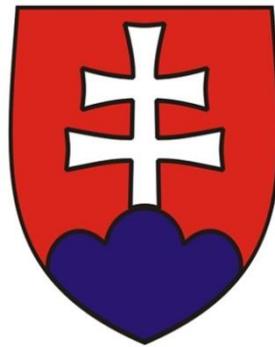


Ministry of Finance of the Slovak Republic



**| National Reform Programme of
the Slovak Republic 2015**

April 2015

Table of Contents

Summary	4
1 Identification of the challenges of the Slovak economy	6
2 Implementing the measures under the National Reform Programme 2014	8
3 Macroeconomic framework and medium-term forecast	22
4 Planned measures in structural topics	24
4.1 Fiscal policy and public finance	25
4.2 Education, science, and innovation	28
4.2.1 The regional education system	29
4.2.2 Tertiary schools	30
4.2.3 Science and research	30
4.3 Employment and social inclusion	32
4.3.1 Employment	34
4.3.2 Social inclusion	35
4.4 Transport infrastructure and telecommunication	36
4.5 Modernising of public administration and the business environment	38
4.6 A transparent society and law enforcement	41
4.7 Health	43
4.8 Environmental sustainability and energy	46
5 The EU's cohesion policy	49
6 Institutional framework for the Europe 2020 strategy and NRP	53
Annex 1 – National targets under the Europe 2020 Strategy	54

List of Boxes

Box 1: Savings related to the ESO in the area of operation of organizations funded from the budget.....	20
Box 2: How to improve the use of EU funds: experience from abroad	51

List of Figures

Figure 1: Performance indicators, standard deviation from the sample average	6
Figure 2: Desegregation of performance indicators by means of supplementary indicators	6
Figure 3: Development of the efficient VAT tax rate (in %, 2008–2014).....	10
Figure 4: Tax wedge in OECD (an individual with income of 50% of the average wage, in %, 2013).....	12
Figure 5: Decrease of individual tax wedge after implementing CTA (in % of labour costs, 2015)	12
Figure 6: Influence of the minimum wage and CTA on the net income and labour costs.....	12
Figure 7: Contributions to GDP growth, 2011–2018.....	22
Figure 8: Inflation development	22
Figure 9: International comparison of educational expenditures, 2011, % of GDP	28
Figure 10: Annual wages of primary school teachers, 2012 (USD PPP, the highest class).....	28
Figure 11: Inputs and outputs of R&D as a percentage of V3 average	29
Figure 12: PISA testing results (average points).....	29
Figure 13: Quarterly development of the unemp. rate according to the LFS (SA data, %)......	32
Figure 14: Long-term unemployment (% , 2013).....	32
Figure 15: Low-skilled workforce in the labour market (in %, 2013)	33
Figure 16: Economic activity of the Roma (in %, 2013).....	33
Figure 17: Relationship of the unemployment of the age groups of 15 – 29 and 30 – 59 (in %, 2013).....	33
Figure 18: Expenditures on social exclusion and housing.....	33
Figure 19: Motorways and expressways	36
Figure 20: Class A roads	36
Figure 21: Doing Business areas which are lagging behind (standard deviation)	38
Figure 22: Lagging areas according to the product market regulation index (standard deviation)	38
Figure 23: Outcome indicator for health	43
Figure 24: Healthcare expenditures (in % of GDP)	43
Figure 25: Average annual expenditure growth 2002 - 2012.....	43
Figure 26: Efficiency of the Slovak healthcare system	44
Figure 27: Liabilities of health care facilities governed	44
Figure 28: Communal waste recycling rate	46
Figure 29: Share of population exposed to dust particles (PM25) exceeding WHO limits.....	46
Figure 30: Drawing of structural funds and the Cohesion Fund (EUR million)	49

Summary

The National Reform Programme of the Slovak Republic 2015 (NRP) describes the structural measures planned by the Slovak Republic for implementation in the next two years. The new complex approach to the priorities identification taking into account GDP, as well as other life quality aspects, identified the labour market, the health care system and primary education as the biggest challenges of the Slovak economy.

Public deficit remained below 3% of GDP also in the first year after exiting the excessive deficit procedure. According to Eurostat notified figures, the general government deficit reached 2.87 % GDP in 2014. In the medium-term horizon, consolidation of public finances will continue towards a structurally balanced budget. The draft General Government Budget Framework for 2016 to 2018 assumes a gradual reduction in the deficit to 1.93 % GDP in 2016, 0.88 % GDP in 2017 and 0.53 % GDP in 2018. After the first post-crisis fall last year, public debt should decline from 53.6 % of GDP in 2014 to 50 % of GDP in 2018.

The efficiency of tax collection has improved and the gap in VAT collection decreased by one quarter in the period from 2012 to 2014. The Government will continue **improving tax collection efficiency**, not only as regards VAT. A number of other Financial Administration (FA) measures will contribute to a decrease in the administrative burden.

The adopted pension system reforms and the consolidation of public finance have led to an **improvement in long term sustainability**. A number of changes will take place in the pension system in 2015. Minimum pensions will be implemented and the second pension pillar will be opened for a temporary period of three months.

Structural changes in the area of education will be mainly focused on the **interconnection of vocational education and practice** (dual education), the extension of **kindergarten capacities** and support for the integration of marginalized communities. Measures to support science, research and innovation should increase expenditures and the efficiency of public funds use.

In 2014 the situation on the labour market further improved and the unemployment rate decreased. The Government will continue with **the public employment service reform**, as well as in the implementation of active labour market policy tools (ALMP) within the initiative of providing a guarantee to young people under 29 years of age and to support the long-term unemployed. Projects focused on the support of community centres and field social work in municipalities with a Roma population will continue.

Transparent price ceilings for the purchase of the most important items, **mandatory external audits** and the optimization of the hospital bed fund will contribute to the increased efficiency of management and prevent the further indebtedness of the 13 state hospitals. An integrated model of health care provision will be implemented, efficiency of the health care provider funding process will be improved by means of payments for a diagnostic group and medical procedures will be unified.

Construction of **missing sections of motorways and expressways**, as well as the construction, renewal and **maintenance of A-class roads** are key measures in the transport sector. The systematic increasing of the significance of railway transportation, as well as the improvement of public passenger transport efficiency are important objectives.

The modernisation of public administration will continue through the **ESO reform** (Efficient, Reliable and Open Public Administration) focused on the optimization of regional offices, which should improve the efficiency of activities and services provided to citizens and entrepreneurs. Computerisation is one of the tools. Analytical capacities in public administration will be strengthened. Public administration reform will bring its de-politicisation as well as increased transparency at all levels, from hiring staff to remuneration.

The judiciary system will be improved mainly by a review of the Civil Legal System, re-codification of the civil procedure and specialization of the court system and of judges. The ongoing computerisation of case

files, the Legal Code and the Registry of Insolvent Entities and the monitoring of the accused and sentenced will contribute to the speeding up of judicial activities.

NRP is based on the Manifesto of the Government of SR and country specific recommendations of the EU Council for Slovakia from 2014, as well as on the assessment of their implementation by the European Commission from February 2015. NRP measures will be funded within the set expenditure limits of individual budget chapters.

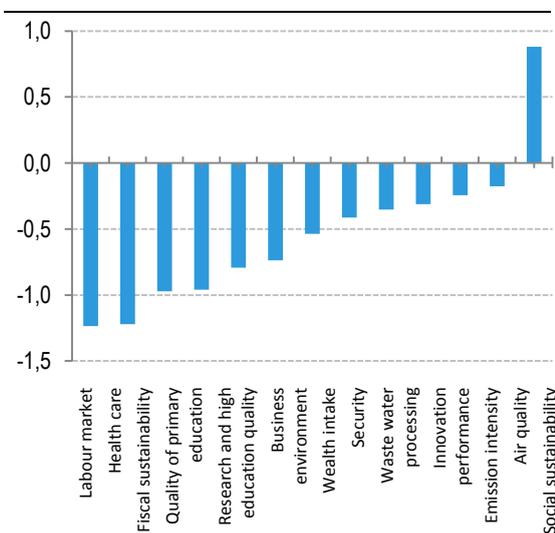
1 The Slovak economy priorities identification

In spite of a number of shortcomings, a GDP growth still remains the key factor for the material and non-material progress of a country. However, it is not the only sufficient precondition for a life quality improvement, which requires a much more complex perspective. Some organizations therefore publish a set of several indicators (European Commission, OECD) or a composite index of the quality of life (United Nations). Drawing on the OECD approach, we have expended the indicators set and have been able to identify the areas with the greatest potential for improvement. Thus, in addition to wealth (GDP per capita) the priority analysis¹ also comprised other issues, such as the quality of education, the health care system and air, as well as fiscal and social sustainability (see the figure below on the left).

The two greatest challenges, as regards lagging behind other countries, are represented by the labour market and the quality of health care. Primary education was identified as the third priority due to the high level of lagging behind, deteriorating results and a significant negative effect on other areas, which will materialize in a longer time horizon. With the exception of social sustainability measured by income inequality, Slovakia attains substandard values in all other monitored performance indicators.

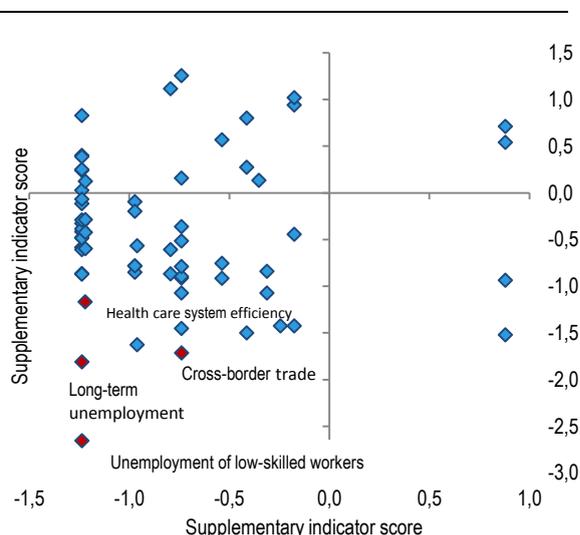
Performance indicators are matched with supplementary indicators (see the figure below on the right) desegregating a broadly defined problem (e.g. the labour market) to smaller, better understandable areas (e.g. long-term unemployment or cross-border trade in the business environment). Thus, the points in the lower left quadrant contain substandard performance indicators, as well as supplementing indicators. From this perspective Slovakia stands out as regards the unemployment of low-qualified workers. The upper left quadrant shows the areas where below average outcomes are attained, nevertheless with above-average inputs. For example we show a very low number of quotations and a high level of the PhD study graduates or substandard outcomes in security with above-standard numbers of policemen.

Figure 1: Performance indicators, standard deviation from the sample average



Source: IFP

Figure 2: Desegregation of performance indicators by means of supplementary indicators, standard deviation



Source: IFP

The supplementing indicators suggest that the main problem on the labour market resides in employing low-qualified workers and in long-term unemployment. Long-term unemployment and the related loss of skills represent another barrier impeding better outcomes on the labour market. It is clear however that the share of unemployed young people in the total unemployment rate in our country compared to other EU countries is not a significant problem. Older people (55-64) or women face a much worse situation. It results from the international comparison of lagging behind in the labour market indicators for the aforementioned groups.

¹ Haluš (2015), Tri výzvy slovenskej ekonomiky (Three Challenges of the Slovak Economy), Institute for Financial Policy, Manual

Slovakia does not lag behind very much as concerns the basic determinants of public health (the number of smokers, alcohol consumption). In spite of this, the life expectancy of Slovaks is much lower and they enjoy the lowest number of healthy life years in the EU. The updated model used in our study regarding the health care system² indicates a great inefficiency of the used resources.

Below average and still deteriorating outcomes are also attained in the quality of primary education, the results of which will become clear in a longer horizon. Internationally comparable outcomes in education can only be measured at the level of primary schools by testing 15 year old students of PISA. These outcomes declined significantly in 2012. Funding is the main area where Slovakia lags behind, mainly as regards the wages of primary school teachers, which are up to three times lower in comparison with the OECD average in terms of the purchasing power parity. Moreover, education has a significant impact on other areas as well, for example on the labour market results and labour productivity.

The Government responds to these challenges through the measures described in more detail in the relevant chapters of NRP 2015.

² Filko, M. et al. (2012), Málo zdravia za veľa peňazí (Little Health for Much Money): Analýza efektívnosti slovenského zdravotníctva (An Economic Analysis of Slovak Health Care System), economical analysis no. 28, Institute for Financial Policy, Ministry of Finance of the Slovak Republic

2 Implementing the measures under the National Reform Programme 2014

The level of performance of the NRP 2014 Action Plan tasks is organised according to the particular country specific recommendations for Slovakia, which have been approved by the June summit of the European Council and adopted by the EU Council in July 2014.

1. Consolidation of public finance and sustainability

Specific recommendations of the Council: *Following the correction of the excessive deficit, reinforce the budgetary measures for 2014 in the light of the emerging gap of 0,3 % of GDP relative to the preventive arm of the Stability and Growth Pact requirements based on the Commission services 2014 Spring forecast. In 2015, ensure the required adjustment of 0,1 % of GDP towards the medium-term objective taking into account the expected weak economic conditions. Thereafter, until the medium-term objective is achieved, pursue an annual structural adjustment of 0,5 % of GDP as a benchmark. Further strengthen the fiscal framework, also by ensuring binding and enforceable expenditure ceilings. Improve the long-term sustainability of public finance by increasing the cost-effectiveness of the healthcare sector, in particular by rationalising hospital care and management and by strengthening primary care³.*

In 2014 the Slovak Republic confirmed a decrease in the deficit under 3 % of GDP. In 2014 assessment of the balanced budget rule implementation was carried out for the first time. The long term sustainability of public finances improved. A number of legislative changes in the 2nd pension pillar were adopted. Strengthening of the practitioners' role, deceleration of the health care providers borrowing, as well as the ongoing preparation of DRG, e-Health and the health care integration process will contribute to a better cost efficiency of the health care system.

Public finance in 2014

In 2014 the Slovak Republic confirmed a decrease in the deficit under the level of 3 % of GDP. The general government deficit reached 2.87 % of GDP. The original budgetary target was slightly exceeded (by 0.2 p. p.), mainly due to the shortfall of a significant part of budgeted dividends based on a decision of Eurostat and due to the corrections related to drawing of EU funds. These negative effects were offset by significantly improved tax revenues.

In 2014 the first assessment of the balanced budget rule was carried out. The Ministry of Finance of the Slovak Republic, as well as the Council for Budgetary Responsibility stated that in 2013 Slovakia headed towards its medium-term fiscal goal and there was not a serious deviation in terms of the Fiscal compact.

Long term sustainability

A number of implemented measures have contributed to the improvement of the long term sustainability of the pension system:

- In 2012 changes in the pay-as-you-go pillar and the funded pillar of the pension system were implemented that significantly increased the long term sustainability. The forecast⁴ deficit of the pension system in 2060 improved after the reform by 4.1% of GDP.
- In 2013 a reform of the system of social protection for soldiers and policemen was implemented and should result in the improvement of the balance in 2060 by 0.3 % of GDP. The system management was significantly improved.

Since 2015 an adjusted system of pension payments from the 2nd pillar has been used. Cancellation of the minimum saving period of 10 years, the possibility to inherit the amount saved for at least 7 years and the

³ According to the law of MoH SR it concerns the general health care.

⁴ The AWG 2012 projections compared with the update in 2013. For more details see the EC report: European Commission (DG ECFIN) and the Economic Policy Committee (AWG) (2012) 'The 2012 Ageing report: Economic and budgetary projections for the EU27 Member States (2010-2060)', European Economy, No 2, 2012.

creation of the central offer system administered by the Social Insurance Company belong to the most important changes. Since March 2015, the second pension pillar enabling entrance or exiting of the insured persons according to their own discretion was opened for three months.

Health care system

The task and competences of the general practitioners were strengthened. The status of the general practitioners was strengthened by adding pre-surgery examination and recommendations for some types of laboratory diagnosis in eligible interventions. There is a Residential Programme in which the MoH asked Deans of the Faculties of Medicine to strengthen or implement the subject of general medicine. Since October 2014, one hundred and thirty-seven students have been engaged in the Residential Programme.

The indebtedness of state hospitals decelerated. In 2014, the outstanding mature liabilities increased by EUR 69 million, while in 2013 it was EUR 110 million. In 2015 the MoH plans to stop the indebtedness of 13 state universities and faculty hospitals, to optimize the bed fund and to implement transparent price ceilings for procurement.

The implementation of several measures is executed with the aim to improve the cost efficiency of the health care system:

- Implementation of a system taking into account the complexness of diagnosis, complications and the length of hospitalization (DRG) is in progress. In 2014, collection of the data in the required structure for DRG based on the adjusted legislation (Act No. 95/2002, 160/2013, 576/2004, 580/2004) was initiated. It is still necessary to update the directive providing the list of medical interventions and to prepare a directive setting forth the coding rules for diseases and medical interventions.
- The first stage of the e-Health system operation is in progress. Launching of the pilot providers of health care is planned from September 2015
- The conception of the functioning of primary centres was prepared within the health care integration project and the stratification of providers is being analysed.

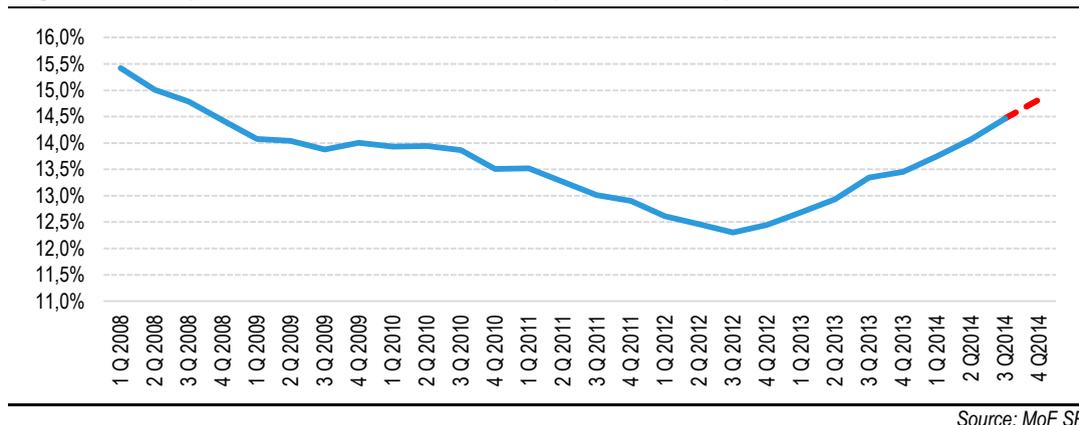
2. Combating tax fraud

Specific recommendations of the Council: Improve the efficiency of the tax administration by strengthening its audit, risk assessment and debt collection capacity. Link the basis for real-estate taxation to the market value of the property.

Implementation of the measures to improve tax collection, which can be seen especially in VAT, is under way. In 2012, an Action Plan to combat tax fraud was approved within the tax fraud combat initiative. The plan contains 50 measures mainly focused on decreasing VAT evasion. In 2014, implementation of the particular measures was carried out. Implementation of the VAT recapitulative statement, the transfer of the tax obligation to the beneficiary, broadening the obligation to use electronic cash registers and the improved connection of real-estate depreciation with its real life are among the most important measures to increase tax collection efficiency. Preparations of the Financial Administration to establish an analytical unit, as well as preparations of MoF SR for the implementation of real estate taxation based on estimated value were in progress.

The unfavourable development of VAT collection was successfully reversed in 2012 and further improvements can also be seen in 2013 and 2014. The efficient tax rate is rising and has reached the level from 2008. The greater success rate of VAT collection compared to 2012 means additional revenues of EUR 248 million (0.3% of GDP) in 2013 and of EUR 650 million (0.9% of GDP) in 2014.

