

National Reform Programme of the Slovak Republic for 2011-2014

April 2011



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Political commitments of the Slovak Government

The Government of the Slovak Republic (the "Government") is committed to adopting the following measures during the next twelve months:

Pension system reform

The Government's goal is to steer Slovakia out of the group of high-risk countries – where it is currently placed according to the latest assessment of the long-term sustainability of public finances by the European Commission – into the group of countries with a low risk of long-term sustainability. Under the pay-as-you-go pillar, the Government will enhance the solidarity element and put in place an automatic stabilisation mechanism to reflect demographic changes as they occur. In other words, the policies themselves, without being altered, will include automatic stabilisers. Under the fully-funded pillar, the currently optional participation by those entering the labour market will become compulsory with an option to exit the scheme within a limited period of time. At the same time, investment rules will also be changed so that clients may benefit from higher yields.

Fiscal Responsibility Act

In the process of tightening the national fiscal framework, the Government will ensure, through adoption of the Fiscal Responsibility Act, that its fiscal policy remains responsible towards future generations and has a counter-cyclical effect. The new Act will contain six cornerstones: (1) greater emphasis on stock variables, particularly on the government's net worth in order to make public finances more transparent, (2) a cap setting gross general government debt at below 60% of GDP, (3) aggregate expenditure ceilings, (4) tighter rules for local government, (5) data disclosure rules and (6) an independent Fiscal Responsibility Council.

Reform of the system of taxes and social contributions

The reform of the system will enhance its efficiency and reduce the administrative burden on the taxpayer. A unified assessment base for the calculation of social contributions, identical with the tax assessment base, will be put in place as a prerequisite for concentrating the collection of taxes, customs duties and social contributions into one single institution. Taxpayers will file their personal income tax returns and social contributions using a single form.

Labour Code reform

The Labour Code reform will put Slovakia among the top ten countries with the most flexible legislature in the OECD. It will stimulate the creation of new jobs which the country needs, in particular for certain disadvantaged groups. The reform will also provide for increased flexibility of the rules regulating employment under full-time contracts, including the associated costs. Subject to mutual consent, the employer and employee will be able to choose the most suitable combination of notice period and severance pay. Relaxation of the rules regulating working time will increase employers' flexibility and adaptability to the changing economic conditions whilst reflecting the specific needs of individual workers.

Reduced administrative burden

The Government's objective is to improve the overall business environment to an extent that puts Slovakia in the Top-15 of the World Bank's *Doing Business* charts by 2020. In the next twelve months, the Government will implement measures aimed at reducing barriers to doing business, stabilising the legislative framework and expanding the scope of e-Government services. The amount of registered capital required for the incorporation of individual types of companies will be reduced and the registration periods shortened. The completion and full operation of the network of single contact points will improve the communication of taxpayers (both natural and legal persons) with the Government. In addition, a reduced administrative burden will facilitate the creation of new jobs.

Fight against corruption, increased transparency

New measures will be taken to increase transparency and combat corruption. Any contract involving public funds will become valid upon its publication on the Internet. Simplification and e-solutions in the area of justice will foster transparency. All court decisions, including their reasoning, will be published on the Internet. The selection procedure for new judges will be adjusted to ensure a transparent and fair process for all candidates.



Introduction

The National Reform Programme of the Slovak Republic for 2011-2014 (NRP 2011-2014) contains measures which the Slovak Government intends to implement during its term in office until 2014 under the Europe 2020 strategy. The programme contains a set of measures necessary in order to enhance economic recovery from a short-term perspective and improvements in the quality of life in the medium-term. The measures cover the following two areas:

- fiscal consolidation for improved macroeconomic stability;
- structural reforms that enhance economic growth, employment and quality of life.

The objective of the Europe 2020 strategy is to ensure long-term sustainable economic growth and creation of new jobs, including overcoming the economic crisis. Even though structural policies are within the competence of individual Member States, a certain degree of their synchronisation brings benefits to individual Member States. The economies of EU Member States are currently extremely interconnected; this is particularly true of the Eurozone members.

The basic framework for the preparation of structural policies consists of integrated EU guidelines along with the five headline targets which the measures adopted by the Member States should follow. On the basis of the five EU-wide targets set by the European Council, the Member States have defined their national targets that take into account their domestic situation. The Slovak Government considers quantifiable indicators an important instrument for policy preparation and assessment, and has also defined its own national targets beyond the EU requirements with the focus on (1) covering all priorities relevant to enhancing the economic growth, employment and quality of life in Slovakia, and (2) measuring the results - not inputs but outputs of public policies.

The first chapter of this document defines the priority areas under the NRP 2011-2014, identified primarily on the basis of a GDP analysis and recommendations made by the European Commission. The second chapter describes the institutional aspects of the implementation of the Europe 2020 strategy in Slovakia. The third chapter provides an overview of the most significant measures that have been implemented in Slovakia since the June 2010 general election. Chapter four contains a medium-term macroeconomic forecast and fiscal framework. This chapter also discusses tax and contribution system reforms and measures aimed at long-term sustainability of public finance. Chapter five deals with the environmental sustainability and energy sectors, presenting plans aimed at reducing greenhouse gas emissions and energy intensity of the national economy. Crucial is the sixth chapter which contains the plan of reforms in five priority areas: (1) education, science and innovation; (2) employment and social inclusion; (3) business environment; (4), transparency and rule of law; and (5) health. It also includes the national targets set by the Slovak Government. Their main purpose is to measure policy results rather than outputs or inputs. A list of structural indicators and corresponding target values for 2020 is included in the annexe, along with a detailed time schedule for the implementation of tasks arising from the defined measures; the purpose of this list is to ensure clear and transparent monitoring of their fulfilment.

Discussions on the EU cohesion policy beyond 2013 are currently held at the Commission level. The Slovak Government fully subscribes to the priorities of the Europe 2020 strategy and, considering Slovakia's specifics, puts an emphasis on those priorities for the next programming period which it deems crucial for the development of the Slovak economy and which require considerable financial resources: (1) basic infrastructure; (2) human resources, employment and social inclusion; (3) science, research and innovation with the focus on green growth.

The present document elaborates on the Manifesto of the Government of the Slovak Republic. The preparation of the NRP 2011-2014 involved representatives of economic, social and regional partners, and the National Council of the Slovak Republic. The proposed measures will be funded from individual budget chapters and fully comply with the General Government Budget for 2011-2013 and the Stability Programme of the Slovak Republic for 2011-2014. The document will be updated on a yearly basis, in line with the so-called European semester.



1 Priority areas under the NRP 2011-2014

The European Council has requested the Member States to include in its national reform programmes the most severe macro-structural bottlenecks to their growth and to propose policies on their removal with the aim of ensuring appropriate conditions for sustainable and balanced growth and employment in the future.

The NRP 2011-2014 priority areas have been identified by way of comparing decomposition of Slovak GDP with that of the EU15 average. However, the priorities also take into account additional factors which do not necessarily contribute to a higher GDP growth, but improve the quality of life. The Slovak Government has also taken into account recommendations made by the European Commission, which are consistent with a number of OECD and IMF recommendations. A detailed analysis is included in the National Reform Programme of the Slovak Republic for 2010.

The measures also respond to the recommendations contained in the Annual Growth Survey in which the European Commission assessed, under the European semester, major economic challenges faced by the EU and defined priority measures to address them. Based on the aforementioned analysis and recommendations, the Slovak Government has defined the following structural policy priorities:

- **healthy and sustainable public finance;**
- **zero tolerance for corruption and ensuring access to justice;**
- **enough job opportunities that reduce social risks;**
- **encouraging business environment;**
- **educated people and innovative society;**
- **access to quality healthcare.**

These priorities are identical with the priorities set under the Government Manifesto, the objective of which is to improve the quality of life in Slovakia in a sustainable and measurable manner. The Slovak Government also considers it important to take account of the environmental sustainability, with the focus on reducing greenhouse gas emissions and energy intensity of the economy. It is increasingly important to ensure the good quality of the environment; therefore, the economic policy should also pay more attention to environmental costs, especially in the case of large-scale projects.

The political will to implement structural reforms is vital to their success. The Slovak Government hereby undertakes to implement such reforms. However, high-quality solutions also require expert capacities to prepare these reforms. The Government will promote the strengthening of an institutional framework with adequate expert and analytical background to produce high-quality measure proposals supported by due analysis.

European Commission: Macro-Structural Bottlenecks to Growth in Slovakia

- *Reducing the high general government structural deficit and ensuring long-term sustainability of public finances in view of the population ageing.*
- *Ensuring reallocation of public spending towards growth-enhancing items, including education, R&D and infrastructure.*
- *Implementing the necessary reforms to ensure better quality of public spending and in particular that the additional expenditure for education and R&D are used efficiently.*
- *Ensuring wage and price adjustment to sustain competitiveness, while improving the business environment.*
- *Ensuring full utilisation of the economy's labour potential, by tackling the long-term unemployed and marginalised groups.*



2 Institutional aspects of the Europe 2020 strategy in Slovakia

The Slovak Government has responded to the development in the coordination of Member State economic policies at the EU level by strengthening the agenda of structural reforms and appointing the Prime Minister and the Minister of Finance as Europe 2020 strategy coordinators in the Slovak Republic.

The preparation and implementation of the National Reform Programme of the Slovak Republic also involve the First Deputy Prime Minister and Minister of Transport, Construction and Regional Development; the Deputy Prime Minister and Minister of Labour, Social Affairs and Family; the Minister of Education, Science, Research and Sport; the Minister of Economy; the Minister of the Environment; the Minister of Justice; and the Minister of Health. Other ministers, government plenipotentiaries and representatives of other central government bodies participate in delivering the strategy through cooperation in selected areas.

A large number of programme priorities defined by the Government in this area require cooperation of two and more ministries. To that end, an office of a Government Plenipotentiary for Knowledge-based Economy has been set up to coordinate preparation and implementation of those public policies which have an impact on the overall development of knowledge-based economy in order to ensure compliance and synergies among them.

A newly established Ministerial Council of the Slovak Government which discusses proposed measures and tasks that represent policy priorities of the Government may also be instrumental to the implementation of the National Reform Programme. In addition, it will coordinate cooperation among individual ministries in the implementation of governmental priorities.

Reinforcing government capacities and enhancing the quality in the functioning of the public administration will be crucial to successful implementation of the reforms. The Government will therefore promote the strengthening of an institutional framework with adequate expert and analytical background to produce high-quality measure proposals supported by due analysis. Expert capacities will primarily be reinforced at key economic and social ministries (Ministry of Education, Science, Research and Sport; Ministry of Labour, Social Affairs and Family; Ministry of Economy; Ministry of the Environment; Ministry of Transport, Construction and Regional Development; Ministry of Health) and the Government Office of the Slovak Republic to further elaborate on proposed measures, link them to budget, and monitor and evaluate their implementation. The Government will review the wage framework in the public sector with emphasis on the performance and rules of employment in the public sector with the aim of state capacity building.

The strategy coordinators also engaged representatives of economic, social and regional partners in the preparation of the National Reform Programme, including through direct negotiations at a working level, which supplemented standard procedures. The partners also participate in the preparation and implementation process through various informal platforms, such as conferences and seminars. The partners, including the academic community and non-governmental organisations, will be approached with a request to participate in the implementation, monitoring and evaluation of the tasks performed arising from the National Reform Programme.



3 Major measures implemented

This chapter provides an overview of the most significant measures that have been implemented in Slovakia since the June 2010 general election. It does not aspire to provide an exhaustive list of all the measures and tasks that the Government has already implemented, but it rather concentrates on measures and tasks with the largest contribution to economic growth, job creation and a higher quality of life in Slovakia.

Fiscal consolidation

The core part of the medium-term deficit consolidation efforts concentrates on 2011, when measures totalling EUR 1.8 billion, or 2.5% of GDP, are planned to be taken. The measures will affect both budget revenues and expenditures, with a majority of them focusing on expenditures. The Government streamlined the state administration through a 10% cut in operating costs (13% in real figures), including cuts in wages for government ministers, MPs and other state officials. From the long-term perspective, retreating from the massive incurrence of debts in the form of PPP projects has been an important decision as far as fiscal consolidation is concerned. The Government will fund the transport infrastructure development through less expensive state loans and EU funds to a larger extent; PPPs will only serve as a supplementary source of funding. More detailed information is provided in the *Macroeconomic and fiscal policy* chapter and in the Stability Programme of the Slovak Republic for 2011-2014.

More transparent use of public funds

The Slovak Government has introduced rules for a transparent and efficient use of public assets and public funds. Any contracts signed by general government organisations and municipalities, as well as any contracts involving public funds, become only effective on the day following the day of their publication. Since 1 January 2011, public procurement in the public administration has mostly been conducted through electronic auctions. The Government has also enhanced transparency on the healthcare market and information awareness of patients by enacting an obligation for health insurance companies to publish all contracts with healthcare providers, including contracts on the healthcare provided, in a user-friendly format on the Internet.

Supporting employment through labour market measures

The Government has adopted several changes in active labour market policies. The transparency of the system of active measures has been increased through the cancellation of four anti-crisis measures for which there was no demand on the labour market. In addition, availability of anti-crisis contributions to employers and employees to support employment has been extended until the end of 2011 and a new contribution to support regional and local employment introduced.

Reconciliation of work and family life

In order to facilitate employment of parents who raise minors, the Slovak Government has enabled parents to receive parental allowances even when performing a commercial activity and adjusted the amount of a child benefit, effective as of 2011. The change in the legislation has removed legislative barriers that prevented parents from working while receiving parental allowances; and the decision regarding child care has been left with the parents. Parents are thus better motivated to work even if a pay is not much higher than the allowance which they had been denied in the past once they had started working. Maternity leave was extended by six weeks to a total of 34 weeks, the position of employees following their return from maternity and parental leave improved. As of January 1, 2011, a single parental allowance rate was introduced for all beneficiaries.

Supporting employment of elderly people and more justice in pensions

The early old-age pension system has become better targeted and fair. From 1 January 2011, early old-age pensions are only granted to individuals who have no income from any commercial activity (with the exception of income under agreements for work performed outside an employment contract) or who do not have a compulsory pension insurance policy. It means that early old-age pensions are primarily paid to people who have no possibility of further employment and increasing their income through work. The said change also applies to early old-age pensions awarded before the end of 2010. Elderly people are thus better motivated to remain at the labour market until attaining the retirement age. The Government also adopted changes concerning the so-called



Christmas bonus for old-age pensioners. Solidarity of the bonus increased and differences between lowest and highest old-age pensions were reduced, especially by targeting the bonus on lowest-income pensioners.

Limits on copayments for pharmaceuticals for old-age pensioners and persons with severe disabilities

With effect from April 2011, the Government has enhanced social protection of the most vulnerable groups in the healthcare sector, having introduced ceilings on copayments for drugs for selected groups of insurers, pensioners and people with severe disabilities. Within 90 days of the end of a quarter, health insurance companies refund these patients an amount by which their copayments exceed the set limit. The least expensive generic alternative is counted towards the limit. The quarterly limit is set at €45 for old-age pensioners and at €30 for people with severe disabilities. The set limits will prevent these socially vulnerable groups from high copayments for healthcare services.

