



Comments on the EU Recovery and Resilience Plan of Slovakia

Recommendations of the German Eastern Business Association and AHK Slowakei for maximizing the effectiveness of EU funds



Deutsch-Slowakische
Industrie- und Handelskammer
Slovensko-nemecká
obchodná a priemyselná komora



Table of Contents

1. Fiscal reforms	5
Cut of payroll taxes	5
Charge exemption of supplementary employee benefits	5
Realization of tax amortization of assets	5
Introduction of general reverse charge system in VAT	5
2. Green Economy	6
Strengthen sustainability considerations in business	6
Market-based energy efficiency measures	6
... and thinking the Green Economy and Digitalization together	6
Green energy independence for SMEs using renewable sources	6
Support for energy storage	7
Support for e-mobility and further alternative fuels	7
Improve legislative framework for operation of renewable energy sources facilities	7
Deregulation of energy prices	7
Support of disposal of environmental burdens	7
Development of transport infrastructure	8
3. Labour Market	8
Freedom of collective bargaining as a principle in labour market policies	8
Support for short-time work (“kurzarbeit”)	8
Balancing the intra-Slovak gap of skilled workforce	8
Increase of labour mobility	9
Foster migration of skilled workers from abroad	9
Inclusion of Roma minority	9
4. Education	9
Change of general education principles	9
Support for dual education	10
Increase of foreign language teaching	10
Intensification of further training	10
5. Science, research and innovations	11
Raising innovation potential in small and medium-sized enterprises	11
Radical tax support for innovation and investment of higher value added	11

Strengthening cooperation between science and industry (applied research & development)	11
Support for start-up ecosystem	12
6. Health care	12
Improving general efficiency of healthcare	13
Investment in medicines policy	13
Actual data as base for revision of expenditure and improvement of cost-effectiveness	13
More ambitious targets as to reform of prevention	13
Improved access to data and international infrastructure also in medicines policy	14
7. Public institutions and regulations	14
Transparent and fair public procurement	14
Increase predictability of legislation	14
Open public institutions	14
Implementation of One-Stop-One-Shop principle in public services	15
Transparent selection procedures of higher public officials	15
8. Digitalization	15
Expansion of high-performance digital infrastructures	15
IT as a service, effective IT support via centralised cloud solutions	15
Support for implementing Industry 4.0	16
Digitalization of accounting	16
Support for business-related e-government	16
Cyber security	17
Improving the legal framework for the data economy	17

For a Modern and Successful Slovakia

AHK Slovakia and the German Eastern Business Association comment on the Slovak recovery and resilience plan “For a Modern and Successful Slovakia” by taking into account the economic policy challenges identified in German-Slovak business relations. With Germany being Slovakia’s most important economic partner and Slovakia being a top-20 trading partner of Germany, we consider an aligned strategy crucial for a modern and successful Slovakia.

The European Commission has defined strategic guidelines for the implementation of the European Recovery and Resilience Fund (RRF). The RRF is the key reconstruction instrument to help the EU emerge stronger and more resilient from the current crisis.

The facility will provide loans and financial assistance totalling EUR 672.5 billion as early financial support in the first years of recovery. The aim is to lay the foundations for a green, digital and sustainable recovery. Slovakia will have a share of EUR 5.8 billion.

In order to benefit from the RRF, Member States are expected to submit draft Recovery and Resilience Plans¹ setting out national investment and reform programmes in line with the EU's political criteria² mentioned above.

The image of Slovakia as “extended workbench” is blurring thanks to its more and more innovation-driven economy. Using the additional funds from the recovery fund will help to boost this development.

¹ https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

² https://ec.europa.eu/info/files/guidance-member-states-recovery-and-resilience-plans_en

The eight areas in detail

1. Fiscal reforms

According to the global PwC Paying Taxes study, Slovakia in 2020 ranked 55th. Slovakia fell in the ranking by seven places mainly because it has the 6th highest total tax and contribution rate (49.7%) in the EU and EFTA (average 38.3%). It is even higher than the average for all 190 countries included in the study (40.5%). Modernizing the fiscal framework will help to boost Slovakia's chances to become a destination of near shoring.

Cut of payroll taxes

The burden of social and health insurance contributions on employers in Slovakia is among the highest in the EU. While Slovak employers have to spend about 35% of gross wages on payroll taxes³, it is only 21% in Germany. It is high time to reduce taxes on the employers' side, preferably gradually, so that the pressure on the national budget is distributed (e.g. 1% per year).