Figure 3: Development of the efficient VAT tax rate (in %, 2008–2014)



To ensure greater transparency and public control, data from the financial statements of trade companies including their tax duty began to be published in a single place in January 2014⁵.

Fifty measures mainly focused on reducing VAT evasion were approved within the Action Plan to combat tax fraud. As of October 2014 thirty nine measures were implemented, 1 was preliminarily implemented, 3 were not implemented at all and 7 measures were implemented after their deadline. The most significant measures to combat VAT tax fraud implemented in 2014 were as follows:

- Since January 2014, the national transfer of tax obligation to the beneficiary (the so-called reverse charge) has been extended to include risk commodities, limiting carousel trades with them.
- Since 2014 a duty to submit a recapitulation statement has been implemented for VAT payers. Selected data from the recapitulative statement may be confronted with the data which the tax payers stated in their tax returns. This created an efficient option to cross-check this data with the data of individual trading partners and to identify cases of VAT fraud, also in complicated networks of companies.
- The already functioning cash receipt lottery has been extended since October 2014. Drawing lots is carried out every week and there will be 408 winners in total every month compared to the original

⁵ <http://www.registeruz.sk/cruz-public/home/>

29 winners. The lottery launching shall not only motivate consumers to require receipts upon every purchase but also assist the identification of “black” cash registers.

The Financial Administration continues with computerization and with the preparations for creation of an analytical unit. In the course of 2014 a proposal of activities to complete the construction of analytical capacities in 2015–2018 was elaborated. In 2014, the information systems in the Financial Administration were consolidated and integrated. Simultaneously new IS systems were implemented enabling one-way electronic communication between Financial Administration clients and the FA. The implementation of other information systems is still in progress.

In 2014, an amendment to the Income Tax Act was approved effective from 2015 bringing forth additional measures to increase the tax collection success rate. As of January 2015 the duty to tax cash and in-kind benefits flowing to a selected group of persons from pharmaceutical companies with the withholding income tax was implemented. A number of legislative changes in amortisation have been implemented with the common goal of more precisely reflecting the real life and economic use of assets in tax depreciation and to apply new transfer pricing rules. As of April 2015 the duty to record revenues in electronic cash registers was extended to other areas (hotels, professional scientific and technical activities, as well as general practitioners, doctors – specialists, dentists, etc.). For these services, entrepreneurs can also use a virtual cash register provided for free by the state.

By signing the global agreement in October 2014, the Slovak Republic obtained an additional effective multilateral tool to combat tax evasion. The new global OECD and G20 standard will enable an automatic exchange of information about financial accounts for tax purposes⁶.

⁶ Global Standard for Automatic Exchange of Information about Financial Account among tax authorities prepared by OECD at the G20 call; for more information see <http://www.oecd.org/ctp/exchange-of-tax-information/automaticexchange.htm>

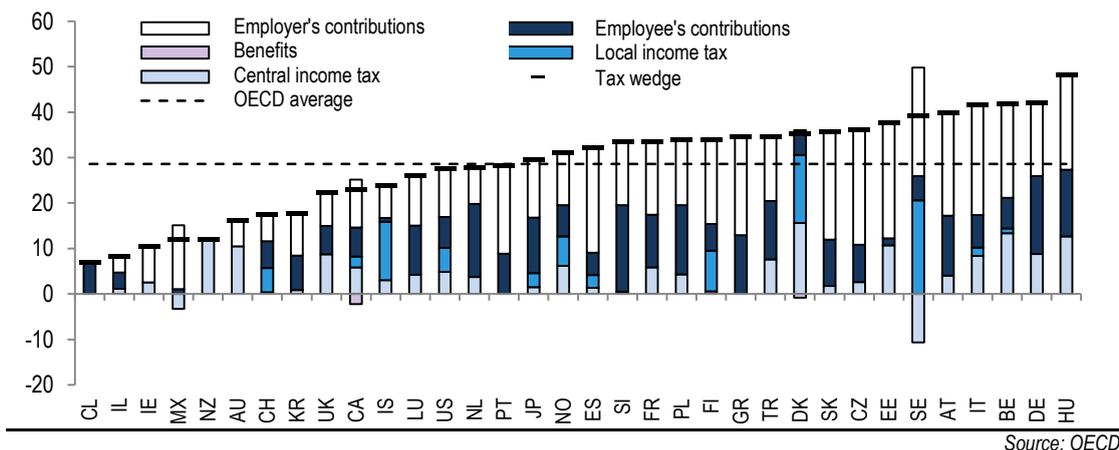
3. Public employment services and long-term unemployment

Specific recommendations of the Council: More effectively address long-term unemployment through activation measures, second-chance education and tailored quality training. Enhance the capacity of public employment services for case management, personalised counselling and activation of jobseekers, and strengthen the link between activation and social assistance. Effectively tackle youth unemployment by improving early intervention, in line with the objectives of a youth guarantee. Improve incentives for women's employment, by enhancing the provision of childcare facilities, in particular for children below three years of age.

In 2014, the decrease in the unemployment rate continued. To support participation in the labour market a health contribution allowance for low-income employees was implemented, as well as the concurrence of assistance in material need and wage. Measures to support the employment of young people were implemented. The contribution relief for students working under the Contract for Work was extended. Public employment services are in the process of changes. The approved GG budget contains additional capital expenditures to support kindergarten capacities.

Activation and support of the unemployed

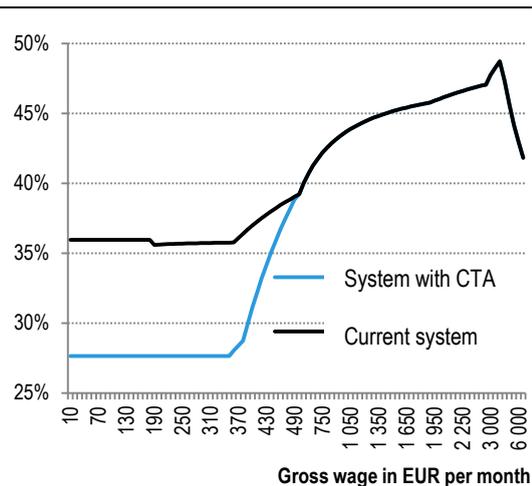
Figure 4: Tax wedge in OECD countries (an individual with income of 50% of the average wage, in %, 2013)



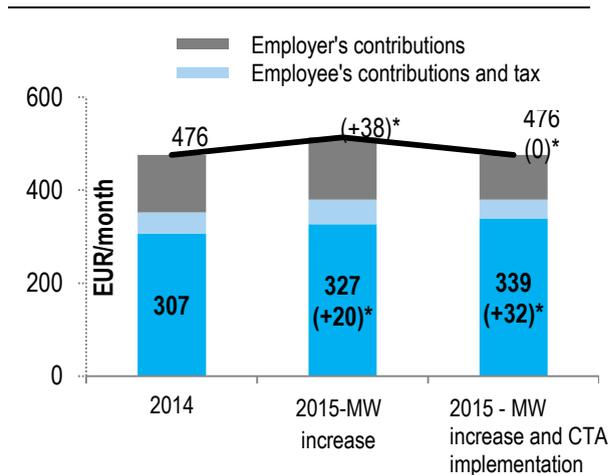
The implementation of the **health contribution allowance (HCA) deduction** from 2015 decreases the labour costs and increases the net wage of low-income employees who were affected by the increase of the minimum wage (MW) in 2015 to EUR 380 (EUR 352 in 2014). According to OECD the tax and contribution burden faced by low-income workers represents one of the main obstacles in improving the situation of the long-term unemployed in Slovakia. Thus HCA at the level of the MW fully compensates the increased labour costs ensuing from the increase of the MW. Its amount gradually decreases – with an increase in income by EUR 1 the HCA amount decreases by EUR 2. Entitlement to HCA is precluded with income exceeding EUR 570 per month, i.e. EUR 6 840 per year. Accordingly in terms of HCA and the increase of the MW, net income increases on a year-on-year basis by EUR 32 per month, thus pushing the income of employees with the MW above the poverty level. This measure will positively impact approximately 600 thousand employees with the estimated impact on the GG balance amounting to EUR 146 million (0.2% of GDP) in 2015.

Figure 5: Decrease of individual tax wedge after implementing HCA (in % of labour costs, 2015)

Figure 6: Impact of the minimum wage and HCA on the net income and labour costs



Source: MoF SR



Source: MoF SR

To support the long-term unemployed the **concurrency of assistance in material need and wage** have been implemented. In October 2014 the amendment to the Act on Assistance in Material Need was adopted and with effect from January 2015, increases and extends the entitlement to a special allowance for persons in material need who find employment. For the first 6 months such an employee obtains EUR 126.44 and for the following 6 months this amount decreases to EUR 63.07. The concurrency of assistance in material need and the in-work benefit is aimed at increasing the motivation of the long-term unemployed and inactive persons in the productive age to participate in the labour market, i.e. when an employment relationship is established (at least part-time employment). The current new amendment enables obtaining a special allowance in the situation when an individual or a family with multiple members still remains in the system of assistance in material need.

Support in the form of a **contribution relief for the long-term unemployed** also continued. This measure represents an exemption from health and social contributions of the long-term unemployed and their employers (with the exception of accident insurance and guarantee insurance) for one year from maximally 67% of the average wage gained two years prior. Only 2,877 persons on average were supported by means of the contribution relief in 2014, which is significantly lagging behind the anticipated efficiency of this measure.

Support for young people

In 2014 job creation for young people was supported by labour costs subsidies. The programme aimed at young people under 29 years of age with their first regularly paid job became a part of ALMP thanks to the amendment of the Act on Employment Services in October 2014, which became effective in January 2015. This measure is included in the adopted National Youth Guarantee Implementation Plan in the Slovak Republic containing the schedule of legislative reforms and projects for early intervention, activation and integration of young people in the labour market. These measures are mainly funded from the special EU budget allocation and from the national allocation of ESF. The employment of young people was also supported by means of the Operational Programme Competitiveness and Economic Growth.

The graduate practice was modified so that it better addressed the education of graduates. Job seekers will have the opportunity to individually learn and train for the labour market in those areas where the Central Office of Labour, Social Affairs and Family (COLSAF) cannot provide training.

For students working under the Contract for Work, the level of the contribution relief for the purpose of social insurance was increased and the age level was unified. The maximum amount of monthly income eligible for the release from social insurance ensuing from a contract for student work increased from January 2015 from EUR 68 or 159 to EUR 200.

Strengthening of the capacity and quality of public employment services

The ALMP reform as of May 2013 decreased the administrative burden and increased the efficiency of the ALMP tools provision. It also created space for the individualization of professional and information-counselling services for disadvantaged job seekers.

So-called Activation Centres were created to fulfil the amendment to the Act on Assistance in Material Need during 2014. The Central Office of Labour, Social Affairs and Family (labour offices) created 840 new jobs for field workers cooperating with benefit recipients. The anticipated costs represent approximately EUR 9 million in 2015.

In January 2014 activities related to the creation of the ALMP effectiveness and efficiency evaluation system were launched. Creation of the system also comprises preparation of the methodology regarding the effectiveness and efficiency of ALMP tools evaluation together with a proposal and development of an information system for the ALMP evaluation.

In 2014 legislation enabling the integration of the COLSAF Directorate-General and the labour office branches in a single entity within the ESO reform was adopted in October with effect from January 2015. The changed management will enable COLSAF to better administrate the labour offices and their staff members.

Cross-sectional activities were centralized in the next stage, which helped optimize some processes and provided free personal capacities. In the first quarter of 2015 divisions of client services, so-called points of first contact were established at all labour offices thanks to the reorganization and process unification.

Child care facilities and the employment of women

The approved GG budget for 2015 comprises additional capital expenditures designed for the capacity extension and reconstruction of kindergarten buildings amounting to EUR 10 million.

The “Family and Work” pilot project has been implemented since February 2015 with the aim to support employment for mothers with children. Financial subsidies are provided for each newly created job for women on maternity leave or with a child under 10 years of age. The project will also support flexible forms of work and part-time jobs. The funding of kids' corners is also a part of the project. The total labour costs of pre-school teachers, as well as the costs of the kids' corner equipment will be refunded. The overall funds allocation represents EUR 23 million from the second programming period.

With the aim to increase the employment of women, intentions to build child care facilities and services for children under 3 years of age in the particular regions were defined in the proposal of the Integrated Regional Operational Programme for 2014-2020.

4. The quality of education and the promotion of science and research

Specific recommendations of the Council: Take measures to increase the quality of teaching in order to raise educational outcomes. Reinforce the pro vision of work-based learning in companies in vocational education and training. Adapt accreditation, funding and governance measures to encourage the creation of profession-oriented bachelor-level programmes. Improve the quality and relevance of the science base and implement plans to foster effective knowledge transfer and cooperation between academia, research and business. Adopt systemic measures to improve access to high quality and inclusive pre-school and school education for marginalised communities, including Roma and take steps to increase their wider participation in vocational training and higher education.

Important measures in regional education were adopted and vocational education is being improved. The progress with the integration of marginalized groups in educational and high school measures is slower. The wages of teachers increased in 2014. The availability of textbooks has significantly increased. Projects supporting the integration of marginalized groups in the educational system are being implemented. Projects supporting technology transfer and the cooperation of companies with scientific and research institutions are also being implemented. From 2015 companies can also gain tax relief for expenditures used for research and development.

The quality of education and professional education

After an increase of wages in regional education in 2013 and 2014 the tariff wages of teachers were increased by 5% in 2015. The increase of wages should provide motivation for higher performance levels and attract higher-quality teachers. Tariff wages of non-pedagogic employees will also increase by 1.5% in January 2015 and by 1.0% in July. The estimated costs to increase the wages in regional education will reach EUR 69 million in 2015 (of which the budget allocation for employees funded from the state budget will amount to EUR 52 million and the anticipated expenditures of local governments EUR 17 million).

There has been progress in the supplying of the textbooks needed due to the curricular reform in 2008. Pupils and teachers in primary schools currently have 96% of the needed textbooks available (compared to 44% at the end of the 2013/2014 school year). However, due to administrative and financial issues, approval and supplies of textbooks represent a long-term problem. At the beginning of 2014 the education sector initiated cooperation in the area of open education.

A project to develop the key fields of study at universities from the perspective of application in practice is in progress. Within this project, schools are equipped with study materials, professional literature and software tools. Students of these fields can participate in practical training in Slovak and foreign companies. From the beginning of the implementation of the project 174 students completed long-term practical training in companies and 20 more students are currently in training; 2,763 students were included in short-term training.

Support of research and development and technology transfer

The Slovak Centre of Scientific and Technical Information started to create a system of national support for technology transfer. Its services are based on expert consulting and related infrastructures. Consulting is provided especially in the area of intellectual property protection (commercial potential estimates, preparation and submission of patent applications, financial contributions for administrative and administrative fees) and commercialization (searching for partners, accompanying at meetings, contract and license contract proposals). A great majority of scientific and research organizations have been included in the system.

A scheme of innovation vouchers through which the cooperation of the business sector and R&D facilities is subsidized was also further implemented. Forty-five projects have been executed. In 2014 a subsidy of EUR 235 thousand for projects amounting to more than EUR 330 thousand was provided.

Since January 2015, the implementation of tax relief for research and development expenditures has also contributed to a more intensive technology transfer. The measure allows for deducting from the income tax

base expenditures amounting to 25% of the expenditures spent on research and development, 25% of the year-on-year (YoY) R&D expenditures increase and 25% of the wage expenditures for newly recruited graduates employed in R&D. The greater activity of enterprises in this areas will strengthen the Slovak economy and will simultaneously create the environment needed for the absorption of new scientific and research knowledge in the commercial sphere.

Inclusive education

As a part of the marginalized community inclusion, measures to integrate children and pupils in pre-school and primary education, also by means of a project educating teachers how to work with marginalized groups in 200 schools, are in progress. More than 27,000 pupils have been successfully involved in the full day's schooling system. Public procurement for the purchase of textbooks in the Roma language is being prepared and textbooks for partially sighted and blind students are continuously being prepared.

A national project with the aim to prevent the unjustified insertion of children from socially disadvantaged groups into special primary schools is also in progress. Teams of experts will work with children before their admission to primary schools directly in the communities or environment where they live to provide them with equal support as those who frequent kindergartens. The project established 250 jobs for pedagogical assistants and another almost 400 jobs for experts – specialists.

More than 100 kindergartens have been involved in the project of inclusive pre-school education co-funded from EU structural funds. Within the project called "Support of the Marginalized Roma Communities Education Infrastructure" with a budget reaching EUR 46.8 million, kindergartens in 82 municipalities were enabled to extend their capacity or to improve the educational environment. The support of municipality projects is subjected to the inclusive education of children from marginalized communities. From 1 September 2014 over 890 new assistants for disabled pupils are operating in schools and disabled pupils can thus be educated together with other pupils or can afford an individual approach. Thus 1,640 teacher assistants in total will work in schools and the founders' requirements will be satisfied for the first time ever.

5. Functioning of the energy market

Specific recommendations of the Council: Step up efforts to make the energy market function better, in particular by increasing the public transparency of the regulatory framework and by exploring the determinants of the high electricity network charges, in particular for industrial consumers. Building on the progress made so far, further develop interconnections with neighbouring countries, including with Ukraine, in accordance with the Memorandum of Understanding signed in April.

The Regulatory Office for Network Industries (RONI) is currently preparing clarification of the content and materials and building a data centre on its web portal. Reverse flow with Ukraine was launched in September 2014.

After signing the Memorandum of Understanding in April a reverse gas flow to Ukraine was launched in September 2014. In the Vojany – Uzhorod point, the gas pipeline will transport around 14.6 billion cubic metres of gas per year. The gas transport to Ukraine through the Budince exit point reaches the level of 40 million m³ per day, which represent its maximum daily capacity.

In 2014 the work on the connection of gas transportation networks in the Slovak Republic and Hungary progressed significantly and the Slovak Republic fulfilled all preconditions to launch the connection into operation. Preparation of the connection of gas transportation networks execution in the Slovak Republic and Poland was also supported.

Chronologising and thematic arrangement of the particular data and materials published on the web portal of the Regulatory Office for network Industries is currently in progress. A data centre will be subsequently established on the Office's web pages where all currently published data will be published in an available format.

RONI does not agree with the outcomes of the assessment of CSR implementation of Slovakia emphasising a low regulation transparency and high network fees. According to RONI all analyses are available on its web portal and the fees published by Eurostat are not comparable across the particular countries due to a missing methodology.

6. Improving the functioning of public administration

Specific recommendations of the Council: Take measures, including by amending the Act on Civil Service, to increase the independence of the public service. Adopt a strategy to improve the management of human resources in public administration. Step up efforts to strengthen analytical capacity in key ministries with a view to adopting evidence-based policies, and improving the quality of policy impact assessment. Take steps to fight corruption and accelerate efforts to improve the efficiency and quality of the judicial system. Introduce measures to improve the business environment including for SMEs. Step up efforts to improve the efficiency of public procurement.

Implementation of the state administration ESO reform at the level of regional authorities and the overall state administration also continued. In the ESO context, the increasing of the internal operation efficiency of budgetary and contributory organizations brought savings amounting to EUR 94 million in 2014 compared to the no policy change scenario. The reform of civil service, which is currently in preparation, should become effective from 2016. A project to support education of the state administration analysts and a grant programme for students at foreign schools were initiated. Measures to increase the efficiency of the judiciary system have been adopted. A number of planned measures should improve the business environment.

State administration reform

In the context of improving the functioning of public administration, the Government is continuing the ESO programme. By its implementation, the provision of services ensured by the state to citizens should be simplified. The state administration should function sustainably, transparently and with efficiently spent funds.

