retained during the first wave of the pandemic. We quantified jobs retained based on the estimated causal relationship of employment retention measures (specification 2) during and after the end of assistance (specification 1). The number of jobs retained is calculated as the average impact per firm multiplied by the number of firms supported. Savings represent a lower bound on the benefits of support that can be quantified in some way. It includes the expenditure that would have been incurred if the jobs had not been retained - the average unemployment benefit (EUR 441), the average lost taxes and contributions based on the average wage of firms in the measure (1: EUR 423.5, 3A: EUR 780.6, EUR 638.8), and the research-documented negative impact of unemployment on employees' future wages, which ranges from 5-15% of the original wage over a period of roughly 6 months (Ruhm 1991, Jacobson and coll. 1993, Gregory and Jukes 2001, Gangl 2004, Mooi-Reci and Ganzeboom 2015, Birkelund and coll. 2017). Savings do not include, for example, the positive effects that arise from retaining human capital in the firm or the various socioeconomic and health costs of unemployment that it has averted.

the decline in sales (measure 3B) have only postponed lay-offs in larger firms. Moreover, the ratio of jobs saved to expenditure was too low in terms of cost-effectiveness<sup>51</sup>.

**First aid was the most effective for smaller closed establishments and for large companies with over 250 employees.** For firms with up to 50 employees, all measures had roughly the same impact. The number of employees in the assisted firms was about 0.5 employees higher than in the control group.

- Measure 1 prevented lay-offs the most effectively of all the First Aid tools. Firms with up to 250 employees that were supported by it laid off roughly 1.5 fewer employees after the end of the programme.
- Measure 3A maintained the highest number of employees in large firms, where employment grew after receiving it, while it declined in the control group, with an average of 255 more employees difference. Even with small and medium-sized firms, it has been effective in maintaining employment.
- Measure 3B has been effective for medium-sized and smaller firms, where it has retained employees and partially prevented lay-offs in medium-sized firms. However, the largest firms had fewer employees than the control group and laid off an average of 14 more employees, which reduces the effectiveness of the measure.

**Similar results were reached in an analysis by the Institute for Social Policy (ISP)<sup>52</sup>,** which showed that first aid reduced the number of lay-offs in small firms, while the number of jobs saved increased as the epidemic worsened. At the same time, the analysis showed that financial assistance from First Aid reduced the risk of small firms going out of business.

**Other measures taken in 2020 and 2021 to support employment retention:** 1. Scheme focused on employment retention in kindergartens and primary art schools<sup>53</sup>. 2. Financial support was provided to businesses in tourism and catering and to cultural and creative industry entrepreneurs. The tourism aid was intended to compensate applicants for damage resulting from measures taken to mitigate the negative effects of the pandemic<sup>54</sup>. Financial help to culture and creative industries was intended to provide a subsidy for non-covered fixed costs for micro, small and medium-sized enterprises<sup>55</sup>. 3. Business Rent Reimbursement Scheme is intended for businesses that have paid rent for operations during this difficult period<sup>56</sup>.

### ***Tax and levy measures***

**The deferral of social contributions** includes a set of measures. These measures intended to increase cash reserves during the lockdowns, and they have contributed to a better financial situation of the entities. These social contributions will have to be paid off in the future. However, we also anticipate some accrual impact due to possible non-payment of contribution in selected risk sectors. The measure was used repeatedly in selected periods during 2020-2022, see Box 2 for more details.

**General pardon on the obligation to pay advance payments of income tax when sales fall by more than 40% (valid only in 2020).** This has only cash impact, the accrual effect will be settled on the basis of the tax return filed in 2021 for the 2020 tax year.

<sup>51</sup> Many firms with declining sales even before the pandemic were also supported.

<sup>52</sup> [ISP analysis \(2022\): Job Retention Scheme in Slovakia Impact on Dismissals and Firm Survival in the COVID-19 Pandemic.](#)

<sup>53</sup> The support was paid to compensate for the first wave of the pandemic (March-June 2020).

<sup>54</sup> Under the scheme, aid can be claimed for the period up to December 2021, except for the period June-August 2021.

<sup>55</sup> The scheme reimbursed claims for March-December 2020.

<sup>56</sup> The scheme started from March 2020 and is still active.

**General pardon on employers' and self-employed person's social contributions for closed establishments** for the month of April 2020. The measure can be applied if the establishment was closed for at least 15 days. The government can extend the measure to additional months.

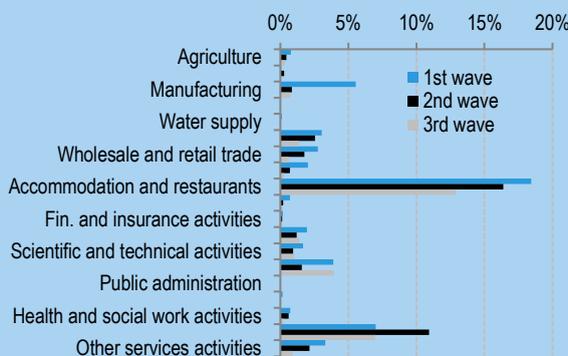
**Other measures:**

1. Postponed payment of motor vehicle tax from April 2020 to September 2020, with settlement to be made when the 2020 tax return is filed. Postponed deadline for filing the motor vehicle tax return and the due date for this tax in special cases (individual tax periods) until 2<sup>nd</sup> November 2020.
2. There was also an optional deferral until 2<sup>nd</sup> November 2020 of the obligation to file a tax return for individuals and corporations (for income tax) for the tax year 2019, or a tax year for which the last day of the tax return filing period fell during the pandemic period in 2020.
3. The extension of the deadline for employers to make annual tax settlements for employees and to pay overpayments of income tax, child tax credit and tax credit for interest paid after the annual tax settlement for the 2019 financial year has been postponed until 2<sup>nd</sup> November 2020.
4. Crediting the tax loss not yet claimed for the years 2015 to 2018 in the 2019 tax return.
5. Suspension of tax audits and tax proceedings at the request of the tax subject from 12<sup>th</sup> March 2020 to 30<sup>th</sup> September 2020.
6. Zero VAT rate on FFP2/3 respirators from 12<sup>th</sup> February to 30<sup>th</sup> June 2021.
7. Waiver of part of the penalties and adjustment of penalties based on specific rules for a total amount of EUR 25 million.
8. Legislative measures to simplify and allow deferrals and repayments to taxpayers.
9. Postponement of tax execution.
10. Reduction of the annual interest rate for tax deferral instalments from 10% to 3%.

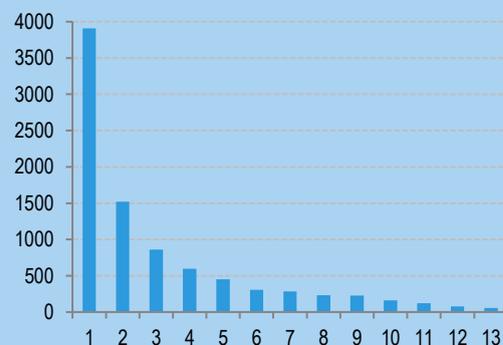
**BOX 2: Deferral of social contributions - evaluation of the measure**

One of the government's economic measures during the pandemic is the possibility to apply for a deferral of social insurance contributions (self-employed and employer's part of the employer's contributions) if businesses have reported a drop in income of at least 40% in a given month. So far, 15 months' worth of social contributions deferrals have been approved by the government, with the latest being for February 2022. All deferrals should be repaid by June 2025. During the grace period, the person remains insured and is thus entitled to the same benefits as if the contributions had been duly paid.

**Chart 9: Proportion of recorded wages in the sector subject to employer levy deferrals**



**Chart 10: Number of firms by number of months for which they have used deferrals (end of 2021)**



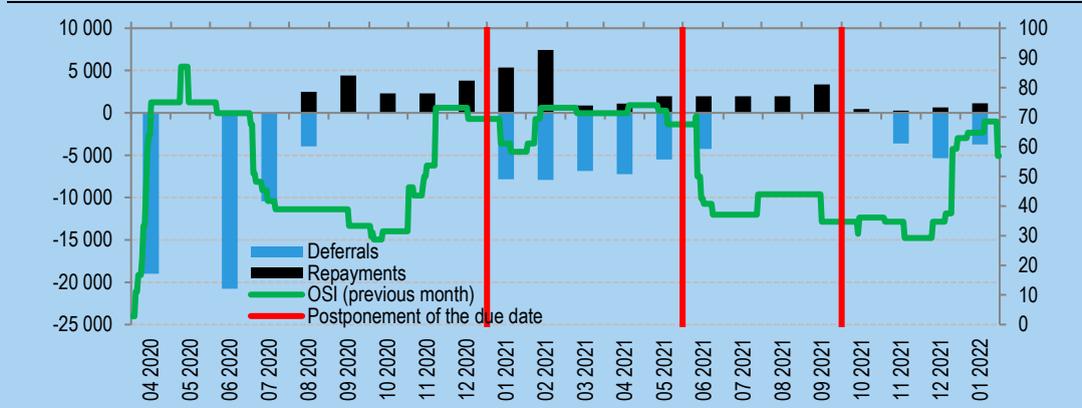
Source: Social Insurance Agency, IFP, [IFP repository](#)

**The sectors benefiting most from contributions deferrals are also the ones, who are the most affected by pandemic restrictions** (Chart 9). The most significant use of the measure (relative to total recorded wages) was visible in the accommodation, restaurants, arts and partly also administrative services sectors, which include e.g. travel agencies. Industry, as an important and large sector of the economy, only made significant use of deferrals during the first wave of the pandemic, when production was also curtailed as a result of the measures.

**Most companies have only used the option of deferrals for a few months** (Chart 10). The measure may have been an appropriate tool to lessen liquidity problems at a time of the greatest pandemic restrictions and revenue shortfalls, particularly during the first wave of the pandemic in the spring of 2020. However, an insignificant number of firms show a long-term decline in sales and also the use of deferrals. This may point to deeper structural economic problems, where the temporary liquidity obtained through deferral may not help and indicates a risk of non-payment of deferred contributions.

**Approving deferrals for additional months at a time of declining demand may increase the potential shortfall in Social Security Agency revenues.** Despite the comparable stringency of the measures<sup>57</sup>, the volume of deferrals has been declining with each wave (Chart 11). Postponements of the due date of already deferred contributions increase the risk of non-payment. Firms might be less willing to repay deferred contributions if they rely on the due date being postponed again. As time passes, so does the likelihood of the firm going out of business before all liabilities are paid off. Despite the onset of the 2<sup>nd</sup> wave of the pandemic at the end of 2020, companies have been able to repay significant share the deferrals from the 1<sup>st</sup> wave. However, with the first postponement, the pace of repayments has fallen despite the relaxed measures in the summer of 2021.

**Chart 11: Volume of deferred and repaid contributions (TEUR) and stringency of measures (OSI in %)**



Source: Social Insurance Agency, IFP

### **Bank guarantees**

**New collateralised lending was a banking measure aimed at providing the necessary liquidity in the markets.** Guaranteed loans have been offered since the outbreak of the pandemic and are available until the pre-set amount is exhausted. The uptake rate was highest during the first wave of the pandemic and has gradually declined. The measure was implemented via five programmes. The first three are launched on the basis of a *de minimis* scheme under which businesses can benefit from aid from May 2020. The first option is to provide a loan with a guarantee from Slovak Investment Holding (SIH). Loans to businesses are themselves provided by commercial banks. The second institution is EXIMBANKA SR, which also supports

<sup>57</sup> Based on the Oxford Stringency Index (OSI), in which a higher value represents more stringent restrictions.

large enterprises in the form of loans with guarantees and remission of fees for guarantees. Assistance is also provided by the Slovenská záručná a rozvojová banka (SZRB) in the form of loans for small and medium-sized enterprises and for self-employed persons. The remaining two so-called *large state aid schemes*<sup>58</sup> are under the new rules of the Temporary Framework issued by the EC. The scheme is intended to provide funds to small, medium and large enterprises through SIH and Eximbank.

**The government has also agreed with financial institutions to defer loan instalments for a maximum of 9 months**<sup>59</sup>. The aim of this measure was to help overcome the difficult period of the pandemic in cases it was impossible to pay loan instalments. The deferment was without charge but did not mean forgiveness of part of the debt or interest, but only postponement of its repayment until a future date when stability was expected with regard to the pandemic. Clients utilizing this scheme before 1<sup>st</sup> January 2021 could not be considered defaulting on the loan and their credit record was not adversely affected, for both consumers and small businesses.

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<sup>58</sup> The programmes implemented through the de minimis scheme were primarily intended for smaller enterprises, SMEs, while the so-called Grand Scheme was intended to supply financial liquidity to larger enterprises that had a higher demand for liquidity. The limit for loans implemented through the Grand Scheme was set at an indicative amount of EUR 2 billion.

<sup>59</sup> The deferral agreement covered banks, leasing and non-banking companies for all types of loans from mortgages to consumer and small business loans, and bank loans could be deferred for 9 months. Non-banking and leasing companies could apply for a three-month deferral, with the possibility to subsequently apply for a further three-month deferral.

## 4 Measures in key structural areas

### 4.1 Public finances

The government's priority is to return to sound public finances while respecting European and national budgetary rules. The long-term sustainability of Slovakia's public finances deteriorated even before the outbreak of the COVID-19 pandemic. This was mainly due to changes adopted in the pension system in 2019, in particular the capping of the retirement age. The advent of the coronavirus pandemic and current estimates of the costs associated with an ageing population have subsequently only exacerbated the sustainability risks. The Slovak Republic is currently one of the EU countries with the worst long-term sustainability<sup>60</sup>. The forthcoming reform of the Pension Pillar I should help to reverse this undesirable situation. The backbone measure will be to re-link the retirement age to increases in life expectancy. The same objective is pursued by the public finance management reform aimed at implementing a cap on public expenditure from 2023. At the same time, the quality of public finances has been strengthened by approved changes aimed at prioritising investments and monitoring them on an ongoing basis. Greater transparency of public finances will be ensured by better oversight of the use of budgetary reserves, regular disclosure of budgetary developments and access to data. In the second half of 2022, the planned amendment of the debt brake rule should ensure stabilisation and reduction of indebtedness in the form of stricter sanctions, but also create room for efficient liquidity management by switching to a net debt ratio. Increasing the efficiency of tax collection has been a long-term priority of the government in tax policy. The effective tax rate on VAT is at long-term highs and its evolution indicates that the tax gap should continue to decline. The planned introduction of the obligation to send invoice data online to the financial administration should also contribute to a further reduction of the VAT tax gap.

#### Public finance performance indicators

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Gross public debt</b>	<b>SK</b>	51.8	52.4	51.6	49.6	48.1	59.7	61.8*	40
(% GDP)	<b>EU</b>	86.6	85.8	83.1	81.0	78.8	91.8	92.1*	-
<b>S2 - long-term sustainability indicator</b>	<b>SK</b>	3.50	2.4	2.4	2.5	3.8	7.7	8.2	2
(value)	<b>EU</b>	2.3	2.1	1.9	2.3	2.4	2.4	-	-

Note: the methodology for setting targets at national and European level can be found in Annex 1.

\* November 2021 estimates.

### Adopted measures<sup>61</sup>

#### Long-term sustainability of public finances

**Changes to the Constitution, which will have to be implemented during 2022<sup>62</sup>, were at the beginning of the currently planned pension reform.** In December 2020, an amendment to the Constitution of the Slovak Republic<sup>63</sup> was adopted under which the capping of the retirement age is to be abolished with effect from 1 January 2023. At the same time, three new principles were added to the constitution: 1. the possibility of retirement after a set number of years of service, 2. childcare cannot have a negative impact on the amount of the pension benefits, 3. the possibility for working-age children to allocate part of their taxes or contributions to their parents (the so-called parental bonus). The central objective of the reform - to improve the long-term sustainability of public finances - is underlined not only by the adopted changes to the pension provisions

<sup>60</sup> [STATISTICAL ANNEX providing background data relevant for the assessment of the 2021 Stability and Convergence Programmes.](#)

<sup>61</sup> Measures are based on the RPP unless otherwise indicated in the text or footnote.

<sup>62</sup> Beyond the RRP.

<sup>63</sup> [Act No. 422/2020.](#)

(Article 39 of the Constitution). Along with them, a new Article 55a was inserted into the Constitution, which explicitly enshrines the commitment to protect the long-term sustainability of the Slovak Republic's economy based on transparency and efficiency in the use of public funds.

**Public expenditure limits<sup>64</sup> are a key reform strengthening counter-cyclicality and long-term sustainability of public finances, and their implementation is already foreseen in the preparation of the budget for 2023-2025.** Introduction of a cap on public expenditure was approved by Parliament in March 2022<sup>65</sup>. In the near future, the Council for Budget Responsibility will publish the methodology for calculating the limits and by July 2022 they should be anchored in the amendment to the Constitutional Act on Budget Responsibility. The introduction of a cap on public expenditure is already foreseen in the Stability Programme in April as part of the public finance management process, i.e. in the initial phase of the preparation of the 2023-2025 general government budget. Aggregate limits on public expenditure, as well as limits at the level of individual budget chapters, will create a mechanism for systematically reducing long-term sustainability risk and counter-cyclicality of fiscal policy. At the same time, the consolidation effort, required by the limits from 2023 onwards, should stabilise public debt well below 60 % of GDP by 2024 and, together with the pension reform, reduce the high sustainability risks as measured by the S2 indicator.

**Together with the public expenditure limits, the amendment to the budget rules legislatively anchors departmental no-policy-change scenarios (NPCs)<sup>66</sup>, which will strengthen the transparency of bargaining, improve planning and resource allocation.** As part of the amendment<sup>67</sup> to the budget rules approved by Parliament in March 2022, the process of developing NPC scenarios as a basis for determining expenditure limits at the departmental level is disaggregated. These will replace the current system of aggregate NPC scenario building at public administration level from 2023, while streamlining budget negotiations. NPCs will strengthen the transparency and credibility of the public expenditure limit, improve the way public expenditure is planned, improve resource allocation, and allow to focus resources on new policies or to find space for consolidation measures more efficiently.

#### ***Strengthening the transparency of the budgetary process<sup>68</sup>***

**The change in the rules for the preparation of public investments has increased the emphasis on the societal benefits of investment projects.** In order to improve planning and increase the social return on projects, the Ministry of Finance of the Slovak Republic (MoF SR) has launched an investment management reform. The main parts of the reform are economic evaluations of projects before their implementation, setting priorities and investment plans of the ministries and including only ready and repayable projects in the budget of the public administration.

**In 2021, the MoF SR evaluated 252 projects with an identified saving of EUR 495 million. The evaluations, worth a total of EUR 6.3 billion, made recommendations towards changing the variant, optimising the technical solution, improving the processes or making the projects cheaper.** From 2020, public administration entities are obliged by law<sup>69</sup> to prepare and publish a feasibility study at the

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<sup>64</sup> The public expenditure limit as a systemic instrument is legislated in the amendment to Act No. 523/2004 on the [Budget Rules of the Public Administration](#).

<sup>65</sup> [Act No. 101/2022 Coll.](#) amending Act No. 523/2004 Coll. on budget rules of the public administration and amending and supplementing certain acts.

<sup>66</sup> The NPC scenarios at the level of budget chapters are a measure beyond the RRP, despite the fact that the introduction of expenditure ceilings is a reform of the RRP.

<sup>67</sup> [Act No. 523/2004](#) on budgetary rules of public administration and on amendment and supplementation of certain acts.

<sup>68</sup> Measures to strengthen the transparency of the budgetary process are accounted for over and above the RRP.

<sup>69</sup> The obligation to publish the feasibility study is legislatively regulated in Article 19a of [Act No. 523/2004](#) on Budget Rules of Public Administration and on Amendments and Additions to Certain Acts.

beginning of the whole process for investments over EUR 40 million (EUR 10 million for IT projects), which undergoes an assessment by the MoF SR. At the end of 2020, the government also approved a resolution<sup>70</sup> on the Ministry of Finance assessment of investment expenditures of public administration entities (excluding local governments) exceeding EUR 1 million. Ministries are also required to develop prioritisation methodologies and subsequent investment plans. Evaluations within the MoF SR are carried out by the Value for Money Department (VfMD), where the Investment Authority (IA) was established in 2021. Capacities for project appraisal, coordination of methodologies and plans and other tasks related to the management of investment projects have been strengthened.

**From 2021 onwards, the emphasis is that only demonstrably socially viable and ready projects should be included in the budget in addition to ongoing projects.** Funds for other planned projects are committed in the budget within the investment stack. Their disbursement is possible only after an assessment by the MoF SR. Inaccurate planning and frequent changes in priorities in the past meant that unprepared projects blocked a large amounts of money for a long time at the expense of ready and better investments across sectors. Therefore, only ready and repayable projects should be financed in accordance with the prioritised investment plans and to the extent of the budgetary resources available in each year.

**More detailed monitoring of the use of state budget reserves, a new report on the expected reality, shorter publication deadlines and better data availability to the public have brought more transparency to the budget process.** In 2021, an amendment to the budget rules<sup>71</sup> defined the reserves of the state budget. At the same time, the transparency of the reserve management process has been strengthened by specifying the content of the mandatory information on the use of reserves - beneficiaries, purpose and volume of use. The Ministry of Finance is also obliged to publish once a year (by 15 August) a report on the expected reality<sup>72</sup> of the development of the general government budget in the relevant year, with changes to the approved version of the budget. From 2021, the deadline for publishing the approved general government budget has also been reduced from 60 to 30 days. At the same time, the obligation to provide budget data in a form that allows further automated processing by third parties has been introduced.

**The results orientation in budget preparation is subject to changes towards better programme budgeting.** The basic framework of the reform was presented by the government in the 2020 Programme Statement<sup>73</sup>. Changes leading to the improvement and operationalization of programme budgeting have been piloted in the 2022 budget and will be continuously updated with the intention of moving towards medium- and long-term goals in individual areas - to improve the quality of education, to support research, development and innovation, to improve safety and quality of life through increased protection of the environment, access to the labour market and health care. The reorganisation of the programmes should increase the clarity of the purpose of expenditure as well as facilitate the use of data for analytical purposes.

### ***Quality of public investment***

**As part of the national processes leading to the achievement of the RRP milestones, in March 2022 the Government of the Slovak Republic approved the Methodology for the Preparation and Evaluation of Investment Projects<sup>74</sup>.** The methodology is part of the investment management reform, which is based

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<sup>70</sup> The obligation to evaluate investments above EUR 1 million and the creation of methodologies and investment plans is legislatively regulated in the [Resolution of the Government of the Slovak Republic No. 649 of 14 October 2020](#)

<sup>71</sup> [Act No. 360/2020 Coll. amending Act No. 523/2004 Coll. on budget rules of public administration and on amendments and supplements to certain acts, as amended.](#)

<sup>72</sup> [Report on the expected reality for 2021.](#)

<sup>73</sup> [Programme Declaration of the Government of the Slovak Republic for the period 2021 - 2024.](#)

<sup>74</sup> Methodology for the preparation and evaluation of investment projects approved by [Government Resolution No. 181/2022](#)

on analytically based investment plans of individual chapters that increase the transparency and predictability of the investment process. The methodology does not add new tasks but clarifies and clarifies the process and responsibilities of the different actors. In 2021, most chapters have refined their prioritisation methodologies and are developing investment plans based on them.

## Upcoming measures<sup>75</sup>

### **Long-term sustainability of public finances**

**The constitutional changes strengthening the sustainability of the pension system and public finances are followed by the reform measures of the RRP.** In order to improve the long-term financial sustainability of the pension system, the link between the retirement age and increases in life expectancy will be re-established. In addition, an actuarially neutral<sup>76</sup> early retirement pension benefit will be introduced for persons who have worked a minimum number of years. The contribution of the changes in the pay-as-you-go first pension pillar to the improvement of the long-term financial sustainability indicator S2 will be at least 1.8 p.p. of GDP in aggregate. The necessary legislation will be approved during 2022 with effect from 1 January 2023. The Government's ambition, stemming from its Programme Statement and declaration in the RRP, is to anchor the pension reform in a constitutional law. In order to fulfil the RRP commitment, the reform will be implemented at least through common laws.

### **BOX 3: Assessing the fiscal transparency of the Slovak Republic**

**Slovakia's public finances and budget process are performing comparatively, but the International Monetary Fund (IMF) believes that selected fiscal reporting, forecasting and risk assessment processes need to be improved.** The MoF SR requested the IMF for an independent assessment of the fiscal transparency of the Slovak Republic, which should be a springboard for public finance reforms. In its report,<sup>77</sup> the IMF noted that most of the areas assessed under the fiscal monitoring, budgetary process and risk management framework are in line with the IMF's requirements<sup>78</sup>. However, the evaluation highlighted the need to focus on improving processes, in particular in the areas of integration of fiscal statistics, assessment of tax expenditures, external audit and medium-term budgeting. The IMF also recommends constitutionally anchoring the limit on public expenditures, strengthening public participation in budget formulation, as well as expanding the assessment of macroeconomic and fiscal risks and regularly publishing long-term projections of expenditure related to population ageing and other public sector liabilities.

### **Fiscal transparency rating of the Slovak Republic according to the IMF**

I. Fiscal reporting	II. Fiscal forecasting and budgeting	III. Fiscal Risk Analysis and Management
Coverage of Institutions	Budget Unity	Macroeconomic Risks
Coverage of Stocks	Macroeconomic Forecasts	Specific Fiscal Risks
Coverage of Flows	Medium-term Budget Framework	Long-term Fiscal Sustainability
Coverage of Tax Expenditure	Investment Projects	Budgetary Contingencies
Frequency of In-Year Reporting	Fiscal Legislation	Asset and Liability Management
Timeliness of Annual Accounts	Timeliness of Budget Documentation	Guarantees
Classification	Fiscal Policy Objectives	Public-Private Partnerships
Internal Consistency	Performance Information	Financial Sector

<sup>75</sup> Measures are based on the RRP unless otherwise indicated in the text or footnote.

<sup>76</sup> The benefit will be reduced so that the pensioner is paid the same amount in total regardless of when he or she decides to start drawing the pension.

<sup>77</sup> Slovak Republic: Fiscal Transparency Evaluation, Technical Report, February 2022.

<sup>78</sup> Based on the IMF's Fiscal Transparency Code, Slovakia scored "good" or "advanced" in 25 out of 36 indicators.

Historical Revisions	Public Participation	Natural Resources
Statistical Integrity	Independent Evaluation	Environmental Risks
External Audit	Supplementary Budget	Subnational Governments
Comparability of Fiscal Data	Forecast Reconciliation	Public Corporations

Note: red rating - not met, yellow - basic, weak green - good, strong green - advanced.