Charge exemption of supplementary employee benefits

Employees could benefit from receiving more net from gross which has a positive impact on purchasing power and private consumption:

- The payment of a 13th and 14th salary should be completely exempt from the payment of taxes and social security contributions.
- Surcharges on night, weekend, public holiday and risk work should also be exempt from the payment of taxes and social security contributions.
- The travel allowance paid by companies to their employees for travel to work should not be subject to taxes and levies up to the level of local public transport fares.

Realization of tax amortization of assets

Tangible assets: Current asset tax depreciation tables do not take into account real economic life. The preferred areas such as industry 4.0, digitisation and the green economy should be supported in this way.

Receivables: If a company sells a good/service, the proceeds of the sale are taxable in full, even if the customer does not pay for the goods/service at all. The company gets the claim in costs through provisions, but it takes 3 years. Several countries (e.g. Germany) have a concept where the creation of an accounting value item is a fully tax deductible expense.

Introduction of general reverse charge system in VAT

Chain transactions with other EU countries repeatedly lead to VAT fraud, which ends up in a high loss of tax revenue. The introduction of a general reverse charge system – including states outside the EU – would result in companies with actual business activities having practically no input tax surplus. The measure would lead to a higher collection of customs duties and import taxes to the detriment of other European jurisdictions (in particular Czech Republic, Hungary, Germany), to which producers and traders import their goods preferentially, in order to avoid having to pay Slovak import VAT and refinance it for as long as they are refunded through the VAT declaration.

³ <https://cenazamestnanca.sk/>

2. Green Economy

The long-term goals of climate protection are undisputed - for companies, however, the concrete political implementation steps are more important than abstract discussions about targets. They need sufficient financial leeway to invest in new technologies and innovation.

Strengthen sustainability considerations in business

Sustainability considerations, for example environmental or consumer protection, are becoming increasingly relevant for companies due to competitive advantages, consumer preferences and socio-political developments. The concept of circular economy is gaining in global traction. Particularly German companies act as pioneers in this area and activities could be fostered. A German-Slovak platform to discuss, share and establish standards could showcase a way for collaboration in Europe. An adjustment of supply chains along the spread of European regulations will increase and could be accelerated by the strong pressure to adapt during the Corona pandemic.

Market-based energy efficiency measures...

Slovak companies successfully invest in new technologies for greater efficiency at all stages of the value chain. The energy saving quota set by the EU should be implemented through market-based energy efficiency measures. In concrete terms, this means that policy should make it easier for companies and public sector to use energy services and management systems by improving the framework conditions, e.g. for contracting. The best way to tap efficiency potential in industry, commerce and the building sector is to use market-based measures. In order to ensure sustainable results, such measures should include rigorous focus on measuring and reporting achieved improvements. Smart elements guarantee principle and long-term operation of modernized assets which are inherent part of EPC (energy performance contracting) and GES (guaranteed energy service) could be considered as preferable energy efficiency concept which has strong support also on EU level. EPC could be e.g. enhanced by technical support for energy efficient public buildings including smart energy management systems, direct support or tax credits for private companies for energy efficiency measures.

Absolute electricity saving targets are not compatible with cheap, CO₂-free or low-carbon electricity supply. Therefore, only relative electricity saving targets should be used, e.g. reduction of electricity use per Euro of value added. Rebound effects should then be considered when defining savings targets. In addition, technical limits to energy efficiency, especially in the electricity sector, stand in the way of absolute savings targets and also contradict the desired flexibilization of demand.

... and thinking the Green Economy and Digitalization together

Smart solutions are sustainable solutions. Data can help to optimize the energy consumption of the industry, making machines work more efficiently and thus reducing CO₂ emissions. Slovakia as an economy with a high degree of manufacturing could support and even enable companies to develop smart solutions, contributing to circular business models. Research funds as well as tax incentives help to boost the country's potential.

Green energy independence for SMEs using renewable sources

For companies with consumption up to 5 GWh per year, create support mechanisms for refinancing the construction of small photovoltaic power plants with electricity storage.

