



Weekly Briefing

**Slovakia economy briefing:
The Slovak Recovery and Resilience Plan
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The Slovak Recovery and Resilience Plan

Summary

The Slovak Recovery and Resilience Plan focuses on five main areas: 1. green economy (EUR 2 301 million); 2. education (EUR 892 million); 3. science, research and innovation (EUR 739 million); 4. health (EUR 1 533 million); 5. efficient public administration (EUR 1 110 million). It is divided into 18 parts (so-called components) including reforms and investments totaling EUR 6.3 billion. It emphasizes sustainability, a healthy environment, inclusion in education, modern healthcare, improving the business environment and sound public finances. The plan's priorities are based on the recommendations from the European Commission, the Government's Program Statement and the National Reform Program. They emerged from several months of discussions at both expert and political levels and reflect both the political consensus and the European Commission's criteria that Slovakia must meet.

Introduction

The Recovery and Resilience Plan sets out a comprehensive package of reforms and investments to be implemented by 2026, supported by the Recovery and Resilience Facility of the European Union. The plan consists of investments and reforms that will address the challenges identified in the context of the European Semester, in particular in the European Commission's recommendations to Slovakia. The plan also includes measures to address the challenges Slovakia faces in the context of green and digital transformation. Its vision is based on three pillars: 1. a shift towards an innovative economy; 2. a modern, efficient and digital state; 3. people's quality of life (health care, public space, and the environment).

Recovery and Resilience Facility

This facility is a central pillar of the NextGenerationEU instrument, which the European Commission has proposed as an emergency temporary recovery instrument to help repair the immediate economic and social damage caused by the coronavirus pandemic, and to support economic recovery and build a better future for future generations of citizens of the European Union. Together with the EU's long-term budget for 2021-2027, the total amount of financial support that will be channeled to the EU member states through the EU budget is expected to reach more than EUR 1.8 trillion (EC, 2021). The Recovery and Resilience Facility will provide EUR 723.8 billion in loans and grants to support reforms and investments made by EU member

states. The National Recovery and Resilience Plans are a set of concrete actions in the form of reforms and investments that each member state of the EU plans to implement by 2026.

Slovak Plan of Recovery

The development of the recovery plan had to be governed by strict conditions. In particular, the criteria were laid down in the Regulation of the European Parliament and of the Council establishing the Recovery and Resilience Facility 2021/241 of February 12th, 2021. On the one hand, the set conditions were quantitative – 37% of the allocation must be earmarked for green transformation and 20% for digital transformation. However, the criteria are also qualitative - the plan must address the specific recommendations of the European Commission, which have been submitted to Slovakia in recent years. These recommendations are reflected the priorities of the recovery plan. In addition, the whole plan must not undermine the EU's environmental objectives. The Ministry of Finance of the Slovak Republic was the coordinator in the process of preparing the Recovery Plan (MF SR, 2021); the content of the components was prepared by the ministries concerned by the relevant parts of the plan.

The European Commission assessed the Slovak Recovery and Resilience Plan on the basis of strict criteria (Plán obnovy, 2021):

- compliance with Slovakia's Country Specific Recommendations for 2020 and 2019,
- contribution to the transition to a green economy (37% of the total allocation),
- transition to the digital economy (20% of the total allocation),
- contribution to increasing GDP growth potential,
- coherence of the plan,
- long-term lasting effect,
- plausible and defensible pricing,
- consistent project management,
- credible implementation system.

At its meeting on June 16th, 2021, the Slovak government approved the Law on the Recovery and Resilience Support Mechanism, a fund that will provide resources for the individual measures summarized in the Recovery and Resilience Plan (Government, 2021). The law regulates the financial relations in the implementation of the Recovery and Resilience Support Mechanism, including the provision and use of the Mechanism's funds, the rights and