Source: Preliminary IMF assessment carried out at the request of the Ministry of Finance of the Slovak Republic.

**A number of measures in health and long-term health and social care could also contribute to improving the long-term sustainability of public finances.** Measures beyond the RRP include in particular the implementation of a set of austerity measures, which should most significantly concern the medicines policy, but also the update of the system of payments to hospitals according to diagnoses (DRGs), which aims to improve the efficiency of hospitals' management. Among the measures implemented within the RRP are, for example, measures to integrate health and social long-term care, where the lack of interconnection of these systems causes uncoordinated transition of a person with care needs between health and social services, which can lead to deterioration of a person's health status and subsequent rehospitalizations deepening the inefficiencies of the system<sup>79</sup>.

**An amendment to the Constitutional Act on Budget Responsibility<sup>80</sup> is expected to be approved in June 2022, strengthening the debt brake rule penalty bands, flexibility in the event of crises and streamlining the management of public debt servicing by switching from a gross to a net debt indicator<sup>81</sup>.** The long-term sustainability reform restates the wording of the 10-year constitutionally enshrined debt brake rule. Experience with the original text of the Constitutional Law has shown the need for several changes. The first is the transition of the debt brake from a gross debt indicator to a net debt indicator, which is intended to streamline liquidity management in servicing government debt, specifically by adjusting the indicator for the cash buffer. The amendment also reduces the number of sanction bands to four. At the same time, in contrast to the current text, it calls for consolidation efforts measured by the structural balance already at the lowest band. When debt rises above the highest band, the law will allow the government to avoid the sanction of presenting a structurally balanced budget and a vote of confidence by fulfilling the sanctions in the previous period if the amount of net debt falls year-on-year. The flexibility of the debt brake will be ensured under the extended escape clause, which is triggered in selected situations - war and martial law, a year-on-year economic downturn, a bailout of the banking and financial sector or natural disasters.

**Legislative changes to the constitutional law will also anchor changes to the remit of the independent macroeconomic and tax forecasting committees and strengthen the independence of the Council for Budget Responsibility<sup>82</sup>.** The aim of the legislative anchoring of the changes in the committees' remit is to build on the existing process of expanding the budget expenditure forecasts, in line with the stated ambition in the Government's manifesto. This ensures more transparent preparation and more accurate estimation of budget developments. The individual details of the government's proposal will still be discussed, with a final agreement expected in early summer.

<sup>79</sup> The individual measures are described in more detail in the chapter Health and health-social long-term care.

<sup>80</sup> The [government bill passed its first reading in the Parliament in November 2020](#), with final approval expected in June 2022, with effect from August 2022.

<sup>81</sup> The government's proposed amendment to [Constitutional Act No. 493/2011](#) on budgetary responsibility in the debt brake part is a measure beyond the scope of the RRP, yet it strengthens long-term sustainability by changing the structural consolidation requirements at the lowest gross debt sanction bands.

<sup>82</sup> The current draft changes are part of the government-approved amendment to the Constitutional Act No. 493/2011 on Budget Responsibility.

### ***Efficiency of tax collection***<sup>83</sup>

**The introduction of mandatory transfer of invoice data real-time (e-invoice) to the tax authorities from 2024 should further reduce the VAT and income tax gaps**<sup>84</sup>. This will enable the financial administration to detect fraud in the supply chain at an early stage, in particular the elimination of high tax arrears arising from the assessment of the tax difference after tax audits have been carried out. For monthly payers, such frauds are identified with a delay of up to 56 days after the tax liability arises. For quarterly VAT payers, the delay is up to 117 days<sup>85</sup>. This long timeframe allows taxpayers to become non-contactable. The Financial Administration of the Slovak Republic (FA SR) estimates additional revenues of more than EUR 100 million in the first year from the introduction of the e-invoice, but this is conditional on active controls based on analytical data.

**The establishment of the so-called behavioural unit at the MoF SR may also contribute to increasing the efficiency of the financial administration.** Its aim is to apply insights from behavioural studies to the design of new policies and to test them in practice through experiments. In the tax area, examples include various forms of communication with the taxpayer to increase voluntary compliance with tax obligations and to ensure their timely fulfilment. The first success in this area in Slovakia is a pilot project of the Financial Administration, the Institute for Financial Policy, and the Value for Money Department together with the academic sector<sup>86</sup>, where taxpayers who were obliged to declare income tax on the sale of real estate were contacted through a letter campaign. This project brought an additional EUR 2.5 million to the state budget and shows that the tax administration has other and more cost-effective methods to ensure voluntary tax compliance compared to traditional controls.

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<sup>83</sup> Beyond the RRP.

<sup>84</sup> The implementation date was initially set for 2023 but depending on the preparation of the related legislation and the readiness of the business sector, it is likely to be postponed to 2024.

<sup>85</sup> Today, the tax administration works with tax returns and the control statement (which contains information on invoices). These documents are not filed until the 25th of the month following the month in which the transaction took place, i.e. if a taxable transaction takes place on 1 March, the invoice relating to that transaction will not be received by the Tax Administration until 25 April.

<sup>86</sup> Commentary by the [Financial Administration of the Slovak Republic, IFP and the Value for Money Unit](#) - Behavioural experiment on income tax on the sale of real estate.

## Relevant reference points



### Specific Council of the EU Recommendations for Slovakia (CSR)

- CSR 2019/1 (Part 2): Ensure the long-term sustainability of public finances, in particular of the healthcare and pension systems.
- CSR 2019/3 (Part 8): Increase the application of quality and life cycle cost criteria in public procurement.
- CSR 2020/1 (Part 1): In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the subsequent recovery. When economic conditions permit, implement fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring the sustainability of debt service while increasing the rate of investment.
- CSR 2020/2 (Part 1): Provide adequate income compensation.
- CSR 2020/3 (Part 3): Implement ready public investment projects as soon as possible.
- CSR 2020/4 (Part 2, 3): Ensure a favourable business environment and quality public services through enhanced coordination and policy-making.



### 2030 Agenda for Sustainable Development Objectives

- Objective 5: Equality between men and women
- Objective 8: Decent work and economic growth
- Objective 17: Partnerships for the Goals



### European Pillar of Social Rights

- Principle 2: Equality between men and women
- Principle 15: Old age income and pensions

## 4.2 Education

The educational system in Slovakia is marked by poor results at all levels. Lack of inclusiveness plays an important role, starting already with low enrolment in kindergartens. Schools are failing to close the readiness gap on entry to primary education, and the system is not geared towards learning outcomes such as literacy and lifelong skills. Universities are losing their attractiveness, which is reflected in the outflow of a high proportion of domestic students to universities abroad. The absence of a flexible lifelong learning system and of quality career guidance results in low participation of adults in further education once they enter the labour market. Improving inclusiveness, in particular the implementation of compulsory pre-primary education and the expansion of enrolment through legal entitlement gradually for children as young as 3 years old, remain key challenges. The reform of the counselling system will link the cooperation of counselling and prevention centres with support teams in schools, including a move to targeted funding according to pupils' needs. The content of education is gradually being transformed into education with an emphasis on the necessary skills, including digital skills. Curriculum reform will be accompanied by adequate changes in teacher training and professional development, textbook reform and mentoring support for the implementation of the new curriculum within the newly established regional centres. Changes in higher education will reflect the new accreditation standards for internal quality assurance systems, the reform of internal management of schools and the change in funding supporting performance in scientific and creative activities.

### Outcome indicators for education

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Proportion of children in pre-primary education</b> (from 3 years of age to the beginning of compulsory primary education)	<b>SK</b>	72.2	73.4	74.9	77.6	77.8	-	-	94.6
	<b>EU</b>	91.9	92.4	92.5	92.3	92.8	-	-	94.6
<b>PISA</b> (average score in reading literacy, mathematics and science)	<b>SK</b>	463	-	-	466	-	-	-	473
	<b>EU</b>	486	-	-	484	-	-	-	481
<b>Percentage of pupils below basic level in reading</b> (PISA)	<b>SK</b>	32.1	-	-	31.4	-	-	-	28.0
	<b>EU</b>	20.0	-	-	22.5	-	-	-	21.3
<b>Percentage of early school leavers</b> (%in the 18-24 age group)	<b>SK</b>	6.9	7.4	9.3	8.6	8.3	7.6	-	6*
	<b>EU</b>	11	10.6	10.5	10.5	10.2	9.9	-	6.0
<b>Average ranking of the best university in TOP rankings</b> (average ranking in Times, Shanghai rankings and QS), EU median	<b>SK</b>	668	651	651	668	784	835	834	706
	<b>EU</b>	351	384	316	319	336	334	353	353
<b>Percentage of people participating in adult education</b> (age 25-64; in the last 4 weeks)	<b>SK</b>	3.1	2.9	3.4	4	3.6	2.8	-	7.0
	<b>EU</b>	10.1	10.3	10.4	10.6	10.8	9.2	-	10.6

\* An agreed national target under the ENPI

Note: the methodology for setting targets at national and European level can be found in Annex 1.

## Adopted measures<sup>87</sup>

### Governance

**Change at the middle level governance will contribute to the effectiveness of regional education administration.** In June 2021, an amendment to the Act on State Administration in Education and School Self-Government<sup>88</sup> was approved, which unified the management and financing of education under the Ministry of Education (from 2013 to 2021, part of the competences and financing belonged to the Ministry of the Interior). With effect from January 2022, regional offices of school administration have been established

<sup>87</sup> Adopted measures are based on reforms and investments in the RRP (Components 6 to 8). Beyond the RRP, the unification of the financing of the Department of Education under a single ministry was implemented.

<sup>88</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&ZakZborID=13&CisObdobia=8&CPT=500>

under the competence of the Ministry of Education, Science, Research and Sport, replacing the previously functioning departments of education of district offices in the the region under the competence of the Ministry of the Interior of the Slovak Republic (Mol SR). In addition to the elimination of double-track financing and management, including the administrative burden, more effective supervision of the functioning of special schools established by the state is expected. Inconsistency in management is considered to be one of the reasons for the segregation of pupils from the MRC and the misclassification of pupils without mental disabilities into special education.

### ***Inclusiveness in education***

**A key reform in the area of inclusiveness is the introduction of compulsory pre-primary education from the age of 5.** In July 2021, an amendment to the Education Act<sup>89</sup> was adopted, introducing measures for the implementation of compulsory pre-primary education for children aged 5 and above from September 2021. During the transitional period until August 2024, it is possible to provide compulsory pre-primary education by providers outside the network of schools and educational establishments in the case of their approved registration in the Register of Pre-primary Education Establishments maintained by the Ministry of Education, Science and Higher Education<sup>90</sup>. The reason for allowing compulsory pre-primary education in registered establishments outside the school network is to reduce the pressure on the existing insufficient capacity in kindergartens. Increasing the enrolment of 5 year olds before capacity is built threatens the enrolment of younger children. There are currently 39 out-of-network providers registered on the Register with 290 children aged 5 and over<sup>91</sup>, but this does not capture a large proportion of those affected.<sup>92</sup> According to the RRP, the target is to achieve 95% enrolment of 5 year olds in the school year 2022/23 compared to 86% in 2019<sup>93</sup>. Compulsory pre-primary education for all children from the age of 5, in addition to extending the capacity of kindergartens, also opens up other challenges, such as the inclusion of children from the MRC, health and socially disadvantaged in the formal education system. Support for children from the MRC and increased cooperation with the families of these children is provided by the two-phase national project Support for pre-primary education of children from the MRC<sup>94</sup>.

**In order to reduce early school leaving, changes to secondary school curricula are being introduced and opportunities to complete primary education are being expanded.** The approved amendment to the Education Act<sup>95</sup> and the Vocational Education and Training Act<sup>96</sup> makes it possible to complete lower secondary education in lower secondary vocational education branches (F branches<sup>97</sup>) in a two- and three-year combined programme. This legislation will remove a "dead-end" in education that has prevented graduates of F programmes from pursuing further education. It also introduces the possibility of obtaining

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<sup>89</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&ZakZborID=13&CisObdobia=8&CPT=510>

<sup>90</sup> The conditions for registration include the approval of the regional public health authority and the local government education authority, the submission of a school education programme in accordance with the state education programme and the demonstration of the qualification requirements of the teaching staff. In order to receive the allowance for children fulfilling compulsory pre-primary education in registered establishments, which is financed from the state budget, it is required to draw up a financial management report for the previous year (if the establishment was in operation, otherwise by April of the school year in question). Full registration in the school network requires the fulfilment of a number of other conditions relevant in particular for private founders, such as the consent of the municipality, proof of no criminal record, court certificates of not being in bankruptcy or liquidation, certificates of no arrears to the tax office, customs office and Health Insurance Company, etc.

<sup>91</sup> <https://crinfo.iedu.sk/risportal/register/>

<sup>92</sup> According to a publication by the Institute of [Geography of the Slovak Academy of Sciences](#), 151 out-of-network providers were identified in the Bratislava region alone by the end of 2020, compared to 300 on-net devices.

<sup>93</sup> The target needs to be reached at the beginning of this school year, i.e. in Q3 2022.

<sup>94</sup> NP PRIM I. and II. implemented by the Office of the Plenipotentiary of the Government of the Slovak Republic for Roma Communities / Office of the Government of the Slovak Republic.

<sup>95</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/cpt&ZakZborID=13&CisObdobia=8&ID=640>

<sup>96</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/cpt&ZakZborID=13&CisObdobia=8&ID=638>

<sup>97</sup> F course, known in the past as apprenticeships, provide training in auxiliary professions such as assistant ranger. Until the adoption of the amendment, it was only possible to obtain lower secondary education through the so-called secondary education course, which was mainly provided by upper secondary schools offering F courses.

lower secondary education by passing an external test or a board examination without completing a lower secondary education programme (so-called second chance education courses). This will open up space for non-formal education providers (e.g. the third sector) and thus increase access to education for groups of people who have not received a basic education certificate within compulsory schooling.

**The initiated reform of the counselling and prevention system will strengthen the inclusive approach in education.** The reform of the counselling system was laid with the approval of the amendment to the Education Act. The long-term goal of this reform is to transform the activities of educational counselling and prevention facilities, with a focus on the work of support teams in schools, so that children and pupils receive support according to their individual needs, which are not necessarily in line with the existing diagnosis of special needs (diagnosis cannot accurately determine the extent of needs). The reform is also expected to prevent the distribution of pupils into special education due to inadequate diagnostics and distorted financial incentives (increased normative financing for special needs), which will contribute to desegregation. In addition to this legislative change, school inclusiveness teams<sup>98</sup> are in place by extension of the national projects helping professions in the education of children and pupils I and II<sup>99</sup>. Systematic data collection on the use of counselling services and mental health mapping for children and young people will be ensured by the Single Evidence System launched in September 2021.

**Compensatory measures to mitigate the impact of the pandemic focus on tutoring support and financial assistance for vulnerable groups.** As of December 2021, several calls<sup>100</sup> have been launched to support tutoring in primary and secondary schools, including the involvement of the non-state sector,<sup>101</sup> and a call to provide financial assistance to the founders of school children's clubs<sup>102</sup> to offset fees for children from socially disadvantaged backgrounds. By the end of 2022, the target is to reach 12,000 pupils who were unable to participate fully in education during the interrupted face-to-face teaching during the school closures.

### **Quality of education in regional education**

**Curriculum reform focuses on building the skills needed for the 21<sup>st</sup> century instead of memorising encyclopaedic facts.** This is a key reform in education, stacked until 2026, when the new curriculum is expected to be fully running in schools. Since January 2022, a public consultation on the documents on the basis for building new educational content<sup>103</sup> is underway. The first two regional curriculum management centres (Martin, Turčianske Teplice) will operate on a pilot basis from the school year 2021/2022<sup>104</sup>. The role of teams in the regional centres, planned to reach a number of 40 by 2024, will be to provide local support to teachers in the implementation of the new curriculum. With effect from January 2022, the electronic form of the high school leaving exam has been legislated<sup>105</sup>.

### **Universities**

**Periodic evaluation of universities' research performance and internal quality assurance systems will contribute to higher quality of universities.** In January 2022, the methodology for the periodic performance evaluation of universities<sup>106</sup> was published, according to which the quality of research and creative activities of universities will be evaluated, with a validity of six years. Objective evaluation of research

<sup>98</sup> Amendment to [Act No. 138/2019 Coll.](#) introduces the concept of school support team with effect until 1 January 2022.

<sup>99</sup> <https://mpc-edu.sk/sk/project>

<sup>100</sup> "Spolu múdrejší 2", "Spolu úspešnejší 2021", "Spolu múdrejší 3", "Spolu úspešnejší 2".

<sup>101</sup> "Call for tutors through the non-state sector"

<sup>102</sup> Call "Compensation of the fee in the school children's club for pupils from socially disadvantaged backgrounds and in material need"

<sup>103</sup> [Vzdelavanie21.sk](#)

<sup>104</sup> <https://www.minedu.sk/regionalne-centra-podpory-ucitelov/>

<sup>105</sup> [Act No. 415/2021 Coll. amending Act No. 245/2008 Coll. on upbringing and education \(School Act\).](#)

<sup>106</sup> <https://www.minedu.sk/periodicke-hodnotenie-vyskumnej-vyvojovej-umeleckej-a-dalsej-tvorivej-cinnosti/>

by a panel comprised of two thirds of internationally recognised international experts will allow better differentiation of schools according to the quality of the research produced and consequently targeted funding to support excellence. This process is complemented by the evaluation of internal education quality assurance systems by the accreditation commission. The amendment to the Act on Quality Assurance in Higher Education, effective from January 2022<sup>107</sup> shortens the deadline for schools to request a compliance assessment of their internal quality system from 31 December 2024 to 31 December 2022<sup>108</sup>. This change will accelerate the process of introducing internationally recognised quality standards for education and will also speed up the process of consolidating the number of study programmes offered<sup>109</sup>.

**Universities have started a process of long-awaited changes in internal governance that will enable the effective implementation of societal interests.** The approved amendment to the Higher Education Act will strengthen the competences of the Rector and the Board of Trustees<sup>110</sup>. The change in governance is expected to move away from the fragmented, unsystematic development of individual colleges to strategic management of the entire higher education system with an emphasis on societal needs, such as diversifying schools and increasing the proportion of bachelor's degree graduates. The joining of schools, which is supported under the announced call for the development of universities with an allocation of EUR 10 million for the creation of roadmaps for joining universities, should also contribute to increasing the efficiency of the sector<sup>111</sup>. At the same time, activities for building university clusters in Trnava and Košice were launched in 2021. Concentration of research capacities through university mergers will increase the likelihood of better rankings in international university rankings.

## Upcoming measures<sup>112</sup>

### *Inclusive education*

**Meeting the Recovery Plan's milestone for the introduction of legal entitlement to pre-primary education from age 3 by 2025 will require the passage of several legislative changes by the end of 2022 and progress in building needed capacity.** The most significant change will affect the modification of the financing system, while currently kindergartens are financed under the original competences of municipalities and local governments<sup>113</sup>. The aim is to move to a system of consistent, predictable and targeted funding for pre-primary education. Currently, on the basis of administrative data and data from the survey of higher self-government territorial units, as well as on the basis of projections on demographic development, the missing capacities are being surveyed. A call for selected capacity building projects will be launched in 2022.

**Quality inclusive education requires a set of support measures.** A catalogue of support measures for children and pupils experiencing barriers to education is being developed as part of a reform introducing a model of eligible support measures in education, including a system for funding them. By the end of 2022, a new definition of the concept of special educational needs<sup>114</sup>, including the modification of the system of financial support, will be legislated. In reality, appropriate support is identified for the individual pupil from a

<sup>107</sup> <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2020/410/>

<sup>108</sup> Universities are also obliged to notify the accreditation agency by 31 August 2022 at the latest that they have aligned their internal systems with the legally approved standards that entered into force on 1 September 2020 (Act No. 269/2018 on Quality Assurance in Higher Education).

<sup>109</sup> <https://saavs.sk/wp-content/uploads/2022/01/Zmeny-vo-vysokom-skolstve-v-dosledku-zavadzania-systemov-zabezpecovania-kvality-1.pdf>

<sup>110</sup> Amendment to Act No. 131/2002 Coll. on Higher Education was approved by the Parliament in March 2022 (CPT 822).

<sup>111</sup> <https://www.minedu.sk/vyzva-na-podavanie-rozvojovych-projektov-verejnych-vysokych-skol-v-roku-2021/>

<sup>112</sup> The measures under preparation build on the reforms and investments in the RRP (Components 6 to 8).

<sup>113</sup> The relevant provisions of Act No. 597/2003 Coll. on the financing of primary schools, secondary schools and school establishments, Act No. 596/2003 Coll. on the state administration in education and school self-government, the reassessment of the formula in Government Decree No. 668/2004 Coll., as well as the amendment of Government Decree No. 630/2008 Coll., will be amended.

<sup>114</sup> Under current legislation, special educational needs include health/disability, socio-economic disadvantage and the category of gifted pupils.

catalogue of support measures based on individual needs, which will then be directly funded. In normative funding, forms of support relevant to all pupils, such as specialist staff in schools, will remain<sup>115</sup>. Based on a multi-level definition of needs, professional activities will be provided in close cooperation between school support teams and the newly conceived counselling and prevention centres. By the end of 2022, standards for the spatial desegregation of schools will be developed and published, and a unified monitoring system for desegregation will be put in place. The first comprehensive monitoring report on desegregation will be published.

### ***Quality of education in regional education***

**Curriculum reform will enter the next phase of implementation in 2022.** The final version of the curriculum for all cycles of primary school education is being finalised. Implementation will begin in September 2023, with the obligation to ensure that all primary schools have transitioned to the new curriculum by September 2026. At the same time, 16 regional partners will be selected as regional support centres for the implementation of the new curriculum in 2022, out of a planned 40 centres by the end of 2024. In 2022, a public procurement will be carried out for the supply of the eTest II system for the full-scale roll-out of electronic testing. This is the first step in the planned introduction of electronic school-leaving exam<sup>116</sup>. The legislative changes will introduce new types of study programmes for future teachers, with an emphasis on the introduction of inclusive education, the education of pupils with a different mother tongue and the development of teachers' digital competences. An earmarked allowance for the professional development of teaching and professional staff and a new model for the accreditation of professional development training programmes will be introduced.

### ***Universities***

**The diversification of universities will be supported by performance contracts as well as targeted investments.** The concept of performance contracts will be introduced in 2022. Performance contracts will support the strategic objectives of individual universities, promoting a move away from a single model of academically oriented departments towards a diversified university environment offering professionally-oriented programmes (Schools of Applied Research). Diversification will be supported by conducting an assessment of research in public universities by the end of 2022, which will identify departments with top performance in science and creative activity on the basis of the adopted methodology for the periodic assessment of scientific performance. At the same time, 90% of schools are expected to request a review of the compliance of internal quality systems and curricula with accreditation standards.

### ***Investments***

**In addition to completing the capacity of kindergartens, investments are focused on infrastructure.** A call for primary schools will be launched to eliminate double shift operation in 49 schools and to debarrier secondary school buildings, with a target to debarrier 252 schools by 2025. Procurement will be carried out for the retrofitting of digital infrastructure in primary and secondary schools. The aim is to increase the proportion of schools with full digital input to 90% from the current 30%. A call is launched for the construction and modernisation of school libraries as learning centres for schools to promote reading literacy. The aim is to build or renovate 200 libraries in schools attended by pupils from socially disadvantaged backgrounds. The grant programme will support the modernisation of infrastructure in research, education and

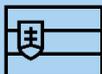
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<sup>115</sup> The final version of the eligible support measures is currently under discussion.

<sup>116</sup> A number of other partial steps will be taken during 2022 in line with the RPP's timetable, including a related legislative amendment to the Education Act on upper secondary school leaving. A preparatory testing phase will be launched in 2023. Fully implemented online upper secondary school-leaving exam will be by the end of 2025 at the latest - no later than this year, part of the school-leaving exam of graduates of all gymnasias and upper secondary schools will be implemented online.

accommodation with an emphasis on added value for excellent research, internationalisation, debarrierisation and digitalisation of teaching. The investments will support the individual colleges' long-term strategic objectives. One of the goals is to renovate 263,000 m<sup>2</sup> of university and dormitory space with an energy efficiency of more than 30% by 2026.

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/2 (Part 1, 2, 3): Improve the quality and inclusiveness of education at all levels and promote skills. Improve access to affordable and quality childcare and long-term care. Promote the integration of disadvantaged groups, in particular Roma.
- CSR 2019/3 (Part 2, 4, 5): target economic policy related to investment on...research and innovation,...digital infrastructure, energy efficiency,...
- CSR 2020/2 (Part 3, 4): Strengthening digital skills. Ensure equal access to quality education.
- CSR 2020/3 (Part 2): Closing the digital infrastructure gap.



#### 2030 Agenda for Sustainable Development Objectives

- Objective 4: Quality education
- Objective 8: Decent work and economic growth
- Objective 9: Industry, innovation and infrastructure



#### European Pillar of Social Rights

- Principle 1: Education, training and life-long learning
- Principle 3: Equal opportunities
- Principle 11: Care and support for children

## 4.3 Productivity: research, development, innovation and digitalisation

One of the prerequisites for sustainable long term economic growth is rising productivity as a result of innovation. In the context of digital transformation, this challenge is even more pronounced. Slovakia has so far lacked systematic trans-ministerial coordination of activities in the field of research, development and innovation (R&D&I). Incentives for effective linkages between public and private sector research have been insufficient. These shortcomings, together with underfunding of research, hamper the existing innovation potential and lead to inefficient allocation of public resources. The RRP measures aim to increase overall investment in R&D&I, including incentives for increased private sector spending. This will be accompanied by the professionalisation of supra-ministerial coordination of R&D&I and the introduction of international standards in the evaluation of publicly funded projects. Productivity-oriented public policies will include promoting digitalisation by completing infrastructure in areas not covered by the market, improving the digital skills of the current and future workforce, and building an efficient e-government that delivers citizen- and business-oriented services. Digitisation will also take place in the areas of healthcare, the judiciary, construction procedures, social insurance, the fight against corruption and public security. Digitalisation in education concerns the completion of schools' digital infrastructure and the strengthening of pupils' digital skills in the new curriculum reform and teachers' training and professional development.

### Outcome indicators for productivity (research, development, innovation and digitalisation)

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>DESI index</b> (ranking out of 27 EU countries)	<b>SK</b>	19	21	19	19	20	21	22	14
	<b>EU</b>							-	
<b>European Innovation Scoreboard (EIS)</b> (ranking)	<b>SK</b>	20	20	21	22	22	22	23	21
	<b>EU</b>							-	
<b>Business expenditure on research and development</b> (% GDP)	<b>SK</b>	0.32	0.40	0.48	0.45	0.45	0.50	-	1.04
	<b>EU</b>	1.37	1.39	1.43	1.45	1.46	1.53	-	1.72

Note: the methodology for setting targets at national and European level can be found in Annex 1.