Advantages:

- Reducing dependence on electricity from conventional sources
- Greater flexibility for companies in optimizing energy consumption and thus production costs
- Electromobility support for own employees through corporate charging stations
- Overall reduction of the carbon footprint and taking responsibility directly into the own hands of the company

Support for energy storage

It will be necessary to create a legal framework in Slovakia that will address, among other things, the issue of ownership of such facilities, conditions of their operation, and to create a framework to financially support investment in highly flexible battery energy storage facilities in order to meet decarbonization goals. At the same time, due to the high investments made in infrastructure projects in the gas sector, this infrastructure also represents the potential for the storage of electricity produced from renewable sources in the form of the so-called synthetic methane, resp. other alternative gases, which will then be available as an energy source if needed.

Support for e-mobility and further alternative fuels

When reducing emissions from transport other alternative fuels, such as electricity, hydrogen, CNG or LNG, are available solutions. Electric mobility support in Slovakia is lagging behind most EU countries. As a result, average CO₂ emissions in passenger cars increased over the last 4 years in Slovakia, which is the opposite trend compared to other EU countries. For this reason, the support should rise at least to the average EU level. Increased investment in e-mobility (including both vehicles and infrastructure) can have the fastest impact on CO₂ reduction. It would substantially contribute to transformation of mobility from fossil fuels to zero carbon fuels. It has the advantage of already existing technology, infrastructure and several policies also on EU level.

Hydrogen and related technologies are an additional possible key to achieving the climate objectives (please see the [German National Hydrogen Strategy](#)). LNG also shows huge potential for rapidly reducing emissions from heavy goods transport and shipping transport in the foreseeable future. We therefore consider it beneficial to create legislative conditions that consider the environmental benefits of using all alternative fuels.

Improve legislative framework for operation of renewable energy sources facilities

We consider it important to emphasize the need for a market-oriented solution to the operation of renewable energy production facilities after running out of the 15-year support period, as well as measures to maintain the share of RES in energy production after the production facilities have reached the end of their technical life cycle. Along with that, it is vital to take into account a wider perspective of RES deployment in the national grid and consider also other aspects such as physical power storage facilities and cross-border interoperability of neighbouring national grids ensuring seamless power transit flows. Creating preconditions for a higher RES implementation rate is inevitably connected with further smartification and digitisation of the grid thus enabling real-time power flow management whilst guaranteeing safe and reliable power supply.

Deregulation of energy prices

In the conditions of the Slovak energy market, it is necessary to take into account the change in pricing policy, due to the direct impact of increasing energy efficiency on the final price of electricity for vulnerable customers as well as all final consumers of electricity. Measures to increase energy efficiency and reduce emissions should be set in cooperation with market participants so that their impact on end-user prices is balanced and at the same time the financial burden is not passed on to market participants. Additionally, free market tariff mechanism should go hand in hand with smart metering for more energy efficient usage of grids, balancing and power consumed.

Support of disposal of environmental burdens

Financial support shall be allocated for the solution and disposal of old environmental burdens. Reason is that so far the liquidation of old environmental burdens has been shown to be slow and rather insufficient funds have been allocated and environmental contamination from such unresolved environmental burdens continues.

Development of transport infrastructure

We appreciate the commitment to invest effectively in transport. As the improvement of the infrastructure is essential for maintaining Slovakia's international competitiveness it is of great importance that the investment plans are coordinated in close dialogue with the business sphere.

This is true regarding public investments in combined freight transport and logistics centres which should be adjusted to market requirements. In order to achieve synergies and avoid distortions of competition public support of private initiatives should be provided in cooperation. Furthermore, Slovakia should invest more in supporting existing combined freight transport (providing incentives through taxes, tolls, rail prices, authorised container weight), but without violating market conditions.

3. Labour Market

Well-qualified workers are indispensable to ensure productivity, competitiveness and innovation and thus to create and maintain jobs in Slovakia. The demographic development is another challenge as in the medium to long-term there will be a strong decline in the working-age population. Politics should design framework conditions in such a way that companies can secure their skilled labour base.

Freedom of collective bargaining as a principle in labour market policies

Freedom of collective bargaining is one of the highest goods of the market economy and is guaranteed by the Slovak constitution. For this reason, it needs to be secured that labour market policies do not interfere in free collective bargaining between employers and employees. Respective legislative proposals should be coordinated with the tripartite organs and adjusted if violations against the freedom of collective bargaining become obvious.

Support for short-time work ("kurzarbeit")

Short-time work is an effective instrument for maintaining employment in companies having to deal with economic difficulties and for avoiding mass layoffs. During the pandemic it has stabilized the economic impact on the labour market.⁴ Such a tool is needed not only during times of the coronavirus, but it should be implemented in the Labour Code as a permanent instrument with sufficient funding by the state.