obligations of persons in connection with the implementation of the recovery plan and liability for breaches of the terms and conditions in the provision of the Mechanism's funds, the powers of public authorities in the implementation of the recovery plan and certain other relations in the implementation of the Recovery Plan. The Law also defines the tasks, competences and responsibilities of the National Implementation and Coordination Authority, which will be responsible to the European Commission for the implementation of the recovery plan. Following week, since the recovery plan was already sent to the European Commission for the evaluation, European Commission President Ursula von der Leyen handed over the official assessment of the Slovak Recovery and Resilience Plan to Prime Minister Eduard Heger. She appreciated that Slovakia was among the first to hand over the recovery plan, and also highlighted the excellent cooperation. She considered the plan to be ambitious and of high quality, meeting the criteria set by European Commission. After successfully assessed by the European Commission, on July 13th, 2021, the Recovery and Resilience Plan of the Slovak Republic received the official green light from other EU member states at the Economic and Financial Affairs Council, thus completing the approval process. Slovakia will be among the first EU member states to receive funding to implement key reforms and investments that are essential for a sustainable and competitive future and for a rapid recovery from the crisis.

Priorities

The priorities of the recovery plan consider the key issues of the Slovak economy and the most important societal challenges. They have been selected on the basis of a comparison of Slovakia's performance against the EU average as well as common European priorities. A green economy will promote environmental sustainability, quality of life and contribute to the development of green innovation as one of the sources of economic growth. Efficient public administration and digitalization are important factors affecting the business environment and quality of life. Education, science, research and innovation and health are among the areas where Slovakia is lagging behind most and where the European Commission has repeatedly recommended stepping up reform efforts.

The European Commission has positively assessed Slovakia's recovery plan, noting that 64% of the total EUR 6.3 billion package Slovakia is expected to receive has been earmarked for the key components – green and digital transformation. 43% of the funds are earmarked for green transformation, with the European Commission citing this component as a top priority with following components included in the Slovak recovery plan (EC, 2021): 1. Climate adaptation: increasing the resilience of forests to the impacts of climate change, revitalizing

watercourses and supporting biodiversity; 2. Energy efficiency in family houses: financing a large-scale renovation wave to improve energy and green performance of at least 30 thousand residential units; 3. Low-carbon transport: supporting the roll-out of charging stations for alternative fuels and the modernization of railways and new cycling infrastructure; 4. Decarbonization of industry: promoting energy efficiency and investing in innovative decarbonization technologies in industry. Digital transformation accounts for 21% of the funding, with the following priorities in particular being positively assessed by the European Commission (EC, 2021): 1. Better services for citizens and businesses: introducing user-friendly e-government solutions for citizens; 2. Digital infrastructure in schools: financing digital equipment, including for children from socially disadvantaged backgrounds, to enhance digital skills and create a new learning ecosystem; 3. Digitalizing businesses: building a supercomputer and a network of digital hubs to assist businesses with digitalizing their processes; providing training for digital skills. In addition to the previous two key components, the European Commission also focused on the priorities of strengthening the economic and social areas, highlighting in particular (EC, 2021): 1. Reform of the pension system: linking the retirement age to life expectancy to ensure its financial sustainability and adequate pensions for all generations; 2. Reorganizing the judicial system: strengthening the efficiency and independence of the justice system and investing in digital infrastructure; 3. Improving the business environment: lowering regulatory burden, accelerating public procurement and reforming the insolvency framework to reduce the time and cost for running a business; 4. New hospitals network: Improving quality of medical services and renovating existing hospitals and constructing new ones while ensuring fair geographical distribution and accessibility; 5. Investing in childcare: Promoting access to childcare services by investing in pre-school facilities; 6. Enhancing community-based social care capacities: investing in long-term care for those in need through focusing more on community-based solutions.

Conclusion

The priorities of the Slovak recovery plan are the long-neglected areas of health and education, as well as the environment, efficient public administration and digitalization. The aim of the recovery plan was to set clear priorities to make Slovakia a modern, competitive, green and healthy country. The Recovery Plan is a roadmap for achieving this goal. The European Commission evaluated the Slovak Recovery and Resilience Plan very positively. According to the assessment, the plan represents well-targeted policy measures important for

smart, sustainable and inclusive growth. At the same time, it is a consistent package of reforms and investments that are mutually reinforcing thanks to a strong reform momentum.

References:

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