

**NATIONAL REFORM PROGRAMME OF THE SLOVAK
REPUBLIC
FOR 2008 – 2010**

IMPLEMENTATION REPORT 2009

October 2009



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Introduction

Following the successful adoption of the euro on 1 January 2009 the Slovak Republic became the 16th member of the Eurozone. Besides advantages, the arrival of the single currency brought challenges particularly connected with the loss of control over monetary policy. In the new conditions, in the absence of an autonomous monetary policy, greater importance is now taken by fiscal and structural policies, by means of which Slovakia must react robustly to the challenges posed by the economy.

At about the same time the global economy was struck by the most severe economic crisis since the end of the Second World War, the consequences of which had still not become clear at the time of preparing the National Reform Programme of the SR for 2008 - 2010 (NRP SR 2008 - 2010). The Slovak economy was hit via adverse developments in the external environment. The crisis began on the financial markets and progressively spilled over into the real economies of advanced countries, and then spread throughout the globalised economy.

Most developed economies were plunged into recession, while developing economies recorded significant falls in economic activity. World trade slumped and international financial flows weakened. The direct impacts of the global crisis on the Slovak financial sector were negligible, thanks in large part to Slovak financial banks' orientation on the domestic economy, and the consequently small share of investments in the risky American mortgage bond markets. The global crisis was, nevertheless, fully apparent in the real economy by means of substantial falls in foreign demand and consumer confidence.

Eurozone membership immediately proved to be an important element for stability in the crisis, preventing the violent exchange-rate swings that hit all surrounding non-member economies and which became a significant destabilising factor deepening the negative effects of the crisis.

Governments reacted to the acute situation by adopting anti-crisis measures aimed at stimulating demand, restoring confidence and maintaining employment. National initiatives had a dual objective: on the one hand to inhibit the effects of the crisis in the short term, and on the other hand to support structural policies to ensure the European Union's strong and healthy recovery from the crisis without weakening the long-term sustainability of public finances. In this regard the SR Government, in line with the European Commission's request formulated in the *European Economic Recovery Plan* of November 2008, adopted a set of ambitious measures for supporting the real economy. Besides measures aimed at short-term effects, an important consideration in drafting measures was also their accordance with the long-term objectives defined in the Strategy for Growth and Jobs. Measures are timely, targeted and temporary.

As the crisis passes the focus of the SR economic policy will again turn to the medium-term challenges facing Slovakia's economy. It is essential to create the conditions in order that the real convergence of Slovakia's economy over the long-term is based on economic growth and that it promotes social cohesion. This requires the acquisition of new knowledge and its subsequent effective use in practice. Increasing the quality of education and the outputs from research and development, reducing long-term unemployment and further removing barriers in the interest of more efficiently using the business potential for fulfilling these objectives are among the main challenges currently facing the Slovak economy. In order to achieve productivity growth a progressive rise in spending on education and research and development in the public, but particularly also in the private sector, is equally important. Efficient allocation of these funds requires at the same time institutional reform in these fields.

The NRP SR 2008 – 2010 addresses the current challenges facing the SR in the framework of the Lisbon Strategy. Its implementation report is an ongoing assessment of the fulfilment of measures defined in this document. The SR Government considers it to be sufficiently ambitious. In addition to this, the Government has entered the last year of its term of office. For these two reasons it is not presenting any further new initiatives in the four key challenges, but rather concentrating on thoroughly fulfilling measures already introduced. An exception is the fifth field: climate change and energy, where great efforts are needed to meet the targets in the climate-energy package and from the Copenhagen Convention currently under preparation.



The NRP SR 2008 - 2010 itself is an elaboration of the thesis measures defined in the *Modernisation Programme Slovensko 21*, the key strategic document of the SR Government in structural policies. The efficient and problem-free process of implementation is the basic precondition for the successful Lisbon agenda at the level of the member state. Detailed action plans containing information such as a description, the objectives and analytical reasoning of measures, their link to European Council recommendations and integrated guidelines, financial provision and a timetable of tasks provide for easy monitoring, which is performed twice yearly at the level of the government, and thus strengthens the emphasis on management and implementation of structural policies. In accordance with these standards the NRP SR 2008 - 2010 Implementation Report offers a detailed description of the implementation of measures according to individual tasks. The reasons for any non-fulfilment are given and new deadlines proposed.

Following the presentation of the macroeconomic and financial framework there follows an assessment of the progress achieved in fulfilling the NRP SR 2008 - 2010 measures in the five key challenges: (a) research and development, (b) education, (c) employment, (d) business environment, (e) climate change and energy. With regard to the interconnection between the crisis and the structural policies, a separate chapter is devoted to the updating of measures, with particular attention to their ongoing evaluation. In several cases such evaluation appears premature, it does, nevertheless, provide a minimal basis for further analysis of the measures. The document, as usual, contains an overview of the development of structural indicators.



Macroeconomic framework and medium-term forecast

Slovakia's economic development was influenced by the adverse developments in the external environment, when the global economy collapsed in the worst economic crisis since the end of the Second World War. The crisis, which began on the financial markets, is spilling over into the real economies of advanced countries, spreading via the global economy. Most developed economies have slid into recession, while developing economies recorded significant falls in economic activity. World trade is slumping and international financial flows are weakening. The direct impacts of the global crisis on the Slovak financial sector were negligible, thanks in large part to Slovak banks' orientation on the domestic economy, and the consequently small share of investments in the risky American mortgage bond markets. The global crisis was, nevertheless, fully apparent by means of substantial falls in foreign demand and consumer confidence.

Slovakia's economic performance after years of high economic growth and a fast degree of real convergence, recorded a year-on-year fall in GDP in the first quarter of 2009. The consequences of the significant fall in foreign demand, given the highly open nature of Slovakia's economy and the specific structure of its exports, in which products sensitive to economic cycles (automobiles and LCD monitors) form a dominant share were fully manifested in the first half of 2009. Slovakia's exports in mid-2009 had fallen by more than a quarter against their level a year earlier. The negative effects of the collapse in Slovakia's exports spread throughout the whole economy. Investment fell substantially and should see a fall of 10.3% for the year as a whole.

In the first quarter of 2009 the economy back lost the same number of jobs as had been created over the preceding year. In addition to the collapse in demand for Slovak products, the redundancies of Slovaks working abroad and their subsequent return to Slovakia is contributing to raising unemployment. With regard to the expected development abroad, the rate of unemployment should continue to rise up until mid-2010 (from 9.6% in 2008 to 12.1% in 2010, source: Labour Force Survey), when the effects of the crisis should fade away. The unprecedented fall in consumer confidence has raised the propensity to save in the economy and further reduced consumer spending. The worsening situation in the labour market and pressure for reducing wage costs is being manifested also in the historically lowest nominal rates of wage growth in 2009 and 2010. The SR Ministry of Finance is expecting wage growth of 2.6% this year and 3.4% next year. Slovakia's economy should record a 5.7% fall in GDP in 2009. In view of the expected 4% fall in the EU as a whole, the rate of real convergence in 2009 will decrease. Over the following years Slovakia's economy should again begin to grow, reflecting the recovery in our trading partners (1.9% in 2010 and 4.1% in 2011).

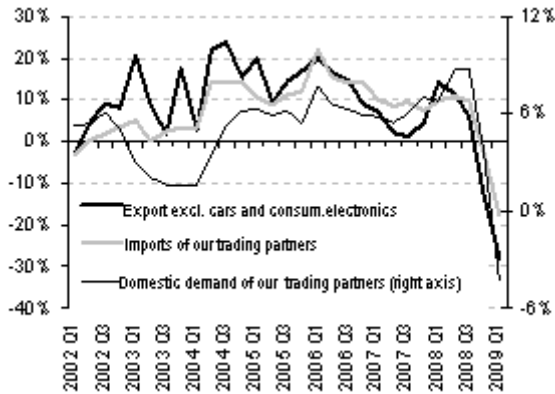
The Slovak economy over the coming period will perform below its potential. Following a period of high rates of growth, when real GDP grew faster than the potential product, production gap in 2009 should reach a negative value of 3.8%. Its fall will continue also in 2010, for which we forecast the lowest value since 1997, namely -4.2%. The production gap will begin to close with the expected economic recovery, though in 2012 the economy will still remain below its potential.

With regard to Slovakia's high import intensity, the fall in exports will be accompanied by a fall in imports, whereby the trade deficit will be broadly within a sustainable level. From 2010 onwards a gradual fall in the trade deficit is expected, given the gradual start up of productions hit during the crisis. We are expecting that the inflow of foreign direct investment (FDI), which in the past has created favourable conditions for growth in the economy's potential, will significantly fall in 2009 (from 2.2 billion USD in 2008 to 0.6 billion USD in 2009). The reason is the heightened aversion to risk brought on by the crisis and the lack of liquidity which has caused a general decline in capital flows towards Eastern Europe.

The low inflation in 2009 and 2010 is significantly influenced by the economic crisis, which is outwardly manifested by stagnation in prices, particularly in the field of foods and tradable sectors. We forecast that the average consumer price index (CPI) in 2009 will be 1.8%. Higher inflation in 2010, as against 2009, derives from a mild recovery in the economy in the second half of the year, as well as from the end of the dual display of prices and from the waning baseline effect from price falls in 2009. After 2010 a further moderate rise in inflation is expected due to Slovakia's faster price convergence to the European Union (EU) price level in the absence of the exchange rate channel.

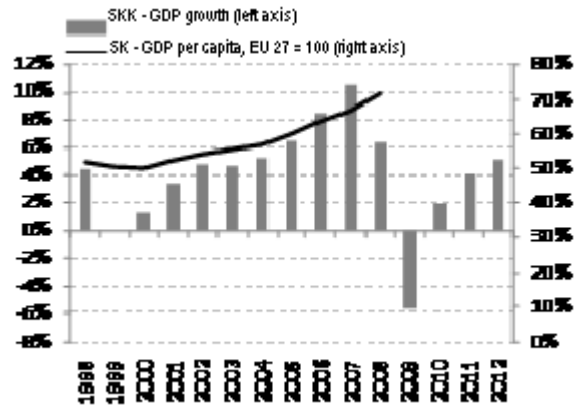


Comparison of nominal export with foreign demand



Source: Eurostat, own calculation

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



Source: EC Autumn Forecast, own calculations

The changes in and characteristics of the current macroeconomic forecast may be briefly summarised in the following points:

- a fall in GDP and in most of its components in 2009, and slower growth in subsequent years in consequence of the slowdown in the growth of our largest trading partners;
- foreign trade in 2009 and 2010 will contribute negatively to GDP growth, while in later years the contribution of foreign demand will remain slightly positive;
- in consequence of the fall in GDP and relative downward inflexibility of wages, the growth in the average wage in 2009 will exceed the growth in labour productivity, though in subsequent years wages and productivity should again grow roughly at the same rate;
- a rise in the rate of unemployment in 2009 and 2010 and its stabilisation in later years.

Expected development of the main macroeconomic indicators is shown in the following table:

Forecast of selected economic development indicators for the SR (September 2009)						
Indicator	unit of measure	Outcome		Forecast		
		2008	2009	2010	2011	2012
1 Real GDP growth rate	%	6,4	-5,7	1,9	4,1	5,4
2 Real household consumption growth rate	%	6,1	-0,4	1,5	3,4	4,9
3 Gross fixed capital creation	%	6,8	-10,3	2,9	4,1	5,1
4 Real growth in export of goods and services	%	3,2	-15,2	2,9	7,1	10,0
5 Real growth in import of goods and services	%	3,3	-14,7	3,2	5,6	8,4
6 Nominal average monthly wage growth	%	8,1	2,6	3,4	6,5	7,5
7 Average employment growth (ESA 95)	%	2,8	-1,9	-0,1	0,9	1,6
8 Average rate of unemployment (labour survey)	%	9,6	11,7	12,1	11,6	11,0
9 Average consumer price index growth	%	4,6	1,8	3,2	4,1	4,2
10 Harmonised Index of Consumer Prices (HICP)	%	3,9	1,2	2,6	3,7	4,1
11 Current account balance as a share of GDP	%	-6,5	-5,8	-5,2	-4,8	-4,0

Source: SR Ministry of Finance



Fiscal policy

Fiscal policy in 2008 was influenced primarily by the effort to continue in consolidating public finances, so as to create the conditions for their long-term sustainability. Based on the notification to Eurostat of the deficit and debt as at 1 April 2009, the public deficit in 2008 was 2.3% of GDP¹.

Fiscal policy in 2009 is framed by the economic crisis and the need to stimulate the economy on the one hand, and by maintaining economic stability and sustainability of public finances on the other hand. The SR Government has adopted a fiscal strategy that tries to balance these conflicting objectives. The current estimate of the deficit reflects in particular the fall in incomes, which is expected due to the deterioration in economic development, the free operation of automatic stabilisers and anticrisis measures adopted in the field of tax revenues, with the objective of stimulating economic growth.

At the same time, the Government has decided to adopt anti-crisis fiscal packages. For this purpose state budget expenditure totalling €332 million (0.5% of GDP) in the ESA 95 methodology has been earmarked and reallocated, creating room for financing the anticrisis measures. The anticrisis fiscal package is partially compensated by savings on the expenditure side of the budget. This is in line with the European Commission's recommendations, which were presented in the *European Economic Recovery Plan*. Those countries whose fiscal situation so allows should leave automatic stabilisers to work in 2009 and stimulate the economy by additional fiscal measures, which should be timely, targeted and temporary. After taking account of these factors, it is forecast that the public deficit in 2009 will reach 6.3% of GDP. The Government considers the size of the anticrisis package to be appropriate and sufficient in view of the overall fiscal impulse in the economy.

The fiscal targets for 2010 to 2012, presented in the *Stability Programme for Slovakia 2008 to 2012*, are less ambitious compared to the last convergence programme due to the economic crisis and the substantial deterioration in the economic outlook. Slovakia, nevertheless, still sees the rules of the Growth and Stability Pact as the basis for a balanced economic policy, and therefore the adjusted targets respect the core objective of ensuring macroeconomic stability and achieving long-term sustainability of public finances.

The significant deterioration in the macroeconomic outlook does not change the Government's strategy of continuing in its ambitious consolidation of public finances from 2010. New fiscal targets will be presented in the framework of the draft general government budget for 2010 to 2012.

¹ Notification to Eurostat, to be made as at 20.10.2009 according to data sent by the SR Ministry of Finance will be published later than the NRP SR FOR 2008 – 2010 – Implementation Report 2009.



Anticrisis measures of the SR Government

The Slovak government, in response to the worsening development of the real economy and in line with the request formulated in the *European Economic Recovery Plan* from November 2008, adopted a set of ambitious measures to support the real economy. The measures represent a countercyclical macroeconomic response to the crisis. The aim of these measures is to avoid a deep recession and a sharp decline in employment, and support a quick recovery of economic growth. Apart from measures aimed at short-term effects, an important consideration while drafting the measures was also their consistency with the long-term objectives defined in the Strategy for Growth and Employment. Measures are clearly targeted, temporary and have specific implementation periods.