By means of the reform a great portion of specialised local state administration has been merged into integrated regional offices. By the end of 2014, thirty-one client centres were established to ensure simpler and more comfortable contact with citizens. Support services (for example building management, accounting, budgeting, material and technical equipment, human resources, wages, IT services, procurement) were also separated. The collection of data on the activities of public authorities and the performance of employees is currently in progress by means of a calling system and a system of registrations. The data will enable optimization of their services and simplification of processes. The two systems will need to be interconnected in the upcoming period, which will enable the monitoring and analysing of the process of resolving the agenda from the first contact of a citizen with an authority until the completion of the file. Openings of client centres attached to regional authorities will continue.

The rationalisation of processes and increasing of the internal efficiency in all state organizations is an integral part of the ESO reform. During the reform, the Government strives to attain operational savings. Organisations are increasing internal efficiency and in addition to that, 23 subordinate organizations funded from the state budget were merged or abolished in 2014. In 2014 the estimated savings within the operation of organizations financed by the state budget reached approximately EUR 94 million in comparison to the no policy change scenario (NPC). The Box below details the savings attained during the past year. The state budget for 2015 approved by the National Council of the Slovak Republic (NC SR) anticipated further savings related to ESO amounting to about EUR 191 million compared to NPC.

Analytical divisions were established or strengthened at the key social and economic ministries. Their task is to carry out the analytical preparation of ministerial politics and their monitoring, evaluation and connection to the state budget on the basis of Governmental priorities. Such divisions are currently functioning at the Ministry of Finance (Institute for Financial Policy), the Ministry of Education, Science, Research and Sport (Educational Policy Institute), the Ministry of the Environment (Department for Economic Instruments and Analyses), the Ministry of Labour, Social Affairs and Family (Analytical Centre), the Ministry of Transport, Construction and Regional Development (Strategy Institute), the Ministry of Health (Institute for Health Policy) and the Ministry of the Interior.

Professional capacities are supported by educational activities and motivation for graduates of foreign schools to work in state administration. The project through ESF enables analysts to undergo professional courses at renowned foreign universities. Grant support is also provided for students in tertiary education at

the graduate level at renowned foreign schools who agree to work in state administration in Slovakia after graduating. In the first year, three supported scholarship holders undertook to work in state administration after graduation and to support MoI SR, MoLSAF SR and MoE SR.

From February 2015, the electronic market place for selected public procurement (PP) will be mandatory. The mandatory use will apply to PPs for sub-limit orders by all state institutions and local Governments when purchasing commonly available goods and services from EUR 1,000 to EUR 134,000 excluding VAT, as well as construction work from EUR 1,000 to EUR 5,186,000 excluding VAT. Pilot operation of the virtual market place has functioned since July 2014. The tool should bring about benefits in the form of decreasing the administrative burden, increasing transparency and reducing opportunities for corrupt behaviour.

Judiciary system

The accepted changes in the judiciary system are aimed at increasing the efficiency of the system, and to speed up and increase the enforceability of the law. Reform of the judiciary system will include the restriction of the immunity of judges and other changes, including separating the functions of the President of the Supreme Court of the Slovak Republic and the President of the Judicial Council of the Slovak republic. The parliament also approved the law on protection and possible remuneration for notifiers of corruption. A so-called Registry of Disqualified Persons serving to eliminate persons (companies) violating the laws in the areas of tax and social contributions, bankruptcy or commercial law was introduced.

Court proceedings will also be accelerated through computerization of the judiciary system. From March, the mandatory recording of civil and criminal hearings at courts must be carried out. To ensure the digitisation of the judiciary system the scanning of documents submitted to courts in a paper form within the particular judiciary proceeding is required. Testing of the information systems to implement electronic case files and the Electronic Legal Code is in progress. A comprehensive amendment of the Asset Recovery Code was also carried out.

Business environment

As regards the evaluation of the business environment, Doing Business 2015, Slovakia reached 37th place out of the total number of 189 evaluated countries and within the V4 countries it ranks second after Poland. The time needed for establishing a company shortened thanks to the electronisation of registration with the court, the duty of notarial verification was cancelled, which decreased the fees required to register a company (initiation of a business), and a new personal data protection law was adopted (the area of acquiring credits). As concerns the payment of taxes, Slovakia's position deteriorated by 9 places due to the changed rates, while the administrative burden did not grow with the tax payment. However, positive changes in the form of decreasing the corporate income tax and the number of steps for VAT payment thanks to electronisation should be reflected in the updated indicator Doing Business 2016.

In December 2014 a new Central Electronic Folder as a single place for the foreign trade agenda was launched into operation. The portal enables all parties engaged in international trade and transportation to submit and settle standardized information and documents through a single access point and thus simplifies more than 380 processes related to the import, export and transit of goods.

In March 2015 the parliament approved an amendment of the Investment Aid Act designed to harmonize the Slovak legislative framework for the provision of investment aid with new EC Regulation (EU) No. 651/2014 and the Guidelines on Regional State Aid for 2014–2020. Thus the state aid for beginning entrepreneurs should be administratively more accessible and less burdensome. The amendment allows for the initiation of work as early as upon submission of the investment project; it shortens the deadlines for the assessment of investment aid and approval and introduces the duty to publish MoE SR decisions on the provision of investment assistance.

In January 2015 the Government approved the updating of the Unified methodology for impact assessment serving as a manual for assessing and measuring the impact on the business environment during the preparation and creation of legal regulations and strategic documents. The changes include the introduction of mandatory consultations with the business environment as regards selected materials, the reintroduction

of a preliminary review procedure for some legislative materials, as well as including the final assessment of the selected effects within inter-ministerial review procedures. The testing of small and medium-sized enterprises (the so-called SME Test) will also be a part of impact assessment. The quality of the process and content of the effect analysis will be supervised by the specially created commission of the Legislative Council of the Slovak Government.

Progress was achieved with eGovernment. The use of the internet to communicate with public administration authorities increased to 57% in 2014 and exceeded the EU average. 327 electronic services have been implemented so far within the Operational Programme Informatisation of Society. The Electronic Identification Card (eID) project was also implemented to speed up administrative operations and improve service availability. Almost 735 thousand eID cards have been issued since December 2013. More services for citizens and entrepreneurs are available through the information portal www.slovensko.sk.

Box 1: Savings related to the ESO reform in the area of operation of organizations funded from the state budget

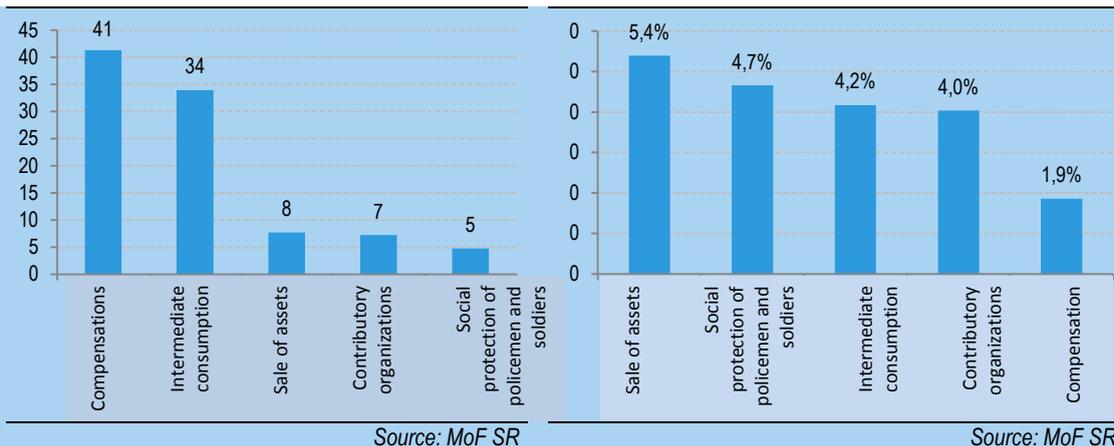
Within the ESO reform, the Government strives to attain operational savings (especially personal expenditures and purchasing of goods and services) in the state budget chapters and their subordinate organizations. Domestic and foreign funds (mainly from the EU) and some expenditures where savings are not appropriate or are even impossible represent an exception. Thus expenditures of the Slovak Information Service and National Security Authority, payments for the availability of PPP motorways, special goods for the Ministry of Defence of the Slovak Republic or election expenses are excluded. To this effect, transformation of the state budgetary organizations and contributory organizations with the aim of decreasing their number is in progress. In 2014, twenty three subordinate organizations of the state budget were merged or cancelled. The average savings in transformed organizations represents approximately 20% of costs.

In 2014 we estimate savings related to rationalisation of public administration in comparison to the NPC scenario of EUR 94 million of which EUR 75 million was reached in compensations and intermediate consumption of the budgetary organizations, EUR 8 million by means of selling the excessive state assets, EUR 7 million on compensations and intermediate consumption of the contributory organizations and EUR 5 million through changes in the social protection of soldiers and policemen.

- The greatest portion of savings was reached through employee compensations decreasing by EUR 41 million compared to NPC. Quantifiable savings are adjusted by the governmental measure to increase wages in education, civil and public service, which increased expenditures of the budgetary organizations by approximately EUR 41 million and by the measure to strengthen the human resource capacities of labour offices with the aim of coordinating activation work of the job seekers (EUR 6 million).
- By means of decreasing overhead and operating costs, EUR 34 million will be saved as regards intermediate consumption (mainly goods and services). Savings will also be reached through budget resources for the contributory organizations (EUR 7 million compared to NPC).
- Changes in the social protection of soldiers and policemen are increasing the mandatory contribution of these groups of employees. The changes have been effective since 2013, when the employees' contribution increased by approximately EUR 9 million. Thanks to this measure, the requirements regarding additional payments into the social security and retirement protection funds from the state budget were reduced by approximately EUR 5 million in 2014.
- Expressed as a percentage, revenues from the sale of assets are growing in the greatest amount (5.4%). Transfers to special accounts of social protection and for contributory organizations will decrease by approximately 4.7% or 4% compared to NPC. The package for intermediate consumption will be reduced by 4.2% and for compensations by 1.9%.

Figure A: Savings according to the ESA category (mill. EUR in 2014)

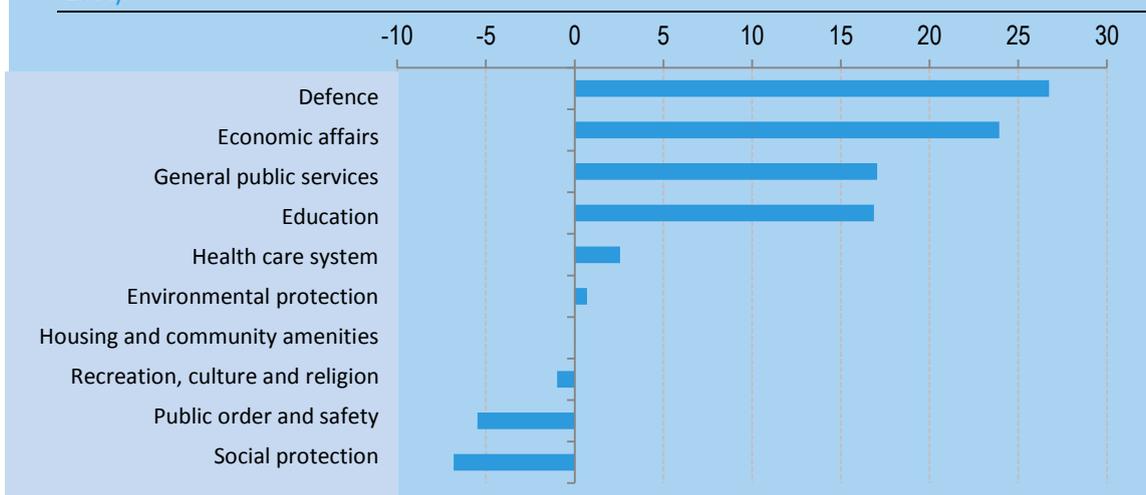
Figure B: Relative savings compared to NPC (2014)



Savings on compensations and intermediate consumption in the state budget chapters and their subordinate budgetary organizations will reach approximately EUR 75 million. Changes in the level of these expenditures are analytically divided according to their function:

- The greatest decrease (by EUR 27 million compared to NPC) has been recorded in the area of defence. The total expenditures for defence however grew on the year-on-year basis, mainly due to the modernisation programme.
- Thanks to the internal reorganisations and the increasing efficiency, operating costs are also decreasing mainly in the economic area (EUR 24 million), administration (EUR 17 million) and less significantly also in other areas (EUR 4 million altogether).
- In education, the ESO reform will save EUR 17 million compared to NPC; however the increase of teacher compensations in budgetary and contributory organizations by EUR 15 million represents an independent measure.⁷
- To the contrary, within the measured base expenditures for social protection and less significantly also expenditures for public order and security, recreation, culture and religion are growing slowly.

Figure C: Savings in budgetary organizations according to the functional classification (mill. EUR in 2014)



Source: MoF SR

⁷ Personal expenditures and expenditures for goods and services for regional education in budgetary and contributory organizations grew on the year-on-year basis by EUR 9 million (6%).

3 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 to ensuring the sound development of the Slovak economy.

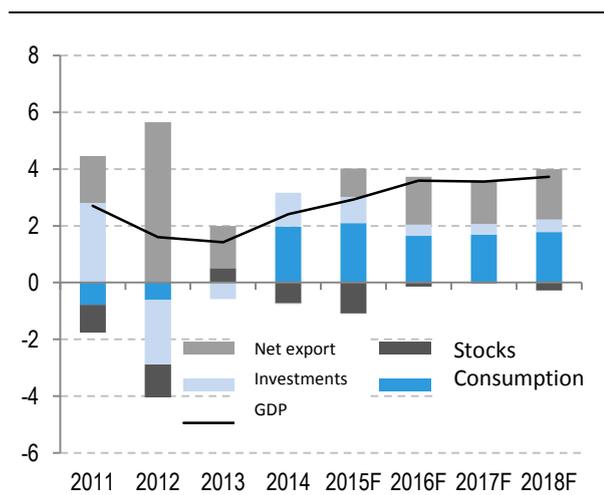
The year 2014 in a climate of domestic consumption recovery

The growth of the Slovak economy in 2014 accelerated to 2.4%, which was mainly supported by domestic demand recovery. Improvement of the labour market situation together with declining prices led to an increase in real revenues, thus supporting household consumption. Investments regained their increasing trend, which was supported by both the private and public sector. Government expenditures also contributed positively to GDP growth. Growth of domestic demand pulled import growth, which increased more speedily than export, and thus, for the first time in five years, foreign trade contributed slightly negatively to GDP development.

The labour market developed very favourably in 2014. The number of employees increased by almost 31,000 (according to the ESA methodology), which was reflected in the significant decrease of the unemployment level (according to the LFS methodology) to 13.2%. This positive development was mainly supported by new jobs generated in the domestic economy, especially in market services, industry and the public sector. Nominal wage growth accelerated to 4.1%, representing the fastest growth since the crisis erupted. Thanks to the stagnant inflation, such development was fully shown in the real wage increase. Thus wages significantly overtook the real growth of labour productivity and they partly closed the gap in their development in the previous years.

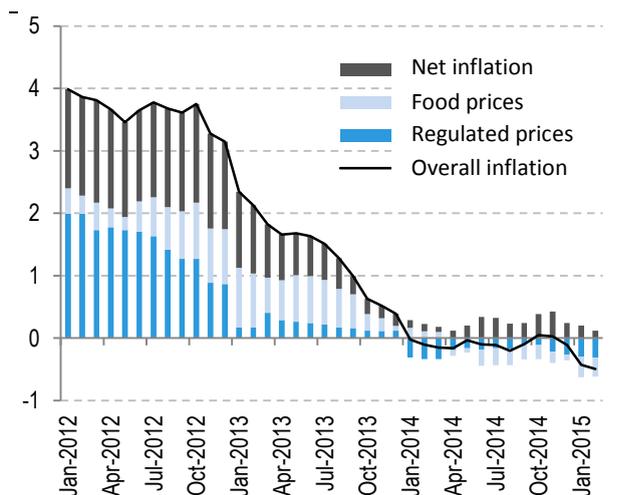
The price level decreased in 2014. Inflation in Slovakia dropped to -0.1% (HICP) in accordance with the development in the euro area. The decline was caused by domestic and foreign factors. As concerns foreign factors, the decline in inflation was mainly supported by a decrease in the price of oil, energetic commodities and agricultural products on the world markets together with the disinflation trend coming from the euro area. The transmission of domestic demand factors in the price level was paralysed in 2014. The great labour market results did not transmit in an increase of prices for services and merchandised goods. Therefore the net inflation development copied the overall inflation dynamics defined according to HICP.

Figure 7: Contributions to GDP growth, 2011–2018



Source: SO SR, IFP

Figure 8: Inflation development



Source: Eurostat

Gradual recovery of the Slovak economy in the following years⁸

This year the Slovak economy will further accelerate. The decline in oil prices, which will be transmitted to company profits by means of lower costs and will increase the real revenues of households, will positively influence growth. Even in the current year, domestic demand will significantly contribute to growth. The

⁸ The latest official MoF SR forecast of January 2015 used in the budget framework draft for 2016–2018.

growth of household demand will be reflected in the improved situation on the labour market, growing consumer confidence and a slightly decreasing savings rate. Mainly the private sector will be responsible for the growth of investments. Along with the recovery in foreign demand, the export of goods and services should start growing again, mainly in the second half of the year. In the upcoming years, GDP growth should accelerate even more, to the amount of 3.7% in 2018.

The labour market will continue with its positive development of last year. The economic growth will lead to a robust increase in the employment rate and approximately 14,000 new jobs will be created. Thanks to such developments, the unemployment rate will decrease to under 13%. Real wages will still grow, although more slowly than last year. Their growth is also based on stagnant inflation, which will be only partly transmitted in wage negotiations. The wage growth will be also supported by a faster increase of labour productivity.

Consumer prices will not grow this year. This will be mainly caused by the oil price collapse and deflation coming from the euro area. Decline of the regulated prices for gas, electricity and heat and the decrease of fuel prices in January will also contribute to this development. Domestic demand pressures and the accommodative monetary policy of the ECB will bring about a slight acceleration of price growth only in the second part of the year. In the upcoming years, the inflation rate will also be lower than corresponding to the high GDP growth and it will come close to standard levels as late as in 2018.

4 Planned measures in structural topics

This chapter describes the measures which the Slovak Government undertakes to implement in the upcoming years. The measures concern the area of economics and social agenda, as well as public administration. The following table includes the most important planned measures, which respond to individual country specific recommendations of the Council (CSR).

The most important planned measures of NRP in the structure according to CSR

CSR	Task name	Deadline	Sponsor
1	Diagnosis-related groups (DRG) payments	1.1.2017	MoH SR
1	e-Health implementation	1.1.2017	MoH SR
1	Efficient economy of hospitals	31.12.2015	MoH SR
1	Construction of a new hospital		MoH SR
1	Integration of healthcare provision	31.12.2016	MoH SR
2	UNITAS I (tax and customs administration reform aiming at the unification of the customs and insurance contributions collection)	1.1.2017	MoH SR
2	Analytic capacities of Financial Administration	31.12.2015	MoH SR
3	New or innovated ALMP programmes	31.12.2015	MoLSAF SR
3	Public employment services reform	31.12.2015	MoLSAF SR
3	Extension of kindergarten capacities and development of child care services for children under 3 years of age	31.12.2015	MoLSAF SR, MoESRS SR, MoARD SR
3	Evaluation of the ALMP net efficiency	31.12.2015	MoLSAF SR
4	Reform in R&D funding	30.6.2015	MoESRS SR
4	Smart Specialization Strategy SR (RIS3) Action Plan	30.6.2015	MoESRS SR
4	Transformation of the Slovak Academy of Sciences (SAS)	31.12.2015	MoESRS SR
4	Dual education	30.9.2015	MoESRS SR
4	Integration of marginalised Roma communities	31.12.2015	MoLSAF SR, COLSAF
5	Publishing of an analysis of all major changes in the regulatory period policies	30.9.2015	MoE SR
5	Building a data centre on the RONI web page	30.9.2015	MoE SR
6	Effective, reliable and open public administration – ESO programme – further phases	31.12.2015	MoE SR
6	eGovernment	31.12.2015	MoJ SR, MoF SR, MoTCRD SR
	More effective public passenger transport	31.12.2017	MoTCRD SR
	Construction of motorways and expressways, modernization of A-class roads and railway corridors	31.12.2015	MoTCRD SR

4.1 Fiscal policy and public finance

The estimated public deficit in 2015 amounts to 2.55% of GDP and in 2016 the Government plans to further decrease the deficit to 1.93% of GDP. Budgetary targets retain the assumption of reaching a structurally balanced budget in 2017. After the first post-crisis fall last year, public debt should decline from 53.6 % of GDP in 2014 to 50 % of GDP in 2018. A number of financial administration measures will contribute to the further increasing of tax control efficiency and to the decreasing of administrative requirements. In 2015, the implementation of the electronic exercise of tax audits will be launched and the services provided by financial administration will be extended.

