

National Reform Programme of the Slovak Republic 2012

April 2012



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Statement of the Government of the SR

Government of the SR recognises and reaffirms its commitment arising from Slovakia's membership in the European Union and the Eurozone. The National Reform Programme submitted hereafter was drafted by a government whose mandate ended on 4 April 2012. On the same day a new government was appointed and obliged to present to the National Council of the SR, within 30 days, its policy statement and ask the council for a vote of confidence. The policy statement of the Government identifies with the objectives of the NRP 2012 but offers fundamentally different tools. Nevertheless, the continuity in the area of the challenges that Slovakia faces today and that need to be addressed is important. However, the new Slovak government does not completely identify with the measures taken in the past and their assessment. In accordance with the decision of the European Council – Ecofin, the Government of the SR submits the National Reform Programme of the SR 2012 by the set deadline of 30 April 2012. The Government commits to supplement the National Reform Programme of the SR in the shortest possible time with measures that will be in line with the policy statement of the new government.



Introduction

The National Reform Programme of the Slovak Republic (NRP) presents the plans of the Slovak Government in structural policies. Along with the Stability Programme, it sets out the Government's priorities for the upcoming period in the area of economic and budgetary policies and defines the measures aimed at improving the quality of life, in particular by enhancing economic growth and employment in line with the Stability and Growth Pact and the Europe 2020 strategy.

The main economic policy objective, that is, to attain a better quality of life, remains unchanged. The Slovak Government presents its commitment to implement measures towards meeting the objectives defined by measurable indicators, with an emphasis on the results of economic policy. They can be achieved by ensuring a long-term sustainable economic growth and creation of new jobs. The priority areas – (1) education, science and innovation; (2) employment and social inclusion; (3) business environment; (4), transparency and law enforcement; and (5) health – were identified using GDP decomposition and taking into consideration some other factors that do not have to necessarily increase GDP but contribute to a better quality of life.

Even though the objectives remain unchanged, the tools to achieve them may differ. It is important to uphold the continuity of challenges which Slovakia is confronted with and which will require attention. Different tools and procedures can be used to address individual problems. However, it is crucial that tax payers' money be not allocated arbitrarily in the public sector but rather such result-oriented public policy practices be used, which allow for a high degree of autonomy combined with public awareness.

The crisis has revealed crucial problems and unsustainable trends in many European countries and showed the deep interconnections among Member States' economies. Stronger economic policy coordination within the entire EU should contribute to addressing the aforementioned problems, enhancing economic growth and creating new jobs in the future. The EU aims for a stronger interconnection among policies through the introduction of the European Semester, the purpose of which is to provide for effective coordination of budgetary, macroeconomic and structural policies of EU Member States. This process enables the Member States to take into account EU recommendations at an early stage of preparation of their budgets and in drafting their economic policies. This new development at EU level is incorporated in the present NRP which reflects the recommendations by the EU Council and the EU-wide priorities.

The first chapter of this document presents a macroeconomic framework and medium-term forecast. The second chapter contains measures taken by Slovakia in response to Council recommendations and commitments under the Euro Plus Pact. The third, core chapter outlines measures the Slovak Government plans to implement in order to meet the set objectives. The presented measures respond to the five main priorities identified by the Council under the European Semester: continue differentiated growth-friendly fiscal consolidation; promote growth and competitiveness, tackle unemployment and social consequences of the crisis; modernise public administration; and restore normal lending to the economy. Within these priority areas, the emphasis is put on policies that are crucial, at a national level, to improving the quality of life of the population as the main objective of Slovak economic policy.

The third chapter also contains the position of the Slovak Government on the ongoing discussions at the European Commission level concerning cohesion policy after 2013. The Slovak Government fully endorses 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: (1) basic infrastructure; (2) human resources, employment and social inclusion; (3) science, research and innovation with the focus on green growth.

The annex contains a list of structural indicators and their target values for 2020, including a brief description. A new national target for environmental sustainability has been added to the NRP.



Funding of the proposed measures will be ensured within the limits prescribed for individual budget chapters and will fully comply with the General Government Budget for 2011-2014 and the Stability Programme of the Slovak Republic for 2012. In order to protect expenditures that promote economic growth, two basic and political priorities are apparent in the 2012 budget - transport infrastructure and education.

National coordinators of the Europe 2020 strategy are the Prime Minister, and the Deputy Prime Minister and Minister of Finance. The preparation and implementation of the National Reform Programme primarily involves ministers responsible for the economic and social agendas such as labour market, social inclusion, education, business environment, energy sector, environment, health care sector, transport, regional development, etc. Other ministers, government plenipotentiaries and representatives of other central government bodies participate in delivering the strategy through cooperation in selected areas.

In the preparation of the National Reform Programme the strategy coordinators also engaged representatives of economic, social and regional partners, including through direct negotiations at a working level, which supplemented standard procedures. The partners will 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. It is important that the dialogue runs on a continuous basis, which is a precondition for a high quality of implementation of the proposed changes.

1 Macroeconomic framework and medium-term forecast

The Slovak Government considers a stable macroeconomic and fiscal policy fundamental to healthy economic development and a better quality of life. The following chapter outlines the basic macroeconomic framework essential for ensuring a sound development of the Slovak economy.

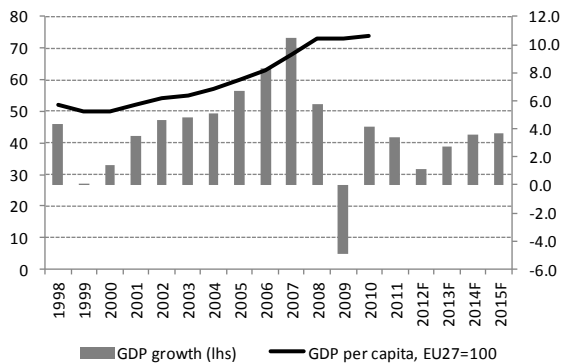
Economic development in Slovakia in 2011

The Slovak economic growth moderately slowed down in 2011. Real economic output increased by 3.3%, and surpassed the pre-crisis level from 2008. Slovakia had the sixth largest GDP growth in the EU, following the Baltic states, Poland and Sweden.

On the production side, growth was mainly fuelled by accelerated industrial production in the sectors sensitive to the economic cycle (the automotive industry in particular) and information and communications services and real estate activities. In terms of the structure of demand, Slovakia's economic growth was primarily driven by net exports and fixed investments. On the other hand, low consumer confidence resulted in a continuing decline in household consumption and austerity measures aimed at fiscal consolidation accounted for a negative contribution by the general government consumption.

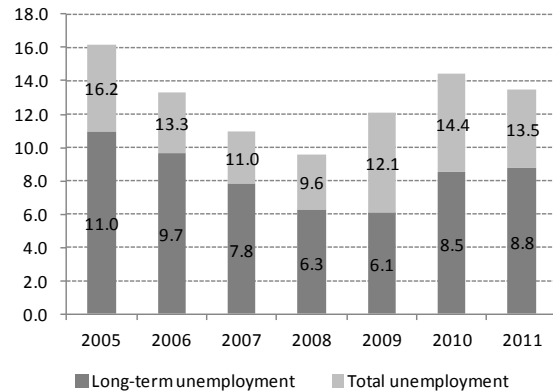


GDP growth in SR, HDP per capita SR vs. EU 27 (PPS)



Source: Statistical Office of SR, own calculations

Unemployment (%) and long-term unemployment (%)



Source: Statistical Office of SR, own calculations

The labour market was characterised by a long-awaited recovery in 2011, with the number of new jobs rising by nearly 40,000. Despite this recovery, the number of employed persons lags far behind the pre-crisis levels. Although the unemployment rate (using the LFS methodology) fell to 13.5% in 2011, Slovakia still ranks among EU Member States with the highest unemployment rate¹. Moreover, the long-term unemployment problem has further deteriorated. The share of long-term unemployed rose from 59.4% in 2010 to 63.9% in 2011.

Inflation development in Slovakia in 2011 continued to be influenced by external factors such as growing global food prices and higher oil prices, which resulted in an unusual rise in natural gas prices (by 6.9%) from July 2011. The upward trend in inflation from mid-year was caused primarily by the growing prices of gas and heat. Consolidation measures adopted by the Government posted a total contribution of 0.9 p.p. to the growth of average prices, with the most significant contribution (0.5 p.p.) coming from the increase in the basic VAT rate from 19 to 20%.

Medium-term forecast of economic development in 2012-2015

The most recent official forecast published by the Ministry of Finance in February 2012, used in drafting the budgetary framework, reflects an expected downturn in external factors and additional consolidation measures. On the other hand, economic growth will be enhanced by new announced investments, particularly in the automotive industry. Compared with the previous year, a slightly slower GDP growth of 1.1% is expected in 2012, mainly due to decelerated growth of our trade partners. However, foreign demand and investments will still account for the largest contribution to economic growth. Continuing concerns and uncertainty will further generate a high propensity for savings, even in spite of a rise in real wages. Therefore, the contribution of household consumption will remain negative. In the coming years, a faster growth will be offset by fiscal consolidation, yet the growth in employment and wages will result in a gradual increase in the contribution of private consumption. GDP is expected to grow at a rate of 2.7% in 2013 and 3.6% in 2014, starting from 2014 its structure will be driven evenly both by foreign and domestic demand.

The economic growth of 1.1% will be insufficient to generate new jobs in 2012. Even though employers first resort to cutting back on working hours when faced with lower demand, employment is still expected to drop by 5.4 thousand persons in 2012. Employment is thus expected to shrink by 0.2% (ESA95 methodology). The rate of unemployment (according to LFS) is expected to increase to 13.8% (registered rate of unemployment to 13.6%) and is unlikely to drop to the pre-crisis levels by the end of the forecast period.

A CPI inflation of 2.8% in 2012 is affected by lower prices of food, energies (due to a new contract between SPP and Russia's Gazprom), as well as the absence of fiscal measures. Inflation is expected to further decrease to

¹ Registered unemployment rate actually went up from 12.5% to 13.2%.



2.3% in 2013, followed only by a moderate increase until 2015 to an average level of 2.5%. In spite of an upward movement of consumer prices towards the end of the forecast period, the growth in real wages will increase to 3.0% by 2015.