Balancing the intra-Slovak gap of skilled workforce

Most companies compete for skilled workforce in the western regions of Slovakia. At the same time, the unemployment rate is far higher in the country's East, which bears potential for the labour market. Providing improved investment incentives for the Eastern regions and supporting the intra-Slovak mobility will help the economy to tackle the lack of skilled workforce effectively.

⁴ A recent study of wiiw shows that working hours in Q2/2020 were reduced by 17% whereas employment decreased only 3% in the same period yoy. <https://wiiw.ac.at/no-quick-recovery-in-sight-coronavirus-risks-looming-large-webinar-presentation-in-english-dlp-5480.pdf>

Increase of labour mobility

Despite the shortage of skilled labour there is a high number of unemployed in structurally weak areas because individual economic sectors and regions develop at different speeds. A modern infrastructure with an efficient public transport system on the local level would help to increase labour mobility. It would also contribute to reduce socio-economic disparities between the Slovak administrative districts.

Foster migration of skilled workers from abroad

Foreign skilled workers can make a significant contribution to securing a skilled workforce in companies. The government should facilitate the immigration rules for qualified non-EU citizens. It would also be helpful, especially for SMEs, if the immigration regulations were simpler and more transparent overall.

Germany has made good experience by adopting a law on migration of skilled workers which came into force in March 2020. The legislation can be considered best practice for Slovakia:

- The basic entitlement of every residence title to gainful employment, unless it is excluded by law.
- The bottleneck examination relating to occupations for which there is a shortage no longer applies and priority is no longer given.
- The law introduces an extended definition of skilled workers, which now includes not only persons with academic training but also those with qualified vocational training.
- The access of skilled workers with vocational qualifications to the German labour market is also facilitated by the new regulations on entry for job and training purposes.
- The introduction of an accelerated skilled worker procedure for entry into the country regarding employment, assessment of professional qualifications and training is intended to make the recruitment of skilled workers more efficient in future.

Inclusion of Roma minority

Very little progress has been made in tackling low Roma participation in the labour market. This can be solved by a targeted approach to the marginalised Roma communities, who are instead typically included in public works schemes with low transition rates to the primary labour market. Early intervention and profiling systems could help prevent Roma citizens from becoming long-term unemployed.

4. Education

The high demand for skilled labour in all sectors of the economy cannot be completely covered by the labour market. Professional graduates are lacking sufficient skills for practical tasks. The ongoing trends of digitalization and automation require upskilled employees.

Change of general education principles

Across all educational institutions, the mere accumulation of knowledge should no longer be an educational goal. A new learning culture can help to focus teaching more on the acquisition of competences and to align skills and encourage independent thinking. Teachers should be continuously trained to support the change of learning culture.⁵

Secondary education should include early teaching of entrepreneurship and IT skills at schools, also by tying closer links to local companies. The requirements are digitally trained teaching staff and modern technical equipment at schools.

⁵ Pilot of „new learning“ at Deutsche Schule Bratislava

Support for dual education

While the dual vocational training scheme attracted a significant attention of employers, the interest of young learners remained moderate. For this reason, it is necessary to create stronger stimuli for youths and vocational schools and to upgrade the reputation of vocational training socially. This also includes investment in further training of teachers and technical equipment at vocational schools.

As vocational training ends with a proof of professional qualification independent examination is a key element of success. For this reason, we suggest the centralization of examination task preparation for the whole of Slovakia and the introduction of a process to strictly separate teaching and examination.

The gap between higher education and the needs of the labour market calls for cooperation between universities and companies. Similar as in the field of vocational training a dual approach which also includes practical learning within companies is highly recommended. This requires respective stimuli for both students and universities. Part of this has to be a reform of the general funding of universities, which by now is dominated by ineffective per-capita-funding.

Increase of foreign language teaching

The Slovak economy is strongly entangled with foreign businesses. Knowledge of foreign languages are vital skills for employees. However, the share of pupils learning a second foreign language dropped in the past. Employer surveys also show that the skill level among job seekers is rather poor. For those reason, we recommend implementing the proposals for a comprehensive approach to the teaching and learning of languages as set by the European Commission:

- boost language learning by focusing on achieving specific competence levels, based on the Common European Framework of Reference for Languages (CEFR),
- introduce the concept of language awareness,
- ensure that more language teachers have the opportunity to learn and study abroad,
- identify and promote innovative, inclusive and multilingual teaching methods.