Degressive margin on drugs supplied to hospitals

The degressive margin, implying that with the gradually increasing price of a medicinal drug the percentage margin charged by distributors and public pharmacies gradually decreases, and applicable to drugs supplied to hospital pharmacies, was re-introduced and will be effective as of 1 October 2010. The expected public savings generated by this measure have been estimated at €10 million a year.

Introduction of digital textbooks and more English classes at schools

In February 2011, the pilot stage of the project of digital textbooks for mathematics, physics, chemistry, biology and natural science classes was launched. The content of digital textbooks in the Planet of Knowledge project comprises around 30 000 teaching materials. At least 300 primary and secondary schools in all Slovak regions have joined the pilot project. If the digital content pilot project is a success, the Government will make the digital teaching texts available to all primary and secondary schools nation-wide from 1 September 2011, and extend the digital textbooks to also cover other subjects. In order to facilitate labour market opportunities for school graduates, an amendment to the School Act was passed, making English a compulsory foreign language with effect from 1 September 2011. English will be taught as a compulsory subject from year three at primary schools and, if successfully implemented, English classes will be made compulsory from year two, or even year one.

Landscape revitalisation and integrated river basin and landscape management programme

The Slovak Government approved the landscape revitalisation and integrated river basin and landscape management programme in October 2010. The programme creates conditions for socially beneficial and economically effective functioning of a comprehensive and integrated system of flood prevention measures. The Government allocated approximately €34 million to be spent under this programme in the 2010-2011 period. In addition, the project implementation will generate new job opportunities. The project will follow up on the introduction of an allowance to support employment through the implementation of flood prevention measures and removing consequences of emergency situations.

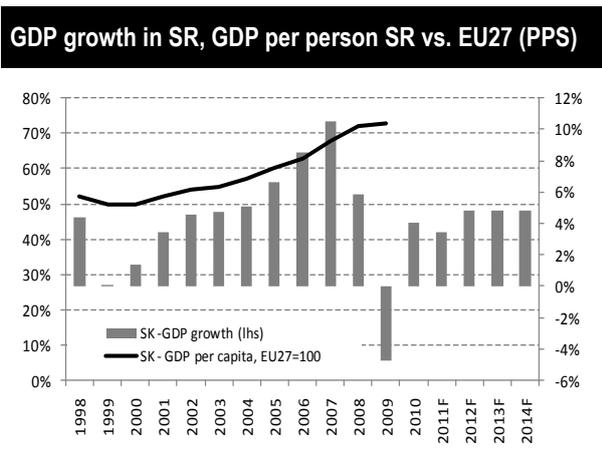
4 Macroeconomic and fiscal policy

The Slovak Government considers a stable macroeconomic and fiscal policy fundamental to healthy economic development and a better quality of life. The following chapter describes the underlying macroeconomic and fiscal framework, as well as measures to ensure the healthy and sustainable development of public finance.

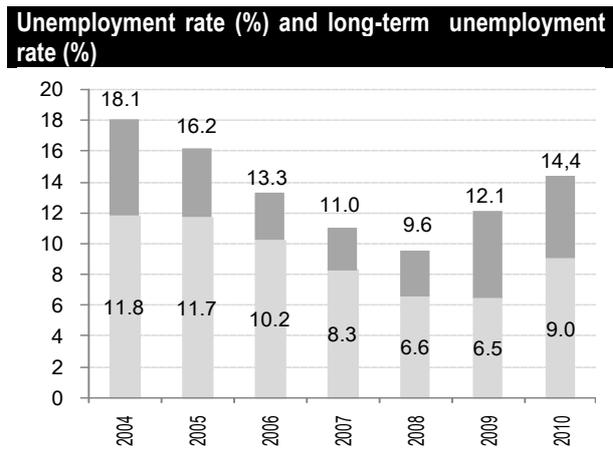
4.1 Macroeconomic framework and medium-term forecast

Economic development in Slovakia in 2010

Changes in the global economic development in 2010 brought about a relatively noticeable recovery of economic growth in Slovakia. The performance of the Slovak economy increased by 4% in real figures in 2010, having thus countered almost the entire economic decline it had witnessed in the crisis year of 2009. Following a considerable downturn of nearly 8% in the first quarter of 2009, the GDP has since continuously increased by more than 1% on average in each quarter, making Slovakia one of the fastest growing EU economies. On the output side, the growth was mainly driven by an accelerated industrial output in sectors sensitive to the economic cycle (automotive, electrical and electronics and mechanical engineering industries) and, as far as the services sector is concerned, by financial intermediation and real estate, and other services. From the point of view of the structure of demand, the growth of the Slovak economy was mainly driven by net exports, inventory and fixed investments. On the other hand, domestic consumption continued its downward course caused by the adverse situation on the labour market.



Source: SO SR, own calculations



Source: SO SR, own calculations

Even though the economy has gradually stabilised, the Slovak labour market remained considerably affected by the consequences of the economic crisis throughout 2010. In 2010, around 30 000 persons became unemployed, bringing the employment rate (according to ESA95) down by 1.4% on the previous year. Even though some consolidation tendencies can be seen in the recent development in employment, its rate remains far below the pre-crisis levels. This is also reflected in the unemployment rate, which rose to 14.4% in 2010. Moreover, the crisis has further deepened the problem of long-term unemployment, as the share of the long-term unemployed in the total unemployment rate increased to 59.4% in 2010.

Inflation developments in Slovakia remained to be affected by external developments throughout 2010, which slowed down the growth in imported inflation. The decrease in the average inflation rate (using the HICP methodology) to 0.7% was also positively influenced by a decline in unit labour costs. The growth in inflation witnessed at the end of 2010 was mainly caused by growing crude oil prices resulting from, in addition to the global economic recovery, a less constrained US monetary policy, and by rising food prices due to poor harvests



both at home and abroad. Nevertheless, Slovakia had the second lowest year-end inflation rate of all Eurozone countries.

Medium-term forecast of economic development in 2011-2014

The most recent official forecast prepared by the Ministry of Finance in February 2011 reflects improved expectations with respect to external developments in 2011 and 2012. In the upcoming years, the export performance of the Slovak economy will capitalise on new production capacities announced to be built in the automotive and electrical/electronic industries. Compared to the previous year, a slightly slower growth of 3.4% is expected in 2011, primarily caused by the consolidation of public finance. The planned decrease of the general government deficit from 7.8% in 2010 to 4.9% in 2011 will require fiscal measures amounting to 2.5%, since the 2011 deficit would otherwise reach 7.4%, if the policies remained unchanged. In terms of negative impacts on the economic growth, the significant reduction in deficit will be toned down by envisaged increased drawing of EU funds, which will partially mitigate the adverse influence of the public finance consolidation on government consumption and investments. The consolidation impact on the GDP growth is estimated at the level of -0.5 p.p. in 2011. In the following years, the GDP growth is expected to speed up and reach a relatively high rate of 4.8%, with its structure evenly driven both by foreign and domestic demand.

The employment rate (according to ESA95) is supposed to increase by 0.3% in 2011; its development will be negatively affected by redundancies in the public administration and state-owned undertakings. On the other hand, the opening up of labour markets in Germany and Austria, combined with the global economic recovery, will positively contribute to increasing the employment of Slovaks abroad. A worsened development in employment has also reflected in projected unemployment, where only a moderate fall to 13.9% is expected in 2011. The unemployment rate is unlikely to return to its pre-crisis levels by the end of the forecast period.

The price growth (using the CPI methodology) at a rate of 3.5% in 2011 is affected by higher prices of food and energy, and by the revenue measures of the fiscal package whose contribution to the overall price growth is estimated at a level of 0.9 p.p. The inflation rate is expected to gradually rise to an average level of 3.7% by 2014, due to increased demand pressures as well as due to Slovakia's convergence to the price level of EU countries. Nevertheless, the real wage growth rate will gradually increase to 2.8% in 2014.

Forecast of selected indicators of the Slovak economy (February 2011, %)					
Indicator	Actual	Forecast			
	2010	2011	2012	2013	2014
GDP, real growth	4.0	3.4	4.8	4.8	4.8
Final consumption of households, real growth	-0.3	0.1	3.5	4.0	4.1
Gross fixed capital formation, real growth	3.6	4.8	5.9	3.4	4.7
Export of goods and services, real growth	15.8	8.1	10.0	10.7	10.9
Import of goods and services, real growth	14.3	5.7	9.0	9.5	10.7
Average monthly wage, nominal growth	3.2	3.7	5.8	6.0	6.6
Average monthly wage, real growth	2.2	0.2	2.5	2.2	2.8
Average employment growth, ESA95	-1.4	0.3	0.9	1.2	1.2
Average unemployment rate, LFS	14.4	13.9	13.3	12.5	11.8
Consumer price index, average growth	1.0	3.5	3.1	3.7	3.7
Harmonised index of consumer prices, average growth	0.7	3.4	3.0	3.6	3.7
Current account balance, share of GDP	-3.5	-2.2	-1.7	-0.6	-0.3

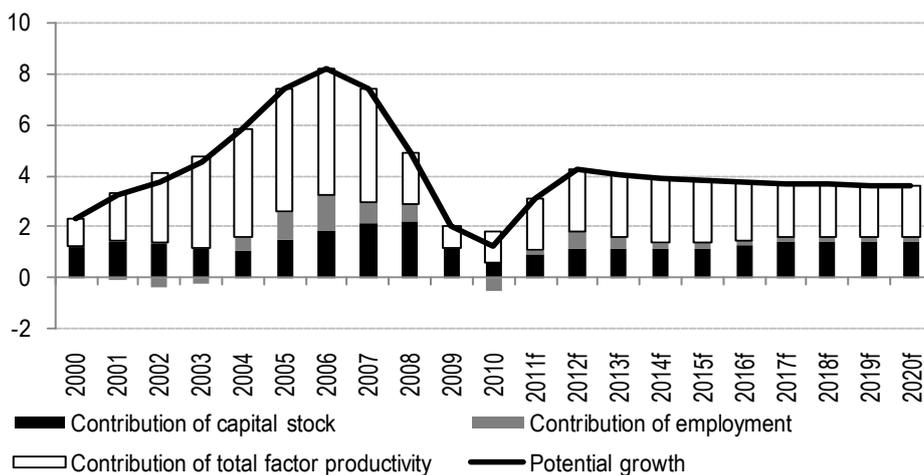
Source: MF SR



Development in the potential growth of the economy until 2020

The global economic crisis caused the potential growth of the Slovak economy to slump below 2%, the lowest ever estimated values since the beginning of the economic transformation. The slowdown in the potential growth of the economy was caused by all of the three factors of production - in the first phase, by a slower growth in factor productivity and capital accumulation resulting from a lower volume of new investments. A decline in the potential employment and a rise in structural unemployment (NAIRU) occurred with some delay. The ongoing economic recovery leads to a gradual acceleration in the growth of the potential output; starting from 2011, all three factors of production should increase. The MFSR expects the potential growth to speed up to 4% by 2014, but a return to the robust, pre-crisis growth in the potential output is not expected until 2020. A moderate deceleration, approximately to some 3.6%, in the growth dynamics may be envisaged after 2014. The ongoing, more stringent credit standard policy, being a global consequence of the economic crisis, along with a moderately increased risk premium will slightly temper the increase in new investments and, hence, capital stocks in the medium term. A slower growth in potential employment will primarily be influenced by hysteretic effects in the form of growth in long-term unemployment, as well as by the change in the population growth. Due to the ongoing convergence to advanced economies, the growth contribution of the factor productivity will slightly slow down to the level of 2% but will remain the major driver of economic growth.

Potential output and its components up to 2020 (%)



Note: Production function methodology with expert adjustments for 2006-2008.

Source: SO SR, MF SR

4.2 Fiscal policy and public finance

The Slovak Government will reduce the value of the long-term sustainability indicator (GAP) to zero by 2020. The Slovak Government will also increase the effectiveness of tax collection by increasing VAT collection effectiveness to 74%.

In 2009 and 2010, the Slovak fiscal policy was affected by the economic crisis: in an effort to mitigate its impact on the economy, the Government let automatic stabilisers function freely and adopted anti-crisis measures. The structural balance worsened due to two reasons. An objective cause was the permanent loss of the potential output in the economy as a consequence of the economic crisis. The second cause was an expansive fiscal policy on the local government level. Therefore, the total general government deficit amounted to 7.9% of GDP in 2009. Despite the economic recovery in the course of 2010, the general government deficit is estimated to have reached a level of 7.8% of GDP. The primary reason is the structure of the economic growth which is driven by



growing exports, while negative developments remain present in the labour market, having an adverse effect on household consumption. The low tax and contribution intensity of exports subsequently translates into a negative development in tax and contribution revenues of the state budget. The said development will also lead to the gross general government debt increasing from the level of 27.8% of GDP posted at the end of 2008 to 43.4% estimated at the end of 2010¹.

Relatively high values of general government deficit and the rise in government debt necessitate medium-term consolidation. The primary medium-term fiscal goal pursued by the Government is to cut the deficit below 3% of GDP in 2013 in compliance with the recommendations made under the excessive deficit procedure, which requires that ambitious consolidation objectives be set, given the unfavourable baseline fiscal position in 2010.

The general government budget for 2011-2013 expects the deficit to decrease to 4.9% of GDP in 2011. For 2012 and 2013, the deficit is put at 3.8% and 2.9% of GDP, respectively. This means that the core part of the medium-term deficit consolidation efforts concentrates on 2011, when measures totalling EUR 1.8 billion, or 2.5% of GDP, are planned to be taken.² The measures will affect both budget revenues and expenditures, with a majority of them focused on expenditures.

For the post-2013 period, the Government plans to carry on with its consolidation efforts to gradually decrease the gross government debt-to-GDP ratio and achieve a balanced budget on the medium-term horizon. The balanced budget is essential to the long-term sustainability of public finance, which represents the key objective under Slovakia's fiscal policy.

An unpopular decision not to continue with the massive covert incurrence of debt through motorway PPP projects adopted by the Government has also created conditions necessary in order to achieve a balanced general government budget in the medium term. Concession payments envisaged under the PPP projects would have increased public expenditure by nearly 1% of GDP a year for the entire period of 2015-2045. A sustainable pace of necessary infrastructure development will be ensured through more effective drawing of EU funds and considerably less expensive government loans, with a considerably lower burden on taxpayers.

Tax and contribution system reform

Effective collection of taxes and contributions reduces distortion in economic decisions, discourages tax evasion and reduces costs for individuals and businesses pertaining to the fulfilment of tax and contribution obligations. Also, it ensures adequate public revenues and is able to contribute to increasing the competitive advantage of a small and open economy in international competition. Major problems in the collection of taxes and contribution in Slovakia mainly stem from different assessment bases for taxes and contributions, the existence of a number of non-systematic tax deductibles, and the lack of effort to fight tax evasion. Changes in the tax and contribution system will aim at increasing its effectiveness and reducing the administrative burden on businesses.