## Adopted measures

### Research, development and innovation (R&D&I)<sup>117</sup>

**The completed transformation of the Slovak Academy of Sciences will enable more effective cooperation with the private sector.** Slovak Academy of Sciences has completed its transformation into a public research institution by January 2022<sup>118</sup>. The change will enable multi-source funding, including private sources, which will increase incentives for cooperation with the private sector, especially in the area of intellectual property protection and the resulting financial profitability. According to the approved amendment to the Act on the organisation of state support for research and development<sup>119</sup>, the rules of periodic evaluation of research activities at universities will also apply to public research institutions, including the Slovak Academy of Sciences, which will ensure a unified approach to the evaluation of research in Slovakia.

**Changes in the activities of the Agency for the Promotion of Research and Development move the evaluation mechanisms of projects closer to international standards.** The approved amendment to the Act on the organisation of state support for research and development<sup>120</sup> will also bring significant changes

<sup>117</sup> The completion of the transformation of the Slovak Academy of Sciences and the changes related to the Agency for the Promotion of Research and Development are related to measures from the RRP under Component 9 "More effective governance and strengthening of funding for research, development and innovation". The SK RIS3 2021+ strategy is beyond the scope of the RRP, it represents one of the basic conditions for disbursement of funds in the Slovakia Programme in the programming period 2021-2027.

<sup>118</sup> [SK/ZZ/2021/347/20220101.html](https://www.zbierka.sk/ZZ/2021/347/20220101.html), [SK/ZZ/2021/346/20211101.html](https://www.zbierka.sk/ZZ/2021/346/20211101.html)

<sup>119</sup> [Amendment Bill, Parliamentary Paper 822.](#)

<sup>120</sup> [Amendment Bill, Parliamentary Paper 822.](#)

with an impact on Agency for the Promotion of Research and Development. In particular, the possibility to launch EU-funded calls, the introduction of evaluation by panels with internationally recognised experts, fast-track evaluation where projects have been evaluated at another level (e.g. Seal of Excellence), the possibility to require the submission of projects in English, and the participation of independent observers in the Agency's Board meetings, which will increase transparency, are included.

**The amendment to the Act on the organisation of state support for research and development<sup>121</sup> also anchors the strategic position of the Office of the Government of the Slovak Republic and the Prime Minister in the coordination of research, development and innovation policy.** The change represents the first step in the process of streamlining supra-ministerial coordination of state policy in the field of R&D&I with an emphasis on consolidation, standardisation and simplification of processes in the evaluation criteria for various forms of public funding. The amendment includes the involvement of the Ministry of Finance in the evaluation of programmes and schemes to support research, development and innovation in order to ensure the efficient use of financial resources from the relevant budget chapters.

**The future direction of EU investment in research, development and innovation with a view to 2027 is covered by the updated RIS3 strategy.<sup>122</sup>** The Government approved the update of the strategy Knowledge to Prosperity - Research and Innovation Strategy for Smart Specialisation of the Slovak Republic 2021 - 2027 (SK RIS3 2021+)<sup>123</sup>. It is a strategic document defining objectives, a system of policies and measures in R&D&I in the sectors of the economy with the greatest potential for transformation towards increasing research and innovation performance, national and regional specialisation and excellence for increasing the international competitiveness of the Slovak Republic. The Strategy also addresses the frameworks for the R&D&I management system, the key elements of which are subsequently reflected in the Reform of the Governance, Evaluation and Support in the field of R&D&I in the RRP.

#### **Digitalisation<sup>124</sup>**

**Measures from the review of IT spending continue to be implemented to improve the efficiency of government-funded IT spending.** In October 2021, the Interim Implementation Report of the 2021 Spending Review, including a countdown of IT measures to 30 June 2021, was submitted to the Government<sup>125</sup>. The measures implemented focused mainly on the development and updating of methodologies and decrees that will contribute to more efficient management and financing of state IT services. In 2021, the review planned savings of EUR 12.3 million, representing 3% of the total IT operating expenditure from the state budget. In the first half of the year, savings of EUR 2.5 million were realised.

#### **Savings measures in Informatisation (EUR million)**

Measure	Potential	Plan 2021	Fulfilment 1H 2021
Put in place a framework to control IT expenditure	48-95	0	-
Create and regularly update a database of unit prices for IT works, goods and services	7.1-30.3	7.1	2.5
Establish a mechanism to effectively manage licence consumption	5.2-5.6	5.2	*
Centralise the provision of IT support services	1.6-3.0	0	-
Increase the efficiency of purchasing telecommunications services	1.5-4.4	0	-
Ensure regular monitoring of allocated and actual consumed cloud capacity	18.8- 27.1	0	-
<b>TOTAL</b>	<b>82.2-165.4</b>	<b>12.3</b>	<b>2.5</b>

\* Savings will be quantified in the implementation summary report

Source: MoF SR, MIRRI SR

<sup>121</sup> [Amendment Bill, Parliamentary Paper 822.](#)

<sup>122</sup> Beyond the RRP.

<sup>123</sup> <https://rokovania.gov.sk/RVL/Material/26641/2>

<sup>124</sup> Beyond the RRP, except for the adoption of the National Concept for Informatization of Public Administration (NCIPA), which is part of the RRP.

<sup>125</sup> [Interim implementation report of expenditure revisions for 2021](#)

**The strategy and action plan to improve Slovakia's position in the DESI index by 2025 sets an ambitious target to bring Slovakia up to the average of EU countries.** The Government-endorsed Strategy<sup>126</sup> identifies priority areas of underperformance in each dimension of the index (connectivity, human capital, use of internet services, integration of digital technologies and digital public services (eGovernment)).

**Expanding the coverage and use of electronic communications networks will improve digital connectivity outcomes.** Slovakia is catching up with the EU average in the availability of digital infrastructure. To achieve the EU's 2030 targets, the government has approved a National Broadband Plan<sup>127</sup>, which defines a strategic approach to building electronic communications networks for ultra-fast broadband in areas not covered by the market. A follow-up feasibility study will verify the optimal mode of intervention and the amount of public resources needed. The challenge is to increase digital skills and internet usage, which is uneven across society<sup>128</sup> and, especially with ultra-fast connectivity, lags behind the pace of infrastructure<sup>129</sup> build up.

**Promoting competition in the field of electronic communications, developing the internal market, protecting the interests of end-users and ensuring access to and use of high-capacity networks by all citizens and businesses at a reasonable price is the aim of the new Electronic Communications Act<sup>130</sup>.** The law was approved by the Parliament in November 2021 and entered into force on 1 February 2022. The need to adopt the law arose from the obligation to implement the European Directive<sup>131</sup>. The Act regulates the rights and obligations of consumers, the rights and obligations of business entities operating in the electronic communications sector and the competences of state administration bodies in the field of electronic communications.

**The government adopted the National Concept of Informatization of Public Administration (NCIPA) until 2030<sup>132</sup>.** The Concept sets out a framework for the development of concepts for the development of IT management bodies in public administration, including processes for the allocation of public funds for information technology. It aims to achieve a 40% improvement in the DESI index for digital services compared to the status quo, mainly through improvements in public administration services.

**The activities of the Social Insurance Agency are governed by a strategic plan emphasising the computerisation, automation and digitalisation of processes.** In June 2021, the Parliament approved the Strategic Objectives of the Social Insurance Agency for the period 2021-2026<sup>133</sup>. Meeting the strategic objectives in the four main areas (clients, processes, resources and staff) will reduce the administrative burden of dealing with clients' life situations and shorten turnaround times through the progressive computerisation of services<sup>134</sup>.

**In 2021, the National Supercomputing Centre was established, which covers activities related to the development of supercomputers in Slovakia.** The Centre was jointly established by the Ministry of Investment, Regional Development and Informatisation (MIRRI SR), the Centre for Joint Activities of the

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<sup>126</sup> <https://rokovania.gov.sk/RVL/Material/25949/1>

<sup>127</sup> <https://rokovania.gov.sk/RVL/Material/25814/1>

<sup>128</sup> [https://www.mirri.gov.sk/wp-content/uploads/2019/09/Digi\\_chudoba\\_final.pdf](https://www.mirri.gov.sk/wp-content/uploads/2019/09/Digi_chudoba_final.pdf)

<sup>129</sup> <https://digital-strategy.ec.europa.eu/en/policies/desi-slovakia>

<sup>130</sup> Act No. 452/2021 Coll.

<sup>131</sup> Directive (EU) 2018/1972 of the European Parliament and of the Council 2018 establishing a European Electronic Communications Code

<sup>132</sup> <https://rokovania.gov.sk/RVL/Material/26748/1>

<sup>133</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/cpt&ZakZborID=13&CisObdobia=8&ID=486>

<sup>134</sup> A detailed account of the implementation of the measures for 2021 is available in the Report on the Implementation of the Strategic Objectives of the Social Insurance Agency in 2021.

Slovak Academy of Sciences and the I4DI Association. Its role is to support the training of experts, disseminate information on the potential of supercomputing and provide expert assistance to users.

**In order to provide IT services for public administration more efficiently, the state company Slovakia IT was established in 2020.** The company provides development of web and intranet applications, mobile applications for Android and iOS operating systems, as well as testing and management of existing solutions. During its existence so far, the company has developed a number of user-successful mobile (iOS, Android) and web applications in the context of monitoring or informing about COVID-19, such a Greenpass<sup>135</sup> or Covid Automat<sup>136</sup>, but also, for example, an information portal for refugees from Ukraine<sup>137</sup>.

## Upcoming measures<sup>138</sup>

### *Research, development, innovation*

**The National Strategy for Research, Development and Innovation will be the umbrella document for national policies in this area.** A national strategy will be submitted to the government in 2022, which will set the direction of R&D and innovation policy, integrate existing strategies, define objectives, instruments to achieve them, key performance indicators and forms of funding from all public sources. The strategy will replace the existing statutory long-term national science and technology policy plan.

**The cross-ministerial coordination of research and innovation policies will be strengthened by a new governance structure for R&D&I.** The amendment to the Act on the Organisation of State Support for Research and Development will modify the status of the Government Council for Science, Technology and Innovation. At the same time, an executive body, the Government Council for Science, Technology and Innovation Secretariat, will be created with analytical capacity for policy monitoring and evaluation. The change represents the first step in the process of streamlining supra-ministerial coordination of state policy in the field of R&D&I with an emphasis on consolidation, standardisation and simplification of processes in the evaluation criteria for various forms of public support.

**A number of challenges will kick-start increased funding for research, development and innovation in 2022.** By the end of 2022, three calls will be launched to support the participation of Slovak entities in Horizon Europe programmes and five calls to support cooperation between companies, the academic sector and R&D organisations, including innovation, digital and patent vouchers. There will also be six calls to support excellent researchers, including fellowship schemes for PhD students and post-docs, two calls to address the green transformation, decarbonisation and climate change adaptation, and two calls for projects addressing the digital transformation. Financial instruments will be launched to support innovation in enterprises in the form of capital injections and micro-loans. A single IT grant system for research and development will be developed in 2022. The evaluations and implementation of projects and schemes from these calls will start to be counted down in 2024. The aim is to increase Slovakia's research and innovation potential, while the increased funding will be distributed competitively with value-for-money principles and to projects that stimulate private sector participation.

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<sup>135</sup> An app for storing receipts, vaccinations and testing (over 3 million users).

<sup>136</sup> [Web application](#) providing clear information on current covid measures at the level of each district

<sup>137</sup> <https://ua.gov.sk/>

<sup>138</sup> The measures under preparation relate almost exclusively to reforms and investments from the RRP. In the case of action beyond the RRP, this information is specifically mentioned.

## ***Digitalisation***

**Process of implementing of a comprehensive and functional digital communication between citizens and the state will be kicked off.** By the end of 2022, a list of priority life situations will be published, followed by an investment plan for achieving improvements in the delivery of eGovernment services to residents. By improving the services provided by the state, increased interest and use of electronic communication with the state is expected, which will help to motivate the use and improving of digital skills and raise awareness of their importance for the general population. A product map of the IT resource platform will be created for implementation and then monitoring of the platform tools will be initiated. The aim is to have the digital system fully operational for two life situations in 2025 and for 16 life situations in 2026.

**The central management of IT resources will allow reducing time and increasing cost-effectiveness in the creation and development of information systems.** 2022 will see the launch of a platform for a new way of buying and using IT commodities, professional capacities, cloud services and open source. Changing the procurement of IT commodities will significantly reduce the time to procure services and simplify the involvement of multiple suppliers, including among small and medium-sized companies. In addition to purchasing resources, the platform will provide a central place to evaluate the performance of IT systems and investments, enabling the monitoring of the effectiveness and return on IT investments. The aim is to launch the platform by the end of 2023.

**The digital performance of the Slovak economy will be part of the measures in the Action Plan for Digital Transformation of Slovakia for 2023-2026.** A Digital Transformation Action Plan for 2023-2026 will be presented by the end of 2022. The action plan will include measures to build and pilot-test the latest communication and computing technologies in the field of quantum communication and supercomputing. Pilot testing and preparation of studies to test the best way to intervene will start in 2022. Followed in 2023 by installation work for the operation of the supercomputer. The goal is to be ranked in the top ten of the world's "Green 500" ranking of energy-efficient supercomputers. At the same time, a call will be launched to co-fund a network of European Centres of Digital Innovation (ECDIs), following the EC's decision to select ECDIs in a closed grant round under the Digital Europe programme. Candidates for the establishment of the four EDCIs were nominated following selection in two national rounds in November 2020 and May 2021. The aim is to establish five European centres in Slovakia (with the fifth centre to be supported either by the EC Seal of Excellence or as a local digital innovation centre outside the European network), which will provide services to businesses to support the uptake of new technologies and innovations.

**Co-funding will support the development and application of cutting-edge digital technologies.** A scheme to support research and development of digital solutions in the private, public, academic and non-profit sectors through project co-funding will be launched by mid-2022. The scheme will also serve as a co-financing mechanism for projects that succeed in directly managed EU programmes (Digital Europe, Horizon Europe and Connecting Europe Facility). The first calls will be launched by the end of 2022. In 2022, the first "hackathons" will be implemented as a tool for fast grants with simplified administration for innovative solutions to current challenges, with the winning teams providing their solutions to the public administration.

**Training in digitalisation will focus on cyber and information security in public administration, digital skills for the working age population and programmes for disadvantaged groups.** In 2022, a call for tenders will be launched for training activities in the field of cyber and information security (CIB), with the target groups being public administration employees. The goal is to have 600 public administration employees trained in cybersecurity at the level of "expert", "Cybersecurity Manager" and "IT Manager" by 2026. A National Digital Skills Strategy will be developed with a vision and actions for learning for the near

term, focusing on those of working and post-working age. At the same time, by the end of Q2 2022, a pilot project will be implemented on a sample of 1,000 seniors and disadvantaged persons trained in basic digital skills of the subsidized equipment (Senior Tablets). The aim is to extend the scheme to 172 thousand. Digitisation in education addresses the poor digital literacy in schools (see Education section) and the low level of digital skills of pupils without access to equipment. Teachers' digital skills will be complemented through professional development.

**Further digitalisation in healthcare will support the streamlining of hospital cost management and the introduction of new treatments.** By the end of 2022, a feasibility study of a new system for central management of hospitals will be prepared. The aim is to connect 19 hospitals by 2025, ensuring a high degree of automation of administrative and controlling processes, including controlled central procurement and human resource management. Also on the basis of a feasibility study, a tender will be prepared in 2022 for equipping three cardiovascular institutes with a navigation system for the treatment of atrial fibrillation by the end of 2023.

**The digitalisation of insolvency proceedings aims to reduce administrative costs and the length of proceedings.** The approval of all legislation will be completed by March 2023 at the latest, with effect from April 2023 at the latest. These will establish a legal framework for the unification and full digitisation of bankruptcy liquidation, restructuring and insolvency proceedings, including procedures for the digitisation of forced liquidation. The aim is a single, fully digitised insolvency process in all insolvency proceedings and the launch of a public administration information system focusing on insolvency and winding-up processes with multi-user modules (trustees, creditors, courts, public, asset monetization) and additional functions for early warning of impending insolvency, insolvency of individuals, cross-border exchange of information, provision of statistical and analytical data, and publication of information. Full deployment of the system is expected by June 2024.

**Digitisation of public procurement will simplify, speed up and streamline the public procurement process.** A proposal for digital support for public procurement will be prepared in 2022, pilot-tested in 2023 and subsequently put into operation. The digitisation of processes for sub-limit contracts and some low-value contracts (not only for common goods and services) will bring the possibility of automating the award and evaluation of contracts and will contribute to increased transparency, efficient collection and evaluation of price data.

**Digitisation in spatial planning and building procedures will simplify processes for the benefit of the public<sup>139</sup>.** The forthcoming legislation<sup>140</sup> (see section Housing) aims at professionalising the public administration and reducing the administrative burden, with an emphasis on shortening the processes also thanks to digitisation. The process of building permits will also be significantly simplified thanks to the gradual digitisation of data on the territory.

**Investments in the computerisation and digitisation of court processes and the overall modernisation of the judiciary will improve services for citizens and businesses and create opportunities for better monitoring of policies in the judiciary.** Investments supporting judicial reforms will be kick-started in 2022. This includes the modernisation of buildings as well as the purchase and construction of new modern buildings, and the modernisation of the IT equipment of the courts, including the possibility of conducting hearings and actions remotely. Also in 2022, a study will be prepared and the process of introducing new

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<sup>139</sup> These are measures beyond the RRP.

<sup>140</sup> The [Government's Planning Bill](#) and the [Government's Building Bill](#).

information systems for the computerisation of processes (the Commercial Register and the Centralised Court Management System) will be initiated. The launch of the Commercial Register allowing full electronic communication between entrepreneurs and courts is planned for 2023. A centralised court management system, including migration of existing data of all courts, computerisation of all new court filings, interconnection of courts and other relevant public administration entities is expected by 2025.

**As part of measures to fight corruption and money laundering, measures to complete the necessary digital infrastructure are being pursued.** The digitisation and streamlining of financial investigations will be promoted in line with the objectives of the RRP. The projects will focus on streamlining the production of information for financial intelligence, the detection of economic crime and the rapid and secure exchange of information between departments. As part of the digitalisation of the police force, the department will focus on streamlining the processes of registering foreigners and detecting violations of road traffic rules.

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/2 (Part 1): Improving the quality and inclusiveness of education at all levels and promoting skills.
- CSR 2019/3 (Part 2, 4, 5, 6, 8): to target economic policy related to investment on...research and innovation, ...digital infrastructure, energy efficiency, competitiveness of small and medium-sized enterprises... Increase the application of quality and life cycle cost criteria in public procurement.
- CSR 2019/4 (Part 1, 2): Continue to improve the efficiency of the judicial system and focus on strengthening its independence, including in the appointment of judges. Increase efforts to detect and prosecute corruption, especially in cases of large-scale corruption.
- CSR 2020/2 (Part 1, 3): Provide adequate income replacement and ensure access to social protection and basic services for all. Strengthen digital skills.
- CSR 2020/3 (Part 1, 2, 4, 5): Effectively implement measures to ensure the liquidity of small and medium-sized enterprises and the self-employed. Close the digital infrastructure gap. ... and encourage private sector investment to support economic recovery. Focus investment on green and digital transformation, in particular on clean and efficient production and use of energy and resources,...
- CSR 2020/4 (Part 1, 2, 3, 4): Ensure effective oversight and enforcement of the anti-money laundering framework. Ensure a favourable business environment and quality public services through enhanced coordination and policy making. Address integrity concerns in the justice system.



#### 2030 Agenda for Sustainable Development Objectives

- Objective 3: Good health and well-being
- Objective 4: Quality education
- Objective 9: Industry, innovation and infrastructure
- Objective 16: Peace, justice and strong institutions



#### European Pillar of Social Rights

- Principle 1: Education, training and life-long learning

## 4.4 Labour market and social affairs

Slovakia's employment rate has reached the EU average, despite low employment of women and the low-educated. Slovakia needs to address the problem of brain drain, which threatens the long-term competitiveness of the Slovak economy due to a lack of highly skilled workers. To increase the inflow of highly skilled labour in shortage occupations, measures are being developed to simplify processes under residence and labour legislation. Linking vocational education and the labour market will support the emergence of centres of excellence as a part of the approved lifelong learning strategy and thus contribute to more flexible acquisition of new skills required by the labour market. In the area of social policies, activities for the integration of Roma communities continue in the fields of education, health, housing and employment. The forthcoming pension reform will bring significant changes beyond improving sustainability. In particular, it will increase the adequacy of the second pillar pensions by introducing a default investment strategy on a life-cycle basis for new and existing savers, which will help to value their savings more efficiently. At the same time, information on a person's current and future pension entitlements will be extended to include information from the first pillar.

### Outcome indicators for the labour market and social affairs

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>LFS employment rate</b> (LFS, 20-64 years of age)	<b>SK</b>	67.7	69.8	71.1	72.4	73.4	72.5	-	<b>76.5*</b> <sup>141</sup>
	<b>EU</b>	69	70.1	71.3	72.3	73.1	72.4		<b>78*</b>
<b>ESA Employment rate</b> (ESA, whole population)	<b>SK</b>	41.8	42.7	43.6	44.4	44.8	43.9	-	47.4
	<b>EU</b>	44.7	45.1	45.8	46.4	46.7	46.0		47.4
<b>Percentage of people at risk of poverty or social exclusion</b> (after transfers, % of population)	<b>SK</b>	17.3	17.1	15.8	15.2	14.9	13.8	-	<b>13.6*</b>
	<b>EU</b>	24.0	23.7	22.4	21.7	21.1	21.9		<b>17.7*</b>
<b>Employment rate of women</b> (LFS, 20-40 years of age)	<b>SK</b>	56.4	58.8	59.7	59.6	59.6	57.9	-	66.8
	<b>EU</b>	64.1	64.6	65.8	66.6	67.2	66.1	-	67.9
<b>Employment rate of people with low education</b> (LFS, ISCED 0-2)	<b>SK</b>	33.2	35.9	37.3	36.4	36.1	34.0	-	49.4
	<b>EU</b>	51.7	52.5	53.9	55	55.7	54.9	-	56.5

\* National target agreed under the ENPI

Note: the methodology for setting targets at national and European level can be found in Annex 1.

## Approved measures<sup>142</sup>

### Residence and labour legislation

**Reducing barriers to the entry of highly skilled workers from third countries will help to mitigate the negative effects of the brain drain.** In December 2021, a government regulation was approved to grant a national visa to highly skilled third-country nationals under the fast-track scheme with effect from April 2022<sup>143</sup>. The regulation allows graduates of Slovak and Czech universities, graduates of leading foreign schools, and specialists in selected professions with high added value to come to the territory of the Slovak Republic, look for a job for 90 days and then get employed. The national visa process significantly reduces barriers to the entry of skilled labour from third countries by removing the requirement to show a work contract

<sup>141</sup> The government's National Employment Target (<https://rokovania.gov.sk/RVL/Material/26765/1>) envisages an improvement of 4 p.p. by 2030. From 2022, a modified indicator (lfsi\_emp\_a instead of the previously used lfsa\_ergan) will be used to count employment at European level. According to currently available data, Slovakia has a higher baseline for this indicator. This means that with a 4 p.p. improvement, Slovakia will reach the European target and even exceed it at 78.6%. Any reassessment of the national target during 2022-2030 will be based both on the higher baseline value of the lfsi\_emp indicator and on empirical observations of the dynamics of this indicator.

<sup>142</sup> Measures in the area of residence and labour legislation and the internationalisation of the higher education environment are based on reforms and investments in the RRP. Other measures are beyond the scope of the RRP. Unless otherwise specified in the text or in a footnote, it is a measure from the RRP.

<sup>143</sup> <https://rokovania.gov.sk/RVL/Material/26733/2>

on entry. In 2022, there will be 3,000 national visas granted under this scheme. The reform is one of the tools to offset the brain drain.

**Changes in the acquisition of citizenship will support the connection with Slovaks living abroad.** In February 2022, the Parliament approved an amendment to the Citizenship Act<sup>144</sup> which allows foreign Slovaks or foreigners with family ties to acquire citizenship without a minimum period of residence in the Slovak Republic. It is also possible to acquire foreign citizenship without losing the citizenship of the Slovak Republic in selected cases. The change is expected to strengthen ties with the Slovak diaspora in favour of greater mobility and possible cooperation.

### ***Education and the labour market***

**Simplifying the recognition of education and professional qualifications will increase the attractiveness of the Slovak labour market in occupations experiencing shortages.** Recognition of third-country professional qualifications is a lengthy process and poses barriers to entry into the Slovak labour market for missing professions such as medical staff. The first step in this area is the adopted amendment to the Health Care Providers Act<sup>145</sup>. Among other things, the amendment will streamline the admission process for certain health professions (e.g. psychologist, speech therapist), clarify the conditions for verifying foreigners' proficiency in the national language, shorten application processing times and remove the requirement for an officially certified copy of documents<sup>146</sup>, streamline continuing education for health professionals and accreditation of continuing education programmes, and extend the possibility for doctors to do a temporary professional internship beyond the period of the pandemic.

**The internationalisation of universities will contribute to attracting foreign talent.** In December 2021, the government approved the Strategy for the Internationalisation of Higher Education by 2030<sup>147</sup> with measures to make the environment more attractive for foreign students and academics, including a scholarship scheme. Internationalisation will also contribute to improving the quality of higher education by increasing the accessibility of the international study experience for students in Slovakia by reducing barriers to student mobility, developing study programmes in foreign languages and joint programmes with foreign universities. Measures to open up to the international environment are complemented by proposals for legislative changes in the reform of universities to reduce the requirements for filling positions for professorships and associate professorships.

**The approved lifelong learning strategy identifies systemic gaps in the areas of skills acquisition and upskilling.** In November 2021, the Government approved the Lifelong Learning and Counselling Strategy 2021-2030<sup>148</sup>. The main objective of the strategy is to identify institutional and individual barriers to access to learning opportunities after entering the labour market, including basic and digital skills. It also frames action on civic skills, such as active citizenship, environmental, financial and media literacy. Significant attention is also paid to the systematic setting up of lifelong career counselling. The strategy contains 51 measures in thirteen thematic units, which will be developed into action plans.