Intensification of further training

In Slovakia, the share of adults receiving formal or non-formal education and training is one of the lowest rates in the EU. This is reflected by the outcome of labour market policies, in which training and learning measures remain marginally used. Further investment is required such as provision of tailor made upskilling and reskilling, including validation of prior learning, and incentivise investment in further training by enterprises.

Sustainable employment chances require lifelong learning. The state can support this with incentive mechanisms such as target group-oriented bonus and voucher models, without unilaterally restricting the flexibility of companies, for example through new regulations or additional exemption rights for employees.

In context of qualification for the unemployed further training should focus even more on the needs of companies, which helps to facilitate the transition to the labour market. If necessary, basic training should also be provided with focus on workplace relevant topics such as everyday mathematics, basic IT skills or foreign languages as a professional language. Educational institutions should develop more practice orientated offers and consulting for lifelong learning.

5. Science, research and innovations

Slovakia's innovation score is very weak in comparison with other EU countries. However, innovations are the key to pushing digitalization forward and support the transformation from an assembly-based industry to producing more goods of higher value added.

Raising innovation potential in small and medium-sized enterprises

Increased technological competition, shorter product life cycles and global developments such as digitization are increasing the pressure on companies to innovate. SMEs in particular often have limited opportunities, e.g. in the field of financing, in recruiting skilled workers or in developing suitable R&D strategies. For this reason, innovative small and medium-sized companies require research funding that is more transparent and less bureaucratic, also in the international comparison, with simplified application procedures, comprehensible forms and explanations, as well as fast processing times. Tried-and-tested project funding can be a helpful support tool for medium-sized enterprises in particular. Support should be available to as many companies as possible.

Radical tax support for innovation and investment of higher value added

Super deduction: Extension of the possibility of super deduction of R&D costs to (external) services, as long as they are demonstrably spent on R&D. These are, for example, the following: Service costs for prototyping, prototype tests, certification costs, technical documentation, costs to increase the level of qualifications, education or the skills of science and research workers; costs of renting specialised software and fees for software support.

Patent Box: Extension of the patent box revenue exemption to legal relationships such as in app purchases and software as a service. Allowing an exemption even when the intangible asset is not on the balance sheet as in the innovation centres of the world (United Kingdom, Israel, Ireland, etc.).

Super-depreciation: Support for all investments leading to an increase in labour productivity, as well as investments in increasing the quality of production and investments with a higher value added (automation, robotics). We recommend that business expenditures within Industry 4.0 can be used as tax expenditures in the amount of 200% and deduct from the tax base similar to the expenditures on R&D regulated in §30c ZDP (so-called super deduction).

Modification of state aid conditions: Consider adjusting the conditions for the provision of state aid for a transitional period. The aim should be simplified conditions for obtaining funding in the field of innovation and technological improvement for as many companies as possible in line with European legislation.

Strengthening cooperation between science and industry (applied research & development)

With cooperation to innovations: The cooperation between science and industry creates new knowledge, additional added value and promotes exchange between experts. However, their cooperation is hampered by different objectives and cultures in both areas. Companies involved in innovation have difficulties in finding suitable cooperation partners at universities and public research institutions, especially small and medium-sized enterprises. Obstacles to knowledge transfer need to be identified and funding programmes adapted accordingly. A huge potential bears the use of Artificial Intelligence (AI) if research results can be transferred to companies.

What needs to be done: Universities, public and private research institutions as well as private R&D service providers should be involved in technology transfer. To this end, they need additional financial and human resources, not least to facilitate a regular exchange with the business community. For small and medium-sized companies in particular, business contacts are crucial for technology transfer. They can establish contacts with companies and science, initiate projects, support their implementation and promote the protection of intellectual property. It would also be helpful to support the set-up of portals for R&D and transfer skills. The stronger networking of business and science may also be supported by experimental spaces such as real laboratories. New technologies, fields of application and business ideas, as well as regulatory instruments, could be tested free from any bias.

An awareness of technological potentials creates acceptance and trust. Universities should become more involved in such experimental spaces. These should then also be accessible to companies at a low threshold, e.g. in order to enable them to experience AI applications. Particularly in this new field of technology, it is necessary to advance basic and applied research in equal measure. European cooperation would be important here.

A current flagship project in Germany is a roadmap for standards and specifications in the field of artificial intelligence which is being developed together with experts from industry, science, the public sector and civil society.⁶ The aim is the early development of a framework for action in the field of standardization which will strengthen the global competitiveness of the industry and make European values the global benchmark.