Forecast for selected indicators – used in drafting of the budgetary framework (February 2012, %)					
Indicator	Actual value	Forecast			
	2011	2012	2013	2014	2015
GDP, real growth	3,3	1,1	2,7	3,6	3,7
Final consumption of households, real growth	-0,4	0,0	0,7	2,9	3,9
Final consumption of government, real growth	-3,5	-2,1	-4,2	1,2	-1,9
Gross fixed capital formation, real growth	5,7	1,6	2,1	1,9	2,9
Export of goods and services, real growth	10,8	2,2	8,2	5,9	5,3
Import of goods and services, real growth	4,5	0,7	7,8	5,2	4,7
Average monthly wage in the economy, nominal growth	2,2	3,4	4,3	4,7	5,6
Average monthly wage in the economy, real growth	-1,6	0,6	1,9	2,3	3,0
Average employment growth, ESA95	1,9	-0,2	0,3	0,5	0,8
Average unemployment rate, LFS	13,5	13,8	13,7	13,5	13,2
Average registered unemployment rate	13,2	13,6	13,6	13,5	13,2
Consumer price index, average growth	3,9	2,8	2,3	2,3	2,5
Harmonized index of consumer prices (HICP)	4,0	2,8	2,3	2,3	2,5
Current account balance, GDP share	0,1*	-0,2	-0,3	0,3	0,6

Source: Ministry of Finance of SR

Flash estimate - macroeconomic forecast for 2012

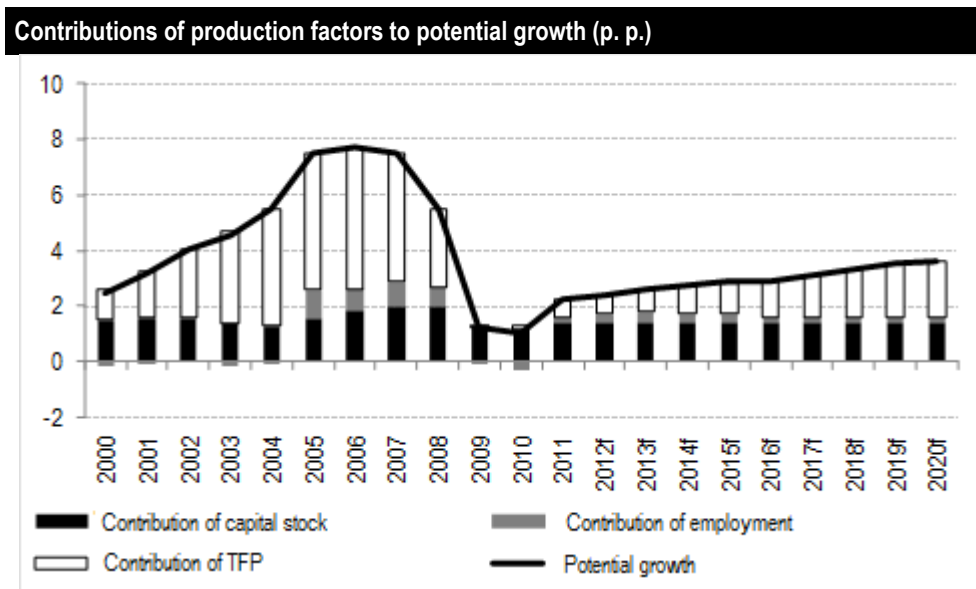
In March 2012, the Ministry of Finance of the Slovak Republic prepared a new “flash” macroeconomic forecast for GDP growth in 2012. It is a result of better than expected results of the Slovak economy in the fourth quarter of 2011 and improved economic expectations for the euro area in the first two quarters of 2012. Positive results were mainly reported for Slovak exports at the end of the previous year, which posted a considerable growth in spite of a decline in the economies of our major trade partners. The most recent development forecasts for the euro area indicate that its economy does not necessarily have to face a slump in 2012. On that account, the Ministry of Finance has revised its forecast of the Slovak economic growth in 2012 upward. At the same time, the high degree of current uncertainty translates into a lower accuracy of the forecast. The most recent estimate ranges from 1.9% to 2.6%, with the most likely scenario being a growth of 2.3% of GDP. A faster economic growth will only have a relatively minor positive impact on the balance of public finance in 2012, in the amount of EUR 53 million (after including lower estimates for excise taxes collection).

This flash estimate was not used in the budget preparation, serving mainly for risk assessment and communication towards the external environment. In line with the established practice, the budget and budgetary framework (including the Stability Programme) are always based on a standard prognostic procedure. This procedure assumes that macroeconomic and tax forecasts are produced by committees of independent experts.

Development in the potential growth of the economy until 2020

The global economic crisis caused the potential growth of the Slovak economy to decline below 2%, the lowest ever estimated value since the beginning of the economic transformation. The slowdown in the potential growth of the economy was caused by all 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) also occurred however with some delay. The ongoing economic recovery leads to a gradual acceleration in the growth of the potential output; since 2011, all three factors of production have resumed to have a positive contribution in this respect. The Ministry of Finance

expects the potential growth to speed up to 3% by 2015, but a return to the robust, pre-crisis growth in the potential output is not expected before 2020. A moderate acceleration, approximately to some 3.6%, in the growth dynamics may be envisaged after 2015. The ongoing more stringent credit standard policy that is a global consequence of the economic crisis, along with a moderately increased risk premium will slightly dampen 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. The contribution of growth in factor productivity will approach an equilibrium level of 2%.



NB: Production function methodology with expert adjustments for years 2006-2008. Source: ŠÚSR, MF SR.

2 NRP assessment

This chapter provides a brief assessment of the fulfilment of EU recommendations, commitments under the Euro Plus Pact and other important structural measures.

2.1 Response to EU recommendations

The EU Council recommended Slovakia to adopt six measures in the 2011-2012 period. Their assessment is provided below.

- (1) Rigorously implement both the 2011 budget as envisaged and the planned specific measures of a permanent nature in 2012 and 2013, to reduce the deficit below 3 % of GDP by 2013 in line with Council recommendations on correcting the excessive deficit and ensure adequate progress towards the medium-term objective. Subject to this, safeguard growth-enhancing expenditure, and use available room to increase revenue through environmental and property taxes and by increasing the efficiency of VAT collection.**

Measures in a total amount of EUR 1.8 billion, or 2.5% of GDP, were implemented in 2011 (compared to an unchanged policy scenario). General government deficit is expected to stand at 4.8% of GDP in 2011. This figure also includes debts of healthcare facilities and debts towards railway companies incurred from 2004 to 2010. The total amount of these debts represents EUR 633 million (0.9% of GDP) which, taking into account the 2011 bailout, accounted for a net negative effect on the public balance of 0.83% of GDP. A positive effect on the



balance also came from one-off VAT revenue in the amount of EUR 173.4 million (0.25% of GDP) in connection with the completion of R1 expressway sections built under a PPP project.

The general government budget for 2012-2014 contains further consolidation measures to reduce the deficit in 2012. They include measures on the expenditure side, especially frozen wage expenditures and overhead costs, as well as savings on capital expenditures, which, however, should be compensated for by a more effective use of EU funds. On the revenue side, moderate changes were made in corporate income tax, the excise duty on tobacco products was increased and a bank levy was introduced.

In order to protect expenditures that promote economic growth, two basic and political expenditure priorities are apparent in the 2012 budget. The first one is the transport infrastructure, where allocations increased in the road and railway transport sectors. The second priority area is education where the volume of funds for regional schools per student increased by 5.0% year-on-year and in the tertiary school sector by 4.7%.

(2) Strengthen fiscal governance by adopting in 2011 and implementing from 2012 binding multi-annual expenditure ceilings, covering the central government and the social security system. In addition, introduce an independent Fiscal Council and ensure timely publication of budgetary data at all levels of the government.

The Fiscal Responsibility Act approved by a constitutional majority in the National Council of the Slovak Republic governs the establishment and competences of a Fiscal Responsibility Council, rules of fiscal responsibility and rules of fiscal transparency. The Fiscal Responsibility Council will be an independent body which will monitor and assess the fulfilment of Government's fiscal targets. The act sets the maximum limit on general government debt, including measures that must be implemented if the reported level of the general government debt reaches a certain limit, sets out the transparency rules to be observed when drafting a general government budget and introduces more stringent budgetary rules for local government. More detailed information on the fiscal framework reform is provided in the Stability Programme of the Slovak Republic.

(3) Enhance the long-term sustainability of public finances by further adjusting the pay-as-you-go pillar of the pension system also by changing the indexation mechanism and implement further measures with a view to raising the effective retirement age, in particular by linking the pensionable age to life expectancy. Introduce incentives to ensure the viability of the fully-funded pension pillar so as to progress towards fiscal sustainability while assuring adequate pensions.

The reform of the second (fully-funded) pension system pillar came into force on 1 November 2011, but several changes in pension funds became only applicable as of 1 April 2012. The reform introduced the fourth type of pension fund, so-called index-linked, whose performance will replicate developments in one or more stock market indices. The proposed change enables savers to divide their savings into two pension funds, one of which must be a bond pension fund. In connection with this change, a gradual transfer of personal savings to a bond pension fund has been introduced, depending on the age of savers. The scope of insurers was defined anew, based on the principle of automatic entry, while the pension savers have the possibility to unilaterally opt out from the second pillar anytime during the first two years after their entry to the old-age pension saving scheme. A change was also made to one of the eligibility criteria for old-age pension payments from the 2nd pillar, namely that savers must participate in the old-age pension saving scheme for at least 10 years, compared to the original 15-year limit.

The mechanism for calculating the annual success fee also changed. Changes also occurred with respect to guarantees: the requirement to replenish assets in under-performing stock pension funds and mixed pension funds was cancelled; the monitoring period for guarantee purposes was extended to 60 months for bond pension funds. No guarantees are provided in index-linked pension funds. New obligations were introduced in risk management and assessment in pension funds. The law also permits to acquire so-called exchange traded funds to the portfolios of pension funds and introduces an obligation to protect and secure the value of the assets



of the fund against various risks. Investment in securities representing precious metals is also permitted (20% of net value of assets of mixed and stock pension funds).

As a follow-up to the aforementioned developments, the Slovak Government will explore further possibilities to make the functioning of the old-age pension saving system more transparent and simple.

(4) Take steps to increase employment and to support labour demand for the low-skilled unemployed by reducing the tax wedge for low-paid workers. In addition, introduce measures to improve the administrative capacity of public employment services with a view to improving targeting, design and evaluation of active labour market policies, especially for the young and long-term unemployed.

Labour Code amendments

Under the amendment to the Labour Code effective from 1 September 2011, the practice which entitled employees to both severance pay and full wage over the course of the notice period was cancelled; the notice period was cut from two months to one month for employment contracts shorter than one year; the maximum duration of fixed-term employment contracts was extended and the maximum number of their renewals was increased from two to three. Changes concerning working time and new provisions on overtime work without prior consent from employee representatives gave the employers better possibility to flexibly respond to changing economic conditions, but led to deterioration in the social dialogue. The amendment also introduced a working time account and made the flexi-account a permanent instrument.

Creation of new jobs by improving business environment

The Slovak Government aims to make Slovakia into one of the most business-friendly countries in the world and the best country for business in Central and Eastern Europe. The project to decrease the administrative burden on businesses contains a set of 94 legislative and deregulatory measures. Fourteen of them were fulfilled by the end of October 2011. For example, the Slovak Parliament approved an amendment to the Act on Business Register in December 2011, under which the statutory period for entry of data to the business register was shortened from five to two working days.

Another change facilitating improvements in the business environment was the introduction of electronic publication of the Commercial Journal which allowed for, among other things, shortening of publication periods from several months to a few days. The launch of its electronic version turned the Commercial Journal into a real source of information for entrepreneurs.

Single points of contact (SPC) were put in operation in January 2012, following the completion and testing of their electronic system. SPCs help remove redundant administrative burden on business entities and allow, for example, the submission of electronic applications/notifications when starting a business, including electronic payments, or applications for incorporation of companies in the business register. Entrepreneurs may thus handle all the necessary administrative requirements before starting their business in one place, including in electronic format.

Under an amendment to the Act on Bankruptcy and Restructuring, creditors have been permitted to file proposals for bankruptcy against their debtors due to debtor's insolvency, which has put a natural pressure towards observing payment discipline. Debtors are also encouraged to timely resolve their pending insolvency or insolvency by means other than bankruptcy, namely through informal or formal restructuring. The amendment will also put an end to speculative practices used by some companies within bankruptcy proceedings, such as when a debtor company has declared bankruptcy too late, i.e., at a time when it officially held no assets to satisfy its creditors, or, possibly, when the bankruptcy proceedings have been agreed with "friendly creditors" and only served to transfer assets from one company to another.



The Government made investments into transport infrastructure, motorway construction in particular, which reduced expenditures and improved the accessibility of business in less developed regions with high unemployment rates. This also promotes 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. In 2011, major reconstruction works were performed on long-neglected first-class roads in the total length of 100 km, most of them in eastern Slovakia where they substitute the currently absent motorways. At the same time, projects to eliminate road safety risks on first-class roads throughout Slovakia, in a total length exceeding 500 km, have been prepared. Another measure involves the reconstruction of 40 road bridges that are in the worst technical condition, where the use of EU funds is also envisaged.