**Legislative changes in the field of dual education strengthen the influence of employers on pupils' practical training.** The approved amendment to the Vocational Education and Training Act<sup>149</sup> introduced the

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<sup>144</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&ZakZborID=13&CisObdobia=8&CPT=440>

<sup>145</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/cpt&ZakZborID=13&CisObdobia=8&ID=758>

<sup>146</sup> for mutually recognised documents under Annex V to Directive 2005/36/EC,

<sup>147</sup> <https://rokovania.gov.sk/RVL/Material/26705/1>

<sup>148</sup> Beyond the RRP. [Lifelong Learning and Guidance Strategy 2021-2030](#)

<sup>149</sup> Beyond the RRP. <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2021/413/20220101.html>

concept of supra-company training centres, which will make it possible to provide practical training for pupils with apprenticeship contracts with other employers. This modification will support the entry of small and medium-sized enterprises and self-employed persons into the dual education system in cases where they do not meet the conditions for the performance of practical training. The new model of experimental validation of unions in secondary schools allows new programmes to be initiated by state and professional organisations.

**Measures to maintain employment during the pandemic are evaluated as effective, resulting in the introduction of a permanent Kurzarbeit<sup>150</sup>.** Measures to stabilise the labour market during the pandemic (see chapter Measures to combat the COVID-19 pandemic) prevented redundancies, despite fluctuating effectiveness when comparing the different schemes. As a result, a law on support during short-time working, so-called "kurzarbeit", will be introduced with effect from 1 March 2022<sup>151</sup>. The Act establishes rules for the provision of partial reimbursement of the employer's costs of an employee's wages during the duration of an external factor that has restricted the employer's activities.

### ***Roma communities***

**The Strategy for Roma Equality, Inclusion and Participation 2030 names priority areas for state interventions until 2030.** The Strategy<sup>152</sup>, approved by the Government in April 2021, defines the goals for 2030 through measurable indicators in five priority areas - employment, education, combating anti-Roma racism and promoting participation, health and housing. The strategy takes into account the diversity of the Roma population and does not limit the measures exclusively to marginalised communities, while it is clear that marginalised communities face multiple disadvantages and thus benefit from the intersectionality of the measures. The aim is to improve the status of Roma, regardless of individual socio-economic conditions, in all dimensions of life, which presupposes an effective fight against anti-Roma racism. Action plans based on the Strategy were submitted for legislative action in January 2022. The National Strategy for the Development of Coordinated Early Intervention and Early Care Services 2022-2030<sup>153</sup> is also in the legislative process to frame policies in the field of early childhood care. For marginalised communities, early childhood care is considered one of the most effective interventions.

**National projects focusing on interventions in Roma communities continue<sup>154</sup>.** A key feature of the ongoing interventions is their simultaneity in the areas of desegregation, expanding access to education, employment, housing and health care in a selected area of 150 municipalities, with the number of municipalities expanded under two national projects. These are national projects with support for outreach work<sup>155</sup>, crisis intervention social service providers<sup>156</sup>, land settlements<sup>157</sup>, kindergartens<sup>158</sup> and support for the COVID-19 pandemic<sup>159</sup>. At the same time, a national project for the monitoring and evaluation of inclusive policies<sup>160</sup>, is underway, which included a second specialised EU SILC statistical survey on the MRC environment and a survey with the EU Agency for Human Rights (FRA). In December 2021, the first results

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<sup>150</sup> Measures beyond the RRP.

<sup>151</sup> [Act No. 215/2021 Coll. on support during short-time working and on amendment and supplementation of certain acts](#)

<sup>152</sup> Beyond the RRP. [Roma Equality, Inclusion and Participation Strategy 2030](#)

<sup>153</sup> <https://www.slov-lex.sk/legislativne-procesy/SK/LP/2021/805>

<sup>154</sup> Measures beyond the RRP.

<sup>155</sup> [National project Field social work and field work in municipalities with the presence of the MRC - Phase II](#)

<sup>156</sup> [National project Community services in towns and villages with the presence of the MRC - Phase II](#)

<sup>157</sup> [National project Support for the settlement of legal relations to land in municipalities with the presence of the MRC](#)

<sup>158</sup> [National project Support for pre-primary education of children from the MRC - Phase II](#)

<sup>159</sup> [National project Support for activities aimed at addressing the adverse situations related to COVID-19 disease in communities with the presence of MRC](#)

<sup>160</sup> [National project Monitoring and evaluation of inclusive policies and their impact on the MRC](#)

of the survey were published together with the database<sup>161</sup>. Better data will contribute to the monitoring of existing interventions and will also help in the formulation of future interventions.

## Upcoming measures<sup>162</sup>

### *Residence and labour legislation*

**Recognition of educational and professional qualifications will contribute to further lowering of barriers for foreigners to enter the labour market beyond the health professions.** The amendment to the Act on Recognition of Educational Documents and Recognition of Professional Qualifications<sup>163</sup> will facilitate the recognition of acquired education for countries with which Slovakia has bilateral agreements by exempting the applicant from the obligation to provide certain documents (e.g. confirmation of the university's authorisation to provide the relevant education). Furthermore, the competences of the Centre for Recognition of Educational Documents (CRED) will be strengthened for the verification of higher education achievements also in countries outside the European Higher Education Area (EHEA) without a bilateral agreement, which will significantly speed up and simplify the process compared to the current situation in which universities are the only authorised institutions for the recognition of diplomas/documents for the countries with which Slovakia has bilateral agreements on the recognition of diplomas/documents of higher education.

**Support centres will be established to support the integration of foreigners and returnees from abroad in Slovakia.** A concept, including relevant legislation, for “one-stop shops” will be prepared in 2022. Their role will be to provide comprehensive advice and services to incoming workers and their families in coping with integration in Slovakia. The aim is to build 3 functional centres by the end of 2023.

### *Education and the labour market<sup>164</sup>*

**The forthcoming new law on lifelong learning will strengthen skills beyond formal education.** The law will introduce a system of recognition of prior learning and will create space for more intensive involvement of vocational secondary schools, universities and non-profit organisations in the lifelong learning system. The amendment will comprehensively address the area of basic skills, including the development of the digital skills of the population. Emphasis will be placed on making the system of acquiring qualifications more flexible, including micro-qualifications (micro-credentials), which will allow a more flexible response to new labour market requirements. An Action Plan for the Lifelong Learning and Guidance Strategy 2030 will also be submitted to the Government, outlining specific actions, including funding, for 2022-2024.

**The amendment to the Employment Services Act will align the lifelong learning system with the needs of the labour market.** The forthcoming amendment to the Employment Services Act<sup>165</sup> innovates mechanisms for the participation of labour market participants in education and training. It will establish a sustainable system for the management and operation of sectoral councils in line with the approved Lifelong Learning and Counselling Strategy 2030. The aim is to strengthen the tools for mapping expected changes in the structure of jobs as well as to motivate employers to contribute to the training of their employees without creating additional administrative burdens and increasing costs.

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<sup>161</sup> <https://www.minv.sk/?zber-a-analyza-dat>

<sup>162</sup> Measures in the area of residence and labour legislation and selected measures in based on the RRP. Other measures are beyond the scope of the RRP. Unless otherwise specified in the text or in a footnote, it is a measure from the RRP.

<sup>163</sup> <https://www.slov-lex.sk/legislativne-procesy/-/SK/dokumenty/LP-2021-596>

<sup>164</sup> Measures beyond the RRP.

<sup>165</sup> [Employment Services Act 5/2004 Coll.](#)

### ***Roma communities***<sup>166</sup>

**Cross-ministerial cooperation will ensure synergies in the implementation of RRP measures and action plans in several areas of intervention.** In the implementation of measures from the Strategy for Equality, Inclusion and Participation of Roma until 2030 and the RRP, comprehensive support will be provided for the development of municipalities by the Office of the Government Plenipotentiary of the Slovak Government for Roma Communities. For example, a form of assistance service provision is to ensure that investments in the construction and renovation of educational facilities are accompanied by adequate provision of staff capacity.

### ***Reform of the second pension pillar***

**Significant changes await not only the first pay-as-you-go, but also the fully funded second pension pillar**<sup>167</sup>. In order to improve the efficiency of retirement savings, a default investment strategy based on the life cycle will be introduced in line with the RRP's commitment. It will be adjusted to the age of the saver in both the savings and payout phases so that the investment risk decreases automatically and gradually as the age of the saver increases (by shifting from riskier but higher-yielding equities to bond funds), while preserving the possibility of individual portfolio adjustment. The measure will not only apply to new savers. Gradually, existing savers will also be aligned with the recommended default investment strategy, unless they actively refuse to do so. The aim is to achieve a more appropriate setting of the appreciation of pension savings of ordinary savers, which is currently too conservative on average, having a negative impact on the expected amount of their savings and, consequently, the pension from the second pillar. The legislative change will be adopted during the current year with effect from 1 January 2023.

**The forthcoming measures in the second pillar will bring significant reform progress beyond the RRP commitment.** On 29 June 2021, in connection with the amendment to the Old Age Pension Savings Act, preliminary information defining a wider range of changes to be introduced in the second pillar<sup>168</sup> was submitted to the legislative process. Along with the default investment strategy, it is also planned to introduce automatic entry into the second pillar for savers up to 35 years of age (with the option to opt out) and changes in the fee policy structure. The forthcoming changes will also include a modification of the payout phase with a reinforcement of the long-term nature of the payment of savings, which will make it possible to increase the positive synergies arising from the default life-cycle strategy being introduced and thus contribute to improving the adequacy of pensions from the second pillar.

### ***Improving information on pension entitlements***

**In line with the objective of the RRP, measures will be taken in the coming years to improve citizens' information on the expected amount of their future pensions from the whole pension system (the so-called orange envelope)**<sup>169</sup>. A prerequisite is the implementation of the necessary measures in the first pillar, to which the Social Insurance Agency has committed itself within the framework of the Strategic Objectives of the Social Insurance Agency for the period 2021-2026 approved by the Parliament<sup>170</sup>. The aim of the Social Insurance Agency is, as a first step, to provide clients with information on the projected state and development of material old-age security from the pay-as-you-go pension system. This objective will be fulfilled through the Individual Insured Account Development Project with a planned implementation by the end of 2022. A prerequisite for ensuring such awareness is also proper data preparation, which will be

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<sup>166</sup> Beyond the RRP commitment.

<sup>167</sup> The main objective of the reform of the Pension Pillar I is to improve the financial sustainability of the pension pillar and to strengthen the overall long-term sustainability of public finances. The measures are therefore set out in the Public Finances chapter.

<sup>168</sup> Act No. 43/2004 Coll., <https://www.slov-lex.sk/legislativne-procesy/SK/PI/2021/122>

<sup>169</sup> These measures support the objective of pension reform set out in the RRP but go beyond the explicit commitment of the RRP.

<sup>170</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&ZakZborID=13&CisObdobia=8&CPT=486>

addressed in the framework of the project on effective management of master data. For economically active residents who have not yet been granted a social insurance pension, the information needs in question will be met in accordance with the timetable for the development of the insured person's individual account. Clear, comprehensible and easily accessible information on pension expectations will help people to make better and more informed decisions about their pension provision and can thus contribute to improving its adequacy.

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/2 (Part 1, 2, 3): Improve the quality and inclusiveness of education at all levels and promote skills. Improve access to affordable, quality childcare and long-term care. Promote the integration of disadvantaged groups, in particular Roma.
- CSR 2019/3 (Part (2): Targeting investment-related economic policy towards...research and innovation,...
- CSR 2020/1 (Part 1, 2): in line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the subsequent recovery. When economic conditions allow, implement fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring the sustainability of debt service while increasing the rate of investment. Strengthen the resilience of the health care system in terms of health personnel, critical health materials and infrastructure.
- CSR 2020/2 (Part 1, 2, 3, 4): Provide adequate income replacement and ensure access to social protection and basic services for all. Strengthen digital skills. Ensure equal access to quality education.
- CSR 2020/3 (Part 1): Implement upcoming public investment projects as soon as possible...



#### 2030 Agenda for Sustainable Development Objectives

- Objective 4: Quality education
- Objective 9: Industry, innovation and infrastructure
- Objective 10: Reduce inequalities
- Objective 16: Peace, justice and strong institutions



#### European Pillar of Social Rights

- Principle 1: Education, training and life-long learning
- Principle 3: Equal opportunities
- Principle 4: Active employment promotion
- Principle 12: Social protection
- Principle 15: Old age income and pensions

## 4.5 Housing

Housing is one of the biggest challenges in terms of quality of life in Slovakia. The low physical accessibility of housing is caused, among other things, by regulatory barriers that prolong the length of construction procedures and thus limit the supply of housing. Also, high credit growth driven by low interest rates and rising prices of construction materials and labour are pushing up housing prices significantly and making housing less affordable for many segments of the population. The underdeveloped private as well as public rental housing sectors present further obstacles not only to quality of life, but also to labour mobility and allocative efficiency in the labour market. The adoption of the Housing Policy of the Slovak Republic until 2030 together with the Action Plan aims to improve the physical and affordable accessibility of housing in Slovakia and its quality. The new Construction Act and Planning Act should streamline the construction process and have a positive impact on the entire construction sector, thus encouraging an increase in the overall level of housing construction.

### Outcome indicators for housing

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Overcrowding rate</b> (% of population)	SK	37.8	37.9	36.4	35.5	34.1	30.1	-	16.5
	EU	18.1	17.9	17.5	17.1	17.1	17.8	-	16.5
<b>Housing costs</b> (Share of total final household consumption)	SK	29.8	29.6	28.5	28.1	28.7	30.6	-	27.9
	EU	24.1	23.9	23.6	23.5	23.5	-	-	23.4
<b>Share of the population living in rented accommodation rent-controlled or free</b> (% of population)	SK	1.5	1.6	1.5	1.2	1.4	1.6	-	4.2
	EU	9.8	9.7	9.6	9.3	9.1	9.6	-	6.7

Note: the methodology for setting targets at national and European level can be found in Annex 1.

### Approved measures<sup>171</sup>

The adopted concept **Housing Policy of the Slovak Republic until 2030 aims to improve the physical availability and affordability of housing in Slovakia and its quality.**<sup>172</sup> The document clearly identifies the most serious problems in housing affordability and presents a roadmap for a long-term housing policy strategy. Housing shortages and lengthy construction procedures limit supply, which, together with a policy of low interest rates, leads to a significant increase in housing prices. The high share of housing ownership and the relatively high cost of renting reduce labour mobility and exacerbate regional disparities. The main objectives of the concept are therefore to increase the number of available dwellings per 1 000 inhabitants to at least the EU average (395 dwellings)<sup>173</sup>, to increase the share of rental (including barrier-free) housing in the total volume of available housing stock to 10% and to improve the social accessibility of housing by doubling the share of rent-regulated dwellings in the total volume of dwellings from 1.6% to 3% by 2030.

**Housing support measures incentivise the acquisition of rental housing.** Since 2022, legislation<sup>174</sup>, has been in force that increases the limits on the amount of acquisition costs for the provision of subsidies for the acquisition of rental flats for the purpose of social housing, as well as legislation that increases the limits on

<sup>171</sup> All measures in this chapter (both approved and upcoming measures) go beyond the RRP.

<sup>172</sup> A new strategic document on housing, [Housing Policy of the Slovak Republic until 2030](#), was approved by the Government of the Slovak Republic on 8 December 2021.

<sup>173</sup> [Housing Policy of the Slovak Republic until 2030](#)

<sup>174</sup> Decree of the Ministry of Transport and Construction of the Slovak Republic No. 513/2021 Coll., amending and supplementing the Decree of the Ministry of Transport and Construction of the Slovak Republic No. 181/2019 Coll. on the amount of subsidies for the acquisition of a rental apartment, the acquisition of technical equipment and the elimination of system failures of a residential building and on the amount of eligible costs for the acquisition of a rental apartment.

support from the State Fund for Housing Development<sup>175</sup> for the acquisition of flats and the renovation of residential buildings, as well as technical equipment associated with the acquisition of rental flats. The change in the relevant regulations responds to the long-standing underdevelopment of the rental housing sector and the rising prices of building materials and works in recent years.

## Upcoming measures

**New laws on construction and spatial planning will streamline the construction process, improve its predictability and transparency, and significantly reduce the time needed for building permits.**<sup>176</sup> The aim of the new legislation in the field of construction is to professionalize the state administration in construction, to reduce the administrative burden in construction-related activities, to simplify building permits, especially the computerization of processes and the digitization of data related to spatial planning and construction. The new legislation changes the decision-making power for the authorisation of buildings. Building permits will be centrally managed by the newly established central government authority. The new Construction Act abandons the current procedures and processes of assessing construction plans in two-stage administrative procedures, which will simplify and shorten the approval process of buildings. Electronisation of spatial planning processes will be carried out on the basis of a unified methodology in an integrated information system. The integrated system and data exchange will unify the work with construction data and will provide the necessary services for the different phases of spatial planning, construction and operation of buildings. A stable legislative environment together with the removal of administrative barriers will have a positive impact on the entire construction sector and will support an increase in the overall level of housing construction and housing affordability.

**The measures of the adopted Action Plan to 2025, which is part of the approved Housing Policy Concept, will be implemented.** The Action Plan contains 11 priority tasks, two of which are proposed for implementation beyond 2025 for objective reasons. Over and above the framework of the planned adoption of the new Construction Act and the Planning Act, an amendment to the Public Procurement Act should be adopted in 2022 in order to speed up the procurement of rental housing by local authorities. To support the development of housing policy in the public interest, the amendment to Act No. 330/1991 Coll. on Land Arrangements is also aimed at better and more efficient access of local governments to land for the purpose of construction of rental housing<sup>177</sup>. The concept also aims to initiate the setting of more balanced conditions for renting an apartment on the landlord's and tenant's side<sup>178</sup> and also emphasises the renovation of buildings in order to reduce their energy consumption.

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<sup>175</sup> [Amendment to the Decree of the Ministry of Transport, Construction and Regional Development of the Slovak Republic No. 284/2013 Coll.](#) on the details of the amount of support provided from the State Housing Development Fund, the general conditions for the provision of support and the content of the application in the wording effective from 1 February 2022. Under the new regulation, spouses with a minor child aged 6 years or less can be granted a loan of up to 100% of the acquisition cost (currently 75%), up to a maximum of EUR 120,000 per apartment (currently EUR 100,000), with a repayment period of up to 40 years (compared to the current 30 years) and an annual interest rate of 1% (compared to the current 2%). Support for the acquisition of rental housing for municipalities and other legal entities is increased by an average of 11.5%, up to a maximum of EUR 1,500 per m<sup>2</sup>. Support for the modernisation of residential housing is increased by an average of 5%. Support for the acquisition of technical equipment increases by around 7%. This is an increase in loan limits from the State Housing Development Fund.

<sup>176</sup> The bills are currently in 2nd reading and should be adopted during 2022. Parliamentary Print [830](#) and [831](#).

<sup>177</sup> The aim is to amend e.g. Acts No. 330/1991 Coll. and No. 278/1993 Coll. and to accelerate the processes of transferring state land and unused real estate to local governments.

<sup>178</sup> The current legislation on the lease of flats discourages owners to lease flats for an indefinite period of time. See e.g. [IFP Analysis \(2019\): You can go further in renting - Housing support in Slovakia](#)

## Relevant reference points



### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/3 (Sections 4, 5, 7): Target investment-related economic policy...on digital infrastructure, energy efficiency,...and social housing, taking into account regional disparities.
- CSR 2020/3 (Part 2, 4, 5): Effectively implement measures to address gaps in digital infrastructure, encourage private sector investment to support economic recovery, and focus investment on green and digital transformation, in particular on clean and resource-efficient energy and production.



### 2030 Agenda for Sustainable Development Objectives

- Objective 7: Affordable and clean energy
- Objective 9: Industry, innovation and infrastructure
- Objective 11: Sustainable cities and communities



### European Pillar of Social Rights

- Principle 19: Housing and assistance for the homeless

## 4.6 Quality of institutions

*Reducing administrative burdens and removing inefficient regulation will be achieved by action across many areas. The adoption of the one-in-two-out mechanism reduces the bureaucratic burden for entrepreneurs. For every increase in the cost of doing business, the cost of doing business is reduced by at least twice as much. The adoption of further anti-bureaucratic packages will contribute to reducing the regulatory burden on business. Electronic communication between the Tax Administration and taxpayers will encourage voluntary compliance with tax obligations and reduce the administrative burden. Greater transparency of the business environment will be brought about by the reform of public procurement and the publication of a list of tax entities for which a tax reliability index has been determined. The fight against money laundering will be supported by a new law on the seizure of assets and the establishment of a so-called Central Register of Accounts. Reform of the judiciary, the court map and the specialisation of the courts will bring faster trials and greater confidence in the judicial system.*

### Outcome indicators for the quality of institutions

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Rule of Law</b>	<b>SK</b>	66	56	61	63	63	56	-	49
(WGI, ranking), EU median	<b>EU</b>	36	38	36	38	38	36	-	37
<b>Control of corruption</b>	<b>SK</b>	81	79	83	78	81	71	-	48
(WGI, ranking), EU median	<b>EU</b>	45	48	46	53	54	49	-	50
<b>PMR index (target for 2028)</b>	<b>SK</b>	-	-	-	1.52	-	-	-	1.30
(Index value)	<b>EU</b>	-	-	-	1.40	-	-	-	1.30

Note: the methodology for setting targets at national and European level can be found in Annex 1.

## Approved measures

### Business environment

#### **The adoption of the one-in-two-out mechanism reduces the bureaucratic burden for entrepreneurs<sup>179</sup>.**

The update of the Unified Methodology for Selected Impact Assessment introduces a red tape and cost reduction mechanism to help reduce unnecessary administrative or other regulatory burdens on the business environment. The aim is to improve the business environment, increase competitiveness and productivity. The mechanism of reduction of bureaucracy and costs means that the submitter of the material to the session of the Government of the Slovak Republic or to the session of the permanent working commission of the Legislative Council of the Government of the Slovak Republic is obliged to reduce the costs of the business environment (IN) by at least twice the amount for each increase in the costs of the business environment (OUT). In order to keep a record of adopted and removed regulations, a so-called virtual account of regulations has been created, where submitters publish a list of new and removed regulatory burdens. The virtual account is managed by the Ministry of Economy of the Slovak Republic and is published on its website<sup>180</sup>.

<sup>179</sup> Link to: <https://rokovania.gov.sk/RVL/Material/25950/1>

<sup>180</sup> Link to: <https://www.economy.gov.sk/podnikatelske-prostredie/jednotna-metodika/virtualny-ucet-predkladatelov>

**Reform of the insolvency framework will bring faster restructuring and insolvency of companies<sup>181</sup>.** Government to approve bill to resolve impending bankruptcy at the end of 2021<sup>182</sup>. The new law on the resolution of impending bankruptcy and several amendments in this area aim to create effective rules for preventive restructuring and to simplify and accelerate the recovery of a company in financial difficulties. The new legislation is intended to allow debtors (entrepreneurs) to restructure effectively at an early stage to avoid bankruptcy, thereby helping viable businesses to emerge from difficulties. The Act also increases the expertise and independence of administrators in insolvency and restructuring proceedings<sup>183</sup>. The reform also introduces the specialisation of courts in the insolvency agenda, which is directly related to the reform of the court map.

**Amendment to the Public Procurement Act will speed up public procurement and contribute to greater transparency<sup>184</sup>.** In October 2021, an amendment to the law was approved to make public procurement faster, simpler and more transparent. In order to reduce the administrative burden, the obligation to publish summary reports on contracts not subject to the law with contract prices exceeding EUR 10,000 (previously EUR 5,000) has been modified. Artificial prolongation of public procurement procedures due to objections in the procedure is limited. For contracts below the European thresholds, such objections will no longer stop contracting authorities from concluding a contract. Increased transparency will be achieved, for example, by prohibiting the conclusion of a contract with a public official's company. Greater professionalisation will be achieved by introducing centralisation for strategic purchasing. The amendment also removes the national gold-plating for over-limit contracts. It also introduces an obligation for certain entities to apply environmental considerations in public procurement<sup>185</sup>.

**Electronic communication between the tax administration and taxpayers will encourage voluntary compliance with tax obligations and reduce the administrative burden.** As of 1 January 2022, two-way electronic communication for all types of taxes towards taxpayers was launched. The Financial Administration delivers documents to electronic mailboxes on the Central Portal of Public Administration (CPPA) (with the exception of foreign persons) in order to maximize the convenience of tax subjects related to the delivery of documents. The delivered document is displayed to the taxpayer in its electronic file<sup>186</sup>. In addition to the electronic file, the taxpayer has a view of his personal account where he can get an overview of regulations and payments, taxes, advances, due dates, payment dates, and verify the status of his personal account, as well as make payments from his personal account<sup>187</sup>.

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<sup>181</sup> In response to the pandemic, the initial legislation on temporary protection for entrepreneurs came into force in May 2020. A government regulation of September 2020 extended temporary protection until the end of 2020 and Act No. 421/2020 Coll. on temporary protection for entrepreneurs in financial difficulties introduced temporary protection as a systemic element with effect from 1 January 2021. The aim of the legislation was to create a time-limited framework for protection from creditors and instruments to support entrepreneurs in financial difficulties to enable them to continue in business, in particular to prevent the loss of jobs, know-how and to bring about a higher level of satisfaction of creditors' claims.

<sup>182</sup> Link to: <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=8519>. The Act on the Resolution of Imminent Bankruptcy and on Amendments and Additions to Certain Acts is published in the Collection of Laws of the Slovak Republic (No. 111/2022).

<sup>183</sup> The professionalism of administrators will be improved by introducing a special administrator examination for administrators who can be appointed in particularly difficult insolvency or restructuring proceedings, and these administrators will also act in so-called preventive proceedings.

<sup>184</sup> Link to: <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=8308>

<sup>185</sup> Either in a shared quota with a social aspect (6%) or in a separate quota (6% + 6%).

<sup>186</sup> A tax file is a set of all non-electronic and electronic registry records of a tax subject (TS) that have been created from the official activities of state administration bodies in the field of taxes, fees and customs within the meaning of specific regulations during several calendar years of the tax subject's activity. eList is a technical means on the portal of the financial administration, through which the electronic documents from the tax file, the disclosure of which is in accordance with the law, will be made available to the TS. The ePortfolio will contain documents relating to the tax obligations of the TS. The eInventory will include all documents that TS has delivered electronically to the Financial Administration (FA) since 1 January 2014, with the exception of financial statements. Similarly, the documents that the FA will receive from 1 January 2022 in paper form (after processing) and also those that the FA will send to the taxpayer electronically.