Support for start-up ecosystem

Access to funds is a high priority for start-ups as considerable investments in a powerful start-up equipment are sometimes necessary. One step may be the simplification of application procedures for public funding. Access to venture capital both in the seed and in the growth, phase is also crucial. According to OECD figures, the volume of venture capital in Slovakia is significantly lower than in other V4 countries.

The reduction of bureaucracy is a general challenge for the Slovak economy. Innovative and growth-oriented start-ups, however, must make use of their resources in an environment of ever faster innovation cycles instead of dealing with paperwork. They have to use their know-how for the development of their business model and contact with customers and business partners. Simplifications in tax legislation and reduction of notification requirements for banks when granting loans to small and medium-sized enterprises would help start-ups in particular.

Investment opportunities should be created for institutional investors, furthermore small and medium-sized enterprises should be encouraged to expand their own innovative capacity through cooperation with start-ups as well as with large enterprises.

6. Health care

Slovak health care system traditionally lacks funding. Means from the EU Recovery Fund bear the potential to give the system a boost. For achieving effective spending several changes and reforms are needed though.

⁶ <https://www.din.de/en/innovation-and-research/artificial-intelligence/ai-roadmap>

Improving general efficiency of healthcare

The systematic integration of innovative products and services into healthcare and the consistent use of digital medicine could not only strengthen the importance of the health economy as an economic factor, but also ensure a more efficient use of resources. This would make an important contribution to the long-term stability of non-wage labour costs. Many companies expect that the reduction of inefficient care structures and misguided incentives, as well as stronger cross-sector care and the widespread use of quality-oriented remuneration structures, could also help to improve the efficiency of healthcare.

Investment in medicines policy

In Slovak health care system, there is an investment gap, especially in the field of oncology and rare diseases, which will only widen. If Slovakia wants to have at least the same availability of treatment as the Czech Republic, the state must invest at least EUR 200 million in a one-off drug policy, with a gradual year-on-year increase of 3-5%. At the same time, a reform of the regulatory framework is needed, in particular Act 363 on the reimbursement of medicines, medical devices and dietetic foods. In our opinion, the most important measures without which the situation will not change are the following:

- Changing the approach to regulating the conditions for new medicines to enter the market: evaluating the medical and economic effectiveness of new treatments, including the unmet medical need in society.
- The state, not the health insurance companies, should be responsible for concluding agreements on the entry of medicines into the market with manufacturers.
- Contingent reimbursement (budget ceilings) should be set on the base of transparent and well-defined conditions and clear, unambiguous data.
- The approval (categorization) process for reimbursement of new treatments should be transparent and predictable - both in terms of length and the setting of advisory and decision-making bodies. It is common in all EU countries for a dialogue with patient organizations and manufacturers throughout the process.

To reduce the decline in avoidable deaths, it is not enough to invest not only in improving diagnosis and prevention, but also in early treatment. An example is the treatment of oncological diseases, which if treated in earlier stages requires less demanding and expensive treatment than in later stages.

Actual data as base for revision of expenditure and improvement of cost-effectiveness

Overall, the current situation with reporting of drug consumption data in Slovakia results in extreme inconsistencies, which often lead to unsubstantiated decisions. Expenditure reviews and cost-effectiveness adjustments should only take place once the problem of reporting data has been resolved and medication consumption data has been made transparent.

More ambitious targets as to reform of prevention

We consider the reform of prevention and health promotion to be an important goal. However, in the context of long-term care for the elderly, we believe that the government goals could be even more ambitious, especially regarding vaccination. In particular, one of the national targets is to increase the vaccination coverage of influenza among the elderly from the current 13% to 24% by 2024. However, according to the WHO, this population should achieve a vaccination coverage of at least 75%. We believe that we should do everything in this area as well, so that the WHO recommendations can be implemented as soon as possible.

In this context, an infrastructure reform and support regarding the feasibility of the objectives set are also important. The action plan should therefore include an analysis and proposal of steps to facilitate the implementation of the vaccination programme.

Improved access to data and international infrastructure also in medicines policy

Investments in data technology and artificial intelligence should be made across the sector. In the area of drug policy, we see investment in data registers (e.g. oncology register) as well as improving the collection of epidemiological data as essential.