Outcome indicators for fiscal policy and public finance

		2007	2008	2009	2010	2011	2012	2013	2014	Target 2020
Long-term sustainability indicator (GAP) (% of GDP)	SK	-	-	9.5	9.2	7	4	3	-	0
	EU	-	-	-	-	-	-	-	-	-
VAT collection effectiveness (%)	SK	61.8	62.8	55.7	54.5	54.7	51.1	55.7	-	72
	EU	-	-	-	66.0	66.5	66.2	-	-	-

The main objective of fiscal policy strategy is to ensure efficient and sustainable public finance which supports sustainable economic development and a higher quality of life in the context of an ageing population, and with due account of contingent liabilities. This objective is also enshrined in the constitutional Fiscal Responsibility Act.

Slovakia was one of the EU countries with the highest gap in VAT collection effectiveness. According to the estimates of MoF SR and CASE⁹ the VAT gap decreased from 40% of the potential collection in 2012 to approximately 37.2% in 2013 and approximately 31% in 2014. A large portion of the VAT gap is concentrated in several economic sectors, i.e. wholesale and retail together with transport and storage, construction, professional, scientific and technical activities, and agriculture.

Current development and budgetary targets for 2016–2018

Public deficit is estimated to reach 2.55% of GDP in 2015. Compared to the approved budget the expected deficit is higher by 0.1 p.p. Budget is expected to be positively affected by higher tax and contribution revenues and the increase in resources of the State Fund for Housing Development. The main negative risk also present in 2015 is the correction of EU funds and to a lesser extent budgetary outcome of the Social Insurance Company.

Consolidation effort (ESA2010, % of GDP)¹⁰

	2013	2014	2015	2016	2017	2018
1. General government balance	-2.6	-2.9	-2.6	-1.9	-0.9	-0.5
2. Cyclical component	-1.1	-1.1	-1.0	-0.7	-0.4	0.0
3. One-off effects	0.0	0.3	0.1	0.0	0.0	0.0
4. Structural balance (1-2-3)	-1.5	-2.1	-1.6	-1.2	-0.5	-0.5
5. Consolidation effort according to EC	2.0	-0.6	0.4	0.4	0.7	0.0
6. Investment exemption	-	0.4	-	-	-	-
7. Consolidation effort adjusted by the investment clause (5+6)	2.0	-0.2	0.4	0.4	0.7	0.0

Source: MoF SR

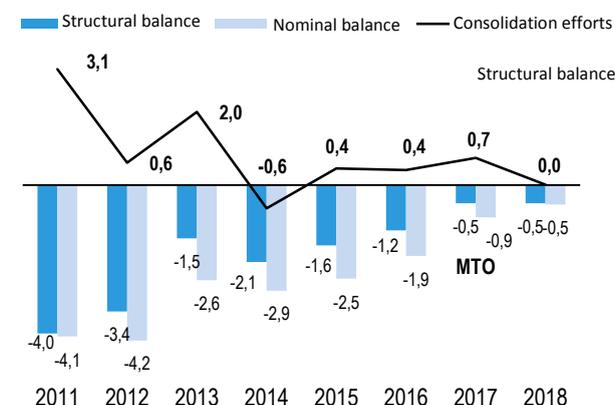
⁹ 2012 Update Report to the Study to quantify and analyse the VAT Gap in the EU-27 Member States"; http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat_gap2012.pdf

¹⁰ Structural and cyclical indicators are estimated according to the EC Methodology focused on international comparability. The results for 2014 in the national methodology, which more accurately reflects the Slovak economic conditions, will be published by the Ministry of Finance in compliance with European and national legislation by the end of June 2015.

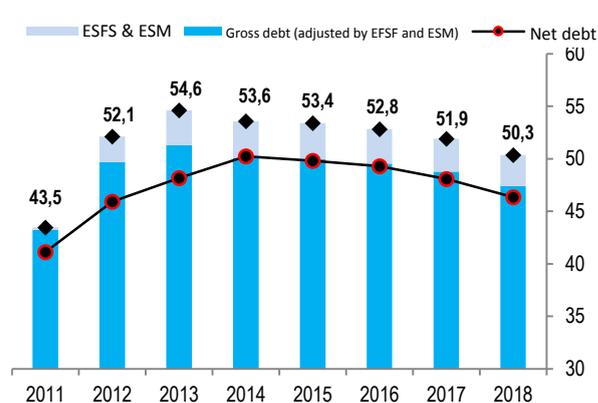
A further reduction in the public deficit is expected also in the next years. The draft General Government Budget Framework for 2016 to 2018 assumes a gradual reduction in the deficit to 1.93 % GDP in 2016, 0.88 % GDP in 2017 and 0.53 % GDP in 2018. Compared to the budget for 2015–2017 the targeted deficits in 2016 and 2017 were loosened and will increase by approximately 0.5 p.p. The loosening of the targets is mainly based on the estimate of a more significant cooling of the Slovak economy than was originally anticipated.

The budgetary objectives and notified public deficit are in line with European fiscal rules. After one of the historically most significant decreases of the structural deficit in 2013 amounting to 2 % of GDP, fiscal expansion reached 0.6% of GDP in 2014. Slovakia is one of the few countries that can use the so-called investment clause. The required consolidation effort is thus corrected by level of adjusted public investment. In practice it means that the temporary fiscal expansion in did not represent a breach of the preventive arm of the Pact. The subsequent consolidation shall continue in 2015 until reaching MTO in 2017. The expected result in 2015 and the budgetary objectives correspond to structural consolidation amounting to 0.4% of GDP in 2015 and 2016 and to 0.7% of GDP in 2017. In 2018 the fiscal policy should already be neutral and should contribute to the subsequent maintenance of MTO.

Planned consolidation effort of state (% of GDP)



Public administration gross debt (% of GDP)



Source: SO SR, MoF SR

Assuming no-policy change scenario, the required consolidation effort amounts to reach budgetary targets amounts to 0.6 % GDP in 2017 and 0.9 % GDP in 2018. In 2016 compared to the no-policy change scenario, fiscal space amounts to 0.4 % GDP. This space is used mainly to finance public investment at local government level, which are no longer limited by the debt brake, and a marginal increase in intermediate consumption. The draft General Government Budget Framework does not specify measures amounting to 0.5 % GDP required to reach budgetary targets in 2017 and 2018.

Fiscal effort required to reach budgetary targets compared to NPC (ESA2010, % GDP)

	2016	2017	2018
1. Nominal balance – fiscal targets	-1.9	-0.9	-0.5
2. Nominal balance – draft Budgetary framework GG	-1.9	-1.4	-1.0
3. Nominal balance - NPC	-1.6	-1.5	-1.4
4. Total required fiscal effort (1-3)	-0.4	0.6	0.9
- difference b/w NPC and draft Budgetary Framework (2-3)	-0.4	0.1	0.4
- difference b/w draft Budgetary Framework and fiscal targets (1-2)	0.0	0.5	0.5

Source: MFSR

Planned fiscal consolidation should not impinge on economic growth. In 2016, the used fiscal space should contribute to economy growth by 0.2 p.p.. Subsequent fiscal consolidation based on budgetary targets should

reduce GDP growth in 2017 by 0.5 p.p. and by 0.1 p.p. in 2018. The fiscal multipliers amounts to 0.57 in 2016 and 0.46 in 2017. In 2018 the fiscal multiplier reaches 0.39.

Assuming the budgetary targets are reached, gross public debt should in the medium term horizon remain safely below 55 % of GDP. In 2015 the forecasted public debt is 53.4 % GDP. In the subsequent years, public debt should fall by 1 p.p. annually. In 2018, public debt should decline to 50 %.

Effective collection of taxes

In 2015–2018 the analytic capacities of the Financial Administration will be completed. This project will be implemented within the Operational Programme Effective Public Administration and the OPs of the third programming period. Work within the 2nd stage of the Financial Office Portal project has been initiated with the expected result of launching two-way electronic communication in January 2016. In 2015–2017 electronic execution of the tax audit will also be launched. In addition to that, a specialization of court and prosecution services will be implemented in the area of criminal tax offenses.

MoF SR has prepared a new property taxation proposal based on the estimated market value. Based on the data obtained about the prices of advertised residential properties a model was proposed which, after considering input characteristics, enables the estimation of the market value of property. The first steps in the implementation of the new system will be considered by the Government after 2015.

Uniform collection of taxes, customs and contributions

The uniform collection of taxes and contributions (UNITAS) is another step toward improving collection and decreasing the administrative requirements and burden. As regards the unification of social insurance contributions (UNITASII), current legislation for the annual clearing of social insurance will be adopted by the end of 2017, and in the course of 2018, the monthly collection of advances for social security contributions will be initiated. An annual clearing of social insurance will be carried out for the first time in 2019 for 2018.

Within the 1st stage of the UNITAS programme, activities on the technological, organizational and process level were initiated in 2008 (UNITAS I) and organizational changes were completed at the beginning of 2012 with FA establishment. Since January 2014 the Financial Office Portal was launched and in December 2014 the Central Electronic Folder was put into operation.

4.2 Education, science, and innovation

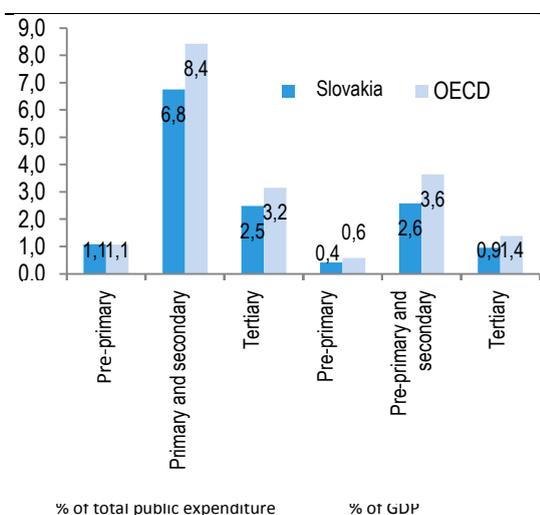
Changes in the area of education will be mainly focused on interconnecting vocational education with work experience, extending capacities of kindergartens and support for the integration of marginalized communities. Measures to support science, research and innovation should stabilise the volume of public expenditures and enhance the efficient use of these funds. An increase in private research and development investments should considerably contribute to meeting the Europe 2020 strategy target in total domestic R&D expenditure.

Outcome indicators for education, science and innovation

		2006	2007	2008	2009	2010	2011	2012	2013	2014	Target 2020
PISA (arithmetic average of the scores)	SK	482	-	-	488	-	-	472	-	-	505
	OECD	496	-	-	497	-	-	497	-	-	-
School drop-out rate (% of population aged 18 - 24)	SK	6.6	6.5	6	4.9	4.7	5.1	5.3	6.4	-	6
	EU	15.3	14.9	14.7	14.2	13.9	13.4	12.7	11.9	-	10
Citations (%, 100 = EU average)	SK	40	38	40	35	34	36	47	45	-	70
	EU	-	-	-	-	-	-	-	-	-	-
Tertiary education attainment (% of population aged 30 - 34)	SK	14.4	14.8	15.8	17.6	22.1	23.2	23.7	26.2	-	40
	EU	29	30.1	31.2	32.3	33.6	34.7	35.9	36.9	-	40
Expenditure on R&D (% of GDP)	SK	0.48	0.45	0.46	0.47	0.62	0.67	0.81	0.83	-	1.2
	EU	1.81	1.81	1.9	1.99	2	2.04	2.09	2.12	-	3
High-tech export (% of total export)	SK	5.8	5	5.2	5.9	6.6	6.6	8.2	9.5	-	14
	EU	0	16.1	15.4	17.1	16.1	15.4	15.7	15.3	-	-

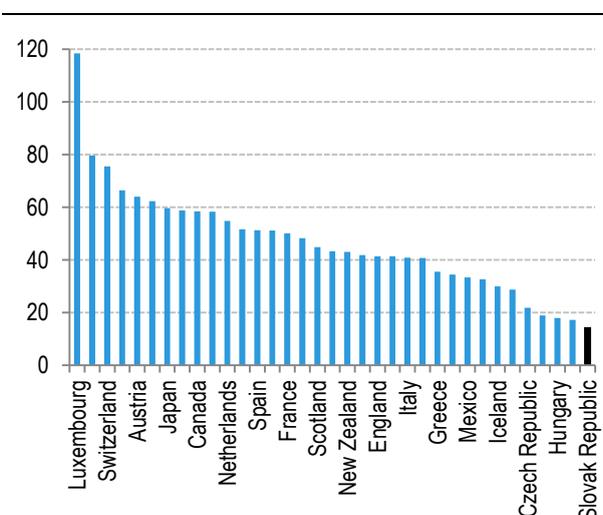
Expenditures for education and research are below average in comparison with other developed countries. In recent years R&D funding experienced a relatively fast increase in comparison with other neighbouring countries but still reaches less than half the EU average in terms of the share of GDP. Allocation is also lower at all educational levels with the greatest difference in primary and secondary education. Teacher wages in primary education were the lowest in OECD in 2012 but to a certain extent the difference should be bridged by their increase in the last years as well as in 2015. The current funding system did not improve the results of primary and secondary schools.

Figure 9: International comparison of educational expenditures, 2011, % of GDP



Source: OECD (Education at Glance, 2014)

Figure 10: Annual wages of primary school teachers, 2012 (USD PPP, the highest class)

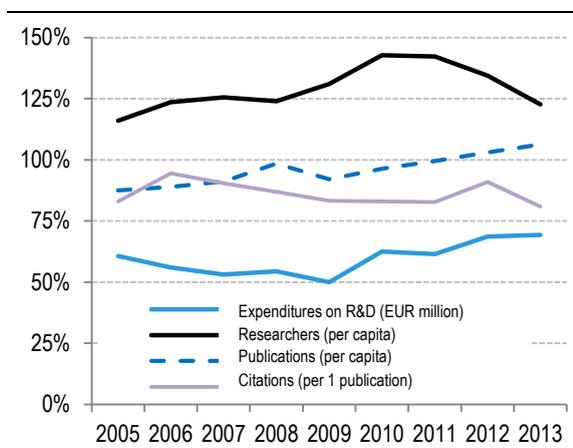


Source: OECD

Due to its weak results, education has become a priority area for Slovakia. The sudden slump and long-term lagging behind of the results of 15 year old pupils in PISA testing confirmed an insufficient quality of primary education. The low number of scientific citations highlights the underdevelopment of higher education and science. The education system cannot respond to the needs of the labour market flexibly enough, which turns out to be one of the causes of high structural unemployment.

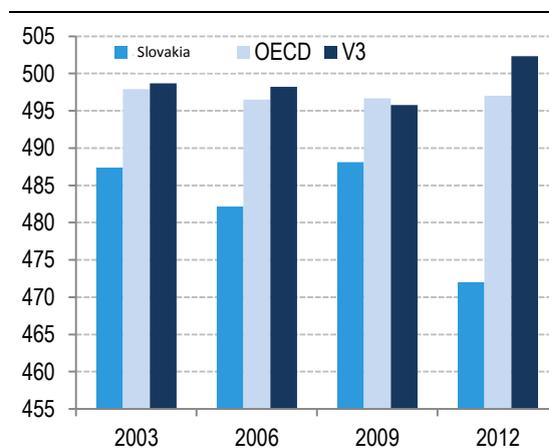
Increasing expenditures in research have not been reflected in the results so far. Although expenditures were increasing very fast in recent years in comparison with the average growth in neighbouring countries, they are still substandard. The increasing expenditures were reflected in the numbers of researchers and publications. As regards both indicators, Slovakia exceeded the average of V3 in 2013. The mismatch between above-standard outcomes and substandard expenditures negatively affected the quality. The quality measured by the number of citations per publication is continually decreasing. High-tech exports as an indicator of innovation performance have sped up the convergence towards the EU average since 2011.

Figure 11: Inputs and outputs of R&D as a percentage of V3 average



Source: Eurostat, Scimago

Figure 12: PISA testing results (average points)



Source: OECD

4.2.1 The regional education system

Pre-primary education

In 2015 kindergarten capacities will be extended. The Government has allocated EUR 10 million for this purpose. Pre-primary education in kindergartens mainly helps remove the differences in test results by the future pupils. Special attention will be given to capacities in kindergartens in the localities with a greater number of children from marginalized Roma communities. The number of refused applications for admission to kindergartens has grown in recent years due to the increasing number of pre-school age children, as well as due to insufficient capacities mainly in larger cities. The Government will also strive to further extend the capacities by using the EU fund in the future.

In the new programming period of 2014–2020, projects in the area of inclusion will follow up on the currently functioning all-day educational system, teacher education on how to work with children from marginalized Roma communities, the work of assistant teachers and awareness-raising activities in Roma communities. These measures will also contribute to an increase in the number of educated children from marginalized Roma communities in kindergartens.

Well prepared and motivated teachers

Similarly as in 2013 and 2014, teacher wages in regional education will also grow in 2015 by 5%. In 2015 their average wage should reach 115% of the average wage in the national economy, while in 2012 it was only 105%. The Slovak Government also strives to maintain a faster increase of teacher wages in the coming years.

In addition to the wage growth, a greater amount of practical pedagogical training during studies and changes in the credit system should also contribute to the improved quality of teachers. The rules for lifelong learning and the system of wages will be adjusted so that the system does not promote the gaining of credits regardless of their quality and usefulness (new professional competences).

A proposal to decrease the scope of administrative burden for teachers and leading workers in primary and secondary schools will be implemented. Excessive bureaucracy encumbers teachers and limits their capacity to fully dedicate their efforts to the educational process.

Educational content and textbooks

From September 2015, new innovative state educational programmes for kindergartens, primary and grammar schools will be applied. Primary schools will enhance the teaching of natural scientific lessons and will emphasise the technical education of pupils and in case of interest, they will be obliged to provide a second foreign language as a part of optional subjects. A new continual framework curriculum for the entire eight-year study will be implemented.

The school demand for textbooks will be further satisfied, even by means of a gradual opening of the textbook market. In the school year 2014/2015, schools have 15 percent more ordered textbooks available than in the previous year. Primary and secondary schools can draw funds to buy textbooks for foreign languages according to their discretion, by which their selection and availability should improve. Depending on the available funds, the Ministry of Education will furthermore also consider the option of providing schools with greater freedom in textbook selection in the upcoming period. The approved Action Plan Open Governance Initiative for 2015 will improve the availability of the educational content and access to R&D results.

Connecting education system and labour market

Part of the new Act on Vocational Education and Training, which became effective in September, is the implementation of dual education elements where preparation for the future job will be conducted in compliance with the employers' needs. The provision of practical training directly at workplaces will increase the quality of educational outcomes and the preparedness of pupils for entering the labour market. The anticipated fiscal effect is 1.8 million in 2015 and 5.6 million in 2016.