<sup>187</sup> Link to: <https://www.financnasprava.sk/sk/elektronicke-sluzby/autorizovane-sluzby/osobny-ucet>

**Better transparency of the business environment will be promoted by publishing a list of tax entities for which a tax reliability index has been determined**<sup>188</sup>. The institute of the tax reliability index was introduced in the tax code already in 2018. With effect from 1 January 2022, the Tax Reliability Index shall be published and become legally enforceable<sup>189</sup>. Highly reliable taxpayers who are responsible in fulfilling their tax obligations to the tax administration will be rewarded with benefits<sup>190</sup>. For reliable tax entities, the financial administration will provide benefits determined by the Financial Directorate of the Slovak Republic, which will be published on the website of the Financial Directorate of the Slovak Republic. The tax administration will apply restrictions against unreliable taxpayers. The whole process of evaluation of tax subjects and their classification into individual groups will be transparent, so that every tax subject has an overview of what the tax administration evaluates when compiling the index. The list of tax entities with a Tax Reliability Index will be published on the website of the Financial Directorate of the Slovak Republic by 30 September 2022 at the latest.

***Fight against corruption and money laundering, public safety and security***

**New law on seizure of assets makes the fight against money laundering more effective**<sup>191</sup>. The law entered into force on 1 January 2021 and aims to make the search, seizure and confiscation of the proceeds of crime more efficient and to introduce clear and effective rules for the management and disposal of seized property. The Act further introduced two new offences, namely the offence of abuse of law (bending the law) and the offence of receiving and giving an undue advantage (feeding). This Act also created the Office for the Administration of Seized Property.

**A so-called Central Register of Accounts will be set up to investigate the laundering of the proceeds of crime more effectively**. In January 2022, the Government approved the Central Accounts Register Act<sup>192</sup> which will enable authorised public authorities<sup>193</sup>, timely identification of owners and dispose holders of bank accounts and payment accounts, including safe deposit boxes. This is a prerequisite for increasing efficiency in the investigation or prosecution of perpetrators of serious crimes and the subsequent seizure of property and proceeds of crime. The reason for the establishment of the register is the fact that currently, with the complicated and inefficient way of obtaining information from financial institutions, it takes up to 2 months on average to request the relevant data. This defeats the purpose of the individual proceedings or processes. The purpose of the legislation is therefore to ensure that the relevant public authorities have quick access to the information in question in the shortest possible time.

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<sup>188</sup> The Tax Reliability Index is an assessment of a tax entity that is an entrepreneur registered for income tax on the basis of criteria that are the fulfilment of its obligations towards the financial administration under the Tax Code or under special regulations, and on the basis of its economic indicators

<sup>189</sup> Details regarding the claims, economic indicators, principles and method of determining the tax reliability index are published by the Financial Directorate of the Slovak Republic on its website. Link to:

<https://www.financnasprava.sk/sk/podnikatelia/dane/index-danovej-spolahlivosti>

<sup>190</sup> These benefits include e.g. setting a deadline of at least 15 days in the notice in connection with the tax inspection or local investigation, reduction of the fee for issuing a binding opinion by half, reduction of the amount of the fee for the issuance of a decision on the approval of the use of the valuation method pursuant to Section 18(4) of Act No. 595/2003 Coll. on Income Tax, as amended by Act No. 595/2003 Coll. on Income Tax, as amended. (transfer pricing) by half or the drawing up of a partial report in the context of a tax inspection to establish the eligibility of a claim for repayment of an excessive deduction or part thereof, if the statutory conditions are met.

<sup>191</sup> The Act also transposes and implements a number of legally binding EU acts. Link to:

<https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=7893>.

<sup>192</sup> <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&ZakZborID=13&CisObdobia=8&CPT=829>

<sup>193</sup> E.g. financial intelligence unit, law enforcement agencies, criminal courts or intelligence services.

## **Judiciary**

**Judicial reform will help increase confidence in the judicial system.** With effect from 1 January 2021, a package of laws has been approved which includes the reform of the Judicial Council of the Slovak Republic and the process of electing members of the Judicial Council of the Slovak Republic<sup>194</sup>, property checks of judges, reform of the Constitutional Court of the Slovak Republic, the introduction of an age ceiling for judges, and the establishment of the Supreme Administrative Court of the Slovak Republic. The establishment of the Supreme Administrative Court of the Slovak Republic will improve the protection of the rights and interests of natural and legal persons against the unlawful exercise of public authority by public administration bodies<sup>195</sup>. The reform of the judiciary also follows the introduction of a new offence of perverting the course of justice to prevent judges from favouring or prejudicing those concerned during court proceedings.

**A transparent process for the selection of the Prosecutor General and Special Prosecutor will also contribute to increasing the credibility and efficiency of the courts and the prosecution service.** In September 2020, the Parliament approved a draft law on the Prosecutor's Office<sup>196</sup>, which changed the model for the election of the Prosecutor General and Special Prosecutor. The aim of the law was to open access to office to persons who are not prosecutors, to change the conditions for appointment to office along the lines of candidates for judges of the Constitutional Court, including integrity and requirements for moral and personal integrity. It also introduced a compulsory public hearing of all candidates in the Constitutional Law Committee of the Parliament according to the standards for the hearing of candidates for judges of the Constitutional Court of the Slovak Republic.

**The reform of the court map and the related specialisation of courts should speed up court proceedings.** The change of the court map will create 5 specialised groups of judges in Slovakia - civil, commercial, criminal, family and administrative. The specialisation of courts and judges aims to create room for better and faster decision-making and to ensure adequate access to justice for citizens. At the beginning of 2022, the government approved 5 laws regulating the new court map system.<sup>197</sup>

**A project to build and strengthen alternative dispute resolution through mediation should also contribute to speeding up court proceedings.**<sup>198</sup> The project is aimed at identifying barriers to out-of-court

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<sup>194</sup> Reform of the process of election of members of the Judicial Council of the Slovak Republic - the Constitutional Act amending the Constitution of the Slovak Republic defined the Judicial Council as a constitutional body of judicial legitimacy as part of the broader objective of the gradual restoration of confidence in the rule of law. The reform of the composition of the Judicial Council includes the introduction of the regional principle in the election of members of the Judicial Council by judges and introduces a rule according to which the National Council of the Slovak Republic, the President of the Slovak Republic and the Government of the Slovak Republic will nominate only persons who are not judges to the Judicial Council. The amendment entered into force on 1 January 2021.

<sup>195</sup> In the exercise of its powers, the Supreme Administrative Court of the Slovak Republic acts and decides: on cassation complaints of the parties against final decisions of regional courts in matters of administrative justice, on administrative actions against decisions of the Committee of the National Council of the Slovak Republic to review decisions of the National Security Office, in proceedings concerning the constitutionality and legality of elections to local government bodies, in proceedings concerning the registration of candidate lists for elections to the National Council of the Slovak Republic and for elections to the European Parliament, in proceedings concerning the acceptance of a nomination as a candidate for the office of the President of the Slovak Republic, in proceedings concerning actions for refusal of registration of a political party or a political movement, in proceedings concerning actions of the Attorney General of the Slovak Republic for dissolution of a political party, in proceedings concerning competence actions between public administration authorities, or between public administration authorities and other entities different from courts, concerning disciplinary liability of judges, prosecutors and, if provided by law, other persons, in other matters if provided by law or international treaty. More at the link: <https://www.nssud.sk/sk/sud/o-sude/>.

<sup>196</sup> Link to: <https://www.nrsr.sk/web/Default.aspx?sid=zakony/zakon&MasterID=7873>. Parliamentary Press No. 183 (originally No. 108).

<sup>197</sup> Draft Act on the Establishment of the Bratislava Municipal Court and on Amendments to Certain Acts, Draft Act on the Establishment of the Košice Municipal Court and on Amendments to Certain Acts, Draft Act on Amendments to Certain Acts in Relation to New Seats and Districts of District Courts, Draft Act on Amendments to Certain Acts in Relation to New Seats and Districts of Regional Courts. Link to: <https://rokovania.gov.sk/RVL/Negotiation/1180> (points 30 to 33). Draft Law on the Establishment of Administrative Courts and on Amendments to Certain Laws, reference: <https://rokovania.gov.sk/RVL/Negotiation/1189> (point 2).

<sup>198</sup> Project Operational Programme Effective Public Administration - Building and Strengthening Alternative Dispute Resolution through Mediation and Effective Use of Restorative Justice Tools in the Slovak Republic.

dispute resolution, proposing appropriate measures to raise public legal awareness of out-of-court dispute resolution and introducing alternative dispute resolution tools.

## Upcoming measures

### ***Business environment***

**In 2022, an ex-post evaluation of existing regulations will be implemented through an update of the Unified Methodology for the Assessment of Selected Impacts.** The aim of ex post evaluation is to assess whether regulations resulting from legislation or measures resulting from non-legislative material are fit for purpose after a certain period of time and whether they are effective and appropriate to address the problem. Their actual/real impact should also be assessed and whether there are other, additional impacts that were not foreseen by the proponent. The introduction of ex post evaluation also improves the quality of ex ante impact assessment and has a significant positive impact on the quality of legislative drafting.

**Improving the business environment by reducing the regulatory burden will also be achieved by strengthening protection against gold-plating.** When transposing EU legislation, the translator of the relevant new legislation will have the task of implementing only the minimum mandatory level of regulation and thus avoiding the application of excessive bureaucratic burdens on the business environment.

**Reducing the regulatory burden on businesses will also be achieved by implementing other anti-bureaucratic packages.** Under the RRP, a first package of measures to remove excessive regulatory burdens and make it easier to do business in different areas of the economy will be adopted in 2022<sup>199</sup>. Most of the changes consist in modifying the obligations of entrepreneurs, which impose disproportionate administrative or indirect financial costs. The reason for this is their complexity, duplication, but also the lack of relevance or expediency assessed in practice. In some cases, the change is initiated as a result of the identification of the gold-plating effect. These are systemic measures, where a total of 3 packages with at least 300 measures to reduce the administrative burden on businesses are expected to be submitted.<sup>200</sup> Beyond the measures in the anti-bureaucratic packages, the administrative burden in communicating with the financial administration is also being reduced. Automatic registration of natural and legal persons is planned upon the establishment of the right to do business without the obligation to submit an application for registration by the tax subject.

**The amendment to the Public Procurement Act will introduce a single and publicly accessible electronic platform for the entire public procurement process and for all sub-limit and low-value contracts.** The digitisation of the whole process should make it possible to award contracts with a criterion other than price, to carry out market research and to award low-value contracts or to introduce a price tracking system. A feasibility study for the development of a single electronic platform is currently under preparation. The electronic platform will be used to ensure the award of contracts for the supply of goods, works and services, the registration of these contracts and related activities. The administrator of the electronic platform

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<sup>199</sup> <https://rokovania.gov.sk/RVL/Material/26883/1>. The first package was approved by the National Council of the Slovak Republic on 9 July 2020, but it is not part of the anti-bureaucratic packages from the RRP. There will be a total of 3 packages with a minimum of 300 measures under the RRP, with the 1st package to be adopted in 2022. However, the package of measures that was approved by the National Council of the Slovak Republic on 9 July 2020 is not part of these 3 packages. Therefore, from the point of view of the RRP, it will be the 1st package in 2022. Thus, a total of 4 packages will be adopted.

<sup>200</sup> A specialised IT application (Workflow tool - WT) will be used to collect data and identify individual regulations. The WT will improve the user experience of submitters and processors. It will allow submitters to upload a submission online, send an acknowledgement of receipt of the submission, and allow continuous monitoring of the status of processing. On the side of the complaint processors, WT will enable registration, tracking of the status of complaint processing, assignment of information on the affiliation to the law, legislation and department, archiving and reporting.

will be the Office of the Government of the Slovak Republic<sup>201</sup>. The platform should be ready by the end of the first quarter of 2022<sup>202</sup>. The legislative changes will be supported by investment in the professionalisation of contracting authorities to ensure their training.

**In the coming years, the Ministry of Economy of the Slovak Republic plans to prepare legislation for the development of family business.** The introduction of family business legislation into the Commercial and Civil Code is intended to create a legislative basis for this type of business and would help to reduce the fragmentation of the current legislation. As part of the development of family business, the creation of so-called family holding companies is being considered, which would support the creation of family businesses by minimising the risks arising from entrepreneurship. The family holding would perform the function of asset protection, as it is possible to separate risky business from less risky activities through the holding. The institute of family business should also be supported by the regulation of inheritance procedures and the creation of trusts. To improve the information of family businesses about the available instruments at national and European level, it is planned to create contact points, for example within the Slovak Business Agency.

**Many improvements in processing and access to data in the Commercial Register are expected in 2023.** The data in the business register will be available in an open data format and usable for legal purposes, and the register will be a source of high quality data. Access by electronic means to all data from the commercial register will also be provided. Individual changes in the register will be made online, immediately and promptly - i.e. within 24 hours, while all company registration procedures will be primarily and compulsorily electronic. The overall result of the streamlining of the commercial register will be comprehensive support for life situations such as establishing, changing or dissolving a company.

**A long-term project of the Ministry of Justice of the Slovak Republic (MoJ SR) is the modernisation of private law and the recodification of company law.** Similar to the reforms of other EU countries, the recodification will focus on the basic forms of private and close corporations (limited liability companies). The aim of the recodification of private company law is to provide flexibility in setting up corporate governance processes, to increase and simplify the involvement of shareholders in corporate governance, including the digitalisation of decision-making processes, and to set up sufficiently effective mechanisms for the protection of the affected entities, in particular the company's creditors. At the same time, the new legislation should also offer sufficient means against the abuse of the legal form of companies and the concealment of the economic background of the company, thus bringing greater transparency in the identification of the beneficial owners.

#### ***Fight against corruption and money laundering, public safety and security***

**The fight against financial crime will be supported by training and upskilling of police officers.** In the coming years, retraining of police officers in financial investigations and analytical activities is planned. 266 employees are to receive training in the field of financial crime investigation by providing training, workshops and seminars with the participation of foreign and domestic lecturers (CEPOL and EUROPOL).

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<sup>201</sup> The electronic platform, including all information published on it, will also be publicly accessible to persons not directly registered on it. It will also be possible to procure construction work through the electronic platform. Until 31 January 2023, the contracting authority is not obliged to use the electronic platform if it uses an electronic means pursuant to Article 20 of the Public Procurement Act, i.e. one of the certified information systems, for the acts to be performed through the electronic platform. From 1 August 2022, the obligation for the contracting authority and the contracting entity to use exclusively an electronic means entered in the list of electronic means pursuant to Section 158a for electronic communication shall be introduced. The list will be maintained by the Public Procurement Office. The mandatory use of the electronic platform for public procurement is also introduced in low-value contracts in cases where the contracting authority decides to address several economic operators.

<sup>202</sup> Representatives of the various departmental institutions will be involved in the implementation of this plan.

**The development of shared service centres will contribute to improving the performance and strengthening the administrative capacity of public administrations.** The aim is to build 22 such centres by the end of 2024, with at least 20 to be built in the least developed districts. Shared Service Centres will help to pool capacity at the local level in the delivery of essential public (social) services. The establishment of shared service centres will also free up some of the staff who will be retrained as first contact workers and will be able to provide citizens with advice on other public services in addition to helping them to communicate with the authorities.<sup>203</sup>

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/3 (Part 4, 6, 8): to target economic policy related to investment...on digital infrastructure,... the competitiveness of small and medium-sized enterprises... Increase the application of quality and life-cycle cost criteria in public procurement.
- CSR 2019/4 (Part (1): Continue to improve the efficiency of the judicial system and focus on strengthening its independence, including in the appointment of judges.
- CSR 2020/4 (Part 1, 2, 4): Ensure effective oversight and enforcement of the anti-money laundering framework. Ensure an enabling business environment... Address integrity concerns in the justice system.



#### 2030 Agenda for Sustainable Development Objectives

- Objective 9: Industry, innovation and infrastructure
- Objective 16: Peace, justice and strong institutions

<sup>203</sup> One of the EU's specific recommendations for Slovakia is to ensure quality public services and address the fragmented territorial structure. This investment and reform intention is also part of the RRP and is one of the reform intentions based on the needs of the Slovak Republic (Programme Declaration of the Government of the Slovak Republic) and EU recommendations in the interest of increasing the performance of quality policies at different levels of public administration (strengthening of professional and technical capacities in public administration). This is also reflected in the planned investments in PO5 of the Slovak Republic Partnership Agreement 2021-2027.

## 4.7 Healthcare and long-term care

The main reform of the Ministry of Health will be the optimisation of the hospital network. The aim is to create a modern, accessible, and efficient network that provides quality healthcare, an attractive environment for staff, efficient processes, and sound management. The availability of emergency medical services will be increased, building on the needs of the new hospital network. Primary care will be strengthened to be the fundamental integration point of patient care. A methodology for evaluating investments in healthcare will be developed, and the evaluation will be influenced not only by financial and medical benefits but also by indirect benefits, including societal and socio-economic benefits. The implementation of austerity measures will also continue, with the most significant savings to be made in medicines policy. Special attention will be paid to mental healthcare reform. In the coming years, diagnostic methods and treatments for mental health will be modernised. In the inpatient psychiatric care, wards will be humanised by renovating existing beds and renewing equipment. To expand capacity, detention facilities will be created, specialised centres will be built and the community care network will be strengthened. Better availability and quality of mental health services will be ensured by improving the availability of modern training programmes for mental health care providers. In long-term care, the focus will be on quality, accessibility, and coordination of services. There will be an integration of health and social long-term care as well as an improvement of the oversight of the services provided. At the same time, appeals will be announced for the reconstruction and expansion of residential, community, and home care capacities, with an emphasis on deinstitutionalisation.

### Health outcome indicators

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Life expectancy at birth</b> (number of years)	<b>SK</b>	76.7	77.3	77.3	77.4	77.8	76.9	-	80.6
	<b>EU</b>	80.5	80.9	80.9	81	81.3	-	-	82.9
<b>Treatable mortality</b> (Number of deaths per 100 thousand inhabitants)	<b>SK</b>	176.9	168.3	173.7	165.3	-	-	-	119.6
	<b>EU</b>	95.9	93.2	-	-	-	-	-	64.5
<b>Preventable mortality</b> (Number of deaths per 100 thousand inhabitants)	<b>SK</b>	258.2	243.8	238.7	241.3	-	-	-	173.7
	<b>EU</b>	166.28	162.5	-	-	-	-	-	119.1
<b>Difference in life expectancy by education</b> (Number of years, men aged 25 years, difference between ISCED 5-8 a ISCED 0-2)	<b>SK</b>	14.8	14.9	15.6	-	-	-	-	9.6
	<b>EU</b>	6.0	6.3	6.9	-	-	-	-	4.3

Note: the methodology for setting targets at national and European level can be found in Annex 1.

## Approved measures<sup>204</sup>

### Measures from the RRP

The basic parameters of the adjustment of the hospital network were introduced<sup>205</sup>. As part of network optimisation, a hierarchy of hospital care providers is defined depending on the complexity of the care provided, the range of services, and time availability. Five levels of hospital care providers have been introduced. The mandatory services that providers will have to provide at each level are set by law. Specialist procedures will be concentrated at larger hospitals. In addition, quality indicators, requirements for technical equipment, staff capacity, and waiting times for certain services are also being set. Compliance with these conditions and quality indicators will be evaluated annually and the results will be published. Patients will thus be able to check the quality of the hospital before the admission and choose their care provider accordingly.

<sup>204</sup> The measures deducted are mainly based on the reforms and investments in the RRP (Components 10 to 13) and on measures from the National Reform Programme 2020. Measures counted beyond the RRP are listed under the state "Other measures".

<sup>205</sup> Part of [Act No. 540/2021 Coll. on the categorisation of inpatient health care](#) effective from 1 January 2022.

**Updated rules to ensure the availability of general outpatient care providers apply from February 2022<sup>206</sup>.** This is the first part of the reform of general outpatient care, the result of which will be the provision of a sufficient number of qualified general practitioners throughout the territory of Slovakia. The role of the newly adopted government regulation is to annually review the public minimum network, update the list of deficiency districts and classify them according to their degree of vulnerability.<sup>207</sup> The method of provision and other details of network design (method of calculating local availability, required capacity, national migration, normative number of capitated insured persons) are also contained therein. This government regulation also includes parameters for classifying districts to determine their degree of vulnerability.

**From January 2022, a one-off financial assistance for the creation of new dispensaries in shortage districts has been introduced<sup>208</sup>.** The aim of introducing contributions is to remove financial barriers to the establishment of new primary care practices. This support should also motivate both male and female doctors to open outpatient clinics in areas with reduced access to primary health care. The methodology for the distribution of contributions to ensure a minimum outpatient network is currently being developed. The actual payment of allowances will start in the second half of 2022. The maximum amount of one allowance will be EUR 60.6 thousand and 30 new ambulances are expected to be established in 2022.

**A National Mental Health Support Hotline was set up during the pandemic.** It has been in operation since July 2021 with the aim of enhancing and providing an online and distance anonymous form of communication. It provides mental health services through support, advice, and counselling through trained professionals and serves the general public.

**The reform of mental health care began with a change in the organisation of care for patients with mental disorders.** The basic documents defining the changes in the system of care for patients with mental disorders, which were developed in a broad collaboration of experts, are the Concepts of Health Care in Psychiatry and Child Psychiatry, developed, approved, and published in the Bulletin of the Ministry of Health of the Slovak Republic<sup>209</sup>. These concepts define in detail the forms of community health care (e.g. psychosocial centres, specialised centres for autism spectrum disorders and psychiatric hospitals). Currently, the Concept of Health Care in Addiction Medicine is being finalised. Special support is being given to improving training opportunities for health personnel in the field of mental health. The current objective is to prepare the legislative basis for the optimisation and innovation of further education. Legislative changes have been approved in Parliament with effect from March/April 2022<sup>210</sup>.

**In order to improve the coordination of inter-ministerial cooperation in the field of mental health, the Council of the Government of the Slovak Republic for Mental Health was established.** Inter-ministerial cooperation in the field of mental health has been insufficient in Slovakia - policies and capacities in this area are under the responsibility of seven ministries with the absence of common supervision. In response to this, the Government Mental Health Council was established in 2021<sup>211</sup>. It is a supra-ministerial body for mental health and a permanent advisory body to the Government of the Slovak Republic, which coordinates all

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<sup>206</sup> Part of Act No. 540/2021 Coll. on the categorization of inpatient health care, Slovak Government Regulation No. 11/2022 Coll. laying down details on the method of establishing the minimum network of general outpatient care providers with effect from 1 February 2022.

<sup>207</sup> District classification is the division of districts in terms of threats to health care security. Districts are classified according to the degree of threat as critically short, at-risk short, at-risk, and assured.

<sup>208</sup> Part of Act No. 540/2021 Coll. on the categorization of inpatient health care.

<sup>209</sup> Concept of health care in the field of psychiatry published in the Bulletin on 29 December 2021, Volume 69, Issue 31-35.

<sup>210</sup> Amendment to Act No. 578/2004 Coll. on health care providers, health care workers, professional organisations in health care under No. 67/2022 Coll. entered into force on 15 March 2022. The amendment to the Slovak Government Regulation No. 296/2010 Coll. on professional competence for the exercise of the health profession, the manner of further education of health professionals, the system of specialisation fields and the system of certified work activities entered into force on 1 April 2022.

<sup>211</sup> <https://rokovania.gov.sk/RVL/Material/25761/1>

concerned ministries, with the aim of developing a unified national policy and strategic documents in the field of mental health.

**The new measures also aim to attract workers from abroad and to provide lifelong learning for healthcare staff<sup>212</sup>.** The main objective is to facilitate the process of establishing highly qualified medical personnel from abroad. This should improve accessibility and increase the number of both male and female doctors and health care providers. Access to certain health professions (psychologist, speech therapist, therapeutic educator, physicist, and laboratory diagnostician) will be simplified. The process of recognition of health professionals' documents obtained outside the territory of the Slovak Republic will be streamlined by shortening the time limits for processing the application and abolishing the requirement to attach officially certified copies of educational documents and translations of other necessary documents. Internships will be made available to applicants from other countries who are in the process of having their education recognised in order to familiarise themselves with the health care system in Slovakia. The training system will be changed to reflect the current need to train and replenish specialists as quickly as possible. It will also simplify applications for further training, adjust legal deadlines and increase incentives to provide further training.

### **Other measures**

**Between January 2020 and June 2021, savings of EUR 65 million in public health insurance expenditure have been achieved through the implementation of austerity measures<sup>213</sup>.** The implementation of austerity and new value measures has been greatly affected by the coronavirus pandemic, which has created great pressure on the overall functioning of the health system. For this reason, the focus has been more on the provision of quality emergency care, with the implementation of austerity measures taking a back seat in the short term. However, despite the difficult situation, savings have been made and it has been possible to enforce a reduction in reimbursement for categorised medicines, where the potential has been almost fully realised. The implementation of other cost-saving and new value-based measures has been postponed to 2022 and beyond.

**Value measures of the health spending review (increase in the Všeobecná zdravotná poisťovňa compared to 2019, EUR million)<sup>214</sup>**

Measure	Target 2020	Fulfilment 2020	Target 1H 2021	Fulfilment 1H 2021	Horizon of fulfilment <sup>215</sup>	Potential
Strengthen general outpatient care	0	-	6	-	10	113
Increase the number of nurses	0	-	6	-	10	10
Strengthen long-term healthcare	15	-	18	-	10	340
Invest in effective primary and secondary prevention and health promotion measures	n/a	-	-	-	n/a	n/a
Improve mental health care	0	-	6	-	10	118
Fund inpatient and outpatient care	38	-	57	-	3	114
<b>TOTAL</b>	<b>53</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>792</b>

*Dash: measure not quantified in the period due to the impact of COVID-19 or unavailable data*

*Source: Value for money unit*

<sup>212</sup> Amendment to Act No. 578/2004 Coll. on health care providers, health care workers, professional organisations in health care under No. 67/2022 Coll. with effect from 15 March 2022-31 March 2022.

<sup>213</sup> This is a saving against the 2019 base.

<sup>214</sup> [Interim Implementation Report 2021 - Health, Defence, Informatisation, Culture and Agriculture.](#)

<sup>215</sup> Implementation time horizon (in years) within which the measures can be fully implemented.