The anticrisis measures as listed in this chapter were adopted beyond the framework of the measures and structural reforms planned in the National Programme of Reforms for 2008 – 2010 and in a number of cases represent their significant expansion. The SR government in approving these measures took into consideration also the long-term challenges of the Slovak economy, in particular creating a knowledge-based economy and raising potential growth. The total costs for these measures in 2009 stand at €1 462 million (2.3% of GDP of the SR²), of which the budgeted resources for the measures in the ESA methodology represent €282 million (0.4% of GDP of the SR). In 2010 the costs total €585 million (0.9 % of GDP of the SR³), of which the budgeted resources in the ESA methodology stand at €399 million (0.6 % of GDP of the SR).

The SR Government adopted the anticrisis measures in three packages which were subsequently expanded to include a number of other measures. The individual measures are focused at increasing energy efficiency in the economy, reducing the administration burden on businesses and decreasing tax and social contribution costs of workers, supporting small and medium-sized businesses, promoting research and development, creating job opportunities, maintaining employment and increasing labour market flexibility.

Description of measures

1. Measure – Measure for stabilizing the banking sector

The SR Government and the National Bank of Slovakia have adopted three measures for promoting trust and stability in the banking sector. Since 1 November 2008 the limit for the guarantee on natural persons deposits at banks has been cancelled, where the prior regulation guaranteed a compensation of 90% of the savers' inaccessible deposits, at maximum up to €20 000. The intention of this measure was to prevent any panic reactions from the side of individuals and to support banks' liquidity.

The measure of the National Bank of Slovakia in force as of 15 November 2008 sets out stricter requirements for liquidity management at banks and branches of foreign banks. It sets out the procedure for liquidity management and quantifies the liquidity indicators that must be respected by the banks in their operations. The banks' liquidity indicator at the time of the crisis limited the possibilities of banks, or their parent bank, to reduce the liquidity level in the banking sector. The aim is to ensure that each bank is able to fulfil its financial obligations towards its clients and business partners within the period of one month.

The third measure creates conditions for fast and effective provision of a special guarantee and for the investment of state assets in a bank's registered capital, which would happen on the basis of a bank's request. The administrative process of submitting and assessing requests is very flexible, in an ideal case it should take four days. The aim is to create an efficient instrument to support the stability of the financial system.

² With regards to GDP in 2009 according to the forecast of the SR Ministry of Finance from June 2009

³ With regards to GDP in 2010 according to the forecast of the SR Ministry of Finance from June 2009



Table 2 Measures aimed at mitigating the impact of the economic crisis (mil. €)							
No.	Name - description	Budgetary costs (2009 and 2010)					Effective from
		Gen. gov't budget		EU funds	Other	Total*	
		ESA 95	cash				
1.	Measures for stabilising the Slovak banking sector	-	-	-	-	-	4Q 2008
2.	Raising the non-taxable part of the tax base in the case of personal income tax and the in-work benefit	367	337	-	-	367	1.3.2009 - 31.12.2010
3.	Reduce the contributions rate for the reserve solidarity fund in the case of the compulsorily pension-insured self-employed person from 4.75% to 2%	40	40	-	-	40	01.04.2009
4.	Shorten the period for refunding overpayments of VAT deductions from 60 to 30 days	2	511	-	-	511	01.04.2009
5.	Changes concerning depreciation of assets (adjustment to the entry price, accelerated depreciation and component depreciation)	34	13	-	-	34	01.03.2009
6.	Changes in the taxation concerning the business environment, reducing administrative costs	0	0	-	-	0	01.03.2009
7.	Support for the creation and maintenance of social enterprises	34	34	195	-	229	1.3.2009 - 31.12.2010
8.	Contribution to support the maintenance of employment	28	28	-	-	28	1.3.2009 - 31.12.2010
9.	Contribution to an employee's wage	4	4	21	-	25	1.3.2009 - 31.12.2010
10.	Raising the work commuting allowance	2	2	10	-	11	1.3.2009 - 31.12.2010
11.	Job creation subsidy	2	2	10	-	12	1.3.2009 - 31.12.2010
12.	Stimuli for research and development carried out by businesses (state budget subsidy and corporate income tax relief)	100	66	-	-	100	from 2009
13.	Financing of specific R&D projects	6	6	-	-	6	from 2009
14.	Stimuli for small and medium-sized enterprises (SMEs) - state budget subsidy for programmes focused on assistance to existing SMEs and start-ups	8	8	-	-	8	from 2009
15.	Programmes aimed at increasing energy efficiency and improving the energy infrastructure	8	8	-	125	133	from 2009
16.	Financial grants for restoration of cultural monuments	10	10	-	-	10	from 2009
17.	Increasing and improving the accessibility of funds for developing and financing SMEs' programmes	0	74	-	50	124	in 2009
18.	Subsidy for purchase of a new car under the condition that the old vehicle has been liquidated	31	55	-	-	55	9.3.2009 - 14.4.2009
19.	Provision of financial assistance to the rail company Cargo, a.s. and to the Slovak Railway Company	0	236	-	-	236	in 2009
20.	Programme to help individuals unable to repay a mortgage loan as a result of the economic crisis	0	18	-	-	18	01.10.2009 - 2012
21.	Provision of interest-free loans for insulating apartments and apartment buildings and houses covering 100% of eligible costs	0	71	-	-	71	1.6.2009 - 31.12.2009
22.	Introduction of possibility to use flexible worktime accounts at firms	0	0	-	-	0	1.3.2009 - 31.12.2012
23.	Support for newlywed loans	6	6	-	-	6	from 01.04.10
	Total	681	1 529	236	175	2 024	

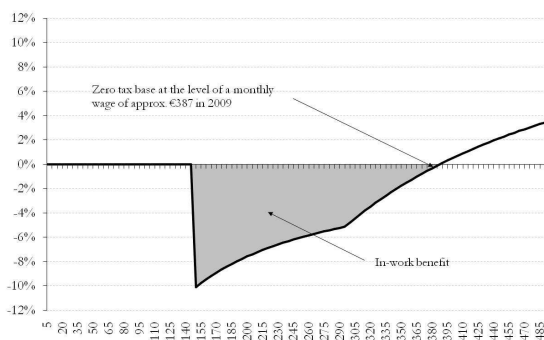
Note: *total costs of individual measures always include the higher sum from general gov't budget data, which better reflects costs of the measure

2. Measure – Tax base and in-work benefit (Employee tax credit)

The anticrisis measures also include an increase in the non-taxable part of the tax base in the case of personal income tax (PIT) from the original €3 435.27 to €4 025.70 for the whole tax period of 2009 from 1 March 2009, whereby the maximum amount of the in-work benefit is increased from €83.25 per year to €181.03 per year. The main aim of increasing the non-taxable part of the tax base is to reduce the tax burden on low- and medium-income employees, while the greatest reduction in the tax burden falls on the low-income employees earning an income around the minimum wage level.⁴ Reducing the non-taxable part of the tax base gave at the same time way to a growth in the disposable incomes of particularly low-income taxpayers who also have the highest propensity to consume. According to estimates of the SR Ministry of Finance the increase in the non-taxable part of the tax base will result in an increase of the monthly income of employees (applying the full amount of the non-taxable part of the tax base and paying tax) of €9.35. Together with the in-work benefit, the increase in the non-taxable part of the tax base will also be reflected in the case of taxpayers earning the lowest incomes, where the net monthly incomes at the level of the minimum wage will rise monthly by €15.09. From 2011 the originally approved level of in-work benefit and the original level of the non-taxable part of the tax base will continue to apply.

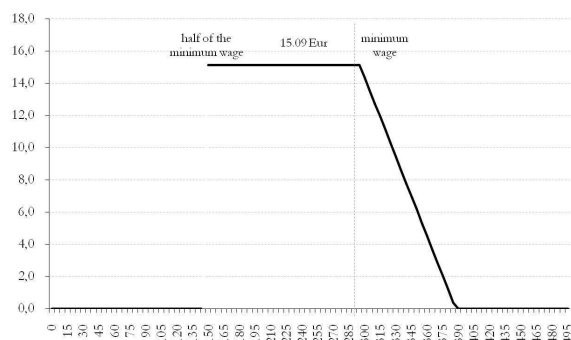
The in-work benefit significantly increases the disposable incomes particularly in the case of employees with a wage in the range of 50% of the minimum wage to €295.5. The growth in incomes is highest in the case of employees with an income at 50% of the minimum wage, where this growth reaches the level of 22.9% against the 9.9% in the case of retaining existing legislation. At the level of the minimum wage the increase in the non-taxable part of the tax base has brought about a year-on-year increase in net income of 16.4% from 9.9% which was the original level of the in-work benefit. The increase in the non-taxable part of the tax base brings benefit for all individuals earning taxable incomes. The measure affects as many as 96% of employed persons (employees and self-employed), in absolute terms, approximately 2 115 000 taxpayers. The increase in the non-taxable part of the tax base is reflected in a growth in the monthly disposable incomes of employees and at the same time it lowers tax obligations of the self-employed when settling their tax obligations for 2009 in March 2010. The advantages from the increased in-work benefit should be felt in the annual account statement by as many as 16% of employees, in absolute terms approximately 302 000 employees. The claim to the maximum level of the in-work benefit (the annual amount of €181.03) will arise for approx. 120 000 employees earning a wage below the minimum wage.

Average tax rate, (tax / gross wage, in %)



Source: Ministry of Finance SR

Level of in-work benefit paid out (monthly average, in €)



Source: Ministry of Finance SR

3. Measure – Reduction in self-employed insurance contributions

The rate of the contribution for one of the insurance contribution funds (reserve solidarity fund) was reduced as of 1 April 2009 for the compulsory pension-insured self-employed person from 4.75% to 2% of the assessment

⁴ The reduction in the tax burden will show fully in 2010, since the in-work benefit is paid out upon the annual account statement for 2009 in 2010.

base. The estimated costs for the period when the measure is to be effective are €13.3 million in 2009 and €22.4 million in 2010. The aim of this measure is to reduce the contributions burden on self-employed persons, and thus increase their real incomes in the period of slower economic activity and deteriorated access to credit. Likewise, the lower contributions burden increases the appeal of self-employment in a period when employers and businesses create fewer new jobs, and thus increases the motivation of jobseekers to become self-employed. According to the current estimates of the SR Ministry of Labour, Social Affairs and the Family, the measure will affect 252 000 persons in 2009 - 2012. More precise data on the estimated impact on the real income of the self-employed will be available following the annual account statement for 2009, in March 2010.

4. Measure – Shorter period for re-funding overpayments of VAT deductions

The period for refunding overpayments of VAT deductions has been shortened for monthly VAT taxpayers from 60 to 30 days, provided that additional conditions have been satisfied, such as are zero tax and customs arrears and zero arrears in compulsory insurance contributions in the period of the preceding 12 calendar months. In this way the cash income of companies (VAT payers) will increase, and likewise the cash income of the general government will grow, while the impact on the public balance under ESA95 will be only in the form of higher interest-rate costs (decrease in liquid funds of the state due to a shortfall in cash incomes). The aim is to improve the cash flow at firms, and thus promote their liquidity and prevent secondary insolvency. Businesses have had the possibility of an earlier refunding of overpayments of VAT deductions since 1 April 2009. Currently available preliminary data concerning this measure are for April and May 2009. On average the share of payers using the possibility of refunding overpayments of VAT deductions has ranged around 16% and the share of early refunding of VAT deduction overpayments in the total VAT deduction overpayment was 30%.

Table 1 Use of the option of early refunding overpayment VAT deduction by payers		
	April 2009	May 2009
Number of payers using the option	2 953	2 367
Total number of payers having overpayments	17 279	16 611
Number of payers using the option (in %)	17.1	14.2
Amount of overpayments refunded early (in '000 €)	106 532	103 953
Amount of the total overpayments (in '000 €)	355 535	343 148
Share of early refunded overpayments in the total overpayments (in %)	30.0	30.3

Note: Data from aggregated VAT tax returns, preliminary data Source: SR Ministry of Finance

5. Measure – Changes concerning depreciation of assets

The entry price of tangible assets has been increased for depreciation purposes from €996 to €1 700 and of intangible assets from €1 660 to €2 400 in the case of corporate and personal income tax. Changes will also allow for faster depreciation in the case of selected types of assets and component depreciation. Likewise, these changes will improve cash flow at firms due to lower tax obligations and they may stimulate the purchase of new assets. Taxpayers have been able to use the faster form of asset depreciation since the tax period 2009.

6. Measure – Taxation changes concerning the business environment

Changes in taxation concerning the business environment lie in the possibility to deduct VAT in a later tax period, group registration for a VAT payer, retrospective registration for taxpayers, simplified tax record keeping for small businesses and simplified record keeping on fuel consumption. The aim of these changes is to positively contribute to the business environment by way of removing the administrative burden and related costs, without impact on the general government budget. The measure was implemented in practice on 1 March 2009 for income tax, but applies for the whole tax period of 2009 and as of 1 April 2009 for VAT.

7. Measure – Support for the creation and maintenance of social enterprises

The measure includes simplification of legislative conditions for the establishment and maintenance of social enterprises by way of a temporary loosening of the key requirements for granting the status of a social enterprise and opening a call for submitting demand-oriented projects aimed at supporting the creation of new jobs. The aim of this measure is to support the creation of new jobs in social enterprises that are obliged to employ at least 30% disadvantaged jobseekers of the total number of staff, and to invest the profit into their education. The monthly



allowance for social enterprises per disadvantaged employee for the first 12 calendar months is €472 at most and during the subsequent 12 calendar months €408 at most.

Since the measure is in force, in the period between 1 March 2009 and 31 August 2009, 37 social enterprises were established and the total amount of the funds allocated to support the creation of 377 jobs in these social enterprises totalled €2.24 million. In addition to this, in the same period, support went to 8 pilot social enterprises that gained deposit payments of €8.34 million, created 264 jobs, 103 contract-based jobs and trained 1 465 jobseekers. Of the total amount of €94.3 million budgeted for 2009-2010 to support the creation and maintenance of social enterprises, 11.2% has already been allocated to individual enterprises. The funds in the framework of the call for submission of demand-oriented projects for promoting the creation of new jobs are in the state of preparation for drawing of funds.

8. Measure – Contribution to support the maintenance of employment

The monthly financial contribution to support the maintenance of employment is provided to an employer who for a transitional period limits his operating activity so that the employees are not assigned work in a scope of at least 4% of the set weekly working time, and for this the employees will receive wage compensation exceeding 60% of the original wage. The contribution is provided to the employer in the amount of social contributions paid by the employer and employee from the wage compensation in a maximum amount of €339 per month, and applies from 1 March 2009. From this financial contribution the employer subsequently pays the employee a financial contribution equalling the social contributions paid by the employee. The financial contribution is provided by the state for 60 days at most in a calendar year.

The measure is aimed at reducing the wage costs of firms negatively affected by the cyclical decline in demand for their products and services and at preventing the resultant redundancies and related costs. From 1 March 2009 to 31 July 2009 some 170 agreements were concluded in total to support 41 001 jobs. The total agreed contribution of €21.2 million represents €517 per job supported. Of the total amount budgeted for 2009-2010, already €28 million were allocated which represents 76%.