The connection of vocational education with labour market needs will also be supported by the new funding system for secondary vocational schools effective from September 2015. Based on the analysis of labour market needs and how the graduates perform on the labour market, the fields of study with a lack of graduates will be preferentially financed and the fields of study with an excessive number of graduates will be suppressed. The normative for a pupil studying in a field of study with an insufficient number of graduates for the labour market will amount to 110% of the original normative of a school in the same category.

4.2.2 Tertiary schools

The publishing of reliable information on how graduates perform on the labour market or on the services provided to students by tertiary schools will continue. Data at the level of the fields of study can make the applicant's selection of the school more effective.

In the second half of 2015, complex accreditation of most of the tertiary schools in compliance to new, stricter rules will take place. Research activities will significantly influence the new evaluation. The quality of evaluation of public tertiary school research activities is also taken into account in the system of their funding. The intention is to further simplify the accreditation process and to reinforce the competence and staff of the Accreditation Commission, which should be an independent institution.

4.2.3 Science and research

Science and research

Adoption of the Research and Innovation Strategy for Intelligent Specialization of SR (RIS3) was an important step in the area of coordination of the R&D agenda. The implementation schedule for the first measures will be contained in the implementation of the Action Plan of the Research and Innovation Strategy for Intelligent Specialization of SR (RIS3) for 2015–2016. The measures will be focused on the stabilisation of public funds and support to private R&D funding. The existing network of government funding institutions will be reduced. Financing will be focused on increasing the quality of research, promoting the infrastructure built from EU funds in the second programming period and connecting universities, science academies, research institutions and partners from the area of industry. Special emphasis will be placed on increasing the involvement of the business sphere and focusing on the results that can be commercialised.

In 2016, Slovak Academy of Sciences organizations will be transformed into a new form of independent legal entities – public research institutions. This will eliminate the barriers preventing more intensive cooperation with the private sector in R&D and enable the use of private resources to finance their R&D activities.

One of the priorities in this area in 2015 will also be to intensify the support of the involvement of Slovak organizations in the European networks and programmes such as Horizon 2020, Danube Strategy, ECSEL, EIT, and ESFRI. One of the measures to support the involvement of Slovak organizations in R&D was the professionalization of the national support structures of Horizon 2020. In January 2014, the Office of National Contact Points was established with the aim to notify and actively search for opportunities to involve Slovak participants in Horizon 2020.

Innovation

According to an international comparison of the Innovation Union Scoreboard, the innovation performance of SR is an area where improvement is necessary, particularly as regards the use of venture capital.

With the aim to increase the share of private resources in R&D, the Government will promote building industrial research, development and innovation capacities in companies. Given the large interest in the past, the scheme of innovation vouchers through which cooperation of the business sector and R&D facilities is subsidized will continue. Through this scheme, the state will support not only business entities with the potential to increase their competitiveness by means of innovation of their own products, services or technologies but also the domestic R&D base.

A scheme to support industrial cluster organizations has been implemented. Clusters and other forms of networking at the local, regional, national and macroeconomic level will increase the competitiveness of the cluster organization members by means of making their cooperation more effective and enhancing industrial clusters on the international scale.

4.3 Employment and social inclusion

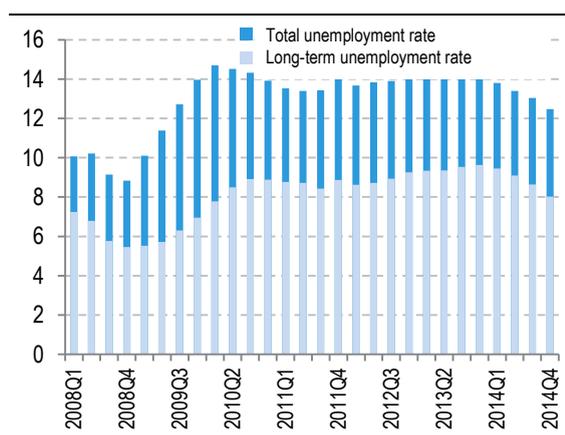
Measures in the area of employment and social inclusion are mainly focused in getting on with the employment service reform and child care support in the labour market context. Implementation of ALMP tools within the guarantee initiative for young people under 29 years and to support long-term unemployed is in progress. The net efficiency of ALMP tools is going to be evaluated. The COLSAF analytical capacity will also be enhanced. Projects focused on the support of community centres and field social work in the municipalities with the Roma population will also continue.

Outcome indicators for employment and social inclusion

		2006	2007	2008	2009	2010	2011	2012	2013	2014*	Target 2020
Long term unemployment rate (% of active population aged at least 15)	SK	10.3	8.3	6.7	6.5	9.3	9.3	9.4	10.0	9.3	3.0
	EU	3.7	3.1	2.6	3.0	3.9	4.2	4.7	5.2	5.1	-
Employment rate (% of population aged 20 - 64)	SK	66.0	67.2	68.8	66.4	64.6	65.0	65.1	65.0	65.9	72.0
	EU	68.9	69.8	70.3	68.9	68.6	68.6	68.4	68.4	69.2	75.0
Population at risk of poverty and social exclusion (% of population)	SK	26.7	21.3	20.6	19.6	20.6	20.6	20.5	19.8	-	17.2
	EU	25.3	24.4	23.7	23.2	23.7	24.3	24.7	24.5	-	19.4

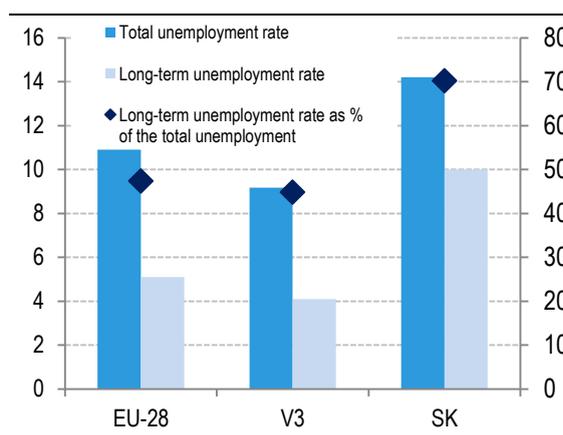
In spite of the labour market improvement, it is still one of the main challenges of the Slovak economy. Since the 2nd half of 2013, the total unemployment rate has decreased for the fifth quarter in a row. In comparison with the other EU countries, Slovakia has a relatively low unemployment rate and a high rate of long-term unemployment. It belongs among the highest in the EU, while the long-term unemployed represent up to 70% of the total number of unemployed – the highest number from among the EU countries. As regards the relative unemployment rate of the particular groups at the labour market, the greatest challenges on the labour market are represented by the employment of long-term unemployed, people with a low level of education, the Roma population and women.

Figure 13: Quarterly development of the unemp. rate according to the LFS (SA data, %)



Source: SOSR (LFS)

Figure 14: Long-term unemployment (% , 2013)



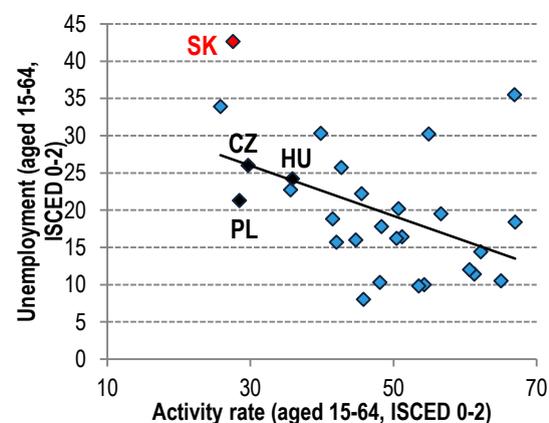
Source: Eurostat

Special attention must be given to the mismatch between labour market needs and the educational structure as regards the low-skilled workforce and integration of the relatively inactive marginalized Roma communities. The activity rate and unemployment rate of the low-skilled workforce are one of the lowest or highest ones respectively from among EU countries. Mainly the Roma population with insufficient qualification shows low labour market participation. According to the estimates of MoF SR the share of active Roma only amounts to 40% of their total population. According to the survey of UNDP¹¹ the activity rate of

¹¹ UNDP (2012): The Report of the Living Conditions of Roma Households in Slovakia in 2010. UNDP, Bratislava

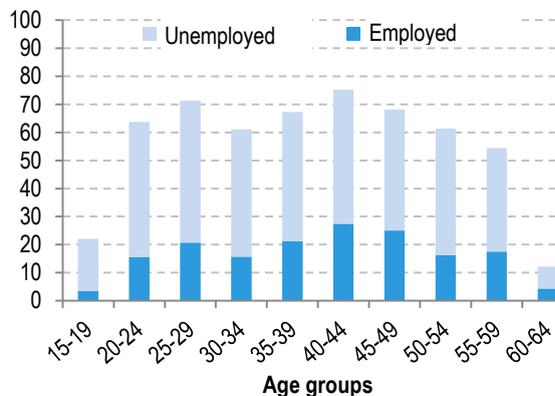
the Roma in the population over age 15 amounted to 55.8 % in 2010. Moreover, the unemployed also dominate the active Roma population.

Figure 15: Low-skilled workforce in the labour market (in %, 2013)



Source: Eurostat

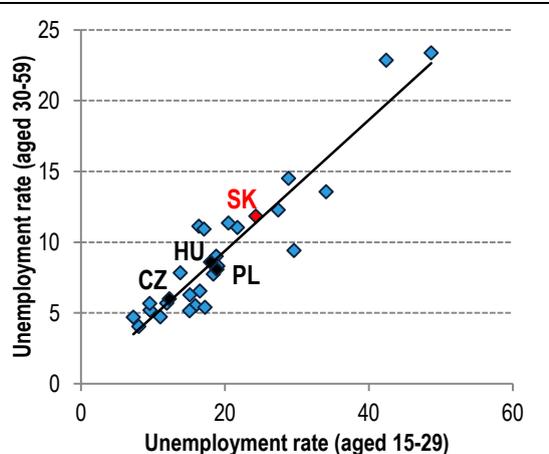
Figure 16: Economic activity of the Roma (in %, 2013)



Source: LFS, IFP

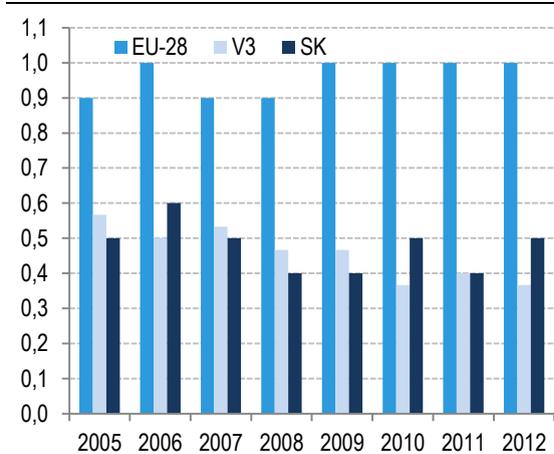
The problem of young people in the Slovak labour market is not much worse than in other age groups. Although the unemployment of youth under 29 years of age – even when taking into account students – is higher in comparison with other EU countries¹², when compared with the group aged over 30, Slovakia ranks in the middle of the EU countries. Unemployment in Slovakia is a general problem in each age group, while the groups of elderly and women stand out.

Figure 17: Relationship of the unemployment of the age groups of 15 – 29 and 30 – 59 (in %, 2013)



Source: Eurostat

Figure 18: Expenditures on social exclusion and housing (in % of GDP)



Source: Eurostat (ESSPROS)

Improved labour market performance poses a lower risk of poverty and social exclusion. Some 19.8% of the Slovak population are at risk of poverty or social exclusion, which is less than the EU average (24.5%). The Government is committed to reducing this share to 17% by 2020. In comparison with its V3 neighbours, Slovakia is spending comparable funds (relative to GDP) on social benefits in the area of social inclusion and housing; however, the amounts are significantly below the EU average. The system of assistance in material need just represents a tool which enables the targeting and activating of the long-term unemployed and

¹² The NEET indicator (not in Education, Employment, or Training) represents the proportion of those young people on the overall population in the given age group who were not employed or involved in an educational or training process. In 2013 this indicator in the group under 29 years of age in Slovakia amounted to 19%, while the EU average was 15.9%. In the same year the standard indicator – the unemployment rate – of youth under 29 years of age in Slovakia amounted to 24.3%, while the EU average was 18.8%.

inactive persons (e.g. concurrence of assistance in material need and wage, the modification of activation works for more efficient activation tools, support of labour market mobility).

4.3.1 Employment

Public employment services

In the medium-term, more changes to increase the quality of public employment services by enhancing targeted individualized services provided to job seekers are planned. A fully functional three-pillar system of employment services governing information-counselling services, professional services and administration of the labour offices will be created by 2020.

Until the end of 2015, the internal reallocation of employees of labour offices will be completed, while the points of first contact for clients will be reinforced and the number of front-line officers and agents providing contact with employers will be partially increased. The burden of first contact workers with available clients will decrease from 569 clients to 226 clients on average. Cross-sectional supportive activities of labour offices will be enhanced. In the next stage, a project funded from ESF should be launched by means of which the capacities for contact with clients and for the provision of expert counselling will be increased and the corresponding employees trained. Organizational changes will enable the implementation of indicators for labour offices assessment, which shall create a precondition for the provision of competitive wages based on performance indicators. In 2015, COLSAF will enhance the activities leading to increasing the level of analytical and prognostic activities.

In order to make the ALMPs even more effective, the net efficiency of the individual programmes will be comprehensively evaluated with the aim of achieving a better response to labour market needs. Launching of a managerial tool as a part of the IT system at labour offices is planned. Based on the inputs from regional labour offices, the IT system launched by COLSAF will monitor the functioning of ALMP tools.

Promoting youth employment

Legislative reforms and new projects aimed at boosting youth employment form part of the youth guarantee scheme for young people under 29 years of age. The purpose of this package of measures is to ensure that all young people under 29 years of age receive a high-quality offer of employment, additional training, apprenticeship-type training or an internship within four months of losing their job or completing their studies. New tools will be financed within the new programming period of 2014–2020. The prepared measures called “Work Experience for Future Employment”, “Graduate Practice Starts up Employment” and “My Chance in the Labour Market”, facilitate the gaining of practical experience by creating a temporarily subsidized job with an employer and attaining practical skills in the given field, and supported self-employment. Their implementation should be initiated in the second half of 2015.

Long-term unemployment

Re-qualification and education programmes within ALMPs represent effective measures increasing the productivity of the low-skilled unemployed. Implementation of a pilot project called “RE-PAS” funded from ESF is currently underway. The re-qualification allowance for job seekers allows for a relatively free selection of re-qualification courses and their provider. The allowance is provided after assessing the applicant's suitability and qualification based on the recommendation of an expert consultant at the labour office.

Labour offices will also cooperate with non-public providers of employment services as a part of the national project. Non-public employment services will be mainly focused on long-term unemployed job seekers who are provided special services including competence assessment, counselling and education. Projects to support the employing of the long-term unemployed and elderly unemployed job seekers over 50 years of age will be also prepared.

Promotion of labour mobility

Opportunities for the better support of the disadvantaged unemployed who search for a job far from their domicile will be considered. One of the causes of the low labour mobility is represented by the costs related to travelling for job opportunities, mainly as regards low-income jobs.

4.3.2 Social inclusion

Implementation of minimum pension

An entitlement to the so-called minimum pension will occur from July 2015 and will concern pensioners with 30 or more qualified years of pension insurance¹³. As it will be calculated as a multiple of subsistence level and will increase with the number of years of service, it can motivate the insured to prolong their career. According to Ministry of Finance calculations, implementation of the minimum pension will increase the net income of approximately 80,000 pensioners by EUR 31 on average per month.

Balance between employment and parenting

At the same time the groundwork for increasing the availability of high-quality, sustainable and affordable facilities for child-care services for children under 3 years of age, will be created by building new capacities in the particular regions from the Integrated Regional Operating Programme in the new programming period of 2014–2020. Until 2023, some 90 facilities should be built where approximately 1800 places for children under 3 years of age will be created.

An option will be considered to enhance the childcare allowance that is repeatedly provided in the new programming period of 2014-2020. By these measures the state contributes to the childcare allowance expenditure for the care ensured in facilities or by another natural person during the parent's employment or study.

Social services

The quality and availability of social services will be improved by means of diversifying the funding of social service providers and by a clearer determination of the competences of responsible entities. Measures in compliance with the National Priorities of Social Service Development for 2015–2020 determining the long-term development objectives in social services in Slovakia will be adopted.

Supporting marginalized Roma communities

Significant tools to deal with the hugely disadvantageous position of marginalized Roma communities are field social work and community centres. Both tools support the integration of vulnerable groups in the society, particularly ensure access to high-quality pre-school and school education, employment and healthcare. Integration of the marginalized Roma communities will be supported, mainly through increasing financial literacy, enhancing their access to the labour market and improving their access to health care and public health. As regards health, it mainly concerns preventive health care, health care awareness and improved housing hygienic standards. The measures will be funded from the new programming period.

Within the national project called “Community Centres” financed from EU funds, contracted CC operators will be supported. Benchmarking, monitoring and assessing the outcomes within the supported CC database will also be a part of the project. Financial allocation to CCs will amount to approximately EUR 17 million mainly covered from EU funds.

Field social work is currently implemented in 277 municipalities and comprises more than 80,000 persons. The preparation of public procurement for education and supervision of field social workers work is currently in progress. A process of assessment of the impact of field social work with the anticipated deadline for submission of the final report until the end of the 1st half of 2015 is also being carried out. The overall financial allocation for the project represents EUR 30 million of which the amount of EUR 16.6 million were drawn by the end of 2014.

¹³ Only those years covered with the pension insurance will be generally counted as qualified years during which the natural person's income reached the minimum level of personal wage point of 0.241.

4.4 Transport infrastructure and telecommunication

The construction of missing sections of motorways and expressways, as well as the construction, renewal and maintenance of class A roads are the main measures in the transport sector. The systematic increase of the significance of railway transportation, as well as the improvement of public passenger transport efficiency is also an important goal.

In order to maintain and increase the competitiveness of the Slovak economy it is necessary to attain quality and efficiency of transport infrastructure. It should in the widest possible extent address the elimination of continuing shortcomings, the development and needs of the economy as well as the reduction of disparities between the regions. Regions in Eastern and Southern Slovakia, where insufficient transport connection is one of the barriers for job creation and economic activity development, will become more attractive thanks improved accessibility by transport.

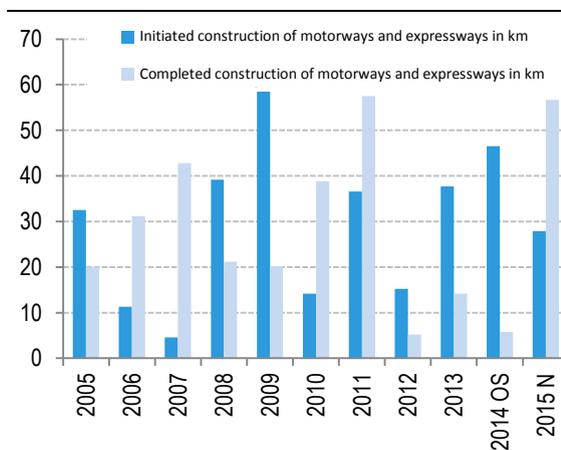
Transport development

A national multi-modal transport model and the related strategic plan of the transport infrastructure development until 2030 will be prepared. The task of the model will be to generate transport demand based on transport relations and transported volumes. It will address the transport relations of all transport modes, types of transport infrastructure and transport points generating or accepting transport (regional headquarters, industrial parks or important tourist centres) and their interdependencies on external social, economic and regional factors.