**Austerity measures of the health spending review (savings of the Všeobecná zdravotná poisťovňa compared to 2019, EUR million)<sup>216</sup>**

Measure	Target 2020	Fulfilment 2020	Target 1/2020-6/2021	Fulfilment 1/2020-6/2021	Horizon of Fulfilment <sup>217</sup>	Potential
Reduce the number of avoidable hospital admissions to V3 level	2	-	-	-	5	7
Reduce the number of visits to specialist outpatient care	0	-	-	-	10	207
Establish and adhere to cost-effectiveness conditions for all categorised medicines	8	0	-	-	3	55
Increase the volume of centrally purchased medicines	13	-2	-	-	2	26
Reduce antibiotic prescribing	1	6	-	-	5	7
Reduce reimbursement for categorised medicines by promoting the entry of generic and biosimilar medicines into the list of categorised medicines	3	0	-	-	1	3
Compare medicine prices with abroad twice a year	2	0	2	0	1	2
Externally referenced prices of medicines even with different pack sizes	2	0	-	-	2	5
Decline in reimbursement for categorised medicines during 2019 (entry of biosimilars and generics, ext. referencing, reimbursement groups)	65	59	65	59	1	65
Impact of the change in reimbursement groups from 1 January 2020	8	10	8	10	1	8
Improve the e-prescribing function in eZdravie and strengthen the review activity of insurance companies in controlling prescribing	30	10	-	-	1	30
Reduce medication reimbursement for exemptions	16	-3	16	-9	1	16
Reference prices of CT and MRI procedures with the Czech Republic	0	0	-	-	3	9
Avoid redundant MRI and CT examinations through standards and review activities	0	-	-	-	3	25
Optimise laboratory testing	10	0	-	-	1	10
Introduce central purchasing of incontinence devices (VšZP)	1	0	-	-	2	2
Introduce a basic functional type and a maximum level of reimbursement for incontinence devices, eliminating overconsumption	5	0	-	-	3	14
Extension of international price comparison for medical devices to other countries	4	0	-	-	1	4
Improve midwifery processes	0	-	-	-	5	4
Tighten indirect revisions and make more effective use of automated checks in the IS (VšZP)	8	0	-	-	3	28
Reduce operating expenses of VšZP	4	7	7	3	3	15
Optimise the costs of university and teaching hospitals	3	0	5	1	2	6
Extend international price comparisons of special medical supplies to other countries	4	0	-	-	1	4
Determine the basic functional type and maximum reimbursement for subgroups of special medical supplies	2	0	-	-	2	4
Special medical supplies - reimbursement at the cheapest hospital procurement prices	4	-	-	-	1	4
<b>TOTAL</b>	<b>195</b>	<b>86</b>	<b>102</b>	<b>65</b>	<b>-</b>	<b>559</b>

Remarks: saving (+), increased expenditure (-)

Dash: measure not quantified in the period due to the impact of COVID-19 or unavailable data

Source: Value for money unit

**The approval of standard preventive, diagnostic and therapeutic procedures continues.** These procedures allow clear determination of necessary treatment and examinations in standard situations, the easier orientation of patients and staff, and supervision of the correct and efficient provision of health care. The total number of approved standard practices as of 27 October 2021 is 297.

<sup>216</sup> [Interim Implementation Report 2021 - Health, Defence, Informatisation, Culture and Agriculture.](#)

<sup>217</sup> Implementation time horizon (in years) within which the measures can be fully implemented.

**In 2021, supplementary payments for medicines for selected groups of the population will be abolished<sup>218</sup>.** For pensioners and the severely disabled, the amount of their income will be taken into account and the co-payment up to the amount of the cheapest substitutable medicine, medical device, or dietetic food will be abolished. For children up to 6 years of age, there will also be a top-up to the cheapest option, but eligibility is irrespective of the financial situation of the parents or guardians. For children, the measure applies from April 2021, for the severely disabled and pensioners it applies from January 2022.

**In March 2022, the Ministry of Finance of the Slovak Republic and the Ministry of Health of the Slovak Republic signed a memorandum of cooperation between the two ministries<sup>219</sup>.** The document defines 17 cost-saving, systemic and value-based measures that will help to significantly improve the functioning of health care in Slovakia. These include, for example, the computerisation of healthcare (e-lab or e-ordering), transparent rules for drug exemptions or more efficient management of the Fund of Všeobecná zdravotná poisťovňa. The Memorandum of Cooperation is also related to the release of funds in the amount of 365 million euros for the refinancing of public health insurance.

## **Upcoming measures<sup>220</sup>**

### ***Hospitals and healthcare providers***

**In the coming years, the overall hospital network will undergo significant changes.** The aim is to create a modern, accessible, and efficient network that provides quality healthcare, an attractive environment for staff, efficient processes, and sound management. The legislation enabling the introduction of the new measures has already been adopted, so from now until 2025 the actual implementation of network optimisation and the transformation of individual hospitals will take place. The optimal hospital network will not only define a network of acute beds, but it will also create space for aftercare beds that will relieve the burden on acute hospitals. The freed-up space will be used for aftercare, long-term, outpatient, and community care capacities.

**The availability of emergency medical services will be increased, building on the needs of the new hospital network.** Emergency medical services currently carry out more than 60% of interventions for patients who are not in immediate danger of life or health and could be treated and cared for by another acute health care component. The aim is to use emergency medical care for justified interventions when patients are in immediate danger of life. Appropriate distribution of emergency medical services stations across the country will raise the standard of emergency health care provided. Their deployment will be geographically and procedurally linked to an optimised network of hospitals. The legislative changes will introduce a new acute healthcare network and a new definition of urgent healthcare. The range of authorised users of the emergency medical services and the manner in which a response to a request from those users is to be carried out shall be determined. Increased accessibility will also be achieved by relocating a part of the existing emergency medical service stations or by building new emergency medical service stations with suitable material and technical equipment. The legislative approval of the network will take place in 2022, the actual implementation will be linked to the implementation of the hospital network.

**Primary care will also be strengthened to be the fundamental integration point of patient care.** The second part of the reform of general outpatient care will focus on expanding the competencies of doctors, doctors' surgeons, nurses, and ancillary staff. A review of the reimbursement mechanism for general

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<sup>218</sup> Act No. 81/2021 Coll. amending Act No. 363/2011 Coll. on the scope and conditions of reimbursement of medicines, medical devices and dietetic foods on the basis of public health insurance.

<sup>219</sup> [https://www.mfsr.sk/files/sk/media/tlacove-spravy/memorandum-o-spolupraci\\_mf\\_mz.pdf](https://www.mfsr.sk/files/sk/media/tlacove-spravy/memorandum-o-spolupraci_mf_mz.pdf)

<sup>220</sup> The measures under preparation are based primarily on the RRP. Unless otherwise specified for a given measure, it is an RRP measure.

outpatient care providers will take place in 2022. At the same time, the aim is to identify and reduce existing administrative burdens as a part of the third phase of reform, freeing up capacity and time for patient care. A key step will be the introduction and development of eZdravie tools, which have the potential to reduce administrative obligations and make reporting more accurate.

**A methodology for evaluating investments in health will be developed, and the evaluation will be influenced not only by financial and medical benefits but also by indirect benefits, including societal and socio-economic benefits.** The aim of the reform is to increase the efficiency of the process by introducing systematic investment planning based on strategic documents. The Ministry of Health of the Slovak Republic (MoH SR) in cooperation with the MoF SR is currently working on the development of a methodology for the evaluation of investments<sup>221</sup>. A survey of investment needs in the construction and renovation of premises, equipment, and digitalisation in health facilities under the jurisdiction of the Ministry of Health and the development of an investment plan is underway. The first major project will be to provide evaluation and funding for the optimisation of the hospital network. The new network will determine the target state and regional distribution of services. After a reassessment of the current distribution and state of infrastructure, an investment plan for the construction, reconstruction, and renewal of hospital equipment will be developed to ensure that the new network is filled. The plan will include all investments to be financed by the RRP and EU funds, and these projects will start to be prepared for implementation as a matter of priority.

**In the fight against cancer, strategic plans and roadmaps will be developed to reduce mortality.** The number of people affected by cancer in Slovakia is increasing by more than 40,000 new cases every year. The COVID-19 pandemic has had a serious impact on cancer care, disrupting access to prevention and screening, treatment, delaying diagnosis and vaccination, and affecting access to medicines. Therefore, the cancer control infrastructure will be strengthened in the coming period in line with the updated action plans of the National Cancer Programme approved by the Government. Coordination and screening in cancer care will be improved, in cooperation with the International Agency for Research and Prevention of Cancer (IARC) as part of a joint initiative with the European Commission and the Ministries of Health of the Slovak Republic and Latvia.

#### ***Mental health care reform***

**The creation of the Slovak Chamber of Psychologists and the National Mental Health Programme will contribute to supra-ministerial cooperation and regulation in the field of mental health.** In Slovakia, only professionals working under the Ministry of Health are allowed to practice the health profession of a psychologist, as they are associated in a professional organisation. Professionals working under other departments cannot be members of a professional body in the current set-up and so cannot practise this regulated profession. Therefore, in 2022, a tender will be launched for the creation of a register of psychologists working in health, education, social affairs, and other related fields. In 2022, the establishment of the Slovak Chamber of Psychologists operating a digital register of professional psychologists from all departments will be approved. The disjointed support for cross-departmental programmes will be addressed by the creation of a national mental health programme, including an action plan in 2023, which will be the responsibility of the newly created Mental Health Council of the Government of the Slovak Republic.

**In an effort to expand capacity, detention facilities, and community care facilities (psychosocial centres, specialised centres for autism spectrum disorders, psychiatric hospitals) will be created and**

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<sup>221</sup> The first part has already been published in March 2022, it is a [methodology that defines the conditions for inclusion of investments in the investment plan of the MoH SR](#).

**some existing beds will be renovated.** People who, as a result of mental illness, commit a criminal offence are, after serving their sentence, ordered to serve the detention imposed by the court under the Criminal Code by being placed in a detention centre because of their persistent danger to society. However, until now, there has been no facility providing detention care available in Slovakia. In 2022, a newly built detention facility with a capacity of 75 beds for men will be put into use. An additional 75-bed facility for men, women, and, adolescents will be constructed in the coming years with an expected completion date of 2025. The undersized capacity of community care does not allow for the deinstitutionalisation of persons requiring long-term psychiatric treatment. Among other things, there is a lack of specialised centres for autism spectrum disorders. It is planned to launch calls for tenders for the implementation of the construction of community centres. The construction of community centres is expected in the coming years with the aim of launching 56 facilities by 2025. In 2022, it is also expected to announce calls for the reconstruction of inpatient psychiatric care beds. The goal is to renovate 200 beds by 2025 and turn the multi-bed rooms into 2-bed rooms with sanitary installations.

**In the coming years, diagnostic methods and treatments for mental health will be modernised.** Diagnosis and treatment of mental illnesses are in many ways inadequate in Slovakia - there is a lack of modern diagnostic procedures for many diagnoses, psychopharmaceuticals are over-prescribed and the provision of psychotherapy is inadequate. Therefore, in 2022, psychodiagnostic methods will be identified for adaptation to Slovak conditions and selected existing methods will be updated. In 2025 it is foreseen to launch a national register of psychodiagnostic methods and standardisation for 112 expert-selected methods.

**Better availability and quality of mental health services will be ensured by the increased availability of modern educational programmes.** The shortage of mental health professionals will be compensated by funding schemes. In 2022, after a reassessment of training needs, a call is expected to be announced by the Ministry of Health of the Slovak Republic, which will include specialisation and certification study programmes, continuing education study programmes as well as other training activities for persons working in the field of mental health. The aim is to engage in the education of workers in the health sector, but also outside the health sector. The scheme expects to provide mental health training for 1,000 health workers and 1,500 non-health workers by 2025.

### ***Results-based budgeting<sup>222</sup>***

**Austerity measures in 2022 will bring further savings<sup>223</sup>, most significantly in medicines policy.** The most, up to EUR 129 million in total, should be saved on medicines, another EUR 15 million will ensure more efficient purchase of medical devices and EUR 38 million can be saved by reducing excessive use and unit prices of laboratory and imaging equipment. The measure with the greatest long-term potential for savings is to reduce the number of specialist visits by moving to general outpatient care<sup>224</sup>. Attention will also be focused on the intention to increase the efficiency of the General Health Insurance Fund (potential savings of EUR 15 million). Completely new measures have also been identified for 2022 - the elimination of differential prices for examinations by specialists and the reduction of the price of PCR tests to the level of the Czech Republic (for a total of EUR 35 million). An update on the Health Spending Review and the potential for savings in the sector will take place in 2022. The measures identified or updated by this will then be incorporated into the draft budget in line with value for money principles.

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<sup>222</sup> Measures beyond the RRP.

<sup>223</sup> Savings measures for 2022 under the approved 2022-2024 public administration budget represent savings of EUR 249 million.

<sup>224</sup> The long-term potential (full implementation of the measure by 2029) for savings is EUR 207 million compared to 2021.

**The rules on the reimbursement of medicines will undergo significant changes in 2022 to ensure they are cost-effective.** During the course of the current year, an amendment to the Medicines Reimbursement Act<sup>225</sup>, will be introduced which is expected to bring about several major changes. The conclusion of contracts on the terms and conditions of reimbursement of medicines at the level of the Ministry of Health will be ensured. The aim is to streamline the process of entering medicines into the reimbursement system on the basis of more favourable reimbursement conditions. An automatic review of reimbursements will also be introduced. The purpose is to bring savings directly by entering a generic medicine on the market or by reducing the price of the cheapest medicine included in the reimbursement or reference group. The creation and modification of therapeutic reimbursement groups will be simplified to group therapeutically interchangeable medicines in line with best medical practice. The obligation to submit a pharmacoeconomic analysis will also be introduced for rarer medicinal products. This will ensure a fairer adjustment of public reimbursement according to the benefits of the medicine. The new reimbursement settings will also apply to medicines not included in the list of categorised medicines. The aim is to ensure transparency in the approval of reimbursement by health insurers and to allow reimbursement of non-categorised medicines at a level that is commensurate with their clinical benefits.

**The resources saved will be used for new value-based policies in the health sector.** In 2022, the investments will mainly be directed towards financial incentives for the implementation of treatment and comprehensive patient management by the general practitioner. Increasing the number of GPs, together with broadening their remit, will improve patient management and reduce the need to see more expensive specialists in line with good practice from abroad. Measures will focus primarily on attracting doctors to shortage areas, and a comprehensive overhaul of payment mechanisms is also planned for 2023 and 2024. In the context of a long-standing and persistent shortage of health personnel, especially nurses, which has been exacerbated by the COVID-19 pandemic, a number of measures will need to be taken to increase the number of nurses<sup>226</sup>.

#### ***Adjustment of the reimbursement mechanism<sup>227</sup>***

**In 2021, an update of the Diagnosis-Related Group (DRG) hospital payment system was launched, with the first changes already incorporated for 2022.** Launched in 2017, the payment system is designed to increase transparency and fairness in healthcare payments and improve the efficiency of hospital management. In particular, the current problem is the outdated catalogue of case lump sums, which assigns relative weights to each diagnostic group. Today's scales do not reflect new medical practices and changes in the proportions of different cost areas - wages, drugs, special medical supplies, and procedures. The aim is to adjust the level of these weights and then reassess the mix of case complexity for individual hospitals and, at the same time, the base rates for the groups. The update should be completed by 2023.

#### ***Quality, accessibility, and coordination of long-term health and social care***

**Health and social long-term care shall be integrated as part of the improvement and coordination of the system.** Health care in social service facilities is not adequately provided in terms of legislation,

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<sup>225</sup> [Act No. 363/2011 Coll. on the scope and conditions of reimbursement of medicines, medical devices and dietetic food on the basis of public health insurance.](#)

<sup>226</sup> It is intended to support the growth in the number of nursing students by increasing the availability and amount of student loans and by increasing the number of newly enrolled first-year students. There was also an open discussion about increasing the stabilization loan for students in shortage occupations and the possibility of extending it to students in part-time occupations. A new proposal for the remuneration of health workers has also been prepared, which was also developed in discussion with representatives of nurses. Overall, however, it will be necessary to prepare a strategy for the management of human resources in the health sector (including nurses), also in relation to the forthcoming optimisation of the hospital network. In addition to financial incentives, other measures, including long-term and systemic changes, will need to be identified and taken to increase nurses' satisfaction and recognition of their hard work.

<sup>227</sup> Beyond the RRP.

personnel, or financial resources. Neither is social care in institutional health care facilities adequately provided. The lack of integration of systems causes an uncoordinated transition of a person with care needs between health and social services. This can ultimately worsen a person's health and lead to rehospitalizations and system inefficiencies. Therefore, in 2022, legislation will be passed to increase reimbursement for palliative and nursing care in order to make these services more accessible in the patient's natural environment - including in social services facilities or in the home environment. Moreover, long-term health care and its forms, including palliative care, will be defined. In order to improve the quality and better coordination of healthcare and to prevent rehospitalisations, an obligation for healthcare providers to collect data on the nursing care provided will be introduced. A support team will also be introduced as an auxiliary body that will ensure the availability of social services in institutional care facilities. Among other things, it can also help with the transition from acute to aftercare or home care, contributing to better coordination of the person in need between services.

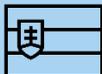
**In order to improve quality, the oversight of the services provided will be consolidated and strengthened, and staff capacity will be reinforced.** The system of oversight over the provision of social long-term care in social service facilities and in homes by carers and personal assistants is fragmented, inefficient, and understaffed. Therefore, new legislation will be passed in 2022 to create an independent unit within the Ministry of Labour, Social Affairs, and Family responsible for the administrative oversight of social affairs and to specify the rights and obligations of persons when carrying out inspections. Once the legislation is approved, recruitment for the new unit responsible for administrative oversight will begin, with the aim of filling 50 posts in 2022, to be expanded in subsequent years. The staff expansion also assumes the creation of 8 regional branches of the surveillance system with the full functionality of the whole system in 2024. Therefore, the necessary infrastructure for the functioning of the system - buildings, material and technical equipment, and motor vehicles - will be provided in years the 2022-2023. The 2022 legislation also defines the new quality of care standards in line with World Health Organization rules that take into account procedural, staffing, and operational aspects and offer more flexibility. The social affairs inspectorate will also have the competence to carry out oversight in informal home care.

**Low-capacity facilities, community care facilities, outpatient services, and nursing home care will be expanded to increase regional access and to emphasize the needs of individuals.** In 2022, a call will be announced for building and expanding the capacity of family-type residential facilities with a maximum capacity of 12 spots and health-social facilities with a maximum capacity of 30 spots in accordance with the goal of deinstitutionalisation of long-term care services. The aim is to create a total of at least 210 new spots by 2024 and 1,480 spots by 2026, through the construction of new buildings and the renovation of existing buildings. There will also be a call for expanding the capacity of outpatient services in 2022, with the aim of creating 387 spots by 2024 and 2,580 spots by 2026. Support will be directed to outpatient facilities such as day centres or rehabilitation centres with an average capacity of 20 spots for the construction or renovation of buildings. The next call to support capacity building and expansion will be launched in 2022 and will focus on investments in physical and technical equipment for a total of 91 home nursing care agencies by 2025. Renovated and new long-term care facilities will meet energy efficiency criteria and contribute to green transformation goals.

**Additional aftercare beds will also be created in the coming years and the capacity of palliative care units and hospices will be expanded.** In 2022, a call, or another form of a selection of beneficiaries, will be launched for the creation and reconstruction of aftercare beds, with a target of 650 reconstructed beds by 2026. They will be created by freeing up capacity in acute and chronic beds after the optimisation of the hospital network. Further calls launched in 2022 will support the expansion and renewal of palliative care

capacities with the aim of creating at least 270 beds in hospices and palliative care units, material and technical equipment support for at least 26 existing and mostly new mobile hospices by 2025. Here, too, the reconstructed and new facilities will meet energy efficiency requirements.

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 1/2019 (Part 2): Achieve the medium-term budgetary objective in 2020. Safeguard the long-term sustainability of public finances, notably that of the healthcare and pension systems.
- CSR 2/2019 (Part 2): ... . Enhance access to affordable and quality childcare and long-term care ... .
- CSR 3/2019 (Part 1, 5): Focus investment-related economic policy on healthcare, research and innovation, transport, notably on its sustainability, digital infrastructure, energy efficiency, ... .
- CSR 1/2020 (Part 2, 3): ... . Strengthen the resilience of the health care system in the areas of health workforce, critical health product and infrastructure. Improve primary care provision and coordination between different types of care.
- CSR 3/2020 (Part 3, 5): ... . Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy and resources, sustainable public transport, and waste management.



#### 2030 Agenda for Sustainable Development Objectives

- Objective 3: Good health and well-being



#### European Pillar of Social Rights

- Principle 16: Health care
- Principle 18: Long-term care

## 4.8 Green transformation

The main challenges in the area of green transformation are improving air quality, promoting RES and the circular economy, decarbonising industry, reducing energy consumption and implementing adaptation measures to climate change, including the protection and restoration of ecosystems. Reforms of the rules in the area of electricity and RES support will contribute to further increasing the share of RES in the energy mix of the Slovak Republic, for example by defining new participants in the electricity market, deregulating retail electricity and gas prices, or streamlining the permitting process, including reducing the administrative burden for market participants. Changes in the strategic planning of transport infrastructure with associated investment in clean transport (especially railways and cycling) and support for the development of infrastructure for alternative fuel transportation will have a positive impact on greenhouse gas emissions and air quality. Investment in the renovation of public and private buildings will place particular emphasis on energy efficiency. Measures to decarbonise industry will lead to lower greenhouse gas emissions, reduced energy losses and introduce the use of innovative environmental technologies in industrial production. The Climate Change Act will bring clarity to the legal climate framework and establish clear rights and obligations for individual public bodies, including defining control and enforcement mechanisms. Improving water management in the landscape, protecting existing landscape structures more rigorously, and expanding the intervention-free areas of national parks and other protected areas will increase the long-term resilience of ecosystems in the landscape while facing the impacts of climate change. In the re-evaluated national parks classified as IUCN Management Category II protected areas, the core zone will consist of areas without human intervention whose area will reach 50% of the total area of the national park by 2025 and 75% of this area by 2030. In national parks, where the object of protection will require human care, the intervention-free area may be less than 50% of the area of the national park. Most of these measures also fall under the EU-wide "Fit for 55"<sup>228</sup>, initiative, under which EU Member States have committed themselves to a 55% reduction in greenhouse gas emissions compared to their 1990 levels.

### Outcome indicators for green transformation

		2015	2016	2017	2018	2019	2020	2021	Target 2030
<b>Average concentration of PM2.5 in the air</b> (µg/m <sup>3</sup> )	<b>SK</b>	19.0	14.7	17.5	16.9	13.8	-	-	8.6
	<b>EU</b>	15.8	14.6	14.9	14.5	12.6	-	-	8.6
<b>Greenhouse gas emissions</b> (Total emissions without LULUCF <sup>229</sup> , Decrease compared to 1990, in %)	<b>SK</b>	-46.5	-46.0	-44.1	-42.7	-47.3	-	-	-55
	<b>EU</b>	-24.4	-24.3	-22.9	-24.9	-27.9	-	-	-55
<b>Recycling rate</b> (% of municipal waste)	<b>SK</b>	14.9	23.0	29.8	36.3	38.5	42.2	-	60
	<b>EU</b>	44.9	46.5	46.9	47.2	47.7	47.8	-	60
<b>Proportion of RES</b> (% on gross final energy consumption)	<b>SK</b>	12.9	12.0	11.5	11.9	16.9	17.3	-	19.2*
	<b>EU</b>	17.8	18.0	18.4	19.1	19.9	22.1	-	32*

\* The target is set on the basis of the [National Energy and Climate Plan](#) and the [EU Regulation](#) respectively

Note: the methodology for setting targets at national and European level can be found in Annex 1.

<sup>228</sup> Key components of this initiative are a switch to more efficient vehicles or their replacement by electric cars, a higher price for pollution due to a fixed decreasing amount of emission permits, a carbon tariff mechanism for importing products from abroad or subsidies for more efficient heating of buildings.

<sup>229</sup> Land use, land-use change and forestry.

## Adopted measures<sup>230</sup>

### *Energetics*

**The amendment to the Energy Efficiency Act<sup>231</sup> creates conditions for reducing primary and final energy consumption.** This amendment to the legal framework came into force in 2021 and largely transposes the EU Directive<sup>232</sup>, the main objective of which is to introduce the principle of „energy efficiency first“ in the planning, modernisation and implementation of projects across all sectors of the national economy, thereby limiting the need for investment in new energy sources. The amendment also changes the rules on the energy performance of buildings such as extending the control of heating and air-conditioning systems or the obligation to install the system for automation and building control.

**New Slovak-Hungarian electricity interconnections were put into operation which increased the technical capacities for electricity transmission in the electricity system of the Slovak Republic<sup>233</sup>.** In April 2021, in line with the RRP milestones, the bottleneck on the cross-border profile between Slovakia and Hungary was removed, allowing an increase in tradable capacity by more than 60 %<sup>234</sup>. The congestion of this section has so far been one of the biggest barriers hindering the connection of new RES power generation sources.

**The National Hydrogen Strategy<sup>235</sup> aims to increase the competitiveness of the Slovak economy and at the same time make a significant contribution to carbon neutrality.** This strategy approved by the government in 2021 defines the strategic role of the state in the use of hydrogen technologies in the Slovak Republic in the context of current developments in the countries of the European Union. The strategy will be followed by an action plan which, through the proposed measures, will create the conditions for investment in an economically sustainable green and blue hydrogen value chain (i.e. production, transport and distribution, storage as well as use). It will also create better conditions in the area of research and development, international cooperation and marketing.

### *Sustainable transportation*

**The newly adopted methodology<sup>236</sup> will make it possible to support projects with the highest possible contribution to achieving the goal of shifting passengers from individual road transport to cycling.** The new rules for assessing value for money in cycling infrastructure projects have been prepared in cooperation with experts and local and regional authorities. It will help increase the efficiency of resource allocation while improving the systemicity and predictability of support and the transparency of the whole process of subsidy allocation. Projects will be evaluated on the basis of substantiated data on the anticipated potential for modal shift from individual car transport to cycling. More than EUR 105 million is allocated in the RRP to support cycling projects and the ambition is to commission at least 200 km of new cycling infrastructure by 2026.

**The timetable for the preparation and construction of rail infrastructure<sup>237</sup> projects will allow for the systematic implementation of the best value-for-money projects.** The timetable approved by the Government is one of the milestones of the RRP and includes all known as well as forthcoming railway

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<sup>230</sup> Measures are based on the RRP unless otherwise indicated in a footnote.

<sup>231</sup> <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2014/321/20210101.html>

<sup>232</sup> <https://eur-lex.europa.eu/legal-content/SK/TXT/?uri=CELEX:32018L2002>

<sup>233</sup> Beyond the RRP.

<sup>234</sup> From 1,300 MW to 2,100 MW.