9. Measure – Contribution to an employee's wage

The contribution is provided to employees who were receiving material need benefits, were registered in the jobseeker register for at least 3 months, independently found a job and their monthly gross wage does not exceed €304 (€314.82 from 1 July 2009). The monthly contribution is €153 in the first year of employment, and approximately €77 in the second year. The measure raises jobseekers' motivation to search for work and get a job. In the period between 1 March 2009 and 31 July 2009, 83 employees were supported. The total agreed contribution of €147 000 represents €1 776 per new job. Of the total amount budgeted for 2009-2010, already €25 million were allocated which represents 0.6%.

10. Measure – Raising the work commuting allowance

The work commuting allowance was increased for commuting to a place other than the place of permanent residency or to a place outside the district of permanent residency. The maximum contribution for the majority of distance zones have been doubled, while the total maximum monthly allowance was increased to €135. Reducing the commuting costs supports the workforce's regional mobility, thereby improves labour market flexibility. Since increasing the contributions in the period between 1 March 2009 and 30 June 2009, the total volume of work commuting contributions grew on a year-on-year basis by 237% and for the given period reached of €1.3 million. Of the total amount budgeted for 2009-2010, already €11 million were allocated which represents 12%.

11. Measure – Job creation subsidy

A contribution for newly created jobs for jobseekers registered as unemployed for at least 3 months has also been introduced. The monthly contribution is provided for a period of 12 months, at most up to half of the total labour cost of the new employee, but less than €142 in the Bratislava region and less than €284 in other Slovak regions. The employer must at the same time sustain the newly created job for at least 12 months. Since the measure is in force measure, in the period between 1 March 2009 and 31 July 2009, in total 1 102 agreements were concluded, supporting the creation of 2 565 new jobs. The total agreed contribution of €8.1 million



represents €3 174 per newly created job. Of the total amount budgeted for 2009-2010, already €12 million were allocated which represents 68%.

12. Measure – Stimuli for research and development carried out by businesses

Two forms of stimuli are provided: state budget subsidy and income tax relief. The provision of a stimulus is conditional upon the creation of a new, or expansion of an existing workplace for carrying out research and development at the costs of the stimuli recipient. The recipient of the stimuli is obliged to realise the project's results in the territory of Slovakia at latest within five years after the stimuli ceased to be provided for the project. The income tax relief should not exceed the total costs of the recipient invested in the project, representing a shortfall in revenues from the corporate income tax at maximum up to the amount of the direct subsidy provided.

The aim of the measure is to motivate legal entities (businesses) to base their own development on the results of research and development, thereby helping to develop a knowledge-based economy. It is estimated that 20 projects (businesses) will be supported in 2009, entailing state budget expenditure for 2009 of €26.6 million.

13. Measure – Financing of specific R&D projects

The measure includes the financing of specific projects for supporting research and development, including support for technical feasibility studies or studies of applied research and experimental development projects, support for cooperation between universities and the Slovak Academy of Sciences and the business environment, support for systematic care for improving young people's relationship to science and increasing the appeal of a research career. The measure helps to develop a knowledge-based economy with the aid of direct support for science and research, and includes three separate projects under the auspices of the Slovak Research and Development Agency. Individual projects have been allocated funds in the volume of €6 million, the drawing of which is currently under preparation.

14. Measure – Stimuli for small- and medium-sized enterprises

The measure includes financing of specific projects and programmes. These include a programme for supporting SMEs via strengthening the lending capacity of the Micro-Loan Programme, the incubator care programme and realisation of the consultancy and education support scheme for the business sector. These programmes are focused on helping existing SMEs and start-ups facing deteriorating conditions in the period of the economic cyclical downturn. Individual projects have been allocated funds and their drawing is currently under preparation.

15. Measure – Decommissioning of Jaslovske Bohunice and raising energy efficiency

The measure will ensure financing of specific projects and programmes aimed at raising energy efficiency and improving Slovakia's energy infrastructure. The projects include a project focused on improving energy efficiency in public buildings, a project for promoting sustainable energy and a programme of higher use of biomass and solar energy in households. Projects' funding, other than the *Programme for Higher Use of Biomass and Solar Energy in Households*, is ensured in the form of a grant from the resources of the Bohunice International Decommissioning Support Fund. Individual projects have been allocated funds and their drawing is currently under preparation.

16. Measure – Cultural monuments renovation programme

The measure covers the provision of financial grants for the renovation of cultural monuments, focusing on the localities of the world cultural heritage with the purpose of developing tourism and supporting the construction sector. As of 30th June 2009 support was allocated to 112 applications from the localities of the world cultural heritage UNESCO, intended for the renovation of national cultural monuments, and of the total amount of €6.6 million for 2009 in total €226 000 was drawn.

17. Measure – Increasing and improving accessibility of funds for the development and financing of SME's programmes

As of 31st March 2009 the registered capital of the Slovak Guarantee and Development Bank (SZRB) was increased by €32.4 million, and that of Eximbanka (Export-Import Bank) by €11.4 million. The funds in the specialised funds of the Export-Import Bank have been increased by a total of €30 million (of which €15 million to the security fund and €15 million to the fund covering non-marketable risks). Likewise, on 27 July 2009 SZRB



signed an agreement on drawing a loan line from the European Investment Bank (EIB) in the volume of €50 million, from which funds have been available since August 2009. The measure improves financing of lending products of SZRB (direct financing, refinancing and cofinancing of export loans) and increases the volume of Export-Import Bank's funds for covering non-marketable risks and for the provision of securities for SMEs facing deteriorated lending conditions in the period of the economic cyclical slowdown.

The volume of newly-provided loans from the side of the SZRB for the first 6 months of 2009 was higher compared to the same period of the previous year, by €13.5 million (25.1%), and the value of receivables towards clients had grown as at 30 June 2009 by €23 million (8%) against the end of 2008. The total cumulative value of risks underwritten from the insurance activity of Eximbanka grew for the first 6 months of 2009 by €527 million (14.2%) against the same period of the previous year.

The measure also includes the provision of fast bank securities by the SZRB in the period from 15 January 2009 to 31 December 2009 on commercial banks' loans for SMEs in the SR. The level of the security provided for an individual enterprise is 55% of the principal of the loan provided, with a €1 million maximum limit on the loan provided. The process of obtaining the security does not place any above-standard demands on the commercial banks' clients. There is no need to visit the SZRB to obtain the security and in an ideal case the period from filing a loan application through to its provision is 5 days. In the first half-year of 2009 the SZRB provided 454 fast bank securities in a volume of €29.5 million, and supported business loans in a total value of €58.7 million.

18. Measure – Subsidy for purchase of a new car conditional upon liquidation of an old vehicle

The car-scrapping scheme had two rounds. One of the requirements was that the total price of the new automobile does not exceed €25 000 including VAT. The provision of subsidies was limited by the overall volume of funds from the state budget. The liquidated vehicle had to be manufactured before 1.1.1999 and registered in the register of motor vehicles as at 31.12.2008 in the ownership of the given natural person or legal entity. The measure was aimed at raising demand for automobiles and accelerating the exchange of old models for new models with lower fuel consumption and a smaller environmental impact. The additional demand for automobiles in the short term increased VAT revenues, which partially offsets the increased state budget expenditure.

Table 3 Effect of the scrapping scheme on the public balance (€'000) 1st + 2nd rounds in total					
	2009	2010	2011	2012	Total
Number of automobiles supported by the scrapping fee	44 303				
- Ordinary sales - car purchases without scrap. fee (pcs) - 30%	13 291	0	0	0	0
- Additional sales – effect of scrapping fee (pcs) - 70%	31 012	-15 506	-9 304	-6202	0
1. Expenditure on scrapping fee	-55 292	0	0	0	-55 292
2. Effect on VAT	46 239	-23 120	-13 872	-9 248	0
3. Effect on fees	2 093	-1 047	-628	-419	0
of which, fees for deletion of automobile (€1.50)	47	-23	-14	-9	0
fee for registration (€33)	1 023	-512	-307	-205	0
issuance of vehicle registration plate (€33)	1 023	-512	-307	-205	0
Total effect on the public balance	-6 960	-24 166	-14 500	-9 666	-55 292

Source: SR Ministry of Finance, SR Ministry of the Economy

In the first round of the car-scrapping scheme (9.-25.3.2009) the subsidy was provided in two alternative amounts: in the amount of €1 500 or €1 000. The higher subsidy was provided in the case where the seller had also provided a reduction of at least €500. In the second round (6.-14.4.2009) the maximum amount of the state budget subsidy was adjusted to €1 000, subject to the condition that the seller provided a reduction of at least the same amount. In both the first and second wave of the car-scrapping scheme in total 44 300 vehicles were scrapped in a total state subsidy provided of €55.3. The impact on the balance of the public finance was, according to the estimates of the SR Ministry of Finance, negative in 2009, in an amount of €7 million.



19. Measure – Provision of financial assistance to the rail company Cargo, a.s. to the Slovak Railway Company

In March 2009 the Government approved the provision of financial assistance to the rail company Cargo Slovakia, a.s. (railway freight transport) in a volume of €165.97 million and to the Slovak Railway Company (operation of railway routes and transport management) in an amount of €69.906 million. The aim of this measure is to mitigate the impacts of the global financial and economic crisis on the management of these companies, noticeable by a considerable fall in transport volumes.

20. Measure – Assistance programme for individuals unable to repay a mortgage loan

The measure allows for the provision of a returnable financial assistance from the side of the state to individuals who are not able to repay their mortgage loan. It concerns individuals with a loan contract concluded with a residential real estate property as security, and unable to repay the loan due to loss of employment in the period since 1 January 2009, not having other property or financial sources for debt repayment, and who have their permanent residence at the pledged real estate property, subject to the condition that the loan was provided prior to 31 December 2008 and that the amount of the loan does not exceed €83 000.

In the first phase of the assistance programme the client's loan will be first restructured by the commercial bank without the help from the state, where this period will not be shorter than 6 months. In the second phase, provided that the borrower is duly meeting the restructured repayment schedule, after 6 months the person can request the assistance from the state. For the period of 6 months the state will pay on behalf of the borrower 70% of the level of the restructured repayments and the borrower pays 30% of this repayment amount. Should the borrower duly repay his restructured obligations for the period of 6 months, it will be possible to extend the period for a further 6 months. After a period of 18 months, if the debtor is still unable to independently repay the debt to the bank, the bank will take standard steps to recover the loan. An application for a returnable financial assistance in debt repayment may be submitted from 1 October 2009 up until 31 December 2010 and subsequently the drawing may run up until mid 2012. According to the estimates of the SR Ministry of Finance the measure will affect 6 000 persons by the end of 2010.

21. Measure – Interest-free loans for thermal insulation of apartments and apartment and family houses

The measure includes the provision of interest-free loans to apartment owners and to apartment building administrators for thermal insulation covering 100% eligible costs of the structure, with a repayment period of 15 years. This form of support is conditional upon meeting standard requirements for drawing of public funds. The measure is aimed at promoting the demand in the construction sector in the period of cyclical decline, at increasing energy efficiency of the Slovak Republic and at reducing individuals' energy costs. The provision of loans is limited by the total volume of the funds allocated: €71 million. As of 12th August 2009, the State Housing Development Fund (SHDF) registered 202 approved applications for thermal insulation of apartment buildings, with a request for €45.4 million. Of these, 39 applicants have already been satisfied with a total amount of €8.5 million.

22. Measure – Introduction of the possibility to use flexible worktime accounts at firms

If in the period from 1 March 2009 to 31 December 2012 an employee cannot perform work due to serious operating reasons, the employer can, following the agreement with the employees' representatives, give such an employee time off, for which the employee will be paid a salary equal to at least the level of the basic component of the wage. If the obstacle to work ceases to exist on the employer's side, the employee is obliged to work for the time off previously given and without any claim to the salary already provided. The increased flexibility of worktime will enable the firms to adapt better to the cyclical downturn in economic activities, while the reduction in the worktime will help to avoid unnecessary redundancies of workers and related costs. Several companies, particularly those in the automobile industry, have confirmed in the media that they do use the flexible worktime accounts, but because of low accessibility to the corporate data it is not possible to provide comprehensive data on the number of companies, workers and balance of hours on flexible worktime accounts.

23. Measure – Support for loans of newlyweds

Since the 1st of April 2010 the state will support loans for newlywed couples provided by commercial banks in the SR. For at most one loan of at maximum €10 000, the newlyweds may apply for state support in the form of a



bonus on the interest rate in the amount of 3.0 percentage points, while the bank is obliged to reduce the interest rate by 1.5 percentage points. The interest rate will thus decrease during the loan repayment period by 4.5 percentage points. The joint income of the newlyweds may not exceed 2.6 times of the average monthly wage of an employee in the economy, which was €723 in 2008. If a loan repayment instalment is overdue more than 90 days, the applicant loses the claim to the state's support.



Implementation of measures in the NRP SR 2008 - 2010

The following chapter provides an overview of the most important measures implemented in Slovakia over the past 12 months. The measures are broken down according to key challenges. A brief introduction is given to each, followed by an outline of the measures. This comprises an identification of the problem and description of activities undertaken for solving the problem. The titles of the measures are shown in bold, allowing them to be identified in the appendix to the document, where an assessment of the completion of action plans is elaborated in further detail. The aim of the chapter is not to exhaustively detail all measures and tasks that the SR Government has carried out, but to focus on those whose results most contribute to economic growth and job creation.

Reaction to the European Council's recommendations

The introduction to the chapter is devoted to the SR Government's reaction to the European Council's recommendations of March 2009. After every three recommendations a list is made of those measures implemented over the course of the past year that have the aim of achieving progress in the given fields. The measures are not described in detail in this part; a detailed analysis of them is given in the later part of this chapter.

- **The European Council recommends Slovakia to carry out further measures for fiscal consolidation with the aim of maintaining macroeconomic stability and to concurrently continue in redirecting spending toward education, research, development and innovation, creating further stimuli for the private sector in research and development, in implementing a coherent research-development-innovation strategy with particular focus on institutional reform and significant improvement in cooperation between businesses and research.**

Fiscal policy in 2008 was influenced primarily by the effort to continue **consolidating public finances**, with the aim of ensuring their long-term sustainability. The public deficit in 2008 stood at 2.3% of GDP. Fiscal policy in 2009 is conditioned by the economic crisis and the need to stimulate the economy on the one hand, and by maintaining economic stability and sustainability of public finances on the other. The current estimate forecasts that the public deficit in 2009 will reach 6.3% of GDP, which reflects primarily the fall in revenues, expected due to the deterioration in economic development and the free operation of automatic stabilisers. The total fiscal imbalance in the economy at the level of 2.2% of GDP will have an expansionary effect on the economy. The main aim of fiscal policy is to restart with consolidation of public finances in 2010, where new fiscal targets will be presented in the framework of the draft general government budget for 2010 to 2012.