The Government will introduce a super-gross wage to serve as the assessment base for the calculation of taxes and contributions paid by employees. The principle of the single income tax rate of 19% for natural and legal persons will remain intact. A single health contribution, a single social contribution and a uniform assessment base will be introduced for all types of persons. The Slovak Government is well aware of the importance of self-employed individuals to the development of the business environment in Slovakia. Therefore, they will be left to enjoy, together with people working under agreements for work, certain advantages compared to regular employees. The progressive reduction of the non-taxable portion of the tax base per taxpayer, the so-called millionaire's tax, which applies to the middle class will be cancelled and replaced with a moderately increased maximum amount of contributions that will only apply to people with above-standard income. This solution will

¹ Data from the approved general government budget for year 2011-2013

² The need to implement measures accounting for 2.5% of GDP in 2011 has resulted from comparing a scenario without changes in the existing policies, which projects the general government deficit at a level of 7.4% of GDP in 2011, with a target deficit value set at 4.9% of GDP.



have a positive impact on 84 940 employees and 6 800 self-employed individuals; it will simplify the tax and contribution system and lead to more evenly balanced average and marginal taxation.

A gradual decrease in contribution rates for employees, depending on public finance development, will also be part of the changes in the contribution system. If the Government's budgetary policy objectives are met, i.e., the public finance deficit estimated in the budget is not exceeded, the contribution rate will automatically decrease by 1 p.p. each year (according to the current set-up of the system).

Preventing tax evasion is another priority area. Total tax and contribution revenues have not reflected macroeconomic developments in recent years; it implies that the collection of some taxes and contributions has become less effective. At the same time, a decline in tax revenues expressed as a share of GDP makes fiscal consolidation more difficult, as it requires that more stringent consolidation measures be adopted on the expenditure side.

Value-added tax deserves particular attention, given the fact that VAT revenues have long not developed in line with the macroeconomic base. A number of measures must be adopted concurrently in order to address this problem, including through improving the effectiveness of control mechanisms, legislative changes, and simplifying and unifying collection of taxes and contributions, all of which should bring additional resources to the general government budget.

The Government will unify the collection of taxes and customs, and later social contributions, into so-called one-stop shops, to be set up by restructuring the existing tax offices, and introduce a unified annual settlement of income tax and contributions. It will simplify tax return forms and reduce the number of various administrative forms and reports. It will consider introducing a register of financial statements so that accounting units would not have to submit financial statements to several state authorities. Creating a tax administration built on electronic communication will reduce the administrative burden on taxpayers and substantially simplify their obligations.

Fiscal framework reform

The economic and financial crisis happened to find public budgets of many countries in bad conditions. Even though their economies grew at considerably robust rates in the pre-crisis period, many countries failed to take advantage of the good times to consolidate their public finance. All of a sudden, their problems had to be addressed by all EU Member States through rescue measures and guarantees. In order to prevent recurrence of such developments in the future and in order to make the countries prepare for the costs associated with the ageing population well in advance, the European Commission has proposed to adopt measures on two fronts: (1) by amending the Stability and Growth Pact and (2) by strengthening national fiscal frameworks. To that end, the reform of the Slovak fiscal framework is fully compatible with the Commission initiative.

The most important step in the fiscal reform will be the approval of a new Act on Budgetary Responsibility which should, as far as possible, reflect a broad political consensus on the long-term sustainability being the main objective of the fiscal policy in Slovakia. A considerable strengthening of the fiscal framework may help enhance Slovakia's credibility on international financial markets, thus facilitating "smoother" consolidation of public finance.

The reform of fiscal institutions consists of six basic building blocks: (1) increased emphasis on country's net worth; (2) upper limit on gross public debt; (3) aggregate nominal expenditure ceilings; (4) modified rules for local governments; (5) rules of transparency; and (6) an independent fiscal council.

All of the above changes are aimed at creating a system that will penalise irresponsible conduct. Penalisation will be performed at three levels:

- through improved information to the public on possible covert deficits and debts (narrowing the room for "creative" accounting);
- through reputation costs, if the Government fails to accomplish its own objectives;
- through pre-agreed political sanctions, if the country's debt approaches or exceeds the critical value.



The Government will start in-depth monitoring of net worth of the Slovak Republic, i.e., the difference between the state's total assets and liabilities. The net worth will serve as a benchmark for transparency on the one hand and, on the other, as a starting point for the calculation of expenditure ceilings.

Two fiscal rules have been proposed: expenditure ceilings and a debt brake. The mandatory expenditure ceilings, introduced on a three-year basis, will become the main operative objective. The Government will thus always be forced to decide on how to allocate a pre-defined volume of funds among various priorities. In addition to the expenditure ceilings, a maximum permissible debt ratio will also be specified. If the debt nears this threshold, automatic political sanctions will follow, but the Government will still keep the possibility to defend its position.

An independent fiscal council will not directly intervene in the budget-making process; all decisions will remain in the hands of politicians. The council will be responsible for independent assessment of public finance conditions and for explaining complex calculations to the public in a simple and plain manner. The council will have a vast quantity of information at its disposal, which it will present to the public in a comprehensible way, thus facilitating transparency in the implementation of the fiscal policy.

Several years of experience have shown that better regulation is necessary with respect to the possibility of local governments to assume debts. More precise rules will be specified for economic and financial management of municipalities, towns and higher territorial units, which have huge financial resources at their disposal following the extensive fiscal decentralisation. More stringent constraints will be introduced on increasing local government debts, and rules governing the restructuring of local governments will be better specified.

The consolidation of public finance should also be facilitated by enhancing their transparency. The law will specify in detail which information must always be provided to the public in a general government budget and a final state budgetary account. The same will also apply to the reporting on the budgetary performance throughout the year and to publication of macroeconomic and tax projections.

Pension system reform

EU Member States are not only facing the negative impacts of the financial and economic crisis on their public finance but they also have to prepare their budgets for adverse effects associated with the population ageing. According to Eurostat forecasts, the old-age dependency ratio in Slovakia will post the highest growth of all EU countries in the upcoming decades. While the current ratio of post-working age population to working-age population is 1:6, it will only be 1:1.5 in 50 years' time. Postponing the problems would only make the things worse since additional costs of inaction are estimated to amount to 0.7% of GDP in the horizon of five years.

In the context of population ageing, the long-term sustainability of public finance represents the main objective of Slovakia's fiscal policy. The Slovak Government recognises this problem in its complexity; therefore it has proposed changes both in the pay-as-you-go and the wholly-funded pillar of the pension saving system. Another area of reforms concerns special pension schemes which apply mainly to the country's armed forces. All measures specified below should gradually help stabilise the pension schemes in Slovakia, thus making the public finance ready to more easily pass through the period of major demographic changes. Also, it will be necessary to prepare an institutional framework to face fiscal and structural challenges resulting from the population ageing.

In compliance with the recommendations under the Annual Growth Survey, the Slovak Government introduced limits in the early retirement system with effect from January 2011, and will adopt further measures affecting both the pay-as-you-go and the wholly-funded pillar in order to make the pension system sustainable in the long term. In the pay-as-you-go (first) pillar, the Government will establish a legislative link between the life expectancy among the elderly and the retirement age, in order to consolidate financial flows in the long term. The measure should only come into force after the expiry of the period for the gradual increase of retirement age for childless women. At the same time, a link will be introduced between annual adjustments in an APV (actual pension value) and the change in the proportion between payers and beneficiaries in the pay-as-you-go pillar. The pension adjustment method, currently using a "Swiss" model, will change to an inflation indexed one (using the pensioner



inflation). Changes in the first pillar will also be made with respect to merit-based pension claims. The Government will incrementally increase the degree of solidarity in the pay-as-you-go pillar so that pension benefits paid from the system do not exceed the average wage in the national economy. The Government will also considerably simplify the revenue side of the pension insurance system by reducing the administrative burden and introducing a unified tax and contribution collection system.

As far as the wholly-funded (second) pillar is concerned, the Government intends to increase proceeds for pension savers in the long term at an acceptable risk rate, while all changes to be made in the second pillar will take into account citizens' rights. Guarantees will only remain in place for a bond fund, where a HTM (hold-to-maturity) valuation will also be allowed, with the credit risk clearly defined. Participation in the second pillar will be mandatory, with the possibility to leave the system within one year of entry. The Government will introduce index funds whose performance should replicate the movements in global stock market indices and, at the same, offer a competitive advantage in the form of low fees. Benchmarks will be defined for investment strategies so that individual funds are truly differentiated. In addition, fees to encourage better performance will be introduced (success fee). A mechanism for gradual switching of savers to a bond fund prior to attaining the retirement age will also be introduced (10 years).

With the aim to ensure a just and sustainable fulfillment of legitimate pension provision claims of armed forces, the Government shall narrow the range of eligible recipients by further shifting a part of the armed forces to the civil sector. The Government will prepare a system reform that will affect newly admitted officers once the changes become effective.



5 Environmental sustainability and energy

Slovakia has reduced its total emissions roughly by 41% compared to the 1990 level, which ranks it among the best in Europe. This reduction was largely caused by a natural change in the structure of the Slovak economy combined with changes in its fuel mix. Approximately 49% of the total 2009 emissions were produced by companies in the Emission Trading System (ETS). A further cost-effective reduction can be expected in these sectors³ due stricter caps and market principles governing the trading in emission allowances. However, non-ETS sectors, such as transport (with the fastest growth in emissions), households and agriculture (with non-existent incentives that would encourage effective reduction of greenhouse gas emissions) represent a much greater challenge.

The Slovak Government will increase greenhouse gas emissions from the non-ETS sectors by not more than 13% of the 2005 levels by 2020 and review ambitions of the emission target in the medium term. The share of renewable energy sources in the final energy consumption will increase to 14% and energy efficiency measured by final consumption by 11% compared to the 2001-2005 average.

Proposed institutional framework for the coordination and implementation of climate change and energy policies

The natural reduction in emissions from the early 1990s will no longer be sufficient in order to meet the ambitious EU targets in the medium term. To facilitate further reductions in greenhouse gas emissions, Slovakia will have to adopt systemic solutions which require effective coordination and sufficient expert capacities.

The first step to improve the existing conditions is to draw up rules to ensure better inter-ministerial cooperation. A proposal concerning the necessary institutional framework will include the strengthening of analytical capacities which are essential to the drawing up of a purposeful and feasible national environmental policy strategy. A new greenhouse gas projection system will have to be designed and developed for this purpose by the end of 2011.

No analysis is currently available assessing individual emission reduction measures in terms of their costs and reduction potential. Therefore, the new projections will also produce marginal costs curves for emission reduction, which will contribute to the implementation of emission reduction measures in a more cost-effective way. Lessons learned from other countries imply that the least expensive measures (or net benefit measures) include the use of energy saving bulbs and thermal insulation of public and private buildings. On the other hand, the most expensive measures include the use of hybrid vehicles and biomass.

Slovakia has the lowest implicit taxes on energy of all OECD countries. Moreover, the price of carbon, which would encourage individual entities to effectively reduce their emissions, is not known in the non-ETS sectors. The Slovak Government will consider introducing a carbon tax in these sectors. A possibility to introduce a tax on cars based on the quantity of CO₂ emitted is being analysed as the first step towards slowing down the growth of emissions in the transport sector.

Sustainable development of energy sectors

With respect to environmental sustainability and cost-effective access to energy, the Slovak energy policy objectives include, among other things, improvements in energy efficiency, reductions in energy intensity, both on production and consumption side, and energy infrastructure development. Slovakia is currently the fifth most energy intensive country of the EU. In keeping with the recommendations made in the Annual Growth Survey, measures to accomplish energy efficiency targets will be included in the "Energy Efficiency Action Plan for 2011-

³ Electricity generation, lime, ceramics, brick, glass, cement industries, steel and iron manufacturing, paper mills, oil refineries.



2013” which will primarily focus, in addition to horizontal measures, on buildings, appliances, public sector, transport and industry. The key measures include improvements in thermal insulation properties of buildings to be funded through the State Housing Development Fund, commercial banks, as well as through new soft loans conditional upon attaining the minimum prescribed energy savings over three years. The Slovak Government will also encourage replacement of light sources and white goods in the public sector, and, through awareness-raising campaigns (energy labelling), in households as well. A new energy efficiency monitoring system will collect data on energy consumption and savings directly from specified types of companies, municipalities and higher territorial units. It will provide data that will contribute to an improved evaluation of the effectiveness of the funds spent on energy efficiency improvements and to new analyses concerning an overall energy savings potential in Slovakia. In order to better monitor energy savings, energy efficiency should be set as a mandatory indicator under individual operational programmes and as a criterion in public procurements.

The Slovak Government will take further steps to put an end to disproportionately high final electricity prices caused by the robust financial support to renewable energy sources (RES) and electricity and heat cogeneration. Measures adopted so far have tightened the rules on the payment of bonuses for electricity generated in the aforementioned way. These efforts will continue by redefining the support provided to RES in order to meet the set targets in a cost-effective manner, while preventing disproportionate increases in electricity prices. Feed-in tariffs should depend on a development potential of individual types of RES and should be set as a complementary instrument to other environmental measures which may affect RES development (subsidies, ETS) in order to avoid the over-lapping of individual instruments. In addition, the feed-in tariffs should be sufficiently flexible to respond to market developments and, at the same time, sufficiently firm to attract new investments. This can be achieved through clearly set rules on changes in feed-in prices.

Electricity produced from domestic coal has been supported in Slovakia since 2005. This is done by refunding the production costs of electricity produced from domestic coal (the refund is included in the price of electricity supply paid by customers) and through direct subsidies from the budget chapter of the Ministry of Economy. Therefore, the Slovak Government will seek an optimal way to support coal production in Slovakia in the future, with the aim of minimising the impacts of such support on the final price of electricity for households and businesses, as well as on the environment.

The process of regulation in network industries will be made more transparent through the disclosure of the maximum amount of information serving as inputs for price decisions, specification of methodology in the regulatory policy and other measures that enhance credibility and independent position of the Regulatory Office for Network Industries.



6 Structural priorities under NRP 2011-2014

This chapter presents measures planned to be taken by the Slovak Government in the following priority structural areas:

- education, science and innovation;
- employment and social inclusion;
- business environment;
- transparent conditions and law enforcement;
- health.

For the implementation of reforms as such, funds allocated for individual priorities are important. The first part of the chapter discusses the overall funds allocated for the aforementioned areas. Since a number of measures are co-funded by the EU, the first part of the chapter also includes measures to improve effectiveness and transparency in the drawing of EU funds and Slovakia's position on the EU cohesion policy beyond 2013.

Financing the NRP 2011-2014 priorities

The Slovak 2011 state budget is cost-efficient but realistic. An important thing is that despite the cost-cutting measures, the funding of the NRP 2011-2014 priority areas has moderately increased. Compared to the 2010 budget, the public spending on regional schools and tertiary education has respectively increased by 1.9% and 2.0% in 2011. The amount of public funds to be spent on science and technology in 2011 is put at €495 million, up by 9.1% compared to the 2010 budget. As far as the labour market is concerned, €155 million have been earmarked for the employment policy and €1 722 million for social inclusion.