<sup>235</sup> Beyond the RRP. <https://rokovania.gov.sk/RVL/Material/26128/1>

<sup>236</sup> [Methodology for the assessment, evaluation and prioritisation of cycling infrastructure projects](https://rokovania.gov.sk/RVL/Material/26917/1)

<sup>237</sup> <https://rokovania.gov.sk/RVL/Material/26917/1>

infrastructure plans and projects which are defined in the priorities. The planned expenditures (mainly EU and state budget resources) according to the schedule for 2022 amount to more than EUR 473 million and EUR 572 million in 2023.

### ***Adapting to climate change***

**Improving the management of protected areas by strengthening the organisation of nature conservation, nature protection authorities and implementing appropriate measures will also increase the resilience of ecosystems to climate change.** This will be made possible by an amendment to the Nature and Landscape Protection Act<sup>238</sup>, which came into force on 15 January 2022 and is the first important stage of a major reform of nature protection under the RRP. The adopted legislative changes made it possible to transfer the management of state land in national parks to the nature conservation organisation. Existing conflicts related to forest management will be eliminated and nature conservation and biodiversity conservation will be the primary objective in the territories concerned, thus ensuring the long-term stable contribution of ecosystems to climate change mitigation.

### ***Waste management***<sup>239</sup>

**The deposit system for plastic beverage bottles and cans has been successfully launched.** A deposit system for disposable beverage packaging has been in place in Slovakia since January 2022<sup>240</sup> with the aim of increasing the collection rate of beverage packaging, recycling it efficiently and then using the material in the production of new packaging. At least 60% of the total weight of packaging placed on the market in 2022 is to be returned through the deposit scheme by the end of 2022. In 2023, the rate of return is expected to rise to 80% and Slovakia is also committed to reaching the 90% return target already in 2025.

**The adopted amendment to the Waste Act**<sup>241</sup> **will reduce the negative impact of single-use plastic products on the environment.** Single-use plastic products are prohibited in permanent public and fast food establishments as well as at public events. Beverages in disposable packaging may not be supplied by public authorities.

**The main objective of waste management will be to divert waste from landfill and to prevent the generation of waste by strengthening reuse.** This follows from the approved Waste Management Programme of the Slovak Republic for the years 2021 - 2025<sup>242</sup>, which is a strategic national document setting out the basic requirements, objectives and measures aimed at waste management<sup>243</sup>. The proposed measures therefore focus on better recycling of biodegradable municipal waste, promotion of waste sorting at source, better use of bioplastics and also the introduction of an obligation to sort textile waste. Among the proposed measures are, for example, the introduction of a ban on landfill disposal of sorted bioplastics from public events or the adoption of an amendment to the Waste Act to create a workable system for textiles.

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<sup>238</sup> <https://www.slov-lex.sk/pravne-predpisy/SK/ZZ/2002/543/20220115.html>

<sup>239</sup> Beyond the RRP.

<sup>240</sup> During the transitional period, which runs until the end of June 2022, old packaging without the "Z" symbol may still appear in shops.

<sup>241</sup> The [amendment](#) is effective from 1 December 2021 and transposes EU Directive 2019/904 on reducing the environmental impact of certain plastic products.

<sup>242</sup> <https://rokovania.gov.sk/RVL/Material/26647/1>

<sup>243</sup> Slovakia's target is to have a sorting rate of at least 60% and a recycling rate of at least 55% for municipal waste by 2025.

## Upcoming measures<sup>244</sup>

### ***Energetics***

**A fundamental adjustment of the electricity market and the creation of a suitable legislative environment will contribute to increasing the share of RES in the energy mix of the Slovak Republic.**

Two key reforms of the RRP are expected to be adopted in 2022<sup>245</sup>, which should result in a more massive integration of new RES into the electricity grid. The electricity reform will deregulate retail electricity prices, define new players in the electricity market and streamline the permitting process including the reduction of administrative burden on market participants. At the same time, the issue of accumulation will be conceptually regulated including the rights and obligations of the operator of the electricity storage facility, as increasing the accumulation capacity has a positive effect on increasing the flexibility of the electricity system. The reform of legislation in the area of RES support will, among other things, strengthen transparent, competitive and efficient rules for tenders (auctions) for the construction of new sources, thus contributing to an increase in the use of RES in the electricity and heating sector.

**Investments will focus on supporting RES and increasing the flexibility of the electricity system.** Calls will be announced for the construction of new sources of electricity from RES or the modernisation of existing sources (so-called "repowering"). The implementation of the investments is planned until 2026, with the aim of securing new RES electricity generation capacity of at least 120 MW and at the same time increasing the upgraded RES electricity generation capacity by at least 100 MW. Support schemes aimed at increasing energy storage capacities in order to increase the flexibility of the electricity system will also be presented. The aim is to increase electricity storage capacity by at least 68 MW. For example, the schemes will support the installation of new battery system capacity, the installation of new hydrogen fuel cell capacity and an increase in the regulating capacity of hydropower plants.

**Unit 3 of the Mochovce nuclear power plant starts up<sup>246</sup>.** The Nuclear Supervisory Authority (NSA) will shortly issue the final authorisation for the nuclear fuel burial. The commissioning of Unit 3 consisting of several stages<sup>247</sup> will then begin. In these stages, other systems will also be tested, especially the plant's secondary circuits (e.g. turbines, generators, etc.) and the control systems will be fine-tuned to the necessary parameters. It is expected that Mochovce Unit 3 will go into full operation in the second half of 2022 at the earliest.

### ***Sustainable transportation***

**The main objective of the RRP reforms on public transport is to increase the use of public transport and non-motorised transport to the detriment of private cars, with a positive impact on greenhouse gas emissions and air quality.** Legislative changes scheduled for the end of 2022 will ensure better coordination between public service commissioners in road, rail and public passenger shipping transport, allowing better integration of several modes of transport. The new law will unify public passenger transport standards and streamline the ordering of public transport, which is currently fragmented and poorly coordinated between the state, counties, cities and municipalities. The role of the Ministry of Transport and Construction of the Slovak Republic as the national transport authority and the competences of the contracting authorities will be strengthened, e.g. in the area of tariff setting or access to data from carriers. A proposal will also be drawn up for the introduction of a national integrated transport system, for which the

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<sup>244</sup> Measures are based on the RRP, unless otherwise indicated in a footnote.

<sup>245</sup> Amendments to the relevant legislation are currently at the MPC stage.

<sup>246</sup> Beyond the RRP.

<sup>247</sup> Reactor preparation for fuel loading, fuel loading, physical start-up (testing approx. 2 months), power start-up (testing approx. 2-3 months)

Ministry of Transport and Construction of the Slovak Republic will receive technical assistance <sup>248</sup> from the European Commission.

**The Transport Service Plan (TSP) will strengthen services on lines with the greatest potential to shift passengers from cars to trains and propose measures to make services more efficient.** The draft TSP itself has three stages: Stage Zero - is an optimisation of the current state of running trains in the public interest (implementation has already started and will be progressive until December 2022), Stage One - contemplates a significant strengthening of transport on the lines with the highest passenger potential (implementation from December 2023), Optimal state - goes beyond the TSP and is conditional on infrastructure measures (implementation until 2030).

**Eight projects of modernisation or reconstruction of railway lines with a total length of at least 69 km are planned to be implemented within the framework of investments in the development of railway infrastructure.** One project is already fully implemented, two projects have completed the tender for the contractor and are ready for implementation. The remaining five projects are under project preparation. In the meantime, project preparation is also underway on five rail line dispatching projects, with a total length of at least 100 km. At least five ecological railway vehicles are expected to be purchased from the RRP resources, and the Ministry of Transport and Construction of the Slovak Republic will select and contract beneficiaries for the purchase of these vehicles in the coming year.

***The concept of intermodal transport development will support the interest of carriers in shifting road freight transport to rail or to intermodal transport.*** This concept will include proposals for legislative changes to enable measures to be taken for the systemic development of environmentally friendly modes of freight transport. Support will be directed towards removing technical problems in the transition to intermodal transport and increasing its attractiveness. Based on this principle, calls for new support schemes<sup>249</sup> will be launched by the end of 2022 for the procurement of intermodal transport units and the launch of new intermodal lines.

**The support package will accelerate the development of alternative drives in the transport sector.** Measures will be presented in 2022 by the newly established implementation unit of the MoE SR and will include, for example, the reform of distribution tariffs, measures to simplify and accelerate the process of building infrastructure for alternative drives, the introduction of the "Right to a Charging Point", or the introduction of a stable, predictable multi-year framework to support the construction of the relevant infrastructure for alternative drives. The first calls to support the development of infrastructure for alternative fuel vehicles will also be launched by the end of the year. The aim is to use RRP funds to build at least 3,029 charging points for electric vehicles or hydrogen refuelling stations. An example will also be set by the Police Corps of the Slovak Republic, which plans to purchase 705 such vehicles in the coming year as part of the investment from the RRP in the renewal of the fleet with electric and hybrid vehicles.

### ***Energy efficiency in buildings***

**Measures to improve the energy performance of houses will reduce energy consumption and contribute to the mitigation of air pollution and CO2 emissions.** Although air quality in Slovakia has improved significantly in recent years, there are still more people exposed to air pollution in Slovakia than in the EU. More than 110,000 households still heat with solid fuel boilers, which could be replaced by more environmentally friendly technologies. The RRP foresees the integration of several support schemes for the

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<sup>248</sup> [https://ec.europa.eu/info/overview-funding-programmes/technical-support-instrument-tsi\\_sk](https://ec.europa.eu/info/overview-funding-programmes/technical-support-instrument-tsi_sk)

<sup>249</sup> The draft state aid schemes were sent to the EC in August 2021 and the EC assessment is still ongoing.

renovation of family houses provided by several ministries under one mechanism ensuring renovation of family houses can be carried out in an efficient manner. The Slovak Environmental Agency (SEA) will therefore present an implementation plan in 2022, which will map and harmonise these different support schemes. At the same time, the preparation of eligibility conditions and documents for the announcement of the first call (Q3 2022) aimed at improving the energy performance of family houses is being actively prepared. Up to 30,000 houses are planned to be renovated by 2026 with RRP and EU<sup>250</sup> funds. The list of possible measures includes, for example, insulation, window replacement, roof renewal, rainwater retention, boiler replacement or asbestos removal.

**The construction and reconstruction of public buildings with RRP funds will emphasize their energy efficiency and environmental aspects.** In 2022, the preparation<sup>251</sup> of a number of investment projects will get underway as part of a broader reform effort in the area, while helping to improve the energy efficiency of public buildings. Examples include the ambitious renovation of historic and listed public buildings<sup>252</sup>, the reconstruction of court buildings, the building of integrated security centres as part of the modernisation of the fire and rescue system, the construction and reconstruction of hospitals and ambulance stations.

### ***Air protection***

**Ensuring and maintaining good air quality is the main objective of the Air Protection Bill<sup>253</sup>.** The legislation pursues 3 main lines: 1. air quality - by setting allowable levels of air pollution and instruments to improve them; 2. reducing overall emissions - by setting national emission reduction commitments and adopting policies and measures to comply with them; 3. limiting emissions at source - by setting emission requirements for stationary sources of air pollution and also by setting quality requirements for selected products such as fuels or regulated products. For example, special permitting for stationary sources of air pollution and regular inspections of small combustion plants burning solid and liquid fuels are being introduced.

### ***Waste management***

**The circular economy potential of the construction and demolition waste and construction sectors will be increased, leading to at least 70% of construction and demolition waste being reused or recovered.** In the process of renovation of family houses, environmental criteria are currently not applied at a sufficient level. The proper management of construction waste as well as the potential use of environmentally less harmful materials in the renovation process is therefore not in a satisfactory state. This is to be changed by an amendment to the Waste Act, which will include compulsory green public procurement of construction works by public authorities, an increase in the statutory landfill charges and simplification of the rules on the use of construction and demolition waste.

**The Roadmap for a Circular Economy will support the transition of the Slovak economy to a circular model.** It will also involve EC and OECD representatives and will focus on the following priority areas: construction, food and bio-waste, economic instruments, sustainable consumption and production. The measures it will contain are intended to contribute to improving resource efficiency and waste management, increasing raw material and material self-sufficiency, and reducing impact on the environment.

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<sup>250</sup> The support mechanisms for the Recovery Plan and EU funds will be set up in such a way as to avoid double funding of the same expenditure.

<sup>251</sup> For example, preparation/procurement of documents, project documentation, energy assessment of buildings, etc.

<sup>252</sup> At least 117,000 m<sup>2</sup> of historic and listed public buildings will be renovated by 2026, with a mandatory minimum 30% reduction in primary energy consumption.

<sup>253</sup> [The bill is the subject of an MPC.](#)

## **Decarbonisation**

**Measures to decarbonise industry will lead to lower greenhouse gas emissions, reduced energy losses and introduce the use of innovative environmental technologies in industrial production, which will significantly support the achievement of the goals of the Paris Climate Agreement.** In 2022, the Ministry of the Environment of the Slovak Republic (MoE SR) will adopt, in accordance with the RRP, a support scheme for the decarbonisation of industry<sup>254</sup>, which will take the form of a non-discriminatory and transparent bidding procedure open to all industrial sectors. Support will focus on low-carbon processes and technologies in industry and the adoption of energy efficiency measures.

**The functioning of processes of the Slovak Environmental Inspectorate related to decarbonisation will be improved.** The amendment to the Integrated Pollution Prevention and Control Act will streamline permitting processes for integrated plants. At the same time, the material and technical equipment of the Slovak Environmental Inspectorate will be strengthened and modernised. Inspectorate's capacities to carry out expert and control activities related to decarbonisation will also improve. For example, tenders will be issued for measurement and laboratory equipment, a new IT system, technical documentation for the renovation of inspectorate buildings, and new inspection vehicles. The consequent increased level of control is expected to lead to direct and indirect reductions in environmental pollution in all areas (air, soil, water) while also having an indirect spill-over effect on the reduction of greenhouse emissions.

**The first law on climate change<sup>255</sup> is being prepared to bring clarity to the legal framework related to climate.** The goal of climate policy will not only be to reduce greenhouse gas emissions (mitigation) and to adapt to them (adaptation), but mainly to achieve a low-carbon transformation of Slovakia and to achieve climate neutrality as soon as possible. The law has the ambition to establish clear rights and obligations for individual departments in the climate area including the definition of control and enforcement mechanisms. Data collection, evaluation and reporting will also be harmonised while making it easily accessible to the public and functionally linked to climate policymaking. Currently, it is crucial that such legislation, adopted at national level, supports the transposition of EU climate policies and removes resortism.

**A model for achieving carbon neutrality shall be developed including the establishment of a robust professional capacities capable of planning and coordinating the decarbonisation process in line with all dimensions of the Energy Union<sup>256</sup>.** This will require an update of both the Low Carbon Strategy and the National Energy and Climate Plan in the context of the new objectives of the Fit for 55 package and the RePowerEU initiative, which aims to accelerate the elimination of dependence on Russian fossil fuels. The update should include specific decarbonisation scenarios for all sectors that have a significant impact on the energy and carbon balance, in particular industry, buildings, transport and agriculture.

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<sup>254</sup> A first draft of the scheme has already been drawn up and is currently being consulted on.

<sup>255</sup> Beyond the RRP.

<sup>256</sup> The Energy Union is built on five interlinked and mutually reinforcing dimensions: 1) Security, solidarity and trust: diversifying the EU's energy sources and ensuring energy security through solidarity and cooperation between EU countries, 2) A fully integrated internal energy market - enabling the free flow of energy within the EU. Through adequate infrastructure and without technical and regulatory barriers, 3) Energy efficiency - improving energy efficiency will reduce dependence on energy imports and stimulate job opportunities, 4) Climate action, decarbonising the economy - the EU is committed to rapid ratification of the Paris Convention and has taken the lead in the field of renewable energies, 5) Science, research, innovation and competitiveness - Promoting the uptake of low-carbon and clean energy technologies by prioritising research and innovation to support the energy transition and improve competitiveness. ([COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT](#))

### ***Adapting to climate change***

**The reform of nature protection will be continued in the second stage by elaborating a comprehensive analysis and proposal of a new model of functioning and financing of protected areas (preferably national parks).** The aim is to simplify, unify and clarify the national system of protected areas through the zonation of national parks. In order to reach a proportion of no-go areas of 75% of the national park area, an effective financial mechanism for compensating private landowners, including buyouts, needs to be found. Therefore, in 2022, the Ministry of the Environment of the Slovak Republic will present a methodology for determining the value of land, as well as the processing of map documents with marked cadastral territories where the purchase will be planned. The launch of a call for projects focusing on the development of soft tourism in two national parks - Poloniny and Muránska planina - will support soft tourism with a higher added value, as well as the already legally enshrined nature-friendly forest management.

**Legislative and conceptual changes in the form of an amendment to the Water Act and a new Concept of Water Policy of Slovakia will improve water management in the country.** The amendment will create legislative space and capacity in organisations responsible for investments that will improve water regulation and flood protection, mitigate the effects of drought and contribute to the restoration of ecosystems and biodiversity. The new Water Policy Concept will provide a framework for water protection, care of water resources, creating conditions for sustainable water use, ensuring the supply of quality drinking water and efficient disposal of wastewater without negative impacts on the environment, and protection against the negative impacts of extreme hydrological situations. It states the background information, objectives and indicators of the water policy. The measures resulting from it will be reflected in the update of the Water Plan of Slovakia.<sup>257</sup>

**The completion of the revitalisation studies<sup>258</sup> with proposed measures to revitalise the watercourses will bring the long-term objective of revitalising 94 km of watercourses by 2026 closer to fruition.** A preliminary list of 31 priority water bodies for revitalisation within the RRP has already been developed. In order to enforce the basic 'polluter and user pays' principle, payments and charges for water use<sup>259</sup> will be revised so that they are a financial substitute for the costs of water services provided, such as charges for the discharge of wastewater or payments for the abstraction of energy water.

**The new Landscape Planning Act<sup>260</sup> will improve the protection of existing landscape structures that make an important contribution to climate change mitigation and adaptation.** It will link spatial and landscape planning more closely and provide stronger support for climate change adaptation in landscapes outside protected areas. Together with related methodology and mapping documents, the Act will be an important technical basis for spatial planning documentation and subsequent approval processes for obtaining buildings permits.

### ***Environmental illegal activity***

**The adoption of the Concept for Combating Environmental Illegal Activities<sup>261</sup> aims to streamline and modernise control procedures and accountability processes, including effective remediation of environmental damage.** The framework for a more efficient and transparent exercise of state administration in the field of environmental protection will be defined and the role of prevention as one of the basic principles

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<sup>257</sup> <https://www.minzp.sk/voda/vodny-plan-slovenska/vodny-plan-slovenska-aktualizacia-2015.html>

<sup>258</sup> Including technical project documentation.

<sup>259</sup> Beyond the RRP.

<sup>260</sup> The Bill is currently ready for submission to the MPC.

<sup>261</sup> Beyond the RRP.

of environmental protection will be strengthened. As part of the envisaged institutional reform, an integrated environmental watchdog will also be set up, fulfilling the government's plan to establish an environmental police.

**As part of building the professional capacity of the police force, the capacity and capability of the police to tackle environmental crime will be strengthened.** By 2022, 200 police officers should be trained in this area. In this context, organisational changes were already made in the police at the end of last year, which will allow the creation of a specialised unit for the detection and investigation of environmental crime (headquarters and regional offices).

### Relevant reference points



#### Specific EU Council recommendations for Slovakia (CSR)

- CSR 2019/3 (Part 3, 5, 8): Target economic policies related to investment on ... transport (in particular its sustainability), energy efficiency, ... . Increase the application of quality and life-cycle cost criteria in public procurement.
- CSR 2020/3 (5, 6, 7): Focus investment on green and digital transformation, in particular on clean and efficient production and use of energy and resources, sustainable public transport and waste management.



#### 2030 Agenda for Sustainable Development Objectives

- Objective 3: Quality of health and life
- Objective 6: Clean water and sanitation
- Objective 7: Affordable and clean energy
- Objective 11: Sustainable cities and communities
- Objective 12: Responsible production and consumption
- Objective 13: Climate protection
- Objective 14: Life in the water
- Objective 15: Life on land

## 5 EU cohesion policy

The EU Cohesion Policy has long been one of the key instruments for the socio-economic development of the Slovak Republic. EU funds will continue to be the main source of funding for public investment in Slovakia, alongside RRP funds, which contribute significantly to meeting the annual CSRs. Implementation of standard projects has been slowed in recent years due to the spread of the coronavirus, but EU funds have helped to mitigate the effects of the pandemic. In 2021, a comprehensive draft of the Partnership Agreement of the Slovak Republic for the years 2021-2027 was prepared, which will define the conditions for the use of resources under the fourth programming period.

### Programme period 2014-2020<sup>262</sup>

Under the 2014-2020 programming period, EUR 8.28 billion (49.64% of the allocation)<sup>263</sup> of the total allocation of EUR 16.68 billion had been spent by the end of 2021. The total volume of contracted projects reached EUR 14.41 billion, which is 86.38% of the total allocation. In 2021, the total allocation was increased by EUR 1.34 billion, part of which is the increase of the allocation for the 1st tranche of REACT-EU in June by EUR 597.02 million and the additional resources of the Rural Development Programme increased the allocation in July by EUR 740.48 million. As of 30 September 2021, there has been a reduction in the allocation under the Fisheries Operational Programme (reduction by the 2020 decommitment of EUR 2.14 million). Financial commitments to the EC have been met in 2021 for all funds except the European Maritime and Fisheries Fund.

### Status of disbursement and contracting of projects as at 31 December 2021

Operational programme	Governing body	Allocation from EU sources EUR million	Contractability of projects EUR million (%)	Drawdown EUR million (%)
Human Resources	Ministry of Labour, Social Affairs and Family of the Slovak Republic	2,929.90	2,900.3 (99)	1,862.60 (64)
Integrated infrastructure	Ministry of Transport and Construction of the Slovak Republic	6,009.90	5,630.4 (94)	2,699.30 (45)
Environmental quality	Ministry of Environmental Protection of the Slovak Republic	2,832.5	2,275.1 (80)	1,415.20 (50)
Integrated Regional OP	MIRRI SR	1,894.8	1,581.9 (83)	738.70 (39)
Efficient public administration	Mol SR	336.7	302.5 (90)	192.90 (57)
Technical assistance	MIRRI SR	159.07	147.2 (93)	129.40 (81)
Fishing	Ministry of Agriculture and Rural Development of the Slovak Republic	9.7	3.1 (32)	2.20 (23)
Interreg V-A SK-CZ	MIRRI SR	90.1	84.4 (94)	42.70 (47)
Interreg V-A SK-AT	MIRRI SR	75.9	73.0 (96)	30.20 (40)
PS INTERACT III	Bratislava Self-Governing Region	39.4	39.4 (100)	29.20 (74)

<sup>262</sup> Eligibility to draw funds from the 2014-2020 programming period is until 31 December 2023.

<sup>263</sup> All operational programmes, including the Rural Development Programme.

<b>Total</b>		14,378.25	13,037.3 (91)	7,142.57 (50)
Rural development programme	MPRV SR	2,300.20	1,370.0 (60)	1,137.00 (49)
<b>Total</b>		<b>16,678.43</b>	<b>14,407.3 (86)</b>	<b>8,279.57 (50)</b>

Source: MoF SR, ITMS, Ministry of Agriculture and Rural Development of the Slovak Republic, MIRRI SR

**Measures have been taken to speed up implementation while maintaining transparency and value for money.** A Cabinet resolution<sup>264</sup> introduced a new system for crisis management under which individual ministers are committed to specific tasks in order to eliminate the risk of a lapse in resources. The implementation of these tasks is reported quarterly to the Government of the Slovak Republic. Crisis management is applied through increased supervision over the implementation of EU funds, such as the development of action plans, the need to carry out internal transfers of funds within OPs on the basis of analysis, to ensure the launch of calls up to 100% of the allocation of the relevant operational programme (OP) by the end of 2021, to ensure the contracting of 90% by the end of 2021 and 100% by the end of 2022, the creation of project pipelines, the creation and ongoing monitoring and updating of strategic projects.

**As part of the simplification of implementation processes, several amendments to the EU Contribution Act have been adopted.** The first so-called "lex corona" achieved e.g. the forgiveness of missing selected statutory deadlines, the introduction of the possibility to modify or cancel a notice more flexibly, the introduction of the possibility to discontinue proceedings (instead of an obligation) and the extension of deadlines in relation to instalment agreements. Taking into account the experience from the application practice, another amendment has been prepared to simplify the processes, reduce the administrative burden on providers, beneficiaries and other entities, as well as to increase transparency. The amendment permanently introduces some measures that were originally intended to be applied only during a crisis situation, in view of the positive experience with their application. The Parliament also approved the third amendment, the subject of which are modifications aimed at faster and more efficient recovery of claims (in particular, setting of orderly deadlines for the performance of individual acts for providers under penalty of a fine for non-compliance, simplification of the possibility of offsetting claims, simplification of the process and conditions for concluding an instalment agreement / deferment agreement, etc.). MIRRI SR in cooperation with the MoF SR has also initiated an amendment to Act No. 357/2015 on financial control and audit, which is planned to introduce sample performance of audits of public procurement and payment requests.

**Although the implementation of standard projects has been slowed due to the spread of the coronavirus, EU funds have helped to mitigate the effects of the pandemic.** The implementation of EU-funded projects was also significantly affected by the spread of coronavirus in 2021. At the same time, however, EU funds have made a significant contribution to mitigating the negative consequences of the pandemic. For this reason, the REACT-EU support system was also set up, increasing the overall allocation of available resources. A proposal for COVID measures<sup>265</sup> has been drawn up and approved, for which EUR 1.105 billion of uncommitted EU funds<sup>266</sup> have been earmarked. As of 31 December 2021, out of the

<sup>264</sup> Government Resolution No. 218/2021 of 28 April 2021.

<sup>265</sup> Proposal for measures financed from the operational programmes of the European Structural and Investment Funds to combat the COVID-19 coronavirus pandemic and to eradicate and mitigate its consequences, approved on 28 April 2020 by Government Resolution No. 257/2020.

<sup>266</sup> Support for maintaining employment: EUR 410.26 million (OP HR), support for the health system: EUR 204.30 million (IROP, OP II), support for micro, small and medium-sized enterprises: EUR 330.20 million (OP II), support for the components of the integrated rescue system: EUR 51.00 million (Operational programme Quality of the environment) and other measures to mitigate the impact of COVID-19: EUR 109.30 million (OP HR).

earmarked allocation of EUR 1.105 billion for COVID measures, EUR 1.236 billion (111.88%)<sup>267</sup>, has been made available in calls and invitations, EUR 1.153 billion (104.35%) has been contracted and EUR 794.01 million (71.85%) has been spent.