The SR Government is aware of the importance of the need for appropriate public **spending on education, research, development and innovation**. For 2009 public spending on education is planned to rise on a year-on-year basis by 14.6%, comprising an increase of 7.8% in spending on the regional education system and a 33.5% rise in spending on schools of higher education. Total spending on science and technology in 2009 from public sources should total €424 million, representing a 48% increase against the figure for 2008. A significant source of spending on science and technology is the Slovak Research and Development Agency, with a budget of €39.8 million, which has grown on a year-on-year basis by 23.9%⁵. Spending on research and development could be even higher than that budgeted, in consequence of the adoption of the *Act on Stimuli for Research and Development*. Proposed public spending for 2010 will be presented in the framework of the draft general government budget for 2010 to 2012.

A significant step made in the framework of **stimuli for the private sector in research and development**, where on the basis of the new *Act on Stimuli for Research and Development* and the related amendment to the *Income Tax Act* businesses as of August 2009 are provided with stimuli for research and development in the form of subsidies from the state budget and concurrently income tax relief [more information on the measure is given in page 19 and in the respective action plan].

⁵ According to the general government budget for 2009 to 2011.



Institutional reform in the field of research, development and innovation is realised primarily by means of the *New Model for Financing Science and Technology*, which introduces a new direction of the support of research and development. [page. 19]. **Significant improvement in the cooperation between businesses and research** should come from building up *Regional Innovation Centres* [page 17].

- **The European Council recommends Slovakia to introduce a comprehensive strategy for better legal regulation, to carry out an impact assessment and continually simplify applicable legal regulations, whilst intensifying the reduction in the administrative burden on businesses, particularly SMEs.**

In the framework of the agenda for better regulation a **system is being created for assessing the impacts of legislative measures**. The SR Government approved the *Uniform Methodology for Assessment of Selected Impacts* as a universal manual for assessing the impacts of legislative measures in May 2008. The deadline for the definitive launch of the Uniform Methodology is February 2010 [page 33]. In the framework of a **comprehensive assessment of the administrative burden and barriers in business and employment** specific measures for simplifying the administrative burden will be prepared by the end of 2009 [page 32].

- **The European Council recommends Slovakia to continue in implementing a strategy of lifelong learning in the framework of an integrated approach based on flexicurity and to continue in reforms in education and training systems with the aim of solving the mismatch between offered qualifications and labour market needs, to elaborate an active ageing strategy and to improve access to employment for long-term unemployed and disadvantaged groups.**

In February 2009 within the framework of **implementing lifelong learning** the SR Government approved the draft implementation of the European Qualifications Framework (EQF) for lifelong learning in the SR, in which it defined the next steps for its implementation. At present the draft Act on Lifelong Learning is in the legislative process [page 27].

The adopted *Act on Vocational Education and Training* improves the coordination of labour market needs with the content of vocational education and addresses the shortage of workers at employers in specific professions. The act creates space for **better link between the content of education with the needs of the labour market**, particularly through the entry of employers into vocational education at the level of secondary vocational schools and school facilities, and thereby also for raising employment and improving the development of a knowledge-based society [page 20].

In connection with the **active aging strategy** the SR Government Council for Senior Citizens, established in July 2000, is preparing an update to the *National Programme for the Protection of Older Persons* of 1999. Expert working groups focusing on lifelong learning and informatisation, the social issue, the health issue and on the field of social services provision have been created for drafting the programme's update.

The in-work benefit is aimed at **improving access to employment for the long-term unemployed**. The concept of the in-work benefit supplements the current tax system, operating on the principle of negative tax. It is expected that the in-work benefit will smooth the transition in incomes between unemployment and employment [page 29].



Cooperation with partners in the framework of the Lisbon Strategy

Coordination of structural policies among all relevant ministries and other relevant partners, i.e. employers, trade union organisations, the academic community, non-governmental organisations and regional and local authorities is ensured primarily by the working group for the Lisbon Strategy, which works under national coordinators and acts as an efficient instrument for accelerating, coordinating and monitoring the application of policies, objectives and initiatives of the Lisbon Strategy. The working group is an effective instrument for involving all relevant subjects into the process of the Lisbon strategy at an expert level. The working group regularly informs the Slovak Parliament of its activities by means of membership of the Council for European affairs in the working group and in the form of submitting documents for discussion to committees and to the plenum of the Slovak Parliament.

In the framework of interdepartmental comment proceedings regarding the implementation of the National Reform Plan of the SR for 2008 - 2010, similarly as in past years the Confederation of Trade Unions of the SR, the Confederation of Employers' Associations, the National Union of Employers, the Slovak Conference of Rectors, the Schools of Higher Education Council, the Accreditation Commission, the Slovak Academy of Sciences, all county authorities and the Association of Municipalities of Slovakia were addressed in 2009.

The Coordination Committee for Fiscal Aspects of the National Reform Programme of the SR also oversees the interconnection of measures with the general government budget, where this committee represents a cross-sectional working group at the level of secretaries of state of selected ministries and county authority chairpersons. The Committee formulates recommendations for the adoption of principal measures in the framework of coordinating macroeconomic and fiscal policy with the structural policies codified in the NRP SR and submits suggestions and proposals to the SR Minister of Finance.

Political engagement in the Lisbon Agenda is strengthened by the approach taken by the Government in the framework of which all documents of strategic importance, prior to their submission for discussion at a meeting of the SR Government, are discussed at the relevant government advisory bodies, such as the SR Economic and Social Council, the SR Government Council for Public Administration, the Ministerial Government Council for European Affairs. The Implementation Report has been submitted also to the SR Parliamentary Committee for European Affairs. Issues regarding the Lisbon Strategy are an ongoing subject of discussions at the Commission for a Knowledge-Based Society, chaired by the SR Government Deputy Prime Minister for a Knowledge Society, European Affairs, Human Rights and Minorities, in which the ministers of most SR ministries are represented.



Research, development and innovation

Emphasis on research, development and innovation is an essential prerequisite for building a knowledge-based society. In Slovakia, attention in this field needs to be paid particularly to the insufficient interlinking of the business and research sector and the need for institutional reform of science and technology. In order for spending on research and development to be efficient, a functioning institutional system must be in place. The creation of mechanisms motivating businesses in Slovakia to base their development on innovation and the concurrent stimulation of cooperation between the business sector and research and development organisations, or schools of higher education, increases the practical application of the outputs from research and development. In consequence of the increase in the competitiveness of innovating enterprises, there may subsequently be expected a growth in spending on further research and development.

In accordance with the European Council's recommendations measures have been carried out in the field of research, development and innovation over the course of the past 12 months, with the aim of redirecting spending on research, development and innovation, with a focus on applied and international research. Stimuli for the private sector in research and development have been introduced. At the same time the first steps have been made toward creating an innovation infrastructure in the regions, with the aim of supporting more intensive cooperation between the private sector, research and development organisations and schools of higher education.

Innovation

Raising the innovative activities of the business sector is a precondition to their operation on markets for products and services with higher added value. Raising research and development capacities in the business sector and also improving cooperation among businesses and state-sector research and development organisations (including the Slovak Academy of Sciences), the higher education sector and the non-profit sector is one of the objectives of the **Act on Stimuli for Research and Development** and of the **amendment to the Income Tax Act**.

On the basis of these acts, with effect from August 2009, **businesses have been provided stimuli for research and development in the form of subsidies from the state budget** and at the same time also income tax relief. A condition is to create a new research and development workplace within the enterprise, or expand an existing workplace, which will be active for 5 years following the end of receiving the stimuli. The act should contribute to raising the utilisation of outputs from research and development carried out by the public sector in economic practice, as well as to raising the mobility of research workers between state-sector research and development organisations, including the Slovak Academy of Sciences, the higher education sector and the non-profit research and development sector and businesses. Stimuli may also be provided for the temporary loan of high-qualified research and development workers from the public research and development sector.

A high degree of interconnection between research and development organisations and the business sector raises the innovation performance of the economy and raises the commercialisation of research and development outputs. The Government in the framework of promoting applied research **supports the transfer of knowledge between the academic and business sector and contract research for the needs of general government**. Stronger links between the academic sector (schools of higher education, the Slovak Academy of Sciences and departmental research institutes) and organisations carrying out applied research, development and innovation, and users, can be expected to lead to an expansion of the research-development and innovation base and to an improvement in the practical utilisation of outputs of research, development and innovation.

The transfer of technology and knowledge from research to practice is simplified by the institutionalisation of their cooperation. The Government is using finance from the Structural Funds for establishing institutions and units serving universities and research organisations for the transfer of technology and knowledge. The Government will support highly innovative firms by providing "risk capital" as returnable financial aid to businesses by means of the innovative financial instrument JEREMIE.



Raising the competitiveness of regions requires the institutional provision of innovation infrastructure in regions by **building regional innovation centres (RICs)**. Renewing and expanding the potential of innovative business by exploiting applied research and development, as well as developing businesses' cooperation with research, development and educational institutions in the regions and education of the workforce according to businesses' needs in industry contributes to the creation of the conditions for the establishment and development particularly of small and medium-sized innovative enterprises. These are focused in particular on the use of new production procedures and technologies and contribute to creating conditions for the creation of new and better jobs.

The first step in implementing the measure will be to draw up a feasibility study, which will deal with the functioning and financing of RICs according to the existing conditions in individual regions, with regard to the fact that the conditions for establishing RICs are not the same in all counties. Higher territorial units are eligible applicants and it is expected that 8 to 10 RICs will be created. For the first stage of establishing RICs a call has been prepared for the submission of applications for a non-returnable financial contribution from the *Operational Programme Employment and Social Inclusion*. The call is aimed at assessing project proposals for the management and implementation of approved national innovation strategies and policies at the level of county authorities and at assessing proposals for supporting capacities and human resources in this field. Aid will be provided in an amount ranging from €500 000 to €1 400 000.

Science funding

Increasing the importance of international scientific results in the funding of schools of higher education will affirm the importance of carrying out science and research at such schools. In the methodology for the allocation of subsidies from the state budget to public schools of higher education in 2009, greater emphasis (than in previous year) in the allocation of subsidies is now placed on outputs in research. A greater weighting is assigned to publications in registered scientific journals. In the calculation of the subsidy for carrying out accredited study programmes at a public university the share of performance in research is raised from 30% to 35% in the part wages and contributions.

A higher degree of involvement of PhD students in scientific project research teams, or in international cooperation will allow the quality of PhD study to improve. By means of a **new mechanism for allocating funds for PhD scholarships** the costs for the educational part of PhD study will be supplemented by a progressive increase in the share of funding for PhD scholarships from the Slovak Research and Development Agency on the basis of their active involvement. The creation of new places for PhD students will be solved with greater regard to the needs and also the possibilities of the PhD study provider.

The SR Ministry of Education has approved the decision that as of 2010 the allocation of new scholarship PhD places will take account of the involvement of PhD students in projects of the Slovak Research and Development Agency. The SR Ministry of Education will provide the Agency with data on approved projects in which PhD students participate, so that in allocating funds for PhD scholarships and in the schedule of new scholarship places, the participation of PhD students in projects of the Slovak Research and Development Agency will apply as one of the criteria.

International cooperation of PhD students and teaching-scientific workers with countries outside the European Union will be facilitated by a **programme for supporting the mobility of students, PhD students, university teachers and scientific workers**, which will be implemented by means of a change in the conditions of the National Scholarship Programme. The lower administrative burden and time demands of the approval process for priority mobilities with regard to measurable scientific results will contribute to raising the level of research and development at Slovak institutes of higher education and the Slovak Academy of Sciences, and to raising the level of education.

The new *National Scholarship Programme* will apply to students from the 2010/2011 academic year and will respect all the requirements of a modern scholarship programme, including the use of an online system for ensuring academic mobilities, the aim of which is to improve the efficiency of the administrative procedures and bring about an overall reduction in administrative costs.



Reform of science and technology funding is aimed at the creation and implementation of a system for supporting research and development on the basis of an assessment of their contribution to the economy and society as a whole. It will support primarily applied research and international scientific-technical cooperation, and will place emphasis on the use of the Structural Funds. Basic research will be supported without thematic limitation only on the basis of the criteria of scientific excellence.

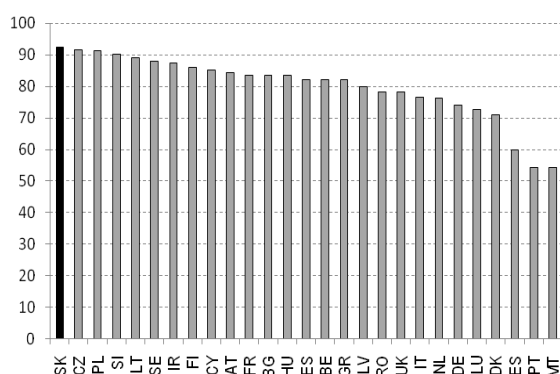
The direction of research and development support is contained in the *New Model of Science and Technology Funding*. This sets out the fields of the system of science and technology which will receive priority in the support from state budget funds and grant schemes for their support. In addition to this, it defines the criteria for supporting applied research, which will be provided by means of set priorities for applied research, defines the manner of monitoring and updating the state science and technology policy, as well as the manner of assessing the effectiveness of outputs from targeted support.

Education

Education is a basic precondition for success in the labour market and for the development of knowledge over the course of the life cycle. It creates the initial conditions for personal development and at the same time for the development of a knowledge-based society. With regard to the fact that there is a relatively high share of young people with completed secondary education in Slovakia and a growing share of university-educated people in the population year, it is necessary to focus on the quality of graduates and the relevance of knowledge and skills gained. Achieving improvement in the results of Slovak pupils in the international standardised PISA testing of 15-year-old pupils, achieving better interconnection of training and labour market needs, and achieving greater employability of the workforce over the course of the whole life cycle depends on the thorough application of the new principles adopted in the field of education and practice.

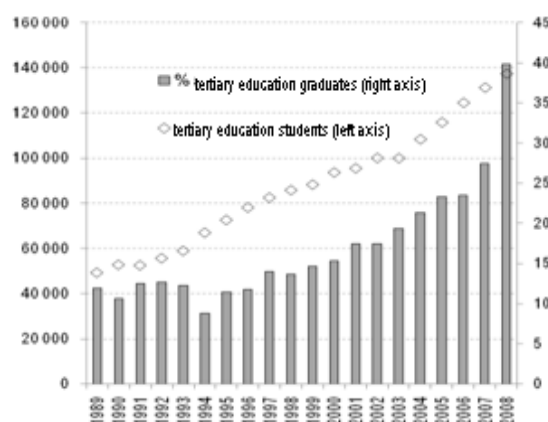
Over the course of the past year Slovakia continued in accordance with European Council recommendations in reforming the education system at primary and secondary school level and schools of higher education, and undertook steps towards redirecting spending to priority elements of the education system. In regional education measures were targeted at improving the knowledge and skills of pupils and at approximating vocational education and training to the needs of the labour market. New possibilities for raising the teaching capabilities of teachers at all levels of education will also contribute to a higher quality of the education process. Measures in the field of higher education concern in particular the supply side of education and simplification of access to quality study in Slovakia or abroad. Emphasis in assessing their quality is being shifted to the quality of graduates' knowledge and practical skills. Innovation in the accreditation process for education programmes of informal education and recognition of their results will further increase participation in lifelong learning.