Public expenditure				
In thousands, EUR	2008	2009	2010 B	2011 B
Primary and secondary education	1 221 279	1 436 483	1 377 788	1 403 663
Tertiary education	571 382	613 640	555 889	566 719
Science and technology	210 742	280 647	451 764	494 713
Employment policies	196 413	186 506	210 265	154 711
Social inclusion	1 331 870	1 473 384	1 608 021	1 722 023
Development of the road transport infrastructure	503 020	630 288	691 497	698 159
Informatization of society	12 885	23 824	217 121	337 883
Healthcare	3 464 737	3 576 814	3 738 148	3 818 680
Total	7 512 328	8 221 586	8 850 493	9 196 551

Note: B - budget

Source: MF SR

Financial resources allocated in the 2011 state budget for the development of the road transport infrastructure represent €698 million, including EU funds and national co-funding, up by 2.2% compared to the 2010 budget. One of the important budgetary items is also the funding of society informatization development tasks in the amount of €338 million, up by 55.6% compared to the 2010 budget, driven mainly by an increase in funding from EU sources. The total amount of public funds to be spent on healthcare in 2011 is estimated at €3.82 billion which represents an increase of 2.2% on the previous year. The funds for healthcare primarily flow from the revenues of health insurance companies from the public health insurance premiums. The funding of the said areas will be a priority for the Slovak Government when drafting next general government budget proposals.

Cohesion policy beyond 2013

Discussions on the EU cohesion policy beyond 2013 are currently held at the Commission level. In compliance with the preliminary proposals made by the Commission, the cohesion policy beyond 2013 should focus on a limited set of priority areas (while preserving a certain degree of flexibility taking into account specific conditions of individual Member States, or regions) on which the funds will concentrate. The Slovak Government fully subscribes to the priorities of the Europe 2020 strategy and, considering Slovakia's specifics, puts an emphasis



on those priorities for the next programming period which it deems crucial to the development of the Slovak economy and which require considerable financial resources. The following objectives have been defined for the next programming period:

- **Basic infrastructure**
Funding the infrastructure development and related ancillary services as a component of a comprehensive approach is one of the essential conditions for effective and efficient regional development. The main cause of disproportionate regional development and regional disparities in Slovakia is the lack of necessary infrastructure. Therefore, Slovakia seeks to boost its competitive position in the European environment through the development of appropriate technical, transport and social infrastructure including health infrastructure.
- **Human resources, employment and social inclusion**
Education and human resources development (healthy and qualified labour) are essential to sustainable growth and competitiveness. Slovakia will primarily concentrate its efforts on social cohesion in regions based on equal opportunities and poverty reduction. Slovakia intends to pay special attention to social inclusion, especially with respect to socially excluded communities.
- **Science, research and innovation with the focus on green growth**
Support provided to science, research and innovation helps Slovak regions on their way towards enhancing national prosperity, sustainable growth and competitiveness of individual regions and the Slovak Republic as a whole. Enhancing innovation processes and a more extensive use of not only new information and communication technologies but of advanced technologies as such will lead to meeting the national objective - heading Slovakia towards a knowledge-based economy and society. Slovakia will place emphasis on the green growth with the aim of utilising cleaner sources of growth and developing green industries, services, technologies and jobs.

As regards the forms of funding, the next programming period will use non-repayable financial grants and, to a greater degree when compared to the current period, repayable financial assistance. In order to mitigate their possible negative impacts on competition and avoid business distortions, contributions provided to entities involved in market competition will primarily be granted as repayable assistance.

With the aim of more accurately identifying the added value of the cohesion policy in individual Slovak regions, policy monitoring and evaluation systems, including measurable indicators, should be result-oriented. To that end, it is also necessary to strengthen a strategic and integrated cohesion policy approach through individual strategic documents of the Slovak Republic, with the emphasis placed on the utilisation of internal potential of its regions. Within the EU funds implementation system, it is necessary to ensure better coordination of policies among individual ministries and sources of financing, thus enhancing their effective management. On that account, it will be necessary to reinforce the position and competences of the central coordination authority. A smaller number of operational programmes should also ease the administrative burden in managing the funds.

6.1 Education, science and innovation

One of the major challenges that lay ahead of the Slovak economy is to increase the funding and quality of education. In the regional school system, the Slovak Government will focus on social inclusion of children from socially excluded communities, open up the textbook market and cut red tape in the work of teachers. Schools will be digitised, their quality assessed, best practice supported and changes made in the system of their financing. As regards tertiary schools, measures will concentrate on enhancing their quality and changes in their funding. A research funding reform should help increase the quality of research results.

The Slovak Government will also prepare a strategy for further development of a knowledge-based economy in Slovakia, with the aim of better linking the school system with science, research and innovation. The strategy will identify the key areas in which cooperation is lacking among educational institutions, scientific institutes, the



applied research sector and innovative businesses operating in Slovakia. In addition, a set of measures will be proposed to remove the identified barriers, further develop cooperation among the aforementioned sectors and enable a real transfer of knowledge produced in Slovakia into business and social practice.

6.1.1 Regional education system

The Slovak Government will keep the school drop-out rate below 6% and improve the quality of primary education, in particular by increasing the level of knowledge and skills of Slovak pupils to an average score of 505 points in the OECD PISA 2018 testing.

Inclusion of children from socially excluded communities

The existing education system in Slovakia further widens original inequalities among pupils through their early selection to educational streams of different quality, and contributes to reproduction in education, which means that children largely attain the same level of education as their parents. In such a system, children from socially vulnerable groups, socially excluded communities in particular, have only a minimum chance to obtain education, because they are disadvantaged due to their cultural and language difference, amplified by their bad socio-economic situation.

Therefore, the importance of special schools will be reassessed and measures adopted to prevent possible segregation of children on grounds of ethnicity, and the number of special teachers, pedagogical and psychological counsellors and assistants at schools will increase. The Slovak Government will reinforce the zero-year system at primary schools for the six years olds who have yet not attained the necessary level of school readiness. After completing the zero year, children will further be provided auxiliary Slovak language programmes. A pilot project for educating the Roma minority in their native language will be prepared.

The fact that nearly one third of pupils are selected for eight-year grammar schools at the age of ten does not help improve the quality of the educational system as a whole, as can be seen from international studies. It is not good for society to separate the best pupils from the rest at a too early stage. A school system performs generally better if children stay longer together. The Slovak Government will therefore put the funding of grade two at primary schools on equal footing with that of the first four years of eight-year grammar schools. The objective and measurable testing of primary school pupils (Testing 5) will be introduced, the results of which will be a decisive criterion for the admission of these pupils to grammar schools with an eight-year study programme, and a mechanism for their admission will be determined.

Digitising schools

The Government will concentrate on exploiting information and communication technologies in the educational process. The objective of several measures - especially those aimed at extending the digital content and reforming state educational programmes - is to develop digital competencies of children, pupils and students necessary for searching and effective processing of information that they can use in a real life and society. If the digital content pilot project is a success, the Government will make the digital teaching texts available to all primary and secondary schools nation-wide from 1 September 2011, and extend the digital textbooks to also cover other subjects.

As regards the infrastructure, the Government will ensure the completion of technical capacities used by children and pupils, for example providing schools with interactive whiteboards and a high-quality internet connection. The level of digital competencies among teachers at regional schools will be enhanced. The digital content will be developed, to be used both within the educational process and outside. An e-development strategy for regional schools for years 2013-2014 will be prepared.



School quality assessment

The Slovak Government will introduce an internal and external school quality assessment system designed to increase the quality of education and training, and their management, enable comparing the added value of the educational process at individual schools, both at the regional and nation-wide levels, and provide the public with reliable and comprehensible information about the quality of individual schools.

External forms of school performance evaluation at individual levels of the educational system (especially Testing 5, Testing 9 and external graduation exams) will be reconciled to enable the assessment of the added value of the educational process at individual schools. A reliable measurement of the quality of educational outputs and results will make it possible to increase autonomy in the management of kindergartens, primary and secondary schools, and school facilities.

Reducing bureaucracy at schools

Based on the information obtained from practical experience at primary and secondary schools, the Slovak Government will carry out an audit of administrative activities performed at schools. Based on the audit results, the superfluous red tape burdening schools and school facilities will be removed.

Opening up the textbook market

The Slovak Government will gradually ensure that alternative textbooks and teaching materials are available at primary and secondary schools so that teachers and schools could choose textbooks that best fit the learning needs of their pupils and students. Within the system of normative financing, options will be provided for schools to directly purchase textbooks of their choice. The Government will retain the right to review and confirm the compliance of textbook content with state educational programmes, and establish a National Textbook Register. The Slovak Government will concentrate on monitoring the output indicators in the education system.

Promoting best practice

The Government will ensure promotion and adaptation of best international and national practice in kindergartens, primary and secondary schools, and school facilities throughout the whole of Slovakia. One of the instruments to be used for this purpose will be to adjust state national programmes so that they shift away from placing emphasis on memorising information towards obtaining skills and competencies useful for life. The state educational programmes will be made more comprehensible for teachers, parents, pupils and students, as well as for the labour market. Another instrument to be used in this respect will be identifying best teachers at best schools through measurable criteria and subsequent dissemination of their practical experience in a form helpful to teachers, via media and the Internet. The educational system will be better adjusted to the needs of the labour market through a more effective exchange of information between employers and schools. Support will be provided to practical trainings for vocational school students directly in companies and at sole traders.

Vocational education

The Government will ensure a closer linkage between vocational schools and practice. In particular, the Government will adjust the competencies of the individual entities participating in vocational training and preparation for the labour market. Engagement of employers and employer associations in the system of vocational training and preparation will be improved. The main aim is to ensure that practical training is performed directly in companies to a larger extent. Changes in the normative financing will be reviewed so that the network of vocational schools is continuously adjusted to the requirements of the market and the demand for people with higher qualification in the knowledge-based economy.



Financing

As far as the overall functioning of the regional education system is concerned, ensuring adequate funds is increasingly becoming a more important issue. The level of funding also directly affects the quality of human resources – a vital element in the proper functioning of the entire regional education system. The Government will fine-tune the normative system of financing, which has served its streamlining purpose, but also brought about phenomena with negative impacts on the quality and structure of schools. In cooperation with school founding authorities, the Government will support optimisation of the school and school facility network, including through the introduction of school buses. Also, the number of regional school teachers will be reviewed in order to respond to demographic developments.

6.1.2 Tertiary education and science

The Slovak Government will increase the share of people aged 30-34 with completed tertiary education, or equivalent, to at least 40% by 2020. It will improve the quality of science and university research, in particular by increasing overall expenditure on research and development to 1% of GDP by 2020 and the number of citations per researcher to at least 70% of the EU average.

Accreditation reform

Guarantees for a particular study programme will no longer be linked to a single person but rather to a team of tertiary school teachers who comply with the set criteria. The aim is to stabilise the situation and avoid such cases when a loss of a single person (guarantor) may make an excellent study programme non-functional. The criteria will be defined in such a way that even a temporary absence of a smaller number of tertiary teachers will not immediately result in the suspension or revocation of rights, as it is now in case when a guarantor is lost. At the same time, it will enhance impartiality of, and increase demands on the accreditation procedure because to “buy” a single professor will not be enough.

Accreditation of study programmes (nearly 8 000 at the moment) will change into accreditation of fields of study (364 at the moment), thanks to which a tertiary school will be able to flexibly open new study programmes within a particular accredited field of study. Also, it will considerably reduce information asymmetry and enhance competition. For obtaining accreditation, a decisive factor will be that members of the guaranteeing team are internationally recognised scholars. This will be examined through benchmarking publication and citation criteria against international standards applicable in the particular field of study.

Enhancing the quality of top academics - professors and assistant professors

In order to be awarded *professor* and *assistant professor* academic titles, applicants will have to meet more stringent, mainly publication related criteria based on the international standard applicable in the given field. At the same time, mechanisms will be set up in order for excellent scholars who comply with the said criteria to encounter as little obstacles as possible when applying for positions of a professor or assistant professor. Removing the direct link between the accreditation and academic titles will discourage “artificial production” of professors and assistant professors solely for the accreditation purposes, thus indirectly enhancing their quality. The Accreditation Commission will be more encouraged to examine the real performance and quality of guaranteeing teams instead of their academic titles.

cancelling the categorisation of tertiary schools, promoting excellent faculties and universities

The existing categorisation of tertiary schools into *univerzitné vysoké školy* (university-type higher education institutions), *odborné vysoké školy* (professional higher education institutions) and higher education institutions not classified as universities or professional higher education institution, will be replaced with a single universal



category of tertiary schools. The main reason behind this decision are ambiguous benefits of the original as well as modified categorisation of tertiary schools since, based on the assessments made by the Accreditation Commission and non-governmental organisations (such as ARRA), intra-university differences are often larger than inter-university differences. In addition, the first categorisation, introduced in 2002, was cancelled by a 2007 amended even before it could be implemented; the second categorisation, introduced by the same 2007 amendment, has not been implemented to this date. Its introduction and implementation is inconsistent, with the entire process having failed to actually contribute to identifying the top performers.

Under the new differentiation system, an emphasis will be placed on identifying and promoting internationally recognised faculties of outstanding quality, with a view to gradually extending such an exclusive rating to the entire institution. Slovakia will also participate in the OECD's "Assessment of Higher Education Learning Outcomes" (AHELO) project. In order to reduce information asymmetries on the educational market and the labour market, information will be made available on average wages and unemployment rates of graduates from particular tertiary schools.

Changes to improve part-time studies

The nature, and consequently duration of part time studies will change. The Government will also submit for public discussion a proposal that the standard duration of part-time bachelor's programmes is set to four, and that of master's programmes to three years. Tuition fee ceilings will proportionately be adjusted to the length of the programme so that the total ceiling for the entire study programme remains unchanged. Extending the duration of study programmes without accompanying changes in the pedagogical process would not yield desired benefits. Therefore, the Government will introduce more stringent rules for assessment of part-time studies, which will focus on how the tertiary schools ensure a reasonable volume of in-person teaching or, alternatively, substitute it with high-quality eLearning solutions.

Funding of tertiary education

A portion of institutional funding of tertiary schools earmarked to finance research will largely be distributed on the basis of internationally acclaimed results which, in a majority of fields, take the form of publications and citations in internationally recognised scientific journals and monographs published by renowned foreign publishing houses. The funding system will be adjusted to discourage tertiary schools from retaining non-performing students.

Under the research funding reform, all high-quality research institutions will be entitled to receive a state contribution, irrespective of their legal form. In the case of private tertiary schools it means that they will receive a state contribution based on the assessment of their research performance and results as is the case with public tertiary schools today. The Government will analyse the issue of putting the funding of public and private tertiary education on equal footing.

Research funding reform and more effective drawing of EU funds

A transparent system of institutional and grant financing of research activities will be set up to ensure a level playing field for all research facilities. All institutions, i.e., public and private tertiary schools, the Slovak Academy of Sciences, as well as public and private research facilities, will be entitled to apply for funding in compliance with the principles of state aid. The institutional financing will be based on the principle of the so-called long-term money, under which institutions with a previous strong record of demonstrable excellent achievements will be allocated a certain volume of funds for a longer time period. This system will encourage a more intensive cooperation among individual facilities within tertiary schools and other research institutions. The new system, based on a competitive principle, will ensure concentration of funds into demanding, high-quality projects, and mandatory engagement of high-quality foreign evaluators in a decision-making process regarding these projects. The Government will also pave the way for increased private funding of science and research.



The Government intends to improve the effective drawing of EU funds, in particular by reducing the administrative burden placed on school and scientific staff. The process of managing EU funds in the fields of education, research and development, which is overly complicated and bureaucratic and is the cause of poor transparency and purposefulness of the funds drawn, as well as of very poor drawing, will be simplified and made more efficient. This will limit room for corruption and increase the volume of funds actually flowing into science and education.