Comprehensive review of active labour market measures

The Ministry of Labour, Social Affairs and Family of the Slovak Republic has prepared a Methodology to evaluate the effectiveness of active labour market policies which, however, still cannot be applied to the evaluation of any measures. An implementing regulation obliging individual organisations in this sector to provide the necessary information is still absent. In addition, these organisations often do not monitor the required indicators, which will call for changes in their information systems. Organisations not covered by the Labour Ministry (e.g., the Financial Authority of the Slovak Republic) will also have to be engaged in the evaluation process.

(5) Speed up the implementation of planned general education, vocational education and training reforms and take steps to improve the quality of higher education and its relevance to market needs. Develop a framework of incentives for both individuals and employers to encourage participation of the low-skilled in lifelong learning.

Regional education

A new web portal, "Map of Regional Schools" (<http://mapaskol.iedu.sk>), which provides important information about primary and secondary schools to the general public, was launched in March 2012. In addition to the information on individual schools, the users of the portal can find here, for example, results of Testing 9 and compare them against the national average. With the help of the available information and comparisons, parents can choose a school for their children according to its type, founder, number of pupils, location or distance from home. This will improve the quality and extent of information available to the general public, parents in particular, so that they can select a school for their children that best suits their needs, or engage in a competent discussion with school management, for example through the School Board.

The School Act amendment made English a compulsory foreign language with effect from 1 September 2011, thus strengthening English teaching at schools. English is compulsory for pupils from year three at primary schools. An amendment to the Decree on Primary School, which entered into force of 1 September 2011, gave more freedoms to primary schools. The schools are free in preparing timetables, inclusion of pupils with disabilities into classes, or in planning trainings and excursions. Their increased autonomy and a lower administrative burden should reflect in a higher quality of education they provide.

Schools increasingly work with more digital teaching materials. Some textbooks have already been made available in an electronic format. A number of e-textbooks for primary and secondary schools were made available in December 2011 on the eAktovka website. Access to the textbooks is free for all registered users. Preparation of e-teaching materials by schools is also supported by the Ministry of Education from Structural Funds. The first electronic versions of new reformed textbooks for purblind and blind students were published on CD in 2011.

In order to increase the number of teacher assistants for pupils from a socially disadvantaged environment, school founders are required by law to use 50% of financial resources allocated for pupils from a socially disadvantaged environment to cover the wages of teacher assistants if the school is attended by more than 100 pupils from a socially disadvantaged environment. Founders of primary schools and founders of primary schools



for pupils with special educational needs can also use the funds to employ teacher assistants under agreements on work performance (not only employment contracts).

In 2011, the National Institute for Education prepared a new Framework Curricula of the National Educational Programme, which also cover year zero. A new methodological guideline was also prepared for schools with year zero classes.

In order to reduce red tape in the education system, the registration of users in the Sectoral Information System was launched in order to considerably simplify and speed up statistical reporting in this sector. Once individual school information systems are linked with the central sectoral information system, printed reports for regional and, partially, for tertiary schools will be removed, although the two systems will run simultaneously in the beginning. A working group on reducing bureaucracy at schools has also worked on updating printed forms and on drafting legislative changes in order to reduce the superfluous administrative burden in the education system.

The Ministry of Education, Science, Research and Sport of the Slovak Republic continuously works on projects to be used in the development of an assessment and self-assessment system for schools and school facilities. The school quality assessment project will be prepared based on the outputs of these projects and planned projects of the Methodology and Pedagogy Centre, which will focus on training of education ministry employees at the level of regional schools to assess the quality of schools and school facilities and of the education they provide.

A draft amendment to the Vocational Education Act was subject to a public discussion at the turn of 2011 and 2012. The draft amendment was prepared on the basis of suggestions made by a working group of experts on vocational education and training, by twelve working groups of the Government Council for Vocational Education and Training, as well as by participants in seminars, conferences, round tables and workshops on vocational education and training.

Tertiary education and science

One of prerequisites for improving the quality of schools is the reduction in information asymmetries. A new website was launched on 29 February 2012 at <http://vs.iedu.sk> that provides information about tertiary schools and their graduates to the general public, and especially to applicants. The new website contains detailed information about tertiary schools, including the data on unemployment rates and wages of graduates, annual tuition fees and admission fees, mobility of students, volume of foreign grants per student, graduation rates, as well as students' opinions on the quality of education. The data are available both for full-time and part-time study courses at all levels of tertiary education, at public, state and private tertiary schools, for several academic years.

Slovakia participated in the international AHELO project ("Assessment of Higher Education Learning Outcomes") organised by the OECD, which should provide better information about the quality of tertiary schools. No system of direct quality assessment of the educational process at tertiary schools has existed so far, which would have allowed for their international comparison. A total of 19 Slovak tertiary schools have joined the project.

As far as the funding of tertiary schools is concerned, a number of changes occurred with respect to allocations of state subsidies to public tertiary schools in 2012. The allocation method for subsidies for PhD scholarships changed: for existing full-time PhD students financial resources are committed for scholarships, while financial resources for new PhD students are not committed and it is up to individual schools to decide whether they will be spent on PhD scholarships or otherwise. The share of the tertiary school in the number of full-time PhD students after thesis examination was again introduced among research performance criteria. In the case of domestic grants, subsidies for research, development or artistic activities only take into account current transfers, and the guaranteed minimum mechanism is adjusted.

The reform of research funding was defined in July 2011 in the Updated long-term plan of state policy for science and technology until 2015 (the Phoenix Strategy). Its purpose is to create a transparent system of institutional and grant funding of research and development. The Ministry of Education, Science, Research and Sport of the



Slovak Republic has adopted and continues adopting measures to improve effectiveness and efficiency of the Research and Development Operational Programme and the Education Operational Programme, which should not only result in the reduction of administrative burden of project preparation and implementation, but also speed up the drawing of resources from Structural Funds.

Lifelong learning

In October 2011, the Government approved a new lifelong learning strategy which identified the following key challenges: encouraging individuals to engage in lifelong learning; convergence of learning outcomes with employers' needs; development of career consultancy services focused on adult population; improving competences necessary for professional and personal development of population. The strategy was followed up by a plan of actions containing particular tasks, prepared at the end of February 2012.

(6) *Ensure the implementation of planned measures aimed at a more effective application of public procurement rules, a higher performance and transparency of the judicial system.*

Effective public procurement

The Slovak Government introduced rules for a more transparent and cost-efficient use of public assets and public funds. Contracts concluded by government entities and municipalities, as well as contracts involving public funds, may only enter into force on the day following the day of their publication on the Internet. A requirement was introduced to use electronic auctions to the greatest extent possible. The use of electronic auctions increased considerably last year; in the second half of 2011, approximately a quarter of all public tenders were carried out by means of electronic auctions. In 2011, contracting authorities bought goods and services 14% cheaper than planned.

Effectiveness and transparency in the judiciary

With effect from January 2012, court rulings are compulsorily published on the Internet. The primary aim of their publication on the Internet is to make decision-making by courts more transparent, harmonise the case-law and provide better information about court rulings both to professionals and the general public. Published rulings constitute an extensive database of information on how the courts interpret and apply legal norms in practice. They will serve not only for the further training of judges, other legal professionals and the general public, but should also improve the process of harmonisation of the judicial practice. A virtually unlimited access to court rulings, in particular to the content of their reasoning, will put a pressure on courts to prepare more cogent (higher quality) justifications of their conclusions and, at the same time, will provide enough background information for a possible direct public oversight of professional activities of individual judges and/or courts as such.

Services delivered by the Legal Aid Centre (LAC) were made available to a larger group of persons in material need, while an obligation was introduced for groups of population without the lowest income to co-finance the costs of legal aid provided to them. The LAC's remit was extended to also include the fields of commercial law, administrative justice and, in some cases, even proceedings before the Constitutional Court of the Slovak Republic. The preventive role of the Legal Aid Centre in avoiding escalations in legal disputes was reinforced. A possibility for the LAC was enacted by law to assist in dispute resolution by means of mediation and providing guidance on related social and psychological issues. Additional room for new LAC tasks was created by introducing priority representation of claimants in court proceedings by an attorney-at-law; the obligation to provide such services applies to all attorneys.

Amendments to the Act on Judges and Judicial Assistants and to the Act on Courts changed the legislative framework for the institutional functioning of the Slovak judicial system. Changes made in the selection of judges and court presidents and to the assignment, temporary assignment and transfer of judges, cancellation of court trainees, the obligation to publish a list of persons associated with a judge candidate and to provide a list of associated persons by judges, publication of court rulings (in particular those that has not become final) and



changes in competences of the Judicial Council of the Slovak Republic have been subject to a constitutionality test in the proceedings before the Constitutional Court of the Slovak Republic.

The Slovak Parliament also approved additional amendments to the so-called judicial acts (with effect from 1 January 2012). Regular, five-year assessments of judges were re-introduced under these amendments, and the re-assessment of judges (after two years) was introduced if shortcomings in the work of a judge have been ascertained, and the possibility to remove a judge from the function if they no longer qualify for the position. A random selection of the members of a disciplinary senate was established.

2.2 Response to the Euro Plus Pact

The euro area members have agreed on a supplementary programme containing further reforms (the Euro Plus Pact), which expresses their deeper mutual interconnections. The pact was also joined by a number of non-euro area countries (Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania). The pact concentrates on four areas: competitiveness, employment, sustainability of public finance and reinforcing financial stability. EU leaders approved the pact on the European Council's spring session in March 2011. All 23 signatory countries are committed to implementing the reforms described in detail in the pact. The pact is linked to a new economic management framework and commitments made under the pact are included in national reform programmes of participating Member States.

The Slovak Government made a political commitment under the Euro Plus Pact initiative to adopt several key measures (fiscal consolidation, pension and contribution reform, fiscal responsibility act, Labour Code, reducing administrative burden on businesses, fight against corruption and improved transparency). Assessment of the fulfilment of these commitments is not included here, as the progress in their implementation was described in the previous chapter.

2.3 Other key measures

Improving effectiveness of the existing and introducing new instruments for assistance in material need

Measures were introduced under an amendment to the Act on Assistance in Material Need, with effect from 1 July 2011, to reduce administrative burden with respect to the payment of benefits in material need and allowances to benefits in material need, which enables offices of labour, social affairs and family to decide how the benefits and allowances are provided. The second amendment to the same Act, effective from 1 July 2011, extended the possibility to grant an activation allowance to persons in material need who participate in the provision of minor services to a self-governing region, i.e. at the regional level.

Supporting socially excluded communities

The Social Development Fund implements a national project focused on social field work in municipalities, the aim of which is to promote social inclusion by improving access to, quality and effectiveness of social services for persons at risk of social exclusion or excluded persons, with the focus on increasing their chances of employment.

In January 2012, the Government adopted the Strategy of the Slovak Republic for the Integration of Roma until 2020. The strategy reflects the need to move away from the passive provision of social services by general and local government authorities to the Roma community to activation assistance. The strategy seeks to minimise the impacts of individual types of social exclusion in relation to Roma communities and to develop an inclusion policy. It covers such areas as education, employment, healthcare services, housing, access to financial services, non-discrimination and perception by majority population.

Ensuring accessibility and quality of social services



The first step in the field of legislation governing the provision of social services was an amendment to the Act on Social Services which came into force in March 2011. The amendment removed the difference in legal status between public and non-public providers of social services.

In January 2012, the Slovak Parliament approved another amendment to the Act on Social Services, focusing on the provisions concerning legal relationships in the funding of social services. Legal conditions were created for the co-funding of selected types of social services in social service facilities through a purpose-specific subsidy from the state budget, determined on the same basis for all legal forms of social service providers at the local level. Unfortunately, this is a non-systematic one-off solution designed solely for the year 2012. In addition, it only applies to local municipal governments, even though a larger portion of the expensive institutional social services is funded by regional authorities. The proportion of financial participation of social service beneficiaries and their families in the costs of services has increased. In addition, the new amendment ensures better protection of social service beneficiaries against so-called "illegal providers", in the form of extensive fines and ban on their activities.