Youth education attainment level (% aged 20 to 24, 2007)



Source: Eurostat

Number and share of tertiary education graduates in the given population year



Source: Institute of Information and Prognoses for the Education System, SR Statistics Office

Regional education system

For achieving better education results in the regional education system it is necessary to create a motivating environment. **Change in the motivations for achieving performance at the regional education level** was started by the Act On Education (the Education Act), the application of which began in the school year 2008/2009. Based on a two-level system of state and school education programmes, school education programmes are the means by which the schools and the pupils themselves can advance their education objectives in the education process.

The *Act on Vocational Education and Training*, passed in April 2009 has contributed to raising the relevance of vocational education at secondary schools for the needs of the labour market. It sets out the rights and obligations of all parties and it creates a motivating space for involving employers and employer associations, as



well as private investment capital in the system of vocational education and training. It motivates employers toward a more active approach also by means of a minimum 25% representation on the advisory bodies of the SR Ministry of Education for vocational education and preparation. It creates the conditions for the establishment of a functioning system of coordination in vocational education and preparation for the labour market by means of the establishment of the SR Government Council for Vocational Education and Training, of county councils for vocational education and training and a system of economic sector councils for vocational education and training.

The adoption of the new Education Act and the drafting of documents necessary for its implementation were defined by legislation, the aim of which is also to enable pupils to **improve reading literacy, numeracy and knowledge about the natural sciences in the case of primary and secondary school** pupils and to gain the necessary competences. The *State Education Programme* for each type of school places emphasis on the development of reading, mathematical and natural-science skills as a component of all taught subjects. The education standards of all subjects have been changed and this issue has been incorporated into them at a more detailed level than in preceding standards. Teacher training will increase the application of such teaching methods, which contribute to improving reading literacy, numeracy and knowledge of natural sciences (e.g. problem-based and project-based teaching, work with a text, work with instructions and work with graphs, tables, diagrams and maps, or creative writing).

An essential component of preparing pupils for their functioning in the information society has become the use of information-communication technologies (ICT). The importance of equipping schools with ICT, the use of educational software for the purpose of updating teaching materials and raising the ICT skills of pupils and teachers is reflected by activities developed in the field of the **informatisation of education, and the creation of innovative study materials**.

Innovation in the content of education and the teaching process has, since September 2008, been implemented by means of the *State Education Programme*, in the framework of which teaching in the subject informatics studies is guaranteed in the second to fourth years of primary school and the subject informatics in the fifth to ninth years of primary and secondary schools. Raising the abilities of teachers to use ICT is achieved primarily by means of national projects aimed at modernising the teaching process, as well as at teacher training in the subject of informatics. Schools can gain funding for purchasing ICT aids, as well as for the creation of innovative study materials and aids, by entering various calls for financing development projects.

One of the priorities in the framework of teaching curricula in recent years has been **support for the development of entrepreneurial skills and for acquiring basic knowledge about business and the economy at the secondary-school level**. The reasoning behind this is the recognition that the given skills represent not only preparation for actually pursuing business, but are relevant also for the overall development of the creativity and self-confidence of young people, because they raise their ability to succeed in the labour market. Pupils should understand in particular the essence of enterprise, have an idea about the basic legal, economic, administrative, personal and ethical aspects of private enterprise, learn how to plan, efficiently use resources, educate, identify and develop qualities, such as communication skills, assertiveness, creativity and resistance to stress, and how to look for and assess business opportunities.

The SR Ministry of Education has incorporated this issue into the state education programmes by creating an elective subject for all groups of study paths. The subject strengthens pupils' ability to creatively solve problems and their business capabilities. Heads of secondary school on the basis of a competence resulting from the *Education Act* are working to incorporate the issue into school education programmes by *September 2009*.

Raising literacy in the field of administering one's personal finances and using services and products provided on the financial market will also become a component of education. In connection with the need to **raise the level of financial education and general financial awareness**, a draft *Act on the Protection of Consumer Rights in the Financial Market* is currently under preparation, according to which an Academy of Financial Education will be established by April 2010. It will provide specialised education and perform tests of professional competence for performing licensed or registered activities on the financial market. In addition to this, it will ensure public financial education at the level of primary and secondary schools in the form of cooperation with the SR ministry



of education via preparing and updating curricula and materials in the form of expert, methodological and teaching assistance. At the level of schools of higher education it will oversee methodological and coordination activity. The consumer public will become more informed about individual financial services through the creation of an internet portal for financial services and financial consumer awareness.

In accordance with the objective of the *Strategy for Education in the Financial Field and Management of Personal Finances*, the Government in July 2008 approved the National Standard for Financial Literacy, drafted by the SR Ministry of Education, as the basic methodological material to serve for society-wide education in the field of financial literacy. It will be a component of state education programmes from the 2009/2010 school year. Also passed at the same time was the Model for Further Education of Teaching Staff in the Field of Developing Financial Literacy and the application of the standard for the need of educating adults depending on the target group. The SR Ministry of Education has likewise prepared a report on the content focus and state of readiness for implementing education aimed at developing financial literacy, which will be submitted to the SR Government in September 2009.

The creation of conditions for **supporting top grammar schools** focused on gaining general education and on education in natural and social sciences, irrespective of their founding body, will allow for each county to provide secondary education at top international level. Central government bodies and local authorities will help these schools to link into international networks and to cooperate with universities and research and development institutions. The aim of this measure is to support pupils' involvement in nationwide and international competitions, as well as to enable a higher number of teachers at top grammar schools to participate in foreign study stays in the framework of lifelong learning.

An analysis of the initial state of the values of output indicators for education at secondary schools has been made and provides the basis for setting the criteria for selecting top grammar schools. From this it results that it is necessary to complete the process of national projects aimed at systematising the evaluation of school quality and monitoring development trends in the primary and secondary education system. A relatively short period has passed since the implementation of the school curriculum reform, during which the education process has still been changing and adapting to changes in legislation. One of the prerequisites for the effective application of criteria in evaluating schools will be the identification of relevant measurable indicators and their notification to schools in sufficient time prior to the commencement of their application in assessment.

A high degree of motivation among teaching staff is contributing to raising the quality of education. The absence of a framework that would create a system motivating teaching and professional staff toward continual education and toward improving their professional competencies has led to the introduction of legislation arranging this issue. The **introduction of a career system in the professional development of teaching staff in the regional education system** will ensure that teaching and professional staff fulfil the professional and moral prerequisites and maintain their professional growth during practice by means of accredited education programmes for teaching and professional staff at all levels of the school system.

The *Act on Teaching and Professional Staff*, approved by the SR Parliament in June 2009 represents a set of rules for career progression and incentive-based appraisal. The act differentiates between new, independent teaching or professional staff and teaching or professional staff with a first or second attestation. At the same time it sets out a career system that ensures teaching and professional staff a salary progression in salary grades, the possibility of bonuses, as well as the provision of leave to attend education or undertake attestation tests. In the end result it motivates teaching and professional staff toward professional growth.

Schools of higher education

With regard to the fact that PhD students often do not have experience in the field of teaching, but nevertheless often remain at schools of higher education in teaching positions, **the creation of an education programme for PhD students focused on teaching skills** will contribute to improving the quality of the teaching process at schools of higher education.



In cooperation with schools of higher education a preliminary draft of standards has been drawn up in order to ensure teaching competence of PhD students, with the working title “Higher Education Teaching Course for PhD Students”. Experts from several universities will be involved in finalising the draft on standards as regards their content. In the framework of a call via the Agency for Structural Funds of the SR Ministry of Education, schools of higher education will be able to apply for funding. Calls for education programmes will be focused on the teaching skills of PhD students, where the content will be primarily the field of pedagogy, psychology, rhetoric, modern information-communication technologies, etc.

A precondition for raising the transfer of knowledge from abroad is the expansion of the **loan scheme for higher education**, which helps students bear higher education study and living costs during study, particularly abroad. A change of the parameters of the present loans system will allow students with permanent residence in the SR to obtain a higher loan for higher education study abroad.

The parametric changes of the loans scheme are based on a recent detailed analysis of the present loans system. The maximum level of the loan has increased so as to cover school fees and living costs, which in the most advanced countries are higher than in Slovakia. Next year the Government will consider introducing a universal loans scheme in which repayment of loans will be conditional upon the income of borrowers after completing their studies. A universal scheme will allow for a diminution in social scholarships, since the scheme will serve as compensation for them.

The creation of a flexible and administratively undemanding mechanism of granting visas and stay permits will simplify access of academically gifted students from third countries to universities in Slovakia. **Undergraduate study programmes for students from geographically and culturally close non-member states and study programmes for PhD students at schools of higher education** may also contribute to raising the number of qualified workforce and mitigate the effects of demographic changes in the labour force.

The programme will apply to students and graduates of Slovak schools of higher education from priority countries for selected study disciplines and levels of study. The following non-member states have been designated for the programme’s implementation: Belarus, Bosnia Herzegovina, Montenegro, Croatia, Moldavia, Serbia, Macedonia and the Ukraine. By means of diplomatic representative offices partners have been informed about the project and the possibilities for entering the programme. The SR Ministry of Foreign Affairs will monitor on an ongoing basis the reaction of these partners and the interest among students in such study.

Better availability of educational institutions offering quality higher education to students from all social layers will allow the arrival of foreign public schools of higher education with accreditation in a member state of the EU, of the European Economic Area (EEA) or the OECD in Slovakia. The attractiveness for their arrival will be increased by the possibility of public funding for branches of foreign public schools of higher education that have a standing in their home state similar to that of a public or state school of higher education in Slovakia. The amendment to the *Act on Schools of higher education*, which is currently in the legislative process, will **simplify the arrival of public schools of higher education with accreditation abroad**.

Among the main conditions that a foreign school of higher education must satisfy in order to apply for public funding will be the obligation that study programmes pass through the same approval process, accreditation and registration of certain internal regulations as at Slovak public schools of higher education. The Act on Schools of higher education will apply to the management of procedural and academic affairs, as well as to the granting of documents on education at foreign universities.

Introduction of the three-stage higher education in Slovakia has been preceded by an expanded access to higher education, enabling a high growth of the number of students at Slovak schools of higher education. The system of financing universities will be sustainable if it takes account of the abilities of schools of higher education to offer each level of higher education study and the quality of preparing human resources for the labour market. **Differentiation of schools of higher education into universities, institutions of higher education and professional institutions of higher education** and the related differentiation in higher education funding will be the result of an evaluation of the fulfilment of the respective criteria of a comprehensive accreditation.



In accordance with the Act of Schools of Higher Education, individual schools of higher education in 2008 and 2009 applied to the Accreditation Commission for a comprehensive accreditation. One of the results is a proposal for reclassification of a school of higher education, or confirmation of its present classification. At present, 26 comprehensive accreditations have been completed. Six schools of higher education have fulfilled the criteria for of a university, one will be included among professional institutions of higher education. Universities will be eligible to provide, in addition to first- and second-degree university education, also third-degree university education and will be eligible to apply for funding for university research and development. By 2010 the diversity of the mission of public universities as a result of their accreditation classification will have been taken into account in the methodology for allocating subsidies from the state budget to public universities for 2011.

The change of the accreditation process for universities, shifting the emphasis on to output indicators instead of input-focused criteria, will make the administratively and time-demanding process of accreditation of study programmes more efficient and will focus on assessing the quality of universities' activity.

The Slovak Republic is engaged in the Bologna Process, which influences the development of university education in the framework of countries involved. The European Association for Quality Assurance in Higher Education on the basis of a mandate from education ministers has drawn up *Standards and Guidelines for Quality Assurance in the European Higher Education Area*. These standards have particular recommendations for internal and external evaluation of universities, as well as the organisations that evaluate them. The SR Ministry of Education in the framework of an international project has prepared an analysis of the implementation of the standards in the Slovak Republic. Based on the findings and in accordance with the standards, further steps will be made in accordance with this measure in order to strengthen the internal mechanisms of university quality as well as to create a comprehensible and more transparent education environment.

The creation of **more flexible forms of management at schools of higher education** will make it possible to separate the academic and administrative management of universities without limiting the academic freedoms and autonomy of universities. The management system at universities, which will unburden university teachers and scientific workers from administrative acts and will create more room for performing their main activities: education, science and research, is focused on fulfilling targets expressed in measurable indicators and on fulfilling the mission of universities, i.e. education, science and research and the development of society and the region.

For the purposes of preparing the amendment to the Act Schools of Higher Education a matrix of responsibilities has been made covering all activities of public and private schools of higher education listed in the current wording of the Act on Schools of Higher Education. According to the effective wording of the act all internal management acts that are designated as an "internal regulation" in the statute of the school of higher education must be approved by the school's academic senate. The current draft amendment to the Act Schools of Higher Education brings greater flexibility to the management of public universities in that a school of higher education shall in its statute specify which internal management acts designated in the statute as an "internal regulation" are to be approved by the school's academic senate.

The need to stabilise the alarmingly low number of middle-aged university teachers, with the aim of averting a fall in the quality of education from the long-term perspective justifies the effort to **support demographic transition (generational exchange) at schools of higher education**. Improvement in the personnel policy toward expanding the possibility of employing scientific-teaching staff in the form of external lecturers, toward introducing the institute of visiting professors, or the institute of professorships of excellence, financed by the private sector, will be based on an analysis of the present state of human resources at schools of higher education.

By the end of 2009 the analytical study *Academic Career of Research and Teaching Staff at Schools of Higher Education in the SR and the Possibilities for Its Optimisation* will have been prepared, aimed at mapping the university environment in the field of human resources. A socio-economic and forecasting survey has been carried out, the results of which are currently being processed. The SR Ministry of Education will apply the conclusions and recommendations from the analytical study in its management practice.



With the aim of achieving a better performance of tertiary education graduates in practice, the purpose of students' first degree of university education, preparing graduates for performing an occupation, will be taken into account in forming the criteria for the accreditation of first-degree university education study programmes. By means of **supporting profession-oriented higher education study programmes at bachelor's degree**, the mandatory outplacement of students to gain practice in the respective field will be introduced, together with the participation of employers in the preparation of students for the labour market.

On the basis of an update of the system of study disciplines in SR, which will be undertaken with the involvement of employer representatives, the requirements for first-degree tertiary education graduates will be defined by the end of 2009, and legislative amendments will be proposed for supporting the financial co-participation of commercial companies in financing higher education study. It is estimated that half of bachelor study programmes will fulfil the criterion of profession orientation.

The change to the system of university financing will be focused on measurable results of the education process (results in standardised tests, success in the labour market, etc). **A change in the motivation for performance achievement in higher education** will be based on the fact that part of funding will be allocated by means of more transparent mechanisms. At present, quality is taken into account in university funding from the aspect of the qualification structure of university teachers and indicators expressing the university's success particularly in research and development (the number of publications, sum of funds gained from grants, etc).