As part of the support of international research cooperation, we also draw attention to the need to prioritize the EU project for the development of aphaeretic plasma production in Slovakia as well. One of the problems identified by the EU is the global dependence on plasma from the US, where there is a high level of social and legislative support for donations. Slovakia, as one of the few countries in the EU, has so far supported very little and is developing this type of production. However, investing in the infrastructure needed to increase the capacity for aphaeretic plasma production would significantly improve the availability of drugs from blood plasma, especially immunoglobulins, where we are currently experiencing a significant shortage in Slovakia. At the same time, it would bring significant funds to the health system.

7. Public institutions and regulations

Most public institutions have a low trust among the population and the business sphere. Professionalization and improvement of transparency are the main steps to increase the poor reputation of public institutions in Slovakia.

Transparent and fair public procurement

Our long-term intention is that public tenders are in accordance with the principles of public procurement - transparent, non-discriminatory and efficient. Although there have been some improvements in public procurement in recent years, it is still necessary to increase the efficiency and speed of these processes while ensuring non-discrimination between market participants and an adequate degree of transparency.

For this purpose, it is necessary to eliminate all practices in public tenders, with preferred treatment for a certain candidate, so called tailor made tender texts.

It is necessary to ensure that all basic principles and rules of public procurement are really applied in practice and that primarily in regard to efficient methods of preventing conflicts of interest, of increasing transparency and thus enabling a wider public to control the process of public procurement. It is necessary to establish effective revision mechanisms with lower fees and immediate actions taken by the courts.

The legal protection for bidders and interested parties needs to be improved within the electronic marketplace, as far as submission of objections in this case is not allowed.

Increase predictability of legislation

The flaws in the law enforcement, in particular the long procedure times and the unpredictability of judgements create problems for many companies. Acceleration of court proceedings and increased transparency in decision-making can provide a remedy. A further key factor is the strengthening of independence of courts, prosecutors and the police and assuring their freedom from political influence.

Open public institutions

Public administration should be more open towards a cooperation with private companies, i.e. the public administration should give guidance, consultations and counselling where asked from the private sector, in

order to ensure compliance with laws. This kind of cooperation should be aimed at preventing unlawful actions, ensuring a consistent interpretation of laws, implementing innovative systems and reducing administration effort.

Implementation of One-Stop-One-Shop principle in public services

Simplifying the usage and enlarging the coverage of this platform is essential. The goal is a greater integration of public services, simplification of approval procedures and its smooth functioning in respect to the entrepreneur according to the One-Stop-One-Shop principle.

Transparent selection procedures of higher public officials

For the sake of professionalization of the public administration the placement of public officials should be based on bringing in expertise and securing continuity of the public administration. The selection procedures of higher officials should be independent and transparent. This is also true for institutions in the judiciary.

8. Digitalization

Slovakia lags behind when it comes to implementing the digital economy, according to the European Digital Economy and Society Index (DESI). It must make further efforts to improve its digital competitiveness. In order to advance digitalisation, Slovakia requires future-oriented digital infrastructures, a supportive legal framework, digitally competent employees and the secure and reliable use of digital technologies. With the right framework, macro-economic effectiveness gains can be made in companies and public administrations.

Expansion of high-performance digital infrastructures

The expansion of digital infrastructure – fix and mobile – requires considerable investment. This can only be achieved through the joint efforts and tight coordination of network providers, civil engineers, as well as national, regional and local authorities. All measures – planning, regulatory, financing – should be geared towards a nationwide roll-out of fibre-optic internet connections to end-users and future-proof 5G mobile networks. Funding programmes must be adapted to help equip all buildings with fibre-optic connections. These programmes need to become more effective and funding application procedures digitalised. Regional masterplans should underpin the nationwide fibre-optic roll-out and facilitate construction permit proceedings for commercial market players. Finally, in addition to rural areas, under-served districts in urban areas may need attention with special concern to avoid any crowding-out of private investment.

The European project GAIA-X, a connected cloud-based data infrastructure, offers the chance to win back sovereignty over European citizen and company data, reduce dependency and risk of lock-in with global hyperscalers, encourage cloud-skeptic organizations particularly SMEs to take advantage of cloud while maintaining control of their data, and foster a European ecosystem for innovation. Germany is already entangled in bringing this solution forward and could be joined by Slovakia as well.

IT as a service, effective IT support via centralised cloud solutions

Digitalization and automation of industry with IoT technologies could contribute to ensure sustainable economic growth, increase productivity and same time become environmentally friendly. This will help the country to develop towards the SDGs by 2030.