6.1.3 Lifelong learning and further training

As societal development is becoming more dynamic, lifelong learning – and further training in particular – is gaining in importance. An effective system of further training will give citizens easy access to flexible extension and deepening of their qualifications, which in turn will improve their chances of employment in the labour market, as well as their personal growth and quality of life. The lifelong learning strategy will be reviewed and updated; it will mainly include measures to systemically reduce information asymmetry in further training. Creating freely accessible educational content will raise the level of citizens' key competencies, facilitating their opportunities in the labour market. Support will be given to further training activities that target personal development and an improved quality of life.

6.1.4 Innovation

The Slovak Government will enhance the innovation potential of the national economy by increasing the share of high-tech exports to 14% by 2020.

The Government will create conditions to support innovation activities in the private and public sectors, including support to innovation in culture and creative economy. The existing instruments to support innovation are insufficient, operate with a small volume of funds, and their effectiveness and efficiency is questionable. The Government will set up a long-term sustainable project aimed at improving the access of smaller innovative companies to funding. In cooperation with the European Investment Fund, the Government will launch the JEREMIE initiative which is primarily focused on supporting small and medium-sized enterprises (SME). The main objective is to provide venture capital to innovative SMEs having a good business plan and an innovation idea with good commercial prospects. The JEREMIE initiative in Slovakia covers debt instruments (bank guarantees and credits) and capital instruments (venture capital) which are provided to SMEs indirectly, through selected financial intermediaries (commercial banks, venture capital fund managers). Venture capital instruments primarily concentrate on support to applied research and development and transfer of technological knowledge into practice.

As a result of engaging the European Investment Fund as a manager and supervisor of JEREMIE implementation, coupled with the participation of private financial institutions and co-funding private partners, private funds will leverage public funds to ultimately increase, in a considerable manner, an effective and efficient use of public funds. The revolving, repayable nature of financial aid provided under the JEREMIE initiative will also ensure that the project continues and remains sustainable even beyond the 2007-2013 programming period.

With respect to debt instruments, a call is planned to be made in 2011 for financial intermediaries (commercial banks) to submit guarantees to cover the first loss, which should produce new credits for SMEs worth approximately €200 million under the anticipated leverage effect. At the same time, an appropriate setup of the product and fees for a guarantee will lead, through the mechanism of investment risk transfer, to lower interest rates and relaxed requirements of commercial banks on guarantees, which will particularly aid innovative start-up SMEs with an insufficient credit history and capital.

Fund and venture capital managers, chosen through public tenders, will also be required to co-fund activities from their own resources and ensure additional private funds. Venture capital investments will mainly concentrate on



early stage businesses (early stage and seed capital) and technology firms with respect to which the major market deficiencies have been identified in Slovakia.

Intellectual property rights represent an important commercial asset in a knowledge-based society, which promotes innovation and creativity by ensuring a reasonable return on investment. In order to combat counterfeiting and copyright piracy, the enforceability of such rights must be ensured. On that account, it is necessary to coordinate activities of public authorities, including through an improved exchange of information with a European centre.

6.2 Employment and social inclusion

Slovakia rates among EU countries with relatively high unemployment. Apart from the social implications, reducing unemployment and increasing employment also significantly affects performance of the economy by increasing the participation of the labour force and productivity. The main challenge lies in improving the situation with respect to the labour market margin bordering with inactivity. For several years now, Slovakia has had the highest long-term unemployment rate in the EU, and a relatively low employment rate of the young and elderly people. In order to reduce the unemployment of young people, it is also necessary to better link the education system with the labour market. Furthermore, improving the situation in the labour market will require a reduction of regional disparities.

6.2.1 Employment

By 2020 the Slovak Government will raise the employment rate for women and men aged 20-64 to 72%, and will reduce the long-term unemployment rate to 3%.

Increasing the Labour Code flexibility

The Slovak Government will promote new jobs and employment, and will strike a balance between security and flexibility by amending the Labour Code in April 2011. Based on an agreement between the employer and the employee, it will be possible to choose a suitable combination of the notice period and the payment of severance pay to the individual employees. The employer will also be allowed to replace the application of a notice period with the payment of financial compensation corresponding to the employee's wage during the same time period. The notice period will be adjusted according to the duration of employment – shorter employments will imply a shorter notice period. The probationary period will be differentiated, with higher protection given to employees with low qualification, while on the other hand the probationary period for higher managerial employees will be extended.

To support internal flexibility within companies, the regulation of working hours and work organisation will be adjusted and the rules for changing them within the company simplified. Room will be given to the employer and the trade union representatives to discuss the working conditions on an equal footing. A permanent option will be introduced to use the “flexi-account” to adjust working hours, as well as the possibility of several people sharing one job. This will increase, in particular, the chances of employment of mothers with small children. Labour market flexibility will be promoted by giving more room to an agreement upon the working conditions at the level of collective bargaining within the individual organisations. This will increase the flexibility of working conditions, in line with the recommendations in the Annual Growth Survey.



A comprehensive review of active labour market measures and the intermediate labour market programme

State support of employment will be enhanced by a comprehensive review of the active labour market policies – in particular by reducing their number as well as the administrative burden in the implementation of programmes of active labour market measures (ALMM). The measures will be reviewed with a view to improving their cost effectiveness and efficiency, placing emphasis in particular on disadvantaged job applicants. A single universal contribution concept to promote the employment of disadvantaged job applicants will be introduced, differentiating the amount depending on the type of disadvantage. The setup of the system of training and preparation for the labour market will improve the flexibility of job applicants in the labour market and shorten their participation in training so that they can be employed faster.

Cost effectiveness will be improved through the introduction of competition to public employment services, in particular by utilising the services of private entities. Minimum standards for the provision of employment services will be drawn up and a system of vouchers introduced for job applicants to purchase certain services (placement in the labour market and training) from non-state employment service providers. Vouchers will be reimbursed solely on the basis of the providers' results. The Central bureau for employment, social affairs and family will prepare a register recording the vouchers and financial coverage, a public register of the non-state service providers conforming to the minimum standards of service provision in exchange for vouchers, and a system regularly evaluating the success rate of non-state employment service providers in integrating job applicants in the open labour market.

The Slovak Government will introduce an intermediate labour market to promote the reintegration of the long-term unemployed in the labour market, in line with the recommendation in the Annual Growth Survey. With a view to better employing the long-term unemployed, scaled compensation will be provided to cover the employer's payroll contribution costs. The system will motivate the long-term unemployed receiving assistance in material need to accept job offers, and the employers to employ them. This will increase both their income from the employment and the attractiveness of work when compared with the revenues from welfare benefits alone.

Creation of new jobs by making business easier

Employment will also be increased by reducing the administrative burden placed on employers and improving the business environment. The Slovak Government will implement measures aimed at reducing barriers to business, stabilise the legal environment and extend eGovernment services. The registered capital required for setting up certain types of legal persons will be reduced and the registration deadlines for small businesses shortened. Completion and commenced operation of the single contact points network will improve both natural and legal persons' communication with the state. Elimination of superfluous red tape will reduce the administrative costs of businesses, thus allowing them to focus their resources on productive activities and on expanding operations.

As regards transport infrastructure, the Government is investing mainly in the construction of motorways, which will reduce costs and improve the accessibility of business also in less developed regions with high unemployment. This will also promote Slovakia's international competitiveness in the eyes of foreign investors, who have been the main drivers of employment and economic growth in the past years. Infrastructure construction itself will create new jobs in the construction industry, which has registered a decline of new contracts after the period of crisis.

The Slovak system of taxes and contributions does not promote new jobs, mainly due to the high payroll levies. A reform of the tax and contribution system will thus reduce the contribution burden placed on employees and improve job attractiveness, thus increasing the motivation of the unemployed to look for a job. The reform will also lay the groundwork for further reductions of the tax and contribution burden in the future, and will significantly simplify the payment of taxes and contributions – as of 2013 the payment of taxes and contributions will only require filling out a single form and communicating with a single financial authority. This will reduce the administrative costs of employers, who will be able to focus more on their productive activities.



The launch of the JEREMIE initiative also represented one of the tools to support employment in small and medium-sized enterprises. Provision of venture capital to innovative small and medium-sized enterprises that have a good business plan and an innovative, commercially viable idea will support particularly new jobs with higher added value and productivity.

The provision of investment aid will be made more effective, with the aid targeting projects from regions where unemployment is the highest. The Slovak Government will provide more favourable investment aid conditions to investors in regions with high unemployment. Furthermore, investment aid will be differentiated according to the added value brought by the supported foreign investor.

Engagement of employers and employer associations in the system of vocational training and preparation will be improved. The Slovak Government will adjust the competencies of the individual entities participating in vocational training and preparation for the labour market. This will improve the quality of vocational training, which in turn will increase the qualification of the labour force and allow the employees to better adapt to the rapidly changing labour market requirements.

6.2.2 Social inclusion

The Slovak Government will promote social inclusion, in particular by reducing poverty, with a view to achieving at least 170 thousand fewer people who are at risk of poverty and exclusion.

Introducing new tools to assist in material need and improving the effectiveness of the existing ones

State social support will be simplified and made more effective through a comprehensive revision of all social benefits, which will mainly be aimed at restricting their number and cutting red tape. The Slovak Government will promote social inclusion by introducing new tools to assist in material need and improving the effectiveness of the existing ones. The aim is to optimise the mechanism of balancing the active principle with the incentive principle. The existing support system will be revised, including the allowance for activation activity. The system of assistance in material need will be simplified through an adjustment of the eligibility criteria, a reduction of the administration burden associated with the management of the agenda, and a closer link between the benefit in material need and the beneficiary's activity. Conditions will be set up for introducing the possibility to provide the benefit in material need by electronic means of payment. Social scholarships will be reintroduced to primary schools, differentiated according to study results.

The housing contribution will be withdrawn from the system of assistance in material need and will be governed by new legislation in the form of a state social benefit. With this benefit the state will contribute to covering the costs associated with the use of a flat or a family house by owners and tenants who are dependent on this type of state support in view of their income and the housing costs.

Supporting socially excluded communities

The Slovak Government will take measures to address the problems of socially excluded communities (SECs). It will draw up an act on socially excluded communities, which will define SECs and set out the priorities and practices for addressing problems of SEC members. The Government will propose a method of settling ownership titles to lands in SECs and encourage investments in basic infrastructure. The Government will define the concept of social housing and support a system of interchange multi-level social housing based on the merit principle. The Government will also complete a network of community centres with defined standards they must meet (e.g. equipment, social field workers, medical assistants). The aim is, as of 2011, to allocate part of the resources from the European Social Fund earmarked for national projects to develop a network of community centres and to create conditions for improving the quality of their activities through a "National Project of Community Centres".



The Government will support activities carried out by local governments, churches, charities and third-sector organisations that deliver demonstrable results in addressing SEC problems. The Government will introduce continuous SEC surveys (e.g., on education, employment, health conditions, crime, etc.), which will serve for the assessment of impacts of public policies and effectiveness of implemented programmes. Reporting units will be the communities, as defined in the act on socially excluded communities.

Ensuring accessibility and quality of social services

The Slovak Government will ensure access to available, sustainable and high-quality social services by providing equal terms of funding for all social service providers and establishing conditions for the funding of service purchase at the level of the beneficiary rather than the individual service providers. The financial contribution will go towards part of the costs of an eligible social service beneficiary, who will thus be able to freely choose the social service provider. A financial normative will be introduced for the individual social service types and social service forms, going towards social service provision within minimum scope defined by law. New, activating forms of working with the client will be introduced. Efficiency will also be improved in respect of the supervision of the provided social services by the Ministry of Labour, Social Affairs and Family of the Slovak Republic, and in the assessment of quality conditions of the social services provided. The system of multi-resource funding of social services will be expanded and made more efficient, with a view to enhancing coordination and linkage of public funds with other resources.

6.3 Business environment

The greatest shortcomings of the Slovak business environment include poor law enforcement, insufficient efficiency and transparency in public procurement and in the provision subsidies (including Structural Funds), and excessive bureaucracy. The main improvement measures will focus on administrative burden reduction and on the completion of single contact points. One of the most important measures to support investments in the regions of Slovakia is the construction of motorways, which also contributes to promoting their competitiveness and employment growth. Functioning eGovernment will grant businesses access to information and services; the greatest benefit lies in reducing the administrative burden placed on individuals and businesses when communicating with the general government, and improving transparency.

Administrative burden and regulation

The Slovak Government will improve the business environment so as to rank Slovakia among the top 15 in the World Bank's Doing Business ranking and improve its scoring in the OECD Product Market Regulation Index to 1.2 by 2020.

Measures will be adopted by the end of 2012 to minimise barriers to business start-up, stabilise the legal environment, extend eGovernment services and reduce the regulatory burden in all business stages. As regards starting up a business, the registered capital will be reduced for selected types of legal persons and the time period required for the issuance of a trade certificate shortened. Administrative requirements will be reduced in permit-granting proceedings according to the new differentiation of buildings in connection with new permission procedures; it will also be possible to issue a permit in a fast-track procedure (for a fee). The process of property registration will become cheaper and faster by reducing of the number of steps required. The quality of submitted proposals will be improved by reviewing the existing methodology for assessing the impacts of existing and new legislation upon the business environment, and by developing analytical capacities, including specific proposals.

The completion of single contact points (SCPs) and their commenced operation will facilitate electronic communication with natural and legal persons. It will also make it possible to obtain the license and other essentials for doing business via electronic means, and to pay administrative and court fees for the issuance of a business license and for registering the company in the Commercial Register. Completion of the information



system receiving citizen submissions and matching payments made using the payment portal, as well as the integration of SCPs with the commercial registers of the relevant courts, is envisaged by the end of 2011.

Strengthening competitive environment

Competition started to develop recently in several industries that had been traditionally monopolistic. A more profound onset of competition will help improve the quality of services and bring down price levels compared to the prices charged by monopolies. This concerns, for instance, the supply of gas, electricity, telecommunication services including the Internet and cable TV, as well as railroad transport and postal services.

The Slovak Government will support the development of a competitive environment wherever possible. Legislative changes will reduce barriers to the entry of new players into these markets. On the other hand, the Government will assert strong and high-quality state regulation wherever a competitive environment cannot develop. This should prevent monopoly companies from abusing their dominant position in the given market to the detriment of other businesses and consumers.

Business environment transparency

The Slovak Government will improve business environment transparency and the effective issuance and publication of the Commercial Journal. An electronic Commercial Journal will be set up, providing comprehensive information about businesses in electronic form – this concerns namely records in the Commercial Register, declarations of bankruptcy, documents pertaining to a specific business, as well as data on entrepreneurs and other legal and natural persons (foundations, civil associations, non-profit organisations, non-investment funds) – in particular financial statements, commencement of liquidation, reports on economic management, notifications by issuers of securities, specification of the purpose of using a received share of paid income tax, and data of public authorities intended for businesses, including a simple search for legally and economically relevant information.