In 2008 account also began to be taken of the rate of registered unemployed graduates. The quality of a graduate can be identified indirectly by means of employers' satisfaction, by means of the need for additional training after recruitment, income achieved, the graduate unemployment rate, etc. With the aim of identifying indicators of quality of higher education provided, support in the framework of university development projects will be provided for projects implementing quality management at schools of higher education, and this not just for education activities, but for all activities conducted at schools of higher education.

The integrated vision of the future of higher education in Slovakia will be covered in a document dealing with all aspects of education policy in higher education and its relationship to scientific research, innovation and employment. The aforementioned measures will form this document. The SR Ministry of Education is planning to present the **long-term objective for universities** as a strategic material presenting the future direction of higher education in Slovakia in December 2009.

Lifelong learning

Progress in the field of the **accreditation of educational programmes of informal education and recognition of the results of informal education** by means of introducing standards for the content and quality of education programmes of informal education and educational institutions will contribute to raising people's employability throughout their active life and to raising labour market mobility. The systematic evaluation of educational institutions will create a system of recognition of the results of informal education and will enable improvement in the quality of informal education provided. At the same time knowledge, skills and abilities for individual qualifications will be identified as a reaction to the changing requirements of the labour market.

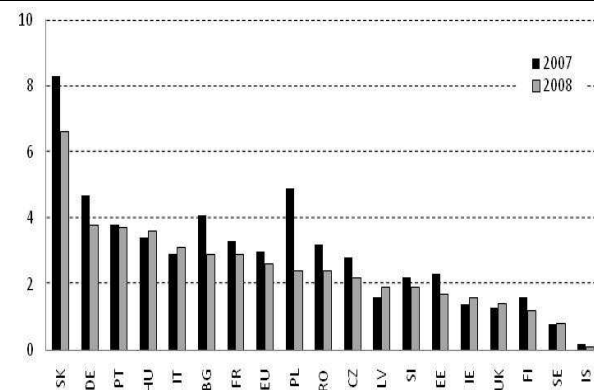
The accreditation process for informal education programmes has been innovated, standardising the accreditation application form and introducing an electronic version. It improves the efficiency of the system of professional assessment of the projects of educational institutions applying for accreditation. In the framework of recognising the results of informal education the SR Government in February 2009 approved the *Draft Implementation of the European Qualifications Framework (EQF) for lifelong learning in the SR*, in which it defined the next steps for its implementation. The EQF will significantly contribute to the recognition of the results of education acquired during practice, because it makes it possible to compare and recognise qualifications obtained in individual European systems of education and professional training.

Employment

The situation on the labour market for most of 2008 was characterised by a continuing rapid fall in unemployment and high growth in employment. This positive development, however, managed to only partially mitigate the long-term persistent imbalances in the labour market. The long-term component of unemployment remains particularly high; in 2008 long-term unemployment fell by 1.7 percentage points to 6.6% from 8.3% in 2007. The unemployment rate of persons with only primary education in 2008 fell by 5.3 percentage points to 39.3%, but remains substantially higher than in other groups. Regional imbalances were reflected also in the rate of unemployment, which in the Banská Bystrica county is more than five times higher than the figure for Bratislava county. With regard to the structure of unemployment, the challenges ahead remain the need to interlink the education system with the labour market and to solve regional imbalances.

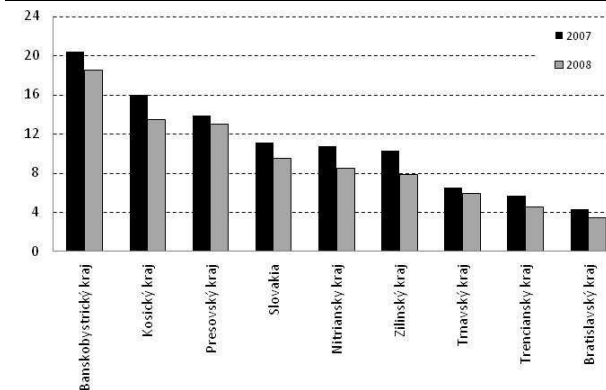
In accordance with the European Commission's recommendations⁶ the SR Government has adopted employment-support measures targeted at integrating the long-term unemployed in the labour market, at improving the structure of education for economically active persons and for strengthening the interconnection of education with the demand for workforce and with requirements for skills, and as well as measures aimed at reducing regional differences by supporting workforce mobility.

Long-term unemployment rate in EU (% , 15-64)



Source: Eurostat

Unemployment rates in the SR by county (%)



Source: SR Statistics Office, Labour Force Survey

Flexicurity

The main pillar of the SR employment policy solution is the creation of a **National System of Flexicurity**, which will support the creation of more and higher quality jobs, modernise labour markets and improve working conditions. A functioning system of flexicurity will also enable employers and employees to better adapt to the changing needs of the economy and to the challenge posed by restructuring in the organisation of work. Application of the uniform principles of flexicurity⁷ and the creation of a National System of Flexicurity requires the elaboration and thorough analysis of all four components of flexicurity and of the eight common principles agreed in the EU in the context of Slovakia's labour market into action measures and activities, as well as their effective implementation.

An analysis currently under preparation and looking at the internal and external flexibility and the security of employment relationships will make it possible to identify an optimal legal model for working time flexibility and consider legal provision for a new category of "economically dependent employees". The results of the analysis will be of use in formulating measures for the functioning of a socially appropriate, motivating and long-term financially sustainable system of social protection. At present a comprehensive analysis

⁶ COM(2009) 34/2

⁷ COM(2007) 359



is being prepared of the efficiency of programmes in active labour market measures. The analysis will provide the foundation for creating a system of evaluation, which will help raise the effectiveness of active labour market measures applied and help target them better.

The SR Government in April 2009 approved the *National Gender Equality Strategy*, the basic objective of which is to create a better environment for achieving gender equality in all fields of social life. The strategy should lead to a higher rate of employment among women and enable them to achieve better representation, particularly in management positions. The expansion of preschool facilities will also prevent discrimination of parents with small children and other disadvantaged groups in the labour market.

Long-term unemployment

The contribution for supporting the employment of disadvantaged jobseekers as a new tool of active labour market policy is aimed at **integrating the long-term unemployed in the labour market**. The application of this instrument will facilitate access to employment for disadvantaged jobseekers by providing assistance in finding employment, supporting their training for performing work activities, supporting their recruitment and supporting them in keeping a job. The measure will increase the motivation and ability of long-term unemployed persons to find employment and will also increase their attractiveness for employers.

The implementation of active labour market measures in the framework of the *Operational Programme Employment and Social Inclusion*, for which €64 million in 2009 and a proposed €68 million for 2010 have been allocated from the ESF funds and the state budget, will also have a positive effect on reducing long-term unemployment. The SR Ministry of Labour, Social Affairs and the Family forecasts that it will provide support for approximately 270 000 jobseekers, i.e. jobs created or supported by means of active labour market measures annually.

In the case of disadvantaged jobseekers often the problem is not simply a question of an absence of qualifications, but also a lack of interest in working for a low wage, and therefore they become recipients of social benefits. A reason for this is also the relatively high tax and social contributions burden on low-income groups, which diminishes the attractiveness of work in comparison with the level of social benefits. In the case of older age groups an important role is also played by unsuitable education and little interest on the side of employers in employing such older workers. The **in-work benefit** should help raise the motivation to seek employment and at the same time stay in the labour market over the long-term even in the case of an employment income at around the level of the minimum wage. The concept of the in-work benefit supplements the current tax system, operating on the principle of negative tax. Income from employment lower than a set threshold is supplemented by a state transfer to the employee in a maximum amount of €83.25 per year, which on 1.3.2009 was increased to €181.03 per year in the framework of a package of anticrisis measures for the period 2009 to 2010. It is expected that the in-work benefit will smooth the transition in incomes between unemployment and employment and that the higher disposable income in the case of low-income groups will raise the rate of labour market participation.

Education and training for the labour market

Measures for **improving the quality of labour resources for the labour market** are aimed at solving the mismatch between employers' demand-side requirements and the education structure on the supply side of the labour market. Educating jobseekers and employees in a targeted manner according to employers' needs and requirements will increase their attractiveness for employers and thus their ability to gain employment. Of importance in this regard is also the *Information on Forecasting of Labour Market Needs and Skills Requirements* prepared by the SR Ministry of Labour, Social Affairs and the Family, which contains a detailed analysis and forecast of the development of demand for labour in the SR until 2020, broken down by sector, county and education. National projects currently being prepared focus on ascertaining employers' needs and forecasting labour market needs and on the *National Schedule of Occupations*, which will enable access to detailed information on the labour market (employers' current needs, description of occupations and requirements for them). Higher quality forecasting of qualification needs of the labour market will help better link employers' requirements and vocational education and labour market training in the framework of active labour market policy.



The findings of employers' needs will be applied in practice also in the framework of the National Project of Education and Training for the Labour Market. An analysis of the effectiveness of education and training programmes for the labour market as a component of the active labour market policy is carried out every six months.

The adopted *Act on Vocational Education and Training* improves coordination of labour market needs with the content of vocational education and solves the shortage of workers at employers in specific professions. The act creates space for **better link between the content of education with the needs of the labour market**, particularly through the entry of employers into vocational education at the level of secondary vocational schools and school facilities, and thereby also for raising employment and the development of a knowledge-based society [more on page 20].

A barrier to the dynamically responsive structure of the supply of human capital in relation to demand remains the low level of lifelong learning. A uniform **system of lifelong career counselling** will enable all groups of the population to obtain comprehensive information about the possibilities of education and its application in the labour market throughout their life. The system will enable the correct orientation of individuals in selecting the type and level of education in relation to a job and thereby improve their ability to gain employment in each phase of their life cycle. The creation and implementation of legislative conditions for the operation of a system of lifelong career counselling is currently under preparation.

Workforce mobility

A major barrier to regional mobility of the workforce is the lack of rented housing in Slovakia⁸. A particular challenge is the practical absence of a private market in rented housing, which limits the possibilities to gain employment in other regions and thereby reduce regional differences in employment. The *White Paper on State Housing Policy to 2015* currently under preparation will, in its support for housing, place greater emphasis on **raising workforce mobility**, in particular by disentangling state funding from supporting home ownership, and thereby enabling a more flexible adaptation of individuals and families to labour market needs. The White Paper is aimed also at raising the social targeting of housing policy, in particular by supporting low-income working and socially at-risk groups. In the framework of the State Fund for Housing Development funds have been transferred from supporting home ownership to the construction of rented housing.

⁸ OECD (2009), *Economic Survey of the Slovak Republic 2009*, www.oecd.org/eco/surveys/slovakia



Business environment

A favourable business environment is the initial condition to long-term competitiveness and growth of any market economy. Over recent years the business environment in Slovakia has improved in many fields. The most significant qualitative changes have been put into practise in the economy's openness to foreign businesses and in the tax field. The business registration has been simplified, the availability of credit has improved and compliance with the ethical principles of business has been strengthened.

In certain fields such as law enforcement and the capital market results have been less successful. The SR Government in cooperation with local authorities will therefore continue in efforts to decrease burdens and barriers in doing business and will support the creation of clear and stable rules. The period 2009 - 2013 furthermore provides Slovakia with an opportunity in the form of drawing finance from the Structural Funds, which will be used for improving the efficiency of infrastructure supporting business.

Measures of the NRP SR 2008 - 2010 are aimed at the informatisation of society, better regulation and reducing the administrative burden, improving law enforcement and the transport infrastructure, whereby particular attention is paid to SMEs.

Informatisation of society

The informatisation of general government will be of significant benefit to individuals, businesses, state administration and local government, because it will reduce unproductive time lost in arranging official matters, will minimise error rates, eliminate duplication of the same acts. An individual or business will be able to arrange official matters at a single point, or directly from home or office via a computer. Data will be requested from users only once. Public administration will be more efficient, transparent and be free of redundant paperwork thanks to a gradual transition to a fully electronic form of document processing and communication. This transition naturally reduces also costs and the scope for corruption.

An important step toward building electronic general government in Slovakia is the successful implementation of the first priority axis of the *Operational Programme Information Society (OPIS)*, which was commenced with the announcement of public procurement for drawing up five feasibility studies. The feasibility studies are presently at various stages of preparation. The specific output will be the announcement of the first 17 calls for projects. An important step in the **informatisation of public administration** was the adoption of the *National Strategy for Information Security in the Slovak Republic*, which creates the conditions for strengthening information security and personal data protection.

The SR Ministry of Finance evaluated and approved the White Paper for the Development of Information Systems of Obligated Entities, which is the basic strategic document in the field of the development of general government information systems aimed at the digitisation of sections of government in accordance with their defined competences and architecture of the integrated general government information system defined in the *National Strategy for the Informatisation of Public Administration*.

The most important component of the informatisation of general government is the **thorough implementation of electronic register services and their mutual interconnection**, which is the expected resultant effect. A precondition for its implementation is the approval of the *Edict on Standards, Supplemented by Data Standards for Data Exchange between Cooperating General Government Information Systems*. This edict creates the conditions for general electronic access to basic public services with mutually interconnected registers.

An important condition in the informatisation of society is also a high-quality and affordable information and communication infrastructure. Broadband internet access should be made possible for every citizen, where possible at home, but also in public places. There has been a significant expansion in the number of households connected to the Internet by means of mobile networks, which increases access among the population to the internet. Overall coverage in Slovakia, nevertheless, is relatively low. A cause of the low penetration of broadband



access in Slovakia, besides the small offer of quality electronic services, is also the insufficient development of access networks in rural areas.

The objective of **increasing the availability and support for broadband infrastructure** is therefore to support private sector investment in developing broadband network access infrastructure. Development of access networks in rural areas will be significantly improved by the implementation of the third priority axis of OPIS, which will support activities for stimulating households' demand for broadband technology. A feasibility study, which is prior to completion, maps out the construction of broadband infrastructure, the portfolio and availability of services, draft standards and methodologies pursuant to the requirements of the Structural Funds and legislative regulation. The following step will be to issue the first calls for the submission of projects for the third priority axis of the Operational Programme Information Society. The first call for demand-oriented projects is planned for September 2009. Calls for national projects will be announced in the first half of 2010.

An important factor of informatisation is also electronic communication, which creates the basic conditions for businesses, public institutions and citizens to access modern electronic communication networks and services in the framework of the national and worldwide information and communications infrastructure. The SR Government in May 2009 approved the *National Policy for Electronic Communication for 2009 – 2013*. The national policy sets out the strategy for the development of electronic communication networks and services in Slovakia, particularly in the field of harmonising the regulatory framework, the development of competition, use of the frequency spectrum, privacy protection and security, crisis management and critical infrastructure, international co-operation and development of innovative services.

A component of the informatisation of society is also the gradual changeover to electronic public procurement. The realisation of all tasks in the framework of the measure **reform of public procurement including the broad expansion of e-procurement** has not required new legislative amendment, since the field of electronic communication has already been arranged in the transposition of European legislation into national legislation. The system of electronic public procurement has been extended to include certain functions that have expanded the possibilities of its use. Further functions will be added to the system on an ongoing basis.