In November 2011, the Slovak Government approved a draft strategy to deinstitutionalise the system of social services and substitute care. The strategy is designed to replace institutional isolation and segregation of people in specialised establishments with an alternative model of a network of cooperating and inter-linked social services provided on an integrated basis within local communities. This approach reflects the need to provide social services which guarantee independence, active life and social participation to individuals.

More efficient healthcare sector

Measures adopted in the healthcare sector concentrate on strengthening the effective use of the funds spent while preserving accessibility of healthcare services, which should result in better healthcare services as well as a better quality of life. In mid-2011, the network of healthcare providers was streamlined when the state-owned Všeobecná zdravotná poisťovňa (General Health Insurance Company - VŠZP) rejected to contract approximately 15% of the total number of hospital departments in Slovakia. The major portion of basic in-patient healthcare services will continue to be provided to patients in their regions. Public funds were used partially bail out the healthcare sector, with EUR 300 million spent on the repayment of their overdue liabilities.

A more effective use of public funds spent on healthcare will be facilitated by the obligation to publish on websites the contracts for the provision of healthcare services under the public health insurance scheme concluded between service providers and health insurance companies. The end network of hospitals of healthcare providers was abolished and new rules introduced for the so-called waiting lists for selected diagnoses. The Government approved a concept for the organisation and introduction of DRG (diagnosis-related group) system. Once the system is implemented, all hospitals will receive the same amount of funds from a health insurance companies for identical procedures used for the same diagnosis.

A system of insurree risk structure adjustment is being currently introduced to reflect individual risk using indicators of an individual's health. The risk adjustment system among insurance companies will be extended to include diagnostic information obtained on the basis of chronic medication (so-called pharmacy-based cost groups (PCG)). This will give insurance companies less room for selecting low-cost insurees and will serve as an incentive to also provide chronic or costly care.

The medicinal drug reform included the adoption of two drug-related acts. The so-called generic prescription (i.e., prescribing medicinal drugs according to the name of active substance) and tighter price benchmarking has a particularly considerable impact on private and/or public expenditures. A price of medicinal drugs sold in Slovakia cannot exceed the second lowest price in EU Member States.

3 Plan of reform measures under the NRP

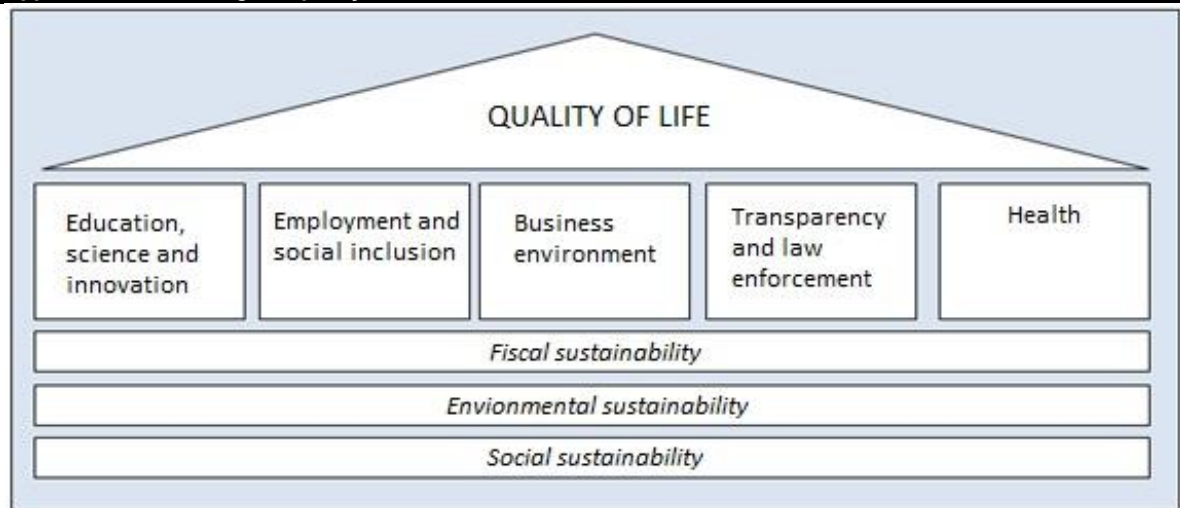
The following chapter includes a list of measures to be implemented by the Government in the priority areas. The measures presented respond to the five main priorities identified under the 2012 Annual Growth Survey:

- pursuing differentiated growth-friendly fiscal consolidation;
- promoting growth and competitiveness;
- tackling unemployment and the social consequences of the crisis;
- modernising public administration;
- restoring normal lending to the economy.

Under the said priority areas, the Slovak Government puts emphasis on policies that are crucial, at a national level, to improving the quality of life of the population as the main objective of the Slovak economic policy. The national priorities were identified using GDP decomposition. GDP decomposition was divided into two steps. Firstly, GDP per capita was divided into three basic components: (1) labour productivity; (2) labour market; and (3) demography. Secondly, two of the basic components - labour productivity and labour market - were further subdivided. Consequently, GDP per capita was broken down into ten components. Comparing the level of these components against advanced EU Member States, those production factors have been identified in which the Slovak economy lags behind the most and which, therefore, represent the greatest potential for future GDP growth in Slovakia.

The GDP decomposition has expressly indicated the need to increase overall productivity in the economy, increase employment of older people, and cut the unemployment rate. In a small, under-capitalised economy, it is extremely difficult to increase total factor productivity without the involvement of foreign capital and know-how. From a medium-term perspective, Slovakia needs to create conditions for enhanced innovation development. Innovation potential is driven by quality higher education on the one hand, and by a suitable business environment on the other. The GDP decomposition thus indirectly, through low labour productivity, draws attention in particular to such areas as education, business conditions, innovation, and information technologies.

Approach to increasing the quality of life



When identifying these priorities, account was also taken of other factors that have only an indirect effect on GDP growth but contribute to a better quality of life. They have been identified on the basis of research in welfare economics and the subjective perception of welfare. Welfare economics has the largest number of practical applications in the area of education and health. The priority of ensuring high-quality education thus stems not only from material indicators, but also from the need to ensure equal opportunities. As far as the subjective perception of welfare is concerned, attention should primarily be paid to the need to enhance confidence in the economy, ensure the enforceability of judicial protection of rights, and reduce corruption; these goals may better be accomplished through an effective and transparent public administration. The subjective perception of welfare



is closely related to health, employment and social relations. While the role of economic policy is clearly evident in the first two areas, its implications on the family are limited.²

Cohesion policy beyond 2013

In relation to EU legislative proposals, the EU 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 EU regions) on which the funds will concentrate. The European Commission has proposed to reinforce the strategic planning approach in order to maximise the effects of the EU cohesion policy on meeting EU-wide priorities through a common strategic framework under which Member States will prepare their main strategic documents on the implementation of the EU cohesion policy. Operational programmes will represent the primary management tools. With respect to the preparation of operational programmes for the 2014-2020 programming period, the Slovak Government fully endorses the priorities under the Europe 2020 strategy and, considering its national specifics, will promote those priorities in the next programming period, which are crucial to development potential of Slovak regions. The following national thematic areas of support have been set for operational programmes, which will form a basic framework for the preparation of future operational programmes on the national and/or regional level:

- **Basic infrastructure**

Funding the infrastructure development and related ancillary services as a component of an 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, health, cultural and social 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. Matching the education supply with the demands of the labour market will be a considerable contribution from the long-term perspective; in the short-term, it is necessary to address the growing unemployment, especially among young people and the long-term unemployed, through measures designed to help them acquire and retain working habits with the aim of integrating them in the labour market. 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, innovation and creative industry assists Slovak regions on their way towards higher national prosperity, sustainable growth and reinforced competitiveness both at the regional and national level. Enhancing innovation processes, including innovation in services, and a more extensive use of not only new information and communications technologies but of advanced technologies as such will lead to meeting the national goal - driving Slovakia towards a knowledge-based economy and society. Slovakia will place emphasis on green growth with the aim of utilising cleaner sources of growth and developing green industries, services, technologies and jobs, including encouraging the shift towards a low-carbon economy in all sectors.

The said thematic areas will be covered by individual operational programmes using multiple funding tools, with the possibility of creating specific priority axes for the ERDF, ESF and the Cohesion Fund. In order to ensure more effective implementation of the EU cohesion policy, Slovakia will apply a more flexible approach to assisting different categories of regions, as well as to financing operations eligible for funding from a different Fund and

² A detailed analysis was included in the National Reform Programme for 2010 (approved by Government resolution No. 806 of 17 November 2010).



outside the eligible area of a given operational programme. As regards the forms of funding, the next programming period will use non-repayable financial grants and, to a greater degree compared to the current period, repayable financial assistance. Non-repayable grants will primarily be used where a public good is being produced and market failures occur due to the occurrence of negative externalities and inability to internalise the entire profit. The public funds will support such activities so that their level approaches what is deemed an optimum for society. On the other hand, companies and their investors are the main risk bearers in the economy for which they are rewarded with economic gains. Therefore, any support provided to commercial projects, venture projects and projects that would generate economic profits even without state interventions, should primarily have the form of repayable assistance. At the same time, it mitigates possible negative impacts on competition and avoids business distortions.

In order to identify the added value of the cohesion policy in individual Slovak regions more accurately, 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. Draft EU regulations indicate the need to concentrate financial resources on a given territory in order to utilise its development potential and engage key stakeholders, i.e., public and private entities, in local development processes. Results of analyses conducted so far show large disparities not only among individual Slovak regions but, in particular, inside the regions (intra-regional disparities). Assistance from funds under the common strategic framework at the local level through the LEADER approach appears a suitable instrument to address this problem.

3.1 Pursuing differentiated growth-friendly fiscal consolidation

The general government budget for the 2012-2014 period includes a target deficit of 4.6% of GDP for 2012. As described in chapter 2.1, with the aim of protecting expenditures that promote economic growth, two priorities stand out in the 2012 budget. The first one is the transport infrastructure, where expenditures will increase in the road and railway transport sectors from just below EUR 1.3 billion in 2009 and 2010 to approximately EUR 2 billion in 2012. The second priority area is education where the volume of funds for regional schools per student has increased by 5.0% year-on-year and in the tertiary school sector by 4.7%. The Slovak Government considers it important to ensure that expenditures on productive areas, such as education and/or transport infrastructure remain, among its long-term political priorities in the subsequent years as well.

The Government will continue consolidating public finances over the next years and cut the deficit below 3% of GDP in 2013 in line with the recommendations of the EU Council. As soon as possible after its appointment, the new Slovak Government will prepare austerity measures in the amount of EUR 1.2 billion. If the requirement to cut the deficit below 3% of GDP was not imperative, the confidence of financial markets could probably be won even at a slower pace of short-term consolidation in exchange for a considerable step towards long-term sustainability of public finances (pension or healthcare system reform). In other words, greater fiscal responsibility would not be attained on the back of the short-term growth potential, but through structural measures. The Government will also adopt measures to reduce tax evasions and ensure effective collection of taxes.

The current amount of general government revenues and the impossibility to make considerable structural changes on the expenditure side in the short run indicate a need to increase public revenues. The focus will be on those taxes that reduce disposable income of the low-income population groups and economic activity to the least possible extent, or which are relatively low compared to other countries. The progressivity of the tax system will increase. Consideration will also be given to increasing the collection of property taxes, taking into account such factors as luxury or environmental harm. The Government will take measures to improve tax collection, for example by preventing tax evasions and improving VAT collection. Some excise taxes still offer a margin for increase, such as the alcohol excise tax. The Slovak Government will take steps to eliminate distortions in the system of taxation and social contributions. With a view to increasing public revenues, the current level of the bank levy will be reassessed. Gambling tax rates will be increased, and the more efficient economic performance



of state-owned enterprises will bring higher dividends to the state budget. Taxes will only be raised to the extent necessary to ensure that the consolidation effort encourages economic growth as much as possible.