An electronic insolvency register will be set up, substantially improving the efficiency of satisfying creditor claims (in which the state and its institutions typically have a significant share), making the system more transparent and ensuring nearly full publicity of information about the entire process and course of bankruptcy proceedings. The introduction of such a register abroad typically resulted in increased bankruptcy proceedings proceeds. New legislation will also introduce predictable and transparent processes of winding up a business, and better define the responsibility of board members of the companies being wound up.

The Slovak Government will improve efficiency in public procurement, which will lead to a reduction in the final tender prices for the contracting authority. This in turn will improve efficiency in the public sector and limit the potential for corruption in the awarding of public contracts, which will also reflect positively in the quality of the Slovak business environment. The scope of legal exemptions will be limited to situations in which they can be rationally justified in economic terms. Transparency of procurement processes will be improved through the publication of information to the maximum extent. A mandatory ex-ante analysis of procurement documentation will be introduced with a view to achieving sufficient competition among the bidders. The administrative burden placed on bidders will be reduced and the possibilities for excluding them from tenders on formal grounds will be restricted. Effectiveness of control mechanisms will be improved. Mandatory justification of the economic rationality of requirements specified in the tender documentation will be introduced.

Transport infrastructure

Slovakia's strong economic development places increased demands on transport infrastructure. As the structure of the economy, and industry in particular, gradually changes, the performance of railroad transport decreases and an ever larger portion of goods and passengers are transported by road. This is partially also due to the mismanagement of state-owned railroad companies in the past. As a result of poor flexibility and high freight transport prices, a significant portion of goods, which in countries with better railroad freight transport organisation



are normally dominantly transported by railroad (having greater capacity and being more environmentally friendly), have been expelled to the road.

It is partly natural; partly due to mismanagement that Slovak transport infrastructure faces the problem of underutilised railroads on the one hand and overloaded roads on the other. In the beginning of 2011 the Government adopted a programme of railroad revitalisation aiming to turn the negative trends in performance, productivity and economic management. More efficiency and flexibility in the operation of railroad companies combined with partial modernisation of tracks and the railcar fleet should, in the coming years, increase railroad utilisation and retard the current rapid growth of road traffic intensity.

Nevertheless, roads will continue to predominate in the transport of both goods and passengers and will play a significant role in the efforts to promote economic development and employment in Slovakia's disadvantaged regions. The already considerable disparities in the unemployment rate and in the assessment of competitiveness in the districts of Slovakia by businesses suggest high correlation with the (un)availability of a high-quality and high-capacity road network in the respective territories. More than 100 km of road (mostly in difficult terrain) remains just to complete the priority D1 motorway between Bratislava and Košice, connecting 8 out of the 10 largest cities in Slovakia. There is no way the remaining EU funds earmarked for roads and motorways in 2007 – 2013 will cover this need, even if we consider a similar amount of national public funds. Therefore, the Slovak Government will allocate more resources both from the EU funds and the state budget for building motorway infrastructure. The Government will also promote and provide conditions for the development of public passenger transport (trains and buses) and its integration.

Although the Government expects that high-quality transparent tenders will bring significant savings when compared to the originally planned PPP projects, additional sources of funding will be required in the upcoming years, apart from the EU funds and national co-financing. The Government will also ensure continued preparation of further sections of the D1, D3, D4 and the most needed expressways, in order for Slovakia to be able to utilise EU funds for the next programming period of 2014 – 2020 from the very beginning. Before that, however, it will increase the amount of funds invested in the renewal of long-neglected first-class roads, especially in regions where they substitute the currently absent motorways and expressways.

The progress achieved in transport infrastructure development is lagging behind the pace of economic development and the growth of transport demand, especially after our accession to the EU. This presents a major barrier to the growth and development of employment, especially in the country's eastern regions. Slovak transport infrastructure thus fails to serve as a means of increasing the territory's attractiveness and economic potential and the citizens' quality of life. To the contrary, it hinders the integration of weaker regions into broader territorial and economic relations, since on most routes (including those forming part of the TEN-T Trans-European transport network) the increasing mobility demands continue to be served mainly by first-class roads, many of which no longer conform to the capacity, safety and (due to long-term overload) also quality parameters.

Therefore, until 2020 Slovakia must exert additional effort to develop a nation-wide motorway and expressway network, thus providing room for a significant reduction of the major interregional disparities within the Slovak Republic and, consequently, also the conditions for substantial growth of employment. Achieving this objective will require strengthening both European and national sources of financing, objectivisation of the construction priority-setting process, and more pressure for efficiency in the whole process of investment preparation. When combined with more efficient competition among contractors in a transparent public procurement process, this should stop the widening of the gap between the need for transport infrastructure construction and the resources available to fund it.

eGovernment

The Slovak Government will utilise information and communication technology in public administration with a view to achieving an eGovernment index of at least 90% by 2020.



The eGovernment grants citizens and businesses access to information and services. Its greatest benefit lies in improving public administration efficiency, reducing the administrative burden placed on individuals and businesses in communications with the general government, and increasing public administration transparency.

Currently the key task is to set up the legislative framework and define the conditions for universal electronic access to basic public services with interlinked public administration registers, and to enable full electronic exchange of data between the citizens, the public and the private sector.

A draft eGovernment act will lay down the general regulation for the exercise of public powers by electronic means, thus enabling uniform implementation of electronic services by public authorities without the need for any significant intervention (apart from rules of procedure) in every single piece of legislation governing such exercise of public powers in specific cases.

The development of a central public administration system (meta-information system) will serve to record and analyse data on the public administration systems in operation. It will serve as the basis for the adoption of measures contributing to effective development of an integrated public administration information system and for improving the interoperability of its services. In terms of mutual cooperation among information systems, it is necessary to lay down the basic principles of information system interoperability that will facilitate effective and simple linkage of information systems in the individual general government sectors, both at the level of state and local administration.

Public services will be accessible through various electronic channels; support will focus especially on the development of functionalities of a central public administration portal and the establishment of integrated service points. The implementation of electronic services provided by the individual general government bodies will proceed in line with the priorities and the time schedule of the Operational Programme Information Society. Due attention will be given to ensuring information security. A draft Act on Information Security will unify the requirements and competences concerning the security of ICT.

The Slovak Government will also simplify the process model of administrative tasks in the individual situations in respect of both citizens and businesses. Administrative barriers to the filing of tax returns of employees will be minimised, the registration agenda will be simplified for citizens in various life events (birth of a child, marriage, divorce, death of a family member) and in the event of changed residence, the process of vehicle registration will be made more effective.

6.4 Transparent conditions and enforceability of rights

A transparent environment free of corruption promotes efficiency and economic growth and contributes to equal opportunities in the economy, ultimately improving social welfare. In order to combat corruption effectively, it is necessary to increase transparency and restrict room for unfair practices in any handling of state property, in public institutions and local government bodies, and in public procurement. The prevailing mistrust of public institutions, courts and judges stems from the poor enforceability of rights, as well as the situation concerning corruption and cronyism in Slovakia.

The Slovak Government will restrict room for corruption and cronyism and improve transparency and the enforcement of rights, with a view to improving Slovakia's corruption index to 80%.



Enforceability of rights before courts in a reasonable time span

The Slovak Government will accelerate court proceedings and improve effectiveness in the work of judges, so that citizens can assert their rights within a reasonable time and at the right place. Citizens will have more opportunity to take an active part in judicial power oversight. The accessibility of court proceedings will be enhanced through simpler court submission forms. The tools to this end include legislation (in particular amendment to the Code of Civil Procedure), which will introduce simplified procedural practice and stipulate deadlines for court decisions on selected matters, and an electronic system of judicial documents delivery. Conditions will be established for the development of a fully ICT-based judiciary system (electronic court file), which will also incorporate electronic recording of all hearings and the possibility of ongoing monitoring of the court proceedings progress. New legislation will accelerate the issuance of orders for payment and promote the use of electronic forms. Legislative, technical and organisational support will be given to the establishment of a judge's expert team, according to objective criteria known in advance.

Legal predictability through the publication of all judicial decisions

Based on the new legislation, which introduced an obligation of the courts to publish all judicial decisions on the Internet, a central website will be created, containing all judicial decisions of all ordinary courts (district courts, regional courts, the Special Criminal Court and the Supreme Court of the Slovak Republic). The website will be designed so as to comply with the criterion of a user-friendly Internet environment, with a view to providing the simplest possible way of searching for decisions by court, legal area and legal problem. A website containing the published decisions will serve as a means of ensuring legal predictability for all, while allowing comparison of the individual decisions in terms of quality of the judges' work. This will increase transparency and predictability in judicial decisions, while the pressure for a more convincing justification of court decisions will enhance the quality of court decision-making.

Access to the law

The Slovak Government will facilitate access to applicable law, make the legislative process more transparent and improve prevention of legal problem escalation. A legally binding electronic Collection of Laws of the Slovak Republic will be established as the official source of Slovak law. Infrastructure will also be put in place for the electronic distribution of regulations, from the review procedure through to their publication in the Collection of Laws. Activities planned in connection with the Legislation Portal include its upgrading, the introduction of electronic approval procedures, the introduction of advanced electronic signature for state officials and the mandatory use of the Legislation Editor application. The legislation governing the Centre of Legal Assistance to People will also be amended, establishing it as one of the Centre's tasks to prevent the escalation of legal problems and thus not only raise general legal consciousness among the society, but also reduce the occurrence of escalated legal disputes. To that end, the Centre will develop a concept of legal problem prevention, which it will subsequently technically implement.

Restoration of trust in the judiciary, fight against corruption and prevention of political interference in the judiciary

The Slovak Government will create conditions for reversing the negative and still deteriorating trend of mistrust in the judiciary, for preventing political interference in judicial power and strengthening its independence. Strict conditions will be introduced to warrant transparent and open selection procedures for the positions of judges and prosecutors. The law will stipulate a selection procedure mechanism, including the appointment of selection committees, which will ensure the selection of the best candidates, including for the positions of court chairmen, and equal chances for all candidates. New legal provisions will introduce mandatory security clearance of judges and candidates for the posts of judges.

With a view to improving court decision-making, legal and technical conditions will be established for the specialisation and continuous training of judges. Legislation will also be put in place to introduce evaluation of the judges' performance, precisely specifying the criteria, process and consequences of evaluation of their work. To



prevent a closed judicial system unable to withstand corruption from within, draft legislation will be presented after a broader expert discussion to change the rules of disciplinary procedure against judges, with a new method of appointing disciplinary tribunals that will allow public oversight and utilise “ad-hoc selection” in the appointment of tribunals.

Based on the results of a broader expert discussion, a proposal will be presented to establish the Supreme Administrative Court to ensure effective judicial protection of citizens against law violations on the part of general government bodies. In order to prevent corruption in courts, a hotline will be set up for the reporting of corruption in the judiciary and prison system. Immediate transitions between the position of a judge and an executive position will also be prevented, making it impossible for a minister of justice to run directly for court chairman. More transparency and public control of the Judiciary Council’s activities will be introduced by making all of the Judiciary Council sessions public. An obligation will also be introduced to make and publish audio records of all the sessions. The Judiciary Council will further be obliged to provide justification for every decision that relates to the position of a judge and had been published. Interference in its decisions by executive or political powers will be prevented by rendering the position of a Judiciary Council member incompatible with the position of a court chairman (vice-chairman).

Improved efficiency and transparency in the drawing of Structural Funds and the Cohesion Fund

To a great extent, the EU cohesion policy also contributes to the achievement of the NRP 2011-2014 objectives. The NRP 2011-2014 reflects the strategic priorities of the Slovak Republic under the cohesion policy and, therefore, many of its measures are co-financed from EU funds. The Slovak Government deems the efficient and transparent use of these funds particularly important. It will therefore proceed with accelerating, streamlining and simplifying the implementation of operational programmes included in the National Strategic Reference Framework, and with simplifying public access to resources from the Structural Funds and the Cohesion Fund, with a view to accelerating their implementation and the effect of such interventions on the Slovak economy. Improvements will be made in the configuration of processes of managing authorities within the management and control system, and in the overall quality of central system implementation.

6.5 Health

Despite a steep increase in healthcare expenditure over the past few years, Slovakia still lags considerably behind EU Member States. Healthcare expenditure in Slovakia grew significantly faster than in countries with similar GDP per capita and the Commission expects it to be one of the highest figures in the EU by 2060. Nonetheless, the increase in life expectancy was slower than the EU average. Key challenges include streamlining health expenditures and increasing the availability and quality of healthcare for all groups of the population. The Slovak Government will take steps to further improve the access of marginalised groups to health services, following up on the already adopted limit on copayments for drugs for old-age pensioners and individuals with severe disabilities, thus promoting the social aspect in the healthcare sector.

The Slovak Government will improve healthcare services in order to increase the healthy life expectancy without disability or a severe handicap at birth to 60 years by 2020.

6.5.1 Availability of healthcare and information

Time availability of healthcare

The Slovak Government will restructure the minimum public network of healthcare providers with whom health insurance companies are obliged to conclude contracts, in particular through the abolition of the end network of hospitals (a name list of mostly state-owned hospitals). An amendment of the decree of the Ministry of Health of



the Slovak Republic, which lays down details about the list of insurees waiting for the provision of planned healthcare, will improve transparency in putting insurees on the health insurance company's list for the provision of planned healthcare and reduce the waiting time for planned healthcare after they are put on the list. Waiting lists will be drawn up for all diagnostic and therapeutic services provided later than within 1 month of indication. Planned healthcare will be provided within 12 months of the inclusion on a list maintained by the health insurance company; this time period will be shorter for imaging methods (diagnostics), out-patient care and oncological care. The health insurance companies will be obliged to publish the waiting times structured by provider to allow comparison.

Informing patients about the quality of healthcare providers

The Slovak Government will promote healthcare quality by introducing a comprehensible system of quality measurement and accreditation of providers, including hospitals. By the end of 2011, it will adopt a new extended list of quality indicators and will define them also for other fields of medicine. Contrary to the present situation, the healthcare provider quality indicator values will be set so as to actually and meaningfully differentiate the providers. The indicator values and the healthcare provider quality rankings will be published at least once a year in a user-friendly form, with a view to improving the informing of patients. The indicator list will be revised every three years.

6.5.2 Medicines policy

Introducing generic prescription

The Slovak Government will enhance the patient's choice in the dispensing of drugs (especially in respect of the cash co-payment) by introducing the so-called generic prescription, which means using the name of the active substance in the prescription of drugs. Improved price competition among drug suppliers can be expected in the long run, driven by efforts to determine the lowest possible insuree co-payment, which will result in a gradual reduction of the drug prices. Pharmacies will be obliged to stock and offer to the patient a generic alternative with the lowest co-payment – a practice already in use in several EU countries.

Drug regulation

The Slovak Government will legislatively determine a treatment cost-effectiveness rate that is no longer considered beneficial from the viewpoint of the society, namely by setting the acceptable cost of one quality-adjusted life year (QALY) at 24- to 35-times the average monthly wage. More emphasis will be placed on the role of pharmacoeconomic assessment in the inclusion of a drug on the list of covered drugs and in setting the amount of payment. Pharmacoeconomic assessment will also be made mandatory when deciding upon increased payment or an extension of indication restrictions, since these changes may significantly affect public health insurance expenditure. The drugs currently covered will be revised using pharmacoeconomic criteria.