Better regulation and a reduction of administrative burden

The regulatory environment in which businesses operate represents a key factor in their competitiveness, economic growth and possibility to create jobs. Therefore it is important to ensure in the field of business that the regulatory environment is both simple and concurrently of high quality.

The transposition of the Directive on Services in the Internal Market, which all Member States are obliged to transpose by the end of 2009 should help to reduce the administrative burden, or legal barriers to businesses and to strengthening competitiveness in the field of service provision. One of the projects of the Directive on Services in the Internal Market is the establishment of **one stop shop (OSSs) for businesses**. The initial document for the creation of OSSs in Slovakia is the White Paper on the Establishment of OSSs in the SR from 2006.

The prevailing majority of subjects in Slovakia pursue business as sole traders (entrepreneurs) on the basis of a trade licence, granted by trade licensing authorities. Therefore in the first stage it has been decided to create OSSs for entrepreneurs operating on the basis of a trade licence. OSSs have been established at all trade licence offices in the competence of the SR Ministry of the Interior, and they began operation in October 2007. OSSs enable entrepreneurs to arrange at one point, mainly in the case of starting business, the affairs necessary not only for obtaining a trade licence, but also affairs in relation to other institutions, without contacting these institutions. OSS services for EU citizens are provided at eight trade licensing authorities at county authority central offices.

At present work is under way on the second phase, in the framework of which OSSs will be created for other service providers of various orientations that are not entrepreneurs, and therefore are not subject to the Trade Licensing Act regime. These businesses will be served by OSSs seated at trade licensing district authorities at county authority central offices. The legal framework for realisation of the second stage of OSSs as well as for



implementation of the whole directive is formed by the *Draft Act on Services in the Internal Market*, which is presently in the legislative process. Over the course of 2009 activities have been focused also on ensuring the technical realisation of the measure (2nd stage of OSSs). The range of acts that can be carried out at OSSs will be expanded when access from all OSSs to commercial registers is established. Information on conditions for pursuing business in approximately 300 various services in Slovakia will be published on the OSS portal.

A component of fulfilling the agenda for better regulation in Slovakia is the **comprehensive assessment of the administrative burden and barriers in business and employment**, which is being realised on the basis of the *Action Programme for Reducing the Administrative Burden in Business in the SR* from 2007. The objective of the programme is to measure the administrative burden in the SR, adopt measures to reduce it, and thereby create a better and higher-quality business and regulatory environment. The action plan sets out specific procedures and the timeframe for achieving the national objective of the SR, which is to reduce the administrative burden resulting from national legislation by 25% by 2012.

In the first stage of the programme's realisation tools have been prepared and conditions defined for measuring the administrative burden. In the framework of this stage a selection of legislation has been prepared in cooperation with business confederations and associations, containing the legislation which represents the greatest administrative burden for them. In the second phase of the programme the information duties resulting from the identified set of legal regulations was mapped out and at present a selection from these information duties is being finalised, which will then be the subject of measurement of the administrative costs and the administrative burden will be determined. In September 2009 the measured administrative costs was assessed and the administrative burden was quantified. Subsequently the project will move on to the third phase, in which measures will be formulated for simplifying the fulfilment of information duties. A *Report on Proposed Recommendations and Improvements* will be prepared by the end of 2009. Only the implementation of these recommendations will have the consequence of reducing costs and the administrative burden in connection with the fulfilment of information duties by entrepreneurs and businesses in Slovakia.

In the framework of the agenda for better regulation the **creation of a functional system of assessing the impacts of legislative measures** is also under way, which is expected to contribute to the introduction of more effective and efficient regulation into practice. The SR Government in May 2008 approved the *Uniform Methodology for Assessing Selected Impacts* as a universal manual, which is based on European Commission documents and is adapted to the legislative environment of the SR. The testing of this methodology began in autumn 2008, when in the framework of a pilot project it was applied to acts under preparation still prior to their submission for interdepartmental comment. The pilot phase of the project, with regard to the need to expand the range of tested materials submitted for discussion to the SR Government was extended to November 2009. Therefore the deadline for the definitive introduction of the uniform methodology was also postponed to February 2010.

A reduction in the administrative burden on subjects in the field of the tax and customs agenda and in the collection of social security contributions should be achieved by **reform of the tax and customs administration, unification in the collection of taxes, customs and social security contributions**. Realisation of the measure will contribute to an improvement in the efficiency of the activities of the tax and customs administrations primarily by reducing their own costs, by removing duplication of activities and by increasing effectiveness in the collection of state revenues. The reform is being realised by means of improving the efficiency of the system of management, by creating a new model of the organisational structure, by merging the tax and customs administrations, as well as by optimising processes. The reform is based on the *White Paper for Reform of the Tax and Customs Administration with a View to Unifying the Collection of Taxes, Customs and Social Security Contributions*, which was approved by the SR Government in May 2008.

At present preparations are under way at the affected organisations for the transfer of competences and unification of collection and for harmonising procedural matters. The acts necessary for realising reform of the tax and customs administration as at 1.1.2012 are currently in the legislative process (*the Act on Central Government Bodies in Customs* and the *Act on Central Government Bodies in the Field of Taxes and Fees*), which is the cornerstone of the whole process for unifying the collection of taxes, customs and social security contributions.



Activities have also been started on realising the feasibility study for unifying the collection of taxes, customs and social security contributions. Processes at tax bodies and at the customs administration are being updated and unified by means of procedural models, whereby the basis is being created for the uniform application of processes by staff and for the removal of duplication in processes.

Small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) play an important role in creating new job opportunities and act as an important factor in the social stability and economic development of every country, and its individual regions. It is on these premises that the **Medium-Term Strategy for the Development of Small and Medium-Sized Enterprises for the Period 2009 – 2013** is founded, and which the Government should approve in the coming period. The strategy defines the tools and procedures for eliminating weaknesses in the business environment of SMEs, as well as tools for supporting entrepreneurship. The strategy's measures have also responded to the current economic crisis and their implementation has been realised in the framework of a package of measures for dealing with the crisis. These measures for supporting SMEs should make a significant contribution to supporting the development or maintenance of a favourable business environment, to preventing secondary insolvency and to improving the availability of spare funds for SMEs, entrepreneurs and self-employed persons. Measures for supporting SMEs at the time of the economic crisis have already been implemented, though it will be possible to quantify their effects only later.

Greater transparency

Transparency of economic processes is one of the basic conditions for economic growth and an essential precondition for ensuring the legality and responsibility of general government. Greater transparency reduces the scope for corruption, which prevents efficient public services and raises the costs of public transactions.

The existing markets of secondary school and university education, health insurance, social care provision, banking and loan products, telecommunications and utilities are characterised by a low degree of transparency, significant information asymmetries and a high degree of monopolistic competition. It is with the aim of **improving the transparency of highly regulated markets** that obligations are being introduced to collect, process and publish in a clear and comparable form for the public, other payers and for regulatory bodies information necessary for the efficient functioning of highly regulated markets.

In April 2009 a *Report on the Functioning of the Electricity Market and on the Functioning of the Gas Market in the SR* was prepared, which states that electricity and gas market players shall fulfil on an ongoing basis duties resulting to them from generally binding legal regulations in the field of providing information. In the coming year the duty to collect, process and publish in a clear and comparable form for the public, other payers and regulatory bodies information necessary for the efficient functioning of highly regulated markets will be introduced. In education and healthcare this will concern primarily comparable information on the quality of education or care, while in the banking, loan and telecommunications markets and in utilities this will concern the disclosure of comparable data on fees, total costs and unit prices.

Improving the efficiency of handling public funds and improving the quality of public services by means of the realisation of public-private partnerships requires optimisation of the legal environment. An *Analysis of legal regulations in relation to the feasibility of public-private partnership projects in the Slovak Republic and the draft legislative measures in the PPP field* has identified certain legislative barriers to the realisation of PPPs and proposes measures for removing them. **Two methodological documents in the field of PPP**, which the SR Government approved in July 2009, will also contribute to improving transparency. All central government bodies and sponsors of PPP projects which receive consultation and financial support from the Technical Assistance Scheme for PPP are obliged to comply with both methodological documents.

The first methodological document *Content and Requirements for a Feasibility Study and Public Sector Comparator* sets out the compulsory requirements of a feasibility study for a PPP project. A feasibility study is a document that analyses the financial, technical and legal feasibility of a project and is drawn up prior to



commencing public procurement of a private partner. The document at the same time describes also the manner of assessing whether a project's realisation in the form of a PPP will provide better value for money for the public sector in comparison with its realisation in the traditional manner, and this by means of the "public sector comparator" financial model. The second document *Procedure in the Preparation and Realisation of a PPP Project and the Control Process* provides step-by-step instruction for the preparation and realisation of PPP projects. The aim is not merely to describe the requirements under existing legislation, but also to describe the procedural aspect of preparing projects.

Law enforcement

Shortcomings still persist in the field of the judicial system and relate to the present state of law enforcement, to the transparency and efficiency of the judicial system and last but not least also the inappropriate degree of informatisation in this field. It is expected that **informatisation of the judicial system** will create an information system for the electronic judicial system for communication with citizens and the development of a judicial information system for electronic services. In the framework of the informatisation of the judicial system, filings at court, court proceedings and court registries will be conducted electronically. In the past year progress has continued in electronic filings at court, which is partially done in the form of electronic submission of a document to court. The coming year will see the creation of a portal for receiving electronic documents. In 2008 the amendment to the *Civil Court Code* also entered into effect, strengthening electronic communication between the court and parties to proceedings.

Transport infrastructure

A basic condition for faster development of backward regions is that of ensuring their better accessibility by means of primary and motorway road networks and the creation of an integrated connection across the country between, Bratislava, Zilina, Banska Bystrica and Kosice. **Intensive construction of motorways and high-speed communications** is financed from public funds (operational programme transport 2007 - 2013 and the state budget), from fee-charging for selected infrastructure (electronic system of toll collection), and uses PPP-based cooperation between the public and private sectors.

In connection with the implementation of an electronic system of toll collection, a contract for the supply of an electronic toll collection service was signed in January 2009. At present the construction of tollgates is being prepared, which will serve for checking the collection of fees for using motorways and other selected roads. The electronic system of toll collection will be put into operation on 1 January 2010.

There has been some delay in the realisation of motorway construction by means of PPP projects. Realisation of the projects is preceded by selection of the winning bidder, signing of the concession contract and financial conclusion. A winning bidder has been selected for all three project packages. So far two concession contracts have been signed, for the first package of projects for the motorway D1 Dubna Skala – Ivachnova, Janovce – Jablonov, Fricovce - Svinia and for the second package of PPP projects for the high-speed road R1 Nitra – Tekovske Nemce and the northern bypass around Banska Bystrica. It has not been possible to conclude a concession contract within the originally planned deadline for the third package of PPP projects for the motorway section D1 Hricovske Podhradie - Lietavska Lucka - Visnove - Dubna Skala with the feeder road Zilina – Lietavska Lucka. In consequence of the global financial crisis it was not possible to financially conclude in August 2009 the second package projects, on the basis of which the R1 high-speed road is to be built.



Climate change and energy

The EU has adopted ambitious commitments in the fight against climate change, for adapting to the effects of global warming and for supporting renewable energy sources. The objective is to transform economies to low-carbon and ensure security of energy supplies. An important step will be the December the conference of the UNFCCC⁹ in Copenhagen, where the EU is prepared to achieve an ambitious agreement on financing the effects of climate change. The EU will also push for a significant increase in funding for a reduction in greenhouse gas emissions, for adapting to the irreversible effects of global warming and for cooperation in the field of technology and capacity building.

The SR Government fully identifies with the tasks defined at the European level. The objectives set are thought to be an appropriate fundamental and comprehensive response to the global challenges resulting from the adverse consequences of climate change. Among the most ambitious targets is particularly the field of renewables use, where Slovakia is to achieve as much as a 14% share of renewables in final energy consumption by 2020, which represents an increase of approximately 7 percentage points in comparison with the present state. It will be necessary to make significant efforts to comply with the limit on emissions of those greenhouse gases not included in the emission quota trading scheme within the EU.

Several important measures have been adopted in the field of **supporting renewables**. Of particular importance is the approval of the *Act on Support for Renewable Energy Resources and for High-Efficiency Cogeneration of Electricity and Heat*. The act has been effective since 1.9.2009 with the exception of certain provisions which enter into effect on 1.1.2010. The aim of the act is to make better use of primary energy resources in energy supply by means of high-efficiency cogeneration of electricity or mechanical energy and heat, with a resultant reduction in greenhouse gas emissions.

The new act comprehensively arranges support for power generation using high-efficiency cogeneration and support for generating energy from renewables. A priority is to achieve savings in primary energy, to prevent network losses and to reduce emissions, particularly of greenhouse gases. The act provides for the same form of support for renewables and high-efficiency cogeneration. Utilisation of power and heat generated by cogeneration and from domestic renewable sources makes a positive contribution also to security of energy supplies. The act also optimises the functioning of the electricity market in the field of renewables and cogeneration of heat and power. It creates a stable economic and administrative environment and concurrently removes the barrier to the short guarantee of prices which had caused low growth in the share of power generation from renewables. Guarantee purchase prices over a 15 year period for electricity means support for the construction of facilities and will also have a positive impact on the possibilities for investing in power generation technology for small and medium-sized enterprises, thus contributing to regional and local development.

The programme for greater use of biomass and solar power in households, which is aimed at supporting the installation of biomass boilers and solar collectors for heating and hot water for houses and apartments, will also contribute to raising the share of renewables in energy generation. The support is realised by means of a subsidy, which represents a significant stimulus for installing facilities that are environmentally friendly and help fulfil objectives in the field of renewable energy and a greenhouse gas emissions for 2020. In total €8 million has been set aside for the programme's realisation, in the framework of a set of measures for countering the effects of the financial crisis. The programme should support the installation of biomass boilers for approximately 2500 households in family houses and the installation of solar collectors for 3300 households in family houses and 6700 households in apartment buildings.

In the interest of reducing the energy intensity of buildings for housing – family houses and apartment buildings - the SR Government has approved a **programme of heat insulation for buildings**. The programme will provide interest-free loans for insulation in the amount of 100% of eligible costs. Realisation of the programme, besides

⁹ United Nations Framework Convention on Climate Change



the significant energy savings, will contribute to offsetting the consequences of the economic crisis, and therefore we have focused on this measure more detail in the chapter Anticrisis Measures of the SR Government.

The SR Government recognises the urgency of transforming its economy to a low-carbon and less energy-intensive economy, and therefore it views the creation of a comprehensive national strategy in the framework of the **climate-energy package** as one of its core priorities. A key document in this field will be the *Draft Measures for Implementation of the Climate-Energy Package in the Slovak Republic*, which will be submitted for discussion to the SR Government by the end of November 2009.