The systemic or structural measures are difficult to adopt on the expenditure side in the short-term. The need for capital expenditures will be thoroughly assessed in light of the possibilities afforded by the use of EU funds. The Government will be making investments and purchasing goods and services from public funds using the most cost-efficient and transparent methods of procurement. The Government may decide to limit the payment of certain social benefits and allowances to families with above-average income. Specific steps will be taken to ensure the financial and social sustainability of the pension system as a whole, i.e., in all of its three pillars. The Government expects additional savings after the reform and audit of the state administration and public administration with the objective of reducing expenditures and increasing the quality and availability of public services, for instance, by putting in place a centralised system of public procurement or by setting up a government real estate agency.

In the post-2013 period, the Government plans to carry on with its consolidation efforts to gradually decrease the general government gross debt to GDP ratio by 0.5% of GDP and achieve a balanced budget on the medium-term horizon. The balanced budget is essential to the long-term sustainability of the public finance, which represents the key objective under Slovakia's fiscal policy.

The Government will reform the pension system, which is unsustainable in the long run, and its parameters will therefore have to be changed. In order to stabilise financial flows in the long run, the Government will introduce a link between demographic trends and the pension system parameters, while gradually enhancing the solidarity dimension to the pension system. The Government will also focus on the measures that ensure smart, sustainable and inclusive growth. These measures will also be defined during the preparation of the cohesion policy for the next period.

3.2 Promoting growth and competitiveness

A healthy and sustainable economic growth and enhanced competitiveness of the Slovak economy can primarily be achieved through a healthy business environment, innovation and qualified workforce. In addition to fiscal sustainability, attention must also be paid to environmental and social sustainability.

3.2.1 Quality human capital

A high-quality human capital increases economic output and is essential to ensuring long-term economic growth. The benefits of education to the individual and society as a whole come in the form of improved quality of life and health. In order to enhance the quality of human capital, the Slovak Government will primarily focus on the regional education system, tertiary schools, science and research, and further training.

3.2.1.1 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 the average score of 505 points in the OECD – PISA 2018 testing.

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 self-reproduction of education, meaning that children tend to 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. The Slovak Government will therefore methodically reinforce the zero-year-class system at

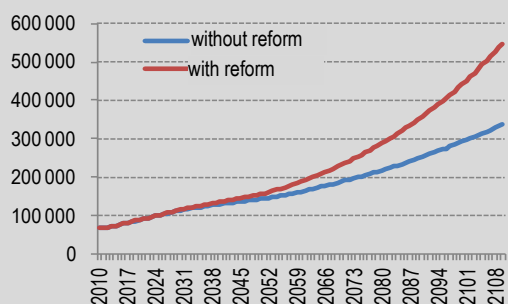


primary schools for those six years olds who have yet not attained the necessary level of school readiness. After completing their zero year, children will continue to receive support in the form of Slovak language programmes. Preparation of a pilot project for the education of the Roma minority in their mother tongue will be considered. The Slovak Government will also put the funding of Grade 2 at primary schools (10-14 years old) on equal footing with that of the first four years of eight-year grammar schools.

BOX – Effect of improved PISA outcome on GDP

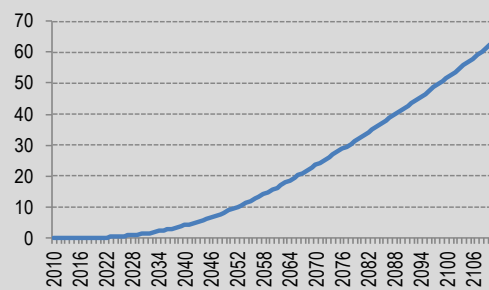
Studies focused on the economic modelling of impacts of cognitive skills on economic growth indicate that even a small improvement in workforce skills may have a considerable effect on future prosperity. The objective set under the National Reform Programme by the Slovak Government is to increase the level of knowledge and skills of Slovak pupils to the average score of 505 points in 2018, from the current average of 488 points. Using an adjusted OECD model we have calculated that if the Government's objective concerning the quality of primary education is met (i.e., the average score improves from 488 to 505 points in a PISA survey in 2018 and continues linearly improving to 528 points by 2030) it would produce a cumulative amount EUR 345 billion in the form of higher GDP by 2090, expressed in current figures (the current value of all future contributions of the reform to GDP during the life of the generation born in 2010).

Real GDP projection (EUR)



Source: OECD, IFP

Reform contribution to GDP (%)



Source: OECD, IFP

Contributions of the said reform would be felt gradually over time. According to the model, the implementation of the reform itself, including time when its positive impact on pupils' results will become apparent, will take the first twenty years. Over those years, the reform would have only a minimum impact on the economic growth. The positive impact will be gaining strength as the first graduates who have acquired better skills due to the reform enter the labour market. Afterwards, it will still continue increasing because it takes some time before employees' new skills are fully felt in the economy through the development and use of new technologies. Under the reformed NRP scenario, the Slovak GDP would be higher by 1.3% in 2030, by 9% in 2050 and nearly by 42% in 2090 compared to a no-reform scenario.

More information in: [Komentár IFP: Kvalitnejšie základné vzdelávanie môže zvýšiť HDP v roku 2050 až o 9 %](#)

The Slovak Government will continue implementing an internal and external school quality assessment system designed to increase the quality of education and training and their management, will support comparisons of the added value of educational process at individual schools, both at the regional and nation-wide levels, and provide the public with reliable and comprehensible information on the quality of individual schools. The Ministry of Education, Science, Research and Sports of the Slovak Republic will implement, over the next years, the already launched programme for the dissemination of best teachers' practical experience in order to encourage the best-practice approach at schools.

Within the system of normative financing, legislative 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 National Textbook Register. One of the 2012 priorities will also be to procure additional licences in order to provide access to digital copies of new reformed textbooks and procure electronic versions of other new reformed textbooks for purblind and blind students.



The Government will ensure a closer linkage between vocational schools and practice. In particular, the Government will adjust the competencies of 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. The Government will encourage innovative use of modern technologies in order to improve effectiveness of educational services provided, taking into account the most recent trends in advanced countries.

As far as the overall functioning of the regional education system is concerned, ensuring adequate funding has become an issue of growing importance. 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 founders (regional authorities), the Government will support optimisation of the network of schools and related establishments, including through the introduction of school buses. Also, the number of regional school teachers will be reviewed in response to demographic developments.

3.2.1.2 Tertiary education and science

The Slovak Government will increase the share of citizens aged 30-34 with completed third level 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.

Quality assurance

In the tertiary education, the Government will primarily concentrate on reforming the accreditation procedure for tertiary schools and enhance the quality of top academic establishments. Guarantees for a particular study programme will no longer be linked to a single person but rather to a team of academic staff 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. 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. In order to obtain accreditation, the 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.

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.

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. The 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 accreditation rules for part-time studies, which will focus on how tertiary schools ensure a reasonable volume of in-person teaching or, alternatively, substitute it with high-quality eLearning solutions.

Funding

A portion of institutional funding of tertiary schools earmarked to finance research will largely be distributed on the basis of internationally recognised results which, in a majority of fields, take the form of publications and citations in internationally recognised scientific journals and monographs published by the 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 possibility of putting the funding of public and private tertiary education on equal footing.

The ongoing reform in the system of institutional financing and grant-based financing of research will continue. 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 share of project financing will increase. The institutional funding will be based on the combination of short-term and long-term funding, under which institutions with a previous strong record of demonstrable excellent achievements will be allocated a certain volume of funds, both for the current period and for a longer time period. Investment in the scientific infrastructure will be necessary in the coming years, including with the support of resources from the EU Structural Funds. A new scheme designed to support young Slovak researchers will be set up in order to encourage best young researchers to return home and to prevent brain drain. The system will encourage a more intensive cooperation among individual workplaces in 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 create conditions for increased private funding of 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.

3.2.1.3 Lifelong learning and further training

The Slovak Government will build on the principle of lifelong learning with a focus on linking its individual subsystems – formal education and further training – non-formal and informal learning. Particular attention will be given to career counselling as an auxiliary system for lifelong learning and to building the National Qualifications Framework for a transparent recognition of qualifications in the European labour market and for promoting workforce mobility.

In order to increase the availability and understanding of further training for the adult population, the Slovak Government will expand the Further Training Information System to provide people with better access to information about their options of permanent learning. Improving the quality of educational programmes in the area of further training through the accreditation process will ensure high-quality and relevance of education to serve the needs of the labour market and the development of personal interests of an individual. Furthermore, the qualification and assessment standards will be prepared for the National Qualifications System in relation to the National System of Occupations and the National Qualifications Framework in order to ensure the quality and



relevance of further training programmes. As a result, the system will be able to respond flexibly to the need for changing skills required in new and existing jobs.

The Slovak Government will systematically develop a network of authorised educational establishments to verify qualifications for the recognition of further training outcomes. This is aimed at facilitating access to new qualifications based on previous experience or knowledge, skills and abilities gained in educational programmes of further training.

In terms of career counselling, the Slovak Government seeks to promote and systematically improve the quality of training for career counsellors and the provision of counselling services. New educational programmes will be prepared for the professional training of counsellors in line with the need for skills and capabilities existing in this area. The quality assurance standard will be set for counselling services and implemented in the existing counselling centres to satisfy the current needs of the adult population.

The Slovak Government will intensify the drawing of structural funds for the development of further training by proposing a sustainable financial instrument to promote lifelong learning among adults. To that end, the limits of available public funds and the need for higher qualifications among less educated people will be respected.

3.2.2 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.

In 2011, the Slovak Government approved the innovation environment reform plan. Due to a deteriorating situation in innovation environment in absolute and relative terms, the measures of this plan, including other actions aimed at boosting innovation capacity, will need to be implemented in the next three years. A harmonised implementation of these areas will be essential for catching up with the other Member States as regards the growth, productivity and the living standards in the long term.

Funding

The system of grants and support will undergo comprehensive changes aimed at developing instruments to provide systemic support to every stage of scientific research (basic research, applied research, experimental development carried out by universities and companies). Clear, predictable and equal criteria will be prepared for the funding of applied research and development in public organisations, including the Slovak Academy of Sciences, and private companies. The financing model for public research institutions will be reassessed to ensure that these organisations are better motivated to improve cooperation with the private sector and recruit high-quality researchers.

As regard the financing of innovation, red tape must be dramatically reduced to be able to use the EU's Structural Funds more effectively – at least at the level of the operational programmes Research and Development or Competitiveness and Economic Growth. In evaluating the current programming period and making preparations for the next programming period, Slovakia will take an active approach to relieve scientific teams supported from the European funds of an inadequate burden connected with the administration of the Structural Funds. The financial resources from the EU's Structural Funds will also be used for developing the research infrastructure.

Cooperation between the private and public sectors

To promote effective transfer of knowledge and scientific achievements from public institutions to the public sector, the universities and the Slovak Academy of Sciences will set up workplaces to serve as administrative points of contact for companies and the mutual exchange of information. In the same vein, action will be taken to lay the groundwork for better cooperation in terms of financial and organisational arrangements and human



capital between the private sector and public research institutions through partnerships, joint ventures and long-term contracts.

The rules and procedures applicable for intellectual property protection will be reassessed with a focus on their efficiency and predictability. By adopting the necessary legislative changes, the protection of intellectual property in the academic environment and public R&D institutions will be simplified and unequivocally regulated. For the most part, these organisations should be allowed to own and license the patents and utility designs, invest them in independent legal entities in which they may hold equity capital, and make profit without constraints.