Road infrastructure

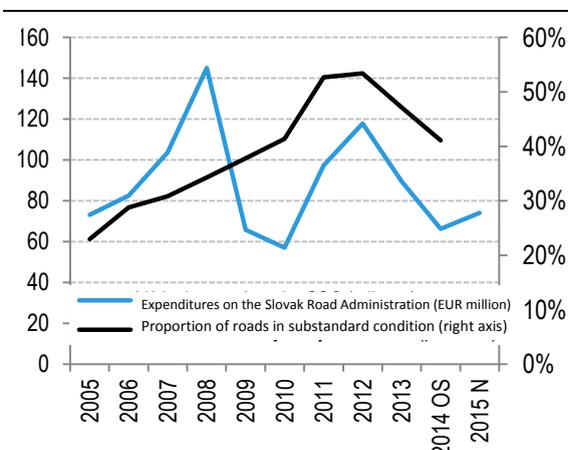
Approximately 130km of motorways and expressways are currently under construction in Slovakia, of which 46km were added in 2014. With the exception of two sections, all sections of the main motorway, i.e. D1 motorway between Bratislava and Košice, are under construction.

Figure 19: Motorways and expressways



Source: MoF SR, MoTCRD SR

Figure 20: Class A roads



Source: MoF SR, MoTCRD SR

In 2014 the section of R2 expressway was completed – the Žiar nad Hronom bypass. The six-kilometre bypass relieves Žiar nad Hronom from cars that can now quickly and smoothly travel through to the R1 expressway. In 2015 and 2016 almost 90km of motorways and expressways should be put into operation, mostly in Eastern and Central Slovakia, i.e. in the regions with a lower economic performance and high unemployment rate.

Unlike in the past, increased attention is given to class A roads serving almost one half of the overall transport volume. Between 2000 and 2011, their condition deteriorated when the share of roads in poor condition increased almost 3 times. Based on the evaluation data of the Slovak Road Administration since 2013, the share of roads in poor condition decreased from 53.4% of the overall length of class A roads to 41.1%. Between 2011 and 2016, more than one quarter of class A roads in total should undergo reconstruction.

Class B and class C roads ensuring the connection of disadvantaged cities and country regions to the TEN-T infrastructure and to class A roads will be modernised by means of the integrated Regional Operating Programme for 2014–2020.

Railways

An increased use of rail transport could reduce the negative impact on the environment, relieve roads and increase the efficiency of expended resources. The quality of rail transport is lagging behind road transport.

In accordance with the intentions of the European policy to relieve congested road infrastructure by shifting traffic to railways, massive investments into the modernisation of railway corridors and the purchase of new, as well as the recovery of existing train sets are underway. In the middle of 2014, the modernisation of the 20km section between Trenčianska Teplá and Beluša was completed. This year the section between Beluša and Púchov (9km) should also be modernised. Two other sections are under construction: Zlatovce – Trenčianska Teplá (12km) and Považská Teplá – Žilina (23km).

In 2014–2015, a project for the further renewalk of the train sets for suburban and interregional public rail transport is underway within which 9 electric double-floor and 20 diesel motor sets, as well as 111 new or modernised cars and locomotives will be added in railways. After completion of the aforementioned projects approximately 60% of the overall volume of the regional public rail transport in Slovakia will be carried out with new or modernised train sets.

Analysis of the traffic in the individual sections of rail transport identifying inefficient sections and enabling preparation of the target operating schedule will be prepared. The results will make it possible to set priorities in railroad transport and streamline the extension of the railroad network which will allow for a better concentration of available resources. The main reform will include the concentration of passenger railroad transport to railroads sufficiently important for transportation streams. The even and systemic distribution of the offer of trains in the so-called tact transport regime will be used on these railroads. An important step is also to increase the train speed after completion of the modernisation of the corridor in the section Bratislava – Žilina. The reduction of travelling times, even distribution and the regularity of the offer will make railroad transport more attractive and expand the possibility of commuting to/from employment for distances over 30km. The final implementation of the target railway timetable and the related investment intentions are planned for the end of 2020.

Streamlining of public passenger transport and urban mobility

The Slovak Government is contemplating introducing the “Traffic Authority”, which would be responsible for ensuring the smooth, functional and economical strategic planning of public transport in the Slovak Republic. It is aimed at removing overlapping urban bus transport and regional personal rail transport and interlinking both modes of transport while creating a unified system. So far, no budget for such a measure has been prepared; however, the financing mechanism could be based on fees received from market participants.

The Slovak Government will increase the efficiency of public passenger transport and improve the coverage of the Slovak territory by public transport. Efficient transport vehicles will be preferred during fleet renewal. More than 45 new trams and 120 trolleybuses should be added in Bratislava and Košice in 2014–2015.

As regards support for non-motorised transport, the Government of SR approved in 2013 the National Cycling Transport and Cycle Touring Development Strategy in SR. Strategic measures include construction of 1,000 km of cycling trails by 2020, changes in the legislation and creation of a permanent financial mechanism from European funds and local governments, public and private resources. The expected budget for 2014–2016 is approximately EUR 45 million.

4.5 Modernising of public administration and the business environment

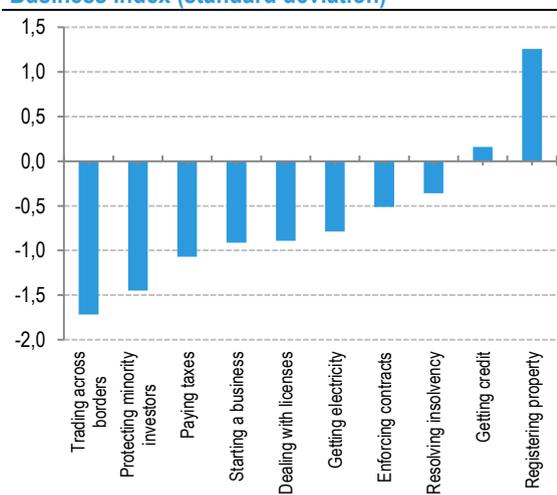
The state administration will be modernised through the ESO reform focusing on the optimisation of regional offices, in order to improve the efficiency of activities and provide better services to the citizens and businesses, for example through electronisation. Analytical capacities in the state administration will be reinforced. Public administration reform will bring its de-politicisation and more transparency at all levels, from hiring staff to remuneration.

Outcome indicator for modernising public administration and the business environment

		2008	2009	2010	2011	2012	2013	2014	Target 2020
eGovernment index (%)	SK	-	38	50	48	42	33	57	71.7
	EU	-	37	40.8	42.8	46	43.3	49.7	-
Doing Business (World Bank ranking)	SK	-	-	-	-	-	35	37	15
	EU	-	-	-	-	-	36	36	-
Product market regulation index (number of points)	SK	1.57	-	-	-	-	1.31	-	1.2
	OECD	1.51	-	-	-	-	1.41	-	-

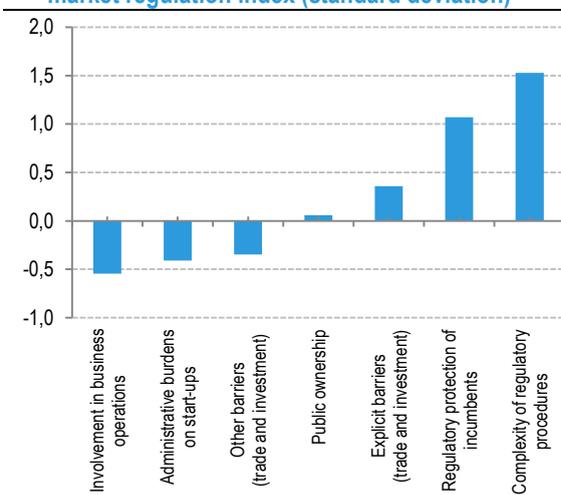
There are still opportunities to improve the business environment. As regards long-term challenges to improve the business environment in compliance with the Doing Business indicator, especially cross-border trade, minority investor protection and tax payment administration are lagging behind. The product market regulation index identifies challenges in the areas where the state is involved in enterprising, the administrative burden of business initiation, as well as the administrative barriers to cross-border trade.

Figure 21: Lagging areas according to the Doing Business index (standard deviation)



Source: World Bank (Doing Business 2015)

Figure 22: Lagging areas according to the product market regulation index (standard deviation)



Source: OECD

The modernising of public administration will lead to the efficient performance of state functions. The main areas to reach this objective are increasing performance and efficiency, informatization, optimization of human resource management and staff development in all public administration structures.

Follow up to ESO – effective, reliable and open public administration

Openings of client centres for the contact of the local and specialized state administration with the public will continue in the following period. In 2015, another 30 centres will be established by which the overall number of these centres will increase to 61. Assessment of efficiency will continue at regional offices. Calling systems and the registration system will be interconnected, which will enable monitoring and analysing the process of resolving the agenda from the first contact of a citizen with an authority until the completion of the file. The

data will also serve to identify potential indicators, the introduction and monitoring of which will increase efficiency and improve monitoring, evaluation and governance of authorities. The Government will also carry out an audit of competences and the agendas of public authorities.

Reforms will also continue in the parts of the local state administration that are not involved in the merger of offices. Thus, from January 2015, 46 labour offices have lost their legal subjectivity and under direct management of the COLSAF. The Government thus gained better control over Labour Office expenditures, cancellation and establishment. The flexibility of human resource management will also grow as it will be able to respond to differing capacity needs of the provided services in the individual regions. In addition to the changes in the local state administration, the Slovak Academy of Sciences organizations will be transformed into a new form of independent legal entities – public research institutions.

Civil service reform

The key challenge for civil service reform is the introduction of improved human resource management, the modernization of public administration and the enhancing of the horizontal and vertical coordination and cooperation across the ministries and other central authorities of the state administration. In 2015 the Unified Strategy of Human Resource Management in public administration will be elaborated. It will mainly focus on the modernization of the functioning of the civil service and the increasing of its internal flexibility. A new Act on Civil Service in force from 2016 will follow the strategy. The reform will be based on the principles of political neutrality, stability, legality, transparent employment and remuneration, impartiality, professionalism, equal treatment, and efficient governance.

Analytical capacities

The Government will continue to improve the expert capacities in public administration. The current analytical units will be further enhanced and supplemented with units at all ministries, as well as other key public administration organisations. In 2015–2018 analytical capacities will be completed in financial authorities and an analytical unit will be established. Their task will mainly be to systematically evaluate the tax entity risks to streamline the tax control activities.

The task of the analytical units will be to enhance the concept of value for money in public policies to the maximum extent. Evaluation of the individual measures will be gradually supplemented with complex and regular review of public spending efficiency (so-called “spending reviews”). Thus by systematic evaluation of public spending the analytical units will contribute to public finance consolidation by streamlining the expenditure or creating space for new priority expenditures.

A scholarship programme which will financially support selected applicants during their studies at renowned foreign universities will be further implemented. In return, they will commit to working in the public administration for a certain period of time, thus enhancing the high-skilled professional capacities. A project has been approved which will contribute to increasing the quality of analytical units and it will enable their employees to participate in foreign expert courses and stays financed from EU funds.

eGovernment

The implementation of multiple projects funded from the Operational Programme Informatization of Society is in progress. An information system of Integrated Service Points (ISP) will be launched to make eGovernment services accessible to at least 85% of the Slovak population. The key services to be provided by ISP will include access to eGovernment services for a requested person (in particular the filing of petitions, applications and other submissions) and also access to outputs from the handling of such submissions or other documents, confirmations or information.

A project aimed at creating an electronic Building Code, as well as the use of electronic means in zoning procedures and regional development (e-STAK) is currently being implemented. It should prepare and put in place a programme for eServices provided by building authorities, second-instance appellate bodies and the Ministry of Transport, Construction and Regional Development of the Slovak Republic so that citizens and entrepreneurs are able to handle the entire procedure – from submitting their requests to the issuance of a valid decision pursuant to the Building Act – by electronic means.

In 2015, the information system for payments and the recording of administrative and judiciary fees will be completed as a part of the E-kolok (eStamp) complex service. It should simplify addressing of the agenda related to administrative fees for citizens and entrepreneurs extended to cadastral offices and courts. Within the project eDemokracia (eDemocracy) and Open Government a portal for the provision of transparent information and open data for the general public, as well as public administration institutions will be established together with new electronic services in terms of the open governance initiative. In 2015 the financial authority will start implementation of the electronic import project called eDovoz (eImport) and focused on the automation of the custom governance over goods import and in supporting the additional streamlining of fraud combat.

Completion of the fundamental components of the public administration information systems, launching of 20 basic electronic services and launching of at least 700 other electronic services is planned till the end of 2015. Among the main areas to be completed within the computerisation of public administration by means of the OPIS projects we can find for example taxes and fees, the civil registry, the motor vehicle registry, registry matters and state social benefits.

Business environment

The improving of the business environment will be mainly focused on the areas of tax payment, cross-border trade, business initiation, minority shareholder protection, and the obtaining of a construction permit and electrical connection. The aim is to reassess the administratively demanding way of paying up registered capital before a company can be established, to propose and adopt a new system of motivating tax fines and sanctions, to implement a cash accounting system, to simplify verification of tax arrears and to extend the scope of applying the binding opinion institute. Implementation of the Registry of Insolvent Entities will contribute to a transparent business environment.

A more transparent environment and simpler rules in zoning procedures and the Building Code should be ensured by the new Building Act, which is currently going through the legislative procedure and should become effective at the beginning of 2016. By its adoption, the approval processes will be simplified and accelerated while preserving the quality of buildings being approved and erected. The most important change related to zoning lies with the municipalities' obligation to have a zoning plan prepared regardless of their population and size.

The Government will dedicate special attention to the development of the start-up ecosystem in Slovakia. These activities will be included in a new conception. It will connect the changes under progress, for example establishment of a simple joint-stock company, with measures in the area of tax payment, investor motivation and activation of creative and innovative people for enterprising. It also includes the project called the "National Business Centre" covered by EU funds, which will establish a platform for financial and non-financial (counselling, internships, education, incubators, development support, etc.) support for beginning entrepreneurs.

Return of experts

The Government will establish a tool motivating and facilitating the return of Slovak experts who gained foreign practical training and graduates from prestigious world universities. From the long-term perspective, one of the main challenges for Slovakia is the migration of perspective young students for better foreign education, as well as migration of highly qualified experts for better working conditions abroad. Having built their personal and professional background in a foreign country these individuals often do not have sufficient motivation to return and apply the gained experience at home.

4.6 A transparent society and law enforcement

The improvement of the judiciary system will be mainly supported by the review of the Code of Civil Procedure, the re-codification of the civil procedure and specialization of the court system and of judges. The ongoing creation of the Electronic Case File, the Electronic Legal Code, the Electronic Registry of Insolvent Entities and the electronic monitoring of the accused and sentenced will contribute to the speeding up of judicial activities.

Outcome indicator for transparent conditions and law enforcement

		2006	2007	2008	2009	2010	2011	2012	2013	Target 2020
Corruption (%)	SK		59		61		56		62	68.4
	EU		78		80		77		78	-

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 property owned by the state, public institutions and local governments. In terms of the combined corruption indicator¹⁴ Slovakia ranks at the very bottom of the list of EU countries and significantly lags behind the top countries.

In order to achieve a level of the Corruption Perception Index comparable to the EU average, the Slovak Government will continue with the implementation and adoption of further measures aimed at curbing corruption, increasing the efficiency of the courts, as well as simplifying and facilitating – to the largest extent possible – the processes related to law enforcement through a wider use of electronic means.

A more efficient judiciary system

The Slovak Government will prepare rules in support of accelerating court proceedings and streamlining the work of judges. Namely, this will involve a major revision of the Code of Civil 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 made by administrative authorities. The recast of the civil procedure will focus in particular on streamlining communication with the parties concerned, accelerating the process by lightening the burden on judges through the division of decision-making powers and by preventing lengthy proceedings on the grounds of absence from the hearing. The legislative changes should come into effect in the second half of 2016.

Efficient judiciary may also be achieved by promoting specialization of the court system and of judges. Specialization will be carried out at the level of changes in the system of courts and the organization of work at courts as well as by ensuring the specialized education of judges. Preconditions will be established for the specialization of courts and judges in the most important areas of public life, in particular tax law and intellectual property rights.

Funds for state employees and judges will be ensured. The average wages of state employees in the judiciary system will grow with the aim of balancing the average wage amount at the level reached in 2014 and they will be increased in relation to the allocated adjustment. The average wages of state employees in the judiciary system will thus grow from EUR 697 in the previous year to EUR 712 in July 2015.

Electronisation

In addition to the approved changes in the procedural codes, court proceedings will also be accelerated through the continuous computerisation of the judiciary system. Case file, Legal Code, the Electronic Registry of Insolvent Entities and the monitoring of the accused and sentenced will have electronic forms. The projects are funded from budgetary resources and through the Operational Programme Informatization of Society. By May 2015 the Government will adopt a strategy for the opening up and using of public administration data.

¹⁴ The index comprises the indicator of the inhabitants' experience with corruption (survey Eurobarometer, EC) and the index of corruption perceived by experts and entrepreneurs (Corruption Perceptions Index, Transparency International).

The Electronic Case File will make it possible to maintain any case file in a fully electronic form for the duration of its life cycle. Testing and training of the system by service staff is currently in progress. Legislation with effect from the beginning of 2016 will also be prepared together with its implementation.

The operationalisation of a legally binding Electronic Legal Code as the official source of Slovak law and the preparation for the introduction of electronic case files will continue in line with the schedule. The Electronic Case File will make it possible to maintain any case file in a fully electronic form for the duration of its life cycle. The Electronic Legal Code will make it possible to access the sources of applicable law more efficiently and will enable the introduction of new instruments for automating communication and the exchange of documents during the law-making process. The testing operation of the new portal was initiated in February 2015. The measure will contribute to the stability and transparency of the law of the Slovak Republic.

The introduction of the Registry of Insolvent Entities will mainly lead to the transparency of the business environment, efficiency of the insolvency proceedings and to almost full publication of information concerning the entire bankruptcy and restructuring proceedings which is currently insufficient. A public procurement process is currently in progress for the supplies of technical solutions. The Registry should be launched in 2016 at the latest.

4.7 Health

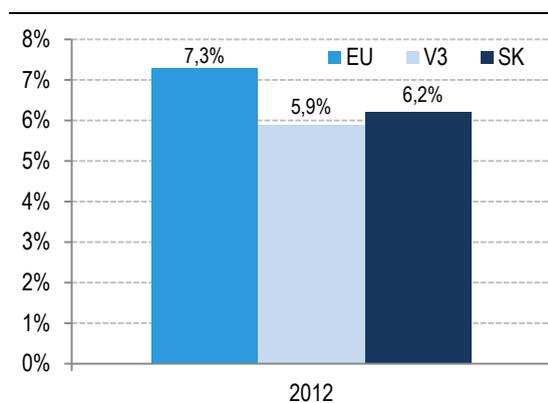
Transparent price ceilings for the purchase of important items, mandatory external audits and the optimization of the hospital bed fund will contribute to an increased financial management transparency and will prevent further debts of the hospitals governed by MoH. An integrated model of the health care provision will be implemented, the efficiency of the health care provider funding process will be improved by means of payments for a diagnostic group and medical procedures will be unified.