The aim to create an EU based cloud should be open to commercial entities through Europe. A free competition with strong adherence to EU defined standards and regulations will create the best possible cost-value ratio for EU companies and citizens.

Small and medium-sized companies often lack the funds to realize digitalization projects. For this reason, support schemes should be created which provide funding to as many companies as possible.

Support for implementing Industry 4.0

The potential of Industry 4.0 for the manufacturing sector is enormous. This applies not only to the optimisation of manufacturing processes, but also to the development of new business models.

There are three closely interlinked strategic fields of action are crucial for a successful implementation of Industry 4.0:

- **Autonomy:** Self-determination and free scope for action guarantee competitiveness in digital business models (new technology development and implementation, security, digital infrastructure)
- **Interoperability:** Cooperation and open ecosystems permit plurality and flexibility (regulatory framework, standards and integration, decentralized systems and artificial intelligence)
- **Sustainability:** Modern industrial value creation ensures that Slovakia overcomes the middle-income-trap (decent work and education, climate change mitigation and the circular economy, social participation)

The creation of a joint Industry 4.0 platform, in which public and private players are committed, has the potential to serve as a knowledge broker and intermediary, e.g. with regard to the development of interface definitions, standards and IT reference architectures across the entire value chain. In Germany, the “Plattform Industrie 4.0” has proven to be a success. Its stakeholders commit jointly to these fields of action as guiding principles for the coming decade of the incipient scaling-up of Industry 4.0 in Germany, Slovakia, Europe and globally. Throughout a dialogue with all the stakeholders within the industrial society, the aim is to establish a framework for action so that, building on the current outstanding position of German industry in Slovakia, the digital transformation can take place in a sustainable manner.

Digitalization of accounting

General unique rules for e-invoicing for all entities and a connection of the system to financial authorities should be ensured, in order to enable a thorough electronic communication between business entities, financial authorities and also business entities with their customers.

Support for business-related e-government

E-government should also be focussed on the universal digitisation of business-related administrative services. The government should therefore agree on a medium-term target for business-oriented e-government. As a result, companies should be able to provide administrative services via their central service account on slovensko.sk. Estonia proved very successful in this regard and could serve as blueprint for a “smart Slovakia.”

The online offers for companies are mapped in specialist procedures. They are often complex and involve other departments - including those outside the administration. These processes should be optimised and consistently mapped electronically. At the same time administrations can use data already available from companies (once only principle).

For companies, a nationwide uniform access in the sense of a Single Point of Contact (SPOC) is necessary in order to actually generate added value. Implementation of slovensko.sk as a nationwide uniform service account for companies so far is an approach only. The scope of services needs to be significantly widened and general usability of the platform needs to be improved.

Cyber security

An overall strategy for more data and information security in the Slovak economy should contain the following key points:

- More security for vulnerable products and systems: Trustworthiness regarding data and information security should be an elementary component of software- and hardware-based products and applications. Right transposition of NIS Directive and other EU measures, avoiding any duality in regulation is crucial.
- Integration of data and information security into the everyday life of management and employees: The management of every company should regard data and information security as an element of good corporate governance. The educational canon should be expanded to ensure that employees have the skills to handle IT systems safely.
- For a better ability of companies and the state to react in the event of damage: The challenges in the area of data and information security can only be successfully mastered thanks to the trusting cooperation of all parties involved, with approach balancing proportionate feasible measures with democratic Constitutional rights and freedoms, especially respecting privacy rights. What is needed is competence building in the security authorities and improved cooperation between security authorities and industry.

Furthermore, Slovakia should enable its public administration officials to work in secure electronic environments. This will support the government's endeavours to reconcile mobile working of public administration without lowering security requirements.

Improving the legal framework for the data economy

Small and medium-sized enterprises (SMEs) need to collaborate more closely along the value-chain – for example by forming common platforms – so that they can exchange more data. Politicians and R&D institutions should work together to support such platforms. The government can increase interoperability between both public and private platforms taking into account the commercial value of data. For fostering collaboration, it is essential that companies can share data on such spaces on their own terms.

In addition to the general data protection regulation (GDPR), clarity on the rights around data use is a top priority for business. Competition and the enforcement of related laws must be ensured for new and existing digital markets. The existing legal framework should be adapted to accommodate data-driven changes in competition. Politicians should give greater support to the establishment of European standards in global competition.