Human resources

A new instrument will be developed to support young Slovak researches and to attract the top (Slovak) scientists working abroad to come back to Slovakia. People should be encouraged to run innovative businesses. One of the ways to promote such mindset is to ensure that entrepreneurship teaching (including lessons on tax compliance) is systematically incorporated in the curricula of the primary, secondary and tertiary education establishments.

Promoting innovative businesses

The environment for establishing new innovative start-ups and spin-offs will improve by providing administrative support to the technology transfer from public R&D institutions and by establishing a link between universities, the Slovak Academy of Sciences and technology incubators. As members of international networks, these incubators will be set up at the selected public R&D institutions and corporate clusters to encourage start-ups and development in the industrial sector with their information, administration and technical resources. Simpler administration (building permits, zoning procedure) will promote the establishment and operation of high-tech clusters. An internationally acclaimed programme for promoting small businesses, which has already been implemented in many countries (known as Small Business Innovation Research (SBIR) programme in the U.S.), will facilitate experimental development and implementation of innovative solutions. This programme will provide start-ups with grants for preparing the proof of concept and with loans at low interest rates for the development of a prototype.

State policy coordination

Because innovation capacity falls within the remit of several ministries, coordination of the agenda and policies at the inter-ministerial level is paramount to the efficient spending of funds. In the years to come, this will be the responsibility of the Slovak Government's Council for Science, Technology and Innovation and, in addition to that, there is an executive inter-ministerial group which is already coordinating and facilitating high-quality implementation of individual strategies on an everyday basis.

3.2.3 Business environment

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.

The key measures for improving the quality of the business environment will focus on reducing administrative burden, further improvements in transparency and support to development and modernisation of transport infrastructure.

3.2.3.1 Administrative burden and regulation



Further 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. 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 the number of steps required. The quality of submitted proposals will be improved by reviewing the current methodology for assessing the impacts of existing and new legislation upon the business environment, and by developing analytical capacities. The obligation to submit information already known to the government agencies (such as the statement of incorporation in the Commercial Register) will no longer apply.

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 involves, for instance, the supply of gas, electricity, telecommunication services including the Internet and cable TV, as well as railroad transport and postal services.

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.

Freelance professions³ are subject to stringent regulation distorting competition between the providers of these services. It is in particular the criteria for access to the profession which are needlessly restrictive and impede the development of economic competition which has an adverse impact on the prices and the quality of services rendered. At OECD level, Slovakia ranks among the countries with the strictest regulation of access to freelance professions. It is therefore imperative that the useless or unreasonable regulation of freelance professions be removed. All limits on the number of entities allowed to pursue such professions must definitely be abolished, and mandatory membership of professional chambers must be curtailed. In relaxing the rules, attention must be given to preserving the required qualification standards and ensuring the quality control of performed activities.

Unification of taxes, social contributions and customs

The Government will unify the collection of taxes and customs and, at a later stage, the social contributions into the so-called one-stop shops to be set up through the restructuring of 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. The Slovak Government will promote business environment in that the administrative burden will be reduced by systemically regulating the scope of bookkeeping, compilation of financial statements and annual reports. With tax administration built on electronic communication, the administrative burden on taxpayers will be reduced and their obligations will be substantially simplified.

3.2.3.2 Business environment transparency

An electronic insolvency register will be set up, considerably 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 higher proceeds from bankruptcy proceedings. 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.

Within this initiative, the introduction of the Disqualified Persons Register may be considered because the existing solutions for the responsibility of corporate bodies, members of corporate bodies and the supervisory boards of

³ Natural persons conducting business pursuant to legislation other than the Trades Act whose activities are regulated by professional chambers.



companies are not likely to suffice in the long run due to reduced confidence in the concept of registered capital and its role in protecting the creditors' interests vis-à-vis the companies. In setting up the disqualified persons register, only objective information will be used to prevent harming honest entrepreneurs.

The Slovak Government will prepare modern and functional rules of public procurement guaranteeing the maximum degree of transparency in order to economise public spending. In adjusting the public procurement rules, the focus will also be on reducing administrative requirements associated with public procurement.

3.2.3.3 Transport infrastructure

Slovakia's 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. The progress achieved in transport infrastructure development lags 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. The years between 2011 and 2014 will see the commissioning of 130 kilometres of motorways and expressways, as well as 57 kilometres of railways. Intensive preparations for prioritised sections will enable the construction of a total of 240-to-287 kilometres of the most needed motorways and expressways, with the majority of the work expected to be done in 2014 when the eligible period for the spending of EU funds within the 2014 – 2020 programming period will commence. Likewise, railway infrastructure modernisation projects are being prepared in a way that will enable the transport sector to start spending EU funds more effectively and earlier than was the case in the past. More attention will be paid to the renewal of A-class roads where most of the road transport activity takes place. Between 2012 and 2013, projects aimed at eliminating safety risks will be implemented with the help of EU funds on more than 500 kilometres of A-class roads throughout Slovakia, and some 40 road bridges will be reconstructed.

In order to improve the competitiveness and increase the popularity of railway passenger transport, the renewal of rolling stock will continue, along with the delivery of 32 new train sets including twelve diesel locomotives. As part of this programme, as much as one fifth of the rolling stock utilised by regional and suburban trains will be replaced within two years.

The Slovak Government will actively encourage the development of public transportation systems to make it the preferred choice to individual transport by car, while attempting to relieve heavy traffic routes by railway transport. This mode of transport is safer and less harmful to the environment and eases the burden on the congested road network. By creating a suitable legislative environment and promoting a more active dialogue with the self-governing regions and municipalities, the coordination and harmonisation of suburban public bus lines and trains will be encouraged to eliminate duplicities in subsidised railway and bus transportation in the years ahead, which would translate into a more effective spending of the public funds.

3.2.4 Green growth and energy

By 2020, the Slovak Government will curb the increase in greenhouse gas emissions from the non-ETS sectors to a maximum increase of 13% compared to the levels seen in 2005 and review the ambitions of the emissions 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 savings on final energy consumption in the non-ETS sectors, by 11 % compared to the 2001–2005 average. By 2020 Slovakia will score 68.3 points in the Environmental Performance Index.

It is essential that the growth-oriented policies be sustainable in the long term, be it in financial and social terms or from the environmental point of view. One of the ways to promote long term sustainability is through green growth which has become one of the priorities of the EU's Europe 2020 strategy and the OECD. The use of



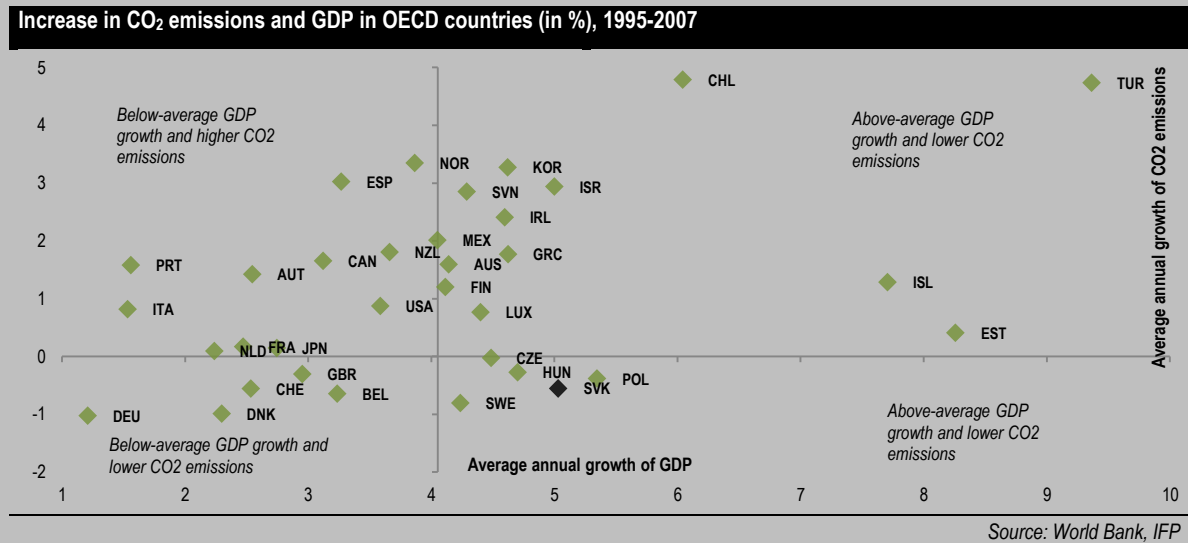
cleaner energy sources preventing environmental degradation will require a shift to a low-carbon economy and a gradual reduction of greenhouse gas emissions and air pollution.

Greenhouse gas emissions, air

Approximately 50% of the total 2010 emissions were produced by companies in the Emission Trading System (ETS). A further cost-effective reduction can be expected in these sectors⁴ due stricter emission caps and market principles governing the trading in emission allowances. In order to meet the national reduction targets for greenhouse gas emissions by 2020, the Slovak Republic will continue to control the production of emissions in EU-ETS installations aimed at achieving the defined reduction target of 21 % compared to 2005. However, non-ETS sectors, such as transport (with the fastest growth in emissions), households and agriculture, represent a much greater challenge.

BOX: Emissions and economic growth in Slovakia

Compared to 1990, Slovakia has reduced its total emissions roughly by 41% and halved its emission intensity, which ranks the country among the best in Europe. This reduction was largely caused by a natural change in the structure of the economy combined with changes in its fuel mix. The substance of green growth stems from decoupling economic growth from the production of emissions. Slovakia managed to do so to a considerable degree and ranked, in 1995-2007, in the segment of OECD countries (see the chart below) which maintained an above-average GDP growth while still being able to reduce emissions. Even with robust GDP growth seen in the previous years, emissions and electricity consumption were stagnating. The reason was that the key drivers of economic boom in this period (manufacture of electronics and cars) do not belong among the emission intensive sectors. Similar conclusions were presented by the European Topic Centre for Air Pollution and Climate Change Mitigation in its most recent report (2012) which positioned Slovakia as the country with the greatest decline in emissions in the EU during the 2003 - 2007 period, despite robust economic growth.



The approved Proposal for Institutional Framework for Meeting the Targets in the Climate Change policy, which define the main coordinator (Minister of the Environment) and the responsibilities of individual ministries, represents the first step towards improving cooperation and making the climate change management more efficient. The powers of the newly created Commission for Climate Change Policy Coordination as a supreme coordinating body at the level of state secretaries will include, for instance, the choice of instruments and measures to reduce greenhouse gas emissions. At present, these rules will have to be put into everyday practice.

⁴ Electricity generation, lime, ceramics, brick, glass, cement industries, steel and iron manufacturing, paper mills, oil refineries.



The natural reduction in greenhouse gas emissions from the early 1990s will no longer be sufficient in order to meet the ambitious EU targets in the medium term. A further decline in emissions will require the implementation of cost-effective measures which do not stifle economic growth and employment. These measures will be summarised in the Low-carbon Development Strategy of the Slovak Republic until 2030, including an impact study to be prepared by the end of 2012.

Besides sensitivity analysis of selected parameters (fuel prices, investment intensity) and projections for greenhouse gas emissions, the marginal abatement cost curve will be part of the basic background analyses for the preparation of the Low-carbon Strategy, thus making it easier to choose the most cost-effective reduction-oriented measures within the Low-carbon Strategy. 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.

Higher air pollution levels (dust particles - PM10) in excess of the EU ceilings primarily affect people in the large cities and quite considerably increase mortality. In the years to come, it will be necessary to improve the quality of air, in particular by optimising the types and quality of fuels in local furnaces and enabling their control, reducing the share of road transport, installing better dust barriers along roads, introducing low-carbon criteria in public procurement, increasing public awareness, etc. The measures will be incorporated in the PM10 Reduction Strategy.