The determination of the amount of health insurance company payments and patient co-payment will also be made more transparent. It will become possible to refuse payment from public health insurance for drugs whose effectiveness has not been sufficiently supported by the results of clinical tests. New drugs will be categorised temporarily for a period of 2 years; before this period expires, in order for a drug to remain on the market, data will have to be submitted on the use of the drug after inclusion, its costs and results.

The existing system of international drug price comparison will be made more stringent and transparent, so that the drug price in Slovakia cannot exceed the second-lowest from among EU countries (at present it is the average of the six lowest prices EU-wide).

The entry of generic drugs into the market will be accelerated as well. The frequency of generic drugs inclusion in the categorisation process will be increased from the current four to twelve times per year. Compared to the inclusion of an original drug in the categorisation, the process of including a generic drug is simpler and requires



neither special pharmacoeconomic assessment nor complicated decision-making on the adequate level of payment. Analogously, it is necessary to review the frequency of processing requests for a change (reduction) of drug prices.

Transparency and independence in the categorisation of drugs, medical aids and dietetic foodstuffs will be improved through the introduction of criteria for the exclusion of an advisory body member from the preparation and adoption of an expert recommendation. Incomes of advisory body members from regulated entities will be published on the Internet; this also concerns income received through mediators. Rules will be introduced governing relationships of advisory body members with regulated entities, including the mandatory publication of records of meetings between advisory body members and regulated entities.

Transparency of processes will be further improved by introducing an obligation to publish requests, suggestions and decisions concerning categorisation and official determination of prices on the website of the Ministry of Health of the Slovak Republic. Compared to other types of administrative proceedings, transparency will also substantially increase through the publication of expert recommendations adopted by advisory bodies on the Health Ministry's website.

The law and the relevant implementing regulations will stipulate precise categorisation rules that will, to the greatest extent possible, prevent subjective decision-making in the categorisation of drugs, medical aids and dietetic foodstuffs.

More relaxed rules for the sale of over-the-counter drugs in other registered stores

Competition on the market in medicinal drugs will be enhanced by relaxing the rules for selling some OTC drugs (i.e. drugs that do not require a prescription) in other registered stores, and by relaxing the sale of drugs over the Internet, under conditions equal to those currently applicable to pharmacies. Opening the market will raise the competitive pressure on the market in drugs, improve their overall availability to the consumer and reduce their costs.

6.5.3 Providers and the health insurance market

The Slovak Government will improve the offer of extra health insurance, including an extension of the possibility to obtain extra insurance beyond the mandatory basic package.

Introduction of payments for diagnosis-related groups (DRG)

The Slovak Government will raise the effectiveness of healthcare expenditure by introducing a payment system based on diagnosis-related groups. For every hospital case, the DRG system will assign a volume of funds set in advance – based on the diagnosis, procedures, age, sex, presence of other diseases or complications, and other measurable criteria. If an identical procedure is performed during the treatment of an identical diagnosis, every hospital will receive the same amount from an insurance company.

DRG payments will provide a transparent healthcare funding system for in-patient healthcare facilities, thus bringing more fairness to the funding of healthcare providers. The creation of a uniform platform for the funding of the provided hospital services in the form of a DRG system will contribute to the possibility to compare healthcare provided in the individual healthcare facilities, and a broader scope of information will be gathered for decision-making and control.

Risk adjustment

The Slovak Government will expand the system of insuree risk structure adjustment that will reflect individual risk using indicators of an individual's health. The system of risk adjustment among insurance companies will be supplemented with diagnostic information obtained on the basis of chronic medication (the so-called pharmacy-



based cost groups – PCG). This will give insurance companies less room for selecting of low-cost insurees and will serve as an incentive to also provide chronic or costly care.

Publication of contracts and transformation of hospitals

The Slovak Government will improve efficiency in the management of hospitals by transforming them into corporations by the end of 2011, while also allowing the transformation of non-profit organisations with a view to improving business transparency in the provision of health services.



ANNEX 1 – National targets under Europe 2020 strategy

Indicators		2004	2005	2006	2007	2008	2009	2010	Target 2020
	Long-term sustainability indicator (GAP)	SK	-	-	-	-	9,5	9,2*	0,0
	VAT collection effectiveness (%)	SK	72	74	69	65	65	58	-
		EU20	66	68	70	70	68	-	-
EU	Greenhouse gas emissions outside the ETS (%) (%, change against 2005)	SK	-	-	-2,2	-6,1	-8,2	-12,3	-
EU	Share of RES in gross final consumption (%)	SK	-	-	6,2	7,4	8,4	-	-
EU		EU	-	-	8,9	9,7	10,3	-	-
EU	Final energy consumption (%) (%, change against 2001 – 2005 average)	SK	-	-	-1,2	-3,1	-1,5	-	-
EU	School drop-out rate (%) (%, population aged 18-24)	SK	6,8	6,3	6,6	6,5	6,0	4,9	-
EU		EU	16,1	15,8	15,5	15,1	14,9	14,4	-
	PISA (arithmetic average of the scores)	SK	-	-	482	-	-	488	-
		OECD	-	-	496	-	-	497	-
EU	Tertiary educational attainment (%) (%, population aged 30-34)	SK	12,9	14,3	14,4	14,8	15,8	17,6	-
EU		EU	26,9	28,0	28,9	30,0	31,1	32,3	-
	Citations per researcher (%) (%, 100 = EU average)	SK	-	39	39	44	41	44	-
EU	Gross domestic expenditure on R&D (GERD) (%) (% GDP)	SK	0,51	0,51	0,49	0,46	0,47	0,48	-
EU		EU	1,82	1,82	1,85	1,85	1,90	2,01	-
	High-tech export (%)	SK	4,7	6,4	5,8	4,8	5,0	-	-
		EU	18,5	18,7	16,7	12,6	12,6	-	-
EU	Employment rate (%) (%, population aged 20 - 64)	SK	63,7	64,5	66,0	67,2	68,8	66,4	-
EU		EU	67,4	68,1	69,1	70,0	70,5	69,1	-
	Long term unemployment rate (%) (%, active population aged at least 15)	SK	11,8	11,7	10,2	8,3	6,6	6,5	-
		EU	3,4	3,7	3,7	3,1	2,6	3,0	-
EU	Population at risk of poverty or exclusion (%)	SK	-	32,0	26,7	21,4	20,6	19,6	-
EU		EU	-	24,7	24,9	24,9	24,5	23,1	-
	Doing Business (World Bank) (ranking)	SK	-	-	-	-	-	40	41
		EU	-	-	-	-	-	37	37
	Product market regulation index (OECD) (score)	SK	-	-	-	-	1,63	-	-
		OECD	-	-	-	-	1,41	-	-
	eGovernment Index (%)	SK	25,5	-	37,3	44,8	-	58,3	-
		EU	-	-	46,3	53,3	-	62,5	-
	Corruption Index (%)	SK	-	59	-	59	-	61	-
		EU	-	67	-	78	-	80	-
	Healthy life years (number of expected years at birth)	SK	-	56,4	54,4	55,9	52,3	-	-
		EU	-	-	62,1	62,3	-	-	-

* - estimate



Name of indicator	Definition and source
Long-term sustainability indicator (GAP)	The long-term sustainability indicator represents the difference between the current value and the sustainable value of the structural primary balance. The sustainable value is determined using the current legislation and long-term demographic and economic forecasts that affect general government revenue and expenditure. Source: OECD / Eurostat, calculation: the MFSR
VAT collection effectiveness	VAT collection effectiveness = $\text{VAT collected} / [(\text{final consumption of households} + \text{gross fixed capital formation of the general government} + \text{intermediate consumption of the general government} - \text{VAT collected}) * (\text{basic VAT rate} / 100)]$ The index compares actual VAT collection to potential VAT collection. The larger the indicator value, the more efficient the VAT collection. Potential VAT collection indicates how much VAT can be collected on the macroeconomic base at the basic VAT rate. Source: OECD / Eurostat, calculation: the MFSR
Greenhouse gas emissions outside the ETS	Emissions of greenhouse gases outside the ETS in CO ₂ -equivalent as a percentage change against 2005. The indicator expresses trends in aggregate anthropogenic emissions of O ₂ , NO ₂ , CH ₄ , HFC, PFC and SF ₆ , collectively called greenhouse gasses and expressed in CO ₂ -equivalent. The total quantity does not include emissions from land use, land-use change and forestry (LULUCF). Source: Eurostat
Share of RES in gross final consumption	The contribution of electricity made from renewable energy sources to the final electricity consumption expresses the ratio between the amount of electricity produced from renewable energy sources and the gross final electricity consumption. Electricity produced from renewable energy sources includes electricity produced using the energy of water (excluding pumped-storage hydropower plants), wind, sun, geothermal energy and biomass. Gross final electricity consumption consists of the overall gross production of electricity from all fuels, plus electricity import, less electricity export. Source: Eurostat
Final energy consumption	Final energy consumption represents the difference between final consumption and final non-energy consumption. Final non-energy consumption includes energy products used as feedstock in various industries, i.e. those that are neither consumed as fuel nor transformed to another fuel. Final consumption is calculated as gross inland consumption – transformation (input) + transformation (output) + exchanges and transfers, backflows – consumption of the energy sector – distribution losses. Source: Statistical Office of the Slovak Republic
School drop-out rate	The share of population aged 18-24 with the lowest education (ISCED 0, 1, 2, 3C), who do not continue further studies. A pupil is considered not to continue further studies if in the four weeks preceding the survey he/she did not receive any type of education or training; the relevance of education to the respondent's current or future work is not taken into account. Source: Eurostat
PISA	Internationally standardised assessment of the knowledge and skills of 15-year-old students. It assesses students in three areas: mathematics, reading and natural sciences. The index is an arithmetic average of the scores obtained in the individual areas. Source: OECD
Tertiary educational attainment	The share of tertiary graduates aged 30-34 in the total population in the same age group. University or PhD studies correspond to ISCED 5-6. Source: Eurostat
Citations per researcher	The proportion of the number of citations in renowned international magazines (Web of Science database) per number of researchers in the country (Eurostat). The indicator is expressed relative to the average of European Union countries. Source: Web of Knowledge (requires access), Eurostat, MFSR calculations
Gross domestic expenditure on	The percentage share of total R&D expenditure in GDP. Source: Eurostat



R&D (GERD)	
High-tech export	<p>The share of high-tech export in the country's total export. High-tech products include selected products from the following industries: aerospace, computers and office machinery, electronics-telecommunications, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electric machinery and armament.</p> <p>Source: Eurostat</p>
Employment rate	<p>Share of the employed aged 20-64 in the total population in the same age group. The indicator covers the total population living in independent households; it excludes collective households, people living in boarding and lodging houses, dormitories, and those hospitalised in healthcare facilities. The employed population is made up of those people who, during the reference week, carried out some type of remunerated work (either salary or benefit) for at least one hour, or who did not work but had a job from which they were temporarily absent.</p> <p>Source: Eurostat</p>
Long term unemployment rate	<p>The share of persons aged at least 15, who have been unemployed for 12 months and more, not living in collective households who are without work despite actively seeking work.</p> <p>Source: Eurostat</p>
Population at risk of poverty or exclusion	<p>The indicator represents the sum of people at risk of poverty (after social transfers) and/or those materially deprived and/or living in households with low work intensity, expressed as a percentage of the total population. The risk of poverty represents the number of persons with equivalised disposable income below 60% of the national median equivalised disposable income (after social transfers). The materially deprived are those who cannot afford at least four of the following nine items: i) pay the rent/mortgage or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or protein equivalent energy every second day, v) one week of vacation away from home, vi) car, vii) washing machine, viii) colour TV or ix) telephone. Population in households without work includes persons aged 0 – 59 living in a household where the adults worked less than 20% of their total work potential during the past year.</p> <p>Source: Eurostat/EU-SILC</p>
Doing Business	<p>A country's position in the Doing Business ranking, which measures regulation of small and medium-sized enterprises throughout the nine stages of their lifecycle: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The data is based primarily on national laws, various other forms of regulation and administrative requirements.</p> <p>Source: the World Bank</p>
Product market regulation index	<p>The assessment of a country using the product market regulation index. It measures regulation and barriers in three areas: state control, barriers to entrepreneurship and barriers to trade and investment (each with a weight of one third). The product market regulation index targets not only the business activities of regular enterprises, but also measures broader regulation (for example regulation in network industries).</p> <p>Source: OECD</p>
eGovernment Index	<p>For any given country, the index is calculated as a weighted average of the following three indicators: eGovernment availability (50% weight), individual eGovernment usage (25% weight) and business eGovernment usage (25% weight). The eGovernment availability measures the offer of 20 basic eGovernment services. Of the 20 defined public services, the indicator specifies the share of services available via the Internet. For a service to be deemed available, it must achieve a certain degree of sophistication. The use of eGovernment by individuals/businesses measures the percentage of people/businesses who have, in the last three months, used the Internet in communication with public institutions (obtaining information from a website, downloading an official form or sending a filled-in form).</p> <p>Source: Eurostat, MFSR calculations</p>
Corruption Index	<p>The corruption indicator represents an average of two indices focusing on different types of corruption: Corruption experience among the general population – a Eurobarometer survey targeting individual sectors, such as the police, customs administration, courts, national politicians, regional politicians, local politicians, tenders, building permits, business permits, healthcare system, school system, inspection. The Corruption Perception Index (CPI) – Transparency</p>



	<p>International – measures the perception of corruption based on 5-10 source surveys of entrepreneurs and experts in each country. In Slovakia, eight corruption perception surveys are included, with 50% weight assigned to the views of entrepreneurs and 50% to the views of experts.</p> <p>Source: Transparency International, Eurobarometer, MFSR calculations</p>
Healthy life years	<p>The number of years lived in a healthy condition that can be expected at birth. This indicator combines information on mortality and morbidity in the given country. Good health is defined by the absence of disabilities or restrictions on everyday activity. It is also called disability-free life years (DFLY).</p> <p>Source: Eurostat</p>