Figure 23: Outcome indicator for health

	2006	2007	2008	2009	2010	2011	2012	Target 2020
Healthy life years	54.5	55.8	52.3	52.5	52.3	52.2	53.3	60
(expected number of years at birth)	62.1	62.1	61.6	61.6	62.1	61.8	61.6	-

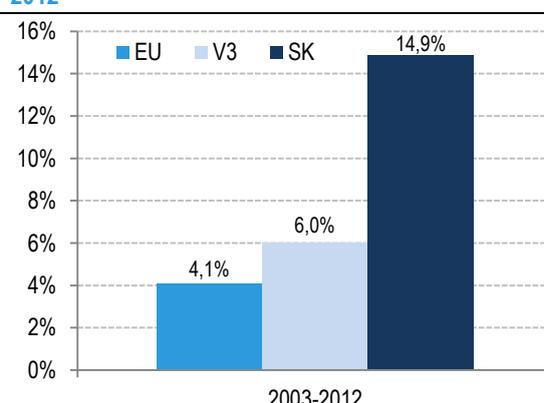
The good health condition of citizens is a basis for economic and social development and mainly an important source of the quality of life. The public funds flowing into Slovakia's health care system amounted to 6.3% of GDP in 2012. Expenditures in Slovakia were by 1.1% of GDP lower than the average expenditures of EU countries and simultaneously by 0.3 % of GDP higher than the average spending of V3 countries. Despite the current lagging of the SR expenditures behind the EU average, it is currently converging towards such an average. In 2002–2012, state expenditures in health care grew by 14.9% per year on average, while expenditures of V3 countries grew by 6.3% per year on average and expenditures of EU countries by 4.1%.

Figure 24: Healthcare expenditures (in % of GDP)



Source: Eurostat

Figure 25: Average annual expenditure growth 2002 - 2012



Source: Eurostat

The combination of the slow growth of the inhabitants' life expectancy together with the fast growth of expenditures for health care is the main causes of the decreasing efficiency of Slovak health care. Until 2003 the efficiency of the Slovak health care ranged above the average of OECD, V3 countries and Germany; while after 2003 this trend reversed. Efficiency at the level of an average OECD country would mean that with the equal volume of resources SR citizens would live by 0.5 year longer than at present.

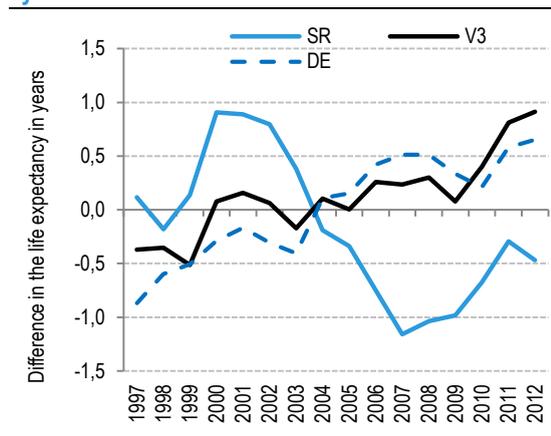
Improvement of the financial management and fiscal performance of healthcare providers and the construction of a new hospital

The Government will continue with the health care provider recovery programme. The purpose is to attain balanced management until 2015 without the need of any additional financial aid from the state in 13 hospitals governed by MoH SR and to decrease their debts. Stricter rules will be implemented to ensure transparency and management control mainly by means of mandatory audits of the financial statements by an independent auditor. In addition price limits will be implemented for the purchase of significant goods (for example instruments, energy, medicines, cleaning, washing or catering). Controlling tools and changes in the financial governance, optimization of operating processes, and systematization and optimization of the

number and structure of jobs will be implemented. These measures will contribute to the streamlining of the bed fund with the aim of adjusting the proportion of acute and chronic beds to reflect the actual needs. By the end of 2015 five-year Hospital Development Plans will be prepared.

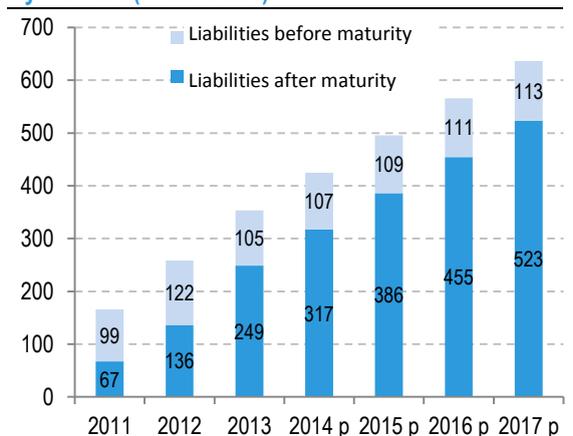
To improve financial governance and the economy of health care providers the conditions for purchasing goods and services will become stricter and more transparent. The savings in the procurement of energy, materials, services and other inputs used by hospitals can be achieved by centralising purchases at the level of the management of hospitals. With the introduction of central procurement, it will be possible for the hospitals to spend their funds more effectively without compromising the treatment of patients. The management of hospitals will also focus on operational savings by curtailing the duplication of processes and personnel.

Figure 26: Efficiency of the Slovak healthcare system



Source: IFP according to OECD

Figure 27: Liabilities of health care facilities governed by MoH SR (in EUR mill.)



Source: MoF SR

Along with the adoption of measures aimed at stopping the growing indebtedness of hospitals, investments will be made in acute hospitals which will replace some of the most obsolete and least efficient facilities. The most important investment will be construction of the new university hospital in Bratislava, which will replace the 3 existing hospitals (Kramáre, Staré mesto, Ružinov).

An expert information system will be implemented in faculty and university hospitals. This IS will provide economic, personal and clinical data for the compiling of internally/externally comparable indicators and will serve as a tool to determine the targets to improve management and to control the fulfilment of the aforementioned measures.

Introduction of diagnosis-related group (DRG) payments

The ongoing implementation of DRG is in progress by means of data collection with a trial operation of the system planned in 2016. Data collection started in January 2014 and in the middle of 2015 this data will be processed for the Healthcare Surveillance Authority. In 2016 the trial stage of DRG and the payment mechanism implementation will be launched in the form of data collection without any effect on funding. DRG will represent a payment mechanism parallel to the current mechanism. From 2017, funding in compliance with DRG will gradually be adjusted to a payment mechanism.

Position of general practitioners and eHealth

The position of general practitioners will be further reinforced. In 2015, their competences will be extended to include other illnesses and disorders, which general practitioners will be allowed to cure. The position of general practitioners will be reinforced in order to reduce more expensive treatment in hospitals and by specialist physicians. The Residential Programme to reinforce the capacities of general practitioners will also continue.

One of the key components of the integrated model of health care provision will include application of health care computerization– eHealth in practice in 2017. The first part of the Health Care Electronic Services

(eSO1) should be submitted in April 2015. The National Health Portal, ePrescription, eMedication, the Electronic Medical Record, and eAllocations should be subsequently launched.

Better integration of healthcare provision

Redefining of the types of hospitals and health care will bring about the better coordination of enlisting for the provision of health care and more efficient use of the hospital bed fund. From the end of 2016, stratification of the hospital types and the scope of their health care provision will be carried out. New types of institutional health care will be introduced and the scope of the provided services will be defined. The capacity and spectral level will correspond to the health condition and the number of inhabitants in the given catchment area. Establishment of integrated health care centres financed from EU funds is also planned, which should lead to decreased fragmentation of primary health care provision.

At the same time, coordination between outpatient and inpatient establishments will improve. Particular setting and detailed definitions will be gradually profiled in the Strategic Healthcare Framework for 2014 – 2030 which is an ex ante conditionality for using EU financial resources.

Unification of generally accepted standards and guidelines for treatment and the system of public health care

In 2014 updated standard procedures to treat illnesses enlisted among the general practitioners' competencies were elaborated. In 2015, further legislative changes will take place in the area of the implementation of cost-effective and the most efficient diagnostic and therapeutic procedures according to the latest knowledge. Unified standards and guidelines of treatment bring transparency to the treatment process and make case assessment by medical experts easier, which is also beneficial for the health insurance companies when deciding on payments.

In the course of 2015 a pilot project will be launched concerning the system of regional health care for citizens funded from EU funds. The model draws on the same Strategic Healthcare Framework for 2014 –2030 within which public health represents one of the priorities. The project will verify the functioning of the model system of health care at the regional level, the strategy of which will be prepared by June 2015.

4.8 Environmental sustainability and energy

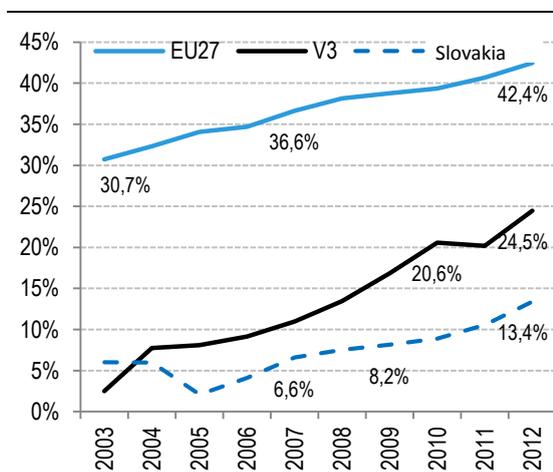
A new Act on Waste will strengthen the motivation to prevent waste production and its material and energy reuse. A Low-Carbon Strategy of SR will be elaborated in cooperation with the World Bank which will identify the reduction potential and the efficient forms of decreasing emissions also in relation to the proposed EU objectives by 2030. The planned gas connection with Poland and Hungary will increase the energetic security of SR. The connection of electricity systems with Hungary will eliminate bottlenecks and increase the cross-border capacity.

Outcome indicators for environmental sustainability and energy

		2006	2007	2008	2009	2010	2011	2012	2013	Target 2020
Non-ETS greenhouse gas emissions (%, change against 2005)	SK	-1.7	-5.8	0.85	-5.1	2.67	-2.1	-8.4	-	13
	EU	-1	-3.4	-2.7	-6.8	-5.2	-9.4	-11	-	-
Share of RES on gross final consumption (%)	SK	5.9	7.3	7.5	9.3	9	10.3	10.4	-	14
	EU	9	9.7	10.4	11.6	12.5	13	14.1	-	20
Final energy consumption (%, change against average of 2001–2005)	SK	0	-1.8	0.88	-7	0.88	-5.3	-9.6	-4.4	-11
	EU	1.67	0.01	0.48	-5.2	-0.8	-5.4	-5.6	-5.4	-
EPI Trend	SK	72.7	73	74.3	74.7	74.8	74.4	74.5	-	76.1
	EU	70.8	71.1	71.9	72.2	72.4	72.2	72.4	-	-

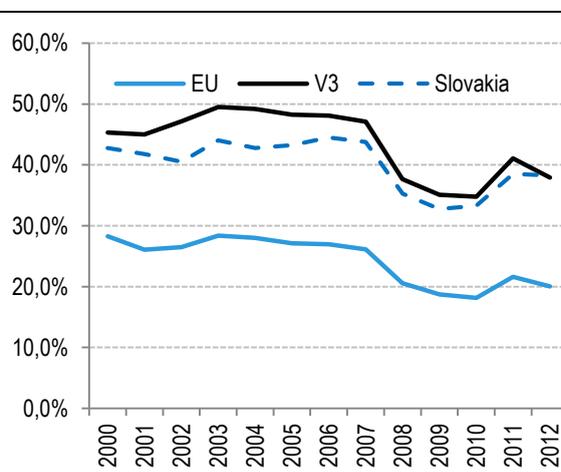
The Slovak Republic is one of the countries that have managed to curb down greenhouse gas emissions considerably since 1990. At the same time, it is progressing well in decoupling economic growth from emissions. SR shall not experience any problems in reaching its EU 2020 targets.

Figure 28: Communal waste recycling rate



Note: material recycling + other forms (composting) / overall waste production
Source: Eurostat, EEA

Figure 29: Share of population exposed to dust particles (PM25) exceeding WHO limits



Note: The weighted average of inhabitants exposed to PM25 above the secure WHO limits
Source: Environmental Performance Index, Boys et al. (2014);

Concerning the quality of the environment, according to the composite EPI index, Slovakia ranks 21st in the world. In spite of this fact there are areas where we significantly lag behind the EU average. In spite of the positive trend we still recycle lower amounts of communal waste than V3 countries. Air quality represents a similar problem. Almost 40% of inhabitants are exposed to unhealthy concentrations of dust particles.

Greenhouse gas emissions

An overview of the reduction potential of various measures and the expected costs of their implementation will be provided in the Low-carbon Development Strategy of the Slovak Republic until 2030, which SR will prepare in cooperation with the World Bank. The aim is to identify and support most cost-efficient opportunities for emissions reduction. Besides sensitivity analysis of selected parameters (fuel prices, investment intensity) and projections for greenhouse gas emissions, the emission reduction marginal cost curves will be part of the basic background analyses for the preparation of the Low-carbon Strategy.

Waste treatment

In the upcoming period it will therefore be necessary to systematically support waste recycling. A new Act on Waste that should start to be valid from 2016 is focused on increasing the producers responsibility, strengthening the motivation to prevent waste production and its material and energy reuse. The legislation already adopted in 2013 increased the responsibility of producers when processing batteries and the fees for placing waste on dumping places. This should lead to a higher rate of waste recycling and a lower rate of landfilling.

Sustainable use of natural resources

The first Slovak evaluation of ecosystem services production is currently underway which should provide evidence for the so-called natural capital accounting until 2020. Based on this evaluation, it will be possible to elaborate an indicator usable within the natural capital management and for policy creation.

Increasing energy efficiency

Higher energy efficiency in companies will be supported through energy audits which will reveal hidden savings and possible solutions. Large companies will have the obligation to perform such audits automatically. Audits for SMEs will be supported from the operational programme Quality of Environment. A comprehensive renewal of public buildings will be financed from the same operational programme. The first calls to carry out energy audits are anticipated in December 2015.

Within the programme called Promoting Energy Efficiency funded from the state budget, energy audits of smaller companies and the increasing of the energy efficiency of heat in the Bratislava Region will also be supported.

After meeting the precondition of achieving the targeted saving, the total allocation of EUR 40 million within the Sloveff3 programme will be used to provide advantageous loans related to increasing energy efficiency in companies, increasing the energy performance of buildings and households and supporting renewable energy sources.

Building energy connections between countries

The planned gas connection with Hungary has been postponed due to legal and technical barriers on the Hungarian side. Its launching is planned for June 2015.

Building of the Polish-Slovak gas connection is at the beginning stage of preparation. In November 2013 an intergovernmental agreement was signed and the project gained the status of a project of common interest in EU. In October 2014 EUR 4.6 million was allocated to it for studies from the Connecting Europe Facility–CEF. This project has currently applied for enlisting in the second list of PCI projects.

The planned two new connections of electricity systems with Hungary will eliminate bottlenecks and increase the cross-border capacity. This will increase the safety and reliability of operation of both transmission systems and increase the total marketable capacity in the common profile. In 2014, a contract for cooperation was signed and negotiations are currently being held to prepare the construction contract for a power line, which should be signed in the second quarter of 2015. The putting of both power lines into operation is preliminarily planned for the end of 2018.

Reconstruction and increasing of the Adria pipeline capacity and the connection of Bratislava-Schwechat (BSP) projects will increase the security of oil supplies in Slovakia and in Central and Eastern Europe.

To ensure the diversification of gas resources, increase gas market liquidity and ensure the effective use of the built transportation capacities, SR desires to support the Eastring project interlinking the markets in North-Western and South-Eastern Europe that will perspectivevely enable connection to new gas resources.

Assessment of the need for further regulation

In line with the competencies assigned to it by the Act on Regulation, the Regulatory Office for Network Industries will assess the need for further regulation in the upcoming regulatory period, including the justification of the proposed extent of price regulation and the form of its performance. The assessment should be based mainly on analytical indicators (e.g. market concentration or the extent of change of the provider).

Disclosure of an analysis of all major changes in the policies and regulatory decisions

The common practice of the regulator will include disclosure of supporting analyses. Each change of rules in the regulatory policy will be accompanied by disclosing calculations and underlying analyses, including the impact on consumers or stakeholders. When secondary or tertiary legislation is issued (decrees, operating instructions), the analysis of factors with an impact on the regulated price will be disclosed as well, including a justification of their development and the share in the end price. The analysis will not contain any information which is the subject of a business secret.

Data centre on the web page of the regulator

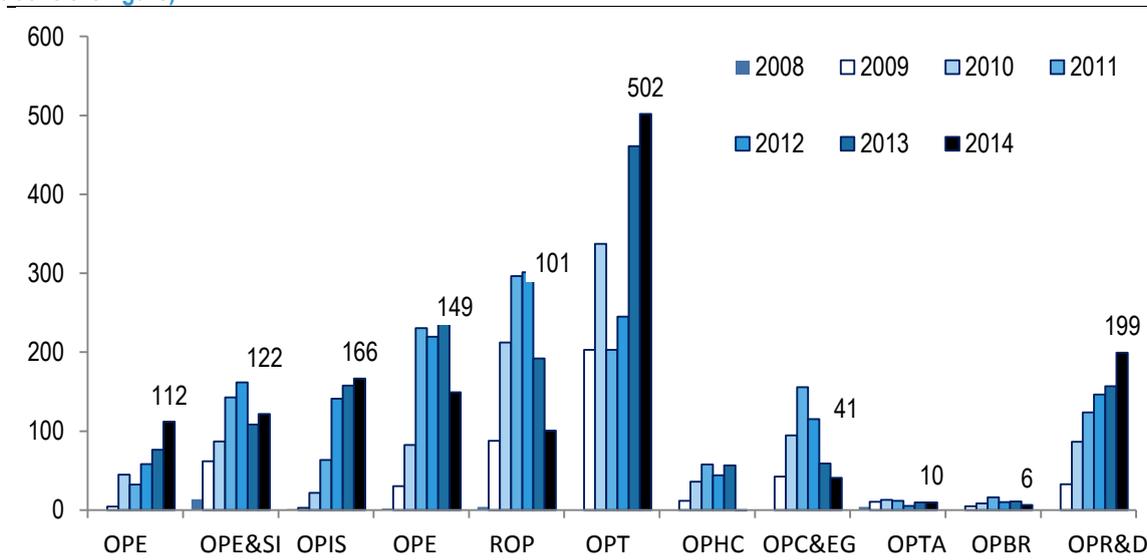
RONI will build a data storage on its web sites where data for the professional public will be published in a suitable and comprehensive way. It is mainly the data published in regulations, Annual Reports, Reports of Compliance with Electricity and Gas Market Rules or National Reports. Thus the information usability and the awareness of regulated entities, as well as of the general public will be increased.

5 The EU's cohesion policy

The EU Cohesion Policy is one of the key instruments for meeting the targets of the Europe 2020 strategy and of the social and economic development of SR. One of the priorities of the Government of SR for the next period remains to be the efficient use of Structural Funds and the Cohesion Fund 2007 – 2013 and preparation of the European Structural and Investment Funds of the programming period of 2014 – 2020.

At the end of 2014, the contracting of financial resources for the programming period of 2007–2013 represented almost 104% of the overall allocation. The drawing of funds from SF and CF in 2007–2013 increased in comparison to the previous year by 12 p.p. and reached 63%. The liability of 2011 was drawn for 100%. Despite this, the unrealized volume of financial resources in 2007–2013 exceeds EUR 4.2 billion. Therefore in cooperation with the European Commission, SR together with V4 countries, are looking for other possible solutions. One of the possible ways is to divide projects in stages, i.e. upon fulfilling the determined conditions to fund projects within two subsequent programming periods, which has so far been done in practice only as regards major, mainly transport projects.

Figure 30: Drawing of structural funds and the Cohesion Fund (EUR million, the value from 2014 provided above the figure)



Source: MoF SR

To a great extent SF and CF in Slovakia contribute to the performance of European objectives within the Europa 2020 strategy and to the performance of specific recommendations of the EU Council for Slovakia.¹⁵ With the aim of more deeply assessing and setting up the methodology evaluating the EU funds contribution to the strategy in the future, a pilot project assessing the SF and CF contributions to the educational objectives of the Europe 2020 strategy was initiated in 2014. Pilot projects are in preparation for the further assessment of the contribution to two other strategy targets – research and development and climate and energy.