APPENDIX 1 – Monitoring indicators for the Lisbon Strategy of the SR

Set of indicators for monitoring the fulfilment of tasks in the SR NRP						
Macroeconomic framework		2004	2005	2006	2007	2008
0.1 Real GDP growth rate (% change on previous year, at 2000 constant prices)	EU 27	2.5	2.0	3.2	2.9	0.9
	SK	5.2	6.5	8.5	10.4	6.4
0.1.1 GDP per capita (GDP per capita, PPP, EU 27 = 100)	EU 27	100	100	100	100	100
	SK	57.1	60.3	63.5	67.0	71.8
0.2 Growth rate of real labour productivity (% change GDP per employee, ESA)	EU 27	1.8	1	1.5	1	-0.1
	SK	5.4	5.1	6.1	8.1	3.5
0.2.1 Labour productivity per person employed (in % GDP per employee, PPP, EU 27 = 100)	EU 27	100	100	100	100	100
	SK	65.5	68.5	71.5	75.0	78.9
0.2.2 Labour productivity per hour worked (in % of GDP per hour worked, PPP, EU 27 = 100)	EU 25	100	100	100	100	-
	SK	63.7	65.3	67.7	70.8	-
0.3 Inflation rate (in %, HICP)	EU 27	2.0	2.2	2.2	2.3	3.7
	SK	7.5	2.8	4.3	1.9	3.9
0.4 Public balance (in % GDP)	EU 27	-2.9	-2.4	-1.4	-0.8	-2.3
	SK	-2.4	-2.8	-3.5	-1.9	-2.2
0.5 General government debt (in % GDP)	EU 27	62.2	62.7	61.3	58.7	61.5
	SK	41.4	34.2	30.4	29.4	27.6
0.6 Wage growth rate (in %)	EU 27	3.7	3.9	4.7	5.1	1.9
	SK	5.6	10.3	10.1	10.9	11.2
0.7 Real household consumption growth rate (in %, ESA, NISH - non-profit institutions serving households)	EU 27	2.2	2.1	2.3	2.0	0.8
	SK	4.6	6.5	5.8	7.0	6.1

Source: Eurostat, SR Statistics Office

1 Education		2004	2005	2006	2007	2008
1.1 Youth education attainment level (in %, population aged 20 to 24 having completed at least upper secondary education)	EU 27	77.1	77.5	77.9	78.1	78.5
	SK	91.7	91.8	91.5	91.3	92.3
1.2 Early school-leavers (in %, population aged 18 to 24 with at most lower secondary education and not in further education or training)	EU 27	15.8	15.5	15.2	15.2	-
	SK	7.1	5.8	6.4	7.2	-
1.3 Tertiary education graduates (population aged 20 to 29, in % per 1000 inhabitants of population aged 20-29)	EU 27	-	-	-	-	-
	SK	31.8	32.5	33.9	38.1	-
1.4 Life-long learning (in %, population aged 25 to 64)	EU 27	9.3	9.8	9.7	9.5	9.6
	SK	4.3	4.6	4.1	3.9	3.3
1.5 PISA Index (reading, knowledge of science and mathematics aged 14 and 15)	OECD	-	-	496	-	-
	SK	-	-	482	-	-
1.6 Low reading literacy level (in %, in age of 15)	OECD	-	-	20.1	-	-
	SK	-	-	27.8	-	-
1.7 Spending on Human Resources (total public expenditure on education, % per GDP)	EU 27	5.06	5.04	5.05	-	-
	SK	4.19	3.85	3.79	-	-
1.8 Expenditure per tertiary student (in % per GDP/capita)	EU 19	38	38	38	-	-
	SK	45	36	34	-	-

Source: Eurostat, European Commission, OECD



2	Employment and social inclusion		2004	2005	2006	2007	2008
2.1	Employment growth rate	EU 27	0.7	1	1.6	1.8	0.9
	(in %, ESA95)	SK	-0.2	1.4	2.3	2.1	2.8
2.2	Employment rate	EU 27	63	63.6	64.5	65.4	65.9
	(in %, aged 15 to 64)	SK	57	57.7	59.4	60.7	62.3
2.2.1	Employment rate - women	EU 27	55.5	56.3	57.3	58.3	59.1
	(in %, aged 15 to 64)	SK	50.9	50.9	51.9	53.0	54.6
2.2.2	Employment rate - men	EU 27	70.4	70.8	71.7	72.5	72.8
	(in %, aged 15 to 64)	SK	63.2	64.6	67	68.4	70
2.3	Employment rate of older workers	EU 27	40.7	42.3	43.5	44.7	45.6
	(in %, aged 55 to 64)	SK	26.8	30.3	33.1	35.6	39.2
2.3.1	Employment rate of older workers - women	EU 27	31.6	33.6	34.9	36.0	36.9
	(in %, aged 55 to 64)	SK	12.6	15.6	18.9	21.2	24.2
2.3.2	Employment rate of older workers - men	EU 27	50.3	51.6	52.7	53.9	55
	(in %, aged 55 to 64)	SK	43.8	47.8	49.8	52.5	56.7
2.4	Unemployment rate	EU 27	9.0	8.9	8.2	7.1	7
	(in %, LFS)	SK	18.2	16.3	13.4	11.1	9.5
2.4.1	Unemployment rate - women	EU 27	9.8	9.6	8.9	7.8	7.5
	(in %, LFS)	SK	19.2	17.2	14.7	12.7	10.9
2.4.2	Unemployment rate - men	EU 27	8.5	8.3	7.6	6.6	6.6
	(in %, LFS)	SK	17.4	15.5	12.3	9.9	8.4
2.5	Economic activity rate	EU 27	69.2	69.8	70.3	70.5	70.9
	(economically active population aged 15 to 64, in %, LFS)	SK	69.7	68.9	68.6	68.3	68.8
2.5.1	Economic activity rate - women	EU 27	61.5	62.4	63	63.4	63.9
	(economically active population aged 15 to 64, in %, LFS)	SK	63	61.5	60.9	60.8	61.3
2.5.2	Economic activity rate - men	EU 27	76.9	77.3	77.6	77.7	78
	(economically active population aged 15 to 64, in %, LFS)	SK	76.5	76.5	76.4	75.9	76.4
2.6	Long-term unemployment rate	EU 27	4.2	-	3.7	3.0	2.6
	(in %, longer than 12 months)	SK	11.8	11.7	10.2	8.3	6.6
2.7	Youth unemployment rate	EU 27	18.4	18.3	17.1	15.3	15.4
	(in %, aged 15 to 24)	SK	33.1	30.1	26.6	20.3	19.0
2.8	Tax rate on low wage earners	EU 27	40.3	40.3	40.8	40.5	-
	(in % per overall labour costs)	SK	39.6	35.2	35.5	35.6	-
2.9	Average exit age from the labour force	EU 27	60.5	61.0	61.2	61.2	-
	(Balanced by probability of retiring from the labour market)	SK	58.5	59.2	-	58.7	-
2.9.1	Average exit age from the labour force - women	EU 27	60.1	60.4	60.7	60.5	-
	(in years)	SK	57.0	57.6	-	57.8	-
2.9.2	Average exit age from the labour force - men	EU 27	60.9	61.6	61.7	61.9	-
	(in years)	SK	60.3	61.1	-	59.7	-
2.10	Gender pay gap	EU 27	-	-	17.7	17.4	-
	(in %, average income lower for women than for men)	SK	-	-	25.8	23.6	-
2.11	At-risk-of-poverty rate	EU 27	-	16	16	16	-
	(in %, income lower than 60% of median, after social transfers)	SK	-	13	12	11	-
2.12	Share of persons in material need	SK	6.91	6.74	7.55	6.45	5.34
	(in %, persons in material need per overall population)						
2.13	Jobless households	EU 27	10.1	9.9	9.8	9.4	-
	(in %, age category from 0 to 17)	SK	12.7	13.9	12.1	10.6	-

Source: Eurostat, SR Labour, Social Affairs and the Family Headquarters, SR Statistics Office



3 Business environment		2004	2005	2006	2007	2008	
3.1.1	Starting a business (in days)	OECD	25	19	16.6	13.4	13.4
		SK	52	25	25	25	16
3.1.2	Rigidity of employment index (labour market flexibility, worktime flexibility)	OECD	34.4	35.7	33.3	31.4	31.4
		SK	10.0	39.0	39.0	36.0	36.0
3.1.3	Enforcing contracts (in days)	OECD	229	232	351.2	463	462.7
		SK	565	565	565	565	565
3.1.4	Closing a business (in years)	OECD	1.7	1.5	1.4	1.7	1.7
		SK	4.7	4.8	4.0	4.0	4
3.2	Business demography – survival rate (in %)	EU 27	-	-	-	-	-
		SK	66.49	72.76	-	-	-
3.3	Price of telecommunications – for entrepreneurs (prices for a basket of services in euro without VAT, PPP)	EU 27	88.7	81.56	80.86	83.86	84.2
		SK	115.09	114.85	102.86	102.86	102.86
<i>Market share of the incumbent in fixed</i>							
3.3.1	telecommunications (in %, local calls)	EU 25	67	72	-	-	-
		SK	100	99	-	-	-
3.4	Total state aid (in % per GDP)	EU 27	0.63	0.6	0.58	0.53	-
		SK	0.66	0.67	0.51	0.5	-
3.5	Business investment (in % per GDP, gross formation of fixed capital in private sector)	EU 27	17.2	17.7	18.2	18.8	18.5
		SK	22.2	24.9	24.7	24.4	24.2
3.6	Legislative and regulative environment index (3.Q 2001=100, higher indicator value is better)	SK	100.6	104.0	103.8	95.1	84.9

Source: Eurostat, World Bank, Business Alliance of Slovakia, European Commission

4 The energy industry		2004	2005	2006	2007	2008	
4.1	Energy intensity of the economy (energy consumption/GDP, kgoe - kg of oil equivalent per 1000 euro)	EU 27	185	182	176	169	-
		SK	728	680	620	539	-
	(energy consumption/GDP, kgoe, EU 27 = 100)	SK	394	375	352	318	-
4.2	Renewable energy (in % per overall consumption of electric energy)	EU 27	13.9	14.0	14.6	15.6	-
		SK	14.4	16.7	16.6	16.6	-
4.3	Gas prices – industrial users (EUR per Gigajoule)	EU 27	-	6.01	8.11	8.87	8.87
		SK	5.33	5.08	7.66	8.00	8.92
4.4	Electricity prices – industrial users (Euro per kWh)	EU 27	-	0.067	0.075	0.082	0.088
		SK	0.068	0.070	0.077	0.093	0.115

Source: Eurostat

5 Research, development and innovations		2004	2005	2006	2007	2008	
5.1	Gross domestic expenditure on R&D by government (in % GDP)	EU 27	0.64	0.62	0.62	-	-
		SK	0.29	0.29	0.27	0.25	-
5.2	Gross domestic expenditure on R&D by industry (in % GDP)	EU 27	0.99	0.99	-	-	-
		SK	0.20	0.19	0.17	0.16	-
5.2.1	Gross domestic expenditure on R&D by abroad (in % GDP)	EU 27	0.15	0.16	0.16	-	-
		SK	0.02	0.03	0.05	0.05	-
5.2.2	Share of expenditures on applied research and development (in % of total expenditure on research and development)	EU 27	26.1	25.1	-	-	-
		SK	35.4	30.9	29.5	24.5	-
5.3	Science and technology graduates (in % per 1000 inhabitants of age category from 20 to 29)	EU 27	12.5	13.2	13.0	13.4	-
		SK	9.2	10.2	10.3	11.9	-



5.4 Quotation index (average number of quotations of publications from country/world database)	EU 15	1.05	1.06	-	-	-
	SK	0.58	0.61	0.59	0.62	-
5.4.1 Relative production of publications (number per 1000 inhabitants)	EU 15	0.77	0.81	-	-	-
	SK	0.34	0.35	0.36	0.38	-
5.4.2 Relative production of quotations (number per 1000 inhabitants)	EU 15	3.57	3.85	-	-	-
	SK	0.87	0.96	0.97	1.1	-
5.5 Patent applications to the European Patent Office (number per 1 000 000 inhabitants)	EU 27	110.93	105.95	106.72	-	-
	SK	3.83	5.24	5.54	-	-
5.5.1 High-tech patent applications to the European Patent Office (number per 1 000 000 inhabitants)	EU 27	21.31	19.67	7.615	-	-
	SK	0.62	0.67	0.56	-	-
5.6 Venture capital investments (in % GDP)	EU 15	0.107	0.136	0.184	0.125	-
	SK	0.012	0.002	-	-	-
5.6.1 Venture capital investments – early stage (in % GDP)	EU 15	0.023	0.022	0.053	0.02	-
	SK	0.006	0.001	-	-	-
5.6.2 Venture capital investments – expansion and replacement (in % GDP)	EU 15	0.084	0.114	0.131	0.105	-
	SK	0.006	0.001	-	-	-
5.7 Summary Innovation Index (min.= 0 - max.= 1)	EU 27	0.429	0.431	0.447	0.466	0.475
	SK	0.257	0.273	0.298	0.299	0.314

Source: Eurostat, The European TrendChart on Innovation, R&D Council of the Czech Republic

6 Information society		2004	2005	2006	2007	2008
6.1 Broadband penetration rate (number of broadband lines subscribed in % of the population)	EU 25	6.5	10.6	14.8	19.0	22.4
	SK	0.4	1.5	4.0	6.9	9.6
6.1.1 Broadband penetration rate of businesses (in %)	EU 27	46	62	73	77	81
	SK	25	48	61	76	79
6.1.2 Broadband penetration rate of households (in %)	EU 27	15	23	30	42	49
	SK	4	7	11	27	35
6.2 E-government on-line availability (percentage of online availability of 20 basic public services)	EU 27	-	-	-	59	-
	SK	15	-	20	35	-
6.3 Digital literacy index (min.= 0 - max.= 1)	SK	-	0.33	-	0.37	-

Source: Eurostat, Infovek, Institute for Public Affairs

7 Environment		2004	2005	2006	2007	2008
7.1 Total greenhouse gas emissions (Index 1990 = 100)	EU 27	93.2	92.5	92.3	-	-
	SK	69.4	68.5	67.9	-	-
7.2 Municipal waste generated (kg per person per year)	EU 27	514	517	523	522	-
	SK	274	289	301	309	-
7.2.1 Municipal waste landfilled (kg per person per year)	EU 27	240	222	221	213	-
	SK	222	228	234	240	-
7.2.2 Municipal waste incinerated (kg per person per year)	EU 27	90	96	100	104	-
	SK	34	34	35	33	-
7.3 Protected areas for biodiversity – Habitats Directive (in %, proposed from the total state area)	EU 15	86	91	93	96	-
	SK	-	65	72	72	72

Source: Eurostat



The list of indicators comprises the *Set of Indicators for Monitoring the Fulfilment of Measures in the SR National Reform Programme*, approved by the SR Government in 2007. The Government at the same time imposed the task of applying the approved set of indicators in quantitative assessment of the implementation of tasks and objectives under the Lisbon Strategy, as defined in the National Reform Programme of the Slovak Republic. The set of indicators monitors progress achieved in the implementation of priorities and objectives in the national Lisbon Strategy. The set of indicators represents the conjunction of the European Council's recommendations, whilst taking account of national specifics in the completion of tasks of the Lisbon Strategy.