Energy

In the energy sector, it is necessary to adopt the Act on Energy that implements all requirements of the EU's Third Energy Package. The most important measures of the draft Act, which has already been prepared, include the full ownership unbundling of gas production and supply from the transmission network. The draft Act will also reinforce the rights of electricity and gas customers. The customers will be allowed to switch to a different supplier of electricity or gas and will be entitled to receive the final settlement invoice within six weeks of making the switch, including the relevant data on electricity and gas consumption. The amendment will foster liberalisation and transparency of the market in electricity and gas, cooperation on the regional and European level, and the powers and independent position of the regulator.

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. The Government will promote the introduction of smart distribution networks allowing for optimisation of the use and efficient management of energy, integrating energy from various renewable sources, and reducing emissions.

Promoting RES

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 feed-in tariffs rules 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 overlapping 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. The roadmap for meeting the targets will be adjusted so that the biggest portion of support, in particular that allocated for the production of electricity, is provided in the years close to 2020.

Slovakia has been supporting electricity produced from domestic coal 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 the Economy. Therefore, the Slovak Government will seek optimal ways 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.

3.3 Tackling unemployment and the social consequences of the crisis

Slovakia is traditionally among the EU countries with a relatively high unemployment rate and the economic crisis has exacerbated this problem even further. 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 is to improve situation on the margins of the labour market bordering with inactivity. The employment of the young is among the lowest in the EU and will be given due attention through measures under the employment policy and other related policies, such as a better linkage between the education system and the labour market. In addition, for several years now, Slovakia has had the highest long-term unemployment rate in the EU, and a relatively low employment rate of the older population. Furthermore, in order to improve the situation in the labour market, the reduction of regional disparities will be necessary.

3.3.1 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%.

Employment of the young

In Slovakia, the unemployment rate of the young exceeds 33%. This situation implies a mismatch between the skills and the needs of the labour market, insufficient labour demand, and insufficient development of employment strategies for the young in the past. The President of the European Commission, José Manuel Barroso, sent a letter to several EU countries facing similar problems and urged them to take specific measures. The Government has set up a Task Force to tackle this issue and support small and medium-sized enterprises in Slovakia; its session was also attended by the representatives of the European Commission.

Immediately on taking office, the incumbent Government revised the steps taken so far and prepared, in the course of several days, proposals for specific projects that can be launched as early as 2012. In this connection the Government took strong political decisions aimed at reallocating the financial resources from the EU between the selected operational programmes. The implementation of the proposed projects depends on how fast the proposed reallocation is approved. The goal of the proposed projects is to increase the employment of the young people up to 29 years of age.

A comprehensive review of active labour market policies

The active labour market policies will be subject to a review based on the actual use and efficiency of individual instruments. In doing so, the Government will focus on the disadvantaged job seekers. The system will be streamlined by limiting the number of instruments and by reducing administrative requirements in implementing



the active labour market policies. The intention is that the mandatory nature of the instruments will be reassessed to prevent high costs (effectiveness) and their misapplication (efficiency). A better institutional setup means less political interference with staffing decisions at the central and local offices for labour, social affairs and family.

In the medium term, Slovakia will primarily focus on educational programmes and counselling. These rank among the most effective instruments, particularly in times marked by high unemployment. However, it will be necessary to build capacities ensuring the efficiency of these programmes. The setup of the system for 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.

One of the tools of the active labour market policies, known as “internships for graduates”, will be modified to place greater emphasis on the professional skills and practical experience of graduates. Consideration will also be given to introducing financial incentives for those employers which create the conditions to improve the quality of graduates. The internship scheme will also be extended to include the self-employed.

Today, there is no centralised database of jobs seekers in the Central Office for Labour, Social Affairs and Family that would enable to precisely evaluate the effectiveness and efficiency of the individual instruments and institutional deficiencies. Such database will be completed and linked with the Social Insurance Company in a short timeframe. Availability of data will facilitate the preparation of high quality analyses of the net efficiency and effectiveness of expenditures. The individual instruments of the active labour market policy and labour offices will be subject to evaluation on a regular basis.

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 amount of registered capital required for the incorporation of individual types of companies will be reduced and the registration periods for small businesses shortened. The completion and full operation of the network of one-stop shops will improve the communication of taxpayers (both natural and legal persons) with the Government. 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 reported a decline in new order in the aftermath of the crisis.

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.

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.

BOX – Impact of increase in women’s employment rate on GDP

While the share of economically active women in the EU-15 stands at 66% of the population above 15 years of age, this figure in Slovakia is only 61%. Considering the age structure, the relatively low share of economically active women



compared to the EU-15 is found in the younger and older generation groups. On the contrary, the share of women aged 35-54 in the labour market even exceeds the EU-15 rates. The main reasons behind the low participation of women include a high share of students without a job, low retirement age, as well as the setup of the tax system and benefits which are less incentivising for Slovak women compared to the EU-15. **According to a model estimate by the Institute for Financial Policy, higher participation of women, i.e. at the level seen in the EU-15, would increase Slovakia's GDP by 1.6 percentage points.**

The measures aimed at increasing their participation should focus on allocating more funds for expenditure associated with child care and on support to preschool facilities. In the area of taxes and social contributions, the neutrality of tax burden on the second earner in the family in comparison with the first earner should be preserved to the greatest extent possible. At the same time, it is necessary to increase flexibility in terms of the number of hours worked at the workplace and support teleworking.

More information can be found at: [Komentár IFP 2011/13: Ženy by mohli pomôcť zvýšiť HDP o 1,6 %.](#)

3.3.2 Social inclusion

The Slovak Government will promote social inclusion, in particular by reducing poverty, with a view to getting at least 170,000 people out of the risk of poverty and exclusion.

Reform of social benefits

The revision of the family policy in relation to the income situation of families will make the state social support more efficient and streamlined through a comprehensive reform of all social benefits in terms of their number and administrative burden. The Government will also use analytical instruments (data mining) to track down payments to ineligible recipients and thus prevent the misuse of the benefit system.

In the reform of benefits, it is necessary to consider the effect of incentives, because the aim is to optimise the mechanism of balancing the active principle with the incentive principle. The current system of assistance in material need (destitution) must be revised, including the activation allowance. The system of assistance in material need will be simplified through an adjustment of the eligibility criteria and reduction in the administrative burden associated with the management of the system.

The housing contribution can be withdrawn from the system of assistance in material need and governed by new legislation in the form of a state social benefit. With this benefit in place, the state would 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) and marginalised Roma communities. It will take account of the Roma Integration Strategy of the Slovak Republic until 2020, which was prepared under the supervision of the government plenipotentiary for Roma communities and in cooperation with the World Bank and the UN Development Programme, the Open Society Foundation and the Association of Slovak Towns and Municipalities.

The Government will also complete a network of community centres with defined standards which they must meet (e.g., equipment, social field workers, medical assistants). The aim is 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". Support to investment projects for the construction, reconstruction, modernisation and equipment of community centres is also possible under the Regional Operational Programme.



Ensuring accessibility and quality of social services

The Slovak Government will continue to improve the quality of social services by making the system of multi-resource funding of social services more efficient, with a view to enhancing coordination and linkage of public funds with other resources. More objective criteria for evaluating the quality of the provided social service will be defined.

3.4 Modernising public administration

For several years now, the quality of public administration appears to be an increasingly important issue for Slovakia's future development. The objective of the Government is to build a transparent and efficient public administration. The modernisation will be ensured through higher transparency, better law enforcement, computerisation and institutional reform of the state administration. Regardless of the size of a country, the focus on efficient systems is crucial to its success. Such efficiency should be the cornerstone for the distribution of public funds.

3.4.1 Institutional reform of the state administration

Practical experience indicates that there is still large room for increasing the efficiency of state administration. Its reform could bring significant savings and improve the quality of provided services. There is still scope for further staff reductions and cuts in expenditures for the purchase of goods and services. Optimisation will also be achieved by closing down or merging several government agencies.

The state administration in Slovakia lags behind particularly in the use of instruments for the strategic management of human resources. The data on the use of measurable performance indicators of employees, organisations and performance-based pay is not collected. A major weakness of the bureaucratic apparatus in Slovakia is that senior officers are replaced whenever a new government takes office, whereas such discontinuity is not common in other advanced countries. Low average wages that cannot compete with wages in the private sector, especially in high-qualified positions, do not contribute to enhancing the quality of public administration either.

The Slovak Government will embark on a major reform of the state administration. It will clearly define the objectives, vision and the mission for the civil service as a whole and for the individual ministries. There are several examples of good practices abroad: redesign of the existing processes with a focus on measurability, the introduction of performance indicators, central recruitment, more flexibility in terms of workplace or working time, and strategic development of skills through high-quality internal training.

One of the positive effects of the state administration reform would be that the best experts in Slovakia would find it an attractive place to work. In order to strengthen the analytical capacity of the state and improve the quality of public administration, it should be attractive enough to employ several dozens of best experts. Analytical units, which are being set up by key ministries, represent one of the ways to achieve this. Their role is to analyse proposed measures and link them to the budget, monitoring and evaluation. Such units should be set up at least within all key economic and social ministries. In addition to the existing Financial Policy Institute at the Ministry of Finance, other analytical units have already been set up by the Ministry of the Economy (Institute for Economic Analyses), the Ministry of the Environment (Department for Economic Instruments and Analyses), the Ministry of Labour, Social Affairs and Family (Analytical Centre) and the Ministry of Transport, Construction and Regional Development (Strategy Institute). The Government will continue to reinforce and build such units at other ministries as well, in particular at the Ministry of Health, Ministry of Education, Science, Research and Sports, and the Ministry of Labour, Social Affairs and Family.



Analytical capacities must also be systematically built within the Government Office of the Slovak Republic which will have a unit composed of experienced experts in individual fields of the Government's agenda. The composition of the team will copy the composition of the Slovak Government. Furthermore, the necessary analytical support for this team will be provided by a strong analytical unit which will be composed of the graduates from the M.R. Štefánik scholarship programme and supplemented with other experts.

3.4.2 eGovernment

The Slovak Government will utilise information and communication technologies in public administration with a view to achieving 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 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.

It is necessary to enact the already prepared draft act on eGovernment and public administration registers which 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 procedural rules) in every single piece of legislation governing such exercise of public powers in specific cases.

The pilot testing of the central meta-information system to be used to record and analyse data on the information systems used in public administration has already been launched. 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. It is paramount to ensure a smooth transition of the system into full operation. 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 building of integrated service points. The implementation of electronic services provided by the individual bodies of public administration 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.



3.4.3 Transparent conditions and law enforcement

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

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 the property owned by the state, public institutions and local governments, and in public procurement. By adopting targeted measures, the Slovak Government will work towards improving law enforcement, increasing the authority and credibility of the judiciary, and combating corruption and cronyism.

The Slovak Government will prepare rules in support of accelerating court proceedings and streamlining the work of judges, so that citizens can exercise their rights within a reasonable time and at the right place. Namely, this will involve a major revision of the Code of Civil Judicial Procedure, which will also include specific rules for cases heard in non-adversarial proceedings (ex-parte procedure) and the fine-tuning of the rules for the judicial review of decisions taken by administrative authorities. In addition to the approved changes in the procedural codes, court proceedings will also be accelerated through the computerisation of the judiciary – a project consisting of several sub-projects implemented on a continuous basis. Some projects are funded from the state budget and the rest will be financed under the Swiss Financial Mechanism.

The preparation of a legally binding electronic Collection of Laws of the Slovak Republic as the official source of Slovak law will continue in line with the schedule.

3.4.4 More effective healthcare

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

Despite a steep increase in healthcare expenditure over the past few years, Slovakia still lags considerably behind EU Member States. Healthcare expenditures 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 co-payments for drugs for old-age pensioners and individuals with severe disabilities, thus promoting the social aspect in the healthcare sector.