ANNEX 2 – Schedule of tasks

Area / Task title	Deadline	Responsible person
Institutional framework		
To strengthen analytical capacities	30.12.2011	MESRS, MLSAF, ME, MEnv, MTCRD, MH, PM
Public finance		
Tax and contribution system reform		
To create an institutional link between the tax and customs administration, including internal reforms to optimise the number of tax and customs offices	1.1.2012	MF
Effectiveness of the legislation pertaining to the tax and contribution system reform – Phase I (changing the parameters of the tax and contribution system)	1.1.2012	MF in cooperation with MLSAF, MH
Effectiveness of the legislation pertaining to the tax and contribution system reform – Phase II (creating an institutional link between the collection of social contributions and the Financial Authority)	1.1.2013	MF in cooperation with MLSAF, MH
To complete the harmonisation of the newly-established Financial Authority in organisational and process terms	1.1.2013	MF
To unify the collection of taxes, customs and social contributions into one-stop shops, including the possibility of unified settlement of taxes and contributions in a single tax-contribution return	1.1.2013	MF
Fiscal framework reform		
Effectiveness of the Act on budgetary responsibility	1.1.2012	MF
Amendments to Act No. 523/2004 Coll. on the budgetary rules of the general government and on amendments to certain acts, as well as amendments to Act No. 583/2004 Coll. on budgetary rules for the self-governing territorial units and on amendments to certain acts	1.1.2012	MF
Pension system reform		
To submit an analysis of the long-term sustainability of the pension system to the Government for discussion	accomplished	MLSAF in cooperation with MF
To submit the proposals for changes in the pension system to the Government for discussion	30.4.2011	MLSAF
Analysis of the long term sustainability of the pension system of the armed forces	30.9.2011	MI in cooperation with MD and MF
Environmental sustainability and energy		
Proposed institutional framework for the coordination and implementation of climate change and energy policies		
Proposal of institutional framework for the coordination and accomplishment of the climate change policy objectives	31.5.2011	MEnv
To implement further measures aimed at ensuring the operability of the institutional framework	31.7.2011	MEnv
Proposal of a complex system of projections of greenhouse gases emissions, including a macro-economic module	31.12.2011	MEnv
Preparation of a low-carbon development strategy of the Slovak Republic by 2030(2050), including an impact assessment study	31.3.2012	MEnv
To analyse the introduction of the tax on cars based on the quantity of CO2 emitted	30.6.2012	MF
Sustainable development of energy sectors		
Preparation of the Energy Efficiency Action Plan for 2011-2013	28.4.2011	ME
Transposition of Directive 2009/28/EC on the promotion of the use of energy from renewable sources	30.4.2011	ME
Amendment to Act No. 309/2009 Coll. on the promotion of renewable energy sources and high-efficiency cogeneration and on amendments to certain acts	29.4.2011	ME
Preparation of the Energy Efficiency Action Plan for 2011-2013	30.06.2011	ME
Preparation of an analysis of the potential for energy savings in individual sectors of the national economy	31.12.2013	ME
Analysis of the capacities of renewable energy sources and electricity and heat cogeneration, with a proposal to increase their share by 2020	30.3.2012	ME
Proposal to reduce the negative impact connected with the promotion of renewable energy sources and electricity and heat cogeneration on the price of electricity	30.6.2011	ME
To prepare a proposal for increasing the transparency of the regulation policy for network industries in Slovakia	31.12.2011	ME
Education, science and innovation		
Social inclusion of children from socially excluded communities		
To reassess the importance of special schools and prevent possible segregation of children on grounds of ethnicity	31.12.2012	MESRS
To increase the number of special teachers, pedagogical and psychology counsellors and	31.12.2011	MESRS



assistants at schools		
To reinforce the zero class system at primary schools	31.12.2011	MESRS
To create auxiliary Slovak language programmes	31.12.2012	MESRS
To launch a pilot project for educating the Roma minority in their native language.	31.12.2012	MESRS
To reassess the early selection of primary school pupils for eight-year grammars schools	31.12.2011	MESRS
Opening up the textbook market		
To ensure the availability of the first alternative teaching materials	1.9.2012	MESRS
To ensure the availability of alternative teaching materials for at least 20 percent of teaching subjects	1.9.2013	MESRS
Digitising schools		
To launch the pilot stage of the digital content project	30.4.2011	MESRS
To ensure general availability of digital content	1.9.2014	MESRS
To commence the implementation of the e-development strategy for regional schools	1.1.2013	MESRS
Promoting best practice		
To identify the best teachers in Slovakia	30.4.2011	MESRS
To launch a programme for the distribution of best teachers' practical experience	1.9.2011	MESRS
To revise the state educational programmes	1.9.2012	MESRS
School quality assessment		
To reconcile the external forms of school performance evaluation	1.5.2012	MESRS
To prepare a system for the assessment and self-assessment of activities performed by schools and school facilities.	31.12.2012	MESRS
To carry out school quality assessment	1.9.2013	MESRS
Reducing bureaucracy at schools		
To remove superfluous and duplicate administrative activities not requiring legislative changes	1.9.2011	MESRS
To remove superfluous and duplicate administrative activities requiring legislative changes	1.9.2012	MESRS
Vocational education		
To submit a draft amendment to Act No. 184/2009 Coll. on vocational education to the Government for discussion	31.12.2012	MESRS
Changes in the financing of the regional education system		
To submit a draft amendment to Act No. 597/2003 Coll. on the financing of primary schools, secondary schools, and school facilities to the Government for discussion	30.6.2012	MESRS
To support the optimisation of the school and school facility network	31.12.2011	MESRS
Lifelong learning		
To reassess and update Lifelong learning strategy	30. 9. 2011	MESRS
Increasing the quality of tertiary education		
Participation in AHELO	30.4.2011	MESRS
To submit a draft amendment to Act No. 131/2002 Coll. on universities to the Government for discussion	30.9.2011	MESRS
To publish average wages of graduates from individual tertiary schools by field of study	1.9.2011	MESRS
Tertiary education funding reform		
To increase the importance of internationally acclaimed results of research in the allocation of institutional subsidies to public tertiary schools	30.4.2011	MESRS
Research funding reform and more effective drawing of EU funds		
To submit a draft amendment to Act No. 172/2005 Coll. on the organisation of state support for research and development	31.12.2011	MESRS
Innovation		
To prepare the National Project for the Increase of Innovation Performance of the Slovak Republic	30.6.2011	ME
To prepare an audit and create a system for promoting innovation in the Slovak Republic	31.12.2011	ME
To propose and implement modern tools to encourage the increase of innovation performance of the Slovak Republic	31.12.2012	ME
To ensure the funding for innovation-oriented activities of enterprises through JEREMIE	31.12.2013	ME
Employment and social inclusion		
Increasing the Labour Code flexibility		
To submit a draft amendment to the Labour Code to the Government for discussion	30.4.2011	MLSAF
To submit a draft amendment to the Labour Code to the Slovak Parliament	31.5.2011	MLSAF
A comprehensive review of active labour market measures and the intermediate labour market programme		
To submit a draft amendment to the Act on employment services (ALMM review, introducing competition to public employment services, a new contribution to promote employment under the intermediate labour market programme) to the Government for discussion	30.9.2011	MLSAF
To submit the Interim Progress Report concerning the integration of the long-term unemployed and other marginalized groups of job applicants (as stipulated by law) into the labour market based on the intermediate labour market programme through non-state employment services	1.6.2013	MLSAF
To submit to the Government for discussion the draft amendments to legislation necessary for the introduction of the intermediate labour market – Act on Minimum Wage, the Labour Code	31.8.2011	MLSAF



(minimum claim for wage)		
To submit to the Government for discussion the Project Implementation Report concerning the system of vouchers introduced for job applicants to purchase certain services from non-state employment service providers	30.6.2012	MLSAF
Improving the effectiveness of assistance in material need, social services and support for socially excluded communities		
Amendment to the Act on parental allowance, effective from 1 January 2011	accomplished	MLSAF
Amendment to the Act on childcare allowance, effective from 1 January 2011	accomplished	MLSAF
To submit a draft Act on assistance in material need to the Government for discussion (reintroducing social scholarships)	31.8.2011	MLSAF
To submit a draft Act on housing contribution to the Slovak Government for discussion	30.9.2011	MLSAF
To submit a draft Act on socially excluded communities to the Slovak Government for discussion	31.3.2012	MLSAF
To submit a draft amendment to the Social Services Act to the Slovak Government for discussion	30.9.2011	MLSAF
Analysis of social benefits and a proposal to simplify and improve the effectiveness of social benefits	30.9.2011	MLSAF
Pension system reform		
Adoption of Act No. 543/2010 Coll. amending and supplementing Act No. 461/2003 Coll. on social insurance, effective from 1 January 2011, which lays down more stringent criteria for early retirement.	accomplished	MLSAF
To submit to the Government for discussion a draft amendment to the Act on old-age pension saving in connection with the payment of annuity	30.9.2012	MLSAF
To submit a draft amendment to the Act on social insurance (Act No. 461/2003 Coll.) to the Government for discussion	18.8.2011	MLSAF
Business environment		
Better regulation for business environment		
Action plan for the reduction of administrative burden for businesses in the Slovak Republic for 2007-2012	30.4.2011	ME
Administrative burden measurement – Stage II	30.4.2011	ME
Administrative burden quantification	30.4.2011	ME
Proposal of measures designed to reduce administrative burden	30.4.2011	ME
Adoption of measures designed to reduce administrative burden	30.6.2011	ME
Monitoring, implementation and evaluation of the measures adopted	31.12.2011	ME
Completion of the Interior Ministry's information system with a view to enabling SCPs to receive submissions by citizens (entrepreneurs)	31.12.2011	ME
Completion of the Interior Ministry's information system to enable the matching of payments made using the payment portal	31.12.2011	ME
Modifications to the CORWIN system of the Ministry of Justice with a view to integrating SCPs and creating a link to the commercial registers of the respective courts	31.12.2011	ME
Configuring the infrastructure of the central public administration portal for the receipt of submissions	31.12.2011	ME
Business environment transparency and more effective winding up of a business		
Electronic Commercial Journal	1.7.2011	MJ
Electronic insolvency register	31.8.2012	MJ
Effectiveness of new legislation for bankruptcy proceedings	1.1.2012	MJ
Construction of motorways and expressways		
Timetable for the preparation and construction of motorways and expressways for 2011-14	31.6.2011	MTCRD
eGovernment		
Setting up the Executive Council for eGovernment and the Working Group for eGovernment Legislation	30.4.2011	MF
To submit the priority list of life events and simplified administrative procedures to the eGovernment Strategic Council for discussion	30.4.2011	GPIS
Survey of the situation in terms of information security in the general government, publication of results	31.7.2011	MF
To prepare and submit for inter-ministerial review the draft Act on eGovernment and public administration registers	31.8.2011	MF
Information security – to submit for inter-ministerial review the draft Act on information security	30.9.2011	MF
Satisfaction survey on eGovernment services, publication of results	31.12.2011	MF
Central public administration portal – update and redesign to incorporate life events, ensuring compliance with standards	28.2.2012	MF
To monitor compliance with standards in the general government in specified areas	28.2.2012	MF
The ministries and other central government bodies will provide information on information systems currently in operation and on the provided e-services for the pilot project of the central meta-information system	31.12.2012	MF



To complete the functionality of the CSIRT.SK specialised team for handling computer incidents, including its involvement in the European structures – 2nd accreditation stage	31.12.2012	MF
To prepare and submit for inter-ministerial review the National Interoperability Framework	31.12.2012	MF
Preparation of a decree laying down the content and method of entering data into the central meta-information system of the public administration and its publication in the Collection of Laws	31.7.2013	MF
Preparation of a decree on integrated service points and its publication in the Collection of Laws.	30.6.2014	MF
Transparent conditions and enforceability of rights		
Enforceability of rights before courts in a reasonable time span		
ICT-based judiciary system	31.12.2012	MJ
Legal predictability through the publication of all judicial decisions		
Publication of selected judicial decisions on the Internet	1.1.2012	MJ
Access to the law		
Effectiveness of new legislation concerning the Centre of Legal Assistance	1.1.2012	MJ
Electronic Collection of Laws (pilot project)	31.12.2012	MJ
Restoration of trust in the judiciary, fight against corruption and prevention of political interference in the judiciary		
Effectiveness of new legislation – Phase I	accomplished	MJ
Effectiveness of new legislation – Phase II	1.5.2011	MJ
Effectiveness of new legislation – Phase III	1.12.2011	MJ
Health		
Time availability of healthcare (minimum network and rules for waiting lists)		
To submit to the Government for discussion a draft amendment to the Act on healthcare providers, health workers and professional organisations in the health service and the Government Regulation on the public minimum network of healthcare providers	30.9.2011	MH
To submit to the Government for discussion a decree laying down details about the list of insurees waiting for the provision of planned healthcare	30.4.2011	MH
Amendment to the Act on health insurance companies and surveillance over health care and on amendments to certain acts as amended, and on amendments to certain acts, effective from 1 April 2011	accomplished	MH
Informing patients about the quality of healthcare providers		
To submit a new extended list of quality indicators to the Government for approval	31.12.2011	MH
To submit to the Government for discussion an amendment to the Act on healthcare providers, health workers and professional organisations in the health service and on amendments to certain acts, as amended	30.11.2011	MH
Introducing generic prescription		
To submit to the Government for discussion an amendment to the Act on drugs with planned effective date set to 1 October 2011	31.8.2011	MH
Drug market regulation		
To submit to the Government for discussion an amendment to the Act on the scope of healthcare covered by public health insurance and on the reimbursement of healthcare-related services, effective from 15 September 2011	31.8.2011	MH
Amendment to Decree No. 723/2004 of the Ministry of Health of the Slovak Republic to increase transparency and independence in the categorisation of drugs	31.8.2011	MH
To submit new Act No. 140/1998 Coll. on medicines and medical aids, introducing the regulation of marketing activities undertaken by pharmaceutical companies and distributors, effective from 1 October 2011	31.8.2011	MH
Degrressive margin on drugs supplied to hospitals		
Measure of the Ministry of Health of the Slovak Republic of 8 September 2010 laying down the scope of price regulation in the health care system as at 1 October 2010	accomplished	MH
Limit on copayments for drugs for old-age pensioners and individuals with severe disabilities		
Amendment to the Act on the scope of healthcare covered by public health insurance and on the reimbursement of healthcare-related services, effective from 1 April 2011	accomplished	MH
Relaxing the rules for selling OTC drugs in other registered stores and the sale of drugs over the Internet		
To submit to the Government for discussion an amendment to the Act on medicines and medical aids aimed at relaxing the sale of OTC drugs	30.6.2011	MH
Introduction of payments for diagnosis-related groups (DRG)		
To transfer the competences in connection with the introduction of DRG payments to the Healthcare Surveillance Authority (HSA)	accomplished	MH
To submit to the Government for discussion the list of actions and measures necessary for introducing the DRG system as the payment mechanism for inpatient healthcare	31.12.2011	MH
Setting up the Centre for DRG Classification System at the HSA	30.4.2011	MH
Putting the DRG system into practice	31.12.2014	MH
Risk adjustment system		



To create a working group within the remit of the Ministry of Health	1.6.2011	MH
To set up a working group within the remit of the Ministry of Health, comprising the representatives of the Ministry of Health and the Ministry of Finance, including the representatives of all health insurance companies, in order to prepare complete methodology for introducing the mechanism for the redistribution of insurance premiums	30.3.2012	MH
To collect reliable data for the calculation of a model and the PCG calculation from the data provided by health insurers for the year 2011	31.7.2012	MH
To submit to the Government for discussion an amendment to the Act on health insurance and on amendments to Act No. 95/2002 (Coll.) on insurance and on amendments to certain acts, and to publish a decree concerning the redistribution of health insurance premiums	1.6.2011	MH
Publication of contracts and transformation of hospitals		
Amendment to the Act on health insurance companies and surveillance over health care and on amendments to certain acts, effective from 1 April 2011	accomplished	MH

Responsible persons – abbreviations:

PM - Prime Minister of the Slovak Republic; MTCRD - First Deputy Prime Minister and Minister of Transport, Construction and Regional Development; MF - Deputy Prime Minister and Minister of Finance; MLSAF - Deputy Prime Minister and Minister of Labour, Social Affairs and Family; ME - Minister of Economy; MESRS - Minister of Education, Science, Research and Sport; MH - Minister of Health Care; MEnv - Minister of Environment; MJ - Minister of Justice; MD - Minister of Defence; MI - Minister of Interior; GPIS - Government Plenipotentiary for Information Society.