In June 2014 SR and EC concluded the Partnership Agreement on the use of structural and investment funds in 2014–2020. Slovakia's priority is to focus investments on the key growth industries, such as transport infrastructure, research, development and innovations, support for small and medium-sized companies, environmental protection, the digital agenda, energetic efficiency and renewable energy resources, as well as in the area of employment, education, social inclusion and in increasing public administration efficiency. Within the ESIF objective 2014 – 2020 “Investing in growth and employment” EC has approved seven operating programmes financed from structural funds and the Cohesion Fund and Rural Development

¹⁵ Annual report on the performance of the National Strategic Reference Framework for 2013, chapter 2.3.10 Contribution to Lisbon Process / Europa 2020 strategy

Programme from the European Agricultural Fund for Rural Development. The Operational Programme Fisheries is prepared for approval.

Operational Programmes	Managing authority	Allocation from EU funds (EUR mill.)
Research and innovation	MoESRS SR	2,267
Integrated infrastructure	MoTCRD SR	3,967
Human resources	MoLSAF SR	2,205
Environmental quality	MoEnv SR	3,138
Integrated regional OP	MoARD SR	1,754
Efficient public administration	Mol SR	278
Technical assistance	GO SR	159
Rural Development Programme	MoARD SR	1,545
Fisheries	MoARD SR	16
Total		15,329

As regards the European territorial cooperation objective, Slovakia will be involved in the implementation of 11 programmes – for four programmes in 2014–2020 the managing authority will be as follows: Slovak Republic – Czech Republic, Slovak Republic – Austria, Slovakia – Hungary and INTERACT. As concerns other programmes, an appointed entity will perform the function of the national authority or the national contact point. Slovakia is involved in five programmes of cross-border cooperation, two programmes of multinational cooperation and four programmes of inter-regional cooperation.

Compared to the previous period, the total number of OPs has decreased. On the other hand, a higher number of intermediate bodies was created as a result of reflecting all thematic objectives and new ESIF elements, which will create greater requirement for coordination within the system, among operational programmes and among managing authorities and intermediate bodies of individual programmes.

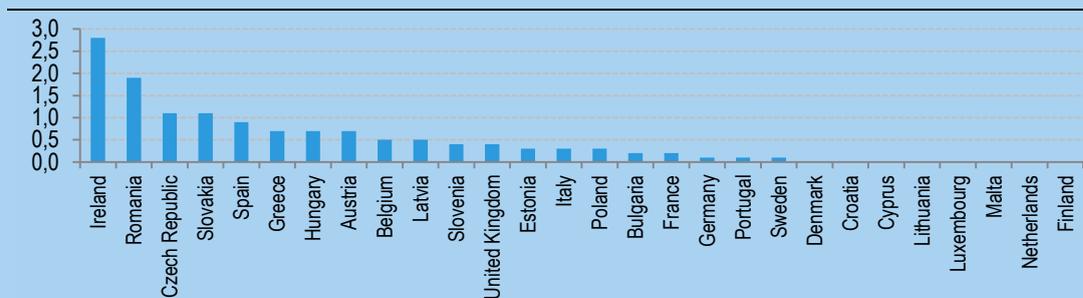
The fundamental legislative framework for implementation is establishing the act on contribution provided from ESIF. During 2014 the Slovak Government also approved the key documents enabling the coordination of ESIF implementation in the Slovak Republic (for example entity structure, governance system and financial management system). The central coordination body at the Government Office of the Slovak Republic regularly submits drafts and issues guidelines and recommendations ensuing from the ESIF management system 2014–2020.

A new monitoring system called ITMS 2014 + is being intensely elaborated, which should enable the ESIF contribution beneficiaries to submit documents and information in electronic form. The aim is to ensure electronic document and information exchange among beneficiaries and the managing authority, the certification authority, the audit authority and the intermediate bodies according to the eCohesion principles by the end of 2015.

Box 2: How to improve the use of EU funds: experience from abroad

The Slovak Republic was allocated almost EUR 14 billion for the new programming period (2014–2020) (without EAFRD and EMFF) and thus we will belong among the countries with the highest allocation as regards the share in GDP.

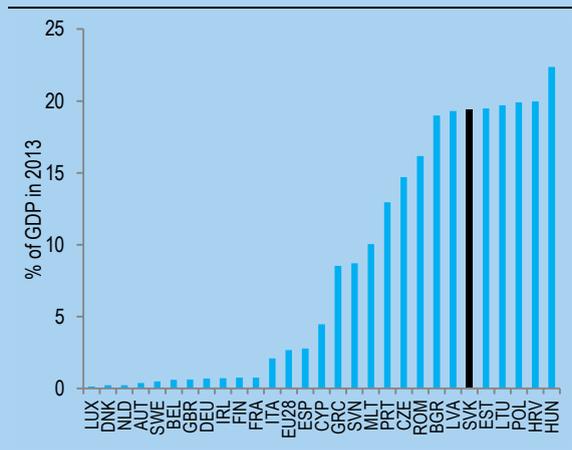
Figure A: Correction as a share in drawing the European Structural Funds and the Cohesion Fund (% , 2007–2013 as at 2013)



Source: EC¹⁶

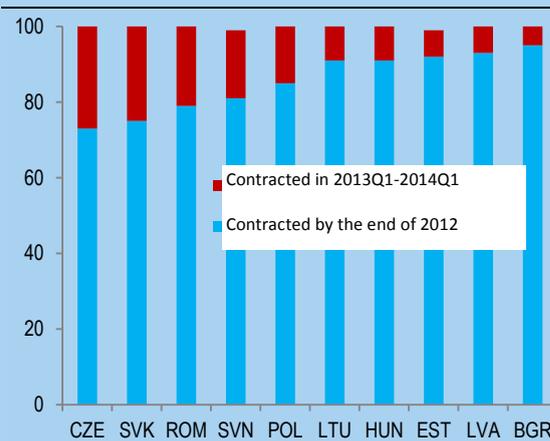
The main challenges for the use of EU funds in Slovakia are represented by the weak administration capacity of the authorities responsible for their use, the high administrative burden and the ensuing low transparency of the selection process. These shortcomings lead to late implementation, frequent mistakes and subsequent financial corrections, mainly as regards public procurement, which means a risk not only for the SR budget but also for the overall drawing of EU funds. KPMG (2014) estimates that thanks to the drawing of SF and CF the actual average GDP growth in 2007–2013 was higher by 0.9 p.p. per year. With more efficient drawing it could have been even higher.

Figure B: Allocation of Structural and Cohesion Funds in 2014–2020



Source: OECD

Figure C: Contracting of EU funds (in %, 2007–2013)



Source: OECD

¹⁶ http://ec.europa.eu/budget/library/biblio/documents/management/COM_2014_618_final_en.pdf

According to the experience of foreign countries and a number of studies¹⁷, the more efficient drawing of EU funds in the new programming period could help resolve the following challenges:

1. Increasing the transparency of project selection and public procurement

- Providing information needed for efficient public supervision and the tracing of revenues at the level of natural persons from the ITMS portal in a transparent and user friendly way;
- Identify and separate the tasks related to risky processes;
- Random allocation of projects and rotation of employees.

2. Decreasing high fluctuation of employees

- De-politicisation of the status of institutions and employees;
- A change in the selection process (including testing of moral characteristics) and remuneration;
- Stabilization of the organizational structure.

3. Decreasing of administration complexity

- Immediate and full implementation of all options provided by the European rules to simplify the process ("simplified costs procedure").

4. Effective and efficient control

- Strengthening of the mandate and independence of control authorities, such as the Office for Public Procurement (OPP) and Supreme Audit Office (SAO), and reinforcing the position of the Central Coordination Authority (CCA) when providing ex-ante counselling to methodical questions.
- Prohibition of any function in public administration or of any option to participate in public procurement in the office of a trade company statutory to persons convicted of corruption or cronyism.

¹⁷ See for example the newest OECD Economic Assessment of Slovakia (2014), Analysis of Capacities and Efficiency of Entities Responsible for European Structural and Investment Funds elaborated for the Government Office of the Slovak Republic (2014) or the Report on Implementation and Drawing of Structural Funds by CCA (2012).

6 Institutional framework for the Europe 2020 strategy and NRP

NRP is based on the Manifesto of the Government of SR for 2012-2016 in which the Slovak Government determined 10 key tasks. Consolidation of public finance, decreasing the high unemployment and systemic solution of long-term, mainly regional unemployment are among the most urgent ones. NRP also details the Government targets related to promoting long-term economic, social, environmental and scientific-technical development of Slovakia, improving the quality of life, increasing law enforcement and a systemic elimination of corruption at all levels of society. The basic focus of the measures contained in NRP is also determined by sector strategies. The Minister of Finance of the Slovak Republic is the NRP coordinator. He also cooperates with GO SR that regularly supervises the strategy in SF, CF and ESIF.

Ministers responsible for economic and social agenda are primary involved in the preparation and implementation of NRP. Other ministers, Government plenipotentiaries and representatives of other state administration authorities participate in delivering the strategy through cooperation in selected areas. Consultations with partners, including the tertiary sector, are regularly held during the year. During the NRP preparation, two meetings of state secretaries as well as bilateral meetings with key ministers took place. Each autumn the Government approves the assessment of measures taken to address country-specific recommendations. The financing of measures will be ensured within the set expenditure limits of budget chapters.

At the international level, this material presents measures to meet the targets contained in the Europe 2020 strategy defined in the 2015 Annual Growth Survey and Integrated Guidelines for the Europe 2020 Strategy, as well as to meet the country-specific recommendations of the EU Council for the Slovak Republic. NRP also reacts to the assessment of the implementation of the specific recommendations from 2014 made by the European Commission and published in February 2015¹⁸. The cohesion policy is an important tool for the fulfilment of the strategy targets. In 2014 a new seven-year programming period started.

An independent Action Plan comprising the most important measures with a significant fiscal impact together with the deadline for their implementation and responsibility makes an independent appendix to NRP. Unlike the past, the Action Plan is focused on a narrower group of measures in order to increase transparency. Appendices that used to be a part of NRP 2014 and were focused on performance indicators for ministries and on the impact of structural reforms, were aimed at opening the social discussion, and their updating is not a part of NRP 2015.

¹⁸ Country Report, Slovakia 2015, SWD(2015) http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_slovakia_sk.pdf

Annex 1 – National targets under the Europe 2020 Strategy

Europe 2020 Strategy performance indicators¹⁹

			2006	2007	2008	2009	2010	2011	2012	2013	2014	Target 2020
Fiscal policy and public finance												
1	Long-term sustainability indicator (GAP) (% of GDP)	SK	-	-	-	9.5	9.2	7	4	3	-	0
		EU	-	-	-	-	-	-	-	-	-	-
2	VAT collection effectiveness (%)	SK	66.8	61.8	62.8	55.7	54.5	54.7	51.1	55.7	-	72
		EU22	-	-	-	-	66.0	66.5	66.2	-	-	-
Education, science, and innovation												
3	PISA (arithmetic average of the scores)	SK	482.2	-	-	488.1	-	-	472	-	-	505
		OECD	496.5	-	-	496.7	-	-	497	-	-	-
EU 4	School drop-out rate (% of population aged 18 - 24)	SK	6.6	6.5	6.0	4.9	4.7	5.1	5.3	6.4	-	6
		EU	15.3	14.9	14.7	14.2	13.9	13.4	12.7	11.9	-	10
5	Citations (%, 100 = EU average)	SK	40	38	40	35	34	36	47	45	-	70
		EU	-	-	-	-	-	-	-	-	-	-
EU 6	Tertiary education attainment (% of population aged 30 - 34)	SK	14.4	14.8	15.8	17.6	22.1	23.2	23.7	26.2	-	40
		EU	29.0	30.1	31.2	32.3	33.6	34.7	35.9	36.9	-	40
EU 7	Expenditure on R&D (% of GDP)	SK	0.5	0.5	0.5	0.5	0.6	0.7	0.8	0.8	-	1.2
		EU	1.8	1.8	1.9	2.0	2.0	2.0	2.1	2.1	-	3
8	High-tech export (% of total export)	SK	5.8	5.0	5.2	5.9	6.6	6.6	8.2	9.5	-	14
		EU	0.0	16.1	15.4	17.1	16.1	15.4	15.7	11.6	-	-
Employment and social inclusion												
9	Long term unemployment rate (% of active population aged at least 15)	SK	10.3	8.3	6.7	6.5	9.3	9.3	9.4	10.0	9.3	3
		EU	3.7	3.1	2.6	3.0	3.9	4.2	4.7	5.2	5.1	-
EU 10	Employment rate (% of population aged 20 - 64)	SK	66.0	67.2	68.8	66.4	64.6	65.0	65.1	65.0	65.9	72
		EU	68.9	69.8	70.3	68.9	68.6	68.6	68.4	68.4	69.2	75
EU 11	Population at risk of poverty and social exclusion (% of population)	SK	26.7	21.3	20.6	19.6	20.6	20.6	20.5	19.8	-	17.2
		EU	25.3	24.4	23.7	23.2	23.7	24.3	24.7	24.5	-	19.4
Business environment												
12	Doing Business (World Bank ranking)	SK	-	-	-	-	-	-	-	35.0	37.0	15
		EU	-	-	-	-	-	-	-	35.5	35.9	-
13	Product market regulation index (number of points)	SK	-	-	1.6	-	-	-	-	1.3	-	1.2
		OECD	-	-	1.5	-	-	-	-	1.4	-	-
14	eGovernment (%)	SK	0.0	0.0	40.0	38.0	50.0	48.0	42.0	33.0	57.0	71.7
		EU	0.0	0.0	33.7	37.0	40.8	42.8	46.0	43.3	49.7	-
Transparent conditions and law enforcement												
15	Corruption (%)	SK	-	59	-	61	-	56	-	62	-	68.4
		EU	-	78	-	80	-	77	-	78	-	-
Health												
16	Healthy life years (expected number of years at birth)	SK	54.5	55.8	52.3	52.5	52.3	52.2	53.3	-	-	60
		EU	62.1	62.1	61.6	61.6	62.1	61.8	61.6	-	-	-
Environmental sustainability												
EU 17	Non-ETS greenhouse gas emissions (%, change against 2005)	SK	-1.7	-5.8	0.8	-5.1	2.7	-2.1	-8.4	-	-	13
		EU	-1.0	-3.4	-2.7	-6.8	-5.2	-9.4	-10.6	-	-	-
EU 18	Share of RES on gross final consumption (%)	SK	5.9	7.3	7.5	9.3	9.0	10.3	10.4	-	-	14
		EU	9.0	9.7	10.4	11.6	12.5	13.0	14.1	-	-	20
EU 19	Final consumption of electricity (%, change against average of 2001–2005)	SK	0.0	-1.8	0.9	-7.0	0.9	-5.3	-9.6	-4.4	-	-11
		EU	1.7	0.0	0.5	-5.2	-0.8	-5.4	-5.6	-5.4	-	-
20	EPI (score)	SK	72.7	73.0	74.3	74.7	74.8	74.4	74.5	-	-	76.1
		EU	70.8	71.1	71.9	72.2	72.4	72.2	72.4	-	-	-

¹⁹ Data from Eurostat is regularly reviewed and therefore it does not necessarily correspond to the last year's NRP.

List of Europe 2020 Strategy performance indicators

Name of indicator	Definition and source
Long-term sustainability indicator (GAP)	<p>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).</p> <p>Source: OECD / Eurostat, calculation: MoF SR</p>
VAT collection effectiveness	<p>VAT collection effectiveness = $\text{VAT collected} / [(\text{final consumption of households} + \text{gross fixed capital formation of the public administration} + \text{intermediate consumption of the public administration} - \text{VAT collected}) * (\text{basic VAT rate} / 100)]$</p> <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> <p>Source: OECD / Eurostat, calculation: MoF SR</p>
EPI	<p>The Environmental Performance Index is published by Yale University and Columbia University in cooperation with the World Economic Forum and the European Commission. As a composite indicator consisting of 20 output sub-indicators, it compares 178 countries in nine basic categories of environmental performance.</p> <p>Source: http://epi.yale.edu/</p>
Non-ETS greenhouse gas emissions	<p>Non-ETS greenhouse gas emissions, such as CO₂ equivalents, represent the percentage change compared to 2005. The indicator shows the trends of aggregated anthropogenic emission of CO₂, NO₂, CH₄, HFC, PFC and SF₆ called greenhouse gasses and presented as CO₂ equivalents. The total quantity does not include emissions from land use and forestry (LULUCF).</p> <p>Source: Eurostat</p>
Share of RES on gross final consumption	<p>The share of the 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.</p> <p>Source: Eurostat</p>
Final consumption of electricity	<p>Final consumption of electricity 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.</p> <p>Source: calculation by MoF SR based on data from SO SR</p>
School drop-out rate	<p>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.</p> <p>Source: Eurostat</p>
PISA	<p>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.</p> <p>Source: OECD</p>
Tertiary education attainment	<p>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.</p> <p>Source: Eurostat</p>
Citations per researcher	<p>The proportion of the number of citations in renowned international magazines (SCImago Journal & Country Rank) per number of researchers in the country (Eurostat). The indicator is expressed relative to the average of European Union countries.</p> <p>Source: http://www.scimagojr.com/, Eurostat, MoF SR calculations</p>
	<p>The percentage share of total R&D expenditure in GDP.</p>

Expenditure on R&D	Source: Eurostat
High-tech export	<p>The share of high-tech export in the country's total export. High-tech products are represented by selected products in the following industries: aerospace, computers and office machinery, electronics-telecommunications, pharmaceuticals, scientific instruments, electrical machinery, chemistry, non-electric machinery and armament.</p> <p>Source: Eurostat</p>
Employment rate	<p>Share of the employed aged 20-64 in the total population in the same age group. The indicator covers the total population living in independent households; it excludes collective households, people living in boarding and lodging houses, dormitories, and those hospitalised in healthcare facilities. The employed population is made up of those people who, during the reference week, carried out some type of remunerated work (either salary or benefit) for at least one hour, or who did not work but had a job from which they were temporarily absent.</p> <p>Source: Eurostat</p>
Long term unemployment rate	<p>The share of persons aged at least 15, who have been unemployed for 12 months and more, not living in collective households who are without work despite actively seeking work.</p> <p>Source: Eurostat</p>
Population at risk of poverty and social exclusion	<p>The indicator represents the sum of people at risk of poverty (after social transfers) and/or those materially deprived and/or living in households with 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 seriously materially deprived are those who cannot afford at least four of the following nine items: ii) 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 or with a very low intensity of work includes persons aged 0–59 living in a household where the adults worked less than 20% of their total work potential during the past year.</p> <p>Source: Eurostat/EU-SILC</p>
Doing Business	<p>A country's position in the Doing Business ranking, which measures regulation of small and medium-sized enterprises throughout the nine stages of their life cycle: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The data is based primarily on national laws, various other forms of regulation and administrative requirements.</p> <p>Source: World Bank</p>
Product market regulation index	<p>The assessment of a country using the Product Market Regulation Index. It measures regulation and barriers in three areas: state control, barriers to entrepreneurship and barriers to trade and investment (each with a weight of one third). The product market regulation index targets not only the business activities of regular enterprises, but also measures broader regulation (for example regulation in network industries).</p> <p>Source: OECD</p>
eGovernment	<p>The percentage of individuals aged 16-74, who use the internet for communication with the public administration</p> <p>Source: Eurostat</p>
Corruption	<p>The corruption indicator represents an average of two indices focusing on different types of corruption: Experience with corruption among the common population – a Eurobarometer survey. Eurobarometer survey targeting individual sectors, such as the police, customs administration, courts, national politicians, regional politicians, local politicians, tenders, building permits, business permits, healthcare system, school system, inspection. The Corruption Perception Index (CPI) - Transparency 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, calculations of IFP</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>