Availability of healthcare

The Slovak Government will continue to optimise the minimum public network of healthcare providers with which the insurers are required to sign contracts. The process of registering insured persons on the lists of planned healthcare procedures maintained by individual health insurance companies will become more transparent. Waiting lists will be drawn up for those diagnostic and therapeutic procedures that will be provided later than within 3 months of indication. To allow comparison, the health insurance companies will be obliged to publish the waiting times structured by provider.



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. It will adopt a new extended list of quality indicators and will define them also for other medical disciplines. 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 awareness of patients. The indicator list will be revised once every three years.

Medicinal drugs policy

Following the approval of the drug policy reform which will introduce generic prescription of medicines and stricter pricing, as well as define the rules of transparency for the bodies responsible for the medicines policy, it will be necessary to ensure its thorough implementation. In addition to that, the Slovak Government will give thorough consideration to the 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). 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 trials. New drugs will be categorised temporarily for a period of two 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.

Generic drugs will be placed on the market faster and the frequency of processing requests for a change (reduction) of drug prices will be reassessed. 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 be substantially increased 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.

Introduction of diagnosis-related group (DRG) payments, risk compensation

Two projects – the introduction of diagnosis-related group payments and the expansion of the mechanism of compensation for the risk structure of insured persons that reflects individual risk using indicators of the individual's health – have already been launched and will need to be put into practice.

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 the 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.



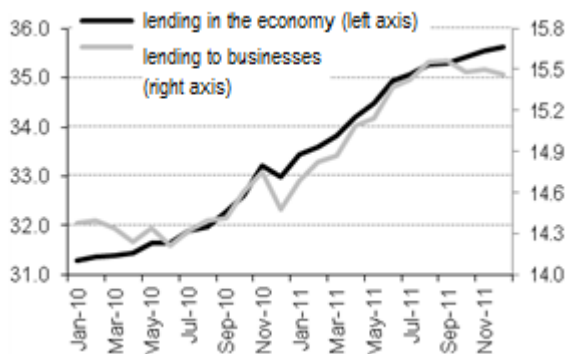
The system of risk adjustment among insurance companies will be supplemented with diagnostic information obtained on the basis of chronic medication (the so-called pharmacy-based cost groups – PCG). This will give insurance companies less room for selecting low-cost insurees and will serve as an incentive to also provide chronic or costly care.

3.5 Restoring normal lending to the economy

The impact of the financial crisis upon the Slovak banking sector has only been marginal, as confirmed by a number of indicators during the crisis: the profits of the sector remained relatively high, the volume of loans continued to grow fast, the interest rates on new loans and the interbank rates remained stable. The causes behind the good shape of the sector include the robust economic growth, consistently prudent lending policy of banks, and a low degree of the sector's international integration which, taken together, resulted in the low exposure of Slovak banks to toxic assets.

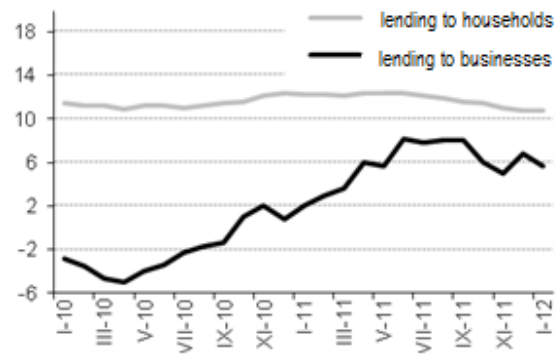
Also the 2009 recession had a little impact on the banking sector. Impaired performance of the Slovak economy, causing higher insolvency among debtors, has affected several of the banking statistics indicators only slightly. In the long term, the capital to risk-weighted assets ratio in the Slovak banks was 13% on average. In its analyses of the Slovak financial sector, the National Bank of Slovakia stressed on several occasions that the domestic banking sector had one of the highest levels of average capital adequacy throughout the EU, which makes it resilient to possible adverse developments at the macroeconomic level or in financial markets. The banking sector in Slovakia also reports a high degree of self-sufficiency in terms of liquidity, with banks financing their activities primarily from the deposits of residents. In fact, the types of financing that are considered less stable, i.e., financing from the deposits of parent companies or from the funds obtained in the financial markets, are at much lower levels than those seen in the Western European countries.

**Total credits and credits to non-financial corporations
(end of month, EUR bn.)**



Source: NBS

**Credits to households and non-financial corporations
(YoY change in %)**



Source: MFSR

Considering a significant and relatively stable growth in credits to households and non-financial corporations, as well as a number of other factors, Slovakia does not need to take any fundamental measures for the banking sector to operate smoothly. The capital adequacy of Slovak banks is sufficient, credits to households have been steadily increasing year-on-year by more than 10% for several years now, and credits to non-financial corporations have also been rising year-on-year by more than 5% despite a slight dip in 2010. In the aftermath of the crisis, Slovakia ranks among the fastest growing economies of the entire European Union, and this sustainable growth is in no way restricted or slowed down by impaired access to loans.

Even though the credit market is functioning normally, there are still some ineffective state subsidies distorting the competitive environment which, however, will be revised. Such subsidies are undermining a healthy competitive environment without bringing real profits to the clients and their effects are pro-cyclical in many aspects. Even as



a result of these factors, the real estate prices have surged before the crisis, and slipped slightly amidst the crisis. At present, the real estate prices in Slovakia remain relatively high, especially when measured against incomes. The Slovak Government will curb the state premium in building-society saving schemes. The contributions to the State Fund for Housing Development will be reduced as well, and its operations will be streamlined.

Furthermore, the Government will analyse and assess the bank levy amount, in particular as regards the competitiveness of the domestic banking sector vis-à-vis non-residents, and will adopt the necessary measures.

In order to foster the development of small and medium-sized enterprises and improve their access to financial resources, the Government has prepared 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 launched the JEREMIE initiative which primarily focuses on supporting small and medium-sized enterprises (SME). At the beginning of 2011 the European Investment Fund entered into a partnership with the Slovak Guarantee and Development Fund and created the JEREMIE Holding Fund. The overall budget of the JEREMIE Holding Fund amounting to EUR 100 million will be used through financial intermediaries for the following instruments: venture capital instruments in the volume of EUR 31 million, portfolio guarantees in the volume of EUR 38 million, and the mezzanine instrument in the amount of EUR 25 million.

The main objective of the initiative is to provide venture capital to innovative SMEs with good business plans and innovative ideas 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 know-how 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.



ANNEX 1 – National targets under the Europe 2020 strategy

Indicators		2005	2006	2007	2008	2009	2010	2011	Target 2020
	Long-term sustainability indicator (GAP)	SK	-	-	-	9,5	9,2*	7,4	0,0
	VAT collection effectiveness (%)	SK	74	69	65	65	58	57	74
		EU22**	69	71	70	68	62	64	-
EU	Non-ETS greenhouse gas emissions (%) (%, change against 2005)	SK	-	-2,2	-6,1	-8,2	-12,3	-	13,0
EU	Share of RES in gross final consumption (%)	SK	-	6,2	7,4	8,4	10,3	-	14,0
		EÚ	-	8,9	9,7	10,3	11,7	-	20,0
EU	Final energy consumption (%) (%, change against 2001 – 2005 average)	SK	-	-4,7	-4,0	-1,7	-9,5	-1,6	-11,0
	Environmental Performance Index (EPI)	SK	64,0	64,8	66,1	66,3	66,6	66,6	68,3
		EÚ	-	-	-	-	-	-	-
EU	School drop-out rate (%) (%, population aged 18-24)	SK	6,3	6,6	6,5	6,0	4,9	4,7	6,0
		EÚ	15,8	15,5	15,1	14,9	14,4	14,1	10,0
	PISA (arithmetic average of the scores)	SK	-	482	-	-	488	-	505
		OECD	-	496	-	-	497	-	-
EU	Tertiary educational attainment (%) (%, population aged 30-34)	SK	14,3	14,4	14,8	15,8	17,6	22,1	40,0
		EÚ	28,0	28,9	30,0	31,1	32,3	33,6	40,0
	Citations per researcher (%) (%, 100 = EU average)	SK	39	44	41	44	-	-	70
		EÚ	-	-	-	-	-	-	-
EU	Gross domestic expenditure on R&D (GERD) (%) (% GDP)	SK	0,51	0,49	0,46	0,47	0,48	0,63	1,0
		EÚ	1,82	1,85	1,85	1,90	2,01	2,00	3,0
	High-tech export (%) (% of total export)	SK	6,4	5,8	5,0	5,2	5,9	-	14,0
		EÚ	18,7	16,7	12,7	12,7	13,6	-	-
EU	Employment rate (%) (%, population aged 20 - 64)	SK	64,5	66,0	67,2	68,8	66,4	64,6	72,0
		EÚ	68,1	69,1	70,0	70,5	69,1	68,6	75,0
	Long term unemployment rate (%) (%, active population aged at least 15)	SK	11,7	10,2	8,3	6,6	6,5	9,2	3,0
		EÚ	3,7	3,7	3,1	2,6	3,0	3,8	-
EU	Population at risk of poverty or exclusion (%)	SK	32,0	26,7	21,4	20,6	19,6	20,6	17,2
		EÚ	24,7	24,9	24,9	24,5	23,1	23,5	19,4
	Doing Business (World Bank) (ranking)	SK	-	-	-	-	40	43	48
		EÚ	-	-	-	-	37	37	39
	Product market regulation index (OECD) (score)	SK	-	-	-	1,63	-	-	1,20
		OECD	-	-	-	1,41	-	-	-
	E-government index (%)	SK	-	37,3	44,8	-	58,3	62,0	90,0
		EÚ	-	46,3	53,3	-	62,5	69,1	-
	Corruption Index (%)	SK	59	-	59	-	61	-	80
		EÚ	67	-	78	-	80	-	77
	Healthy life years (number of expected years at birth)	SK	56,4	54,4	55,9	52,3	-	-	60,0
		EÚ	-	62,1	62,3	-	-	-	-

* Estimate

** Excluding Germany, France, Luxembourg, Netherlands, Slovenia



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 (implicit liabilities) while also taking account of contingent liabilities (e.g., PPP projects). OECD / Eurostat, calculation: MFSR
VAT collection effectiveness	$\text{VAT collection effectiveness} = \text{VAT collected} / [(\text{final consumption of households} + \text{gross fixed capital formation of the general government} + \text{intermediate consumption of the general government} - \text{VAT collected}) * (\text{basic VAT rate} / 100)]$ <p>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.</p> Source: OECD / Eurostat, calculation: MFSR
EPI	The Environmental Performance Index is published by the Yale University and Columbia University in cooperation with the World Economic Forum and the European Commission. As a composite indicator consisting of 22 output sub-indicators, it compares 132 countries in ten basic categories of environmental performance. Source: http://epi.yale.edu/
Non-ETS greenhouse gas emissions	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 CO ₂ , NO ₂ , CH ₄ , HFC, PFC a 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 share of final consumption of energy from renewable sources and the gross final energy consumption. The final consumption of energy from renewable sources is calculated as the sum of gross final consumption of electricity from renewable energy sources, gross final consumption of energy from renewable sources for heating and cooling, and final consumption of energy from renewable sources in transport. 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: calculation by MFSR based on data from the 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 R&D	The percentage share of total R&D expenditure in GDP. Source: Eurostat
High-tech export	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. Source: Eurostat
Employment rate	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. Zdroj: Eurostat
Long term unemployment rate	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. Source: Eurostat
Population at risk of poverty and social exclusion	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 very low work intensity, expressed as a percentage of the total population. The risk of poverty represents the number of persons with disposable income below 60% of the national median 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. Source: Eurostat/EU-SILC
Doing Business	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. Source: the World Bank
Product market regulation index	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). Source: OECD
E-Government Index	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). Source: Eurostat, calculations: MFSR
Corruption	The corruption indicator represents an average of two indices focusing on different types of corruption: Corruption experience among the general population - a Eurobarometer survey



	<p>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 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, calculation: MFSR</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>