### ***Programme period 2021 to 2027***

**In 2021, a comprehensive draft of the Partnership Agreement of the Slovak Republic for 2021-2027 was prepared.** The preparation of this basic strategic document for the use of EU funds for the programming period 2021-2027 was carried out at the national level in a participatory manner with the involvement of socio-economic partners, a wide range of professionals and the general public<sup>268</sup>.

**The Slovak Republic is currently at an advanced stage of informal negotiations with EC representatives.** The aim of MIRRI SR is to negotiate the most advantageous framework for the use of EU funds for the development of Slovakia and its regions within the framework of discussions with the EC. In December 2021, the draft of the Partnership Agreement of the Slovak Republic was sent for informal assessment by the EC, which submitted comments in February 2022 and these were incorporated into the document. The domestic inter-ministerial comment procedure took place from 24 February to 10 March 2022. The draft of the Partnership Agreement of the Slovak Republic was also discussed by the Economic and Social Council of the SR and the Council of the Government of the SR for Cohesion Policy. Subsequently, the material was approved by the Slovak Government and submitted to the EC for the formal approval process.

**At programme level, a mechanism has been set up to coordinate and ensure synergies between EU funds and other EU and SR support instruments.** The Office of the Government of the Slovak Republic and MIRRI SR carried out a review and comparison of individual strategic documents. In particular, they looked for specific opportunities for cooperation across strategies, complementarity of actions within the strategies, as well as potential duplication between actions in the Recovery Plan and planned actions under the Partnership Agreement. The aim is to spend resources efficiently to achieve objectives and also to avoid possible duplication of funding. A key part of the Platform is the Synergies and Complementarities Steering Committee, which will oversee the effective implementation of the measures. The document describing the details of the cooperation will be submitted to the Government after the approval of the Slovakia Programme by the European Commission<sup>269</sup>.

### ***Examples of synergies between EU funds and RRP:***

**A smarter and more competitive Europe:** under CS 1.4.2 Digital skills adapted to the SK RIS3 2021+ domains and the needs of industrial and green transformation, synergy with component 17 Digital Slovakia has been identified. The dividing line is set by target groups. With the help of EU funds, the improvement of digital skills will be financed, digital skills linked to the needs of industrial transformation and especially the SK RIS3 2021+ domains. The RRP will fund the improvement of seniors' digital skills and the distribution of senior tablets.

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<sup>267</sup> The higher volume in calls and contracting represents an additional increase in the allocation for COVID measures.

<sup>268</sup> Discussions took place within the framework of partnership platforms Working Group "Partnership for Cohesion Policy 2020+", Council of the Government of the Slovak Republic for Cohesion Policy 2021 - 2027, ad hoc coordination and working meetings, as well as national consultations. In the course of 2021, more than 200 working meetings were held with individual departmental coordinators responsible for the process of preparation of the Partnership Agreement of the Slovak Republic, representatives of socio-economic partners and representatives of the EC.

<sup>269</sup> The final document will be submitted to the Government of the Slovak Republic in accordance with Government Resolution No. 784 of 22 December 2021 within 2 months of the approval of the Slovakia Programme by the European Commission.

A greener, low-carbon Europe: under priority 2.1 Promotion of energy efficiency and reduction of greenhouse gas emissions, synergy is defined with the RRP component - 2 Renovation of buildings. Family houses (insulation and improvement of energy performance of family houses) and historic and listed buildings in use, which are also public buildings, will be supported by the RRP. Public buildings, housing and national cultural monuments, historic and heritage sites as well as disused spaces, monuments, public spaces and the creation of a tourist offer will be supported by traditional EU funds.

CP 4 A more social and inclusive Europe implementing the European Pillar of Social Rights: The identified synergy is e.g. within the Adaptable and accessible labour market and Component 6 Availability, development and quality of inclusive education at all levels, whereby the EU funds will support the construction, reconstruction and renovation of care facilities for children up to 3 years of age. The RRP will support the expansion of kindergarten capacity (18 priority districts and 28 potential districts).

Under the specific objective of the Just Transition Fund, complementarity with the Modernisation Fund is foreseen, in particular to complement the socio-economic and employment implications of modernising energy systems and improving energy efficiency. Renewable energy and energy infrastructure will be supported under Component 1 of the RRP, building renovation under Component 2, decarbonisation of industry under Component 4, education for the 21st century under Component 7 and accessible and quality long-term social and health care under Component 13.

## 6 The institutional framework of the NRP

The NRP reports in summary on the status of implementation of the actions from the RRP and other reform measures implemented beyond the RRP. The obligation to prepare and publish the NRP is primarily imposed by EU legislation, and secondarily by government resolutions. Sectoral strategies and a comprehensive approach to priority-setting at national level also provide the basic orientation for the measures included in the NRP. The coordinator of the NRP is the MoF SR closely cooperating with the NIKA, which, as the responsible body at the national level, monitors and evaluates the status and results of the implementation of the RRP. Important assistance is also provided by MIRRI SK, which oversees the translation of reform priorities into EU funds.

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

The ministers involved in the preparation and implementation of the NRP are primarily those responsible for the economic, social, education, health and environmental agendas, including law enforcement. The other ministers, Government's commissioners and representatives of other general government agencies engage in the implementation of the strategy within the framework of cooperation in selected areas. A meeting of all involved ministries' state secretaries took place in the course of the NRP preparation. Consultation of partners, including the third sector, is running throughout a year. The NRP is also part of the standard interdepartmental comments procedure, which provides another opportunity to comment on the proposed material. The process of document preparation is completed with the approval by the Government of the Slovak Republic. The financing of the NRP measures will be provided within the expenditure and staffing constraints defined for the relevant budget Chapters. The RRP and EU cohesion policy will be important instruments for the implementation of the measures.

At EU level, the NRP is a key part of the European Semester cycle and, alongside the Stability Programme, plays a central role in facilitating collective monitoring and a multilateral debate on policy challenges and how to address them. It maps the status of implementation of the 2019 and 2020 CSR and reports on the annual progress in the implementation of the RRP, including a roadmap for the implementation of measures in the coming year. From this year, it should also monitor progress towards the 2030 Agenda for Sustainable Development and the principles of the European Pillar of Social Rights.

## Annex 1: Targets and indicators

### Methodology for setting European and national targets in 2030

**It is appropriate to set targets for the identified key indicators and to regularly assess progress.** In the past decade, some of the targets were set by the EC under the Europe 2020 strategy. These targets have been regularly monitored in the NRP as part of the Country Specific Recommendations status check. After 2020 the EC has not yet set any target values for strategic indicators for countries with some exceptions (e.g. green targets in energy and environment, employment). However, in order to set economic and budgetary policy, it is advisable to set targets, check them regularly and take the necessary corrective measures in a timely manner in the event of an undesirable deviation from the trajectory to the target.

**The target-setting methodology used in the 2022 NDP carries forward the ambition of past target-setting, the novelty is that it is balanced by the demonstrable achievability of the target<sup>270</sup>.** The targets set by the methodology used in the NRP 2022 fill the space in the absence of target values from the EC. The key principle is the combination of ambition and realism, so that in the case of Slovakia's below-average position, the progress of countries with the highest rate of improvement over the past period in a given area is used to set the national target. This means that an ambitious target can be considered achievable. Targets are proposed for a 10-year horizon to 2030.

**The calculation first estimates the EU27 average in 2030.** Where the EC has set long-term targets for 2030 in strategic indicators, these are used. Otherwise, for the weighted EU27 average, the trend is extrapolated based on the development over the previous decade 2010-2020<sup>271</sup>. Exceptions are indicators with shorter time series or lower reporting frequency (e.g. PISA since 2006, DESI since 2015). In the absence of a weighted average for the EU27, e.g. due to fewer countries entering the calculation, an arithmetic average (e.g. PISA) is used. In the case of the ranking indicators, the values of the indicators for each country are extrapolated and then transformed into rankings.

**In a second step, target values are set for the national targets.** Three situations are considered. If the latest available figure to 2020 for Slovakia is above the weighted European average, the aim is to maintain an above-average position. The extrapolation for Slovakia in this case replicates the growth for the EU27, taking into account the convergence of the countries by adjusting the resulting value for Slovakia by the share of standard deviations at the first and last time points. At the same time, if there is a national target set by an approved strategy document, this shall be used instead of extrapolation.

**If Slovakia is lagging behind the EU27 average, the national target will be set on the basis of the past performance of the five most improving economies in the EU.** The average growth of the five fastest improving economies over the last decade is used to set a target for Slovakia, whereby if the European average is reached during the trajectory, further growth follows the average EU27 dynamics<sup>272</sup>. Using the trend of improvement in the countries with the highest progress assumes that their experience is transferable to the Slovak context. This can be done, for example, by further analysis of the specific policies implemented by these countries and their possible transferability. This key step in setting national targets combines

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<sup>270</sup> A detailed description of the methodology together with data and calculations for each indicator is currently under review.

<sup>271</sup> Extrapolation in this case uses a multiple of the average annual improvement in the absolute value of the indicator. This is the absolute improvement in the units in which the indicator is measured, mostly improvement in percentage points.

<sup>272</sup> The exceptions are indicators in the long-term sustainability of public finances, for which the targets are set by the constitution (debt) and the recommended value (S2).

Slovakia's ambition to improve and catch up with the European average, and at the same time this ambition is offset by the realism of achieving these targets on the basis of concrete data.

**The third step is to determine the trajectory of reaching the target by interpolation.** While this step is not necessary for target setting purposes, in the context of the NRP it is important for future progress checks. At the same time, it is not advisable to update the targets depending on future developments; rather, the evolution of the values in the indicators is recommended to be used to reflect on the success of the policies adopted and implemented<sup>273</sup>. If the target is achieved, resources and reform efforts can be redirected to areas still lagging behind. In setting the trajectory, the first year shall be set to be in line with the expected effectiveness of the implementation of the reform measures. At the same time, the ministry in charge of the indicator (possibly in cooperation with other ministries) may propose a justified change in the trajectory, while maintaining the value of the target. The interpolation at this stage is linear from the first year of the expected effectiveness of the implementation of the measures in the area.

## Overview of result indicators

		2015	2016	2017	2018	2019	2020	2021	Target 2030	
Quality of institutions	<b>Rule of Law</b>	<b>SK</b>	66	56	61	63	63	56	-	49
	(WGI, ranking), EU median	<b>EU</b>	36	38	36	38	38	36	-	37
	<b>Control of corruption</b>	<b>SK</b>	81	79	83	78	81	71	-	48
	(WGI, ranking), EU median	<b>EU</b>	45	48	46	53	54	49	-	50
Productivity	<b>PMR index (target for 2028)</b>	<b>SK</b>	-	-	-	1.52	-	-	-	1.30
	(Index value)	<b>EU</b>	-	-	-	1.40	-	-	-	1.30
	<b>DESI index</b>	<b>SK</b>	19	21	19	19	20	21	22	14
	(ranking out of 27 EU countries)	<b>EU</b>								
Labour market and social affairs	<b>European Innovation Scoreboard (EIS)</b>	<b>SK</b>	20	20	21	22	22	22	23	21
	(ranking)	<b>EU</b>								
	<b>Business R&amp;D expenditure</b>	<b>SK</b>	0.32	0.40	0.48	0.45	0.45	0.50	-	1.04
(% GDP)	<b>EU</b>	1.37	1.39	1.43	1.45	1.46	1.53	-	1.72	
Education	<b>Employment rate LFS</b>	<b>SK</b>	67.7	69.8	71.1	72.4	73.4	72.5	-	76.5*
	(LFS, 20-64 of age)	<b>EU</b>	69	70.1	71.3	72.3	73.1	72.4	-	78*
	<b>ESA employment rate</b>	<b>SK</b>	41.8	42.7	43.6	44.4	44.8	43.9	-	47.4
	(ESA, whole population)	<b>EU</b>	44.7	45.1	45.8	46.4	46.7	46.0	-	47.4
	<b>Percentage of people at risk of poverty or social exclusion</b>	<b>SK</b>	17.3	17.1	15.8	15.2	14.9	13.8	-	13.6*
	(after transfers, % of population)	<b>EU</b>	24.0	23.7	22.4	21.7	21.1	21.9	-	17.7*
	<b>Employment rate of women</b>	<b>SK</b>	56.4	58.8	59.7	59.6	59.6	57.9	-	66.8
	(LFS, 20-40 of age)	<b>EU</b>	64.1	64.6	65.8	66.6	67.2	66.1	-	67.9
Housing	<b>Employment rate of people with low education</b>	<b>SK</b>	33.2	35.9	37.3	36.4	36.1	34.0	-	49.4
	(LFS, ISCED 0-2)	<b>EU</b>	51.7	52.5	53.9	55	55.7	54.9	-	56.5
	<b>Proportion of children in pre-primary education</b>	<b>SK</b>	72.2	73.4	74.9	77.6	77.8	-	-	94.6
	(from 3 years of age to the beginning of compulsory primary education)	<b>EU</b>	91.9	92.4	92.5	92.3	92.8	-	-	94.6
	<b>PISA</b>	<b>SK</b>	463	-	-	466	-	-	-	473
	(grade point average in reading literacy, mathematics and science)	<b>EU</b>	486	-	-	484	-	-	-	481
	<b>Percentage of pupils below the minimum level in reading</b>	<b>SK</b>	32.1	-	-	31.4	-	-	-	28.0
	(PISA)	<b>EU</b>	20.0	-	-	22.5	-	-	-	21.3
	<b>Percentage of early school leavers</b>	<b>SK</b>	6.9	7.4	9.3	8.6	8.3	7.6	-	6*
	(% in the 18-24 age group)	<b>EU</b>	11	10.6	10.5	10.5	10.2	9.9	-	6.0
Housing	<b>Average ranking of the best university in TOP rankings</b>	<b>SK</b>	668	651	651	668	784	835	834	706
	(average ranking in Times, Shanghai rankings and QS), EU median	<b>EU</b>	351	384	316	319	336	334	353	353
	<b>Percentage of people participating in adult education</b>	<b>SK</b>	3.1	2.9	3.4	4	3.6	2.8	-	7.0
	(age 25-64; in the last 4 weeks)	<b>EU</b>	10.1	10.3	10.4	10.6	10.8	9.2	-	10.6
Housing	<b>Overcrowding</b>	<b>SK</b>	37.8	37.9	36.4	35.5	34.1	30.1	-	16.5
	(% of population)	<b>EU</b>	18.1	17.9	17.5	17.1	17.1	17.8	-	16.5
	<b>Housing cost</b>	<b>SK</b>	29.8	29.6	28.5	28.1	28.7	30.6	-	27.9
(Share of total final household consumption)	<b>EU</b>	24.1	23.9	23.6	23.5	23.5	-	-	23.4	

<sup>273</sup> The exception would be later European targets, which would be agreed at national level.

	<b>Proportion of population living in rent-controlled or rent-free accommodation</b> (% of population)	<b>SK</b>	1.5	1.6	1.5	1.2	1.4	1.6	-	4.2
		<b>EU</b>	9.8	9.7	9.6	9.3	9.1	9.6	-	6.7
<b>Health</b>	<b>Life expectancy at birth</b> (Number of years)	<b>SK</b>	76.7	77.3	77.3	77.4	77.8	76.9	-	80.6
		<b>EU</b>	80.5	80.9	80.9	81	81.3	-	-	82.9
	<b>Treatable mortality through healthcare</b> (Number of deaths per 100 thousand inhabitants)	<b>SK</b>	176.9	168.3	173.7	165.3	-	-	-	119.6
		<b>EU</b>	95.9	93.2	-	-	-	-	-	64.5
	<b>Preventable mortality</b> (Number of deaths per 100 thousand inhabitants)	<b>SK</b>	258.2	243.8	238.7	241.3	-	-	-	173.7
		<b>EU</b>	166.28	162.5	-	-	-	-	-	119.1
	<b>Difference in life expectancy by education</b> ( Number of years, males aged 25, difference between ISCED 5-8 and ISCED 0-2)	<b>SK</b>	14.8	14.9	15.6	-	-	-	-	9.6
		<b>EU</b>	6.0	6.3	6.9	-	-	-	-	4.3
<b>Green transformation</b>	<b>Average concentration of PM2.5</b> (µg/m3)	<b>SK</b>	19.0	14.7	17.5	16.9	13.8	-	-	8.6
		<b>EU</b>	15.8	14.6	14.9	14.5	12.6	-	-	8.6
	<b>Greenhouse gas emissions</b> (Total emissions excluding LULUCF, Decrease from 1990, in %)	<b>SK</b>	-46.5	-46.0	-44.1	-42.7	-47.3	-	-	-55
		<b>EU</b>	-24.4	-24.3	-22.9	-24.9	-27.9	-	-	-55
	<b>Recycling rate</b> (% of municipal waste)	<b>SK</b>	14.9	23.0	29.8	36.3	38.5	42.2	-	60
		<b>EU</b>	44.9	46.5	46.9	47.2	47.7	47.8	-	60
	<b>Renewable energy</b> (% on gross final energy consumption)	<b>SK</b>	12.9	12.0	11.5	11.9	16.9	17.3	-	<b>19.2*</b>
		<b>EU</b>	17.8	18.0	18.4	19.1	19.9	22.1	-	<b>32*</b>
<b>Public finances</b>	<b>Government gross debt</b> (% GDP)	<b>SK</b>	51.8	52.4	51.6	49.6	48.1	59.7	61.8**	40
		<b>EU</b>	86.6	85.8	83.1	81.0	78.8	91.8	92.1**	-
	<b>S2</b> (value)	<b>SK</b>	3.50	2.4	2.4	2.5	3.8	7.7	8.2	2
		<b>EU</b>	2.3	2.1	1.9	2.3	2.4	2.4	-	-

Source: WGI, Eurostat, OECD, IFP calculation

\* This is a target specified in a strategic document (specified in more detail in the structural chapter in question).

\*\* Data as of November 2021.

## Description of result indicators

Indicator name	Definition and source
<b>Rule of Law</b>	The rule of law reflects the perception of the extent to which individual actors trust and abide by the rules of society; in particular, the quality of contract enforcement, property rights, police and courts, and the likelihood of crime and violence are monitored. Source: <a href="http://info.worldbank.org/governance/wgi/">http://info.worldbank.org/governance/wgi/</a>
<b>Control of corruption</b>	Control of corruption reflects the perception of the extent to which public power is exercised for private gain, including petty and grand forms of corruption, as well as the "capture" of the state by elites and private interests. Source: <a href="http://info.worldbank.org/governance/wgi/">http://info.worldbank.org/governance/wgi/</a>
<b>Product market regulation index (PMR)</b>	Country ranking in the Product Market Regulation Index. It measures regulation and barriers in three areas: government control, barriers to business, and barriers to trade and investment (each with a one-third weighting). The Product Market Regulation Index does not focus only on the business activities of ordinary enterprises, but measures broader regulation (e.g. regulation of network industries). Source: <a href="https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/">https://www.oecd.org/economy/reform/indicators-of-product-market-regulation/</a>
<b>DESI index</b>	The Digital Economy and Society Index measures progress in five areas - internet connectivity, human capital, use of internet services, integration of digital technologies and digital public services. Source: <a href="https://digital-strategy.ec.europa.eu/en/policies/desi">https://digital-strategy.ec.europa.eu/en/policies/desi</a>
<b>European Innovation Scoreboard</b>	An index assessing the position of countries in a number of areas affecting innovation (human capital, attractiveness of the scientific environment, digitalisation, financing, corporate investment, IT, intellectual assets, etc.) Source: <a href="https://ec.europa.eu/info/research-and-innovation/statistics/performance-indicators/european-innovation-scoreboard">https://ec.europa.eu/info/research-and-innovation/statistics/performance-indicators/european-innovation-scoreboard</a>
<b>Business expenditure on research and development</b>	Business R&D expenditure as a percentage of GDP Source: Eurostat: [rd_e_berdindr2]
<b>LFS employment rate</b>	Employment in the 20-64 age group Source: Eurostat [lfsa_egan]
<b>ESA employment rate</b>	Total employment (domestic concept) without age limit Source: Eurostat [nama_10_pe]
<b>Percentage of people at risk of poverty or social exclusion</b>	Proportion of the population at risk of poverty (after social transfers) and/or living in material deprivation and/or in households with very low labour intensity Source: Eurostat [ilc_peps01n]
<b>Employment rate of women</b>	Employment rate for women aged 20-39 Eurostat: [lfsa_egan], [lfsa_pganws]
	Employment rate of people with primary and lower education aged 20-64 (ISCED 0-2)

<b>Employment rate of people with low education</b>	Source: Eurostat [fsa_ergaedn]
<b>Proportion of children in pre-primary education</b>	Proportion of children in pre-primary education from 3 years of age to the start of compulsory schooling Source: Eurostat [educ_uoe_enra21]
<b>PISA</b>	An international standardized assessment of the knowledge and skills of 15-year-olds. It assesses pupils in three areas in mathematics, reading and science. The index is the average of the scores in each domain. Source: <a href="https://pisadataexplorer.oecd.org/ide/idepisa/">https://pisadataexplorer.oecd.org/ide/idepisa/</a>
<b>Percentage of pupils below the minimum level in reading</b>	Proportion of pupils below basic level (level 2) in PISA reading literacy Source: <a href="https://pisadataexplorer.oecd.org/ide/idepisa/">https://pisadataexplorer.oecd.org/ide/idepisa/</a>
<b>Percentage of early school leavers</b>	Proportion of the population aged 18-24 with low educational attainment (ISCED 0, 1, 2, 3C) not in further education or training Source: Eurostat [edat_lfse_14]
<b>Average ranking of the best university in TOP rankings</b>	The average ranking of the best university in the country across the Times, ARWU and QS rankings Source: <a href="https://www.universityrankings.ch/">https://www.universityrankings.ch/</a>
<b>Percentage of people participating in adult education</b>	Percentage of people in education and training in the last four weeks Source: Eurostat [trng_lfs_01]
<b>Overcrowding rate</b>	Percentage of population living in an overcrowded household Source: Eurostat [ilc_lvho05a]
<b>Housing costs</b>	Share of housing costs in household final consumption according to national accounts Source: Eurostat [nama_10_co3_p3]
<b>Proportion of the population living in rent-controlled or rent-free accommodation</b>	Proportion of the population living in rent-controlled or rent-free accommodation Source: Eurostat [ilc_lvho02]
<b>Life expectancy at birth</b>	The average number of years that a newly born child will live, assuming that the current mortality rates in each population year are maintained. Source: Eurostat [demo_mlexpecedu]
<b>Treatable mortality</b>	The healthcare-preventable mortality rate, or in other words the treatable mortality rate, includes deaths that can be averted by early and effective diagnosis or adequate healthcare intervention and treatment for people up to 75 years of age. Defined as the number of deaths per 100,000 population. Source: Eurostat [hlth_cd_apr]
<b>Preventable mortality</b>	Preventable mortality rates, mainly through effective public health interventions and primary prevention (i.e. before the outbreak of diseases/injuries, to reduce their incidence) for people under 75 years of age. Defined as the number of deaths per 100,000 population. Source: Eurostat [hlth_cd_apr]
<b>Difference in life expectancy by education</b>	Difference in life expectancy at the age of 25 between men with at most lower secondary education and men with tertiary education Source: Eurostat [demo_mlexpecedu]
<b>Average concentration of PM<sub>2,5</sub></b>	The indicator measures the population-weighted average annual concentration of particulate matter in urban agglomerations. It is measured in µg/m <sup>3</sup> of air as an average value per year. Fine particles (PM <sub>2,5</sub> ) are those with a diameter of less than 2.5 micrometers. Source: Eurostat [sdg_11_50]
<b>Greenhouse gas emissions</b>	Percentage change in non-ETS GHG emissions (expressed as CO <sub>2</sub> equivalent) compared to 2005. The indicator captures trends in aggregated anthropogenic emissions of CO <sub>2</sub> , NO <sub>2</sub> , CH <sub>4</sub> , HFCs, PFCs and SF <sub>6</sub> , collectively referred to as GHGs (expressed as CO <sub>2</sub> equivalent). The total does not include emissions from the emissions trading and land use and forestry (LULUCF) sectors. Source: Eurostat [env_air_gge]
<b>Recycling rate</b>	Percentage of municipal waste recycled Source: Eurostat [CEI_WM011]
<b>Proportion of RES</b>	Share of final energy consumption from RES and gross final energy consumption. RES final energy consumption is calculated as the sum of RES gross final electricity consumption, RES gross final energy consumption of energy for heating and cooling and RES final energy consumption of energy for transport. Source: Eurostat [nrg_ind_ren]

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<b>Government gross debt</b>	Government gross debt as a share of GDP Source: Eurostat [gov_10dd_edpt1]
<b>S2</b>	Indicator S2 measures how much the structural primary balance needs to change permanently (in % of GDP) for the present value of future structural primary balances to cover today's level of debt. Source: <a href="https://ec.europa.eu/info/sites/default/files/economy-finance/swd-2021-501_en_v2.pdf">https://ec.europa.eu/info/sites/default/files/economy-finance/swd-2021-501_en_v2.pdf</a>

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## Annex 2: List of Abbreviations

AES	Adult Education Survey
CEPOL	European Police College
CSR	Country Specific Recommendations, Specific EU Council recommendations for Slovakia
DESI	Digital Economy and Society Index
DRG	diagnoses related groups
ECDI	European Centres of Digital Innovation
EHEA	European Higher Education Area
EC	European Commission
EPSP	European Pillar of Social Rights
ESA	European System of National and Regional Accounts
EUROPOL	European Police Office
EU	European Union
IA	Investment authority
IFP	Institute of Financial Policy
ISCED	International Standard Classification of Education
ISP	Institute of Social Policy
LFS	Labour Force Survey
MoF SR	Ministry of Finance of the Slovak Republic
MoE SR	Ministry of Economy of the Slovak Republic
MIRRI SR	Ministry of Investments, Regional Development and Informatization of the Slovak Republic
IMF	International Monetary Fund
MRC	Marginalized Roma communities
MoJ SR	Ministry of Justice of the Slovak Republic
Mol SR	Ministry of Interior of the Slovak Republic
NIKA	National Implementation and Coordination Authority
NPC	No-policy-change scenario
NPR	National reform programme
OP	Operational Programme
OSI	Oxford Stringency Index
RES	Renewable energy sources
PISA	Program for International Student Assessment
PMR	Product Market Regulation
RRP	Recovery and Resilience Plan of the Slovak Republic
SDG	Structural Development Goals
SIH	Slovak Investment Holding
SK RIS3 2021+	Research and Innovation Strategy for Smart Specialisation of the Slovak Republic 2021 – 2027
VFMU	Value For Money Unit